NEW ISSUES **Ratings: See "RATINGS" herein.**
BOOK-ENTRY ONLY

In the opinion of Kutak Rock LLP, Bond Counsel to the Authority, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Subordinate Series 2017 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Subordinate Series 2017B Bond for any period during which such Subordinate Series 2017B Bond is held by a "substantial user" of the facilities financed or refinanced by the Subordinate Series 2017B Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Bond Counsel is further of the opinion that (a) interest on the Subordinate Series 2017A Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax, except that interest on the Subordinate Series 2017A Bonds will be included in a corporate taxpayer's adjusted current earnings for purposes of computing its federal alternative minimum tax, and (b) interest on the Subordinate Series 2017B Bonds is a specific item of tax preference for purposes of the federal alternative minimum tax.. Bond Counsel is further of the opinion that interest on the Subordinate Series 2017 Bonds is exempt from present State of California personal income taxes. See "TAX MATTERS" herein.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

$291,210,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Subordinate Airport Revenue Bonds

SAN DIEGO INTERNATIONAL AIRPORT LET'S GO.

$146,040,000 SERIES 2017A (NON-AMT)	$145,170,000 SERIES 2017B (AMT)

Dated: Date of Delivery **Due: July 1 as shown on the inside cover**

The San Diego County Regional Airport Authority (the "Authority") is issuing its Subordinate Airport Revenue Bonds, Series 2017A (the "Subordinate Series 2017A Bonds"), and Subordinate Airport Revenue Bonds, Series 2017B (the "Subordinate Series 2017B Bonds," and together with the Subordinate Series 2017A Bonds, the "Subordinate Series 2017 Bonds"), to (a) pay and/or reimburse the Authority for certain capital improvements at San Diego International Airport, (b) repay a portion of the outstanding Subordinate Revolving Obligations, (c) fund a portion of the interest accruing on the Subordinate Series 2017 Bonds, (d) make a deposit to the Subordinate Reserve Fund, and (e) pay the costs of issuance of the Subordinate Series 2017 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Subordinate Series 2017 Bonds are special obligations of the Authority, payable solely from and secured by a pledge of (a) Subordinate Net Revenues, which include certain income and revenue received by the Authority from the operation of the Airport System, less all amounts that are required to pay the Operation and Maintenance Expenses of the Airport System and less all amounts necessary to pay debt service on and fund the reserves for the Senior Bonds; and (b) certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture. The Subordinate Series 2017 Bonds will be issued with a pledge of and lien on Subordinate Net Revenues on parity with the Authority's Subordinate Series 2010 Bonds, which, as of July 2, 2017, were outstanding in the aggregate principal amount of $536,990,000, the Authority's Subordinate Revolving Obligations, which are authorized to be outstanding in the aggregate principal amount of $125,000,000 at any one time, and the Authority's Subordinate Drawdown Bonds, which are authorized to be outstanding in the aggregate principal amount of $100,000,000 at any one time.

NONE OF THE PROPERTIES OF THE AIRPORT SYSTEM ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SUBORDINATE SERIES 2017 BONDS, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OF SAN DIEGO, THE COUNTY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF CALIFORNIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SUBORDINATE SERIES 2017 BONDS. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS."

The Subordinate Series 2017 Bonds will be issued as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Subordinate Series 2017 Bonds may be made in book-entry-form only in denominations of $5,000 and integral multiples thereof. Interest on the Subordinate Series 2017 Bonds will be payable on January 1 and July 1, commencing on January 1, 2018. So long as the Subordinate Series 2017 Bonds are held by DTC, the principal of and interest on the Subordinate Series 2017 Bonds will be payable by wire transfer to DTC, which in turn will be required to remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Subordinate Series 2017 Bonds, as more fully described herein. See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM."

Maturity Schedule on Inside Front Cover

The Subordinate Series 2017 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as more fully described herein. See "DESCRIPTION OF THE SUBORDINATE SERIES 2017 BONDS—Redemption Provisions."

The purchase and ownership of Subordinate Series 2017 Bonds involve investment risk and may not be suitable for all investors. This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Subordinate Series 2017 Bonds. Investors are advised to read the entire Official Statement, including any portion hereof included by reference, to obtain information essential to the making of an informed decision, giving particular attention to the matters discussed under "CERTAIN INVESTMENT CONSIDERATIONS." Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The Subordinate Series 2017 Bonds are offered when, as and if issued by the Authority, subject to the approval of validity by Kutak Rock LLP, Bond Counsel to the Authority, and to certain other conditions. Certain matters will be passed upon for the Authority by its General Counsel and by Kutak Rock LLP, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation. Frasca & Associates, LLC. has served as Municipal Advisor to the Authority. It is expected that the delivery of the Subordinate Series 2017 Bonds will be made through the facilities of DTC on or about August 3, 2017.

Morgan Stanley **Jefferies**

Backstrom McCarley Berry & Co., LLC **Citigroup** **RBC Capital Markets** **Siebert Cisneros Shank & Co., L.L.C.**

Date of Official Statement: July 18, 2017.

MATURITY SCHEDULE

$146,040,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Subordinate Airport Revenue Bonds
Series 2017A
(Non-AMT)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Numbers†
2018	$2,320,000	4.000%	0.870%	102.833	79739GEU6
2019	2,220,000	5.000	0.930	107.690	79739GEV4
2020	2,425,000	5.000	1.060	111.264	79739GEW2
2021	2,545,000	5.000	1.170	114.599	79739GEX0
2022	2,670,000	5.000	1.250	117.807	79739GEY8
2023	2,805,000	5.000	1.400	120.353	79739GEZ5
2024	2,945,000	5.000	1.540	122.600	79739GFA9
2025	3,090,000	5.000	1.720	124.162	79739GFB7
2026	3,245,000	5.000	1.920	125.114	79739GFC5
2027	3,410,000	5.000	2.100	125.824	79739GFD3
2028	3,580,000	5.000	2.300	123.805[C]	79739GFE1
2029	3,760,000	5.000	2.440	122.414[C]	79739GFF8
2030	3,945,000	5.000	2.590	120.945[C]	79739GFG6
2031	4,145,000	5.000	2.660	120.266[C]	79739GFH4
2032	4,350,000	5.000	2.730	119.592[C]	79739GFJ0
2033	4,570,000	5.000	2.820	118.732[C]	79739GFK7
2034	4,795,000	5.000	2.880	118.163[C]	79739GFL5
2035	5,035,000	5.000	2.920	117.785[C]	79739GFM3
2036	5,290,000	5.000	2.950	117.503[C]	79739GFN1
2037	5,555,000	5.000	2.970	117.315[C]	79739GFP6

$32,220,000 5.000% Term Bonds due July 1, 2042;
Yield 3.030%; Price 116.754[C]; CUSIP No.† 79739GFQ4

$41,120,000 5.000% Term Bonds due July 1, 2047;
Yield 3.080%; Price 116.289[C]; CUSIP No.† 79739GFR2

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[C] Priced to the par call date of July 1, 2027.

$145,170,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Subordinate Airport Revenue Bonds
Series 2017B
(AMT)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Numbers†
2018	$2,620,000	5.000%	1.040%	103.580	79739GFS0
2019	2,240,000	5.000	1.250	107.058	79739GFT8
2020	2,400,000	5.000	1.400	110.232	79739GFU5
2021	2,525,000	5.000	1.530	113.123	79739GFV3
2022	2,650,000	5.000	1.620	115.893	79739GFW1
2023	2,780,000	5.000	1.770	118.050	79739GFX9
2024	2,920,000	5.000	1.910	119.915	79739GFY7
2025	3,065,000	5.000	2.090	121.115	79739GFZ4
2026	3,220,000	5.000	2.290	121.730	79739GGA8
2027	3,380,000	5.000	2.470	122.119	79739GGB6
2028	3,550,000	5.000	2.580	121.042[C]	79739GGC4
2029	3,725,000	5.000	2.720	119.688[C]	79739GGD2
2030	3,915,000	5.000	2.870	118.258[C]	79739GGE0
2031	4,110,000	5.000	2.940	117.597[C]	79739GGF7
2032	4,315,000	5.000	3.010	116.941[C]	79739GGG5
2033	4,530,000	5.000	3.070	116.382[C]	79739GGH3
2034	4,755,000	5.000	3.130	115.826[C]	79739GGJ9
2035	4,995,000	5.000	3.160	115.549[C]	79739GGK6
2036	5,245,000	5.000	3.190	115.273[C]	79739GGL4
2037	5,505,000	5.000	3.210	115.090[C]	79739GGM2

$31,950,000 5.000% Term Bonds due July 1, 2042;
Yield 3.240%; Price 114.815[C]; CUSIP No.† 79739GGN0

$40,775,000 5.000% Term Bonds due July 1, 2047;
Yield 3.290%; Price 114.359[C]; CUSIP No.† 79739GGP5

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[C] Priced to the par call date of July 1, 2027.

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SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

BOARD OF DIRECTORS

C. April Boling (Chair)[*]
Paul Robinson (Vice Chair)[*]
Jim Janney[*]
Greg Cox
Jim Desmond
Robert H. Gleason
Mark Kersey
Mary Sessom
Michael Schumacher
Laurie Berman, *Ex-Officio* Member
Eraina Ortega, *Ex-Officio* Member
Colonel Jason G. Woodworth, *Ex-Officio* Member

[*]Member of the Executive Committee.

EXECUTIVE MANAGEMENT

Kimberly J. Becker, President and CEO
Scott M. Brickner. Vice President, Finance & Asset Management/Treasurer
Angela Shafer-Payne, Vice President, Operations Division
Jeffrey Woodson, Vice President, Development Division[1]
Mark Burchyett, Chief Auditor
Amy Gonzalez, General Counsel

SUBORDINATE TRUSTEE

U.S. Bank National Association

INDEPENDENT AUDITORS

BKD, LLP

BOND COUNSEL AND DISCLOSURE COUNSEL

Kutak Rock LLP

MUNICIPAL ADVISOR

Frasca & Associates, LLC

FEASIBILITY CONSULTANT

Unison Consulting, Inc.

[1] Mr. Woodson has announced that he will be retiring at the end of the year. As of the date of this Official Statement, no replacement has been named for Mr. Woodson.

No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Subordinate Series 2017 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Subordinate Series 2017 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. See "INTRODUCTION—Forward-Looking Statements" herein.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement is submitted in connection with the sale of the Subordinate Series 2017 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE SUBORDINATE SERIES 2017 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE SUBORDINATE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SUBORDINATE SERIES 2017 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SUBORDINATE SERIES 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SUBORDINATE SERIES 2017 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGES OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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OFFICIAL STATEMENT

$291,210,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Subordinate Airport Revenue Bonds

$146,040,000 Series 2017A (Non-AMT)	**$145,170,000 Series 2017B (AMT)**

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, inside cover pages, table of contents and appendices, is to provide certain information concerning the sale and delivery by the San Diego County Regional Airport Authority (the "Authority") of its $146,040,000 San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2017A (the "Subordinate Series 2017A Bonds"), and $145,170,000 San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2017B (the "Subordinate Series 2017B Bonds," and together with the Subordinate Series 2017A Bonds, the "Subordinate Series 2017 Bonds"). Capitalized terms used but not defined herein have the meanings ascribed to them in "APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SUBORDINATE INDENTURE AND THE FIFTH SUPPLEMENTAL SUBORDINATE INDENTURE—CERTAIN DEFINITIONS."

The Authority

The Authority is a local government entity of regional government, with jurisdiction extending throughout the County of San Diego (the "County"). The Authority was organized and exists pursuant to the provisions of the Constitution of the State of California and Section 170000 et seq. of the California Public Utilities Code (the "Act"). The Authority was formed for the purposes of: (a) operating the Airport System (the main asset of which is San Diego International Airport (Lindbergh Field) ("SDIA," "SAN" or the "Airport")); (b) planning and operating any future airport that could be developed as a supplement or replacement to SDIA; (c) developing a comprehensive land use plan as it may relate to the Airport System for the entire County; and (d) serving as the region's airport land use commission.

San Diego International Airport and Airport System

SDIA was owned and operated by the San Diego Unified Port District (the "Port District") until January 2003 at which time SDIA was transferred by long-term lease to the Authority (the "Transfer"). The Transfer included all obligations associated with SDIA, including bonds and commercial paper notes issued for the improvement of SDIA. SDIA is the busiest single-runway commercial airport in the United States and is classified as a large air traffic hub by the Federal Aviation Administration (the "FAA"). According to Airports Council International ("ACI") statistics, for the calendar year ended December 31, 2015 (the latest available information from ACI), SDIA was ranked as the 27th busiest airport in the country as measured by total number of enplaned and deplaned passengers. For the fiscal year ended June 30, 2016 ("Fiscal Year 2016"), SDIA enplaned approximately 10.2 million passengers, which represented an approximately 5.1% increase in enplaned passengers from the fiscal year ended June 30, 2015. For the calendar year ended December 31, 2016, approximately 96% of the passengers using SDIA were origination and destination ("O&D") passengers (passengers beginning or ending their trips at

SDIA, as opposed to passengers connecting through SDIA to other cities). See "THE AUTHORITY" and "SAN DIEGO INTERNATIONAL AIRPORT" herein.

In addition to operating SDIA, the Authority is responsible for operating the entire "Airport System," which includes all airports, airport sites, and all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce under the jurisdiction and control of the Authority, including SDIA, and any successor entities thereto, including all facilities and property related thereto, real or personal, under the jurisdiction or control of the Authority or in which the Authority has other rights or from which the Authority derives revenues at such location; and including or excluding, as the case may be, such property as the Authority may either acquire or which shall be placed under its control, or divest or have removed from its control. Currently, SDIA is the only airport in the Airport System.

Plan of Finance

The Subordinate Series 2017 Bonds are being issued to (a) pay and/or reimburse the Authority for certain capital improvements at SDIA, (b) repay $32,550,000 aggregate principal amount of the Authority's outstanding Subordinate Revolving Obligations (as defined herein), (c) fund a portion of the interest accruing on the Subordinate Series 2017 Bonds through and including January 1, 2019, (d) make a deposit to the Subordinate Reserve Fund (as defined herein), and (e) pay the costs of issuance of the Subordinate Series 2017 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" and "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT."

Subordinate Series 2017 Bonds and Pledge of Subordinate Net Revenues

The Subordinate Series 2017 Bonds are being issued pursuant to the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended (the "Master Subordinate Indenture"), by and between the Authority and U.S. Bank National Association, as successor trustee (the "Subordinate Trustee"), and the Fifth Supplemental Subordinate Trust Indenture, to be dated as of August 1, 2017 (the "Fifth Supplemental Subordinate Indenture," and collectively with the Master Subordinate Indenture and all supplements thereto, the "Subordinate Indenture"), by and between the Authority and the Subordinate Trustee; the Act; and certain other provisions of California State law (including Section 53580 *et seq*. of the California Government Code). Additionally, the board of directors of the Authority (the "Board") authorized the issuance of the Subordinate Series 2017 Bonds pursuant to a resolution adopted by the Board on July 6, 2017 (the "Resolution"). See "DESCRIPTION OF THE SUBORDINATE SERIES 2017 BONDS."

The Subordinate Series 2017 Bonds are secured by a pledge of and first lien on Subordinate Net Revenues (as defined herein) on a parity with the Existing Subordinate Obligations (as defined herein), and any additional bonds or obligations issued or incurred on a parity with the Subordinate Series 2017 Bonds under the terms and provisions of the Master Subordinate Indenture (the "Additional Subordinate Obligations"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS—Flow of Funds," "—Pledge of Subordinate Net Revenues," "—Use of PFCs to Pay Debt Service" and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE."

The Subordinate Series 2017 Bonds are special obligations of the Authority, payable solely from and secured by a pledge of (a) "Subordinate Net Revenues," which include Revenues (as defined herein), less all amounts which are required to be used to pay the Operation and Maintenance Expenses of the Airport System (as defined herein), less the debt service on the Senior Bonds (as defined herein) and less the reserve and replenishment requirements on and relating to the Senior Bonds, if any, and (b) certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture. None of the properties of the Airport System are subject to any

mortgage or other lien for the benefit of the owners of the Subordinate Series 2017 Bonds, and neither the full faith and credit nor the taxing power of the Authority, the City of San Diego (the "City"), the County, the State of California (the "State") or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Subordinate Series 2017 Bonds.

Outstanding Subordinate Obligations

Pursuant to the Master Subordinate Indenture and the Second Supplemental Subordinate Trust Indenture, dated as of October 1, 2010 (the "Second Supplemental Subordinate Indenture"), by and between the Authority and the Subordinate Trustee, the Authority previously issued, and as of July 2, 2017, there was $536,990,000 aggregate principal amount outstanding of its Subordinate Airport Revenue Bonds, Series 2010A (the "Subordinate Series 2010A Bonds"), Subordinate Airport Revenue Bonds, Series 2010B (the "Subordinate Series 2010B Bonds"), and Subordinate Airport Revenue Bonds, Series 2010C (the "Subordinate Series 2010C Bonds," and collectively with the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds, the "Subordinate Series 2010 Bonds").

Pursuant to the Master Subordinate Indenture, the Third Supplemental Subordinate Trust Indenture, dated as of September 1, 2014 (the "Third Supplemental Subordinate Indenture"), by and between the Authority and the Subordinate Trustee, and the Revolving Credit Agreement, dated as of September 1, 2014, as amended (the "Subordinate Credit Agreement"), by and between the Authority and U.S. Bank National Association (the "Subordinate Revolving Obligations Bank"), the Authority is authorized to issue and have outstanding, from time to time, up to $125,000,000 in aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Revolving Obligations (collectively, the "Subordinate Revolving Obligations"). As of July 2, 2017, the Authority had $58,988,000 aggregate principal amount of Subordinate Revolving Obligations outstanding. All Subordinate Revolving Obligations issued by the Authority are purchased by the Subordinate Revolving Obligations Bank in accordance with the terms of the Subordinate Credit Agreement. On or about September 1, 2017, the Authority expects to repay $32,550,000 of the Subordinate Revolving Obligations with a portion of the proceeds of the Subordinate Series 2017A Bonds and certain other available moneys of the Authority.

Additionally, pursuant to the Master Subordinate Indenture, the Fourth Supplemental Subordinate Trust Indenture, dated as of April 1, 2017 (the "Fourth Supplemental Subordinate Indenture"), by and between the Authority and the Subordinate Trustee, the Bondholder's Agreement, dated as of April 1, 2017 (the "Subordinate Drawdown Bondholder's Agreement"), by and between the Authority and RBC Municipal Products, LLC (the "Subordinate Drawdown Bond Purchaser"), and the Bond Purchase Agreement, dated April 19, 2017 (the "Subordinate Drawdown Bond Purchase Agreement"), between RBC Capital Markets, LLC (the "Subordinate Drawdown Bond Underwriter") and the Authority, the Authority is authorized to issue and have outstanding, from time to time, up to $100,000,000 in aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Drawdown Bonds (collectively, the "Subordinate Drawdown Bonds"). As of the date of this Official Statement, the Authority had no Subordinate Drawdown Bonds outstanding. When issued, all Subordinate Drawdown Bonds will be purchased by the Subordinate Drawdown Bond Purchaser in accordance with the terms of the Subordinate Drawdown Bondholder's Agreement and the Subordinate Drawdown Bond Purchase Agreement.

The Subordinate Series 2010 Bonds, the Subordinate Revolving Obligations and the Subordinate Drawdown Bonds are collectively referred to in this Official Statement as the "Existing Subordinate Obligations"; and the Subordinate Series 2017 Bonds, the Existing Subordinate Obligations and any Additional Subordinate Obligations are collectively referred to in this Official Statement as "Subordinate

Obligations." The Subordinate Obligations are secured by a pledge of Subordinate Net Revenues and certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS—Flow of Funds," and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Outstanding Subordinate Obligations."

Senior Bonds

Pursuant to the Master Trust Indenture, dated as of November 1, 2005, as amended (the "Master Senior Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Senior Trustee"), and the Third Supplemental Trust Indenture, dated as of January 1, 2013 (the "Third Supplemental Senior Indenture," and collectively with the Master Senior Indenture and all supplements thereto, the "Senior Indenture"), by and between the Authority and the Senior Trustee, the Authority has previously issued and, as of July 2, 2017, there was outstanding $373,310,000 aggregate principal amount of its Senior Airport Revenue Bonds, Series 2013A (the "Senior Series 2013A Bonds"), and Senior Airport Revenue Bonds, Series 2013B (the "Senior Series 2013B Bonds," and together with the Senior Series 2013A Bonds, the "Senior Series 2013 Bonds"). The Senior Series 2013 Bonds are secured by a pledge of and first lien on Net Revenues senior to the Subordinate Obligations (including the Subordinate Series 2017 Bonds). "Net Revenues" include Revenues less Operation and Maintenance Expenses of the Airport System. For purposes of this Official Statement, "Senior Bonds" means the Senior Series 2013 Bonds and any additional bonds or obligations issued or incurred under the terms and provisions of the Master Senior Indenture that are secured on a parity basis by the Net Revenues (the "Additional Senior Bonds"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS" and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Outstanding Senior Bonds."

Capital Program

The Authority maintains a 5-year capital program that is designed to preserve regulatory compliance, critical infrastructure functions and Airport access. Additionally the capital program seeks to enhance safety, customer service, cost savings and revenue opportunities. The Authority's current 5-year capital program (the "Capital Program") includes projects to be completed in Fiscal Years 2018 through 2022 that have an estimated cost of $1.2 billion. The Capital Program includes, among other projects, the new Terminal 2 West Parking Plaza (consisting of a 3-story, 2,900 parking space, public parking structure to be located across from Terminal 2), a new Federal Inspection Services ("FIS") facility in Terminal 2 West, and various other airfield, terminal and landside projects. A portion of the proceeds of the Subordinate Series 2017 Bonds will be used to finance certain projects included in the Capital Program (including the Terminal 2 West Parking Plaza and the new FIS facility). In addition to the proceeds of the Subordinate Series 2017 Bonds, the Capital Program has been and will be financed with a combination of proceeds of the previously-issued Subordinate Series 2010 Bonds, the previously-issued Senior Series 2013 Bonds, the previously-issued Series 2014 Special Facilities Bonds (as defined herein) and Additional Senior Bonds expected to be issued in 2018, federal grants, Passenger Facility Charges ("PFCs"), Customer Facility Charges ("CFCs") and certain other available moneys of the Authority. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS," "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Financial Feasibility Report

Included as Appendix A to this Official Statement is a Financial Feasibility Report dated July 10, 2017 (the "Financial Feasibility Report"), prepared by Unison Consulting, Inc. (the "Feasibility

Consultant"), in conjunction with the issuance of the Subordinate Series 2017 Bonds. The Financial Feasibility Report includes, among other things, a description of the underlying economic base of SDIA's air service area; a description of historical air traffic activity at SDIA; the Feasibility Consultant's projections for air traffic activity at SDIA through Fiscal Year 2023 and a description of the assumptions on which such projections were based; a description of existing and planned facilities at SDIA; and the Feasibility Consultant's projections of debt service, debt service coverage, expenses and revenues through Fiscal Year 2023 and a description of the assumptions upon which such projections were based. Inevitably, some assumptions used to develop the projections in the Financial Feasibility Report will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material. The projections contained in the Financial Feasibility Report are not necessarily indicative of future performance, and neither the Feasibility Consultant nor the Authority assume any responsibility for the failure to meet such projections. The Financial Feasibility Report is an integral part of this Official Statement and should be read in its entirety. The Financial Feasibility Report has not been revised subsequent to its date of publication (July 10, 2017) to reflect the final terms of the Subordinate Series 2017 Bonds. See "—Forward-Looking Statements" and "CERTAIN INVESTMENT CONSIDERATIONS—Financial Feasibility Report" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Continuing Disclosure

The Authority will covenant for the benefit of the owners and beneficial owners of the Subordinate Series 2017 Bonds to annually provide, or cause to be provided, certain financial information and operating data concerning the Authority and the Airport System, and to provide, or cause to be provided, notices of certain enumerated events to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System (the "EMMA System") or any successor method designated by the MSRB, pursuant to the requirements of Rule 15c2-12 of the Securities Exchange Commission. See "CONTINUING DISCLOSURE" and "APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Investment Considerations

The purchase and ownership of the Subordinate Series 2017 Bonds involve investment risks. Prospective purchasers of the Subordinate Series 2017 Bonds should read this Official Statement in its entirety. For a discussion of certain risks relating to the Subordinate Series 2017 Bonds, see "CERTAIN INVESTMENT CONSIDERATIONS."

Forward-Looking Statements

The statements contained in this Official Statement that are not purely historical, are forward-looking statements, including statements regarding the Authority's expectations, hopes, intentions or strategies regarding the future. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "forecast," "will likely result," "are expected to," "will continue," "is anticipated," "intend" or other similar words. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. It is important to note that the Authority's actual financial and operating results likely will differ, and could differ materially, from those in such forward-looking statements.

The forward-looking statements herein are based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including airlines, customers, suppliers and competitors, among others, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Authority. Any such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Additional Information

Brief descriptions of the Subordinate Series 2017 Bonds, the Senior Indenture, the Subordinate Indenture, the Airline Lease Agreements (as defined herein) and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, laws, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, law, report or other instrument. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Subordinate Series 2017 Bonds. The Authority maintains a website, the information on which is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Subordinate Series 2017 Bonds.

PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS

Plan of Finance

General. The Subordinate Series 2017 Bonds are being issued to (a) pay and/or reimburse the Authority for the costs of the Subordinate Series 2017 Projects (as defined below under "Subordinate Series 2017 Projects"), (b) repay $32,550,000 aggregate principal amount of the outstanding Subordinate Revolving Obligations, (c) fund a portion of the interest accruing on the Subordinate Series 2017 Bonds through and including January 1, 2019, (d) make a deposit to the Subordinate Reserve Fund, and (e) pay the costs of issuance of the Subordinate Series 2017 Bonds.

Subordinate Series 2017 Projects. The Subordinate Series 2017 Bonds are being issued to, among other things, finance a portion of the costs of certain projects included in the Capital Program (the "Subordinate Series 2017 Projects"). The Subordinate Series 2017 Projects include, among others, the Terminal 2 West Parking Plaza (a three-story parking garage being built in front of Terminal 2 that will provide approximately 2,900 parking spaces (an increase of 1,700 new parking spaces over the number that were available at SDIA prior to the start of construction of the parking plaza), and the new FIS facility in Terminal 2 West. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Subordinate Series 2017 Bonds:

	Subordinate Series 2017A Bonds	Subordinate Series 2017B Bonds	Total
Sources			
Principal Amount	$146,040,000.00	$145,170,000.00	$291,210,000.00
Original Issue Premium	25,855,131.10	22,568,556.50	48,423,687.60
Total Sources	$171,895,131.10	$167,738,556.50	$339,633,687.60
Uses			
Deposit to Construction Funds	$129,477,640.00	$159,000,000.00	$288,477,640.00
Repayment of Subordinate Revolving Obligations	32,550,000.00	–	32,550,000.00
Deposit to Capitalized Interest Accounts[1]	1,495,910.75	565,760.34	2,061,671.09
Deposit to Subordinate Reserve Fund	7,630,554.79	7,446,041.31	15,076,596.10
Costs of Issuance[2]	741,025.56	726,754.85	1,467,780.41
Total Uses	$171,895,131.10	$167,738,556.50	$339,633,687.60

[1] Represents a portion of the interest accruing on the Subordinate Series 2017 Bonds through January 1, 2019.
[2] Includes Underwriters' discount, legal and other costs of issuance.

DESCRIPTION OF THE SUBORDINATE SERIES 2017 BONDS

General

The Subordinate Series 2017 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover pages of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Subordinate Series 2017 Bonds will be dated their date of delivery, and will bear interest from that date, payable semi-annually on January 1 and July 1 of each year (each an "Interest Payment Date"), commencing on January 1, 2018. Interest due and payable on the Subordinate Series 2017 Bonds on any Interest Payment Date will be paid to the registered owner as of the Record Date (Cede & Co., so long as the book-entry system with The Depository Trust Company ("DTC") is in effect). Each Subordinate Series 2017 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Subordinate Series 2017 Bond will bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Subordinate Series 2017 Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is on or before December 15, 2017, in which event such Subordinate Series 2017 Bond will bear interest from its date of delivery. If interest on the Subordinate Series 2017 Bonds is in default, Subordinate Series 2017 Bonds issued in exchange for Subordinate Series 2017 Bonds surrendered for transfer or exchange will bear interest from the Interest Payment Date to which interest has been paid in full on the Subordinate Series 2017 Bonds surrendered.

The Subordinate Series 2017 Bonds will be issued in denominations of $5,000 or integral multiples thereof. The Subordinate Series 2017 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Subordinate Series 2017 Bonds. Individual purchases may be made in book-entry-form only. Purchasers will not receive certificates representing their interest in the Subordinate Series 2017 Bonds purchased. So long as Cede & Co., as a nominee of DTC, is the registered owner of the Subordinate Series 2017 Bonds, references herein to the Holders or registered owners means Cede & Co., and does not mean the Beneficial Owners of the Subordinate Series 2017 Bonds.

So long as Cede & Co. is the registered owner of the Subordinate Series 2017 Bonds, principal of and interest on the Subordinate Series 2017 Bonds will be payable by wire transfer by the Subordinate Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants, for subsequent disbursement to the Beneficial Owners. See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM."

Redemption Provisions

Optional Redemption. The Subordinate Series 2017A Bonds maturing on or before July 1, 2027 are not subject to optional redemption prior to maturity. The Subordinate Series 2017A Bonds maturing on or after July 1, 2028 are subject to redemption prior to maturity, at the option of the Authority, from any moneys that may be provided for such purpose, in whole or in part, on any date on or after July 1, 2027 at a redemption price equal to 100% of the principal amount of the Subordinate Series 2017A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The Subordinate Series 2017B Bonds maturing on or before July 1, 2027 are not subject to optional redemption prior to maturity. The Subordinate Series 2017B Bonds maturing on or after July 1, 2028 are subject to redemption prior to maturity, at the option of the Authority, from any moneys that may be provided for such purpose, in whole or in part, on any date on or after July 1, 2027 at a redemption price equal to 100% of the principal amount of the Subordinate Series 2017B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Subordinate Series 2017A Bonds maturing on July 1, 2042 (the "Subordinate Series 2017A Term Bonds (2042)") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	Principal Amount
2038	$5,830,000
2039	6,120,000
2040	6,430,000
2041	6,750,000
2042†	7,090,000

† Final Maturity.

The Subordinate Series 2017A Bonds maturing on July 1, 2047 (the "Subordinate Series 2017A Term Bonds (2047)") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	Principal Amount
2043	$7,440,000
2044	7,815,000
2045	8,205,000
2046	8,615,000
2047†	9,045,000

† Final Maturity.

The Subordinate Series 2017B Bonds maturing on July 1, 2042 (the "Subordinate Series 2017B Term Bonds (2042)") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	Principal Amount
2038	$5,780,000
2039	6,070,000
2040	6,375,000
2041	6,695,000
2042†	7,030,000

† Final Maturity.

The Subordinate Series 2017B Bonds maturing on July 1, 2047 (the "Subordinate Series 2017B Term Bonds (2047)," and collectively with the Subordinate Series 2017A Term Bonds (2042), the Subordinate Series 2017A Term Bonds (2047) and the Subordinate Series 2017B Term Bonds (2042), the "Subordinate Series 2017 Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	Principal Amount
2043	$7,380,000
2044	7,750,000
2045	8,135,000
2046	8,540,000
2047†	8,970,000

† Final Maturity.

At the option of the Authority, to be exercised by delivery of a written certificate to the Subordinate Trustee on or before the 60th day next preceding any mandatory sinking fund redemption date for the Subordinate Series 2017 Term Bonds, it may (a) deliver to the Subordinate Trustee for cancellation Subordinate Series 2017 Term Bonds or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Authority or (b) specify a principal amount of Subordinate Series 2017 Term Bonds or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Subordinate Trustee at the request of the Authority and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Subordinate Series 2017 Term Bond or portion thereof so purchased or otherwise acquired or redeemed and delivered to the Subordinate Trustee for cancellation will be credited by the Subordinate Trustee at 100% of the principal amount thereof against the obligation of the Authority to pay the principal of such applicable Subordinate Series 2017 Term Bond on such mandatory sinking fund redemption date.

Notices of Redemption to Holders; Conditional Notice of Optional Redemption. The Subordinate Trustee will give notice of redemption, in the name of the Authority, to Holders affected by redemption (or DTC, so long as the book-entry system with DTC is in effect) at least 30 days but not more than 60 days before each redemption date and send such notice of redemption by first class mail (or with respect to Subordinate Series 2017 Bonds held by DTC via electronic means or by an express delivery service for delivery on the next following Business Day or by such other means as permitted or required by DTC's procedures) to each Holder of a Subordinate Series 2017 Bond to be redeemed; each such notice will be sent to the Holder's registered address.

Each notice of redemption will specify the Series, the issue date, the maturity date, the interest rate and the CUSIP number of each Subordinate Series 2017 Bond to be redeemed, if less than all Subordinate Series 2017 Bonds of a Series, maturity date and interest rate are called for redemption the numbers assigned to the Subordinate Series 2017 Bonds to be redeemed, the principal amount to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, the Subordinate Trustee's name, that payment will be made upon presentation and surrender of the Subordinate Series 2017 Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue.

Failure to give any required notice of redemption as to any particular Subordinate Series 2017 Bond will not affect the validity of the call for redemption of any Subordinate Series 2017 Bonds in respect of which no failure occurs. Any notice sent as provided in the Subordinate Indenture will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Subordinate Series 2017 Bonds called for redemption become due and payable on the date fixed for redemption at the applicable redemption price. Provided funds are deposited with the Subordinate Trustee sufficient for redemption, interest on the Subordinate Series 2017 Bonds to be redeemed will cease to accrue on and after the date fixed for redemption.

The Authority may provide that, if at the time of mailing of notice of an optional redemption there has not been deposited with the Subordinate Trustee moneys sufficient to redeem all the Subordinate Series 2017 Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Subordinate Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be cancelled and on such cancellation date notice of such cancellation will be mailed to the Holders of such Subordinate Series 2017 Bonds called for redemption.

Effect of Redemption. On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Subordinate Indenture and as described above and sufficient moneys for payment of the redemption price being held in trust to pay the redemption price, the Subordinate Series 2017 Bonds called for redemption will become and be due and payable on the redemption date, interest on such Subordinate Series 2017 Bonds will cease to accrue from and after such redemption date, such Subordinate Series 2017 Bonds will cease to be entitled to any lien, benefit or security under the Subordinate Indenture and the Holders of such Subordinate Series 2017 Bonds will have no rights in respect thereof except to receive payment of the redemption price. Subordinate Series 2017 Bonds which have been duly called for redemption and for which moneys for the payment of the redemption price are held in trust for the Holders thereof, all as provided in the Fifth Supplemental Subordinate Indenture, will not be deemed to be Outstanding under the provisions of the Subordinate Indenture.

Selection of Subordinate Series 2017 Bonds for Redemption; Subordinate Series 2017 Bonds Redeemed in Part. Redemption of the Subordinate Series 2017 Bonds will only be in Authorized Denominations. The Subordinate Series 2017 Bonds are subject to redemption in such order of maturity and interest rate within a Series (except mandatory sinking fund payments on the Subordinate Series 2017 Term Bonds) as the Authority may direct, and by lot within such maturity and interest rate selected in such manner as the Subordinate Trustee (or DTC, as long as DTC is the securities depository for the Subordinate Series 2017 Bonds), deems appropriate.

Except as otherwise provided under the procedures of DTC, on or before the 45th day prior to any mandatory sinking fund redemption date, the Subordinate Trustee will proceed to select for redemption (by lot in such manner as the Subordinate Trustee may determine), from the applicable Subordinate Series 2017 Term Bonds subject to such redemption, an aggregate principal amount of such applicable Subordinate Series 2017 Term Bonds equal to the amount for such year as set forth in the applicable table under "Mandatory Sinking Fund Redemption" above and will call such Subordinate Series 2017 Term Bonds or portions thereof (in Authorized Denominations) for redemption and give notice of such call.

SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS

Flow of Funds

The application of Revenues of the Authority is governed by the Master Senior Indenture and the Subordinate Indenture. Pursuant to the Master Senior Indenture, the Authority covenanted to establish and maintain an account designated as the "Revenue Account" within the Revenue Fund and to deposit all Revenues, when and as received, in the Revenue Account.

"Revenues" are generally defined in the Master Senior Indenture to mean, except to the extent specifically excluded therefrom, all income, receipts, earnings and revenues received by the Authority from the operation and ownership of the Airport System, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to: (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the Authority for the use or availability of the Airport System; and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Authority, including rental or business interruption insurance proceeds received by, held by, accrued to or entitled to be received by the Authority or any successor thereto from the possession, management, charge, superintendence and control of the Airport System and its related facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the Authority receives payments which are attributable to the Airport System or activities or undertakings related thereto. Revenues also include amounts received from tenants representing the principal portion of payments received pursuant to certain self-liquidating lease agreements, all income, receipts and earnings (except any earnings allowed to be pledged by the terms of a supplemental indenture to fund a construction fund) from the investment of amounts held in the Revenue Account, any construction fund, any debt service fund (except Capitalized Interest on deposit therein), any debt service reserve fund and such additional revenues, if any, as are designated as "Revenues" under the terms of a supplemental indenture. Unless otherwise designated as "Revenues" under the terms of a Supplemental Senior Indenture or pursuant to a certificate of the

Authority, PFCs, grants and other charges authorized by federal and/or State laws or regulations to be assessed to fund specific programs at the Airport System, Capitalized Interest, CFCs, and the cash subsidy payments the Authority receives from the United States Treasury equal to a portion of the interest payable on the Subordinate Series 2010C Bonds (the "Federal Direct Payments") are specifically excluded from Revenues. The Authority has not designated, pursuant to a Supplemental Senior Indenture or a certificate of the Authority, PFCs, grants and other charges authorized by federal and/or State laws or regulations to be assessed to fund specific programs at the Airport System, Capitalized Interest, CFCs or Federal Direct Payments as Revenues. However, see "—Use of PFCs to Pay Debt Service" below for a discussion regarding the Authority's irrevocable commitment of PFCs to pay debt service on PFC Eligible Bonds (as defined herein). In addition to the irrevocably committed PFCs, the Authority expects to apply a portion of the PFCs it receives to the payment of debt service on the Senior Series 2013 Bonds and the Subordinate Series 2010 Bonds (see "—Use of PFCs to Pay Debt Service" below). Additionally, although not included in Revenues, (1) the Authority expects to apply the Federal Direct Payments to the payment of debt service on the Subordinate Series 2010 Bonds, and (2) the Capitalized Interest on deposit in the debt service funds for the Subordinate Series 2017 Bonds is subject to a lien on and security interest in favor of the Holders of the Subordinate Series 2017 Bonds.

Pursuant to the Master Senior Indenture, all Revenues will be deposited in the Revenue Account and will be set aside for the payment of the following amounts or deposited or transferred to the following funds and subaccounts in the order listed:

(1) *Operation and Maintenance Subaccount.* On or prior to the 20th day of each month, the Authority will deposit in the Operation and Maintenance Subaccount an amount equal to one-twelfth of the estimated Operation and Maintenance Expenses of the Airport System for the then current Fiscal Year as set forth in the budget of the Authority for such Fiscal Year as finally approved by the Authority. In the event that the balance in the Operation and Maintenance Subaccount at any time is insufficient to make any required payments therefrom, additional amounts at least sufficient to make such payments will immediately be deposited in the Operation and Maintenance Subaccount from the Revenue Account, and such additional amounts will be credited against the next succeeding monthly deposit from the Revenue Account.

(2) *Senior Debt Service Funds.* On or prior to the 15th day of each calendar month, Revenues will be transferred by the Authority to the Senior Trustee for deposit in the debt service funds established in respect of each series of Senior Bonds (the "Senior Debt Service Funds") equal to: (a) 1/6 of the interest coming due on the Senior Bonds on the next interest payment date for the Senior Bonds, provided that at least the full amount required to pay the interest on the Senior Bonds, as it becomes due, will be set aside in the Senior Debt Service Funds by not later than the 15th day of the month prior to the date each installment of interest becomes due, (b) 1/12 of the principal amount of the Senior Bonds maturing on the next principal payment date, provided that at least the full amount required to pay the principal amount of the Senior Bonds, as it becomes due, will be set aside in the Senior Debt Service Funds by not later than the 15th day of the month prior to the date such principal amount becomes due, and (c) 1/12 of the sinking installment payments, if any, with respect to the Senior Bonds subject to mandatory sinking fund redemption (the "Senior Term Bonds") on the next redemption date, provided that at least the full amount required to pay the sinking installment payment, if any, with respect to the Senior Term Bonds will be set aside in the Senior Debt Service Funds by not later than the 15th day of the month prior to the date such sinking installment payment becomes due. Additionally, if provided for in a senior supplemental indenture, regularly scheduled swap payments on a qualified swap may be payable from Net Revenues on a parity basis with the outstanding Senior Bonds.

(3) *Senior Debt Service Reserve Funds*. A sufficient amount of Revenues will be transferred by the Authority, without priority and on an equal basis, except as to timing of payment to the Senior Trustee for deposit into the respective debt service reserve funds established pursuant to the Senior Indenture, if any, at the times and in such amounts as required to be used to pay or replenish such debt service reserve funds or reimburse a credit provider of a debt service reserve fund surety. As of the date of this Official Statement, the debt service reserve fund for the Senior Series 2013 Bonds is the only debt service reserve fund established for Senior Bonds.

(4) *Subordinate Obligations Debt Service Funds*. On or prior to the 20th day of each calendar month, Revenues will be transferred by the Authority to the Subordinate Trustee for deposit in the debt service funds established in respect of each series of Subordinate Obligations (the "Subordinate Debt Service Funds") equal to: (a) 1/6 of the interest coming due on the Subordinate Obligations on the next interest payment date for the Subordinate Obligations, provided that at least the full amount required to pay the interest on the Subordinate Obligations, as it becomes due, will be set aside in the Subordinate Debt Service Funds by not later than the 20th day of the month prior to the date each installment of interest becomes due, (b) 1/12 of the principal amount of the Subordinate Obligations maturing on the next principal payment date, provided that at least the full amount required to pay the principal amount of the Subordinate Obligations, as it becomes due, will be set aside in the Subordinate Debt Service Funds by not later than the 20th day of the month prior to the date such principal amount becomes due, and (c) 1/12 of the sinking installment payments, if any, with respect to the Subordinate Obligations subject to mandatory sinking fund redemption (the "Subordinate Term Obligations") on the next redemption date, provided that at least the full amount required to pay the sinking installment payment, if any, with respect to the Subordinate Term Obligations will be set aside in the Subordinate Debt Service Funds by not later than the 20th day of the month prior to the date such sinking installment payment becomes due.

(5) *Subordinate Obligations Debt Service Reserve Funds*. On or prior to the 20th day of each month, upon any deficiency in any debt service reserve fund established by or for the benefit of the Authority in connection with the Subordinate Obligations, the Authority will deposit in such debt service reserve fund an amount equal to: (a) one-twelfth of the aggregate amount of each unreplenished prior withdrawal from such debt service reserve fund; and (b) the full amount of any deficiency in such debt service reserve fund due to any required valuations of the investments in such debt service reserve fund until the balance in such debt service reserve fund is at least equal to the debt service reserve requirement with respect to such Subordinate Obligations. See "—Subordinate Reserve Fund" below.

(6) *Operation and Maintenance Reserve Subaccount.* On or prior to the 20th day of each month, to the payment of the amounts required to be deposited in the Operation and Maintenance Reserve Subaccount which are payable from Net Revenues as specified in the Master Senior Indenture.

(7) *Renewal and Replacement Subaccount*. On or prior to the 20th day of each month, to the payment of the amounts required to be deposited in the Renewal and Replacement Subaccount as specified in the Master Senior Indenture.

All moneys and investments on deposit in the Revenue Account and not on deposit in any of the funds or subaccounts provided for as described in (1) through (7) above, are required under the Master Senior Indenture, on the last Business Day of each Fiscal Year, to be transferred from the Revenue Account to the Revenue Fund, unless and to the extent the Authority directs otherwise.

Following is a graphic description of the flow of funds described above, and the flow of PFC Revenues. See “—Use of PFCs to Pay Debt Service.”

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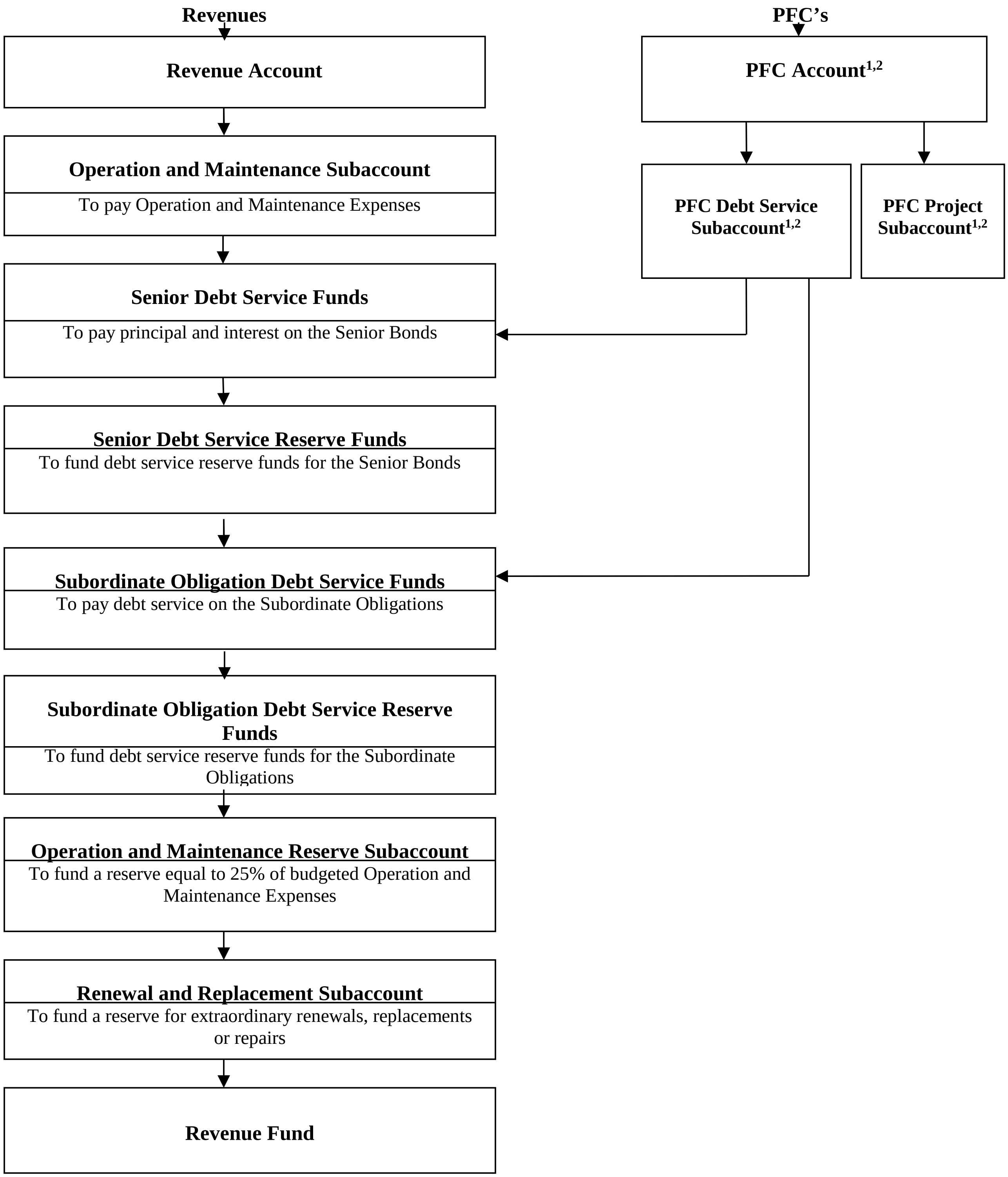
San Diego County Regional Airport Authority
Flow Of Funds



[1] Revenues do not include PFC revenues unless otherwise included in Revenues pursuant to a Supplemental Senior Indenture or a certificate of the Authority; which has not occurred as of the date of this Official Statement.

[2] During a Fiscal Year, all PFCs in the PFC Account will be first deposited to the PFC Debt Service Subaccount until an amount equal to the PFCs irrevocably committed by the Authority to the payment of debt service on the PFC Eligible Bonds for such Fiscal Year have been deposited to the PFC Debt Service Subaccount. No PFCs will be deposited to the PFC Project Subaccount during a Fiscal Year until the PFC Debt Service Subaccount has been fully funded. See "—Use of PFCs to Pay Debt Service below.

Pledge of Subordinate Net Revenues

The Subordinate Series 2017 Bonds are special obligations of the Authority payable solely from and secured by a pledge of Subordinate Net Revenues. The Subordinate Series 2017 Bonds also are secured by a pledge of amounts held by the Subordinate Trustee in certain funds and accounts pursuant to the Subordinate Indenture, as further described herein. See "—Use of PFCs to Pay Debt Service" below for a discussion regarding the Authority's irrevocable commitment of PFCs to pay debt service on PFC Eligible Bonds.

"Subordinate Net Revenues" are, for any given period, Revenues for such period, less all amounts which are required to be used to pay the Operation and Maintenance Expenses of the Airport System for such period, the debt service on the Senior Bonds for such period, and the reserve and replenishment requirements on and relating to the Senior Bonds for such period, if any. See "—Flow of Funds" above.

"Operation and Maintenance Expenses of the Airport System" are, for any given period, the total operation and maintenance expenses of the Airport System as determined in accordance with generally accepted accounting principles as in effect from time to time, excluding depreciation expense and any operation and maintenance expenses of the Airport System payable from moneys other than Revenues (including, but not limited to, any non-cash items that are required to be treated as operation and maintenance expenses of the Airport System in accordance with generally accepted accounting principles).

None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2017 Bonds, and neither the full faith and credit nor the taxing power of the Authority, the City, the County, the State or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Subordinate Series 2017 Bonds.

Subordinate Net Revenues are available for the equal and proportionate benefit and security of all Subordinate Obligations (including the Subordinate Series 2017 Bonds). The Subordinate Series 2017 Bonds are secured by a pledge of and lien on Subordinate Net Revenues on parity with the Subordinate Series 2010 Bonds, the Subordinate Revolving Obligations, the Subordinate Drawdown Bonds and any Additional Subordinate Obligations issued in the future. See "—Additional Subordinate Obligations" below.

Subordinate Rate Covenant

(a) Under the Master Subordinate Indenture, the Authority has covenanted that while any Subordinate Obligations remain Outstanding (but subject to all prior existing contracts and legal obligations of the Authority), it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that Subordinate Net Revenues in each Fiscal Year will be at least equal to the following amounts:

(i) the interest on and principal of the Outstanding Subordinate Obligations required to be funded by the Authority in such Fiscal Year as required by the Master Subordinate Indenture or any Supplemental Subordinate Indenture with respect to the Outstanding Subordinate Obligations;

(ii) the required deposits to any Subordinate Debt Service Reserve Fund which may be established by a Supplemental Subordinate Indenture;

(iii) the reimbursement owed to any Credit Provider or Liquidity Provider as required by a Supplemental Subordinate Indenture;

(iv) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than Special Facility Obligations, Senior Bonds and Outstanding Subordinate Obligations, but including obligations issued with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations; and

(v) payments of any reserve requirement for debt service for any indebtedness other than Senior Bonds and Outstanding Subordinate Obligations, but including obligations issued with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations.

(b) The Authority has further agreed that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the Subordinate Net Revenues will be equal to at least 110% of the total Subordinate Annual Debt Service on the Outstanding Subordinate Obligations for such Fiscal Year.

The Authority has covenanted that if Subordinate Net Revenues in any Fiscal Year are less than the amounts described in paragraphs (a) and (b) above, the Authority will retain and direct a Consultant to make recommendations as to the revision of the Authority's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Authority in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made the Authority will take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to produce Subordinate Net Revenues in the next succeeding Fiscal Year sufficient to comply with paragraphs (a) and (b) above.

In the event Subordinate Net Revenues for any Fiscal Year are less than the amounts described in paragraphs (a) and (b) above, but the Authority has promptly taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, fees and charges as described in the preceding paragraph, such deficiency in Subordinate Net Revenues will not constitute an Event of Default under the Master Subordinate Indenture. However, if after taking the measures described in the preceding paragraph to revise the schedule of rentals, rates, fees and charges, Subordinate Net Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the Authority for such Fiscal Year) are less than the amounts described in paragraphs (a) and (b) above, such deficiency in Subordinate Net Revenues will constitute an Event of Default under the Master Subordinate Indenture.

Pursuant to the Master Subordinate Indenture, the Authority may exclude from its calculation of Subordinate Aggregate Annual Debt Service with respect to the Subordinate Obligations, for the purpose of determining compliance with the rate covenant described above, the payment of debt service or portions thereof on Subordinate Obligations whose debt service is payable from amounts not included in Revenues, including, but not limited to PFC revenues, Federal Direct Payments and Capitalized Interest. The exclusion of such debt service could result in higher debt service coverage ratios. The Authority expects to use (a) PFC revenues to pay a portion of the debt service on the Senior Series 2013 Bonds and the Subordinate Series 2010 Bonds, (b) Federal Direct Payments to pay a portion of the debt service on the Subordinate Series 2010 Bonds, and (c) Capitalized Interest to pay a portion of the debt service on the Subordinate Series 2017 Bonds. The Authority does not expect to use any PFCs to pay debt service on the Subordinate Series 2017 Bonds. See "—Use of PFCs to Pay Debt Service," "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Capital Program—Passenger Facility Charges" and "CERTAIN INVESTMENT CONSIDERATIONS—Availability of PFCs" for additional information about the Authority's expected use of PFC revenues. See also "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Subordinate Reserve Fund

Pursuant to the Master Subordinate Indenture and the Second Supplemental Subordinate Indenture, the Authority established a Subordinate Debt Service Reserve Fund (the "Subordinate Reserve Fund") with the Subordinate Trustee to secure any Subordinate Obligations the Authority elects to participate in the Subordinate Reserve Fund. At the time of issuance of the Subordinate Series 2010 Bonds, the Authority elected to have the Subordinate Series 2010 Bonds participate in the Subordinate Reserve Fund. Additionally, at the time of issuance of the Subordinate Series 2017 Bonds, the Authority will elect to have the Subordinate Series 2017 Bonds participate in the Subordinate Reserve Fund. The Subordinate Series 2010 Bonds, the Subordinate Series 2017 Bonds and any Additional Subordinate Obligations the Authority elects to have participate in the Subordinate Reserve Fund are collectively referred to in this Official Statement as the "Subordinate Reserve Fund Participating Bonds."

Moneys and investments held in the Subordinate Reserve Fund may only be used to pay the principal of and interest on the Subordinate Reserve Fund Participating Bonds (including the Subordinate Series 2017 Bonds). Moneys and investments held in the Subordinate Reserve Fund are not available to pay debt service on the Senior Bonds, the Subordinate Revolving Obligations, the Subordinate Drawdown Bonds or any Subordinate Obligations for which the Authority has decided will not participate in the Subordinate Reserve Fund. The Subordinate Reserve Fund may be drawn upon if the amounts in the respective Subordinate Debt Service Funds for the Subordinate Reserve Fund Participating Bonds are insufficient to pay in full any principal or interest then due on the Subordinate Reserve Fund Participating Bonds. In the event any amounts are required to be withdrawn from the Subordinate Reserve Fund, such amounts will be withdrawn and deposited pro rata to meet the funding requirements of the Subordinate Reserve Fund Participating Bonds.

Except as otherwise described below, the Subordinate Reserve Fund is required to be funded at all times in an amount equal to the "Subordinate Reserve Requirement." The Subordinate Reserve Requirement is equal to the lesser of (a) Subordinate Maximum Aggregate Annual Debt Service for the Subordinate Reserve Fund Participating Bonds; (b) 10% of the principal amount of the Subordinate Reserve Fund Participating Bonds, less the amount of original issue discount with respect to such Subordinate Reserve Fund Participating Bonds if such original issue discount exceeded 2% on such Subordinate Reserve Fund Participating Bonds at the time of their original sale; and (c) 125% of the average Subordinate Aggregate Annual Debt Service for the Subordinate Reserve Fund Participating Bonds. At the time of issuance of any Additional Subordinate Obligations which the Authority elects to have participate in the Subordinate Reserve Fund, the Authority will be required to deposit an amount to the Subordinate Reserve Fund sufficient to cause the amount then on deposit in the Subordinate Reserve Fund to equal the Subordinate Reserve Requirement. Such deposit to the Subordinate Reserve Fund can be made at the time of issuance of such Additional Subordinate Obligations or within 12 months of the date of issuance of such Additional Subordinate Obligations (such deposit being made in 12 substantially equal monthly installments). At the time of issuance of the Subordinate Series 2017 Bonds, a portion of the proceeds of the Subordinate Series 2017 Bonds will be deposited to the Subordinate Reserve Fund in order to satisfy the Subordinate Reserve Requirement, which will be $66,005,582 at the time of issuance of the Subordinate Series 2017 Bonds.

The Authority may fund all or a portion of the Subordinate Reserve Requirement with a Reserve Fund Insurance Policy. A Reserve Fund Insurance Policy may be an insurance policy, letter of credit, qualified surety bond or other financial instrument deposited in the Subordinate Reserve Fund in lieu of or in partial substitution for cash or securities which is provided by an institution rated, at the time of issuance of such policy, letter of credit, surety bonds or other financial instrument, in one of the two highest long term rating categories by one or more of the Rating Agencies. Any such Reserve Fund Insurance Policy must either extend to the final maturity of the Series of Subordinate Obligations for which the Reserve Fund Insurance Policy was issued, or the Authority must agree, by Supplemental Subordinate Indenture, that the Authority will replace such Reserve Fund Insurance Policy prior to its expiration with another Reserve Fund Insurance Policy, or with cash. Any such Reserve Fund Insurance Policy will be required to secure all of the Subordinate Reserve Fund Participating Bonds.

The Subordinate Reserve Fund is currently, and will be at the time of issuance of the Subordinate Series 2017 Bonds, funded with cash and securities. No portion of the Subordinate Reserve Fund has been, or will be at the time of issuance of the Subordinate Series 2017 Bonds, funded with a Reserve Fund Insurance Policy.

Additional Subordinate Obligations

The Master Subordinate Indenture provides the Authority with flexibility as to establishing the nature and terms of any Additional Subordinate Obligations. Additional Subordinate Obligations may be issued under the Master Subordinate Indenture on a parity with the Subordinate Series 2017 Bonds, provided, among other things, that there is delivered to the Subordinate Trustee either:

(a) a certificate, dated as of a date between the date of pricing of the Subordinate Obligations being issued and the date of delivery of such Subordinate Obligations (both dates inclusive), prepared by an Authorized Authority Representative showing the Subordinate Net Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Subordinate Obligations or preceding the first issuance of the proposed Subordinate Program Obligations were at least equal to 110% of Subordinate Maximum Aggregate Annual Debt Service with respect to all Outstanding Subordinate Obligations, Unissued Subordinate Program Obligations and the proposed Series of Subordinate Obligations, calculated as if the proposed Series of Subordinate Obligations and the full Subordinate Authorized Amount of such proposed Subordinate Program Obligations (as applicable) were then Outstanding; or

(b) a certificate dated as of a date between the date of pricing of the Subordinate Obligations being issued and the date of delivery of such Subordinate Obligations (both dates inclusive), prepared by a Consultant showing that:

(i) the Subordinate Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Subordinate Obligations or the establishment of a Subordinate Program, were at least equal to 110% of the sum of Subordinate Aggregate Annual Debt Service due and payable with respect to all Outstanding Subordinate Obligations for such applicable period;

(ii) for the period, if any, from and including the first full Fiscal Year following the issuance of such proposed Series of Subordinate Obligations through and including the last Fiscal Year during any part of which the amount of interest on such Series of Subordinate Obligations to be on deposit in the respective Subordinate Debt Service Fund or such other fund or account is expected to be funded from the proceeds thereof, the Consultant estimates that the Authority will be in compliance with the rate covenant under the Subordinate Indenture (see "—Subordinate Rate Covenant" above); and

(iii) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Subordinate Obligations during which no amount of interest on such Series of Subordinate Obligations to be on deposit in the respective Subordinate Debt Service Fund or such other Fund or Account is expected to be funded from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Series of Subordinate Obligations, or (B) the third full Fiscal Year during which no amount of interest on such Series of Subordinate Obligations to be on deposit in the respective Subordinate Debt Service Fund or such other Fund or Account is expected to be funded from the proceeds thereof, the estimated Subordinate Net Revenues for each such Fiscal Year, will be at least equal to 110% of the Subordinate Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Subordinate Obligations, Unissued Subordinate Program Obligations and calculated as if the proposed Series of Subordinate Obligations and the full Authorized Amount of such proposed Subordinate Program Obligations (as applicable) were then Outstanding.

The certificate described in (b) above is expected to be delivered by the Feasibility Consultant at the time of issuance of the Subordinate Series 2017 Bonds. As described in "—Use of PFCs to Pay Debt Service" below, the Authority has irrevocably committed $10 million of PFCs through July 1, 2018 to the payment of debt service on PFC Eligible Bonds. When it delivers the certificate described in (b) above, the Feasibility Consultant will exclude debt service on the portion of the Senior Series 2013 Bonds and the Subordinate Series 2010 Bonds to be paid from the irrevocably committed PFCs, which will result in higher debt service coverage ratios.

For purposes of clauses (b)(ii) and (iii) above, in estimating Subordinate Net Revenues, the Consultant may take into account (1) Revenues from Projects or Airport Facilities reasonably expected to become available during the period for which the estimates are provided; (2) any increase in fees, rates, charges, rentals or other sources of Revenues which have been approved by the Authority and will be in effect during the period for which the estimates are provided; and (3) any other increases in Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to Operation and Maintenance Expenses of the Airport System, the Consultant may use such assumptions as the Consultant believes to be reasonable, taking into account: (x) historical Operation and Maintenance Expenses of the Airport System; (y) Operation and Maintenance Expenses of the Airport System associated with the Projects and any other new Airport Facilities; and (z) such other factors, including inflation and changing operations or policies of the Authority, as the Consultant believes to be appropriate. The Consultant will include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Subordinate Net Revenues, and will also set forth the calculations of Subordinate Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

For purposes of preparing the certificate or certificates described above, the Consultant or Consultants or the Authorized Authority Representative may rely upon financial statements prepared by the Authority which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized Authority Representative will certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

Neither of the certificates described above in (a) or (b) will be required if:

(A) the Subordinate Obligations being issued are for the purpose of refunding then Outstanding Subordinate Obligations and there is delivered to the Subordinate Trustee, instead, a certificate of an Authorized Authority Representative showing that Subordinate Aggregate Annual Debt Service after the issuance of the Refunding Subordinate Obligations will not exceed the Subordinate Aggregate Annual Debt Service prior to the issuance of such Refunding Subordinate Obligations for each Fiscal Year;

(B) the Subordinate Obligations being issued constitute Subordinate Notes and there is delivered to the Subordinate Trustee, instead, a certificate prepared by an Authorized Authority Representative showing that the principal amount of the proposed Subordinate Notes being issued, together with the principal amount of any Subordinate Notes then Outstanding, does not exceed 10% of the Subordinate Net Revenues for any 12 consecutive months out of the most recent 24 months immediately preceding the issuance of the proposed Subordinate Notes and there is delivered to the Subordinate Trustee a certificate of an Authorized Authority Representative setting forth calculations showing that for each of the Fiscal Years during which the Subordinate Notes will be Outstanding, and taking into account the debt service becoming due on such Subordinate Notes, the Authority will be in compliance with the rate covenant under the Subordinate Indenture (see "—Subordinate Rate Covenant" above); or

(C) if the Subordinate Obligations being issued are to pay costs of completing a Project for which Subordinate Obligations have previously been issued and the principal amount of such Subordinate Obligations being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Subordinate Obligations originally issued for such Project and reasonably allocable to the Project to be completed as shown in a written certificate of an Authorized Authority Representative and there is delivered to the Subordinate Trustee (1) a Consultant's certificate stating that the nature and purpose of such Project has not materially changed and (2) a certificate of an Authorized Authority Representative to the effect that (y) all of the proceeds (including investment earnings on amounts in the Subordinate Construction Fund allocable to such Project) of the original Subordinate Obligations issued to finance such Project have been or will be used to pay Costs of the Project and (z) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus moneys available in the Subordinate Construction Fund established for the Project (including unspent proceeds of Subordinate Obligations previously issued for such purpose).

Use of PFCs to Pay Debt Service

The Aviation Safety and Capacity Expansion Act of 1990, as amended (the "PFC Act"), as implemented by the FAA pursuant to published regulations (the "PFC Regulations"), permits public agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) to charge enplaning passengers using the airport a $1.00, $2.00 or $3.00 PFC with certain qualifying airports permitted to charge a maximum PFC of $4.50. Under the PFC Act, the proceeds from PFCs are required to be used to finance eligible airport-related projects (including paying the debt service on bonds issued to finance such projects) that serve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system or furnish opportunities for enhanced competition between or among air carriers. The Authority currently charges all enplaning passengers at SDIA a PFC of $4.50. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Capital Program—Passenger Facility Charges" for additional information about PFCs collected by the Authority.

The definition of Revenues does not include PFCs, except to the extent included in Revenues pursuant to a Supplemental Senior Indenture or a certificate of any Authorized Authority Representative, which has not occurred to date. However, pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture, if PFCs have been irrevocably committed or are held by the Senior Trustee and/or the Subordinate Trustee, as the case may be, or another fiduciary and are to be set aside exclusively to be used to pay principal of and/or interest on specified Senior Bonds and/or Subordinate Obligations, as applicable, then such principal and/or interest may be excluded from the calculation of aggregate annual debt service on such specified Senior Bonds and/or Subordinate Obligations, as applicable; thus decreasing aggregate annual debt service on the Senior Bonds and/or the Subordinate Obligations, and increasing debt service coverage for purposes of the rate covenants and the additional bonds tests under the Master Senior Indenture and the Master Subordinate Indenture, as applicable.

Pursuant to a resolution adopted by the Board on July 6, 2017 (the "PFC Resolution"), the Authority irrevocably committed $10 million of PFCs to the payment of debt service on Senior Bonds and/or Subordinate Obligations issued to finance projects authorized by the FAA to be financed with PFCs (collectively, the "PFC Eligible Bonds") through July 1, 2018.

In addition to the PFCs irrevocably committed pursuant to the PFC Resolution, the Authority also expects to use PFCs to pay debt service on additional PFC Eligible Bonds. In addition to the irrevocably committed PFCs, during the forecast period set forth in the Financial Feasibility Report (Fiscal Years 2018 through 2023), the Authority expects to use the following additional amounts of PFC revenues each Fiscal Year to pay debt service on PFC Eligible Bonds; approximately $20 million in Fiscal Year 2018, and approximately $30 million per Fiscal Year in Fiscal Years 2019 through Fiscal Year 2023. In the Financial Feasibility Report, the Feasibility Consultant has assumed that PFCs will be used to pay a portion of the debt service on the Senior Series 2013 Bonds and the Subordinate Series 2010 Bonds. Consequently, debt service on such obligations is excluded from the calculation of the rate covenant for the Senior Bonds and the rate covenant for the Subordinate Obligations as set forth in the Financial Feasibility Report, which results in higher debt service coverage ratios. The Authority does not expect to use any PFCs to pay debt service on the Subordinate Series 2017 Bonds. See "FINANCIAL FEASIBILITY REPORT" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT." See also "CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delay in, Anticipated Funding Sources—Availability of PFCs."

Permitted Investments

Moneys and funds held by the Authority will be invested in Permitted Investments, subject to any restrictions set forth in the Master Senior Indenture and the Subordinate Indenture and subject to restrictions imposed upon the Authority. Moneys and funds held by the Subordinate Trustee under the Subordinate Indenture, including moneys in the respective Subordinate Debt Service Funds (and the accounts therein) and in the Subordinate Reserve Fund, may be invested as directed by the Authority in Permitted Investments, subject to the restrictions set forth in the Subordinate Indenture, and subject to restrictions imposed upon the Authority. See "FINANCIAL INFORMATION—Summary of Financial Operations—Investment Practices."

Events of Default and Remedies; No Acceleration

Events of Default under the Subordinate Indenture and related remedies are described in "APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SUBORDINATE INDENTURE AND THE FIFTH SUPPLEMENTAL SUBORDINATE INDENTURE—SUMMARY OF THE MASTER SUBORDINATE INDENTURE—Defaults and Remedies." Except as described below, the occurrence of an Event of Default under the Subordinate Indenture (or an event of default under the

Senior Indenture) does not grant any right to accelerate payment of the Subordinate Obligations (including the Subordinate Series 2017 Bonds) or the Senior Bonds to either the Subordinate Trustee or the Senior Trustee, or the Holders of the Subordinate Obligations (including the Subordinate Series 2017 Bonds) or the Senior Bonds. However, pursuant to the Third Supplemental Subordinate Indenture and the Subordinate Credit Agreement, the Authority granted to the Subordinate Revolving Obligations Bank the right to accelerate any payments due the Subordinate Revolving Obligations Bank upon an event of default under the Subordinate Credit Agreement; and pursuant to the Fourth Supplemental Subordinate Indenture and the Subordinate Drawdown Bondholder's Agreement, the Authority granted to the Subordinate Drawdown Bond Purchaser the right to accelerate any payments due the Subordinate Drawdown Bond Purchaser upon an event of default under the Subordinate Drawdown Bondholder's Agreement. See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Outstanding Subordinate Obligations—Subordinate Revolving Obligations" and "Subordinate Drawdown Bonds." The Subordinate Trustee is authorized to take certain actions upon the occurrence of an Event of Default under the Subordinate Indenture, including proceedings to enforce the obligations of the Authority under the Subordinate Indenture. If there is an Event of Default under the Subordinate Indenture, payments, if any, on the Subordinate Obligations will be made after Operation and Maintenance Expenses of the Airport System and payments of debt service and reserve requirements on and relating to the Senior Bonds.

OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE

Outstanding Senior Bonds

The following table sets forth the principal amounts and final maturity dates of the Senior Series 2013 Bonds outstanding as of July 2, 2017.

TABLE 1
San Diego County Regional Airport Authority
Senior Series 2013 Bonds
(as of July 2, 2017)

Existing Senior Bonds	Original Principal Amount	Principal Amount Outstanding	Final Maturity Date
Series 2013A	$107,285,000	$101,600,000	7/1/2043
Series 2013B	272,300,000	271,710,000	7/1/2043
Total	$379,585,000	$373,310,000	

Source: San Diego County Regional Airport Authority

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Outstanding Subordinate Obligations

Subordinate Series 2010 Bonds. The following table sets forth the principal amounts and final maturity dates of the Subordinate Series 2010 Bonds as of July 2, 2017.

TABLE 2
San Diego County Regional Airport Authority
Subordinate Series 2010 Bonds
(as of July 2, 2017)

Existing Subordinate Bonds	Original Principal Amount	Principal Amount Outstanding	Final Maturity Date
Series 2010A	$313,150,000	$285,645,000	7/1/2040
Series 2010B	44,055,000	35,985,000	7/1/2040
Series 2010C	215,360,000	215,360,000	7/1/2040
Total	$572,565,000	$536,990,000	

Source: San Diego County Regional Airport Authority

Subordinate Revolving Obligations. Pursuant to the Master Subordinate Indenture, the Third Supplemental Subordinate Indenture and the Subordinate Credit Agreement, the Authority is authorized to issue and have outstanding, from time to time, up to $125,000,000 in aggregate principal amount of Subordinate Revolving Obligations. As of July 2, 2017, the Authority had $58,988,000 aggregate principal amount of Subordinate Revolving Obligations outstanding. On September 1, 2017, the Authority expects to repay $32,550,000 of the Subordinate Revolving Obligations with a portion of the proceeds of the Subordinate Series 2017A Bonds and certain other available moneys of the Authority. All Subordinate Revolving Obligations issued by the Authority are purchased by the Subordinate Revolving Obligations Bank (U.S. Bank National Association) in accordance with the terms of the Subordinate Credit Agreement. Except as otherwise provided in the Subordinate Credit Agreement, the principal of all Subordinate Revolving Obligations outstanding pursuant the Master Subordinate Indenture, the Third Supplemental Subordinate Indenture and the Subordinate Credit Agreement are due and payable on June 29. 2020. However, subject to the terms of the Subordinate Credit Agreement, on June 29, 2020, the Authority can convert any outstanding Subordinate Revolving Obligations to a term loan that will be payable in twelve equal quarterly installments beginning 90 days following June 29, 2020, with the final payment being due on June 29, 2023.

Subordinate Drawdown Bonds. Pursuant to the Master Subordinate Indenture, the Fourth Supplemental Subordinate Indenture, the Subordinate Drawdown Bondholder's Agreement, and the Subordinate Drawdown Bond Purchase Agreement, the Authority is authorized to issue and have outstanding, from time to time, up to $100,000,000 in aggregate principal amount of its Subordinate Drawdown Bonds. As of the date of this Official Statement, the Authority had no Subordinate Drawdown Bonds outstanding. When issued, all Subordinate Drawdown Bonds will be purchased by the Subordinate Drawdown Bond Purchaser (RBC Municipal Products, LLC) in accordance with the terms of the Subordinate Drawdown Bondholder's Agreement and the Subordinate Drawdown Bond Purchase Agreement. Except as otherwise provided in the Subordinate Drawdown Bondholder's Agreement, the principal of all Subordinate Drawdown Bonds outstanding pursuant the Master Subordinate Indenture, the Fourth Supplemental Subordinate Indenture and the Subordinate Drawdown Bondholder's Agreement are due and payable on April 17, 2020. However, subject to the terms of the Subordinate Drawdown Bondholder's Agreement, on April 17, 2020, the Authority can convert any outstanding Subordinate

Revolving Obligations to a term loan that will be payable in eleven equal quarterly installments beginning 180 days following April 17, 2020, with the final payment being due on April 17, 2023.

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Debt Service Requirements

The following table sets forth the debt service requirements on the Senior Series 2013 Bonds, the Subordinate Series 2010 Bonds and the Subordinate Series 2017 Bonds.

TABLE 3
San Diego County Regional Airport Authority
Debt Service Requirements
Senior and Subordinate Bonds[1]

Year Ended July 1	Total Debt Service Senior Series 2013 Bonds[2]	Total Debt Service Subordinate Series 2010 Bonds[3,4,5]	Subordinate Series 2017A Bonds[6]		Subordinate Series 2017B Bonds[6]		Total Debt Service Subordinate Bonds	Total Debt Service Senior and Subordinate Bonds
			Principal	Interest[7]	Principal	Interest[7]		
2018	$ 20,503,750	$ 40,149,748	$ 2,320,000	$ 6,631,796	$ 2,620,000	$ 6,613,300	$ 58,334,844	$ 78,838,594
2019	20,494,150	40,145,848	2,220,000	7,186,000	2,240,000	7,127,500	58,919,348	79,413,498
2020	26,006,350	40,143,798	2,425,000	7,075,000	2,400,000	7,015,500	59,059,298	85,065,648
2021	26,000,100	40,150,548	2,545,000	6,953,750	2,525,000	6,895,500	59,069,798	85,069,898
2022	25,994,350	40,151,423	2,670,000	6,826,500	2,650,000	6,769,250	59,067,173	85,061,523
2023	26,003,100	40,144,111	2,805,000	6,693,000	2,780,000	6,636,750	59,058,861	85,061,961
2024	25,999,600	40,148,486	2,945,000	6,552,750	2,920,000	6,497,750	59,063,986	85,063,586
2025	25,998,350	40,149,486	3,090,000	6,405,500	3,065,000	6,351,750	59,061,736	85,060,086
2026	26,003,100	40,147,486	3,245,000	6,251,000	3,220,000	6,198,500	59,061,986	85,065,086
2027	26,002,350	40,143,236	3,410,000	6,088,750	3,380,000	6,037,500	59,059,486	85,061,836
2028	25,996,000	40,151,736	3,580,000	5,918,250	3,550,000	5,868,500	59,068,486	85,064,486
2029	25,989,850	40,151,736	3,760,000	5,739,250	3,725,000	5,691,000	59,066,986	85,056,836
2030	26,002,750	40,145,486	3,945,000	5,551,250	3,915,000	5,504,750	59,061,486	85,064,236
2031	16,667,500	50,928,986	4,145,000	5,354,000	4,110,000	5,309,000	69,846,986	86,514,486
2032	16,979,000	50,619,205	4,350,000	5,146,750	4,315,000	5,103,500	69,534,455	86,513,455
2033	17,239,750	50,356,695	4,570,000	4,929,250	4,530,000	4,887,750	69,273,695	86,513,445
2034	17,606,000	49,994,740	4,795,000	4,700,750	4,755,000	4,661,250	68,906,740	86,512,740
2035	18,016,250	49,581,574	5,035,000	4,461,000	4,995,000	4,423,500	68,496,074	86,512,324
2036	18,551,750	49,045,358	5,290,000	4,209,250	5,245,000	4,173,750	67,963,358	86,515,108
2037	19,104,500	48,493,038	5,555,000	3,944,750	5,505,000	3,911,500	67,409,288	86,513,788
2038	19,691,500	47,909,880	5,830,000	3,667,000	5,780,000	3,636,250	66,823,130	86,514,630
2039	20,293,750	47,306,652	6,120,000	3,375,500	6,070,000	3,347,250	66,219,402	86,513,152
2040	20,923,000	46,678,384	6,430,000	3,069,500	6,375,000	3,043,750	65,596,634	86,519,634
2041	67,600,250	–	6,750,000	2,748,000	6,695,000	2,725,000	18,918,000	86,518,250
2042	67,600,250	–	7,090,000	2,410,500	7,030,000	2,390,250	18,920,750	86,521,000
2043	67,597,500	–	7,440,000	2,056,000	7,380,000	2,038,750	18,914,750	86,512,250
2044	–	–	7,815,000	1,684,000	7,750,000	1,669,750	18,918,750	18,918,750
2045	–	–	8,205,000	1,293,250	8,135,000	1,282,250	18,915,500	18,915,500
2046	–	–	8,615,000	883,000	8,540,000	875,500	18,913,500	18,913,500
2047	–	–	9,045,000	452,250	8,970,000	448,500	18,915,750	18,915,750
Total	$714,864,800	$1,012,837,640	$146,040,000	$138,257,546	$145,170,000	$137,135,050	$1,579,440,236	$2,294,305,036

[FOOTNOTES ON FOLLOWING PAGE]

1 Numbers may not total due to rounding to nearest dollar.
2 The Senior Series 2013 Bonds have a priority lien on Net Revenues. Principal of and interest on the Senior Series 2013 Bonds does not reflect the application of PFCs to the payment of debt service on the Senior Series 2013 Bonds.
3 The Subordinate Series 2010 Bonds have a lien on Subordinate Net Revenues on parity with the other Subordinate Obligations (including the Subordinate Series 2017 Bonds). Principal of and interest on the Subordinate Series 2010 Bonds does not reflect the application of PFCs to the payment of debt service on the Subordinate Series 2010 Bonds.
4 Does not reflect the application of the Federal Direct Payments (the cash subsidy payments the Authority expects to receive from the United States Treasury equal to a portion of the interest payable on the Subordinate Series 2010C Bonds) to the payment of debt service on the Subordinate Series 2010 Bonds.
5 Debt Service on the Subordinate Revolving Obligations (which may be outstanding from time to time in an aggregate principal amount of up to $125 million at any one time) and the Subordinate Drawdown Bonds (which may be outstanding from time to time in an aggregate principal amount of up to $100 million at any one time) are not reflected in this table. As of the date of this Official Statement, $58,988,000 aggregate principal amount of Subordinate Revolving Obligations are outstanding. A portion of the proceeds of the Subordinate Series 2017 Bonds will be used to repay $32,550,000 aggregate principal amount of the Subordinate Revolving Obligations. As of the date of this Official Statement, there are no Subordinate Drawdown Bonds outstanding.
6 The Subordinate Series 2017 Bonds have a lien on Subordinate Net Revenues on parity with the other Subordinate Obligations.
7 Includes interest on the Subordinate Series 2017 Bonds through January 1, 2019 to be paid from a portion of the proceeds of the Subordinate Series 2017 Bonds.

Source: San Diego County Regional Airport Authority and Frasca & Associates, LLC (only with respect to debt service on the Subordinate Series 2017 Bonds).

Future Financings

After the issuance of the Subordinate Series 2017 Bonds, the Authority expects to issue approximately $385 million of Additional Senior Bonds in late-2018 to pay a portion of the costs of the Capital Program. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

During the Feasibility Consultant's projection period (through Fiscal Year 2023), the Authority may pursue additional capital projects beyond those described in the preceding paragraph and Additional Senior Bonds and/or Additional Subordinate Obligations may be issued to fund such additional projects. These projects and the funding therefor are not included in the projections included in the Financial Feasibility Report. See "CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delay in, Anticipated Funding Sources." See also the Financial Feasibility Report for a discussion of certain projects the Authority is considering undertaking, including the Airport Development Plan. Additionally, the Authority continuously evaluates refunding opportunities and, when economically beneficial, may refund one or more Series of Senior Bonds and/or Subordinate Obligations.

Other Obligations

Lease Commitments.

Operating Leases. In connection with the Transfer, the Authority entered into several leases with the Port District. The Authority is leasing from the Port District the land used for SDIA for $1 per year, for 66 years, through December 31, 2068. In addition, the Authority leases from the Port District 90.67 acres of the former General Dynamics property on Pacific Highway adjacent to SDIA for 66 years commencing January 1, 2003 (the "General Dynamics Lease"). The General Dynamics Lease calls for rent payments of $6,826,656 annually through December 31, 2068. A portion of the land is leased back to the Port District for employee parking for Port District administration building employees and is leased back by the Port District at the same fair market unit value per square-foot as paid by the Authority. The Authority and the Port District also have entered into a lease for 47.54 acres on North Harbor Drive (the "TDY Property"), commencing January 1, 2005 and expiring December 31, 2068 (the "TDY Lease"). The Authority pays the Port District $3 million annually to lease the TDY Property.

The Authority also entered into a lease with the Port District, commencing September 1, 2006, for a property located at 2415 Winship Lane, known as the "Sky Chef" property. The term of the lease is 60 years with $350,000 in annual rental.

Under current law, in the event SDIA is relocated and the current location is no longer used by SDIA for airport purposes, all of the Authority's leases with the Port District would terminate and the right to use the property subject to those leases would revert to the Port District. See "CERTAIN INVESTMENT CONSIDERATIONS—State Tidelands Trusts."

Lease payments pursuant to the above-described operating lease agreements constitute Operation and Maintenance Expenses of the Airport System, and thus payment thereof is senior in priority to payment of the Senior Bonds and the Subordinate Obligations (including the Subordinate Series 2017 Bonds). All such leases are treated as operating leases by the Authority.

As of July 1, 2017, the Authority estimated that its future rental commitments under the above described operating lease agreements will be in the amounts described in the following table.

TABLE 4
San Diego County Regional Airport Authority
Future Rental Commitments

Fiscal Year	Rental Payments
2018	$10,172,520
2019	10,172,520
2020	10,172,520
2021	10,172,520
2022	10,172,520
2023-2027	50,862,600 [1]
2028-2032	50,862,600 [1]
2033-2037	50,862,600 [1]
2038-2042	50,862,600 [1]
2043-2047	50,862,600 [1]
2048-2052	50,862,600 [1]
2053-2057	50,862,600 [1]
2058-2062	50,862,600 [1]
2063-2067	50,862,600 [1]
2068-2069	15,258,780 [2]
Total	$523,884,780

[1] Total rental payments due during five Fiscal Year period. Rental payments are $10,172,520 in each Fiscal Year.
[2] Includes $10,172,520 of rental payments for Fiscal Year 2068 and $5,086,260 of rental payments for Fiscal Year 2069. The current expiration date of the leases is December 31, 2068.
Source: San Diego County Regional Airport Authority

Capital Leases. The Authority also has entered into several equipment leases due to expire in 2020. These equipment leases require monthly payments of $6,849 and are treated as capital leases by the Authority.

RDC Installment Purchase Agreement. The Authority and AFCO CRDC SAN LLC ("AFCO") entered into an Installment Purchase Agreement, dated March 15, 2011 (the "RDC Installment Purchase Agreement"), pursuant to which AFCO agreed to design, build and finance a receiving and distribution center ("RDC") at SDIA, and the Authority agreed to lease the RDC from AFCO for a term of 20 years commencing in November 2012 (the date of completion of the RDC). The RDC is a 21,000 square-foot building that provides a single receiving point for most goods delivered to SDIA. Distribution of these goods to various locations at SDIA is conducted by a single delivery service provided by Bradford Logistics. Pursuant to the RDC Installment Purchase Agreement, the Authority pays AFCO a monthly installment payment of $73,108. The installment payments are payable from any legally available moneys of the Authority after the payment of the Operation and Maintenance Expenses of the Airport System, the debt service and reserve fund requirements on the Senior Bonds and the Subordinate Obligations (including the Subordinate Series 2017 Bonds), and the required deposits to the Operation and Maintenance Reserve Subaccount and the Renewal and Replacement Subaccount.

Special Facility Obligations. Pursuant to the Master Senior Indenture, the Authority may designate an existing facility or a planned facility as a "Special Facility" and may incur indebtedness in order to acquire, construct, renovate or improve such facility or to finance the acquisition, construction, renovation or improvement thereof by a third party. Additionally, the Authority may provide that all contractual payments derived by the Authority from such Special Facility, together with other income and revenues available therefrom (but only to the extent such payments, income and revenue are necessary to make the payments of principal of and interest on such Special Facility Obligations as and when the same become due and payable, all costs of operating and maintaining such Special Facility not paid for by the operator thereof or by a party other than the Authority and all sinking fund, reserve or other payments required by the resolution authorizing the Special Facility Obligations as the same become due), will constitute "Special Facilities Revenue" and will not be included in Revenues, Net Revenues or Subordinate Net Revenues. Such indebtedness will constitute a "Special Facility Obligation" and will be payable solely from the Special Facilities Revenue. When Special Facility Obligations issued for a Special Facility are fully paid or otherwise discharged, all revenues received by the Authority from such facility will be included as Revenues. To the extent Special Facility Revenues exceed the amounts required to pay the principal of and interest on Special Facility Obligations when due, to the extent not otherwise encumbered, the excess may constitute Revenues as determined by the Authority.

In February 2014, the Authority issued $305,285,000 aggregate principal amount of its Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014A and Series 2014B (the "Series 2014 Special Facilities Bonds") to finance a portion of the costs of the development and construction of a consolidated rental car facility (the "Rental Car Center") and related improvements at SDIA. The Series 2014 Special Facilities Bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of (a) the CFCs collected by the rental car companies operating at SDIA, (b) under certain circumstances, "Bond Funding Supplemental Consideration" payable by the rental car companies operating at SDIA, and (c) certain funds and accounts. *The Series 2014 Special Facility Bonds are not, in any way, secured by, or payable from, Revenues*. See "SAN DIEGO INTERNATIONAL AIRPORT—Existing Facilities" and "AGREEMENTS FOR THE USE OF AIRPORT FACILITIES—Rental Car Agreements."

Senior and Subordinate Repayment Obligations. Under certain circumstances, the obligation of the Authority, pursuant to a written agreement, to reimburse the provider of a Credit Facility or a Liquidity Facility (a "Repayment Obligation") may be secured by a pledge of and lien on Net Revenues on parity with the Senior Bonds or secured by a pledge of and lien on the Subordinate Net Revenues on parity with the Subordinate Obligations (including the Subordinate Series 2017 Bonds). If a Credit Provider or Liquidity Provider advances funds to pay principal of or purchase Senior Bonds, all or a portion of the Authority's Senior Repayment Obligation may be afforded the status of a Senior Bond under the Senior Indenture. If a Credit Provider or Liquidity Provider advances funds to pay principal of or purchase Subordinate Obligations, all or a portion of the Authority's Subordinate Repayment Obligation may be afforded the status of a Subordinate Obligation under the Subordinate Indenture. As of the date of this Official Statement, the Authority has no outstanding Senior Repayment Obligations or Subordinate Repayment Obligations. See "APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SUBORDINATE INDENTURE AND THE FIFTH SUPPLEMENTAL SUBORDINATE INDENTURE—SUMMARY OF THE MASTER SUBORDINATE INDENTURE—Subordinate Repayment Obligations Afforded the Status of Subordinate Obligations."

THE AUTHORITY

General

The Port District operated SDIA from 1963 until December 31, 2002. Pursuant to the Act, the California Legislature created the Authority and transferred, by long-term lease, the operations of SDIA to the Authority effective January 1, 2003.

The Authority is vested with four principal responsibilities: (a) operating the Airport System (the main asset of which is SDIA); (b) planning and operating any future airport that could be developed as a supplement or replacement to SDIA; (c) developing a comprehensive land use compatibility plan as it may relate to the Airport System for the entire County; and (d) serving as the region's airport land use commission.

Board of Directors

The Authority is governed by a nine-member board of directors (the "Board"), with two or more additional members serving as non-voting, *ex-officio* board members. Board members serve three-year terms. Three members of the Board serve as the Executive Committee. Pursuant to the Act, the members of the Board are appointed as follows: the Mayor of the City San Diego appoints three members (two of which are subject to confirmation by the San Diego City Council); the Chair of the Board of Supervisors of the County appoints two members (subject to confirmation by the Board of Supervisors of the County); the mayors of the east county cities (El Cajon, La Mesa, Lemon Grove and Santee) appoint one member; the mayors of the north county coastal cities (Carlsbad, Del Mar, Encinitas, Oceanside and Solana Beach) appoint one member; the mayors of the north county inland cities (Escondido, Poway, San Marcos and Vista) appoint one member; and the mayors of the south county cities (Chula Vista, Coronado, Imperial Beach and National City) appoint one member. The Board also consists of two non-voting, *ex-officio* members, the District Director of the State Department of Transportation for the San Diego region and the Department of Finance representative for the State Lands Commission, both of whom are appointed by the Governor. The Board also may provide for additional non-voting, *ex-officio* members, including, but not limited to, representatives of the United States Navy and the United States Marine Corps.

The current members of the Board are set forth below.

Board Members	Occupation	Appointing Authority	Current Term Expires
Executive Committee			
C. April Boling (Chair)	Certified Public Accountant	Mayor, City of San Diego	January 31, 2018
Paul Robinson (Vice Chair)	Partner, Hecht Solberg Robinson Goldberg and Bagley LLP	Chair, San Diego County Board of Supervisors	January 31, 2020
Jim Janney	Business Owner	Mayors, South County Cities	January 31, 2018
General Members			
Greg Cox	San Diego County Supervisor	Chair, San Diego County Board of Supervisors	January 31, 2019
Jim Desmond	Mayor, City of San Marcos; Captain, Delta Air Lines	Mayors, North County Inland Cities	January 31, 2018
Robert H. Gleason	President and Chief Executive Officer, Evans Hotels	Mayor, City of San Diego	January 31, 2020
Mark Kersey	Councilmember, City of San Diego	Mayor, City of San Diego	January 31, 2019
Mary Sessom	College Instructor	Mayors, East County Cities	January 31, 2019
Michael Schumacher	Councilmember, City of Carlsbad	Mayors, North County Coastal Cities	January 31, 2020
Ex-Officio Members			
Laurie Berman	District Director for the California Department of Transportation, San Diego Region	Governor, State of California	N/A
Eraina Ortega	Chief Deputy Director, Policy at the Department of Finance, State of California	Governor, State of California	N/A
Colonel Jason G. Woodworth	Commander, Marine Corps Air Station Miramar	United States Navy/United States Marine Corps	N/A

The fundamental powers and functions of the Authority are established by the Act. The Act empowers the Board to adopt more specific rules to guide the conduct of the Board, officers and employees of the Authority, and those persons and entities that interact with the Authority or utilize the premises and property of the Authority. The Board has exercised that power by adopting codes that govern and regulate the conduct of persons, organizations and other third parties that use the facilities under the Authority's jurisdiction; and policies that address the Authority's internal operations and governance.

Pursuant to its policies, the Board has established the following standing committees with the following functions:

Audit Committee. The Audit Committee serves as a guardian of the public trust, acting independently and charged with oversight responsibilities for reviewing the Authority's internal controls, financial reporting obligations, operating efficiencies, ethical behavior and regular attention to cash flows, capital expenditures, regulatory compliance and operations. In addition to the Board members that serve on the Audit Committee, three members of the public, appointed by the Board, serve on the Audit

Committee. The Audit Committee's responsibilities are as follows: (a) review regularly the Authority's accounting, audit and performance monitoring processes; (b) at the time of renewal, recommend to the Executive Committee and the full Board its nomination for an external auditor and the compensation of the auditor, and consider at least every three years, whether there should be a rotation of the audit firm or the lead audit partner to ensure continuing auditor independence; (c) advise the Executive Committee and the Board regarding the selection of the auditor; (d) be responsible for oversight and monitoring of internal and external audit functions, and monitoring performance of, and internal compliance with, Authority policies and procedures; (e) be responsible for overseeing the annual audit by the external auditors and internal audits; and (f) make recommendations to the full Board with regard to all of the foregoing.

Executive Committee. The Executive Committee is responsible for overseeing the implementation of the administrative policy of the Authority. The Executive Committee members may not be included in the direct operation of the facilities and the airports under the jurisdiction of the Authority, nor may they be included in the chain of command for purposes of emergency procedures. The Executive Committee is required to conduct monthly meetings with the President/CEO and his or her staff to review the operations of the Authority. Any policy recommendation from the Executive Committee must be forwarded to the Board for consideration at a public meeting of the Board.

Executive Personnel and Compensation Committee. The Executive Personnel and Compensation Committee evaluates the President/CEO, Auditor and General Counsel and makes recommendations to the Board concerning their compensation. The Executive Personnel and Compensation Committee also reviews and makes recommendations regarding Board Member compensation.

Finance Committee. The Finance Committee is established to oversee the financial performance and condition of the Authority and review the operating and capital budget and financial plan, and major financial policies or actions of the Authority. The Finance Committee is required to meet at least quarterly each year.

Capital Improvement Program Oversight Committee. The Capital Improvement Program Oversight Committee oversees the implementation of the Capital Improvement Program, which includes the investigation and evaluation of the physical/functional, financial, environmental, community aspects, intergovernmental coordination, and public communication/outreach related to all Capital Improvement Program activities.

Each committee is required to include one Executive Committee member. All committee appointments are for a one-year term. The Board may establish or maintain additional Board committees from time to time as necessary or appropriate in accordance with the Authority's policies.

Executive Management

Kimberly J. Becker, President and CEO. Kimberly J. Becker was appointed President and CEO of the Authority on May 1, 2017. She brings with her nearly 30 years of experience in the aviation industry. As President/CEO, Ms. Becker is responsible for management oversight of the Authority and SDIA. Prior to joining the Authority, Ms. Becker served as Director of Aviation for the Norman Y. Mineta San José International Airport ("San José Airport"), a position she assumed in September 2013. Prior to being appointed the Director of Aviation for San José Airport, she was appointed the Chief Operating Officer for the San José Airport in 2011, and the Assistant Director of Aviation at San José Airport in 2008. Ms. Becker's career in aviation and airport management has included operations and environmental positions at Lockheed Air Terminal in Burbank, California, and Teterboro Airport in New

Jersey. She previously served as President of the California Airports Council representing 33 commercial service airports across the State and was on the Board of Directors for the Southwest Chapter of the American Association of Airport Executives. Ms. Becker also previously served on the Board of Directors for the San Jose Silicon Valley Chamber of Commerce, Joint Venture Silicon Valley and was on the Advisory Board for San Jose State University's Aviation Program. Ms. Becker holds a bachelor's degree in business administration from Indiana University of Pennsylvania, and a master's degree in business administration/aeronautics from Embry-Riddle Aeronautical University based in Daytona Beach Florida.

Scott M. Brickner, Vice President, Finance & Asset Management/Treasurer. Scott Brickner is Vice President, Finance and Asset Management and Treasurer of the Authority. He has oversight of the Authority's Procurement, Small Business Development, Accounting, Financial Management, Business Management, Information & Technology Services, and Business Development functions. Mr. Brickner held various senior management positions in the private sector prior to joining the Authority in April 2009. Mr. Brickner received a Bachelor of Business Administration from Benedictine College in Kansas, an MBA from St. Louis University, and has an active CPA license in the state of California. In 2016 he received the CFO of the Year Award from the San Diego Business Journal.

Angela Shafer-Payne, Vice President, Operations Division. Angela Shafer-Payne is the Vice President, Operations Division for the Authority. Ms. Shafer-Payne oversees airside and landside operations, public safety and security, ground transportation and facilities maintenance. She has been with SDIA since 1995, during which time she has held various leadership positions. One of Ms. Shafer-Payne's most notable achievements was her instrumental role in establishing and setting up the Authority, effectually separating SDIA from its previous owner, the Port District. She has a bachelor's degree in Business Administration with a concentration in Aeronautical Studies and Meteorology from the University of North Dakota. She also holds an Instrument Rated pilot license.

Jeffrey Woodson, Vice President, Development Division. Jeffrey A. Woodson is the Vice President, Development Division for the Authority.[1] Mr. Woodson joined SDIA in 2002. As Vice President, Development Division, he is responsible for Facilities Development, Airport Design & Construction, Airport Planning & Noise and Environmental Affairs. Mr. Woodson is currently overseeing the Capital Program. In addition to major construction projects, he oversees both the Quieter Home Program and Noise Monitoring Program. Prior to joining SDIA, Mr. Woodson served as the Director of Management & Budget for the City of Dayton, Ohio and the City of Richmond, Virginia. He also served as Assistant City Manager in Portsmouth, Virginia. Mr. Woodson has over 35 years of experience working for government entities, including the Commonwealth of Virginia. He was responsible for operating appropriations totaling $600 million in Dayton and $750 million in Richmond. Mr. Woodson holds a Masters of Public Administration from Virginia Commonwealth University and a Bachelor of Arts from Virginia State University. He is a graduate of the Management Excellence Program sponsored by the Cooper Center for Public Service at the University of Virginia and the Executive Leadership Institute program sponsored by the National Forum for Black Public Administrators. Mr. Woodson is a member of the Government Finance Officers Association, the National Forum for Black Public Administrators and the American Association of Airport Executives. He has served on various boards, including the Board of Directors for the San Diego Council on Literacy from 2005-2012, and the Board of the San Diego Workforce Partnership. Mr. Woodson also served as the local Chapter President of the San Diego Tuskegee Airmen International from 2013-2015.

[1] Mr. Woodson has announced that he will be retiring at the end of the year. As of the date of this Official Statement, no replacement has been named for Mr. Woodson.

Mark Burchyett, Chief Auditor. Mark Burchyett is the Chief Auditor of the Authority. Mr. Burchyett joined the Authority in 2005. Prior to joining the Authority, he served as the Director of Internal Audit for St. Louis County, reporting to the St. Louis County Council. Mr. Burchyett's three years with St. Louis County were preceded by serving as the Director of Internal Audit for the St. Charles County Government. He worked as the Enterprise Risk Services Manager for Deloitte & Touche, LLP, prior to his government service. Mr. Burchyett has served as a Senior Financial/Operational Auditor, Regulatory Auditor, and an Accounting Instructor with Eastern Illinois University. Mr. Burchyett is currently a part-time Accounting Instructor at Palomar College in San Marcos. He holds a Bachelor's degree and a Master's in Business Administration from Eastern Illinois University. Mr. Burchyett is a certified public accountant, a certified internal auditor, a certified fraud examiner, and a certified information systems auditor. He also has accreditation in internal quality assessment/validation for internal audit departments.

Amy Gonzalez, General Counsel. Amy Gonzalez serves as the General Counsel for the Authority. She has served as an attorney representing the Authority since 2003. Prior to joining the Authority, Ms. Gonzalez served as a Deputy City Attorney for the Department of Airports of the City of Los Angeles, California, operator of Los Angeles International Airport, Van Nuys and Palmdale Regional Airports. She has over 20 years of experience representing public entities, and, for the past 17 years, her practice has specialized in airport matters dealing with aircraft noise, rates and charges, transportation, the environment, eminent domain, contracts, concessions, revenue diversion and real property. Ms. Gonzalez graduated from St. Louis University and received a Juris Doctor from Pepperdine University School of Law. She is an adjunct professor of law at California Western School of Law.

Employees and Labor Relations

The Authority employs approximately 410 full-time employees. Approximately 130 of these employees (primarily maintenance workers, airport traffic officers and certain supervisors) are members of the Teamsters Local 911 labor union. Labor relations with respect to those 130 employees are governed by a labor agreement between the Authority and Teamsters Local 911, which will expire on September 30, 2017. The Authority and Teamsters Local 911 are currently negotiating a new labor agreement, which is expected to be brought to the Board for approval in late summer 2017.

Approximately 10 of the Authority's employees are members of a classified service group. Labor relations with respect to these employees is governed by state law applicable to classified service employees. The remaining employees of the Authority are not subject to any collective bargaining agreement.

The Authority has never experienced any disruption in its operations due to labor related matters.

SAN DIEGO INTERNATIONAL AIRPORT

Introduction

SDIA is located approximately three miles northwest of downtown San Diego on approximately 661 acres of land. SDIA is bounded by San Diego Bay, military facilities and residential areas. Dedicated on August 16, 1928, SDIA was originally named "San Diego Municipal Airport—Lindbergh Field." SDIA gained international airport status in 1934 when it became the first federally certified airfield to serve all aircraft types, including seaplanes. World War II brought significant change to the airfield when the U.S. Army Air Corps took it over in 1942 to support the war effort. The infrastructure of SDIA was improved to handle the heavy bombers being manufactured in the region during the war.

This transformation, including an 8,750-foot runway (now 9,401 feet), made SDIA jet-ready long before jet passenger planes came into widespread service.

SDIA is located on land leased from the Port District. The leases for most of the land leased from the Port District expire in 2068. The land upon which SDIA is located is held in trust by the Port District pursuant to certain tideland land grants from the State to the Port District. Under current law, in the event SDIA is relocated and the current location is no longer used by the Authority for airport purposes, all of the Authority's leases with the Port District would terminate and the right to use the property subject to those leases would revert to the Port District.

According to ACI statistics, SDIA is the busiest single-runway commercial airport in the United States. SDIA is classified by the FAA as a "large air traffic hub" (an airport that enplanes over 1.0% of the total domestic passengers in the United States). As of June 30, 2017, SDIA handled air transportation for 22 major and commuter passenger airlines. In Fiscal Year 2016, SDIA enplaned approximately 10.2 million passengers (which represented an approximately 5.1% increase in enplaned passengers from the fiscal year ended June 30, 2015). For the calendar year ended December 31, 2016, approximately 96% of the passengers using SDIA were O&D passengers. According to ACI statistics, for the calendar year ended December 31, 2015 (the latest available information from ACI), SDIA was ranked as the 27th busiest airport in the country as measured by total number of enplaned and deplaned passengers.

Pursuant to the Act, the Authority was required to study alternative sites for relocating SDIA and proposing a county-wide ballot measure regarding the relocation of SDIA. After a thorough study, the Authority concluded that the best alternative for relocating SDIA was to obtain approximately 3,000 acres at Marine Corps Air Station-Miramar and to construct a new airport on this site. In November 2006, the voters of the County voted against the Authority's proposal to move SDIA to Marine Corps Air Station-Miramar. At this time, the Board does not plan to pursue relocation of SDIA from its current location.

Existing Facilities

The existing airfield consists of one east-west runway (Runway 9/27), which is 9,401 feet long and 200 feet wide. Runway 9/27 has sufficient capacity and is of sufficient strength to permit the operation of most existing commercial aircraft, including most large widebody aircraft. However, natural and man-made obstructions, including rising terrain, trees and buildings to the west and east of SDIA limit the effective length of the runway for certain aircraft. This limitation reduces range and/or payload capability depending on the aircraft type and the operating rules of a given carrier. Each aircraft is different with respect to, among other things, its empty weight, engine type, thrust variant, desired payload capability, and desired range. For example, the Boeing 787 is not affected by these runway limitations due to improved airfield performance capabilities. Runway 9/27 is equipped with high-intensity runway lighting and supports both precision and non-precision approaches. SDIA has a system of taxiways leading to and from the terminal area on the south side of SDIA, and to and from the north side of SDIA which is used by cargo and general aviation aircraft. See "CERTAIN INVESTMENT CONSIDERATIONS—Restrictions on Airport Facilities and Operations."

Passenger services at SDIA are located in two terminals, Terminal 1 and Terminal 2 (consisting of Terminal 2 East and Terminal 2 West). Terminals 1 and 2 provide a total of 51 aircraft gates. Terminal 1, the oldest terminal at the Airport, was opened in 1967 and renovated in 1994 and 1997. Terminal 1 is approximately 257,500 square-feet, with 19 aircraft gates. Terminal 2 East was opened in 1979 and is a two-story, approximately 225,700 square-foot facility with 13 aircraft gates. Terminal 2 West was opened in 1998 and expanded in 2013 and is a three-story, approximately 786,600 square-foot facility with 19 aircraft gates.

Approximately 5,221 public parking spaces, operated by the Authority, are currently available at the Airport, including (a) approximately 2,151 short-term parking spaces located directly in front of Terminal 1 and near Terminal 2, (b) approximately 2,615 long-term parking spaces located in two remote lots, (c) approximately 97 spaces in a free cell phone lot located east of the Authority's administration offices, and (d) approximately 456 valet parking spaces, with curb-side drop-off in front of Terminals 1 and 2. A portion of the Terminal 2 parking lot is currently closed while the new Terminal 2 West Parking Plaza is constructed (see "PLAN OF FINANCE AND APPLICATION OF SUBORDINATE SERIES 2017 BOND PROCEEDS" and "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Capital Program"). Before the parking lot in front of Terminal 2 was closed for construction it contained approximately 1,200 parking spaces. The Terminal 2 West Parking Plaza will contain approximately 2,900 parking spaces (an increase of 1,700 parking spaces). Once the Terminal 2 West Parking Plaza opens (scheduled for the Summer of 2018), approximately 8,121 parking spaces, operated by the Authority, will be available at the Airport.

The on-Airport rental car companies operate from the newly constructed "Rental Car Center" that consists of a customer service building, ready/return, "quick turnaround" and staging/storage areas with approximately 5,400 parking spaces, and fueling, car wash and light maintenance facilities, and is located on approximately 24.8 acres on the north-side of the Airport. The Rental Car Center opened in January 2016. A shuttle bus system transports passengers from the terminals to the Rental Car Center. See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Other Obligations—Special Facility Obligations" and "AGREEMENTS FOR THE USE OF AIRPORT FACILITIES—Rental Car Agreements."

Air cargo facilities at the Airport currently provide approximately 69,000 square feet of building space in three buildings on approximately 291,596 square-feet of land. The Authority is currently in the process of selecting a developer to design, build, finance, operate and maintain new air cargo facilities and an aircraft ramp on the northside of the Airport (the "North Cargo Facility"). See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Third-Party Financed Projects" for additional information on the North Cargo Facility.

Various other facilities located at the Airport include, among others, a control tower, central utilities plant and fuel facilities are located at the Airport or on land located near the Airport. The previous Commuter Terminal, a three-story building with approximately 133,000 square-feet, serves as the offices of the Authority.

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Air Carriers Serving SDIA

As of June 30, 2017, 22 passenger airlines provided daily service from SDIA to a total of 53 U.S. cities and 9 foreign cities, and 5 air carriers provided scheduled all-cargo service at SDIA. The following table sets forth the air carriers serving SDIA as of June 30, 2017. See "AIRLINE INDUSTRY INFORMATION."

TABLE 5
San Diego International Airport
Air Carriers Serving San Diego International Airport
(As of June 30, 2017)

Scheduled U.S. Carriers	Foreign Flag Carriers	All-Cargo Carriers
Alaska Airlines[1,2]	Air Canada Rouge[6]	Atlas Air, Inc.
Allegiant	British Airways	Ameriflight
American Airlines	Condor	FedEx
Compass Air[3]	Edelweiss	United Parcel Service
Delta Air Lines	Japan Airlines	West Air, Inc.
Frontier Airlines	Jazz Aviation[6]	
Hawaiian Airlines	WestJet Airlines	
Horizon Air[1,4]		
JetBlue Airways		
SkyWest Airlines[5]		
Southwest Airlines		
Spirit		
Sun Country Airlines		
United Airlines		
Virgin America[2]		

[1] Alaska Airlines and Horizon Air Industries are separately certificated airlines owned by Alaska Air Group, Inc. ("Alaska Air Group").
[2] In December 2016, Alaska Air Group acquired Virgin America Inc. Alaska and Virgin currently are operating under separate FAA certificates, but are expected to begin operating under one certificate in the first quarter of 2018.
[3] An affiliate of and doing business as American Airlines and Delta Air Lines.
[4] An affiliate of and doing business as Alaska Airlines.
[5] An affiliate of and doing business as United Express, Delta Connection and Alaska Airlines.
[6] Air Canada has entered into an Airline Lease Agreement, but service at the Airport is provided by Air Canada Rouge and Jazz Aviation.
Source: San Diego County Regional Airport Authority

Aviation Activity

In Fiscal Year 2016, SDIA enplaned approximately 10.2 million passengers (which represented an approximately 5.1% increase in enplaned passengers from the fiscal year ended June 30, 2015). For the calendar year ended December 31, 2016, approximately 96% of the passengers using SDIA were O&D passengers. According to ACI statistics, for the calendar year ended December 31, 2015 (the latest available information from ACI), SDIA was ranked as the 27th busiest airport in the country as measured by total number of enplaned and deplaned passengers. As of April 1, 2017, passenger airlines and cargo carriers were operating approximately 255 departures daily at SDIA.

The following table sets forth the total domestic and international enplanements and total deplanements at SDIA for the last ten Fiscal Years and the first eleven months of Fiscal Years 2016 and 2017.

TABLE 6
San Diego International Airport
Total Enplanements and Deplanements

	Enplanements						Deplanements			
Fiscal Year	Domestic Enplanements	Percent of Total	International Enplanements	Percent of Total	Total Enplanements	Percent Change	Total Deplanements	Percent Change	Total Enplanements and Deplanements	Percent Change
2007	8,797,153	98.9%	94,916	1.1%	8,892,069	1.6%	8,861,770	1.5%	17,753,839	1.5%
2008	9,302,073	99.1	87,254	0.9	9,389,327	5.6	9,382,223	5.9	18,771,550	5.7
2009	8,450,723	99.0	85,051	1.0	8,535,774	(9.1)	8,538,044	(9.9)	17,073,818	(9.0)
2010	8,339,147	98.6	114,739	1.4	8,453,886	(1.0)	8,463,709	(0.9)	16,917,595	(0.9)
2011	8,316,322	98.5	124,798	1.5	8,441,120	(0.2)	8,427,612	(0.4)	16,868,732	(0.3)
2012	8,323,734	97.1	251,741	2.9	8,575,475	1.6	8,562,938	1.6	17,138,413	1.6
2013	8,460,959	96.8	276,658	3.2	8,737,617	1.9	8,703,351	1.6	17,440,968	1.7
2014	8,745,640	96.3	336,604	3.7	9,082,244	3.9	9,062,886	4.1	18,145,130	4.0
2015	9,381,259	96.6	331,807	3.4	9,713,066	6.9	9,696,617	7.0	19,409,683	7.0
2016	9,848,924	96.5	357,298	3.5	10,206,222	5.1	10,190,948	5.1	20,397,170	5.1
***First Eleven Months*[1]**										
2016	8,969,338	96.6	320,209	3.4	9,289,547	–	9,287,647	–	18,577,194	–
2017	9,211,918	96.3	353,969	3.7	9,565,887	3.0	9,535,736	2.7	19,101,623	2.8

[1] July 1 through May 31. Results for the first eleven months of Fiscal Year 2017 may not be indicative of results for the full Fiscal Year 2017.
Source: San Diego County Regional Airport Authority

The following table sets forth total revenue operations (landings and takeoffs) at SDIA for Fiscal Years 2007 through 2016 and the first eleven months of Fiscal Years 2016 and 2017.

TABLE 7
San Diego International Airport
Revenue Operations

Fiscal Year	Total Operations[1]	Operations Growth
2007	225,444	(0.6)%
2008	240,289	6.6
2009	208,783	(13.1)
2010	194,509	(6.8)
2011	186,181	(4.3)
2012	186,196	0.0
2013	187,322	0.6
2014	187,757	0.2
2015	195,268	4.0
2016	194,151	(0.6)
***First Eleven Months*[2]**		
2016	160,106	–
2017	164,644	2.8

[1] For revenue-related departures and arrivals.
[2] July 1 through May 31. Results for the first eleven months of Fiscal Year 2017 may not be indicative of results for the full Fiscal Year 2017.
Source: San Diego County Regional Airport Authority

Air Cargo

The following table sets forth information concerning cargo traffic (enplaned and deplaned cargo) over the last ten Fiscal Years and the first eleven months of Fiscal Years 2016 and 2017.

TABLE 8
San Diego International Airport
Historical Enplaned and Deplaned Freight and U.S. Mail Cargo
(in tons)

Fiscal Year	Freight	Annual Percentage Change	U.S. Mail	Annual Percentage Change	Total	Annual Percentage Change
2007	157,478	(0.5)%	33,566	7.3%	191,044	0.8%
2008	128,456	(18.4)	16,067	(52.1)	144,523	(24.4)
2009	104,750	(18.5)	16,032	(0.2)	120,782	(16.4)
2010	108,823	3.9	16,690	4.1	125,513	3.9
2011	122,204	12.3	16,802	0.7	139,005	10.7
2012	136,036	11.3	17,335	3.2	153,370	10.3
2013	138,760	2.0	18,265	5.4	157,025	2.4
2014	145,831	5.1	19,135	4.8	164,966	5.1
2015	157,229	7.8	21,386	11.8	178,614	8.3
2016	165,046	5.0	20,609	(3.6)	185,656	3.9
***First Eleven Months*[1]**						
2016	150,637	–	18,824	–	169,461	–
2017	152,498	1.2	20,163	7.1	172,661	1.9

[1] July 1 through May 31. Results for the first eleven months of Fiscal Year 2017 may not be indicative of results for the full Fiscal Year 2017.
Source: San Diego County Regional Airport Authority.

Enplanements by Air Carriers

The following table presents total enplanements for each air carrier serving SDIA for the last five Fiscal Years. For Fiscal Year 2016, Southwest accounted for approximately 37.6% of the enplanements at SDIA, 35.3% of the landed weight at SDIA and 14.5% of the operating revenues of the Authority. Over the past five Fiscal Years, Southwest has enplaned about one-third of the passengers at SDIA. Since approximately 96% of the passengers using SDIA are O&D passengers (based on calendar year 2016 enplanements), and the Authority relies very little on connecting enplanements, the Authority believes that any reduction in service by Southwest would probably be absorbed by one or more other airlines operating at SDIA.

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TABLE 9
San Diego International Airport
Enplanements By Air Carriers
(Ranked on 2016 Results)[1]

Air Carrier	Fiscal Year 2012	2012 Percent Share	Fiscal Year 2013	2013 Percent Share	Fiscal Year 2014	2014 Percent Share	Fiscal Year 2015	2015 Percent Share	Fiscal Year 2016	2016 Percent Share
Southwest	3,252,290	37.9%	3,253,225	37.2%	3,352,870	36.9%	3,736,688	41.1%	3,840,455	37.6%
American[2]	1,200,372	14.0	1,211,564	13.9	1,248,239	13.7	1,270,527	14.0	1,369,003	13.4
United[3]	1,266,007	14.8	1,175,869	13.5	1,167,661	12.9	1,113,510	12.3	1,165,565	11.4
Delta	935,777	10.9	904,734	10.4	915,907	10.1	992,498	10.9	1,061,889	10.4
Alaska[4]	579,457	6.8	673,731	7.7	830,349	9.1	871,775	9.6	902,705	8.8
Spirit	77,873	0.9	164,189	1.9	201,414	2.2	252,219	2.8	327,183	3.2
Virgin America[4]	166,326	1.9	168,297	1.9	156,729	1.7	175,973	1.9	211,075	2.1
JetBlue	147,051	1.7	152,571	1.7	173,282	1.9	178,590	2.0	182,605	1.8
Frontier	198,708	2.3	184,020	2.1	185,270	2.0	150,595	1.7	118,990	1.2
Hawaiian	86,211	1.0	94,283	1.1	98,667	1.1	96,963	1.1	102,462	1.0
British Airways	81,437	0.9	81,534	0.9	84,600	0.9	84,263	0.9	89,723	0.9
Japan Airlines	-	0.0	18,249	0.2	54,213	0.6	59,372	0.7	59,647	0.6
Air Canada	56,470	0.7	45,058	0.5	36,636	0.4	41,175	0.5	48,985	0.5
Sun Country Airlines	15,889	0.2	23,836	0.3	27,276	0.3	28,732	0.3	34,886	0.3
Volaris[5]	45,589	0.5	30,885	0.4	23,285	0.3	20,004	0.2	21,343	0.2
Others[6]	43,634	0.5	43,212	0.5	39,664	0.4	41,129	0.5	51,341	0.5
Total Air Carrier	8,153,091	95.1	8,225,257	94.1	8,596,062	94.6	9,114,013	93.8	9,587,857	93.9
Regional										
SkyWest[7]	263,144	3.1%	352,189	4.0%	341,365	3.8%	371,979	3.8%	301,592	2.9%
Compass[8]	–	–	–	–	8,563	0.1	140,012	1.4	249,723	2.4
Horizon[9]	5,900	0.1	77,392	0.9	84,000	0.9	83,764	0.9	64,758	0.6
Other	153,340	1.8	82,779	0.1	52,254	0.1	3,298	<0.1	2,292	<0.1
Total Regional	422,384	4.9	512,360	5.9	486,182	5.4	599,053	6.2	618,365	6.1
Total Enplanements	8,575,475	100.0%	8,737,617	100.0%	9,082,244	100.0%	9,713,066	100.0%	10,206,222	100.0%

1 Totals may not add due to rounding.
2 Effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways began operating as a single airline (under the American brand) in October 2015. Enplanements are for both American and US Airways.
3 On October 1, 2010, United Airlines and Continental Airlines merged. United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012. Enplanements are for both United Airlines and Continental Airlines.
4 In December 2016, Alaska Air Group acquired Virgin America Inc. Alaska and Virgin currently are operating under separate FAA certificates, but are expected to begin operating under one certificate in the first quarter of 2018.
5 Volaris ceased operations at the Airport in August 2016.
6 "Others" includes airlines that ceased operating at SDIA during the period shown in the table, and airlines with a Fiscal Year 2016 market share of less than 0.5%.
7 An affiliate of and doing business as United Express, Delta Connection and Alaska Airlines.
8 An affiliate of and doing business as American Airlines and Delta Air Lines.
9 An affiliate of and doing business as Alaska Airlines.
Source: San Diego County Regional Airport Authority

Landed Weight

The following table sets forth the total revenue landed weight for the largest passenger airlines and cargo carriers serving SDIA for the last five Fiscal Years, ranked on Fiscal Year 2016 results.

TABLE 10
San Diego International Airport
Total Revenue Landed Weight
(Ranked on Fiscal Year 2016 Results)
(in thousands of lbs.)[1]

Airline/Cargo Carrier	2012	2013	2014	2015	2016	2016% of Total
Southwest	3,953,536	3,907,554	3,925,362	4,214,314	4,257,162	35.3%
American[2]	1,344,140	1,339,751	1,349,554	1,359,911	1,467,922	12.2
United[3]	1,502,203	1,387,854	1,340,736	1,227,974	1,250,500	10.4
Delta	1,047,068	1,023,608	1,016,878	1,077,103	1,153,074	9.6
Alaska[4]	648,359	750,000	884,727	888,065	924,310	7.7
FedEx	452,453	451,797	419,127	384,686	444,038	3.7
SkyWest[5]	306,789	428,595	396,054	408,608	359,197	3.0
Spirit	98,931	208,200	245,669	296,925	351,977	2.9
Compass[6]	-	-	10,979	172,754	307,793	2.6
Virgin America[4]	208,253	235,934	232,136	240,781	281,411	2.3
JetBlue	166,232	168,080	189,979	193,848	199,232	1.7
British Airways	167,440	163,760	166,980	166,980	183,760	1.5
Hawaiian	118,088	140,637	147,325	146,284	147,406	1.2
Japan Airlines	-	47,125	138,700	138,700	139,080	1.2
United Parcel Service	120,454	118,180	121,742	127,660	135,318	1.1
Others	685,956	644,639	600,817	479,127	445,964	3.7
Total	10,819,901	11,015,716	11,186,765	11,523,720	12,048,144	100.0%
Annual % Change	2.0%	1.8%	1.6%	3.0%	4.6%	

[1] Totals may not add due to rounding.
[2] Effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways began operating as a single airline (under the American brand) in October 2015. Enplanements are for both American and US Airways.
[3] On October 1, 2010, United Airlines and Continental Airlines merged. United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012. Enplanements are for both United Airlines and Continental Airlines.
[4] In December 2016, Alaska Air Group acquired Virgin America Inc. Alaska and Virgin currently are operating under separate FAA certificates, but are expected to begin operating under one certificate in the first quarter of 2018.
[5] An affiliate of and doing business as United Express, Delta Connection and Alaska Airlines.
[6] An affiliate of and doing business as American Airlines and Delta Air Lines.
Source: San Diego County Regional Airport Authority

Emergency Preparedness

The Authority has an approved Airport Emergency Plan ("AEP") as required under FAA regulations. The AEP addresses essential emergency-related and deliberate actions planned to ensure the safety of and emergency services of the populace of SDIA and the surrounding communities.

The Authority also has prepared a Business Continuity Plan ("BCP") to assist the organization in managing (a) minor events - business disruptions impacting a single Authority function/department, (b) moderate events – business disruptions impacting multiple Authority functions/department, and (c) major events – business disruptions impacting the entire Authority/SDIA. The plan contains information on emergency contact details, strategies to mitigate impact, procedures to be implemented and communication processes to be followed in response to business disruptions. The BCP is to be initiated at the outset of a disruptive event and includes operating SDIA during the emergency situation and business recovery steps to return the operation back over to regular management after the BCP leader deems the recovery to be complete.

The BCP, and all its components, are reviewed annually and a tabletop exercise conducted to test the readiness of the plan. Every two to three years, the BCP is subject to a full test during the execution of the testing of the AEP.

All employees of the Authority are responsible for maintaining the continuous operation of the organization in the event of a disaster. The BCP includes a recommended schedule to ensure that all employees undergo on-going training. While the BCP does not include recovery activities that are part of the AEP, it is the intent of management that both plans work in tandem with each other during an emergency incident. The Authority's internal Audit department periodically reviews the BCP and provides comments and suggestions for its improvement.

The Authority has developed, tested and evaluated a comprehensive set of emergency procedures for a probable disruptive event. These procedures and precautions seek to minimize the operational and financial impact on SDIA and the Authority. However, the Authority cannot predict whether SDIA would need to cease operations in the event of an emergency or what types of emergencies would cause SDIA to cease operating. The Authority is not able to predict for how long SDIA would be closed and whether the Authority's reserves would be adequate to return SDIA to full operation in the event of a cessation of operations due to an emergency.

AGREEMENTS FOR THE USE OF AIRPORT FACILITIES

The Authority has entered into, and receives payments under, different agreements with various airlines and other parties, including operating and lease agreements relating to landing fees and the leasing of space in terminal buildings, other building and miscellaneous leases regarding the leasing of cargo and hangar facilities, and concession agreements relating to the sale of goods and services at SDIA.

Airline Lease Agreements

The Authority has entered into separate, but substantially similar, Airline Operating and Lease Agreements (the "Airline Lease Agreements") with 18 passenger airlines operating at SDIA (the "Signatory Passenger Airlines") and 5 all-cargo carriers (the "Signatory Cargo Carriers," and together with the Signatory Passenger Airlines, the "Signatory Airlines"). The Airline Lease Agreements cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SDIA. The Airline Lease Agreements have a term commencing on July 1, 2013 and terminating on June 30, 2018, unless terminated earlier pursuant to their terms. The Airline Lease Agreements may be terminated by the Authority or by the Signatory Airlines with or without cause or default upon the giving of no less than ninety days' notice in writing to the other party of the intention to so terminate. The Signatory Airlines and the Authority have begun negotiating a new airline operating and lease agreement. Since the negotiations with the Signatory Airlines are in their preliminary stages, the Authority cannot predict if certain terms of the new agreements will be materially different from the existing agreements. If a new agreement is not entered into by July 1, 2018, the Signatory Airlines will continue to operate at SDIA under the terms of the current Airline Lease Agreements on a month-to-month basis.

Under the Airline Lease Agreements, the Signatory Passenger Airlines operating in Terminal 1 (Alaska, Frontier and Southwest) have exclusive rights to use "Exclusive Use Premises" which consist of ticket counters, associated passenger queuing areas, ticket and baggage service offices and operational support areas. Under the Airline Lease Agreements, the Signatory Passenger Airlines operating in Terminal 2 (Air Canada, Allegiant, American, British Airways, Condor, Delta, Edelweiss, Hawaiian, Japan, JetBlue, Spirit, Sun Country, United, Virgin and WestJet) operate under "Common Use Premises" for ticket counters, free-standing self-service kiosks, skycap podiums, curbside positions and queuing areas, and "Exclusive Use Premises" for ticket and baggage offices and operation support offices. The Signatory Passenger Airlines in both Terminals 1 and 2 also receive the nonexclusive right to use "Joint-Use Premises," which include baggage claim areas and passenger holdrooms; and "Landing Areas," which include runways, taxiways, apron areas, roadways and other areas providing for landing, takeoff, handling, servicing, loading and unloading, and other operations of aircraft. The Airline Lease Agreements provide for common-use gates and preferential-use gates (provided the Signatory Passenger Airline satisfies certain operating thresholds) and do not permit gates to be assigned on an exclusive-use basis.

Pursuant to the Airline Lease Agreements, the landing fees at SDIA are calculated based on a residual rate-setting methodology and the terminal rental rates at SDIA are calculated based on a compensatory rate-setting methodology. Each Signatory Airline is required to pay landing fees on a monthly basis equal to the landed weight of each such Signatory Airline's planes which landed at SDIA for such month multiplied by the landing fee rate. The landing fee rate is equal to the airfield area net requirement divided by the total landed weight for all planes landing at SDIA. The airfield area net requirement is calculated as: (a) the sum of Operation and Maintenance Expenses of the Airport System attributable or allocable to the airfield, bond and other debt service attributable or allocable to the airfield, amortization charges attributable or allocable to the airfield, and reserve requirements attributable or allocable to the airfield; minus (b) the sum of certain airfield area adjustments, including, among others, terminal apron parking charges, overnight parking charges, fuel flowage fees, non-signatory landing fees, and federal, state and local grants and PFCs used to offset bond and other debt service attributable or allocable to the airfield.

Each Signatory Passenger Airline is required to pay terminal rentals on a monthly basis equal to the total area of the terminals allocable to each such Signatory Passenger Airline multiplied by the terminal rental rate. The terminal rental rate is equal to the terminal area net requirement divided by the total area of rentable premises in the terminal. The terminal area net requirement is calculated as: (a) the sum of Operation and Maintenance Expenses of the Airport System attributable or allocable to the terminal, bond and other debt service attributable or allocable to the terminal, amortization charges attributable or allocable to the terminal, and reserve requirements attributable or allocable to the terminal; minus (b) the sum of certain terminal area adjustments, including among others, non-signatory airline terminal rentals, FIS charges, and federal, state and local grants and PFCs used to offset bond and other debt service attributable or allocable to the terminal.

Pursuant to the Airline Lease Agreements, in addition to landing fees and terminal rentals, the Signatory Passenger Airlines are required to pay other fees and charges, including among others, security charges, Common Use System Support Charges, terminal apron parking charges and remain overnight parking charges.

Pursuant to the Airline Lease Agreements, for each Fiscal Year, the Authority is required to develop estimated landing fee rates, terminal rental rates, security surcharge, common use system support charges, terminal apron parking charges and overnight parking charges based on the Authority budget for such Fiscal Year. Before formally adopting the budget, and any resulting rental, fees, or charges, the Authority must consult with the Signatory Airlines and consider their comments regarding the budget and the calculation of the estimated rentals, fees, and changes. Pursuant to the Airline Lease Agreements, the Authority will review the rentals, fees, and charges throughout the Fiscal Year ("interim review") and at a minimum for January 1 of each Fiscal Year ("mid-year review"). If during any interim or mid-year review the Authority finds that the actual expenses and/or activity levels vary by more than 5% from those originally estimated by the Authority, whether more or less, Authority may, after consultation with the Signatory Airlines, adjust the rentals, fees, and charges.

Within seven months after the close of each Fiscal Year, the Authority will calculate the final rentals, fees and charges based on actual expenses and activities for the Fiscal Year. Any difference between the rentals, fees, and charges for these charges paid by the Signatory Airlines versus the rentals, fees, and charges to be paid based on actual expenses and activity for the Fiscal Year either will be refunded by the Authority to the Signatory Airlines or the Signatory Airlines will pay the Authority. Any amount due the Signatory Airlines as a result of such final accounting will be paid in the form of a cash payment to the Signatory Airlines in the next ensuing month. Any amount due the Authority as a result of such final accounting will be invoiced to the Signatory Airlines and due and payable on or before the tenth day of the next ensuing month.

The Airline Lease Agreements do not require the Authority to receive the approval of the Signatory Airlines for the construction of the Master Plan, the Capital Program, the Airport Development Plan or any other capital improvements at SDIA.

In an effort to better match capacity with demand in some markets, certain Signatory Passenger Airlines have entered into agreements with affiliated airlines to operate smaller aircraft on behalf of those Signatory Passenger Airlines. “Affiliate Airlines” are airlines that (a) have been designated by a Signatory Passenger Airline to operate at SDIA as its Affiliate, (b) have executed an Affiliate Airline Operating Agreement with the Authority and the Signatory Passenger Airline, (c) operate their air service at SDIA as the Signatory Passenger Airline under a shared International Air Transportation Association flight designator code, (d) are either wholly-owned by the Signatory Passenger Airline, a subsidiary of the same corporate parent as the Signatory Passenger Airline, or under contract to the Signatory Passenger Airline with respect to its operations as an Affiliate at SDIA, (e) do not sell seats in its own name on any aircraft operated at SDIA, and (f) sell all seats on any aircraft operated at SDIA in the name of the Signatory Passenger Airline. The Affiliate Airline Operating Agreements with the Affiliate Airlines allow the Affiliate Airlines to operate at SDIA on behalf of the applicable Signatory Passenger Airlines without the Affiliate Airline having to enter into an Airline Lease Agreement. Generally, the same rates, fees and charges applicable to the Signatory Passenger Airline’s operations at SDIA also apply to the Affiliate Airline’s operations at SDIA. In the event an Affiliate Airline fails to pay fees and charges to the Authority, the applicable Signatory Passenger Airline is responsible for the fees and charges billed to its Affiliate Airline. The following table sets forth the Affiliate Airlines currently operating at the Airport and their affiliated Signatory Passenger Airlines.

[Remainder of page intentionally left blank.]

TABLE 11
San Diego International Airport
Signatory Passenger Airlines and Their Affiliate Airlines

Signatory Passenger Airline	Affiliate Airline
Air Canada	Air Canada Rouge
Air Canada	Jazz Aviation
Alaska Airlines	Horizon Air
Alaska Airlines	SkyWest Airlines
American Airlines	Compass Air
Delta Air Lines	SkyWest Airlines
Delta Air Lines	Compass Air
United Airlines	SkyWest Airlines

Source: San Diego County Regional Airport Authority

See "FINANCIAL INFORMATION—Summary of Financial Results" for information with respect to aviation revenues collected by the Authority in Fiscal Year 2016.

Parking Agreement

The Authority has entered into an agreement with Ace Parking Management Inc. ("Ace Management") for the management of the parking facilities at SDIA. The agreement with Ace Management expires on the latter of August 31, 2018 or until a certificate of occupancy is issued for the new Terminal 2 West Parking Plaza (see "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Capital Program"). The agreement requires Ace Management to remit the gross revenues from the parking facilities it operates, on a daily basis, to the Authority. As compensation for Ace Management's performance under the agreement, the Authority pays Ace Management a fixed annual management fee and reimburses Ace Management for certain expenses incurred in the management and operation of the parking facilities.

The Authority sets rates for parking in the Authority's public parking lots. As of January 1, 2017, long-term parking rates were $13 to $20 per day, depending on location, and short-term parking rates were $6 for the first hour and a maximum of $32 for the first day, with every additional day being $32 per day.

As of January 1, 2017, valet parking rates were $40 per day. Public parking accounted for approximately $42.9 million of operating revenues in Fiscal Year 2016, equal to approximately 18.3% of operating revenues or approximately 35% of nonairline revenues.

Rental Car Agreements

As of April 1, 2017, there were 16 rental car companies (operating a total of 23 brands) authorized by the Authority to provide rental car services at SDIA. All of the major national brands are represented at SDIA (Advantage, Alamo, Avis, Budget, Dollar, Enterprise, E-Z, Hertz, National, Thrifty and ZipCar) as well as regional brands (Economy, Fox, Green Motion and Midway) and local brands (A1, Ace, Airport Van Rental, Horizon, Mex Rent a Car, Pacific, Payless, and TravCar). Seventeen of the brands lease space within and operate from the Rental Car Center (the "On-Airport Rental Car Companies"). The remaining 6 brands operate off-Airport by shuttling passenger between the Rental Car

Center and their off-Airport facilities (the "Off-Airport Rental Car Companies"). All rental car companies operating at the Airport must use the busing system to transport passengers to the terminals.

The Authority and each of the On-Airport Rental Car Companies have entered into a Non-Exclusive On-Airport Rental Car Concession Agreement (each a "Rental Car Concession Agreement"), pursuant to which the Authority has granted to each of the Rental Car Companies the right to operate a rental car concession at the Airport from the Rental Car Center on a nonexclusive basis for the purpose of arranging rental car services for the benefit of Airport customers where such rental car service is furnished by or on behalf of the Rental Car Company. Pursuant to the Rental Car Concession Agreements, each of the On-Airport Rental Car Companies pay the Authority a monthly concession fee equal to the greater of (a) a minimum monthly guarantee set forth in the Rental Car Concession Agreements or (b) 10% of the monthly gross revenues of such On-Airport Rental Car Company. Each of the Rental Car Concession Agreements expire on June 30, 2026. The On-Airport Rental Car Companies have agreed that the Authority will have, at the Authority's sole discretion, the option to extend the Rental Car Concession Agreements for four separate 5-year periods. Each additional 5-year term for which this option is exercised will commence at the expiration of the immediately preceding term. The Off-Airport Rental Car Companies operated at the Airport pursuant to a Non-Exclusive Off-Airport Rental Car Concession Agreement.

In addition to the Rental Car Concession Agreements, the Authority and each of the On-Airport Rental Car Companies have entered into a "Rental Car Center Lease Agreement." Pursuant to the terms of the Rental Car Center Lease Agreements, the Authority agreed to construct the Rental Car Center and the On-Airport Rental Car Companies have agreed to collect CFCs, pay Bond Funding Supplemental Consideration in the event CFCs are not sufficient to pay debt service on the Series 2014 Special Facilities Bonds, pay ground rent with respect to the respective space leased in the Rental Car Center, and certain reimbursable operating and maintenance costs of the Rental Car Center. Only Rental Car Companies that have entered into a Rental Car Concession Agreement are allowed to enter into a Rental Car Lease Agreement.

Pursuant to Section 1936 of the California Civil Code, in March 2009 and May 2010, the Board authorized the collection of a $10.00 per transaction CFC on rental cars rented from rental car companies operating at SDIA. On October 4, 2012, the Board adopted an alternative CFC collection rate, pursuant to Section 1936 of the California Civil Code, equal to $6.00 per transaction day, effective November 1, 2012; $7.50 per transaction day, effective January 1, 2014; and $9.00 per transaction day, effective January 1, 2017 (each such rate limited to 5 transaction days per transaction). The CFC is collected by the rental car companies from their customers and subsequently transferred to the Authority (or the trustee for the Series 2014 Special Facilities Bonds). The CFC revenues were used and are being used to pay the costs of the design and construction of the Rental Car Center, to pay the debt service on the Series 2014 Special Facilities Bonds, to fund certain funds and accounts associated with the Series 2014 Special Facilities Bonds and the operation and maintenance of the Rental Car Center, and to provide for the busing system between the terminals and the Rental Car Center. CFC revenues are not included in Revenues and are not available for the payment of debt service on the Senior Bonds or the Subordinate Obligations (including the Subordinate Series 2017 Bonds).

The Authority received approximately $27.8 million in payments (not including CFCs) from the On-Airport Rental Car Companies and Off-Airport Rental Car Companies in Fiscal Year 2016. The Authority recorded the receipt of approximately $33.2 million of CFC revenues in Fiscal Year 2016.

Terminal Concessions, Advertising and Other Agreements

As part of its Concessions Development Program, the Authority entered into 18 leases with a variety of vendors for 83 food, beverage and retail units at SDIA. The leases with respect to the food and beverage units commenced or commence on the date the applicable concession space is available for beneficial use by the vendor and expires on a date 10 years after such date of available use. The leases with respect to the retail units commenced or commence on the date the applicable concession space is available for beneficial use by the vendor and expires on a date 7 years after such date of available use. The leases provide for rental payments equal to the greater of a minimum annual guarantee ("MAG") or a percentage of gross income. For Fiscal Year 2016, gross sales for food and beverage outlets were \$70.4 million, providing approximately \$10.4 million in operating revenues to the Authority (which equaled a percentage of the gross sales for food and beverage outlets). For Fiscal Year 2016, gross sales for gift and news outlets were \$40.8 million, providing approximately \$6.4 million in operating revenues to the Authority (which equaled a percentage of the gross sales for gift and news outlets).

The Authority has entered into an advertising concession agreement with Joint Venture for the Operation of the Advertising Concession ("Joint Venture"). The advertising concession agreement expires on June 30, 2018 and provides for payments from Joint Venture equal to the greater of a MAG or a percentage of gross income received by Joint Venture from advertisements at SDIA. For Fiscal Year 2016, gross advertising income was \$2.9 million, providing approximately \$2.0 million in operating revenues to the Authority (which equaled the MAG).

The Authority also has entered into agreements with operators of vending machines, airport carts, ATMs and certain other concessionaires. Most of these operators pay the Authority the greater of a MAG or a percentage of gross income.

FINANCIAL INFORMATION

Summary of Financial Operations

Budgeting Process. The Authority operates as an enterprise fund and prepares its budget on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority has one fund and is a separate, independent and local government entity operating on a July 1 through a June 30 Fiscal Year.

The annual budget cycle includes the preparation of two budgets: one to be adopted by the Board for the next Fiscal Year and a conceptual budget for the subsequent Fiscal Year that the Board approves but does not adopt. The budget process usually begins in the fall with senior management collaborating with the Board to update, review and formulate the strategies and initiatives that will drive business performance. From October-January, the management team engages in cross-functional discussions to arrive at key decisions and agreements. The effort is designed to align divisional requirements with the Authority's overall strategies and initiatives. The Board is briefed continually to solicit input and direction throughout the process. As appropriate, strategic planning workshops and detailed briefings on the proposed operating and capital program budgets are held with the Board.

In January, the budget staff reviews financial results of the first six months of the then-current Fiscal Year. In February and March departments submit budget requests reflecting operating needs and programs to achieve the Authority's strategies and initiatives. Personnel, contractual services, utilities, maintenance, supplies and materials, business development, employee support, fixed assets (property, plant and equipment) and capital projects are proposed and reviewed. The Business & Financial Management, Talent, Culture & Capability, Accounting, Information & Technology Services, Terminals

& Tenants, Ground Transportation, Risk Management, Facilities Management and Facilities Development departments analyze the requests and weigh the cost/benefit impact, where appropriate. Meetings are held with each division to review their budget requests.

To ensure that the budget is funded adequately and to maintain the Authority's strong financial condition, the Financial Management team prepares an airline revenue budget that incorporates budget expenditure requests into the rate setting formula to determine projected rates, fees and charges to the airlines and non-airline revenue budget in consultation with the Business Management, Ground Transportation and Air Service Development departments.

In April–June, proposed operational and capital program budgets are distributed to the Board and a budget workshop is held to review the materials for input and guidance. The Board adopts the budget as a whole, and it may be amended as required, with Board approval, at any time during the year.

On June 1, 2017, the Board adopted the budget for Fiscal Year 2018 and approved, in concept, the budget for Fiscal Year 2019. The conceptual budget for Fiscal Year 2019 approved by the Board will be brought back to the Board in 2018 for review, any needed revisions and final adoption.

In 2017 the Authority received its 13th consecutive Distinguished Budget Presentation Award from the Government Finance Officers Association of the United States and Canada ("GFOA") for its annual budget for Fiscal Year 2017.

Fiscal Year 2018 Budget. Budgeted operating and non-operating revenues for Fiscal Year 2018 are $373.4 million, an increase of $28.4 million (or 8.2%) over Fiscal Year 2017 budgeted operating and non-operating revenues. This increase can be primarily attributed to an increase in capital grant contributions, building rentals, collection of security costs, certain concession revenues, ground transportation revenues and CFCs. Budgeted expenses for Fiscal Year 2018 are projected to increase $31.6 million, or 12.0%, over Fiscal Year 2017 budgeted expenses (which were $263.6 million). This increase is primarily attributable to increases in debt service costs, personnel costs, parking and shuttle operating costs, and Harbor Police costs. The Fiscal Year 2018 budget assumes 10.70 million enplaned passengers, versus 10.61 million enplaned passengers in the Fiscal Year 2017 budget (a 0.8% increase).

Conceptual Fiscal Year 2019 Budget. Budgeted operating and non-operating revenues for Fiscal Year 2019 are $399.3 million, an increase of $25.9 million (or 6.9%) over Fiscal Year 2018 budgeted operating and non-operating revenues. This increase can be primarily attributed to an increase in building rentals, security surcharges, concession revenues, parking revenues, ground transportation revenues and capital grant contributions. Budgeted expenses for Fiscal Year 2019 are projected to increase $12.0 million, or 4.1%, over Fiscal Year 2018 budgeted expenses (which are $295.2 million). This increase is primarily attributable to increases in debt service costs, non-personnel operating expenses, and personnel costs. The Fiscal Year 2019 budget assumes 10.89 million enplaned passengers, versus 10.70 million enplaned passengers in the Fiscal Year 2018 budget (a 1.8% increase).

Internal Controls. The Authority's Vice President, Finance/CFO and Treasurer establishes a system of internal controls that provides reasonable assurance regarding the achievement of objectives in the following categories: safeguarding assets; ensuring validity of financial records and reports; promoting adherence to policies, procedures, regulations and laws; and promoting effectiveness and efficiency of operations. A Chief Auditor heads the internal audit department that conducts financial reviews and audits on a periodic basis, and reports directly to the Board. In addition, the Authority has external auditors who review the annual financial statements of the Authority and express an opinion that the contents present fairly, in all material respects, the financial condition of the Authority.

Debt Issuance and Management Policies. The Authority has established formal debt issuance and management policies (the "Debt Policies") that were last amended by the Board in 2017. The Debt Policies contain the policies of the Authority that govern its existing and anticipated debt obligations. The Debt Policies contain, among other things, several goals and targets with respect to the Authority's outstanding debt coverage ratios, airline costs per enplaned passenger, debt to enplaned passenger ratios and available liquidity. The Debt Policies include: (a) debt service coverage targets (Net Revenues divided by annual debt service) of 1.75 times for Senior Bonds and 1.50 times for combined debt service on Senior Bonds and Subordinate Obligations; (b) a goal that the debt to enplaned passenger ratio will not exceed $150 per enplaned passenger; and (c) a target of unrestricted reserves of 500 days of budgeted operating and maintenance expenses for the current fiscal year. The Debt Policies are only the internal goals and targets of the Authority. A failure of the Authority to meet any of these goals and targets are not Events of Default under the Master Senior Indenture or the Subordinate Indenture.

Investment Practices. It is the policy of the Authority to invest public funds in a manner that will provide the highest security of the funds under management while meeting the daily cash flow demands of the Authority. The investment policies and practices of the Authority are based upon prudent money management and conform to all state and local statutes governing the investment of public funds. The Authority is authorized by California Government Code Section 53600 *et seq*. and Section 53630 *et seq.* to invest in investments listed therein. Prohibited investments include but are not limited to, inverse floating rate notes, range notes, interest-only strips that are derived from a pool of mortgages and common stock. The Authority may not invest any funds in any security that could result in zero interest accrual and zero discount accretion if held to maturity. Investments that exceed five years to maturity require authorization by the Board at least 30 days prior to purchase.

The following table sets forth a summary of the Authority's investments as of March 31, 2017:

TABLE 12
San Diego County Regional Airport Authority
Investments
(As of March 31, 2017)

Security Type	Market Value as of March 31, 2017	Percentage of Portfolio
U.S. Agency Securities	$104,421,000	22.5%
U.S. Treasuries	85,328,000	18.4
San Diego County Investment Pool	54,400,000	11.7
Local Area Investment Fund (LAIF)	48,020,000	10.3
Negotiable Certificates of Deposit	43,606,000	9.4
Collateralized Bank Demand Deposits	40,686,000	8.8
Medium Term Notes	39,559,000	8.5
Certificates of Deposit	15,387,000	3.3
Cal Trust	15,257,000	3.3
Commercial Paper	14,476,000	3.1
Supra Nationals	2,970,000	0.6
Money Market Fund	352,000	0.1
Total	$464,462,000	100.0%

Source: San Diego County Regional Airport Authority March 31, 2017 Investment Report.

Derivatives Policy. In September 2007, the Board adopted a derivatives policy which provides guidelines to be used by the Authority when entering into derivative financial products, including, but not limited to, interest rate swaps, interest rate caps and rate locks. As of the date of this Official Statement, the Authority has not entered into any contracts for derivative financial products.

Summary of Financial Results

Financial Results for Fiscal Years 2012 through 2016. The following table summarizes the financial results from operations for the Authority for Fiscal Years 2012 through 2016. See "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015." BKD, LLP, the Authority's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included in Appendix B attached hereto, any procedures on the financial statements addressed in that report. BKD, LLP also has not performed any procedures relating to this Official Statement.

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TABLE 13
San Diego County Regional Airport Authority
Statements of Revenues, Expenses and Change in Net Position
(Dollars in Thousands)[1]

	2012[2]	2013	2014	2015	2016
Operating revenue:					
Aviation revenue					
Landing fees	$ 18,419	$ 19,658	$ 19,107	$ 21,390	$ 23,985
Aircraft parking fees	3,134	3,191	2,503	2,716	2,701
Building rentals	30,633	41,840	46,001	48,153	51,273
Security surcharge	18,649	23,360	25,777	25,180	29,223
Other aviation revenue	1,595	1,591	4,488	4,893	5,023
Concession revenue	40,427	42,041	47,770	52,496	56,274
Parking and ground transportation revenue	31,470	35,750	38,959	41,632	48,106
Ground rentals	8,044	9,162	9,603	13,074	16,226
Other operating revenue	1,179	905	1,529	971	1,183
Total operating revenue	153,550	177,498	195,737	210,505	233,994
Operating expenses:					
Salaries and benefits	37,237	38,092	39,135	39,212	42,067
Contractual services	26,906	29,284	31,559	32,422	38,215
Safety & security	22,625	23,994	24,151	23,466	28,721
Space rental	11,415	10,897	10,478	10,433	10,367
Utilities	6,674	6,659	8,680	10,152	11,480
Maintenance	8,497	11,204	13,982	14,516	14,122
Equipment and systems	403	469	643	1,805	708
Material and supplies	304	406	440	519	536
Insurance	764	795	988	1,145	949
Employee development & support	916	1,235	1,171	1,136	1,242
Business development	2,093	2,444	2,661	2,493	2,390
Equipment rental and repair	1,335	1,317	2,932	2,951	2,852
Total operating expenses before depreciation and amortization	119,169	126,796	136,821	140,250	153,651
Income from operations before depreciation and amortization	34,381	50,702	58,916	70,255	80,343
Depreciation and amortization	44,532	41,624	77,205	77,559	83,578
Operating (loss)	(10,151)	9,078	(18,289)	(7,304)	(3,235)
Non-operating revenues (expenses):					
Passenger facility charges	34,639	35,437	35,770	38,517	40,258
Customer facility charges	11,487	19,117	27,545	32,465	33,208
Quieter Home Program, net	(3,531)	(1,589)	(2,750)	(2,811)	(3,698)
Joint Studies Program	(73)	(55)	(152)	(145)	(101)
Interest income	5,492	4,140	5,211	5,747	5,999
Interest expense	(2,027)	(16,530)	(56,376)	(59,516)	(54,878)
"Build America Bond" rebate	4,996	4,779	4,636	4,631	4,656
Other revenues (expenses), net	(3,032)	(4,279)	434	1,367	2,247
Non-operating revenue, net	47,951	41,020	14,318	20,255	27,690
Income before capital grant contributions	37,800	50,098	(3,971)	12,951	24,456
Capital grant contributions	20,834	16,077	3,924	10,765	10,477
Change in net position	58,634	66,175	(47)	23,716	34,933
Net position, beginning of year	602,255	660,889	727,064	719,024 [2]	742,740
Net position, end of year	$660,889	$727,064	$727,018	$742,740	$777,673

[1] Totals may not add due to rounding.
[2] Restated as per Governmental Accounting Standards Board Statement No. 65.
[3] Net position as of July 1, 2014 was restated for the effects of Governmental Accounting Standards Board Statement No. 68. See Note 1 in the Authority's Audited Financial Statements for Fiscal Years 2016 and 2015 attached as Appendix B.
Source: Derived from the audited financial statements of the Authority.

Management's Discussion of Fiscal Year 2016 Financial Results. Total operating revenue for Fiscal Year 2016 increased $23.4 million over Fiscal Year 2015. Aviation revenue for Fiscal Year 2016 increased $9.9 million over Fiscal Year 2015. The increase in total airline revenue was primarily due to an increased cost recovery for the airlines due to higher operating expenses. Landing fees increased by $2.6 million in Fiscal Year 2016 due to increased airfield costs. Building rentals increased by $3.1 million or 6.5% due to increased terminal costs. Security surcharges increased by $4.0 million or 16.1%, primarily due to increased Harbor Police expenses and higher terminal rental rate for security checkpoints. Non-airline terminal rent decreased by $473,000 or 31.4%, primarily due to consolidation of ground servicing companies. Concession revenue increased by $3.8 million reflecting increased enplanements and higher per-enplanement sales. Parking and ground transportation increased by $6.5 million or 15.5%, due to higher enplanements and higher recovery on ground transportation costs. Ground rentals increased in Fiscal Year 2016 by $3.6 million primarily due to the Rental Car Center land lease starting January 2016. Other operating revenue increased by $212,000 due to higher landing fees at the Fixed Base Operator, higher utility reimbursements, and higher fees for miscellaneous services.

Operating expenses, before depreciation and amortization expense, for Fiscal Year 2016 increased by $13.4 million, or 9.6%, from $140.3 million to $153.7 million when compared to Fiscal Year 2015. Contributing to this increase were the following: salaries and benefits increased $2.9 million or 7.3%, mostly due to planned wage and benefit increases; contractual services increased by $5.8 million or 17.9%, as a result of additional busing costs for the Rental Car Center that opened in January 2016; safety and security increased $5.3 million or 22.4%, reflecting an increase in law enforcement training and benefit costs; and utilities increased $1.3 million or 13.1%, due to higher rates and increased power usage at the Rental Car Center. Offsetting these increases were the following decreases: maintenance of $394,000 due to lower major maintenance costs; equipment and systems of $1.1 million due to decreased IT equipment purchases; insurance of $195,000 primarily due to lower property insurance rates; business development of $103,000 due to a delay in planned advertising; equipment rentals and repairs of $99,000 due primarily to lower IT maintenance contracts and lower printer costs.

Depreciation and amortization increased by $6.0 million as the Rental Car Center was brought into service. Non-operating revenue (net) increased by $7.4 million or 36.7% in Fiscal Year 2016. This was primarily due to the higher PFC revenues of $1.7 million or 4.35%, due to increased enplaned passengers. Additionally, CFC revenues increased $743,000 due to increased rental car transactions. Offsetting these increases was other non-operating income (expenses) net by $879,000 or 64.3%, mainly due to unrealized gains on investments. The Quieter Home Program net expenses increased by $887,000 or 31.6%, due to increased program activity in Fiscal Year 2016. Net interest expense decreased by $4.7 million or 8.5%, mainly due to higher capitalized interest.

Management's Discussion of Financial Results for First Nine Months of Fiscal Year 2017. For the nine months ended March 31, 2017, total operating revenues were $185.2 million which was 3% higher than budget and $10.1 million (8%) higher than the equivalent period for Fiscal Year 2016. The increase over the previous Fiscal Year is due to stronger performance of concession revenue of $4.8 million due to higher sales per enplanement and increased enplanements. Aviation revenue was $4.3 million greater than the prior Fiscal Year mainly due to the recovery of increased security costs.

For the nine months ended March 31, 2017, total operating expenses were $118.8 million which was 4% under budget and $7.5 million (6%) higher than the equivalent period from Fiscal Year 2016. The increase over the prior period was mainly due to higher costs associated with a full nine months operation of the Rental Car Center compared to less than three months operation in the equivalent period from Fiscal Year 2016. Harbor Police costs and terminal maintenance expenses were also higher in Fiscal Year 2017.

Non-operating revenues were $19.4 million for the nine months ended March 31, 2017, compared to $28.8 million for the nine months ended March 31, 2016. This decrease was primarily due to a decrease in FAA grant revenues of $9.4 million. The nine months ended March 31, 2016 coincided with large portions of the Northside Utilities and Northside Taxiway construction projects that received FAA grants.

Revenue Diversity

The following table sets forth the top ten operating revenue providers at SDIA for Fiscal Year 2016.

TABLE 14
San Diego County Regional Airport Authority
Top Ten Operating Revenue Providers
(Fiscal Year 2016)

	Revenue Provider	Revenues	Percent of Total Operating Revenue
1.	Southwest Airlines	$33,838,686	14.5%
2.	American Airlines	15,321,505	6.5
3.	United Airlines	14,518,119	6.2
4.	Delta Air Lines	14,418,056	6.2
5.	Alaska Airlines	10,612,367	4.5
6.	Enterprise Holdings	9,451,127	4.0
7.	Hertz Global Holdings	8,225,179	3.5
8.	Avis Budget Rent-A-Car Group	5,540,949	2.4
9.	Landmark Aviation	5,536,511	2.4
10.	SSP America	4,476,873	1.9

Source: San Diego County Regional Airport Authority

The following table sets forth the top ten revenue sources at SDIA for Fiscal Year 2016.

TABLE 15
San Diego County Regional Airport Authority
Top Ten Operating Revenue Sources
(Fiscal Year 2016)

	Source	Revenue	Percent of Total Operating Revenue
1.	Terminal Rent-Airlines	$53,536,280	22.9%
2.	Parking	42,872,849	18.3
3.	Security Surcharge	29,223,097	12.5
4.	Car Rental License Fees[1]	27,025,167	11.5
5.	Terminal Concessions	24,017,969	10.3
6.	Landing Fees	23,984,793	10.3
7.	Ground Rent	15,193,757	6.5
8.	Ground Transportation Permits	4,974,144	2.1
9.	Ground Handling Services	2,766,945	1.2
10.	Aircraft Parking Fees	2,701,219	1.2

[1] Excludes CFC revenues, of which the Authority recorded the receipt of $33,207,946 in Fiscal Year 2016.
Source: San Diego County Regional Airport Authority

Historical Debt Service Coverage

The following table shows historical senior and subordinate debt service coverage for Fiscal Years 2012 through 2016.

TABLE 16
San Diego County Regional Airport Authority
Historical Senior and Subordinate Debt Service Coverage

	2012	2013	2014	2015	2016
Net Revenues					
Revenues[1]	$158,311,779	$181,051,929	$199,834,430	$214,770,544	$238,640,326
Operating and Maintenance Expenses	(118,941,148)	(126,662,546)	(136,604,105)	(142,781,639)	(151,327,219)
Net Revenues Available for Debt Service	$39,370,631	$54,389,383	$63,230,326	$71,988,905	$87,313,106
Senior Debt Service[2 3]					
Senior Bonds					
Principal	$3,430,000	$ –	$ –	$ 2,030,000	$ 2,090,000
Interest	1,925,975	2,478,489	16,645,435	18,034,575	18,414,600
Less: PFCs Applied to Senior Debt Service	–	(714,077)	(7,140,301)	(8,669,966	(9,490,326)
Total Senior Debt Service	$5,355,975	$1,764,412	$9,505,134	$11,394,609	$11,014,274
Senior Debt Service Coverage	7.35x	30.83x	6.65x	6.32x	7.93x
Subordinate Debt Service[4]					
Subordinate Net Revenues Available for Debt Service	$34,014,656	$52,624,971	$53,725,192	$60,594,296	$76,298,832
Subordinate Series 2010 Bonds					
Principal	$ 980,000	$ 1,000,000	$ 5,785,000	$ 8,665,000	$ 9,000,000
Interest[5]	6,599,760	26,194,616	27,069,283	26,853,179	26,495,600
Short-Term Subordinate Obligations[6]	1,077,867	5,519,872	6,446,951	6,736,945	6,760,189
Less: PFCs Applied to Subordinate Debt Service	–	(20,061,962)	(20,718,863)	(21,554,245)	(20,331,674)
Total Subordinate Debt Service	$8,657,627	$12,652,526	$18,582,372	$20,700,879	$21,924,115
Subordinate Debt Service Coverage	3.93x	4.16x	2.89x	2.93x	3.48x
Aggregate Senior and Subordinate Debt Service					
Net Revenues Available for Debt Service	$39,370,631	$54,389,383	$63,230,326	$71,988,905	$87,313,106
Aggregate Debt Service (Bonds)					
Principal[7]	$4,410,000	1,000,000	5,785,000	10,695,000	11,090,000
Interest[5,7]	8,525,735	28,673,105	43,714,718	44,887,754	44,910,200
Short-Term Subordinate Obligations[6]	1,077,867	5,519,872	6,446,951	6,736,945	6,760,189
Less: PFCs Applied to Senior and Subordinate Debt Service	–	(20,776,039)	(27,859,164)	(30,224,211)	(29,822,000)
Total Aggregate Debt Service	$14,013,602	$14,416,938	$28,087,505	$32,095,488	$32,938,389
Aggregate Debt Service Coverage	2.81x	3.77x	2.25x	2.24x	2.65x

[1] Does not include grants which are otherwise included in the definition of Revenues. Grants which are not otherwise restricted by their terms to the payment of debt service on Senior Bonds and/or Subordinate Obligations are included in the definition of Revenues.
[2] Senior Debt Service is calculated pursuant to the provisions of the Master Senior Indenture.
[3] Includes principal of and interest paid on the Authority's Airport Revenue Refunding Bonds, Series 2005 (the "Senior Series 2005 Bonds"), which were fully defeased on December 21, 2012, and the Senior Series 2013 Bonds.
[4] Subordinate Debt Service is calculated pursuant to the provisions of the Master Subordinate Indenture.
[5] Net of interest paid with proceeds of the Subordinate Series 2010 Bonds and Federal Direct Payments received by the Authority with respect to the Subordinate Series 2010C Bonds.
[6] Includes principal of and interest on the Authority's previous commercial paper program and the fees paid to the commercial paper letter of credit bank, and the Subordinate Revolving Obligations.
[7] Includes principal of and interest on the Senior Series 2005 Bonds (which were fully defeased on December 21, 2012), the Senior Series 2013 Bonds and the Subordinate Series 2010 Bonds.

Source: San Diego County Regional Airport Authority

Historical Airline Cost Per Enplaned Passenger

The following table sets forth historical airline costs (landing fees, terminal building rentals, airport police/security reimbursement fees and fuel and other franchise fees) of operating at SDIA for the past five Fiscal Years.

TABLE 17
San Diego International Airport
Airline Derived Revenue Per Passenger

Airline Revenues	2012	2013	2014	2015	2016
Landing Fees[1]	$18,947,013	$20,186,247	$19,442,312	$21,616,219	$24,073,489
Aircraft Parking Fees[2]	3,134,539	3,190,928	2,503,181	2,715,854	2,701,219
Terminal Rentals[1,3]	30,346,360	41,582,243	46,091,817	48,227,864	51,389,765
FIS Use Charges	354,601	424,433	745,116	710,178	735,034
Security Surcharge	18,649,147	23,359,938	25,776,517	25,179,679	29,223,097
Common Use Charges	–	–	1,133,839	1,254,818	1,152,458
Total Airline Revenue	$71,431,660	$88,743,789	$95,692,782	$99,704,612	$109,275,061
Enplaned Passengers	8,575,475	8,737,617	9,082,244	9,713,066	10,206,222
Airline Derived Revenue Per Passenger	$8.33	$10.16	$10.54	$10.26	$10.71

[1] Excludes rebates.
[2] Amount excludes general aviation remote overnight parking.
[3] Excludes Executive Lounge rent and rebates in the amount of approximately $1.4 million in Fiscal Year 2016.
Source: San Diego County Regional Airport Authority

Pension and Retirement Plans

Authority Pension Plan. All full-time employees of the Authority are eligible to participate in the Authority's defined-benefit pension plan, the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust of 2013 (the "Authority Pension Plan"), which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Authority Pension Plan is administered by the San Diego City Employees' Retirement System ("SDCERS"), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the City, the Port District and the Authority, and is administered by the Retirement Board of Administration (the "Retirement Board"). Each of the Authority, the City and the Port District has a separate plan and each employer's contributions are held in trust, although all contributions to SDCERS are pooled for investment purposes, managed and invested by the Retirement Board. See "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015—Note 6. Defined-Benefit Plan" for more information on the Authority's Pension Plan.

The City Municipal Code requires member contributions to be actuarially determined to provide a specific level of benefit. Member contribution rates, as a percentage of salary, vary according to age at entry, benefit tier level, and certain negotiated contracts which provide for the Authority to pay a portion of the employees' contributions. The Authority's contribution rate as determined through actuarial valuation was 12.74% for Fiscal Year 2017 and was 12.94% for Fiscal Year 2016 and is expressed as a percentage of covered payroll. For Fiscal Year 2017, the Authority contributed approximately $5.8 million to the Authority Pension Fund, and for Fiscal Year 2016, the Authority contributed approximately

$5.8 million to the Authority Pension Fund. For Fiscal Year 2018, the Authority has budgeted a contribution of approximately $8.1 million to the Authority Pension Fund. The Authority has always made its full required contributions to the Authority Pension Plan. The Authority cannot predict the levels of funding that will be required in the future.

The following table sets forth certain information about the funding status of the Authority Pension Plan that has been extracted from the comprehensive annual financial reports of SDCERS for the fiscal years ended June 30, 2012 through, and including, 2016 (collectively, the "SDCERS CAFRs (2012-2016)"), and the actuarial valuation reports provided to SDCERS by Cherion, Inc. for the fiscal years ended June 30, 2012 through, and including, 2016 (collectively, the "Actuarial Reports (2012-2016)"). Complete copies of the SDCERS CAFRs (2012-2016) and the Actuarial Reports (2012-2016) can be obtained from SDCERS by writing to the San Diego City Employees' Retirement System, Suite 400, 401 West A Street, San Diego, California 92101 and from the SDCERS website at www.sdcers.org. No information contained on such website is incorporated into this Official Statement.

TABLE 18
Funding Status of Authority Pension Plan
(Dollars in thousands)

Fiscal Year Ended June 30	Actuarial Value of Assets [a]	Market Value of Assets [b]	Actuarial Accrued Liability [c]	Unfunded Actuarial Accrued Liability (Actuarial Value) [c]-[a]	Funded Ratio (Actuarial Value) [a]/[c][1]	Unfunded Actuarial Accrued Liability (Market Value) [c]-[b]	Funded Ratio (Market Value) [b]/[c]	Covered Payroll [d]	UAAL as a Percentage of Covered Payroll (Actuarial Value) [[c-a]/[d]]
2012[2]	$ 95,792,613	$91,997,000	$97,224,854	$ 1,432,241	98.5%	$ 5,227,854	94.6%	$24,839,570	5.8%
2013[3]	107,616,363	108,456,000	115,200,048	7,583,685	93.4	6,744,048	94.1	26,380,323	28.7
2014[4]	121,917,826	130,228,000	127,174,087	5,256,261	95.9	(3,053,913)	102.4	27,955,455	18.8
2015[5]	135,858,959	138,544,185	139,786,634	3,927,675	97.2	1,242,448	99.1	29,189,357	13.5
2016[6]	148,084,058	143,873,239	165,666,873	17,582,816 [7]	89.4	21,793,635	86.8	31,131,795	56.5

[1] In June 2010, the Board adopted a resolution directing the Authority to maintain the Authority Pension Plan funding ratio at a minimum of 90%, with a corresponding strategy to incrementally improve the funding ratio to a 95% target/goal. If the funding ratio falls below 90%, additional contributions are required to be made by the Authority to the Authority Pension Plan in amounts sufficient to increase the funding ratio by at least 1% each Fiscal Year until the 90% funding ratio is reached.
[2] For the June 30, 2012 valuation, the Authority Pension Plan's assets were assumed to earn 7.50% (net of expenses) per annum. The June 30, 2012 valuation also assumed that salaries will increase 3.75% per annum.
[3] For the June 30, 2013 valuation, the Authority Pension Plan's assets were assumed to earn 7.25% (net of expenses) per annum. The June 30, 2013 valuation also assumed that salaries will increase 3.30% per annum.
[4] For the June 30, 2014 valuation, the Authority Pension Plan's assets were assumed to earn 7.25% (net of expenses) per annum. The June 30, 2014 valuation also assumed that salaries will increase 3.30% per annum.
[5] For the June 30, 2015 valuation, the Authority Pension Plan's assets were assumed to earn 7.125% (net of expenses) per annum. The June 30, 2015 valuation also assumed that salaries will increase 3.175% per annum.
[6] For the June 30, 2016 valuation, the Authority Pension Plan's assets were assumed to earn 7.00% (net of expenses) per annum. The June 30, 2016 valuation also assumed that salaries will increase 3.05% per annum.
[7] The significant increase in the unfunded actuarial accrued liability for the fiscal year ended June 30, 2016 is attributable to changes in demographic and economic assumptions (i.e., investment rate of return), with the largest increase coming from changes in the mortality assumptions.
Source: SDCERS CAFRs (2012-2016) and Actuarial Reports (2012-2016); and San Diego County Regional Airport Authority.

Postemployment Health Benefits. In addition to the pension benefits provided under the Authority Pension Plan, the Authority provides medical, dental, vision and life insurance postretirement benefits ("Postemployment Health Benefits") for nonunion employees hired prior to May 1, 2006, and union employees hired prior to October 1, 2008. The employees are eligible for these benefits if they retire from active employment after age 55 with 20 years of service or age 62 with five years of service. In May 2009, the Board approved an agreement with the California Employers' Retiree Benefit Trust ("CERBT") fund, which is managed by the California Public Employees Retirement System ("CalPERS"), to administer the Authority's Postemployment Health Benefits. See "Note 8. Other Postemployment Benefits" in the Authority's financial statements for the year ended June 30, 2016 attached hereto as "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO

COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015" for more information on the Authority's Postemployment Health Benefits.

For Fiscal Year 2017, the Authority paid approximately $2.0 million for Postemployment Health Benefits. For Fiscal Year 2018, the Authority has budgeted approximately $2.0 million to be paid for Postemployment Health Benefits.

The following table sets forth certain information about the funding status of the Authority's Postemployment Health Benefits derived from the biennial actuarial valuations for the plan, dated July 1, 2013 and 2015. See also "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015—Note 8. Other Postemployment Benefits."

TABLE 19
Funding Status of Authority's Postemployment Health Benefits
(Dollars in thousands)

Actuarial Valuation Date (July 1)	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
2013	$12,667	$31,553	$18,886	40.1%	$17,567	107.5%	7.4%	3.0%
2015	18,917	34,587	15,670	54.7	16,809	93.2	7.3	3.0

Source: Financial Statements of the Authority for the Fiscal Years ended June 30, 2016 and 2014.

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true plan costs.

Nonunion employees hired after May 1, 2006 and union employees hired after October 1, 2008 are not eligible to receive the Postemployment Health Benefits described above, but they are eligible to participate in a voluntary employee beneficiary association plan ("VEBA"). Currently, 236 employees of the Authority participate in VEBA. The Authority contributes approximately $600 per year to VEBA for each employee that participates, and each participating employee must contribute $300 per year. Upon their retirement, participants in VEBA may use the amounts deposited to VEBA by the Authority and the participant to pay for medical expenses.

Risk Management and Insurance

Pursuant to the Senior Indenture and the Subordinate Indenture the Authority is required to procure and maintain commercial insurance with respect to the facilities constituting the Airport System and public liability insurance in the form of commercial insurance if such insurance is obtainable at reasonable rates and upon reasonable terms and conditions. The amounts and risks required to be insured under the Senior Indenture and the Subordinate Indenture are subject to the Authority's prudent judgment taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar airports. The Authority may satisfy some of these insurance requirements through qualified self-insurance or self-insured retentions.

The Authority maintains airport owners and operators primary general liability insurance with coverage of $500 million for losses arising out of liability for airport operations. The Authority has also purchased a “War, Hijacking and Other Perils Endorsement” with coverage of up to $150 million. Coverage under this endorsement may be terminated at any time by the underwriters and terminates automatically upon the outbreak of war (whether there has been a declaration of war or not) between any two or more of the following: France, the People’s Republic of China, the Russian Federation, the United Kingdom or the United States, and certain provisions of the endorsement are terminated upon the hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.

The cost of earthquake coverage for the Airport remains cost prohibitive and is not available in significant amounts. Effective July 1, 2007, the Authority removed the purchase of commercial earthquake insurance from its Risk Management program and increased reliance on the laws designed to assist public entities through the Federal Emergency Management Agency (“FEMA”) and the California Disaster Assistance Act (“CDDA”). As of April 30, 2017, the Authority had designated $9,412,300 from its net position as an insurance contingency, which could be used in the event of damage to the Airport from an earthquake, among other things. In the future, the Authority could decide to increase or decrease the amount of this reserve.

Additionally, a $2 million contingency reserve has been established, within unrestricted net position, by the Authority’s management to respond to uninsured and underinsured catastrophic losses. This fund is maintained pursuant to Board action only; there is no other requirement that it be maintained. Management considers this contingency reserve to be designated to cover the cost of future retentions, deductibles and uninsured claims.

The Authority maintains a property insurance policy with limits of $1.5 billion providing all risk and flood coverage on physical assets. During Fiscal Year 2017, there were no significant reductions in insurance coverage from the prior year. For each of the past three Fiscal Years, settlements have not exceeded insurance coverage.

The Authority has an active loss prevention program, staffed by a senior manager of risk, a full-time construction and insurance risk manager, a risk analyst, a risk coordinator, a safety manager and a two safety analysts. In addition, insurer property and casualty loss control engineers conduct safety surveys on a periodic basis. Employees receive regular safety training and claims are monitored using a web-based claims information system.

DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT

Master Plan

In 2001, the Port District prepared the Airport’s first comprehensive master plan, however, the plan was never adopted by the Port District. The Authority determined that the 2001 master plan needed to be updated as a result of the events of September 11, 2001, the transfer of the Airport to the Authority in 2003, a new aviation activity forecast of future aviation demand at the Airport completed in May 2004, and the outcome of the Airport Site Selection Program which culminated in a County-wide ballot measure in November 2006. In May 2008, the Board approved the Airport Master Plan for San Diego International Airport (the “Master Plan”), which was developed to address requirements for accommodating near term passenger growth at the Airport through 2015 and to consider conceptual improvements through 2030. The Master Plan’s primary goals include, among others, the improvement of air service and customer service, the improvement of safety and security at the Airport, the efficient utilization of property and facilities, and the enhancement of the Airport access as part of the region’s transportation system.

The Master Plan comprises four components: airfield, terminal, ground transportation and airport support. The airfield component includes aircraft movement areas such as runway, taxiways and aircraft parking apron. The terminal component includes passenger processing areas including ticket counters, security facilities, hold rooms and baggage claim. The ground transportation component includes the roadway/transit circulation system, parking areas and rental car facilities. The airport support component includes the Airport/airline maintenance, cargo and general aviation facilities.

The five primary steps of the Master Plan process are: (a) preparation of an aviation forecast; (b) development of facility requirements and draft preliminary concepts; (c) preparation of the preferred development concept (including development of an array of concepts for the Airport facilities, coordination of the Airport tenants and airlines, development of an off-airport transit plan); (d) preparation of a preliminary financial analysis, including development of a cost estimate on preliminary concepts and the financial feasibility of major project components; and (e) State/federal environmental analyses and State coastal permitting.

The Master Plan identified several near-term improvement needs for SDIA, including, among others, additional terminal space, south-side aircraft remain overnight parking positions, roadway access improvements and ground transportation facilities improvements to meet the forecasted demand of increased passenger traffic at SDIA. The Authority developed its Green Build Program to implement the near-term improvements at SDIA. The Green Build Program, which was substantially completed in August 2013 for approximately $811 million, consisted of, among other improvements: (i) constructing 10 new gates on Terminal 2 West, (ii) constructing a new aircraft parking apron and aircraft taxi lane, (iii) expanding vehicle circulation serving Terminal 2 East and West by constructing a dual-level roadway featuring an arrivals curb on level one and a departures curb on level two, (iv) expanding concession areas in Terminal 2 West by providing more dining and shopping options, (v) constructing an improved/expanded security checkpoint in Terminal 2 West, and (vi) constructing new holding areas at the gates in Terminal 2 West.

In addition to the Green Build Program, the Authority's planning and development of the northside of the Airport was part of the Master Plan near-term improvements. The northside improvements included the Rental Car Center and the new general aviation facilities.

See "AIRPORT ENVIRONMENTAL MATTERS—Master Plan Environmental Impact Report and Environmental Assessment" for a discussion of the environmental impact report certified by the Board with respect to the Master Plan.

Airport Development Plan

In 2012, the Authority embarked on the next master-planning effort for the Airport once the Green Build Program was completed. This plan, known as the "Airport Development Plan" (the "ADP"), focuses on replacement of Terminal 1, which is over 50 years old, and the creation of new non-airline revenue opportunities. It also will determine the highest and best uses for the remaining available property on the northside of the Airport and the TDY Property (an approximately 47 acre parcel of land located on North Harbor Drive that the Authority leases from the Port District).

In November 2015, the Board selected a preferred alternative concept and directed Authority staff to continue the ADP process by refining the program design and financial feasibility plan, performing the environmental analysis, and developing a regionally-accepted Airport Access Road concept. A refined concept was presented to and approved by the Board in March 2017. In addition to the replacement of Terminal 1, the refined concept includes:

- The potential for non-airline revenue producing commercial development
- A more efficient flight line and elimination of taxiway alleyways
- A simplified roadway layout
- Additional Remain Overnight aircraft parking spots

In May 2017, the Authority adopted strategic initiatives that prioritize the advancement of the ADP and the development of a construction-ready plan by 2019 for replacement of Terminal 1. At this time, the Authority is evaluating, and therefore is unable to predict, when construction will begin on the projects included in the ADP, the cost of such projects or how such projects will be financed.

Capital Program

In addition to the Master Plan, the Board has adopted a capital improvements program policy (the "CIP Policy"), which requires the Authority to establish a capital improvement program for the orderly maintenance and development of SDIA. Pursuant to the CIP Policy, each year the Authority's President and CEO is required to submit to the Board a development program of desirable capital improvements that are within the Authority's financial funding capability. The Authority's current 5-year capital improvement program, the Capital Program, sets forth projects that are to be completed at SDIA between Fiscal Years 2018 and 2022. The projects in the Capital Program include, among others, the Terminal 2 West Parking Plaza (consisting of a 3-story, 2,900 parking space, public parking structure located across from Terminal 2), the new FIS facility in Terminal 2 West, and various other airfield, terminal and landside projects. The Capital Program has an estimated cost of approximately $1.2 billion (in actual dollars) (approximately $175.2 million of such costs have already been incurred by the Authority as of June 30, 2017). See Section 1.3 of the Financial Feasibility Report in Appendix A for additional information about the Capital Program, including, among other things, information about the projects included in the Capital Program and the estimated costs of those projects.

Funding Sources for Capital Program

General. The Authority anticipates financing the Capital Program with a combination of proceeds of the Subordinate Series 2017 Bonds (approximately $321 million); proceeds of Additional Senior Bonds to be issued in 2018 (approximately $353 million); internally generated cash of the Authority (approximately $296 million); PFC revenues on a pay-as-you-go basis (approximately $88 million); federal Airport Improvement Program ("AIP") grants (approximately $54 million); proceeds of the Senior Series 2013 Bonds and the Subordinate Series 2010 Bonds (approximately $12 million); and other sources (approximately $83 million).

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TABLE 20
San Diego International Airport
Funding Sources for Capital Program

	Estimated Project Costs[1]	Subordinate Series 2017 Bonds	Additional Senior Bonds	Authority Funds	Pay-As-You-Go PFCs	AIP Grants	Senior Series 2013 Bond, Subordinate Series 2010 Bonds and Other Sources
Airside	$437,737,274	$ 32,027,640	$230,371,763	$ 69,422,243	$35,697,478	$51,200,000	$ 19,018,150
Landside	303,153,227	130,000,000	59,529,155	40,437,719	–	–	73,186,353
Ancillary	248,095,461	149,000,000	18,138,230	40,957,231	40,000,000	–	–
Terminal	167,110,335	10,000,000	11,866,875	126,932,524	12,751,495	3,000,000	2,559,441
Administrative	51,757,634	–	33,328,350	18,429,284	–	–	–
Total	$1,207,853,931	$321,027,640	$353,234,374	$296,179,001	$88,448,973	$54,200,000	$94,763,944

[1] Estimated costs include design, engineering, construction, escalation and contingency amounts.
Source: San Diego County Regional Airport Authority

Subordinate Series 2017 Bonds and Additional Senior Bonds. The Authority will use approximately $321 million of the proceeds of the Subordinate Series 2017 Bonds and approximately $353 million of the proceeds of Additional Senior Bonds to finance a portion of the costs of the Capital Program. As of the date of this Official Statement, the Authority expects to issue the Additional Senior Bonds in late-2018.

Passenger Facility Charges. The Aviation Safety and Capacity Expansion Act of 1990, as amended (the "PFC Act"), as implemented by the FAA pursuant to published regulations (the "PFC Regulations"), permits public agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) to charge enplaning passengers using the airport a $1.00, $2.00 or $3.00 PFC with certain qualifying airports permitted to charge a maximum PFC of $4.50. Regardless of the number of PFC applications which have been approved by the FAA, an airport can only collect a maximum of $4.50 on each enplaning passenger. Public agencies wishing to impose and use these PFCs must apply to the FAA for such authority and satisfy the requirements of the PFC Act.

The purpose of the PFC is to develop an additional capital funding source to provide for the expansion of the national airport system. Under the PFC Act, the proceeds from PFCs are required to be used to finance eligible airport-related projects that serve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system or furnish opportunities for enhanced competition between or among air carriers.

The Port District initially received approval from the FAA to impose a $3.00 PFC at SDIA. The approval for the PFC was transferred by the FAA to the Authority, effective January 1, 2003. On May 20, 2003, the FAA approved the Authority's PFC application to increase the charge per enplaned passenger from $3.00 to $4.50 beginning August 1, 2003. The Authority has received approval from the FAA, pursuant to ten separate applications (five of which were later amended by the Authority, with the approval of the FAA), to collect, and use, a PFC on each enplaning passenger at SDIA totaling approximately $1.549 billion. The Authority has closed seven of the PFC Applications; these applications having been fully funded and the projects they financed having been completed. As of March 31, 2017, there were three active PFC Applications. The Authority also is in the process of filing a new application with the FAA to collect approximately $50 million of additional PFCs.

As of March 31, 2017, the Authority had recorded the receipt of approximately $652 million of PFCs (consisting of $639 million of PFCs collections and $13 million of interest). As of March 31, 2017, the Authority had disbursed a total of $582 million of PFCs on approved capital projects expenditures.

The following table sets forth a summary of the Authority's approved PFC applications through March 31, 2017.

TABLE 21
San Diego County Regional Airport Authority
Approved PFC Applications

PFC Applications	Approval Date	Amended Approval Amount[1,2]
1-5, 7 and 11[3,4]	Various	$ 359,095,656
8	2010	1,118,567,229
10 [5]	2012	27,835,280
12	2016	43,795,768
Total		$1,549,293,933

[1] Includes the amount of PFCs the FAA has authorized the Authority to collect and use at SDIA.
[2] Authorization to collect PFCs under all of the applications and amendments expires on November 1, 2039, however, such authorization to collect PFCs could expire earlier if the total authorized amount is collected prior to November 1, 2039.
[3] The Authority withdrew PFC Application #6.
[4] The Authority has closed PFC Applications 1-5, 7 and 11; these applications having been fully funded and the projects they financed having been completed
[5] PFC Application #9 was skipped due to internal FAA system processing.
Source: San Diego County Regional Airport Authority

The PFCs collected pursuant to the PFC Applications have been and will be used to finance all or a portion of certain capital improvements at SDIA including, among other things, the Authority's noise mitigation program, and projects associated with the Green Build Program and the Capital Program. In addition to using the PFCs on a pay-as-you-go basis to fund projects associated with the Capital Program, the Authority expects to use a portion of the PFCs to pay a portion of the debt service on the PFC Eligible Bonds (which includes a portion of the Senior Series 2013 Bonds and a portion of the Subordinate Series 2010 Bonds). See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS—Use of PFCs to Pay Debt Service."

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The following table sets forth the amount of PFCs received by the Authority in Fiscal Years 2012 through 2016.

TABLE 22
San Diego County Regional Airport Authority
Annual Receipt of PFCs[1]

Fiscal Year	PFCs Collected
2012	$34,639,244
2013	35,437,453
2014	35,769,515
2015	38,517,355
2016	40,257,993

[1] The information in this table is presented on an accrual basis. Does not include interest earnings.
Source: San Diego County Regional Airport Authority

Airport Improvement Program Grants. The Authority receives federal grants from the FAA each year. The Airport and Airway Improvement Act of 1982, as amended, created the Airport Improvement Program ("AIP"), which is administered by the FAA and funded by the Airport and Airway Trust Fund. Under the AIP, the FAA awards grant moneys to airports around the country for capital improvement projects. The Airport and Airway Trust Fund is financed by federal aviation user taxes. Grants are available to airport operators in the form of "entitlement" funds and "discretionary" funds. Entitlement funds are apportioned annually based upon the number of enplaned passengers and the aggregate landed weight of all-cargo aircraft; and discretionary funds are available at the discretion of the FAA based upon a national priority system. Before federal approval of any AIP grants can be given, eligible airports must provide written assurances that they will comply with a variety of statutorily specified conditions. See "CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delay in, Anticipated Funding Sources—Availability of Federal Grants."

The Authority anticipates receiving both FAA entitlement and discretionary grants to fund a portion of the costs of certain capital projects in the Capital Program. In Fiscal Year 2016, the Authority received approximately $3.5 million in entitlement grants. The Authority did not receive any discretionary grants in Fiscal Year 2016.

As described above, the FAA has granted the Authority approval to collect PFCs at SDIA. In accordance with the PFC Act and the PFC Regulations, since the Authority imposes a $4.50 PFC, the amount of AIP entitlement grants which the Authority is permitted to receive annually may be reduced up to 75%.

The Authority's financial plan for funding the Capital Program assumes that AIP entitlement and discretionary grant funds will be available to fund the grant eligible portion of certain projects. In the event the Authority does not receive AIP grants in the amounts expected, it would need to use alternative sources of funding for such projects, including the issuance of Additional Senior Bonds and/or Additional Subordinate Obligations. See "CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delay in, Anticipated Funding Sources."

Third-Party Financed Projects

In addition to projects financed by the Authority, certain projects at SDIA are expected to be financed and constructed by outside third-parties, including the North Cargo Facility. The Authority is currently in the process of selecting a developer to design, build, finance, operate and maintain the North Cargo Facility, consisting of new air cargo facilities and an aircraft ramp on the north side of the Airport. The Authority completed a Request for Qualifications process in 2016 to seek qualified developers to design, build, finance, operate and maintain the North Cargo Facility. Three firms were identified as most qualified and selected to advance to a subsequent Request for Proposal ("RFP") process. The RFP process is currently underway, and the Authority expects to select one firm to complete the North Cargo Facility in late-summer 2017. Although the specific details of the project will not be known until completion of the RFP process, the North Cargo Facility is anticipated to include approximately 100,000 square feet of cargo processing facilities located on 14.5 acres of land. In addition to the cargo processing facility, approximately 20 acres of aircraft ramp will be constructed to accommodate aircraft utilizing the facility. The North Cargo Facility is anticipated to be completed in late 2018. As part of their response to the RFP, the proposers are asked to described their source of funding for the project. Such funding could consist of Special Facilities Obligations issued by the Authority. See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Other Obligations—Special Facility Obligations." Any Special Facilities Obligations issued by the Authority to finance costs of the North Cargo Facility would not, in any way, be secured by, or payable from, Revenues.

Airport Land Use Commission

State law requires counties in which there is a commercial and/or a general aviation airport to have an airport land use commission. Pursuant to the Act, the Authority is vested with responsibility, among other things, to serve as the region's Airport Land Use Commission ("ALUC"). The purpose of the ALUC is to protect public health, safety and welfare by ensuring the orderly development of land in the vicinity of airports and the adoption of land use measures that minimize the public's exposure to excessive noise and safety hazards within areas around public airports, to the extent that these areas are not already devoted to incompatible uses. The ALUC prepares and adopts Airport Land Use Compatibility Plans ("ALUCPs") and reviews certain local agency land use actions and airport plans for consistency with the compatibility plans.

The ALUCP contains compatibility criteria and ALUC review procedures for identified Airport Influence Areas ("AIA") and addresses land use compatibility around airports in terms of noise, overflight, safety and airspace protection for each public-use and military airport in the County. The ALUCP is not a plan for airport development and does not require any changes to existing land uses. State law requires future land use near airports to be consistent with compatibility criteria included in an ALUCP. Land use actions including adoption or amendment of general plans, specific plans, zoning ordinances and building regulations affecting land within an AIA must be referred to the ALUC for review. Referral and review by the ALUC of other local actions, primarily individual development projects, is required in some instances, but voluntary in others.

In recent years the Authority has adopted ALUCPs for two Marine Corps airports (Camp Pendleton and Miramar) and five urban general aviation airports (Brown Field, Gillespie Field, McClellan-Palomar Airport, Montgomery Field and Oceanside Municipal Airport). The ALUCP for Camp Pendleton was adopted in June 2008, the ALUCP for Miramar was adopted in October 2008, and the ALUCP for Brown Field, Gillespie Field, McClellan-Palomar Airport, Montgomery Field and Oceanside Municipal Airport were all adopted in early 2010. The ALUCP for the Airport was adopted by the Board in April 2014.

FINANCIAL FEASIBILITY REPORT

General

The Authority has retained Unison Consulting, Inc., which is recognized as an expert in its field, to prepare a report in connection with the Subordinate Series 2017 Bonds. The Financial Feasibility Report is included as Appendix A hereto, with the Feasibility Consultant's consent. The information regarding the analyses and conclusions contained in the Financial Feasibility Report is included in the Official Statement in reliance upon the expertise of the Feasibility Consultant. The Financial Feasibility Report has not been revised subsequent to its date of publication (July 10, 2017) to reflect the final terms of the Subordinate Series 2017 Bonds.

The financial forecasts in the Financial Feasibility Report are based on certain information and assumptions that were provided by, or reviewed and agreed to by, the Authority's management. In the opinion of the Feasibility Consultant, these assumptions provide a reasonable basis for the forecasts.

The Financial Feasibility Report should be read in its entirety regarding all of the assumptions used to prepare the forecasts made therein. No assurances can be given that these or any of the other assumptions contained in the Financial Feasibility Report will occur. As noted in the Financial Feasibility Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material. See also "INTRODUCTION—Forward-Looking Statements," and "CERTAIN INVESTMENT CONSIDERATIONS—Financial Feasibility Report."

Estimated and Projected Net Revenues and Debt Service Coverage

The following table sets forth the estimated and projected Net Revenues, debt service requirements for the Senior Bonds and the Subordinate Obligations and the coverage of such debt service requirements based upon the Net Revenues, as forecast by the Feasibility Consultant, for the Fiscal Years 2017 through 2023.

The debt service numbers in the following table exclude the debt service on the Senior Bonds and the Subordinate Obligations projected to be paid with PFCs and Federal Direct Payments (i.e. the BAB subsidy). For a discussion of the calculation of debt service on the Senior Bonds and the Subordinate Obligations paid with PFCs, see "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS—Use of PFCs to Pay Debt Service."

The forecasted financial information in the following table was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to forecasted financial information, but, in the view of the Authority's management, was prepared on a reasonable basis, to reflect the best currently available estimates and judgments and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Authority. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the forecasted financial information.

Neither the Authority's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the forecasted financial information contained herein, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forecasted financial information.

The assumptions and estimates underlying the forecasted financial information are inherently uncertain and, though considered reasonable by the management of the Authority as of the date of this Official Statement, are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the forecasted financial information, including, among others, the risks and uncertainties described under "CERTAIN INVESTMENT CONSIDERATIONS" below. Accordingly, there can be no assurance that the forecasted results are indicative of the future performance of the Authority or SDIA or that actual results will not be materially higher or lower than those contained in the forecasted financial information. Inclusion of the forecasted financial information in this Official Statement should not be regarded as a representation by any person that the results contained in the forecasted financial information will be achieved.

TABLE 23
San Diego County Regional Airport Authority
Estimated and Projected Debt Service Coverage

Fiscal Year	Net Revenues	Senior Debt Service Requirements[2]	Senior Debt Service Coverage	Subordinate Debt Service Requirements[3,4]	Total Debt Service Coverage[5]
2017E	$ 94,752,459 [1]	$10,956,324	8.65x	$22,174,583	2.86x
2018P	96,283,760 [1]	10,956,268	8.79	40,171,298	1.88
2019P	115,350,800	11,442,337	10.08	41,753,204	2.17
2020P	141,320,903	39,756,709	3.55	38,899,222	1.80
2021P	144,908,346	39,755,081	3.65	38,907,705	1.84
2022P	150,626,821	39,748,884	3.79	38,921,433	1.91
2023P	153,831,408	39,756,291	3.87	38,923,322	1.96

E = Estimated. P = Projected.

[1] Net Revenues for Fiscal Years 2017 and 2018 are based on the Authority's adopted budgets for each such Fiscal Year.

[2] Includes debt service on the Senior Series 2013 Bonds and the Additional Senior Bonds expected to be issued in 2018 (the "Senior Series 2018 Bonds"). For purposes of the table only, the Senior Series 2018 Bonds are assumed to be issued in the aggregate principal amount of $385,040,000, bearing interest at a rate of 4.90% per annum. The Senior Debt Service Requirement numbers exclude (a) the debt service on the Senior Series 2013 Bonds which the Authority expects to pay with PFCs, and (b) the debt service on the Senior Series 2018 Bonds which the Authority expects to pay with capitalized interest.

[3] Includes debt service on the Subordinate Series 2017 Bonds, the Subordinate Series 2010 Bonds and the Subordinate Revolving Obligations. For purposes of the table only, the Subordinate Series 2017A Bonds were assumed to be issued in the aggregate principal amount of $157,030,000, the Subordinate Series 2017B Bonds were assumed to be issued in the aggregate principal amount of $156,850,000, and the Subordinate Series 2017A Bonds and the Subordinate Series 2017B Bonds were assumed to bear interest at a combined rate of 4.20% per annum. The Financial Feasibility Report and the table have not been revised to reflect the final terms of the Subordinate Series 2017 Bonds. Additionally, for purposes of the table only, $10,599,000 aggregate principal amount of the Taxable Subordinate Revolving Obligations are assumed to amortize through Fiscal Year 2019 at interest rates of 2.10% in Fiscal Year 2018 and 2.60% in Fiscal Year 2019, and $15,848,572 aggregate principal amount of the Tax-Exempt Subordinate Revolving Obligations are assumed to amortize through Fiscal Year 2030 at interest rates of 1.55% in Fiscal Year 2018, 1.93% in Fiscal Year 2019 and 2.30% thereafter.

[4] The Subordinate Debt Service Requirement numbers exclude (a) the debt service on the Subordinate Series 2010 Bonds which the Authority expects to pay with PFCs and Federal Direct Payments (i.e. BAB subsidy), and (b) the debt service on the Subordinate Series 2017 Bonds which the Authority expects to pay with capitalized interest.

[5] Calculated by dividing Net Revenues by the sum of Senior Debt Service Requirements and Subordinate Debt Service Requirements.

Source: Unison Consulting, Inc.

AIRPORT ENVIRONMENTAL MATTERS

There are several significant environmental matters which have direct and indirect impacts on the Authority and SDIA, some of which are described below. These include aircraft noise reduction, clean air requirements and hazardous substance cleanup. SDIA is heavily regulated, in part due to its proximity to San Diego Bay. The Authority holds numerous regulatory permits, including permits for storm water, hazardous materials, industrial waste, landfill remediation and wildlife.

Master Plan Environmental Impact Report and Environmental Assessment

All development at SDIA is subject to the requirements for environmental studies and appropriate clearances under the California Environmental Quality Act ("CEQA") and, where federal funding or other federal actions are involved, to the requirements of the National Environmental Protection Act ("NEPA").

An Environmental Impact Report under CEQA was prepared for the Master Plan (the "Master Plan EIR"). The Master Plan EIR was certified as complete by the Authority in May 2008. As required by statute, the Master Plan EIR was made available for public review prior to the adoption of the Master Plan. No legal challenge to the Master Plan EIR was filed, and the statutory time for making such a challenge has elapsed.

An Environmental Assessment for the Master Plan Near Term Improvements (the "Master Plan EA") under NEPA was prepared by the Authority in April 2009. The Master Plan EA was submitted to the FAA in connection with certain projects set forth in the Master Plan, including, among others, the Terminal 2 West Parking Plaza and the new FIS facility. The FAA issued a Finding of No Significant Impact on April 20, 2009. The Master Plan EA examined numerous environmental impact categories, including, among others, noise, air quality, water quality, historic, architectural and cultural resources, fish, wildlife and plants, and construction impacts and cumulative impacts. In the Master Plan EA, the Authority set forth its plans for mitigating any impacts on the environment that may arise in connection with the construction of the projects identified in the Master Plan EA. No legal challenge to the Master Plan EA was filed, and the statutory time for making such a challenge has elapsed.

In January 2017, the Authority began the process of preparing an Environmental Impact Report with respect to the ADP. The Authority expects to complete this process before the end of 2019.

Airport Noise

Airport Noise and Capacity Act of 1990. In 1990, Congress adopted the Airport Noise and Capacity Act of 1990 (the "ANCA"), which provided, among other things, for a phase-out of Stage 2 aircraft by December 31, 1999, and which also limited the scope of an airport operator's regulatory discretion for adopting new aircraft operational restrictions for noise purposes. The FAA subsequently adopted regulations implementing ANCA under Part 161 of the Federal Aviation Regulations ("Part 161"). From 1990 forward, airport proprietors considering the adoption of restrictions or prohibitions on the operation of Stage 2 and Stage 3 aircraft are required to conduct studies which detail the economic costs and benefits of proposed restrictions, as well as publish proposed restrictions and provide notice to potentially affected airlines and conduct any necessary environmental analysis, prior to enacting restrictions on the operation of Stage 2 or Stage 3 aircraft. Proposed restrictions on the operation of Stage 3 aircraft adopted after 1990 also require affirmative approval of the FAA under defined statutory criteria before they may legally be implemented. ANCA and Part 161 make the adoption of many traditional aircraft operating restrictions by local airport proprietors on the operation of Stage 3 aircraft infeasible without the concurrence of the FAA, the air carriers or other operators affected by the restrictions. Pursuant to Authority regulations, the Authority is required to prohibit the operation at SDIA of any air carrier commercial aircraft not complying with Stage 3 noise levels. Aircraft noise reduction is a significant federal and local issue which may require substantial capital investments by the airline industry from time to time to meet applicable standards.

Additionally there are direct restrictions on operations at SDIA, primarily relating to noise abatement. The Code of the Authority prohibits departures from SDIA between 11:30 p.m. and 6:30 a.m. (the "Curfew"). No airline may schedule or advertise for a departure between 11:15 p.m. and 6:15 a.m. These restrictions are subject only to limited exceptions including emergency and mercy flights. Landings at SDIA are not prohibited during the Curfew.

California Noise Standards. SDIA operates under a variance pursuant to the California Noise Standards (CCR Title 21, Division 2.5, Subchapter 6). The California Noise Standards identify an exterior 65 decibel ("dB") Community Noise Equivalent Level ("CNEL") contour at an airport as the "Noise Impact Area." Within the Noise Impact Area, the airport proprietor is required to ensure that all land uses are compatible with the California Noise Standards, or the airport proprietor must secure variances from the California Department of Transportation, Division of Aeronautics ("Caltrans"), under the California Noise Standards until full compatibility is accomplished. Under California Noise Standards, residential land uses may be deemed compatible through land acquisition, sound insulation sufficient to achieve an interior noise level of 45 dB CNEL, or by obtaining an avigation easement for the incompatible land use. To obtain a variance, an airport must demonstrate to the State of California that it is making good faith efforts to achieve compliance with the state noise standards.

The Authority's current variance was effective May 5, 2012, and expired on May 4, 2015. The Authority applied for a new variance on April 9, 2015 and is awaiting Caltrans' response. The Authority continues to operate under the current variance. The granting of a variance requires the Authority to continue implementation of its residential sound attenuation program during the term of the variance, among other requirements.

Residential Sound Attenuation Program. In 1997, the Port District initiated a residential sound attenuation program (the "RSAP") with respect to eligible residences surrounding SDIA that are located within the approved 65 CNEL contour. In connection with the renewal of its noise variance in 2001, the Port District agreed to enhance its then current RSAP. The Authority's current residential sound insulation program (the "RSIP" or the "Quieter Home Program") is an ongoing program that provides acoustical insulation to all eligible single- and multi-family dwellings located in SDIA's noise impact area. The Authority mainly uses AIP grant revenues to pay for the RSIP. To date, the RSIP has sound-attenuated over 3,400 residences. From its inception to April 30, 2017, the Authority has spent approximately $159.4 million ($123.8 million of which has been paid with AIP grant revenues) on RSIP.

Fuel Storage Tanks

Underground fuel storage tanks are present on the property occupied by the Rental Car Center. The On-Airport Rental Car Companies have agreed in the Rental Car Center Lease Agreements to pay for remediation costs associated with any leakage of the underground fuel storage tanks.

The Authority owns the above-ground tanks that store airline fuel, which is transported to the airfield via underground fuel lines. The fuel lines that supply fuel to the storage tanks are owned by a third party. Airlines operating at SDIA that use these storage tanks and the fuel lines to the airfield have entered into a lease agreement pursuant to which they are required to indemnify the Authority against any liability associated therewith.

Air Quality and Carbon Management Plan

In May 2008, the Authority entered into a Memorandum of Understanding (the "MOU") with the Attorney General of the State regarding the Master Plan. Pursuant to the MOU, the Authority agreed to certain specific measures to reduce the amount of greenhouse gas emissions from aviation and other operations conducted at SDIA. Some of the specific measures the Authority agreed to take in the MOU include, among others, providing landside power and preconditioned air to the gates at the terminals and in the cargo facilities, replacing vehicles operating at SDIA with electric or alternative fuel vehicles, and using "green" materials for the construction of the projects including in the Master Plan. In December 2009, the Board approved the San Diego County Regional Airport Authority Air Quality Management Plan (the "Air Quality Management Plan"), which sets forth the Authority's specific plan for implementing the provisions of the MOU. Many of the elements of the Air Quality Management Plan have been incorporated into the Capital Program. Future improvements at SDIA also will need to incorporate the provisions of the Air Quality Management Plan.

The Board adopted a Ground Transportation Vehicle Conversion Incentive-Based Program (the "Incentive Program") in accordance with the terms and conditions of the MOU. For various eligible ground transportation providers at SDIA, the Incentive Program provides incentive payments, reduced permit fees, and/or reduced trip fees for Alternative Fuel Vehicles ("AFVs") and Clean Air Vehicles ("CAVs") through Fiscal Year 2021, but increased user fees for non-AFVs and non-CAVs beginning in Fiscal Year 2015. The Authority estimates that the Incentive Program will cost approximately $500,000 in Fiscal Year 2018.

In 2016, the California legislature passed Senate Bill 32 that codifies the State's commitment to reduce greenhouse gas emissions 40% below 1990 levels by 2030. Two new policy documents, the Sustainable Freight Action Plan and the Mobile Source Strategy, were recently released by the California Air Resources Board ("CARB") to assist with achieving this carbon reduction goal. These documents identify emissions from airport shuttles and ground support equipment as priority action areas. As such, the Authority has been proactively engaging CARB on the potential structure of any incentives or rules that may be developed as a result. If new regulations are adopted by CARB, it will likely require the Authority and the other users of the Airport to replace their shuttles and equipment with zero-emission technologies at the end of their useful life.

Additionally, in 2016, the Authority worked with the San Diego Air Pollution Control District to include the projects in the Capital Program and certain other projects that may be undertaken at the Airport (including the ADP) over the next 20 years into the region's updated State Implementation Plan ("SIP") for ozone. The SIP outlines the measures that will be implemented in the region to attain and maintain air quality standards as required by the federal Clean Air Act and will be used by the Authority to demonstrate general conformity for future improvements at SDIA.

See "CERTAIN INVESTMENT CONSIDERATIONS—Climate Change Issues."

Storm Water Management

Under the Federal Clean Water Act and Environmental Protection Agency regulations, the Authority is required to obtain certain storm water runoff discharge permits. The Authority has received permits from the San Diego Regional Water Quality Control Board (the "SDRWQCB") and the State Water Resources Control Board. The Authority is currently in compliance with all of its storm water runoff discharge permits.

Certain portions of the SDIA, fueling, maintenance and wash areas, are regulated under California's Industrial General Permit, adopted on July 1, 2015 by the State Water Resources Control Board. As part of the new permit, industrial facilities' storm water discharges need to be below certain "numeric action levels" for water quality parameters. In July 2016, SDIA was categorized as a Level 1 facility, and the Authority developed an exceedance response action plan to identify additional best management practices that will be implemented to reduce concentrations of heavy metals in storm water runoff. Similarly, the Authority's compliance with the Municipal Separate Storm Sewer System (MS4) permit is focused on reducing the frequency of heavy metals exceedances during wet weather events. As such, the Authority has expanded its own requirements to prioritize storm water infiltration and/or capture and reuse systems within new development projects, such as the Terminal 2 Parking Plaza and the new FIS facility.

On June 18, 2014, the SDRWQCB issued an Investigative Order directing the Authority, General Dynamics and the Port District to submit technical reports pertaining to an investigation of sediment chemistry in the Laurel Hawthorn Central Embayment in San Diego Bay. The Investigative Order alleged that an unauthorized discharge of wastes occurred as evidenced by the presence of polychlorinated biphenyl, total petroleum hydrocarbons, volatile organic compounds, polycyclic aromatic hydrocarbons, metals and pesticides in the bay sediments. Although the Authority believes it is not legally responsible for any harmful discharges at the identified location, it agreed with the other parties to participate in and share in the funding of the investigation and study. The Final Sediment Chemistry Report was provided to the SDRWQCB and that investigation was completed. In November 2016, the SDRWQCB indicated it will likely issue an additional Investigative Order for the purpose of additional remedial investigation in the Laurel Hawthorn Central Embayment. As of the date of this Official Statement, the Authority cannot predict if it will be found liable for the costs of any future remediation.

In December 2016, the U.S. Department of the Navy released a draft Record of Decision for a Final Remedial Action Plan in order to cleanup chemically-impacted sediments in the former Naval Training Center San Diego Boat Channel immediately adjacent to SDIA. In a letter to the Authority dated December 28, 2016, the Department of the Navy alleged that the Authority was a responsible party under the federal Comprehensive Environmental Response, Compensation, and Liability Act due to past contributions of metals and other contaminants into the Boat Channel. The Authority cannot predict whether or to what extent it may be liable for the costs of any future remediation. However, the Department of the Navy has been initially receptive to the Authority only providing in-kind contributions, if needed, to any future remediation actions.

CERTAIN INVESTMENT CONSIDERATIONS

Prospective purchasers of the Subordinate Series 2017 Bonds are urged to read this Official Statement, including all Appendices, in its entirety. The following information should be considered by prospective investors, in addition to the other matters set forth in this Official Statement in evaluating the Subordinate Series 2017 Bonds. However, it does not purport to be a comprehensive or exhaustive discussion of risks or other considerations which may be relevant to an investment in the Subordinate Series 2017 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Subordinate Series 2017 Bonds Are Special Obligations

The Subordinate Series 2017 Bonds are special obligations of the Authority, payable solely from and secured by a pledge of (a) Subordinate Net Revenues, which include certain income and revenue received by the Authority from the operation of the Airport System less all amounts that are required to pay the Operation and Maintenance Expenses of the Airport System and less all amounts necessary to pay debt service on and fund the reserves for the Senior Bonds; and (b) certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2017 Bonds, and neither the full faith and credit nor the taxing power of the Authority, the City, the County, the State or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Subordinate Series 2017 Bonds.

Factors Affecting the Airline Industry

General. Key factors that affect airline traffic at SDIA and the financial condition of the airlines, and, therefore, the amount of Subordinate Net Revenues available for payment of the Subordinate Series 2017 Bonds, include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; aviation security concerns; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel; regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of SDIA; competition from other airports; and business travel substitutes, including teleconferencing, videoconferencing and web-casting.

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 varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the terrorist attacks of September 11, 2001 and the economic recession that occurred between 2008 and 2009. Other business decisions by airlines, such as the reduction, or elimination, of service to unprofitable markets, increasing the use of smaller, regional jets and changing hubbing strategies have also affected air traffic at SDIA and could have a more pronounced effect in the future.

In addition to revenues received from the airlines, the Authority derives a substantial portion of its revenues from concessionaires including parking operations, food and beverage concessions, retail concessions, car rental companies, and others. See "AGREEMENTS FOR THE USE OF AIRPORT FACILITIES" and "FINANCIAL INFORMATION." Declines in passenger traffic at SDIA may adversely affect the commercial operations of many of these concessionaires. While the Authority's agreements with concessionaires require the concessionaires to pay a minimum annual guarantee, severe financial difficulties could lead to a failure by a concessionaire to make the required payments or could lead to the cessation of operations of such concessionaire.

Many of these factors are outside the Authority's control. Changes in demand, decreases in aviation activity and their potential effect on enplaned passenger traffic at SDIA may result in reduced Revenues and PFCs. Following are just a few of the factors affecting the airline industry including, regional and national economic conditions, threats of terrorism, costs of aviation fuel, and airline concentration. See also "—Aviation Security Concerns" below for additional discussion on the costs of security.

Economic Conditions. Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies. See "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Threats of Terrorism. Recent and ongoing terrorist attacks and threats of terrorism have had, and may continue to have, a negative impact on air travel. According to news reports, terrorist attacks over the last year in London, Nice, Munich, Paris, Brussels and Istanbul, among other cities, have had a negative impact on tourists traveling to, and throughout, Europe and, thereby, a negative effect on airline revenues. The Authority cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001 or the terrorist attacks in Nice, Munich, Paris, Brussels and Istanbul, the likelihood of future air transportation disruptions or the impact on the Authority or the airlines operating at SDIA from such incidents or disruptions.

Cost of Aviation Fuel. Airline earnings are significantly affected by changes in the price of aviation fuel. According to Airlines for America, fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world (particularly in the oil-producing nations in the Middle East and North Africa), Organization of Petroleum Exporting Countries policy, the growth of economies around the world, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather. According to Airlines for America, for the fourth quarter of 2016, jet fuel accounted for approximately 15.3% of the airline industry's operating expenses. The price of aviation fuel rose to an all-time high of approximately $3.75 per gallon in July 2008. According to the U.S. Bureau of Transportation Statistics, the price of aviation fuel averaged approximately $1.66 per gallon for the first three months of 2017. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

Airline Concentration; Effect of Airline Industry Consolidation. The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible the airlines serving SDIA could consolidate operations through acquisition, merger, alliances and code share sales strategies. Examples of airlines mergers occurring over the last several years include: (a) in 2008, Delta acquired Northwest and its affiliated Air Carriers, Mesaba, Pinnacle (now known as Endeavor) and Compass; (b) on October 1, 2010, United Airlines and Continental Airlines merged and United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012; (c) on May 2, 2011, Southwest acquired Air Tran, and Southwest and Air Tran began operating as a single airline (under the Southwest brand) in March 2012; (d) on December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc., and American and US Airways began operating as a single airline (under the American brand) in October 2015; and (e) in December 2016, Alaska Air Group acquired Virgin America Inc. To date none of these mergers have had any material impact on airline service or enplanements at SDIA. While these prior mergers have not had any material impact on airline service or enplanements at SDIA or on Revenues, future mergers or alliances among airlines operating at SDIA may result in fewer flights or decreases in gate utilization by one or more airlines. Such decreases could result in reduced Revenues, reduced PFC collections and/or increased costs for the other airlines serving SDIA.

Bankruptcy by Airlines and Concessionaires

A bankruptcy of an airline or of another tenant or tenants operating from SDIA could result in delays or reductions in payments on the Subordinate Series 2017 Bonds.

Since December 2000, several airlines that currently operate at SDIA, including, among others, United Airlines, Delta Air Lines, American Airlines and Frontier Airlines, have filed for and reorganized under bankruptcy protection. Additional bankruptcy filings may occur in the future. The bankruptcy of an airline with significant operations at SDIA could have a material adverse effect on operations of SDIA, Revenues, and the cost to the other airlines operating at SDIA.

In the event of a bankruptcy by an airline or other tenant operating from SDIA, the automatic stay provisions of the United States Bankruptcy Code (the "Bankruptcy Code") could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by an airline or other tenant to the Authority or any action to enforce any obligation of an airline or other tenant to the Authority. With the authorization of the bankruptcy court, an airline or other tenant may be able to repudiate some or all of its agreements with the Authority and stop performing its obligations (including payment obligations) under such agreements. Such a repudiation also could excuse the other parties to such agreements from performing any of their obligations. An airline or other tenant may be able, without the consent and over the objection of the Authority to alter the terms, including the payment terms, of its agreements with the Authority, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, an airline or other tenant may be able to assign its rights and obligations under any of its agreements with the Authority to another entity, despite any contractual provisions prohibiting such an assignment. The Subordinate Trustee and the holders of the Subordinate Series 2017 Bonds may be required to return to an airline or other tenant as preferential transfers any money that was used to make payments on the Subordinate Series 2017 Bonds and that was received by the Authority or the Subordinate Trustee from such airline or other tenant during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the Authority under any lease with an airline or agreement with another tenant may be subject to limitations.

As described under "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Capital Program—Passenger Facility Charges," the airlines serving SDIA also are required to pay to the Authority PFCs collected from enplaned passengers at SDIA. The PFC Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Authority) imposing the PFCs, except for any handling or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. However, the airlines, provided they are not under bankruptcy protection, are permitted to commingle PFC collections with other revenues. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the Authority cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at SDIA. The PFC Act requires an airline in bankruptcy protection to segregate PFC collections from all of its other revenues. It is possible that the Authority could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the Authority cannot predict whether an airline operating at SDIA that files for bankruptcy protection would have properly accounted for the PFCs owed to the Authority or whether the bankruptcy estate would have sufficient moneys to pay the Authority in full for the PFCs owed by such airline. PFCs are not pledged to the repayment of any Senior Bonds or Subordinate Obligations (including the Subordinate Series 2017 Bonds), however, the Authority has in the past and expects to in the future use PFCs to pay a portion of the debt service on the Senior Series 2013 Bonds and the Subordinate Series 2010 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS—Use of PFCs to Pay Debt Service."

Each airline operating at SDIA is required to provide the Authority with a letter of credit equal to approximately three months of estimated obligations payable by the airline to the Authority. In the event of bankruptcy of an airline, the Authority would be able to draw on any such letter of credit to pay obligations owed by the bankrupt airline. Payments under any letter of credit may not be sufficient to pay the Authority all amounts owned by the bankrupt airline.

There may be delays in payments to the Authority and resulting delays in the payment of principal of and interest on the Subordinate Series 2017 Bonds while the court considers any of the issues described above. There may be other possible effects of a bankruptcy of an airline or other tenant that could result in delays or reductions in payments on the Subordinate Series 2017 Bonds. Regardless of any specific adverse determinations in an airline or other tenant bankruptcy proceeding, the fact of an airline or other tenant bankruptcy proceeding could have an adverse effect on the liquidity and value of the Subordinate Series 2017 Bonds.

Southwest Airlines – SDIA's Largest Carrier

In Fiscal Year 2016, Southwest Airlines accounted for approximately 37.6% of the total enplaned passengers at SDIA. Where an airport has a sizable market share accounted for by a single airline, there is risk associated with the potential for that airline to reduce or discontinue service. However, in the case of Southwest Airlines at SDIA, this risk is mitigated by the following factors: (a) Southwest Airlines is a consistently profitable airline; and (b) the development of service by Southwest Airlines at SDIA has demonstrated a large O&D passenger demand that could be served by other airlines at SDIA in the unlikely event Southwest Airlines were to reduce service at SDIA. Nevertheless, the Authority cannot predict what effect a reduction or discontinuation of service by Southwest would have on the Authority or Revenues, or whether another airline would absorb the service provided by Southwest.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred and continue to occur in the Middle East), terrorist attacks (see "—Factors Affecting the Airline Industry—Threats of Terrorism" above), increased threat levels declared by the Department of Homeland Security and world health concerns such as the Severe Acute Respiratory Syndrome ("SARS") outbreak in 2003, the H1N1 influenza ("swine flu") outbreak in 2009 and 2010 and the Zika virus outbreak that began in South America in 2015 and has spread to certain parts of southern Florida, may influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

The Authority cannot predict whether SDIA will be targets of terrorists in the future. Additionally, the Authority cannot predict the effect of any future government-required security measures on passenger activity at SDIA.

Regulations and Restrictions Affecting SDIA

General. The operations of SDIA are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the Airline Lease Agreements, the federal acts authorizing the imposition, collection and use of PFCs and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of the terrorist attacks of September 11, 2001, SDIA also has been required to implement enhanced security measures mandated by the FAA, the Department of Homeland Security and Airport management.

It is not possible to predict whether future restrictions or limitations on operations at SDIA will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for SDIA, whether additional requirements will be funded by the federal government or require funding by the Authority, or whether such restrictions or legislation or regulations would adversely affect Revenues. See "—Aviation Security Concerns" above.

State Tidelands Trusts

Nearly all of the land on which SDIA's facilities are located is held in trust by the Port District pursuant to tidelands grants from the State. Generally, the use of lands subject to the trust is limited under the terms of the grants to harbor and airport uses and other uses of statewide interest, such as fishing, public recreation and enjoyment of the waterfront. Pursuant to the Act, the Port District has leased the land on which SDIA is located to the Authority until 2069. There also are certain limitations on the use of funds generated from facilities located on this land. However, none of the various restrictions are expected to affect the operations of SDIA or the finances of the Authority. The grants may be subject to amendment or revocation by the State legislature, as grantor of the trust and as representative of the beneficiaries (the people of the State). Under the law, any such amendment or revocation could not impair the accomplishment of trust purposes, or abrogate the existing covenants and agreements between the Port District, as trustee, the Authority, as lessee, and the Authority's bondholders. The Authority does not anticipate that the State will revoke the tidelands grants.

Federal Law Affecting Airport Rates and Charges

In general, federal aviation law requires that airport fees charged to airlines and other aeronautical users be reasonable and that in order to receive federal grant funding, all airport generated revenues must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner that are directly and substantially related to air transportation of passengers or property. The Authority is not aware of any formal dispute involving SDIA over any existing rates and charges. The Authority believes that the rates and charges methodology it utilizes and the rates and charges it imposes upon air carriers, foreign air carriers and other aeronautical users are reasonable and consistent with applicable law. However, there can be no assurance that a complaint will not be brought against the Authority in the near-term or in the future, challenging such methodology and the rates and charges established by the Authority, and if a judgment is rendered against the Authority, there can be no assurance that rates and charges paid by aeronautical users of SDIA will not be reduced. An adverse determination in a future challenge could limit the ability of the Authority to charge airlines rates sufficient to meet the rate covenants in the Master Senior Indenture and the Master Subordinate Indenture and could have a material adverse impact on the receipt of Revenues.

Additionally, the policies of the FAA prohibit an airport from making direct or indirect payments that exceed the fair and reasonable value of the respective services and facilities provided to the airport. The Port District provides certain services to the Authority and leases several parcels of land to the Authority. If the FAA were to rule that the Authority's payments to the Port District for the services provided by the Port District and/or for the lease of the several parcels of land to the Authority violate the policies of the FAA, the Authority would be solely responsible for correcting any such violations. If the Authority violates the policies of the FAA, the FAA may withhold payment of AIP grants or rescind the Authority's ability to collect PFCs until the Authority corrects such violation. The Authority is not aware of any challenges by the FAA to the payments being made by the Authority to the Port District.

Restrictions on Airport Facilities and Operations

There are restrictions on the Authority's ability to expand and develop facilities at SDIA. Current conditions at SDIA make the addition of a runway difficult. Obstacles to runway expansion include significant geographic obstructions, major land acquisition requirements, extensive infrastructure impacts, increased noise impacts and community resistance. Geographic obstructions include high terrain to the northeast and southwest of SDIA and manmade obstructions, such as office buildings, to the northeast, east and southeast of SDIA. See “SAN DIEGO INTERNATIONAL AIRPORT—Existing Facilities.”

Additionally there are direct restrictions on operations at SDIA, primarily relating to noise abatement. The Code of the Authority prohibits departures from SDIA between 11:30 p.m. and 6:30 a.m. (the “Curfew”). No airline may schedule or advertise for a departure between 11:15 p.m. and 6:15 a.m. These restrictions are subject only to limited exceptions including emergency and mercy flights. Landings at SDIA are not prohibited during the Curfew. See “AIRPORT ENVIRONMENTAL MATTERS—Airport Noise.”

These restrictions on facilities and operations may limit the number of passengers and flights which SDIA can accommodate in the future which, in turn, may limit the amount of Revenues the Authority can generate.

Unavailability of, or Delay in, Anticipated Funding Sources

As described herein, the Authority anticipates that funding for the Capital Program has been and will be provided through a combination of proceeds of the Subordinate Series 2017 Bonds, the previously-issued Senior Series 2013 Bonds, the previously-issued Subordinate Series 2010 Bonds, the previously-issued Series 2014 Special Facilities Bonds and Additional Senior Bonds to be issued in 2018, internally generated cash of the Authority, PFC revenues on a pay-as-you-go basis, AIP grants, and other sources. See “DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Capital Program” and “APPENDIX A—FINANCIAL FEASIBILITY REPORT” for a description of the financing plan for the Capital Program. In the event that any of such sources are unavailable for any reason, including unavailability of internally generated cash flow; reduction in the amount of PFCs or AIP grants available to the Authority; non-appropriation of, or delay in payment of, federal funds or grants; the inability of the Authority to issue or sell Additional Senior Bonds and/or Additional Subordinate Obligations; or any other reason, the completion of the projects included in the Capital Program could be substantially delayed and financing costs could be higher than projected. There can be no assurances that such circumstances will not materially adversely affect the financial condition or operations of SDIA and the Authority.

Availability of PFCs. The Authority expects to use approximately $88 million of PFCs on a pay-as-you-go basis to finance a portion of the costs of the Capital Program and $779 million of PFCs to pay debt service on PFC Eligible Bonds (a portion of the Senior Series 2013 Bonds and a portion of the Subordinate Series 2010 Bonds) though Fiscal Year 2043. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS—Use of PFCs to Pay Debt Service.”

The amount of PFCs received by the Authority in future years will vary based upon the actual number of PFC-eligible passenger enplanements at SDIA. No assurance can be given that any level of enplanements will be realized. See “—Factors Affecting the Airline Industry” above. Additionally, the FAA may terminate the Authority’s ability to impose the PFC, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA’s approval, the PFC Act or the PFC Regulations; or (b) the Authority otherwise violates the PFC Act or the PFC Regulations. Its authority to impose the PFC may also be terminated if the Authority violates certain provisions of ANCA and its implementing regulations. The regulations under ANCA also contain procedural safeguards to ensure that the Authority’s ability to impose a PFC would not be summarily terminated. No assurance can be given that the Authority’s ability to impose the PFC will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the Authority or that the Authority will not seek to decrease the amount of the PFC to be collected, provided such decrease does not violate the Authority's covenant in the PFC Resolution.

A shortfall in PFC revenues, as a result of the FAA or Congress reducing or terminating the Authority's ability to collect PFCs or as a result of any other actions, may cause the Authority to increase rates and charges at SDIA to meet the debt service requirements on the PFC Eligible Bonds that the Authority plans to pay with PFCs, and/or require the Authority to identify other sources of funding to pay for the costs of the Capital Program projects currently expected to be paid with PFC revenues, including issuing Additional Senior Bonds and/or Additional Subordinate Obligations.

Availability of Federal Funds. See also "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Capital Program—Federal Funding," for a discussion of the assumptions with respect to AIP grant funding. Although the Authority considers these assumptions to be reasonable, assumptions are inherently subject to certain uncertainties and contingencies. Actual AIP funding levels and the timing of the receipt of such funds vary and such differences may be material. Funds obligated for the AIP are drawn from the Airport and Airway Trust Fund that is supported by user fees, fuel taxes, and other similar revenue sources that must be authorized and approved by Congress.

If there is a reduction in the amount of AIP grants awarded to the Authority, such reduction could (i) increase by a corresponding amount the capital expenditures that the Authority would need to fund from other sources (including operating revenues, Additional Senior Bonds or Additional Subordinate Obligations), (ii) result in cancellation of certain Capital Program projects or (iii) extend the timing for completion of certain projects.

Federal Funding; Impact of Federal Sequestration

On February 6, 2012, Congress passed a four-year reauthorization bill for the FAA, the "FAA Modernization and Reform Act of 2012" (the "2012 FAA Reauthorization") which was signed into law on February 14, 2012 by the President. The 2012 FAA Reauthorization had an original expiration date of September 30, 2015. This was the first long-term FAA authorization since the last such authorization expired in 2007. Between 2007 and the 2012 reauthorization, there were 23 short-term extensions of the FAA's authority and a two-week partial shutdown of the FAA in the summer of 2011. Similarly, the 2012 FAA Reauthorization has been extended three times, most recently on July 15, 2016, and now expires on September 30, 2017. The 2012 FAA Reauthorization, and the three extensions, retained the federal cap on Passenger Facility Charges at $4.50 and continued funding for AIP through September 30, 2017. The AIP provides federal capital grants to support airport infrastructure, including entitlement grants (determined by formulas based on passenger, cargo, and general aviation activity levels) and discretionary grants (allocated on the basis of specific set-asides and the national priority ranking system). There can be no assurance that the FAA will receive spending authority beyond the September 30, 2017 extension. In addition, the AIP could be affected by the automatic across-the-board spending cuts, known as sequestration, described in more detail below. The Authority is unable to predict the level of available AIP funding it may receive. If there is a reduction in the amount of AIP grants awarded to the Authority for the Airport, such reduction could (i) increase by a corresponding amount the capital expenditures that the Authority would need to fund from other sources (including operating revenues, Additional Senior Bonds and/or Additional Subordinate Obligations), (ii) result in decreases to the projects in the Capital Program, or (iii) extend the timing for completion of certain projects. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Capital Program."

Federal funding received by the Authority and aviation operations could be adversely affected by the implementation of sequestration – a unique budgetary feature first introduced in the Budget Control

Act of 2011, which, among other things, reduced spending for most federal programs and reduced subsidy payments to be made to issuers of "direct-pay" bonds, such as Build America Bonds, including the Subordinate Series 2010C Bonds. As a result of the ongoing sequestration, in 2017, the Authority expects that the subsidy receivable by it on the Subordinate Series 2010C Bonds will be reduced by 6.8% or approximately $340,000.

Sequestration could also adversely affect FAA and TSA budgets, operations and the availability of certain federal grant funds typically received annually by the Authority which may cause the FAA or TSA to implement furloughs of its employees and hiring freezes, including air traffic controllers, and result in flight delays and flight cancellations, implement hiring freezes.

Between Fiscal Years 2013 and 2017, the Authority received, on average, approximately $18.5 million of grant revenues per Fiscal Year from the FAA and the TSA. The Authority is unable to predict future sequestration funding cuts or furloughs or the impact of such actions on the Airport's airline traffic, grant receipts and Revenues. The Authority intends to take any commercially reasonable measures necessary to continue smooth operation of SDIA.

Financial Feasibility Report

The Financial Feasibility Report included as Appendix A to this Official Statement contains certain assumptions and forecasts. The Financial Feasibility Report should be read in its entirety for a discussion of historical and forecasted results of enplanements, operations and debt service coverage and the assumptions and rationale underlying the forecasts. As noted in the Financial Feasibility Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material. Additionally, the Financial Feasibility Report has not been revised subsequent to its date of publication (July 10, 2017) to reflect the final terms of the Subordinate Series 2017 Bonds.

Accordingly, the projections contained in the Financial Feasibility Report or that may be contained in any future certificate of the Authority or a consultant are not necessarily indicative of future performance, and neither the Feasibility Consultant nor the Authority assumes any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the Authority are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Subordinate Series 2017 Bonds are cautioned not to place undue reliance upon the Financial Feasibility Report or upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Subordinate Net Revenues, PFCs and federal funds and grants may be materially less than expected and consequently, the ability of the Authority to make timely payment of the principal of and interest on the Subordinate Series 2017 Bonds may be materially adversely affected.

Neither the Authority's independent auditors, nor any other independent accountants have compiled, examined or performed any procedures with respect to the Subordinate Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Subordinate Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Subordinate Net Revenues forecast.

Impact of Potential Earthquakes

Although the San Diego area has not experienced any significant damage from seismic activities, the geographical area in which SDIA is located is subject to unpredictable seismic activity. Southern California is characterized by a number of geotechnical conditions which represent potential safety hazards, including expansive soils and areas of potential liquefaction. The San Andreas, Rose Canyon, Elsinore and San Jacinto fault zones are all capable of producing earthquakes in the San Diego area. SDIA has not experienced any significant losses of facilities or services as a result of earthquakes.

The main terminal buildings of SDIA were seismically upgraded in the mid-1990s and comply with applicable building codes. However, SDIA's facilities could sustain extensive damage in a major seismic event, ranging from total destruction of SDIA, to destabilization or liquefaction of the soils, to little or no damage at all. There can be no assurances that damage resulting from an earthquake will not materially adversely affect the financial condition or operations of SDIA or the ability of the Authority to generate Net Revenues and Subordinate Net Revenues in the amounts required by the Senior Indenture and the Subordinate Indenture, as applicable. The Authority does not currently maintain earthquake insurance, but as of April 30, 2017, the Authority had designated $9,412,300 from its net position as an insurance contingency, which could be used in the event of damage to the Airport from an earthquake, among other things. See "FINANCIAL INFORMATION—Risk Management and Insurance."

The Authority is unable to predict when another earthquake may occur and what impact, if any, it may have on SDIA or the finances of the Authority or whether the Authority will have sufficient resources to rebuild or repair damaged facilities following a major earthquake.

Climate Change Issues

Possible Increased Regulations. Climate change concerns are leading to new laws and regulations at the federal and state levels that could have a material adverse effect on airlines operating at SDIA and also could affect ground operations at SDIA.

The U.S. Environmental Protection Agency (the "EPA") has taken steps towards the regulation of greenhouse gas ("GHG") emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. On December 14, 2009, the EPA made an "endangerment and cause or contribute finding" under the Clean Air Act, codified at 40 C.F.R.1. In the finding, the EPA determined that the body of scientific evidence supported a finding that six identified GHGs – carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride – cause global warming, that global warming endangers public health and welfare, that GHGs are a pollutant, and that GHG emissions from motor vehicles cause or contribute to air pollution. On July 5, 2011, the U.S. District Court for the District of Columbia issued an order concluding that the EPA has a mandatory obligation under the Clean Air Act to consider whether the greenhouse gas and black carbon emissions of aircraft engines endanger public health and welfare. On July 25, 2016, the EPA finalized the endangerment and a related cause/contribute findings, pursuant to which the EPA Administrator found that GHGs emitted from certain classes of engines in certain aircraft are contributing to air pollution that endangers public health and welfare. In the finding, the EPA defined "U.S. covered aircraft" to be subsonic jet aircraft with a maximum takeoff mass ("MTOM") greater than 5,700 kilograms and subsonic propeller driven aircraft (e.g., turboprops) with a MTOM greater than 8,618 kilograms, including smaller jet aircraft such as the Cessna Citation CJ3+ and the Embraer E170, up to the largest commercial jet aircraft - the Airbus 380 and the Boing 747. Under current federal law, the EPA is now required to regulate GHGs emitted by these aircraft engines. As of the date of this Official Statement, the EPA has not released these regulations, and given the Trump Administration's ongoing review of climate change laws and regulations, it is uncertain if or when these regulations will be released. The Authority cannot predict what the EPA's regulations will be or what effect they will have on the Authority or the air traffic at SDIA.

In addition to these regulatory actions, other laws and regulations limiting GHG emissions have been adopted by a number of states, including California, and have been proposed on the federal level. California passed Assembly Bill 32, the California Global Warming Solutions Act of 2006 ("AB 32"), which requires the statewide level of GHGs to be reduced to 1990 levels by 2020. On October 20, 2011, the California Air Resources Board ("CARB") made the final adjustments to its implementation of AB 32: the California cap-and-trade program (the "California Cap-and-Trade Program"). In August 2016, Senate Bill 32 was enacted and extends the California Cap-and-Trade Program and CARB to ensure that California-wide GHG emissions are reduced by at least 40% below the California-wide emissions limit not later than December 31, 2030. The California Cap-and-Trade Program may result in rising electricity and fuel costs, which may adversely affect the airlines serving SDIA and the Authority's operations. See "AIRPORT ENVIRONMENTAL MATTERS—Air Quality Management Plan" for a discussion of the Authority's plans to reduce GHG emissions at SDIA.

The Authority is unable to predict what federal and/or state laws and regulations with respect to GHG emissions will be adopted, or what effects such laws and regulations will have on airlines serving SDIA or on SDIA operations. The effects, however, could be material.

Possible Sea-Level Rise. SDIA is located less than 100 yards from San Diego Bay, which is located approximately two miles from the Pacific Ocean. It is anticipated that the San Diego area, including SDIA, will be exposed to rising sea levels as a result of climate change. In April 2017, the California Ocean Protection Council released an update on sea level rise science entitled "*Rising Seas in California: An Update on Sea-level Rise Science*." The paper posits that sea level increases in the San Diego region by 2050 will likely be between 0.7 – 2.0 feet above historical levels.

In 2015, the Authority conducted a hydrologic and hydraulic base model of runoff and discharges from Airport watersheds for both existing and future conditions in multiple storm scenarios. Future conditions incorporated sea level rise projections of two feet by 2050, coupled with storm surge of over two feet (based on historical storm events). The assessment concluded that certain of the Airport's most critical infrastructure, such as the runway, the majority of the taxiways and the air traffic control tower, did not appear to face major risk of flooding, even in scenarios that account for future sea level rise. However, the Authority is unable to predict whether sea-level rise or other impacts of climate change will occur while the Subordinate Series 2017 Bonds are outstanding, and if any such events occur, whether there will be an adverse impact, material or otherwise, on Revenues.

Ability To Meet Rate Covenant

As discussed in "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS—Subordinate Rate Covenant," the Authority has covenanted in the Master Subordinate Indenture to establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the rate covenant set forth in the Master Subordinate Indenture is met. In addition to Subordinate Net Revenues, the Authority expects to use approximately $30 million of PFCs each Fiscal Year between Fiscal Year 2018 and Fiscal Year 2023 to pay debt service on the PFC Eligible Bonds (the Senior Series 2013 Bonds and the Subordinate Series 2010 Bonds). If PFCs are used to pay principal of and/or interest on the PFC Eligible Bonds, such principal and/or interest is excluded from the calculation of debt service on the PFC Eligible Bonds; thus decreasing debt service and increasing debt service coverage for purposes of the rate covenant under the Master Subordinate Indenture. See "SECURITY

AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS—Use of PFCs to Pay Debt Service." Also see "—Availability of PFCs" above.

If Subordinate Net Revenues (and PFCs expected to be used to pay debt service) were to fall below the levels necessary to meet the rate covenant set forth in the Master Subordinate Indenture, the Master Subordinate Indenture provides for procedures under which the Authority would retain and direct a Consultant to make recommendations as to the revision of the Authority's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Authority in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Authority is required to take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to meet the rate covenant. Increasing the schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Authority in connection with the Airport System is subject to contractual, statutory and regulatory restrictions (see "—Regulations and Restrictions Affecting SDIA" above). Implementation of an increase in the schedule of rentals, rates, fees and charges for the use of SDIA could have a detrimental impact on the operation of SDIA by making the cost of operating at SDIA unattractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of SDIA.

Enforceability of Remedies; Limitation on Remedies

As discussed above under "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS—Events of Default and Remedies; No Acceleration," there is no right to acceleration of payments to bondholders under the Subordinate Indenture, and bondholders may be required to make a separate claim for each semiannual payment not paid. Further, the remedies available to the owners of the Subordinate Series 2017 Bonds upon an Event of Default under the Subordinate Indenture are in many respects dependent upon regulatory and judicial actions that are in many instances subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided for in the Senior Indenture may not be readily available or may be limited. Legal opinions to be delivered concurrently with the delivery of the Subordinate Series 2017 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Subordinate Series 2017 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by equitable remedies and proceedings generally.

Potential Limitation of Tax Exemption of Interest on Subordinate Series 2017 Bonds

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Subordinate Series 2017 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended, or court decisions may also cause interest on the Subordinate Series 2017 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Internal Revenue Code of 1986, as amended, or court decisions may also affect the market price for, or marketability of, the Subordinate Series 2017 Bonds. Prospective purchasers of the Subordinate Series 2017 Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. See "TAX MATTERS—Changes in Federal and State Tax Law." Also see "—Federal Funding; Impact of Federal Sequestration" above.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements". When used in this Official Statement, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect," and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. See "INTRODUCTION—Forward-Looking Statements."

Any financial projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to the prospective financial information. The Authority's independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information contained in this Official Statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The Authority's independent auditors have not been consulted in connection with the preparation of any financial projections contained in this Official Statement and the Authority's independent auditors assume no responsibility for its content.

AIRLINE INDUSTRY INFORMATION

Certain of the airlines or their parent corporations operating at SDIA are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, as such are required to file periodic reports, including financial and operational data, with the SEC. All such reports and statements can be inspected and copies obtained at prescribed rates in the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, DC 20549. The SEC maintains a website at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the DOT. Such reports can be inspected at the following location: Bureau of Transportation Statistics, Research and Innovation Technology Administration, Department of Transportation, 1200 New Jersey Avenue, SE, Washington, DC 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depository Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments, or foreign corporations operating airlines, file limited information only with the DOT.

The Authority undertakes no responsibility for and makes no representations as to the accuracy or completeness of the content of information available from the SEC or the DOT as discussed in the preceding paragraphs, including, but not limited to, updates of such information on the SEC's website or links to other Internet sites accessed through the SEC's website.

See also "CERTAIN INVESTMENT CONSIDERATIONS" for discussions regarding the financial condition of the airlines and the effects of airline bankruptcies on the Authority.

LITIGATION

No Litigation Relating to Subordinate Series 2017 Bonds

There is no litigation now pending or, to the best of the Authority's knowledge, threatened which seeks to restrain or enjoin the sale, issuance or delivery of the Subordinate Series 2017 Bonds or in any way contests the validity of the Subordinate Series 2017 Bonds or any proceedings of the Board taken with respect to the authorization, sale or issuance of the Subordinate Series 2017 Bonds, the pledge or application of any moneys provided for the payment of or security for the Subordinate Series 2017 Bonds, or the use of the proceeds of the Subordinate Series 2017 Bonds.

Litigation Relating to the Authority and SDIA

There are a number of litigation matters pending against the Authority for incidents at SDIA. These claims and suits are of a nature usually incident to the operation of SDIA and, in the aggregate, in the opinion of Authority management, based upon the advice of the General Counsel to the Authority, will not have a material adverse effect on the Revenues or financial condition of SDIA. It should be noted that a portion of the claims relating to personal injuries and property damage are covered by a comprehensive insurance program maintained by the Authority for SDIA.

There are no material claims or litigation arising out of or challenging any federal fund or grants held by the Authority to date.

See also "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015—Note 13. Commitments and Contingencies."

TAX MATTERS

General

In the opinion of Kutak Rock LLP, Bond Counsel to the Authority, under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2017 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Subordinate Series 2017B Bond for any period during which such Subordinate Series 2017B Bond is held by a "substantial user" of the facilities financed or refinanced by the Subordinate Series 2017B Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that (a) interest on the Subordinate Series 2017A Subordinate Bonds is not a specific preference item for purposes of the federal alternative minimum tax, and (b) interest on the Subordinate Series 2017B Bonds is a specific preference item for purposes of the federal alternative minimum tax. The opinions described in the preceding sentences assume the accuracy of certain representations and compliance by the Authority with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met subsequent to the issuance of the Subordinate Series 2017 Bonds. Failure to comply with such requirements could cause interest on the Subordinate Series 2017 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Subordinate Series 2017 Bonds. The Authority will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Subordinate Series 2017 Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Subordinate Series 2017A Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax, such interest will be included in the adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

Bond Counsel is further of the opinion that interest on the Subordinate Series 2017 Bonds is exempt from present State of California personal income taxes.

Special Considerations With Respect to the Subordinate Series 2017 Bonds

The accrual or receipt of interest on the Subordinate Series 2017 Bonds may otherwise affect the federal income tax liability of the owners of the Subordinate Series 2017 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Subordinate Series 2017 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Subordinate Series 2017 Bonds.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Subordinate Series 2017 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Subordinate Series 2017 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Subordinate Series 2017 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Subordinate Series 2017 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Subordinate Series 2017 Bonds or the market value thereof would be impacted thereby. Purchasers of the Subordinate Series 2017 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Subordinate Series 2017 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Tax Treatment of Original Issue Premium

The Subordinate Series 2017 Bonds are being sold at a premium. An amount equal to the excess of the issue price of a Subordinate Series 2017 Bond over its stated redemption price at maturity constitutes premium on such Subordinate Series 2017 Bond. An initial purchaser of a Subordinate Series 2017 Bond must amortize any premium over such Subordinate Series 2017 Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Subordinate Series 2017 Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Subordinate Series 2017 Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Subordinate Series 2017 Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Subordinate Series 2017 Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Subordinate Series 2017 Bond.

RATINGS

Moody's Investors Service, Inc., S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, and Fitch Ratings have assigned ratings of "A2" (stable outlook), "A" (stable outlook), and "A" (positive outlook), respectively, to the Subordinate Series 2017 Bonds. Such ratings reflect only the views of such organizations and any explanation of the meaning and significance of such ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investor Services, Inc. 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; S&P Global Ratings, 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, NY 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The respective ratings are not a recommendation to buy, sell or hold the Subordinate Series 2017 Bonds. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Subordinate Series 2017 Bonds.

LEGAL MATTERS

The validity of the Subordinate Series 2017 Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel's opinion is contained in Appendix D hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain matters will be passed upon for the Authority by the General Counsel to the Authority. Certain legal matters with respect to this Official Statement will be passed upon for the Authority by Kutak Rock LLP, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation. All of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel with respect to the issuance of the Subordinate Series 2017 Bonds are contingent upon the issuance and delivery of the Subordinate Series 2017 Bonds.

UNDERWRITING

The Subordinate Series 2017A Bonds will be purchased by Morgan Stanley & Co. LLC, Jefferies LLC, Backstrom McCarley Berry & Co., LLC, Citigroup Global Markets Inc., RBC Capital Markets, LLC, and Siebert Cisneros Shank & Co., L.L.C. (collectively, the "Underwriters"), from the Authority at a price of $171,568,193.19 (which is the par amount of the Subordinate Series 2017A Bonds, plus an original issue premium of $25,855,131.10, less an underwriters' discount of $326,937.91), subject to the terms of the purchase contract (the "Purchase Contract"), between Morgan Stanley & Co. LLC, as representative of the Underwriters, and the Authority.

The Subordinate Series 2017B Bonds will be purchased by the Underwriters from the Authority at a price of $167,414,092.10 (which is the par amount of the Subordinate Series 2017B Bonds, plus an original issue premium of $22,568,556.50, less an underwriters' discount of $324,464.40), subject to the terms of the Purchase Contract.

The Purchase Contract provides that the Underwriters will purchase all of the Subordinate Series 2017 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Subordinate Series 2017 Bonds set forth on the inside of the front cover hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Subordinate Series 2017 Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the cover hereof.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

Morgan Stanley & Co. LLC ("Morgan Stanley") provided the information contained in this paragraph for inclusion in this Official Statement and the Authority does not take any responsibility for or make any representation as to its accuracy or completeness. Morgan Stanley, one of the Underwriters of the Subordinate Series 2017 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Subordinate Series 2017 Bonds.

Jefferies LLC ("Jefferies") provided the information contained in this paragraph for inclusion in this Official Statement and the Authority does not take any responsibility for or make any representation as to its accuracy or completeness. Jefferies, one of the Underwriters of the Subordinate Series 2017 Bonds, has entered into an agreement (the "Jefferies Agreement") with E*TRADE Securities LLC ("E*TRADE") for the retail distribution of municipal securities. Pursuant to the Jefferies Agreement, Jefferies will sell Subordinate Series 2017 Bonds to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

Backstrom McCarley Berry & Co., LLC ("BMcB") provided the information contained in this paragraph for inclusion in this Official Statement and the Authority does not take any responsibility for or make any representation as to its accuracy or completeness. BMcB, one of the Underwriters of the

Subordinate Series 2017 Bonds, has entered into separate non-exclusive distribution agreements with TD Ameritrade, Hilltop Securities, UMB, D.A. Davidson & Co., and Wedbush Securities Inc. (the "Firms") to augment both its institutional and retail marketing capabilities for the distribution of certain new issue municipal securities underwritten by or allocated to BMcB, which includes the Subordinate Series 2017 Bonds. Pursuant to these distribution agreements, the Firms may purchase Subordinate Series 2017 Bonds from BMcB at the original issue price less a negotiated portion of the selling concession applicable to any Subordinate Series 2017 Bonds that such firm sells, or BMcB may share with the Firms a portion of the fees or commission paid to BMcB applicable to their disclosed transactions.

Citigroup Global Markets Inc. ("Citigroup") provided the information contained in this paragraph for inclusion in this Official Statement and the Authority does not take any responsibility for or make any representation as to its accuracy or completeness. Citigroup, one of the Underwriters of the Subordinate Series 2017 Bonds, has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, Citigroup may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup may compensate UBSFS for their selling efforts with respect to the Subordinate Series 2017 Bonds.

MUNICIPAL ADVISOR

The Authority has retained the services of Frasca & Associates, LLC, New York, New York, as Municipal Advisor in connection with the issuance of the Subordinate Series 2017 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CONTINUING DISCLOSURE

At the time of issuance of the Subordinate Series 2017 Bonds, the Authority will execute and deliver a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") substantially in the form set forth in Appendix E of this Official Statement. Pursuant to the Continuing Disclosure Certificate, the Authority will covenant to provide, or cause to be provided, to the MSRB, through the EMMA System, in an electronic format as prescribed by the MSRB, for purposes of Rule 15c2-12 adopted by the SEC ("Rule 15c2-12"), certain annual financial information and operating data relating to the Authority and the Airport System and, in a timely manner, notice of certain enumerated events. See "APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE."

During the last five years, the Authority has never failed to comply in all material respects with any continuing disclosure undertakings with regard to Rule 15c2-12 to provide annual financial information and operating data relating to the Authority and the Airport System and, in a timely manner, notice of certain enumerated events.

FINANCIAL STATEMENTS

The audited financial statements of the Authority for Fiscal Years 2016 and 2015 are included as Appendix B attached hereto. The financial statements referred to in the preceding sentence have been audited by BKD, LLP, the Authority's independent auditor, as stated in its Independent Auditor's Report, dated October 31, 2016, included in Appendix B. BKD, LLP has not been engaged to perform, and has not performed, since the date of its Independent Auditor's Report, any procedures on the financial statements addressed in its report. BKD, LLP also has not performed any procedures relating to this Official Statement.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not representations of fact. No representation is made that any of such opinions or estimates will be realized.

All references to the Act, the Senior Indenture, the Subordinate Indenture, the Airline Lease Agreements and agreements with any other parties herein and in the Appendices hereto are made subject to the detailed provisions of such documents, and reference is made to such documents and agreements for full and complete statements of the contents thereof. Copies of such documents are available for review at the offices of the Authority which are located at 3rd Floor, 3225 North Harbor Drive, San Diego, California 92101. This Official Statement is not to be construed as a contract or agreement between the Authority and the owners of any of the Subordinate Series 2017 Bonds.

AUTHORIZATION

The Board has authorized the distribution of this Official Statement. This Official Statement has been duly executed and delivered by the President and CEO on behalf of the Authority.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By /s/ Kimberly J. Becker
President/CEO

APPENDIX A

FINANCIAL FEASIBILITY REPORT

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July 10, 2017

Ms. Kimberly Becker
President and CEO
San Diego County Regional Airport Authority
3225 North Harbor Drive
San Diego, CA 92101

Subject: ***Financial Feasibility Report - San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2017A and Series 2017B***

Dear Ms. Becker:

Unison Consulting, Inc. ("Unison") is pleased to submit the attached Financial Feasibility Report regarding the proposed issuance by the San Diego County Regional Airport Authority (the "Authority") of its Subordinate Airport Revenue Bonds, Series 2017A and Series 2017B (collectively, the "Series 2017 Bonds") in the approximate aggregate principal amount of $313.88 million. The Series 2017 Bonds are being issued as subordinate lien bonds. The proceeds of the Series 2017 Bonds will be used to (i) fund a portion of the costs of certain capital projects included in the Authority's capital program; (ii) repay a portion of the outstanding Subordinate short term obligations; (iii) fund a reserve fund; (iv) pay capitalized interest; and (v) pay costs of issuance of the Series 2017 Bonds.

The Series 2017 Bonds are being issued as Subordinate Obligations under and subject to the terms of the Master Subordinate Trust Indenture, dated as of September 1, 2007 (the "Master Subordinate Indenture"), by and between the Authority and U.S. Bank National Association (the "Subordinate Trustee"), and a Fifth Supplemental Subordinate Trust Indenture, to be dated as of August 1, 2017 (the "Fifth Supplemental Subordinate Indenture"), by and between the Authority and the Subordinate Trustee. The Series 2017 Bonds are special obligations of the Authority, secured by and payable from the Authority's Subordinate Net Revenues and certain funds and accounts held by the Subordinate Trustee.

Until January 2003, San Diego International Airport ("SAN", or the "Airport") was owned and operated by the San Diego Unified Port District. In January 2003, the Airport was transferred by long-term lease to the Authority, which now operates the Airport. SAN is the main commercial service airport serving the City of San Diego and the San Diego metropolitan area.

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Chicago, Illinois / Orange County, California / San Antonio, Texas / St. Louis, Missouri

During the Authority's FY 2016[1], the Airport enplaned approximately 10.2 million passengers. The FAA classifies SAN as a large-hub airport, a category that includes airports enplaning 1.0 percent or more of annual domestic enplanements. Based on calendar year 2015 data (the most recent data available), the Airports Council International – North America ("ACI-NA") ranked SAN 27th in the nation in terms of total passengers served, 41st in the nation in terms of total aircraft movements, The Airport is located approximately three miles northwest of downtown San Diego.

Purpose of the Bond Financing

The Authority maintains a five-year capital program that is designed to preserve regulatory compliance, critical infrastructure functions and Airport access. Additionally, the capital program seeks to enhance safety, customer service, cost savings and revenue opportunities. The Authority's current five-year capital program (the "Capital Program") includes projects to be completed in FY 2018 through FY 2022 at an estimated cost of approximately $1.2 billion. The Capital Program includes, among other projects, the new Terminal 2 Parking Plaza (consisting of a three-story public parking structure, to contain approximately 2,900 parking spaces, located across from Terminal 2), a new Federal Inspection Services (FIS) facility, and various other airfield, terminal and landside projects.

The Series 2017 Bonds are being issued to finance approximately $321.0 million in costs of the Capital Program. The costs of the Authority's Capital Program are expected to be funded from the following sources in addition to the Series 2017 Bonds: (i) Future General Airport Revenue Bonds (GARBs) anticipated to be issued in the second half of calendar year 2018 (the "Series 2018 Bonds"); (ii) Authority funds; (iii) Passenger Facility Charges ("PFCs"); (iv) FAA Airport Improvement Program ("AIP") grants; (v) the proceeds of previously issued Series 2010 Bonds and Series 2013 Bonds; (vi) rental car Customer Facility Charges ("CFCs"), including proceeds from the special facility bonds issued in 2014 that are secured by CFC collections; and (vii) anticipated electric energy grants to fund electrical vehicle supply equipment.

Rate Covenants

Under the Master Senior Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to the following amounts: (a) the aggregate annual debt service on any outstanding Senior Bonds; (b) the required deposits to any Senior Debt Service Reserve Fund; (c) the reimbursement owed to any credit provider or liquidity provider as required by a Supplemental Senior Indenture; (d) the interest on and principal of any indebtedness other than Outstanding Senior Bonds, including Subordinate Obligations; and (e) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Senior Bonds, including Subordinate Obligations.

The Authority has also covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to 125 percent of aggregate annual debt service on the Outstanding Senior Bonds. This provision is known as the "Senior Rate Covenant."

[1] The Authority's Fiscal Year (FY) begins on July 1 and ends on June 30 of the following year.

Under the Master Subordinate Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues at least equal to the following amounts: (a) the Aggregate Annual Debt Service required to be funded in each Fiscal Year on any Outstanding Subordinate Obligations; (b) the required deposits to any Subordinate Debt Service Reserve Fund; (c) the reimbursement owed to any credit provider or liquidity provider as required by a Supplemental Subordinate Indenture; (d) the interest on and principal of any indebtedness other than Special Facility Obligations, senior lien revenue bonds and Outstanding Subordinate Obligations, including obligations issued with alien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations; (e) payments of any reserve requirement for debt service for any indebtedness other than senior bonds and Outstanding Subordinate Obligations, including obligations issued with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations.

The Authority has also covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least 110 percent of Aggregate Annual Debt Service on the Outstanding Subordinate Obligations. This provision is known as the "Subordinate Rate Covenant."

Airline Operating and Lease Agreement

The Authority collects landing fees, terminal rentals, aircraft parking fees, security surcharges, FIS facilities charges, and other fees from the airlines operating at the Airport to support the operation and maintenance of the facilities used by the airlines. The Authority has entered into separate, but substantially similar, Airline Operating and Lease Agreements (the "Airline Agreements") with the air carriers operating at SAN (the "Signatory Airlines"). The Airline Agreements cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SAN. The Airline Agreements have a term commencing on July 1, 2013 and terminating on June 30, 2018, unless terminated earlier pursuant to their terms. The Signatory Airlines and the Authority have begun negotiating a new airline operating and lease agreement, which the Authority expects to be effective on July 1, 2018. The financial analyses and projections in this section assume that the new airline operating and lease agreement will have substantially the same rate making provisions as included in the current Airline Agreements.

The calculation methodologies for the airline rates and charges, as specified in the current Airline Agreements, include a cost center residual methodology for the landing fee and a cost center compensatory methodology for the terminal rental rate. The calculations for the projected landing fee and the terminal rental rate during the forecast period are presented later in this section. The airline revenue projections presented in this section reflect the current airline rate methodology.

Report Organization

Unison has prepared the attached Report to evaluate the ability of the Authority to meet the financial requirements established by the Master Senior Indenture and Master Subordinate

Indenture. The following summary of the components of the attached Report provides an overview of the comprehensive analysis performed:

- **Section 1** describes the Authority and the Airport, and describes the Authority's Capital Program and associated funding plan.

- **Section 2** defines the Airport's air service area and discusses the local economic base.

- **Section 3** analyzes the historical aviation activity at the Airport and presents forecasts of future aviation activity.

- **Section 4** reviews the framework for the financial operation of the Authority, including key provisions of the Master Senior Indenture and the Master Subordinate Indenture. This section also reviews the recent historical financial performance of the Authority, and examines the ability of the Authority to meet the obligations of the Master Senior Indenture and the Master Subordinate Indenture.

<u>Assumptions</u>

The analysis and forecasts contained in the attached Report are based upon certain data, estimates, and assumptions that were provided by the Authority, and certain data and projections from other independent sources as referenced herein. The attached Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions. In our opinion, the data, estimates, and assumptions used in the report are reliable, and provide a reasonable basis for our forecast given the information available and circumstances as of the date of this Report. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved may vary from the forecasts, and the variations could be material.

The major assumptions utilized in the attached Report are listed below:

1. The Authority will complete the projects listed in the Capital Program, including the projects to be funded with the proceeds of the Series 2017 Bonds, within the budgeted costs and according to the estimated schedule.
2. Following the expiration of the current airline lease agreement on June 30, 2018, a new airline lease agreement with substantially similar terms will become effective on July 1, 2018, and the current airline rates and charges methodology will continue throughout the forecast period.
3. The forecasts of aviation activity presented in the Report were developed using a modeling approach that links long-term air traffic activity to projected trends in key demand drivers. A multivariate regression model was developed that relates enplanements to long-term demand drivers such as regional economic trends, national economic trends, and trends in the price of air travel at the Airport. The model is

consistent with sound economic theory, is well-supported by empirical trends, and passes statistical evaluation.

4. The Authority will continue to apply approximately $30.0 million of annual PFCs toward a portion of debt service on Senior Bonds and Subordinate Obligations in each Fiscal Year during the forecast period.

Findings and Conclusions

Based upon the assumptions and analysis presented in the attached Report, we forecast that the Authority will be able to comply with the rate covenant provisions of the Master Senior Indenture, the Master Subordinate Indenture, while maintaining a reasonable airline cost per enplaned passenger. Specifically, we conclude the following:

- Debt service coverage calculated according to the Senior Rate Covenant is projected to equal at least 3.55 times debt service during the forecast period.
- Debt service coverage calculated according to the Subordinate Rate Covenant is projected to equal 2.12 times debt service in FY 2018 and then equal at least 2.49 times debt service during the remainder of the forecast period.
- The airline cost per enplaned passenger is projected to remain reasonable during the forecast period. SAN's airline cost per enplanement is projected to increase from $10.71 in FY 2017 to a high of $14.67 in FY 2022, before decreasing to $14.46 in FY 2023.
- PFC revenues are projected to increase from $41.5 million in FY 2017 to $46.6 million in FY 2023. The PFC fund balance is projected to increase from $33.7 million in FY 2018 to $69.0 million in FY 2023.
- Under the low enplanement forecast scenario, the senior debt service coverage and the subordinate debt service coverage are projected to remain well above the minimum requirements throughout the forecast period. The projected airline cost per enplanement under the low enplanement forecast scenario is projected to remain under $15.50 during the forecast period, and the PFC fund balance is projected to increase from $31.3 million in FY 2018 to $53.4 million in FY 2023.

Based on the above, we conclude that it is financially feasible for the Authority to proceed with the issuance of the Series 2017 Bonds.

Sincerely,

UNISON CONSULTING, INC.

Unison Consulting, Inc.

FINANCIAL FEASIBILITY REPORT

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Prepared by:

UNISON Consulting, Inc.

July 10, 2017

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Section 1 Introduction and Capital Program

This Report considers the financial feasibility of the issuance of the San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2017A and Series 2017B (collectively, "the Series 2017 Bonds"). The proceeds of the Series 2017 Bonds will be used to (i) fund a portion of the cost of certain capital projects included in the Capital Program of the San Diego County Regional Airport Authority (the "Authority"), for capital improvements at the San Diego International Airport ("SAN" or the "Airport"); (ii) repay a portion of the outstanding Subordinate short term obligations; (iii) fund a reserve fund; (iv) pay capitalized interest; and (v) pay certain costs of issuance of the Series 2017 Bonds.

This Report is organized into the following sections:

- Section 1 describes the Authority, the Airport, the Capital Program, and the funding plan for the Capital Program.
- Section 2 defines the Airport's air service area and discusses the local economic base.
- Section 3 analyzes the historical aviation activity at the Airport and presents forecasts of future aviation activity.
- Section 4 reviews the Airline Agreement including the airline rates and charges methodology and the framework for the financial operation of the Authority. This section also reviews the recent historical financial performance of the Authority, and examines the ability of the Authority to generate sufficient Net Revenues and Subordinate Net Revenues in each year of the forecast period to meet the obligations of the Master Senior Indenture and the Master Subordinate Indenture.

1.1 The San Diego County Regional Airport Authority

The Authority is a local governmental entity of regional government, with jurisdiction extending throughout the County of San Diego (the "County") and is responsible for the operation of the Airport. SAN operates as a commercial service airport and served approximately 20.4 million total passengers during the Authority's Fiscal Year ("FY") ended June 30, 2016 ("FY 2016").

The San Diego County Regional Airport Authority Act, codified in California Public Utilities Code Section 170000 et seq. (the "Act"), established the Authority. The Authority was created as an independent agency to manage the day-to-day operations of the Airport and to address the region's long-term air transportation needs. Effective January 1, 2003, the operations and assets of the Airport were transferred from the San Diego Unified Port District (the "Port District") to the Authority. The legislation that created the Authority mandates the following three main responsibilities for the Authority: (1) operate the Airport; (2) plan for the future air transportation needs of the region; and (3) serve as the region's Airport Land Use Commission, and thereby ensure the adoption of land use plans that protect public health and safety surrounding all 16 of the County's airports.

The Authority is governed by a nine-member board of directors (the "Board") representing all areas of the County, and three additional members serving as non-voting, ex-officio board members. Board members serve three year terms and may be reappointed. The Act specifies the appointment of the members of the Board as follows: the Mayor of the City of San Diego appoints three members (two of which are subject to confirmation by the City Council); the Chair of the County of San Diego Board of Supervisors appoints two members (subject to confirmation by the Board of Supervisors); the mayors of the east county cities (El Cajon, Lemon Grove, La Mesa and Santee) appoint one member; the mayors of the north county coastal cities (Carlsbad, Del Mar, Encinitas, Oceanside, and Solana Beach) appoint one member; the mayors of the north county inland cities (Poway, Escondido, Vista and San Marcos) appoint one member; and the mayors of the south county cities (Coronado, Imperial Beach, Chula Vista and National City) appoint one member. Two ex-officio non-voting members serving as the District Director of the State Department of Transportation for the San Diego region and the Department of Finance representative for the State Lands Commission, are appointed by the Governor of the State of California. A representative of the United States Navy and the United States Marine Corps provides an additional non-voting ex-officio member.

The Authority holds public meetings of the full Board once a month and periodic meetings of several standing committees. The standing committees, which were formed to better address key policy areas and develop items for consideration by the full Board, include the following: Executive Committee; Executive Personnel and Compensation Committee; Finance Committee; Audit Committee; and Capital Improvement Program Oversight Committee.

Kimberly Becker was appointed Authority President and CEO/Executive Director ("President/CEO") effective May 1, 2017. Ms. Becker has overall responsibility for the management, administration, and planning of the Authority, its annual budget and approximately 410 employees. Ms. Becker has an experienced staff to aid her in carrying out the responsibilities of the position, including the vice presidents who head the various Authority divisions. The President/CEO, Chief Auditor, and General Counsel are appointed by the Board.

1.2 San Diego International Airport

The Airport serves a region that includes San Diego County, portions of Orange, Riverside and San Bernardino Counties and the northern portion of Baja California, Mexico. The Airport is the main commercial service airport in the County and the San Diego metropolitan area. During the Authority's FY 2016[1], the Airport enplaned approximately 10.206 million passengers. The FAA classifies SAN as a large-hub airport, a category that includes airports enplaning 1.0 percent or more of annual domestic enplanements. Based on calendar year 2015 data (the most recent data available), the Airports Council International – North America ("ACI-NA") ranked SAN 27th in the nation in terms of total passengers served, 41st in the nation in terms of total aircraft movements,

[1] The Authority's Fiscal Year (FY) begins on July 1 and ends on June 30 of the following calendar year.

and 29th in terms of total cargo processed. Covering 661 acres, the Airport is located three miles northwest of downtown San Diego, adjacent to U.S. Interstate 5 and the San Diego Bay.

The operations and improvements at SAN are funded by airport user charges, rents, Passenger Facility Charges ("PFCs"), bond funds, rental car Customer Facility Charges ("CFCs"), and funds received from the Federal Aviation Administration ("FAA") and the Transportation Security Administration ("TSA"). No general tax fund revenues are used to operate or maintain the Airport.

1.2.1 Airfield

SAN is the busiest single-runway commercial airport in the nation, based on passenger levels. The Airport was originally dedicated as the "San Diego Municipal Airport – Lindbergh Field" on August 16, 1928. It became the first federally certified airfield to serve all aircraft types, including seaplanes, in 1934. The Airport's infrastructure was improved after the U.S. Army Air Corps took over the Airport in 1942 to support the military's war efforts during World War II. Improvements included the construction of an 8,750-foot runway, which has since been expanded to 9,401 feet. In addition to the runway, the airfield includes one taxiway on the south side of the runway (Taxiway B) and a series of taxiways on the north side of the runway, including Taxiway C. The airfield also includes ancillary taxiways that provide runway and terminal access, and aprons that provide aircraft parking.

Conditions at SAN make the addition of a runway difficult. Obstacles to runway expansion include significant geographic obstructions, including high terrain to the northeast and southwest of the Airport, as well as manmade obstructions, such as office buildings, to the northeast, east, and southeast of the Airport. Other obstacles to runway expansion include major land acquisition requirements, extensive infrastructure impacts, local resident opposition, and increased noise impacts. However, airfield capacity is not expected to be a limiting factor within the forecast period of this Report, as discussed in Section 3. In addition to the restrictions to the physical capacity of the Airport's airfield, there are direct restrictions on operations relating to noise abatement. See Section 3 for a further discussion of these constraints.

1.2.2 Passenger Terminals

The Airport has two passenger terminals (Terminal 1 and Terminal 2), which together contain a total of 51 gates, consisting of 19 gates in Terminal 1 and 32 gates in Terminal 2. Terminal 1 opened in March 1967. Terminal 2 consists of Terminal 2 East, with 13 jet gates, and Terminal 2 West, with 19 jet gates. Terminal 2 East opened in July 1979. Terminal 2 West, which originally opened in 1998, was expanded in August 2013. The baggage claim for all of Terminal 2 (East and West) is located in Terminal 2 West. In March 2015, the Authority completed its Concessions Development Program (CDP), which involved completely revamping the shopping and dining options in the passenger terminals. The Authority began implementing the CDP after its master concession agreement with one master concessions operator expired in November 2012. The CDP increased the number of shops and restaurants from 55 to 83, and involved the introduction of local San Diego offerings, including Phil's BBQ, Saffron, and Warwick's of La Jolla, among others. In 2015, *Airport Revenue News* honored SAN with five awards in the category of airports with between five and 10 million annual enplanements, including "Best Overall Concessions Program."

1.2.3 Landside Facilities

The Airport offers the following public parking options:

- Terminal Lots 1 and 2 are located directly across from Terminals 1 and 2, respectively. These lots are intended for short-term parking, with a daily maximum rate of $32. A portion of the Terminal Lot 2 is closed during the construction of the Terminal 2 Parking Plaza, which began in 2016 and is scheduled to be completed in the summer of 2018. During construction, the Terminal Lots 1 and 2 together provide 2,151 public parking spaces, with 1,122 spaces in Terminal Lot 1 and 1,029 spaces in Terminal Lot 2. The Terminal 2 Parking Plaza is planned to provide approximately 2,900 additional parking spaces.

- The Long Term Lot is located on Harbor Drive and is serviced by free shuttle bus service. This lot provides 1,098 long-term parking spaces with a daily rate of $20.

- The Economy Lot, located on the north side of the airfield and accessed from Pacific Highway, also provides long-term parking (1,517 spaces) and is serviced by free shuttle bus service. The daily rate is $13.

- A free cell phone lot (97 spaces) is located east of the Authority administration offices.

- Valet parking is available (456 spaces), with curb-side drop-off in front of Terminals 1 and 2. The daily rate for valet parking is $40 ($35 with advance reservation).

Roadway access to the Airport is via two independent entrance roadways for Terminal 1 and Terminal 2, both from North Harbor Drive. The Airport terminal roadway system includes a one-level roadway for Terminal 1 and a two-level roadway for Terminal 2, which separates departing and arriving passengers.

1.2.4 Other Facilities

The north airfield area contains various other facilities, including: an air traffic control tower; an Airport Rescue and Fire Fighting ("ARFF") facility; a cargo ramp; a fuel farm; a receiving and distribution center for food, beverage, retail and other goods; a Rental Car Center (RCC) that houses the rental car companies in a single building and which includes a 5,400-space parking garage; a Fixed Base Operator (FBO) facility, which includes a terminal, a ramp, and five hangars; and associated roadways, including a roadway linking the Northside with the passenger terminals, for rental car and parking shuttle buses. The Authority's administration offices are located in the building on the south of the airfield that previously housed the commuter terminal.

1.3 Capital Program Estimated Costs and Funding Plan

The Authority maintains a five-year capital program that is designed to preserve regulatory compliance, critical infrastructure functions and Airport access. Additionally, the capital program seeks to enhance safety, customer service, cost savings and revenue opportunities.

1.3.1 Estimated Costs

The Authority's current five-year capital program (the "Capital Program") includes projects to be completed in FY 2018 through FY 2022 at an estimated cost of $1.2 billion. The Capital Program includes, among other projects, the new Terminal 2 Parking Plaza (consisting of a three-story public parking structure containing approximately 2,900 additional parking spaces, located across from Terminal 2), a new Federal Inspection Services (FIS) facilities, and various other airfield, terminal and landside projects. The projects within the Capital Program that are estimated to cost over $20.0 million are described below. Together, these projects comprise approximately $829.3 million of the $1.2 billion Capital Program.

Terminal 2 West FIS Buildout: $229.5 million

Construction of a new, 130,000 square-foot FIS to accommodate increased demand by improving the aircraft parking positions, introducing an independent gate environment for international flights, and enhancing the processing experience for passengers with reduced wait times. Features of the new facility include a second baggage claim and more queuing space in the lower level reclaim hall, as well the newest processing technologies introduced by Customs and Border Protection. The New FIS will be able to process 1,000 passengers per hour compared to the 350 per hour in the current FIS. Phase 1 of this project will open in the Summer of 2018.

Terminal 2 West Parking Plaza: $127.8 million

Construction of a three-story Parking Plaza with approximately 2,900 parking stalls in front of Terminal 2. When it opens in summer 2018, the Parking Plaza will provide a net increase of nearly 1,700 parking stalls over the spaces available prior to the construction of the Parking Plaza. The Parking Plaza will enhance customer service by integrating state-of-the-art parking technology that will enhance the ability of customers to find available parking spaces, reserve spaces in advance, and streamline payment.

Fuel Rack Relocation/Hydrant Fueling: $51.4 million

Relocation of six truck fueling stations to two new locations: one near Terminal 2 West and one near Liberator Way. Additionally, this project will extend hydrant fueling lines to new FIS Gates 47 – 51 and provide gate hydrant fueling. This will provide greater fueling efficiency for larger aircraft used on international flights.

Stormwater/Condensate Reuse: $50.2 million

Construct facilities for the collection and treatment of stormwater and potential reuse for irrigation, cooling tower, terminal gray water, and Rental Car Center car wash facilities. Retention of 100% of stormwater is a regulatory requirement.

Northside Remain Overnight (RON) Parking – Phase 1: $40.4 million

Construction of five new Group III Remain Overnight concrete parking positions, which will enable access to the existing cargo facilities while the new North Cargo Facility is being constructed.

Construct Taxiway "A": $36.9 million

Construction of a new taxiway to provide simultaneous opposing direction taxi traffic on Taxiway B, as well as providing access to terminal facilities planned under the Airport Development Plan (ADP).

Rehabilitate Runway 9/27: $33.9 million

Rehabilitation of Runway 9/27, with a three-inch mill and overlay of the runway pavement, to extend the useful life of the airfield. Safety for night operations will be enhanced by replacing current incandescent lighting with LED lights.

Facilities Maintenance Department Shops, Storage & Offices: $33.3 million

Construction of a new Facilities Maintenance Department campus on the Northside. The project includes seven shop buildings, 12 portable trailers, storage containers, offices, a warehouse, and parking.

Airline Provisioning and Belly Cargo: $32.2 million

Construction of new airline provisioning and cargo facilities on the Southside, to include airfield paving and fencing, parking, and a new multi-use building.

Airline Maintenance Facility: $31.0 million

Construction of a facility on the Northside, with airfield access, to service airline support equipment. The project includes an industrial building, a parking lot, utilities, lighting, and fencing.

Bus Parking, Propane/CNG Rack & Ground Transportation Operations: $30.7 million

Relocation of bus parking and ground transportation operations to the Northside. The project includes new asphalt paving, service buildings, and a fueling facility.

Relocate Taxiway "B": $30.0 million

Relocate Taxiway "B" in order to provide standard separation clearance for Group V aircraft. This improves airfield safety by eliminating the need for mid-field runway crossings by larger aircraft when taxiing.

Replace/Refurbish Passenger Boarding Bridges: $29.4 million
Evaluate and update current condition assessment and refurbish or replace 38 bridges phased over a four-year period in order minimize impact to operations.

Airline Relocations at Terminal 1 West and Terminal 2 East: $25.0 million
Relocation of domestic carriers in Terminal 1 West and Terminal 2 East, reconfiguration of back offices, construction of a new baggage service office and additional checkpoint lane in Terminal 2 East.

Northside Utility Infrastructure (Phase 2): $24.3 million
Construction of new common site infrastructure: utilities (water, sewer, gas, electric, and communications), roads, exterior lighting, AOA gate and fencing. This will support new facilities including Airline Maintenance, Busing Operations, Airport Parking, and Northside Cargo.

Northside Remain Overnight Parking – Phase II: $23.3 million
Construct three new Group III Remain Overnight concrete parking positions. This phase is to be constructed after cargo operators occupy the new North Cargo Facility.

The estimated costs of the Capital Program by fiscal year, and grouped by cost center, are presented on Table 1-1.

Table 1-1: Estimated Capital Program Costs

	Prior to	Fiscal Years Ending June 30						
	June 30, 2017	2017	2018	2019	2020	2021	2022	Total
Terminal								
Replace/Refurbish Boarding Bridges	$0	$1,274,407	$1,200,000	$21,360,593	$5,565,000	$0	$0	$29,400,000
Airline Relocation T1W, T2E	-	500,000	14,900,000	9,599,900	100	-	-	25,000,000
HVAC Modernization	-	3,098,548	15,897,269	150,000	-	-	-	19,145,817
ADP Projects	-	-	11,161,661	501,862	-	-	-	11,663,523
Other Terminal Projects	6,865,047	11,313,482	41,986,849	17,019,156	4,380,200	336,262	-	81,900,996
Total Terminal	$6,865,047	$16,186,437	$85,145,779	$48,631,511	$9,945,300	$336,262	$0	$167,110,336
Landside								
Terminal 2 West Parking Plaza	8,848,175	35,778,582	65,493,495	17,679,749	-	-	-	127,800,001
North Side Utility Infrastructure (Phases 1 & 2)	17,665,814	149,145	8,500,000	15,779,700	-	-	-	42,094,659
Bus Parking, Propane/CNG Rack, GT Ops	-	-	3,200,000	27,499,550	-	-	-	30,699,550
Terminal Link Road	16,011,029	586,235	-	-	-	-	-	16,597,264
ADP Projects	-	-	4,422,552	193,023	-	-	-	4,615,575
Other Landside Projects	18,161,557	14,178,845	33,869,708	12,466,247	1,016,000	1,490,600	163,220	81,346,177
Total Landside	$60,686,575	$50,692,807	$115,485,755	$73,618,269	$1,016,000	$1,490,600	$163,220	$303,153,227
Airside								
Fuel Rack Relcoation & Hydrant Fueling FIS Gates	-	-	8,600,000	17,100,000	17,100,000	8,633,275	-	51,433,275
Stormwater/Condensate Reuse	-	-	10,300,000	36,300,000	3,596,850	-	-	50,196,850
Northside RON Parking - Phase I	-	-	21,600,000	18,765,850	-	-	-	40,365,850
Construct Taxiway A (2021-22)	-	-	-	-	200,000	3,400,000	33,300,000	36,900,000
Rehabilitate Runway 9-27 Wing / Keel Pavement	4,989	1,420,318	21,482,363	10,992,330	-	-	-	33,900,000
Airline Provisioning & Belly Cargo	-	-	11,100,000	16,000,000	5,085,810	-	-	32,185,810
Airline Maintenance Facility	-	-	2,900,000	27,500,000	622,705	-	-	31,022,705
Relocate Taxiway B Phase II	-	-	-	-	-	200,000	29,800,000	30,000,000
Northside RON Parking - Phase II	-	-	5,200,000	18,082,300	-	-	-	23,282,300
Rehabiltate Cross Taxiways (B - C) & CT Apron	5,439	855,510	11,740,000	6,199,051	-	-	-	18,800,000
Rehab Terminal 2 Apron Pavement (2019-20)	-	-	-	1,395,000	10,217,670	4,976,530	-	16,589,200
ADP Projects	-	-	1,807,764	77,209	-	-	-	1,884,973
Other Airside Projects	4,184,379	6,281,920	28,888,854	26,473,127	3,624,581	-	1,723,450	71,176,312
Total Airside	$4,194,807	$8,557,748	$123,618,982	$178,884,867	$40,447,616	$17,209,805	$64,823,450	$437,737,275
Ancillary								
T2W FIS Build-Out	-	16,105,851	117,891,000	90,919,485	4,557,878	-	-	229,474,214
Other Ancillary Projects	33,667	238,519	2,084,664	15,826,167	438,230	-	-	18,621,247
Total Ancillary	$33,667	$16,344,370	$119,975,664	$106,745,652	$4,996,108	$0	$0	$248,095,461
Administrative								
Facility Maint. Dept Shops, Storage and Offices	-	-	2,600,000	27,800,000	2,928,350	-	-	33,328,350
Other Administrative Projects	3,162,661	3,055,322	11,411,302	-	-	800,000	-	18,429,284
Total Administrative	$3,162,661	$3,055,322	$14,011,302	$27,800,000	$2,928,350	$800,000	$0	$51,757,634
Total Costs	$74,942,757	$94,836,683	$458,237,481	$435,680,299	$59,333,375	$19,836,667	$64,986,670	$1,207,853,932

Source: Authority records.

1.3.2 Funding Plan

The estimated funding sources of the Capital Program, presented on Table 1-2, are the following:

- The Series 2017 Bonds (approximately $321.0 million in project funding). The major projects to be funded with the Series 2017 Bonds are the Terminal 2 West Parking Plaza (included in the Landside cost center) and the Terminal 2 West FIS Buildout (included in the Ancillary cost center).
- Future General Airport Revenue Bonds (GARBs) anticipated to be issued in the second half of calendar year 2018 (the "Series 2018 Bonds"). The Authority anticipates funding approximately $353.2 million in capital costs with the Series 2018 Bonds. The estimated debt service is included in the financial analysis presented in Section 4.
- Authority funds. Authority funds are those moneys generated from Airport operations and available after all of the Authority's financial obligations pursuant to the flow of funds specified in the Master Senior Indenture and the Master Subordinate Indenture are satisfied. The Airline Agreement allows the Authority to include amortization charges in the airline rates and charges to reimburse the Authority for capital project costs paid from Authority funds. The financial analysis in Section 4 incorporates the amortization charges projected to be incorporated into the airline rate base, as projects funded with Authority funds are completed. The Authority plans to apply approximately $296.1 million in Authority funds to the Capital Program.
- Passenger Facility Charges ("PFCs"). The Port District initially received approval from the FAA to impose a $3.00 PFC at SAN. The approval for the PFC was transferred by the FAA to the Authority, effective January 1, 2003. On May 20, 2003, the FAA approved the Authority's PFC application to increase the charge per enplaned passenger from $3.00 to $4.50 beginning August 1, 2003. The Authority has received approval from the FAA, pursuant to eight separate applications (five of which were later amended by the Authority, with the approval of the FAA), to collect and use a PFC on each enplaning passenger at SAN totaling approximately $1.549 billion. The Authority's funding plan includes approximately $88.4 million in PFCs to be applied to eligible project costs in the Capital Program.
- FAA Airport Improvement Program ("AIP") grants, including AIP entitlement grants and AIP discretionary grants. AIP entitlement funds are apportioned by formula each year to individual airports or types of airports. AIP discretionary funds are awarded by the FAA based on eligible projects' priority as determined by the FAA through the application of its National Priority System ("NPS"). The NPS uses a combination of quantitative and qualitative factors to evaluate projects with highest priority given to projects to enhance airport safety and security. The funding plan for the Authority's capital program incorporates approximately $54.2 million in AIP entitlement and discretionary funds for eligible project costs.
- Other sources, as follows:

- Prior bond proceeds (approximately $11.7 million), which were spent on capital costs incurred prior to June 30, 2017.
- Customer Facility Charges (CFCs). The rental car companies that operate at SAN collect and remit to the Authority a per-day CFC (up to a maximum of five days). In accordance with a multi-year CFC rate schedule, the daily CFC rate increased from $6.00 to $7.50 beginning January 1, 2014 and to $9.00 beginning January 1, 2017. The CFC collections are being used to pay debt service on the special facility bonds that were issued in 2014 to finance the Rental Car Center (RCC) and the cost of other capital projects related to the RCC, including the common use transportation system. The funding plan includes approximately $61.3 million in CFC funding for capital projects related to the RCC, including roadway and infrastructure improvements. The CFC funding includes proceeds from the special facility bonds issued in 2014 (which were all expended prior to June 30, 2017).
- The Authority is applying for electric energy grants to fund electrical vehicle supply equipment. The grants are anticipated to be awarded under the funding that the car maker Volkswagen is required to provide in California to support zero-emission vehicles with charging stations and other promotional efforts such as advertising about the benefits of electric cars. The funding is part of a larger settlement negotiated by state and federal officials as a result of the Volkswagen diesel emissions lawsuit. The Authority estimates receiving approximately $7.4 million in grant funding for eligible costs.
- Budget savings resulting from project bid amounts that have totaled approximately $14.3 million less than the original project budget.

As mentioned above, the major projects to be funded with the Series 2017 Bonds are the Terminal 2 West Parking Plaza and the Terminal 2 West FIS Buildout. Figure 1-1 presents an aerial view of the Airport, and indicates the location of the Terminal 2 Parking Plaza. Figure 1-2 displays a diagram of the layout of the Terminal 2 Parking Plaza. A rendering of the exterior of the Terminal 2 West FIS Buildout is depicted on Figure 1-3.

Table 1-2: Estimated Capital Program Funding Sources

Cost Center	Series 2017 Bonds	Series 2018 Bonds [1]	Authority Funds	PFCs [2]	AIP Grants	Other Sources [3]	Total
Terminal	$10,000,000	$11,866,875	$126,932,524	$12,751,495	$3,000,000	$2,559,441	$167,110,335
Landside	130,000,000	59,529,155	40,437,719	-	-	73,186,353	303,153,227
Airside	32,027,640	230,371,763	69,422,243	35,697,478	51,200,000	19,018,150	437,737,274
Ancillary	149,000,000	18,138,230	40,957,231	40,000,000	-	-	248,095,461
Administrative	-	33,328,350	18,429,284	-	-	-	51,757,634
Total	$321,027,640	$353,234,374	$296,179,001	$88,448,973	$54,200,000	$94,763,944	$1,207,853,931

[1] Future Senior Lien bonds anticipated to be issued in the second half of calendar year 2018.
[2] PFCs anticipated to be applied on a Pay-As-You-Go basis.
[3] This funding category includes proceeds of previously issued bonds; Customer Facility Charges (CFCs); anticipated electric energy grants to fund electrical vehicle supply equipment; and anticipated budget savings.

Figure 1-1: San Diego International Airport

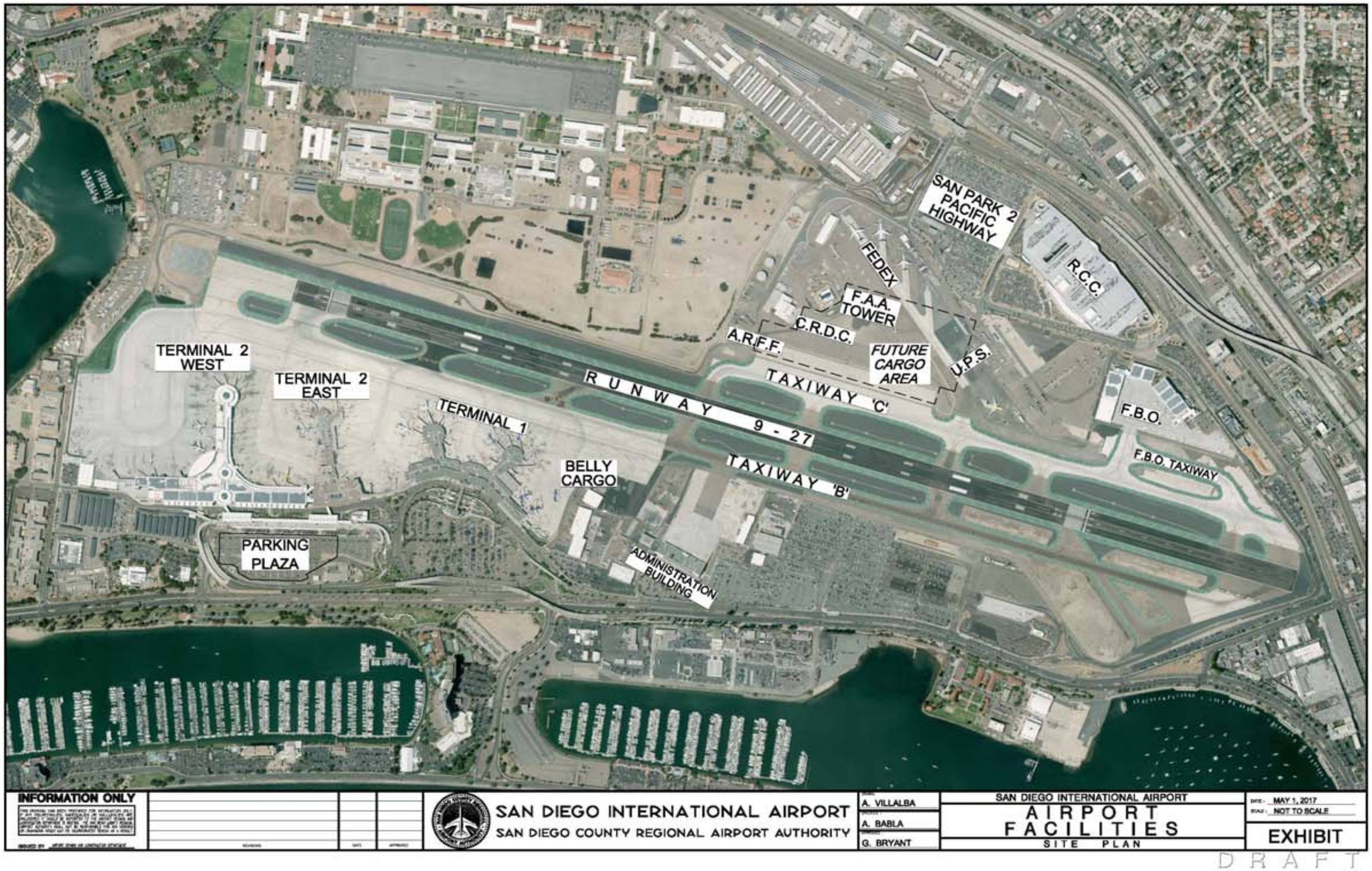

Figure 1-2: Layout of Terminal 2 Parking Plaza

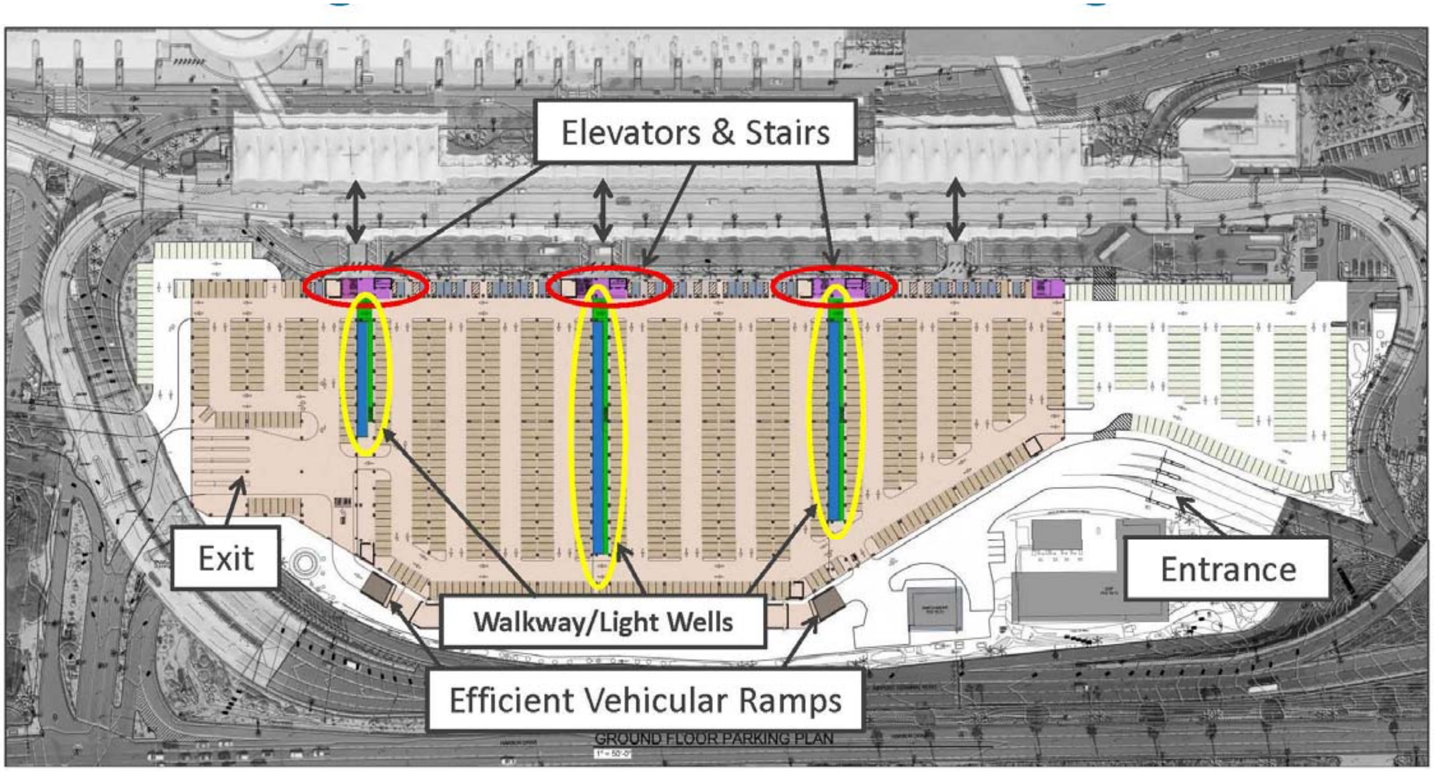

Figure 1-3: Terminal 2 West FIS Buildout

Section 2 Economic Base

Demographic and economic trends influence the demand for air travel at SAN, which largely serves origin and destination (O&D) passenger traffic.[2] Economic trends in the Airport's air service area and in California contribute to the area's ability to generate local demand for air travel and to draw visitors to the region. National trends in the economy also contribute to the growth in the Airport's passenger traffic: (1) they determine demand for air travel nationwide (particularly for leisure travel, which is a significant driver for SAN's passenger traffic; and (2) they influence regional demographic and economic trends. This section discusses relevant demographic and economic trends in the Airport service area, California and the United States. It also provides an assessment of the outlook for the air service area, California and national economies.

The Airport's air service area is the San Diego-Carlsbad, CA, Metropolitan Statistical Area (the San Diego MSA), which consists of San Diego County. The San Diego MSA and the entire state of California have been growing rapidly since the mid-2000s. Suffering only a mild setback from the most recent national recession in 2008-2009 (the "Great Recession"), the San Diego MSA and California economies have been outperforming the national economy. Both the San Diego MSA and California economies are expected to continue growing, driven by technology firms and the following industry sectors: education and health services, leisure and hospitality, and professional and business services.

The San Diego MSA has a diverse population of 3.3 million people that, on average, are relatively younger, more highly educated, and more affluent than the rest of the nation. San Diego's population is the nation's 17th largest among MSAs and the fifth largest among counties. San Diego's $220 billion economy is also diverse, with no one industry sector making up more than 17 percent of employment, and forward looking, with a large footprint in biotech and other innovative industries. If San Diego were a state, its large economy would rank 26th in the nation. All these attributes help position San Diego for continued prosperity.[3]

2.1 Air Service Area

The San Diego MSA is located in Southern California, adjacent to the U.S.-Mexico border (Figure 2-1).[4] This location makes the San Diego MSA ideal for international commerce and business on the west coast. Covering 4,526 square miles, the MSA includes the following cities: Carlsbad, Chula Vista, Coronado, Del Mar, El Cajon, Encinitas, Escondido, Imperial Beach, La Mesa, Lemon Grove, National City, Oceanside, Poway, San Diego, San Marcos, Santee, Solana Beach and Vista. The MSA's two principal cities are San Diego and Carlsbad.

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[2] O&D passenger traffic refers to passenger trips originating or ending at the airport.
[3] Ray Major, "It's not 2016 anymore…," *The San Diego Union Tribune*, February 19, 2017.
[4] Office of Management and Budget, "Revised Delineations of Metropolitan Statistical Areas, Micropolitan Statistical Areas, and Combined Statistical Areas, and Guidance on Uses of the Delineations in These Areas," OMB Bulletin No. 13-01, February 28, 2013, <http://www.whitehouse.gov/sites/default/files/omb/bulletins/2013/b-13-01.pdf>.

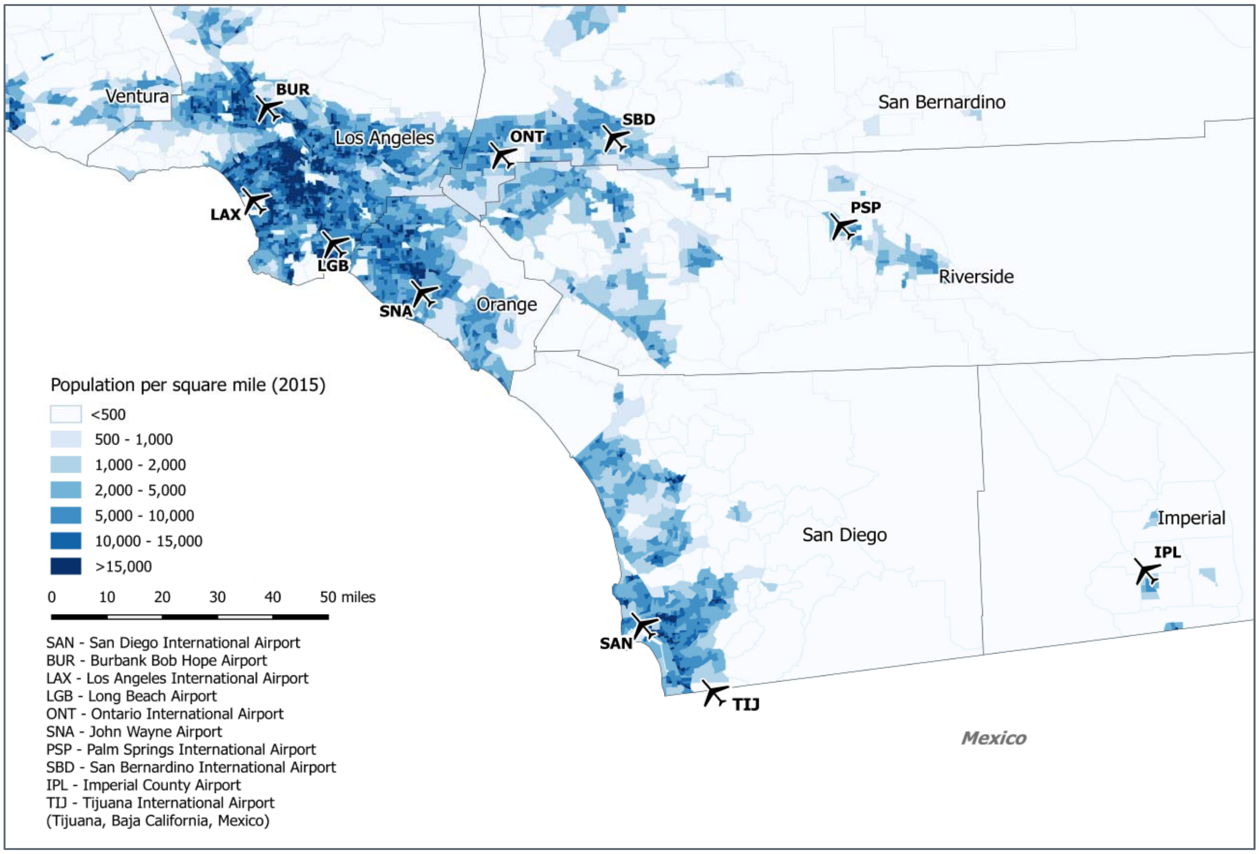
Figure 2-1: California County Map and the San Diego-Carlsbad MSA

Source: Unison Consulting, Inc.

Located in downtown San Diego, SAN is the only major commercial service airport within the San Diego MSA. McClellan-Palomar Airport ("CRQ"), which is located 34 miles north of SAN in Carlsbad (within the San Diego MSA), is designated as a commercial service airport, but it has not had scheduled passenger service since January 2016. CRQ mainly provides air taxi and general aviation service. Outside the San Diego MSA, there are eight U.S. airports that provide commercial service located within 150 road miles (a two- to three-hour drive), as shown on Figure 2-2 and Table 2-1. The closest is John Wayne Airport ("SNA") in Orange County, California (87 road miles from SAN). SNA is a smaller airport than SAN, both in airport capacity (it has capacity constraints) and passenger traffic. Further north in Los Angeles County is the Los Angeles International Airport (LAX), Southern California's largest commercial airport and California's largest international gateway. The other U.S. commercial service airports within 150 road miles of SAN with reported enplaned passengers in 2016 are Ontario International Airport, Burbank Bob Hope Airport, Long Beach Airport, and Palm Springs International Airport. Imperial County Airport has scheduled passenger service provided by one commuter airline, with flights to LAX.[5] Effective June 29, 2017, San Bernardino International Airport will have scheduled commercial service provided by Volaris, with flights to Guadalajara, Mexico.

[5] No enplanements were reported to the FAA for Imperial County Airport in 2016, possibly because the activity was below the minimum reporting requirement.

Figure 2-2: Commercial Service Airports Within 150 Road Miles of SAN



Sources: Unison Consulting, Inc. Population by census tract obtained from U.S. Census Bureau's American Community Survey, 2015 estimates.

Table 2-1: U.S. Commercial Service Airports Within 150 Road Miles of SAN

Airport	CY 2016 Enplanements (Thousands) [1]	City	State	Distance from SAN: Miles	Distance from SAN: Drive Time
Los Angeles International Airport	40,566	Los Angeles	CA	125	2 hours, 10 minutes
John Wayne Airport	5,244	Santa Ana	CA	89	1 hour, 35 minutes
Ontario International Airport	2,123	Ontario	CA	115	2 hours
Burbank Bob Hope Airport	2,070	Burbank	CA	134	2 hours, 40 minutes
Long Beach Airport	1,428	Long Beach	CA	106	1 hour, 55 minutes
Palm Springs International Airport	1,002	Palm Springs	CA	144	2 hour, 20 minutes
Imperial County Airport [2]	--	Imperial	CA	119	2 hours
San Bernardino International Airport [3]	--	San Bernardino	CA	111	1 hour, 55 minutes

[1] In comparison, SAN had approximately 10,350 enplanements in CY 2016.

[2] Mokulele Airlines provides commuter airline service to LAX. However, the Imperial County Airport website does not report enplanement statistics, and no enplanements were reported to the FAA in 2016 (possibly because the activity was below the minimum reporting requirement).

[3] Volaris is scheduled to begin commercial service to Guadalajara, Mexico on June 29, 2017.

Sources: Enplanements obtained from statistical reports posted on the airports' respective websites; distance and drive time estimates obtained from Google Maps.

Tijuana Rodriguez International Airport (TIJ). located 24 miles south of SAN, in Tijuana, Mexico, primarily serves the Mexican domestic market.[6] In December 2015, the Cross Border Express (CBX) opened. The CBX is an enclosed pedestrian skybridge connecting a facility on the U.S. side of the border with the main TIJ passenger terminal (located on the Mexican side of the border). The skywalk is only accessible to ticketed TIJ passengers who have boarding passes for flights departing within 24 hours or having arrived within 2 hours. Passengers arriving from Mexico are required to go through U.S. Customs & Border Protection, and passengers traveling to Mexico are required to pass through Mexican Customs & Border Protection. In FY 2016, enplaned passengers who flew from SAN to destinations in Mexico (approximately 128,000) represented approximately 1.25 percent of total SAN enplaned passengers. Although sufficient statistics are not yet available to fully evaluate the effect of CBX on the level of air traffic from SAN to destinations in Mexico, the effect on total enplanements at SAN is likely not significant, as discussed more fully in Section 3.

2.2 Population

The San Diego MSA population offers a large and rapidly growing market for air travel. With a population of 3.3 million in 2016, it was the fourth largest MSA in California (Table 2-2) and the seventeenth largest in the country—larger than the metropolitan areas of Tampa, Denver and St. Louis. Since 2000, the MSA's population has grown an average of 1 percent a year, slightly faster than the national population growth rate of 0.9 percent per year. California's population growth rate over the same period averaged 0.9 percent per year, slightly slower than the San Diego MSA's pace. Between 2000 and 2016, the San Diego MSA population increased 17 percent, compared with 15 percent for the state of California and 15 percent for the United States (Figure 2-3).

In 2016, the San Diego MSA population accounted for 8.5 percent of the state population. The San Diego MSA is the fourth largest MSA in the state —behind the Los Angeles, San Francisco and Riverside MSAs.

San Diego County has the second highest county population in California, after Los Angeles County and the fifth largest in the United States (Figure 2-4).

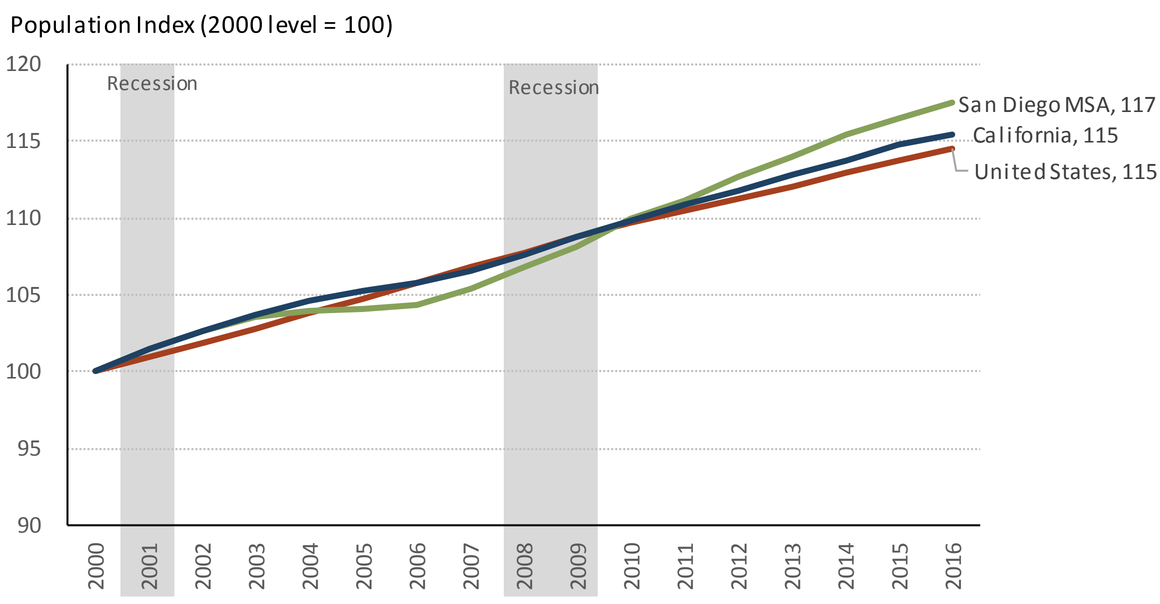
[6] According to statistics published by GOBmx, more than 98.6 percent of TIJ's FY 2016 passenger traffic was domestic Mexican traffic. Of the international passenger traffic, approximately 71 percent of passengers from TIJ flew to Shanghai, China and 25 percent flew to Oakland, California. TIJ also serves as a refueling stop for flights from Mexico City to Japan.

Table 2-2: California State and MSA Population (2016)

Area	Population	State Rank
California State Total	39,250,017	-
Los Angeles-Long Beach-Santa Ana MSA	13,310,447	1
San Francisco-Oakland-Fremont MSA	4,679,166	2
Riverside-San Bernardino-Ontario MSA	4,527,837	3
San Diego-Carlsbad-San Marcos MSA	**3,317,749**	**4**
Sacramento-Arden-Arcade-Roseville MSA	2,296,418	5
San Jose-Sunnyvale-Santa Clara MSA	1,978,816	6
Fresno MSA	979,915	7
Bakersfield MSA	884,788	8
Oxnard-Thousand Oaks-Ventura MSA	849,738	9
Stockton MSA	733,709	10

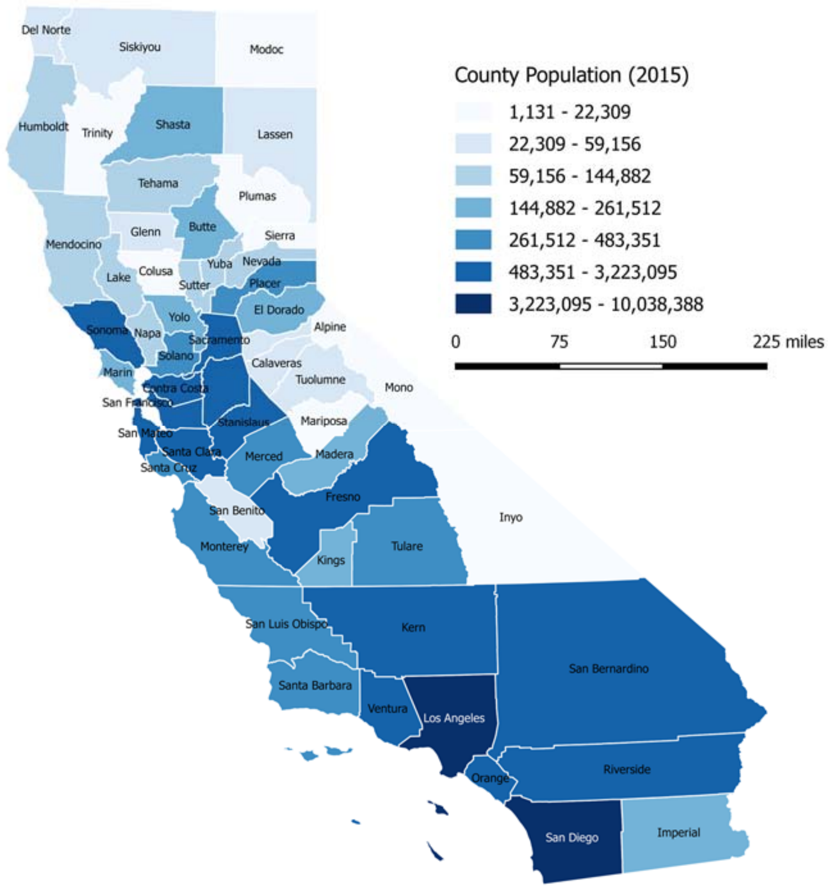
Source: U.S. Census Bureau mid-year population estimates.

Figure 2-3: Population Growth



Source: U.S. Census Bureau mid-year population estimates.

Figure 2-4: California County Population Map, 2015



Sources: Unison Consulting, Inc. Population and U.S. Census Bureau's American Community Survey, 2015 population estimates.

Approximately 23 percent of the San Diego MSA population is foreign born.[7] Foreign born individuals from Mexico represent the largest share of the total foreign born population in the MSA (45 percent), and they represent approximately 11 percent of the total San Diego MSA population. The next largest group of immigrants is the group of foreign born individuals from Asia, representing approximately 37 percent of total foreign born individuals and 9 percent of the total San Diego MSA population. Immigrants from Europe constitute approximately 8 percent of total foreign born individuals, and 2 percent of the total San Diego MSA population. The significant percentage of foreign born individuals in the San Diego MSA may explain at least part of the

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[7] Migration Policy Institute tabulation of data from the U.S. Census Bureau's pooled 2011-2015 American Community Survey. The terms "foreign born" or "immigrant" refer to individuals residing in the U.S. who were not U.S. citizens at birth.

demand for international travel at SAN. However, as discussed above, enplaned passengers who fly from SAN to destinations in Mexico (the country of origin for 45 percent of all foreign born individuals in the San Diego MSA) represent a very small percentage of total SAN enplanements (1.25 percent in FY 2016). This is likely due to the lower airfares at TIJ, which provide an incentive for individuals traveling to destinations in Mexico to start their trip from TIJ.

The San Diego MSA and the Mexican municipalities of Tijuana, Rosarito Beach, and Tecate comprise an international metropolitan region that spans the U.S.-Mexico border. The region's 2015 population totaled approximately 5.0 million, with 3.3 million people in the San Diego MSA and 1.7 million people on the Mexican side of the border.[8] The region's total population makes it one of the largest shared metropolitan areas between the U.S. and another country, second only to the Detroit-Windsor region that spans the U.S.-Canada border. Data from the U.S. Department of Transportation and the U.S. Department of Homeland Security show that in 2015 there were approximately 39.7 million person trips across the U.S.-Mexico border (by bus, train, or personal vehicle) utilizing the three Ports of Entry[9] between the San Diego MSA and the adjacent municipalities in Mexico.[10] In March 2017 the mayors of San Diego and Tijuana signed a memorandum of understanding that pledged to strengthen cooperation between the two cities. The cross border traffic and the close economic and cultural ties between the San Diego MSA and the adjacent Mexican municipalities are indications of the economic vitality of the international metropolitan region.

2.3 Age Characteristics

The age distribution of the San Diego MSA population is similar to the age distribution of the state of California population. Compared to the nation's population, the San Diego MSA's population is younger, with a greater proportion of its population under 25 and a smaller proportion that are 60 and older (Figure 2-5). This is one advantage that may help the San Diego MSA economy continue growing faster than the national economy.

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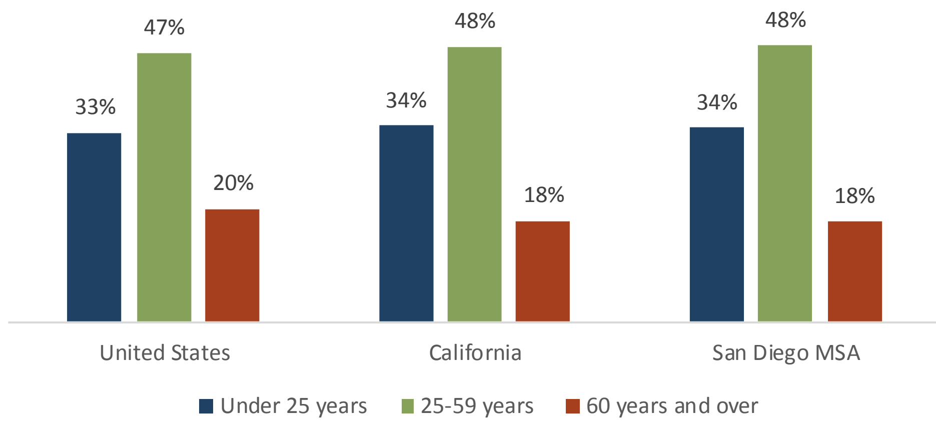
[8] Based on data from US Census Bureau and CONAPO (Consejo Nacional de Población, gob.mx).
[9] The following three Ports of Entry provide access between the San Diego MSA and the adjacent municipalities in Mexico: San Ysidro, Otay Mesa, and Tecate.
[10] From the U.S. Department of Transportation, Bureau of Transportation Statistics, Border Crossing/Entry Data; and data from U.S. Department of Homeland Security, Customs and Border Protection, OMR database.

Figure 2-5: Population Age Distribution, 2011-2015



Source: U.S. Bureau of the Census, 2011-2015 American Community Survey 5-Year Estimates.

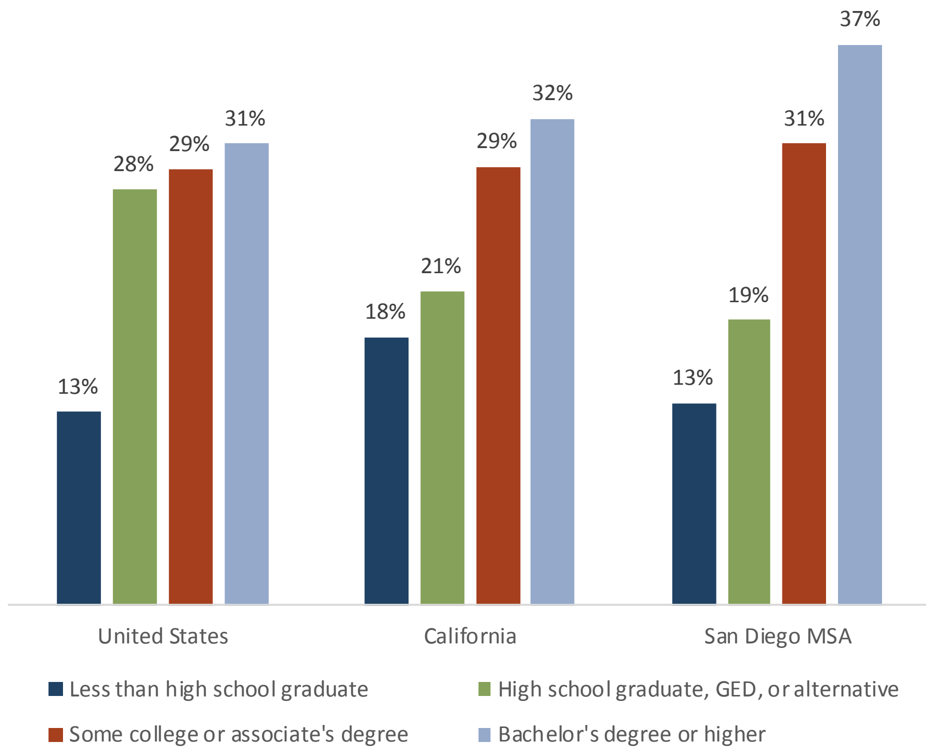
2.4 Educational Attainment

A well-educated work force is important for economic diversification and long-term growth. Well-educated populations adapt better to changing skill requirements, while driving innovation and productivity.[11] One study shows that areas with higher education attainment have higher productivity.[12] Areas with higher educational attainment also tend to have higher incomes and greater employment levels.[13] They attract fast-growing knowledge-based industries that bring high-income jobs—in turn, attracting highly educated workers.

Relative to the nation and the state, the San Diego MSA has a considerably higher share of college and graduate degree holders among residents 25 and older, and a lower share of residents with a high school diploma or less education (Figure 2-6).

[11] Enrico Moretti, *The New Geography of Jobs*, Houghton Mifflin Harcourt, 2012.
[12] J.R. Abel and T.M. Gabe, "Human capital and economic activity in urban America," *Regional Studies* 45(8), 2011, page 1079-1090.
[13] L. Wolf-Powers, *Predictors of Employment Growth and Unemployment in US Central Cities*, W.E. Upjohn Institute, 2013, <http://research.upjohn.org/up_workingpapers/199/>.

Figure 2-6: Educational Attainment of Population 25 Years and Older, 2011-2015



Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates.

Companies in knowledge-based industries prefer to locate in areas with a large pool of well-educated young workers, as do start-ups and young firms.[14] The San Diego MSA's higher education attainment levels likely exceed the state and nation because of the many technology and life sciences companies that attract highly educated and young workers to the area.

[14] Joe Cortright, "The Young and the Restless and the Nation's Cities," *CityReport*, October 2014, <http://cityobservatory.org/wp-content/uploads/2014/10/YNR-Report-Final.pdf>.

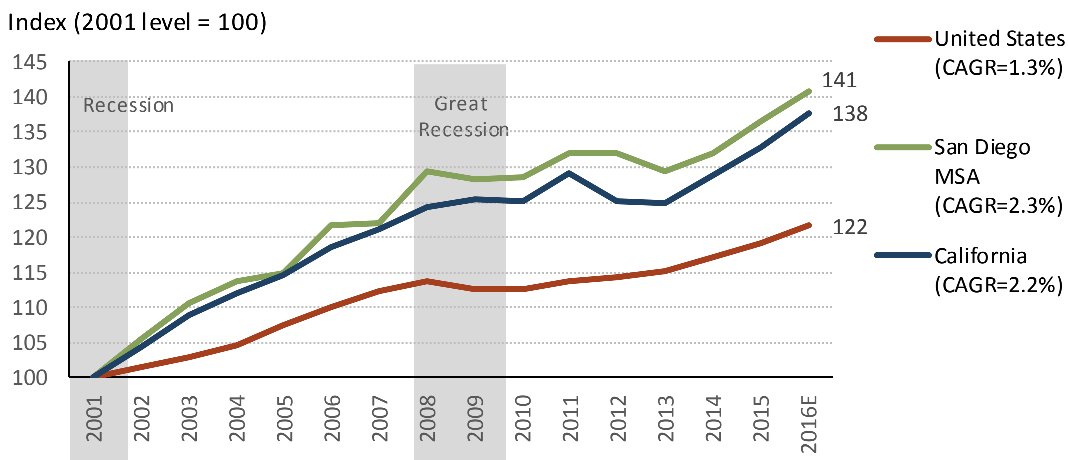
2.5 Labor Market

Trends in the labor market reflect business conditions and overall economic well-being—factors that influence the demand for air travel. Employment growth reflects the pace of economic growth. Employment typically decreases during an economic recession and increases during recovery and expansion. Employment needs to grow to raise living standards, boost consumer confidence, and increase consumer spending.

This sub-section reviews several key labor market indicators—number of business establishments, employment in all business establishments, civilian labor force, employed civilian labor force, and unemployment rate. All of these indicators show above-average growth in the MSA and in California since 2000.

Job creation begins with business development, which has progressed much more rapidly in the San Diego MSA and California than in the entire nation (Figure 2-7). The San Diego MSA has consistently exceeded or closely tracked the state in business establishment growth. In 2016, the number of business establishments in the San Diego MSA had increased 41 percent from 2001, above California's 38 percent increase and well ahead of the United States' 22 percent growth.

Figure 2-7: Growth of Business Establishments

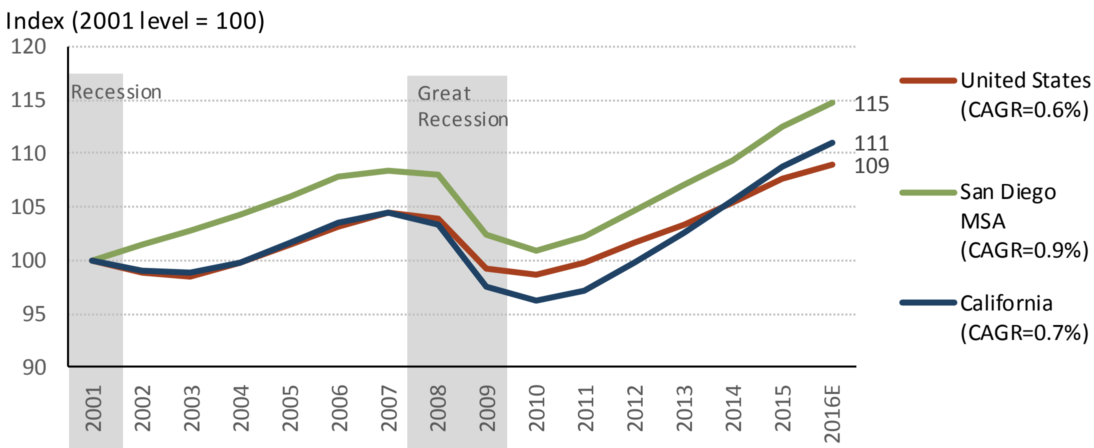


CAGR – Compound average growth rate
Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.
The 2016 estimates are averages based on preliminary data through 2016Q3.

Figure 2-8 shows the trends in the number of jobs, which grew at a slower rate than the number of business establishments. Jobs are vulnerable to economic downturns; they decreased following the two recessions since 2001 and took a long time to recover after each recession.

From 2001 to 2016, job growth in the San Diego MSA and in California proceeded faster than national growth. The number of employees in all business establishments increased 15 percent in the MSA and 11 percent in California, faster than the 9 percent growth nationwide.

Figure 2-8: Growth in Number of Employees in All Business Establishments

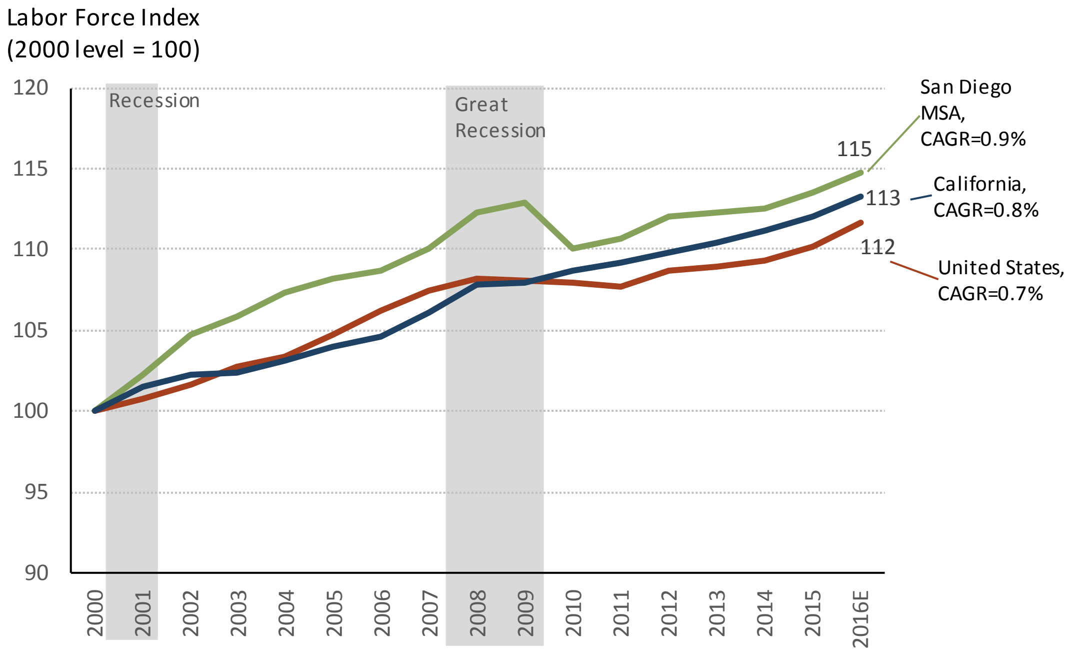


CAGR – Compound average growth rate
Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.
The 2016 estimates are averages based on preliminary data through 2016Q3.

Civilian labor force data complete the picture on the labor market conditions by tracking residents of working age (16 years and older), who are either employed, or unemployed but actively seeking employment. The data count all types of civilian employment, including agricultural, non-agricultural, and self-employment. They allow measurement of the unemployment rate, which is the proportion of the unemployed in the labor force.

People follow jobs, which have increased faster in the San Diego MSA and in California than in most other places in the nation. From 2000 to 2016, the labor force expanded 15 percent in the San Diego MSA and 13 percent in California, while expanding only 12 percent nationwide (Figure 2-9).

Figure 2-9: Civilian Labor Force

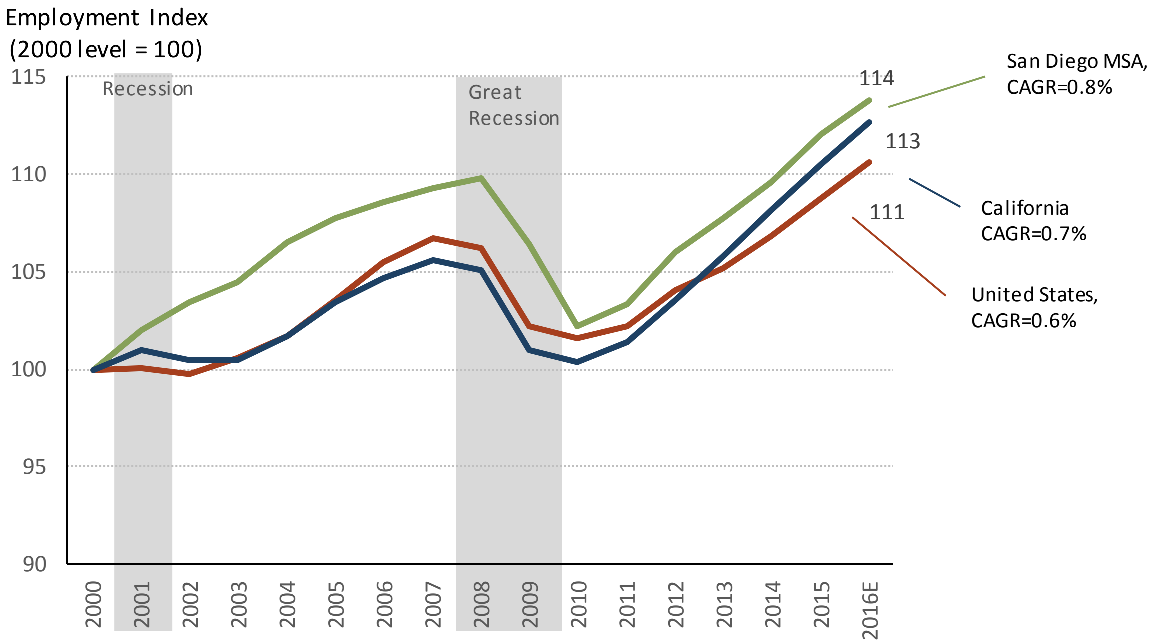


CAGR – compound average growth rate
Source: U.S. Bureau of Labor Statistics, Current Population Survey and Local Area Unemployment Statistics.
For the San Diego MSA, the 2016 estimates are averages based on preliminary December data.

Figure 2-10 shows the trends in employment, counting members of the civilian labor force who are employed, from 2000 to 2016. Despite the drop in the employed labor force during the Great Recession, the San Diego MSA has consistently maintained higher rates of growth in its employed labor force level. From 2000 to 2016, employment increased 14 percent in the MSA and 13 percent in California, while increasing 11 percent nationally.

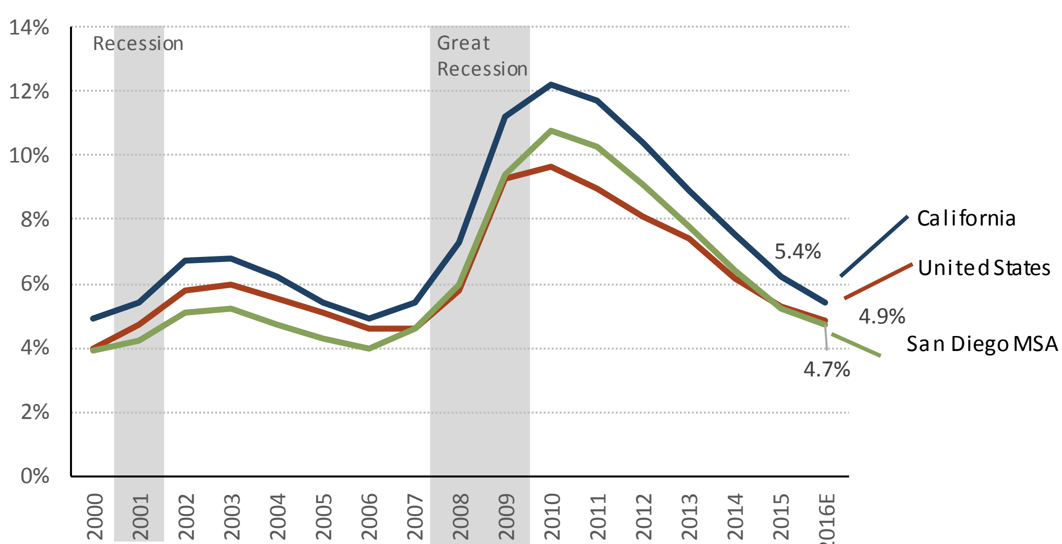
Overall, the San Diego MSA and state unemployment rates followed national trends—rising through the recessions and the early years of economic recovery. While California's unemployment rate has consistently exceeded the national unemployment rate since 2000, the San Diego MSA's unemployment rate has fallen below the national unemployment rate in most years, including the last two years (Figure 2-11).

Figure 2-10: Employed Civilian Labor Force



CAGR – compound average growth rate
Source: U.S. Bureau of Labor Statistics, Current Population Survey and Local Area Unemployment Statistics.
For the San Diego MSA, the 2016 estimates are averages based on preliminary December data.

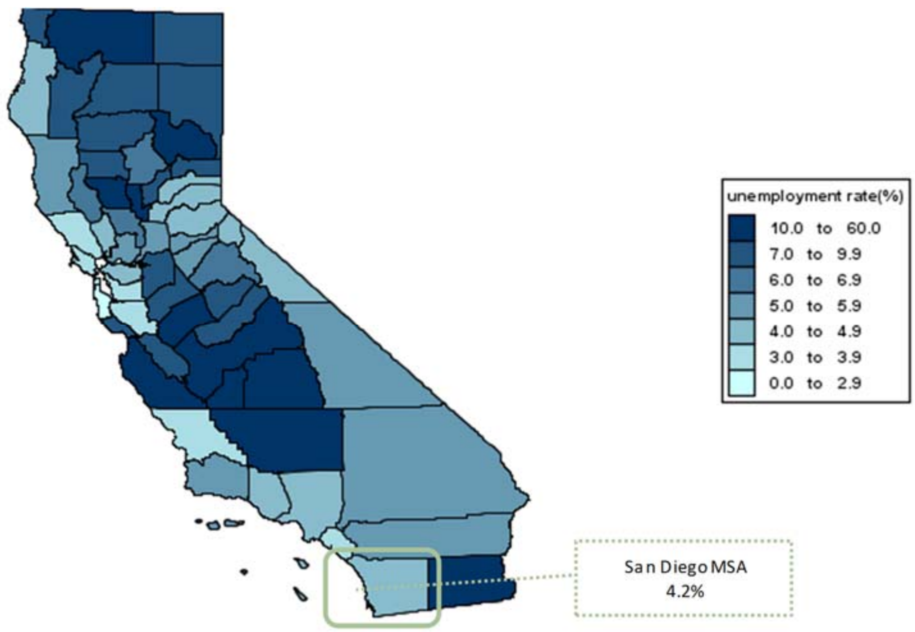
Figure 2-11: Unemployment Rate



Source: U.S. Bureau of Labor Statistics, Current Population Survey and Local Area Unemployment Statistics.
For the San Diego MSA, the 2016 estimates are averages based on preliminary December data.

In 2017, the San Diego MSA continues to enjoy lower unemployment rates than the state and the nation. Figure 2-12 shows that the San Diego MSA's unemployment rate was 4.2 percent in February 2017—lower than the national unemployment rate of 4.7 percent or the statewide unemployment rate of 5 percent in the same month. San Diego's unemployment rate was lower than the unemployment rates in most other counties in California.

Figure 2-12: California County Unemployment Rate Map, February 2017

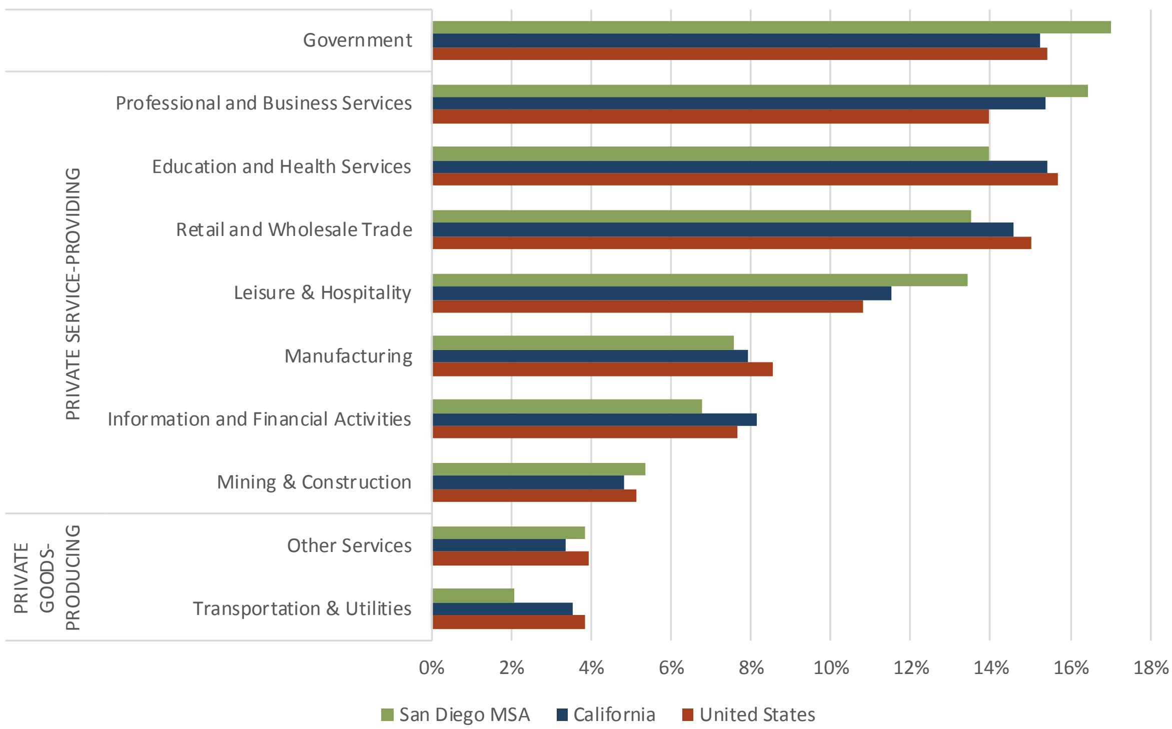


Source: U.S. Bureau of Labor Statistics, *Unemployment Rate by State*, not seasonally adjusted, February 2017.

2.6 Employment by Industry

Figure 2-13 shows that employment in the San Diego MSA is spread among a number of industries. Compared to the nation, however, the San Diego MSA has much larger employment concentrations in the following: *professional and business services*; *government; education and health services;* and *leisure and hospitality*. The San Diego MSA has lower employment concentrations in the following: *information and financial activities*; *manufacturing;* and *transportation and utilities*.

Figure 2-13: Employment Share by Industry



Source: U.S. Bureau of Labor Statistics.

The four largest industry sectors are *government* and three private service-providing sectors: *professional and business services*, *education and health services, and retail and wholesale trade*. In 2016, these four sectors accounted for 61 percent of nonfarm employment in the San Diego MSA and in California, while accounting for 60 percent of the nation's nonfarm employment.[15]

Since 2000, the three fastest growing industry sectors in the San Diego MSA have been *education and health services*, *leisure and hospitality*, and *professional and business service*s (Figure 2-14). The MSA has gained jobs in all but the following three industry sectors: *mining and construction*, *information and financial activities*, and *manufacturing*. Since 2010, however, these three sectors have been gaining jobs along with all the other sectors, indicating a broad-based employment recovery (Figure 2-15). Since 2010, *mining and constructio*n has replaced *education and health services* as the fastest growing industry sector in the San Diego MSA.

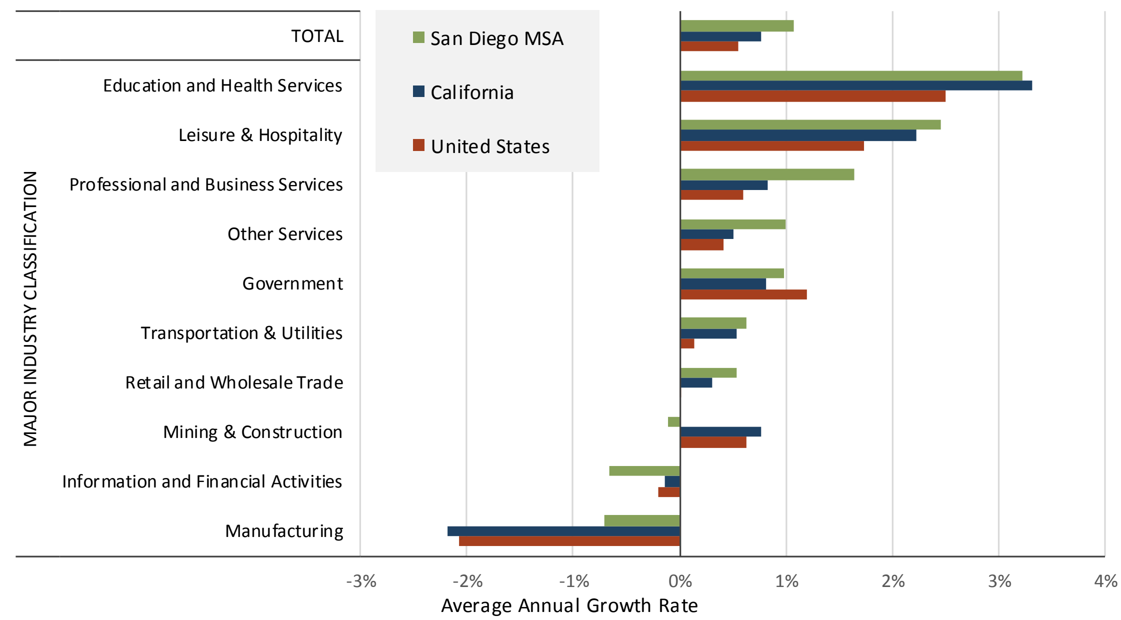
Manufacturing experienced the largest decline in employment since 2000 in the San Diego MSA, the state, and the nation. Manufacturing jobs have been moving to other countries where labor and other business costs are lower—a trend that began shortly after the North American Free Trade

[15] Government employment includes civilian workers within the Federal Government's Department of Defense. However, military personnel are not included in the data.

Agreement (NAFTA) of 1994 and has continued with global trade liberalization. However, the San Diego MSA has lost manufacturing jobs at less than half the rate of the state and the nation.

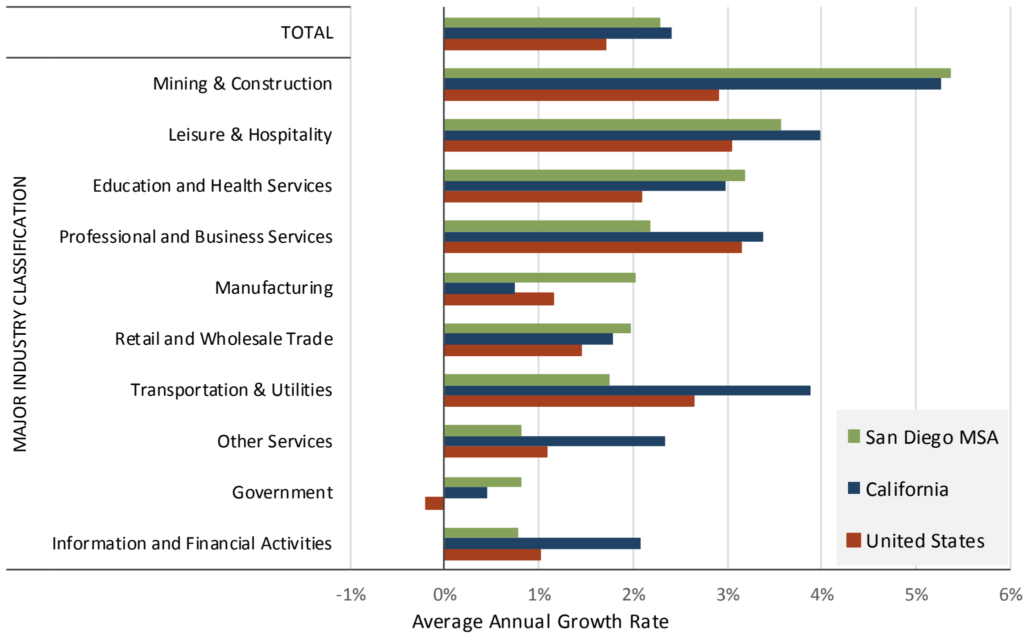
Government employment in the San Diego MSA did not appear to be adversely affected by federal spending cuts following the Great Recession. From 2010 to 2016, government employment in the San Diego MSA increased amid decreases for the nation.

Figure 2-14: Employment Growth by Industry, 2000-2016



Source: U.S. Bureau of Labor Statistics.

Figure 2-15: Employment Growth by Industry, 2010-2016



Source: U.S. Bureau of Labor Statistics.

2.7 Top Employers and Large Company Headquarters

Table 2-3 lists the top employers in the MSA and Table 2-4 lists other large companies with headquarters in the area.

Table 2-3: Top Employers in the San Diego MSA

Company	Industry Description	Local Employment	Location
Scripps Clinic	Clinics	10,000+	La Jolla
UCSD All Campus Dept Listings	College & University Placement Service	10,000+	La Jolla
Qualcomm	Semiconductor & Telecommunications	5,000-9,999	San Diego
Kaiser Permanente Vandever Med	Physicians & Surgeons	5,000-9,999	San Diego
Naval Medical Ctr San Diego	Hospitals	5,000-9,999	San Diego
UC San Diego Health	Hospitals	5,000-9,999	San Diego
Barona Resort & Casino	Casinos	1,000-4,999	Lakeside
Caesar Entertainment	Amusement & Recreation NEC	1,000-4,999	Valley Center
DJO Finance LLC	Surgical Appliances	1,000-4,999	Vista
General Dynamics NASSCO	Ship Builders & Repairers	1,000-4,999	San Diego
Kaiser Permanente Palomar	Health Services	1,000-4,999	Escondido
Kaiser Permanente-Medical Ctr	Education, Philanthropy and Research	1,000-4,999	San Diego
Kyocera Communications Inc	Communications	1,000-4,999	San Diego
Merchants Building Maintenance	Janitor Service	1,000-4,999	San Diego
Palomar Pomerado Health Rehab	Rehabilitation Services	1,000-4,999	Escondido
Rady Children's Hospital	Hospitals	1,000-4,999	San Diego
San Diego County Sheriff	Police Departments	1,000-4,999	Santee
Scripps Mercy Hospital	Hospitals	1,000-4,999	San Diego
Seaworld San Diego	Aquariums-Public	1,000-4,999	San Diego
Sharp Grossmont Hospital	Hospitals	1,000-4,999	La Mesa
Sharp Grossmont Rehab Ctr	Rehabilitation Services	1,000-4,999	La Mesa
Sharp Mary Birch Hosp-Women	Hospitals	1,000-4,999	San Diego
Sharp Memorial Hospital	Hospitals	1,000-4,999	San Diego
Sony Electronics Inc	Electronic Equipment & Supplies	1,000-4,999	San Diego
Tyco Health Care	Manufacturers	1,000-4,999	San Diego
UTC Aerospace Systems	Aircraft Component Manufacturing	1,000-4,999	Chula Vista

Source: State of California, Employment Development Department (EDD), 2017 and SanDiegosTop10.com. The industry descriptions indicated for each company are the EDD industry descriptions.

Table 2-4: Other Large Companies Headquartered in the San Diego MSA

Company	Industry	Headquarters	Revenue (2015)
Qualcomm	Semiconductor	San Diego	$25.3 billion
Petco	Retail	San Diego	$4 billion
ResMed	Medical Equipment & Supplies	San Diego	$1.74 billion
PIRCH	Retail	San Diego	$113.4 million
AdBoom Group	IT Software and Services	San Diego	$105 million
Suja Juice	Beverages	San Diego	$42 million

Source: Forbes, 2017.

2.8 Key Industries and Subsectors within the San Diego MSA's Economy

The San Diego Regional Economic Development Corporation identifies five drivers of growth in the San Diego MSA: innovation, the military, tourism, local commerce and intellect. These growth drivers have created unique industries and specialized workforces that continue to attract expansion and relocation of firms in those industries. The San Diego MSA's economy is supported by firms that specialize in a variety of areas, which are listed on Table 2-5.

Table 2-5: Key Industries & Subsectors within the San Diego MSA

Industry	Local Employees	Key Companies/Institutions
Innovation		
Technology	67,600	GoFundMe, Intuit and Portfolium
Cleantech	9,998	Broadcom, Samsung and San Diego Gas and Electric
Genomics	n.a.	Agena Biioscience, Helix and Illumina
Life Sciences	35,300	Eli Lily, GlaxoSmithKline and Takeda
Medical Devices	11,700	ACON Laboratories, Calbiotech and Dexcom
Craft Goods	n.a.	Dr. Bronners, Kashi and Taylor Guitars
Aerospace	85,000	Honeywell, Northrup Goodman and Cobham
Cyber Security	7,620	Booz Allen Hamilton, Leidos and Sentek Global
Internet of Things	n.a.	FitBit, Qualcomm and Thermo Fisher Scientific
Manufacturing	105,782	BAE Systems, General Atomics and WD-40
Sports and Active Lifestyle	23,000	Callaway Golf, GoPro and TaylorMade
Military		
Defense	33,400	Boeing, Raytheon and UTC Aerospace Systems
Maritime	n.a.	Applied Membrames, Fugro Pelagos and Hydranautics
Unmanned Systems	n.a.	5D Robotics, Kratos and L3 Technologies
Tourism	158,200	LEGOLAND California Resort, SeaWorld Zoo and Safari Park, and the San Diego Convention Center
Local Commerce		
Healthcare	140,000	Kaiser Permanente, Palomar Medical Center, Scripps Clinic and UC San Diego Health System
Craft Beer	1,715	Alpine Brewing, Ballast Point, Rough Draft Brewing and Stone Brewing
Intellect		
Research Insitutions and Universities	18,090	La Jolla intstitute for Allergy and Immunology and the California Institute for Biomedical Research

Source: San Diego Regional Economic Development Corporation, Our Economy, 2017.

The San Diego MSA's life sciences tech sector is expected to grow, with advances in genomics and oncology research. San Diego-based genomics company Illumina is a world leader in gene sequencing. Other San Diego-based genomics companies are also making advances. Helix has begun operations in mass-sample sequencing; Edie Genomics and others are revolutionizing the way genetic data are analyzed, and Human Longevity is using genetic data to deliver personalized health solutions. These companies and dozens of other similar companies in the region will continue to drive innovation.[16]

The field of personalized medicine is also poised for continued growth, enjoying the synergy between the region's telecommunications sector and medical device sector. This synergy has produced transformative companies like Dexcom, with its advanced continuous glucose monitoring and dosing technology, and Qualcomm Life, with its platform for improving clinical workflows and operational efficiencies in hospitals. The field of oncology is also poised for growth in the San Diego MSA, with more than 120 oncology research and development companies in the region working in nearly every type of known cancer.[17]

2.9 Tourism

Tourism not only drives demand for air transportation, but it also contributes to economic growth. As one of the most important industries in the San Diego MSA, tourism stimulates the demand for business establishments and provides employment opportunities. The San Diego MSA's pleasant climate and many outdoor attractions draw millions of domestic and international visitors annually.

The San Diego MSA's tourist attractions include the following:

- outdoor recreation, including area beaches, Balboa Park, and Coronado Island;
- amusement parks such as Sea World and LEGOLAND;
- the San Diego Zoo and the Wild Animal Park;
- historic neighborhoods such as the Gaslamp Quarter and Old Town;
- and more than 90 museums and several galleries. [18]

A new 30,000 seat Major League Soccer stadium is being proposed in San Diego's Mission Valley. If built, this soccer stadium will anchor a proposed mixed-use development called SoccerCity, which will contain approximately 4,800 residential units, more than 2 million square feet of office space, 740,000 square feet of retail space, and 55 acres of open space. Not only will the proposed stadium attract visitors to San Diego, but the construction of the entire development and its annual operations are also expected to generate significant economic impacts on the San Diego MSA.[19]

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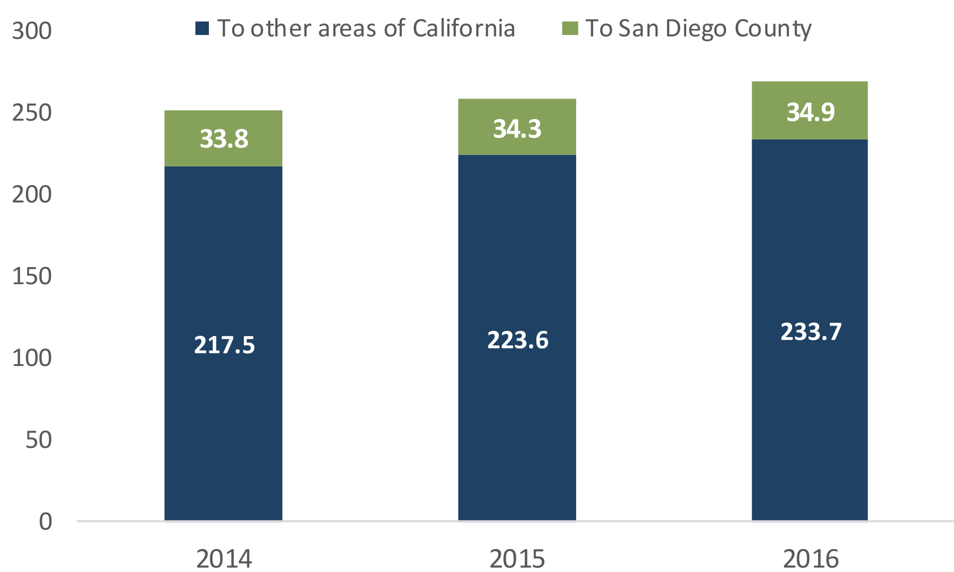
[16] Joe Panetta, "Biotech: Full steam ahead on several scientific fronts," *San Diego Union Tribune*, February 19, 2017.
[17] Ibid.
[18] The San Diego Tourism Authority's website, Museums and Galleries, 2017.
[19] San Diego Regional Economic Development Corporation, "SoccerCity could have $2.8B economic impact," *Economic Drivers*, March 8, 2017.

Figure 2-16 shows the trends in the volume of visitors—measured by person-trips —in the MSA and California. In the past three years, the San Diego MSA had nearly 35 million visitors per year, measured in person-trips. These accounted for approximately 13 percent of annual visitor person-trips in the entire state. Total visitor person-trips to the MSA increased, slightly, each year from 33.8 million in 2014 to 34.9 million in 2016.

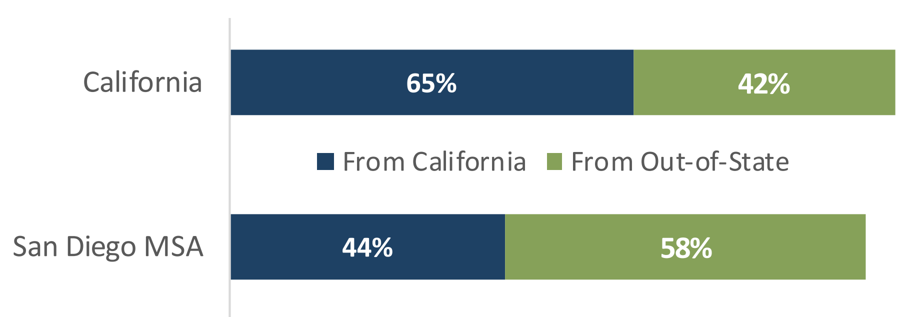
Eighty-nine percent of visits to the San Diego MSA in 2015 were for leisure and other personal reasons, and the remaining 11 percent were for business (including meetings/conventions). In comparison, 80 percent of visits to California were for leisure and other personal reasons, and the remaining 20 percent were for business. The share of out-of-state visitors to the MSA is 58 percent, while the share of out-of-state visitors to California is 42 percent (Figure 2-17).

Figure 2-16: Annual Volume of Visitors (Person-Trips, in Millions)



Source: The San Diego Tourism Authority and Tourism Economics, 2017.

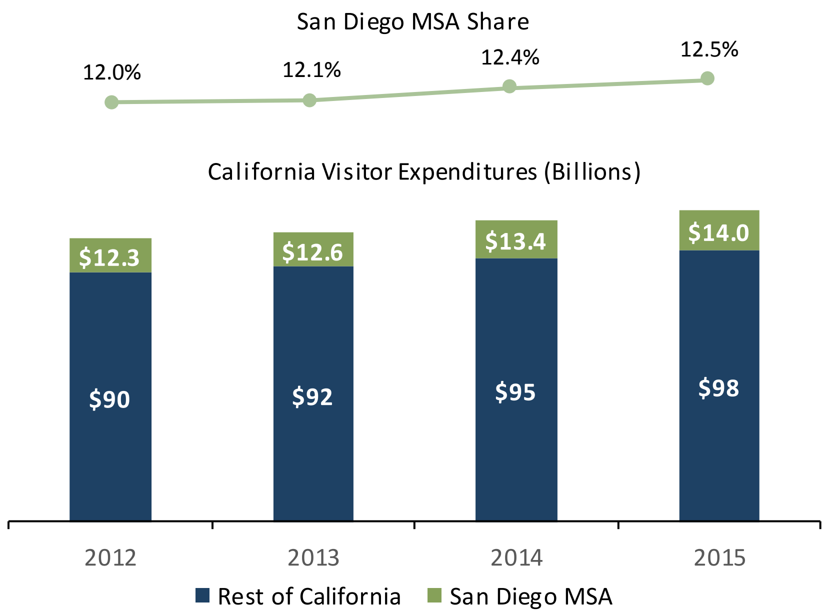
Figure 2-17: Origin of Visitors in 2015



Source: The San Diego Tourism Authority.

Visitor spending generates revenues for local businesses that, in turn, provide local jobs. Visitor spending in the San Diego MSA has steadily increased in recent years. Visitor spending in the San Diego MSA increased from $12 billion in 2012 to $14 billion in 2015. Its share of total visitor spending in the entire state has risen, from 12.0 percent in 2012 to 12.5 percent in 2015.This trend was consistent with the increase in the MSA's share of all state visitors.

Figure 2-18: Visitor Spending



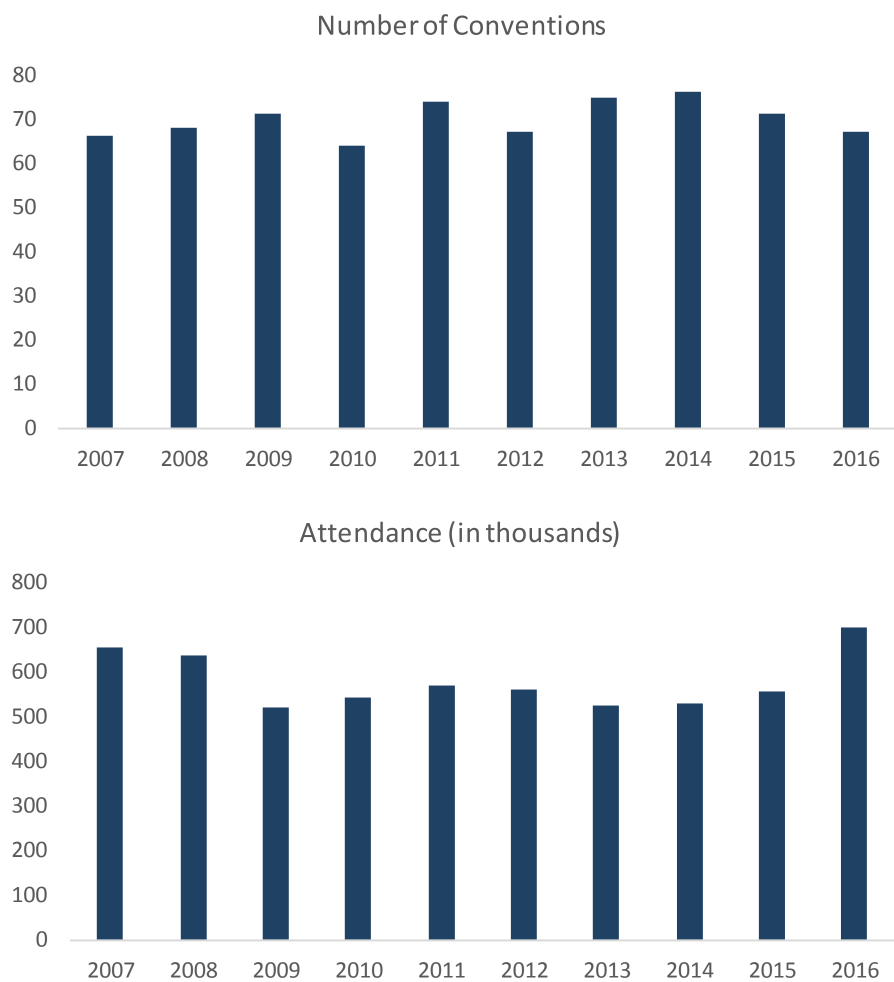
Source: Dean Runyan Associates, *The Economic Impact of Travel on California, 1990-2015*.

The San Diego Convention Center is one of the largest in the nation and is the site of major national and international conventions, meetings, concerts, antique and auto shows, and other special events. According to data from the San Diego Convention Center Corporation, San Diego hosted between 66 and 74 conventions each year since 2007 (Figure 2-19). In 2016, although the number of conventions (67) fell well below the peak record in 2014, attendance set a new record at more than 698,000, above the pre-Great Recession peak attendance of 656,000 (in 2007). In 2017, the San Diego Convention Center Corporation expects to host a total of 62 conventions with projected attendance of approximately 794,000 generating over $1.1 billion in regional impact. In addition to the San Diego Comic-Con International Convention, the largest convention held in San Diego annually, the following medical conventions are expected to generate the most economic activity in 2017: American Academy of Orthopedic Surgeons, American Diabetes Association, American Association of Orthodontists, and American Association of Clinical Chemistry.[20]

[20] The San Diego Convention Center Corporation, 2017 Calendar Year Forecast, January 2017.

In February 2017, the San Diego Convention Center hosted for the first time the world's leading marine science and ocean technology exhibition and conference by Oceanology International, drawing more than 1,500 attendees and 150 maritime technology companies from more than 13 countries. This event will be held every two years in San Diego, switching to London in off-years.[21]

Figure 2-19: San Diego MSA Conventions and Attendance



Source: San Diego Tourism Authority, Annual Visitor Industry Summary, 2017.

Table 2-6 and Table 2-7 list conventions and trade shows booked at the San Diego County Convention Center during the period of April 2017 through October 2018, which total over 130 booked events and projected attendance of more than 1.1 million.

[21] San Diego Regional Economic Development Corporation, "San Diego hosts world's leading maritime conference," *Economic Drivers*, February 17, 2017.

Table 2-6: San Diego County Convention Center Confirmed Bookings as of June 2017 (Part I)

Event Name	Dates	Anticipated Attendance	Event Name	Dates	Anticipated Attendance
SD County Apartment Assoc. 43rd Annual Conf & Expo	4/13/2017	3,500	SPIE Optics + Photonics	8/8/17 to 8/10/17	4,500
90 Day Year Live / Shockley Event Management	4/18/17 to 4/19/17	1,000	California Beauty & Barber Expo - San Diego	8/14/2017	5,000
Warrior Expo West	4/19/17 to 4/20/17	1,300	ASNE Fleet Maintenance & Modernization Symposium	8/14/17 to 8/16/17	1,000
2017 AAO Annual Session	4/21/17 to 4/25/17	20,000	National Assoc. Of Chain Drug Stores Total Store Expo	8/20/17 to 8/23/17	5,500
San Diego National College Fair	4/25/2017	6,000	Qi Revolution / Qi Productions	8/25/17 to 8/27/17	350
American Society For Aesthetic Plastic Surgery	4/27/17 to 5/2/17	3,000	Girl Scouts San Diego Volunteer Conference	8/26/2017	650
SDAR 2017 Realtors Expo & Conference	4/27/2017	2,000	Sharp Healthcare Employee Meeting 2017	8/28/17 to 8/29/17	11,000
Private Community Event	4/28/2017	2,000	Private Convention with Trade Show	8/29/2017	1,000
Investment Management Consultants Association	5/1/17 to 5/3/17	1,400	Custom Electronic Design & Installation Association	9/5/17 to 9/9/17	18,000
California Solar Power Expo	5/1/17 to 5/2/17	1,200	SBI2 High Content 2017	9/13/17 to 9/15/17	250
ACOG Annual Clinical and Scientific Meeting	5/6/17 to 5/9/17	6,000	San Diego Fall Home Show 2017	9/15/17 to 9/17/17	N/A
Private Event	5/10/2017	500	South County Economic Development Summit 2017	9/15/2017	500
University Of Phoenix Graduation Spring 2017	5/13/2017	11,500	San Diego Cookie Con & Sweets Show / Annatainment	9/16/17 to 9/17/17	25,000
Best Buy Company - 2017 Achievers	5/15/17 to 5/18/17	2,300	San Diego Ultimate Women's Expo	9/16/17 to 9/17/17	3,000
Private Meeting/Seminar	5/16/2017	300	CPTA Annual Conference	9/16/17 to 9/17/17	1,200
SDG&E Annual Energy Showcase Expo	5/17/2017	500	Bridal Bazaar	9/17/2017	5,000
2017 APA Annual Meeting	5/20/17 to 5/24/17	12,000	Small Business Expo 2017 / The Show Producers	9/21/2017	5,000
Private Convention with Trade Show	5/31/17 to 6/2/17	2,700	Astro - American Society For Radiology Oncology	9/24/17 to 9/27/17	12,000
2017 Vascular Annual Meeting	5/31/17 to 6/3/17	2,800	San Diego Quilt Show	9/28/17 to 9/30/17	5,800
Rock 'n' Roll San Diego Health & Fitness Expo	6/2/17 to 6/3/17	60,000	Gujarati Cultural Dance 2017	9/30/2017	2,000
Friends of the Badge	6/6/2017	500	Kids Artistic Revue Convention	10/1/2017	700
American Diabetes Association	6/9/17 to 6/13/17	20,000	Infectious Disease Society Of America Annual	10/4/17 to 10/8/17	7,000
Realcomm - IBcon	6/14/2017	1,200	Private Convention with Trade Show	10/7/17 to 10/10/17	6,000
2017 BIO International Convention	6/19/17 to 6/22/17	16,500	PLC at Work Institute	10/10/17 to 10/12/17	1,400
Eid Al-Fitr Prayer Service 2017	6/25/2017	4,500	Private Convention with Trade Show	10/10/17 to 10/12/17	1,500
National Assoc. Of Student Financial Aid Administrators	6/26/17 to 6/29/17	2,500	AFP 2017	10/15/17 to 10/18/17	6,200
Festival Of Genomics 2017 / Clarion Events	6/26/17 to 6/27/17	1,600	American College Of Surgeons Annual Clinical Conference	10/22/17 to 10/26/17	17,000
Pacific Coast Builders Conference / PCBC 2017	6/28/17 to 6/29/17	10,000	24 Seven Dance Convention	10/27/17 to 10/29/17	500
AVID Summer Institute 2017	6/29/2017	3,000	Casa De Oracion At The San Diego Convention Center	10/29/2017	1,000
Esri / Environmental Systems Research Institute	7/10/17 to 7/14/17	14,500	33rd Annual Environmental Training Symposium	10/30/17 to 10/31/17	450
San Diego Comic-Con International 2017	7/20/17 to 7/23/17	130,000	American College Of Rheumatology Natl Meeting	11/3/17 to 11/8/17	16,775
American Association Of Clinical Chemistry	8/1/17 to 8/3/17	20,000	American Association Of Pharmaceutical Scientists	11/12/17 to 11/15/17	8,000
Energy Storage North America 2017	8/8/17 to 8/10/17	2,000	Southern California Design-2-Part Show	11/15/17 to 11/16/17	1,500

Source: San Diego Convention Center Corporation, Calendar of Events, June 12, 2017.

Table 2-7: San Diego County Convention Center Confirmed Bookings as of June 2017 (Part II)

Event Name	Dates	Anticipated Attendance	Event Name	Dates	Anticipated Attendance
Taking Control Of Your Diabetes 2017 Tradeshow	11/18/2017	1,500	Starpower Talent Competition 2018	4/14/18 to 4/15/18	1,000
California School Boards Association	11/30/17 to 12/1/17	5,000	Warrior Expo West 2018	4/18/18 to 4/19/18	1,300
California School Boards Association	11/30/17 to 12/1/17	4,500	Experimental Biology (EB) / FASEB	4/22/18 to 4/25/18	15,000
Frontier Tech Forum 2017 / Rising Media	12/4/17 to 12/6/17	5,000	SDAR 2018 Realtors Expo & Conference / SD Realtors	4/27/2018	2,000
Amway Achievers 2017	12/7/2017	4,000	Private Convention with Trade Show	4/29/18 to 5/1/18	5,000
Private Corporate & Incentive	12/8/17 to 12/10/17	3,000	Nacha: The Electronic Payments Association Annual	4/30/18 to 5/1/18	2,600
Solution Tree Mathematics In A PLC At Work Summit	12/13/17 to 12/15/17	650	Association For Talent Development Annual Conference	5/7/18 to 5/9/18	11,000
San Diego Spring Home Show 2018	1/5/18 to 1/7/18	N/A	Argentum 2018 Annual (Previously Assisted Living)	5/15/18 to 5/16/18	2,600
Health Sciences High - Day Of Understanding	1/5/2018	600	SDG&E Energy Showcase & Expo 2018	5/15/2018	700
2018 Joint Mathematics Meetings	1/10/18 to 1/12/18	5000	American Thoracic Society Annual Conference	5/20/18 to 5/23/18	16000
San Diego Travel & Adventure Show 2018	1/13/18 to 1/14/18	14,000	Flashback Music Festival 2018	5/26/18 to 5/27/18	30,000
Bridal Bazaar	1/14/2018	4,000	Rock 'n' Roll San Diego Health & Fitness Expo	6/1/2018	60,000
cabi, The Scoop, Spring 2018	1/18/18 to 1/20/18	3,175	American Society Of Mass Spectrometry Annual	6/4/18 to 6/7/18	7,000
SCEGA CA Classic 2018 / Temecula Valley Gymastics	1/19/18 to 1/21/18	5,000	Private Convention with Trade Show	6/5/18 to 6/6/18	800
Private Convention with Trade Show	1/29/18 to 1/31/18	5,500	Afflink Summit-2018	6/11/18 to 6/13/18	800
2018 Illuminate Education Users Conference	2/1/18 to 2/2/18	1,800	National Apartment Association Annual	6/14/18 to 6/16/18	10000
Society For Lab Automation & Screening 7th Annual	2/5/18 to 2/7/18	5,000	AHIP Institute & Expo 2018	6/20/18 to 6/22/18	2,400
WEST 2018 - AFCEA & US Naval Institute	2/6/18 to 2/8/18	8,500	Retail Business Conference	6/27/18 to 6/30/18	6,500
Aloha San Diego 2018 / Aloha Spirit Productions	2/10/2018	3,100	Private Convention with Trade Show	6/28/18 to 7/1/18	5,000
2018 American Academy of Dermatology (AAD) Annual	2/16/18 to 2/20/18	18,000	Esri / Environmental Systems Research Institute	7/9/18 to 7/12/18	14,500
California Democratic Party State Convention 2018	2/23/18 to 2/25/18	4,000	San Diego Comic-Con International 2018	7/19/18 to 7/22/18	130,000
IPC APEX Expo 2018	2/26/18 to 3/3/18	8,963	Private Corporate & Incentive	8/1/18 to 8/2/18	5,000
Private Corporate & Incentive	3/1/18 to 3/2/18	4,000	Private Convention with Trade Show	8/13/18 to 8/15/18	7,000
Firehouse World Expo And Conference 2018	3/5/18 to 3/6/18	4,000	Harley-Davidson Annual Summer Dealer Meeting	8/20/18 to 8/23/18	6,300
EUEC 2018 / Energy Utility & Environment Conference	3/5/18 to 3/7/18	2,300	Spie 2018 Optics + Photonics	8/21/18 to 8/23/18	5,000
Johnstone Supply Spring Meeting & Tradeshow	3/6/18 to 3/7/18	1,250	Custom Electronic Design & Installation Assn	9/6/18 to 9/8/18	18,000
Optical Society Of America Annual	3/13/18 to 3/15/18	15,000	Cardiometabolic Risk Summit (CRS) Fall 2018 / HMP	9/13/18 to 9/16/18	1,000
Private Corporate & Incentive	3/21/18 to 3/23/18	1,200	CRF / Transcatheter Cardiovascular Therapeutics Symp	9/21/18 to 9/25/18	11,000
International Health Racquet & Sportsclub Association	3/22/18 to 3/24/18	11,000	American College Of Emergency Physicians 2018	10/1/18 to 10/3/18	10,000
CCSA 2018 25th Annual Conference / CA Charter	3/27/18 to 3/28/18	3,000	American Osteopathic Association	10/6/18 to 10/9/18	8,000
Private Convention with Trade Show	4/8/18 to 4/11/18	9,000	American Health Care Association/ AHCA Annual	10/8/18 to 10/9/18	3,500
Encore San Diego 2018	4/14/18 to 4/15/18	3,000	Private Convention with Trade Show	10/17/18 to 10/19/18	8,400

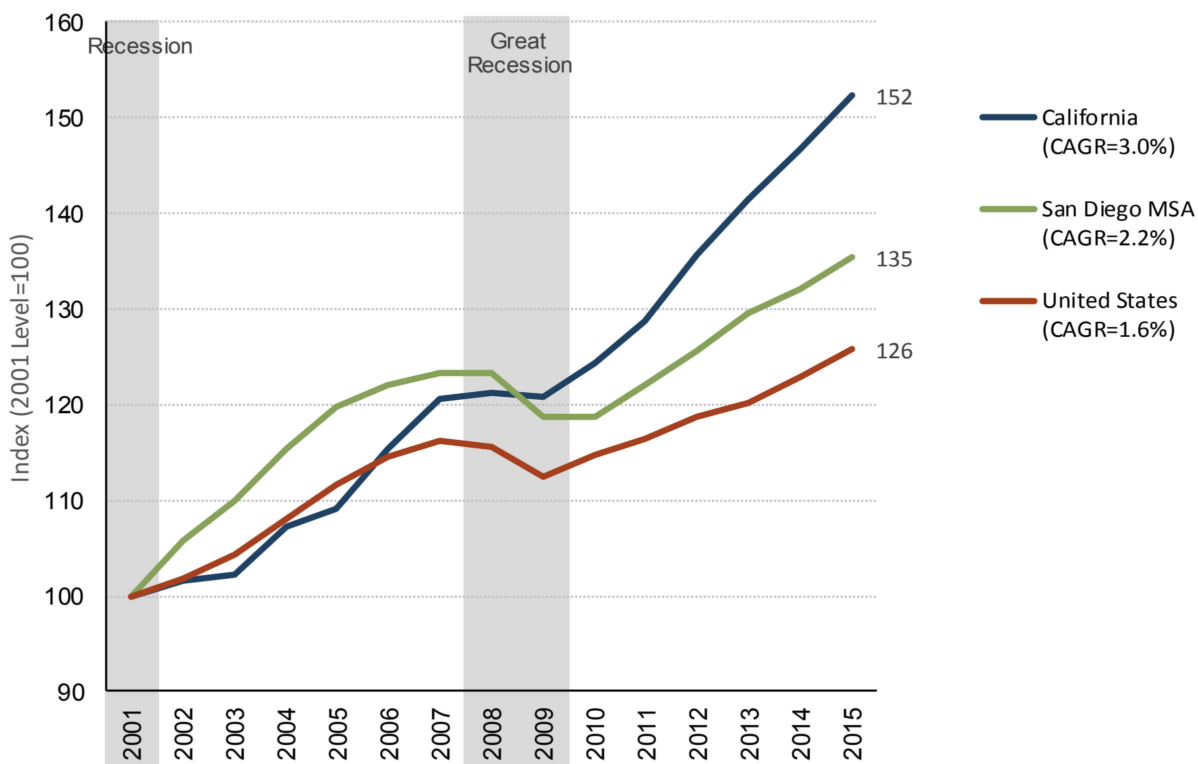
Source: San Diego Convention Center Corporation, Calendar of Events, June 12, 2017.

2.10 Economic Output

Airport passenger traffic tracks economic growth. The most comprehensive indicator of economic growth is gross domestic product (GDP), which measures the value of all goods and services produced in an area. Growth in inflation-adjusted (real) GDP indicates an economic expansion, while steady decline over two or more quarters indicates a recession.

Figure 2-20 compares real GDP growth trends from 2001 to 2015 in the San Diego MSA and the state with national trends. The San Diego MSA outperformed the nation throughout the entire period. From 2001 to 2016, the San Diego MSA's real GDP grew 35 percent, while the national GDP grew only 26 percent. However, the San Diego MSA lagged the state, with California's GDP having increased 52 percent during the same time period. The state of California has experienced significant economic growth in spite of the economic crisis, boosted mainly by growth in the technology industry.

Figure 2-20: Growth in Real Gross Domestic Product



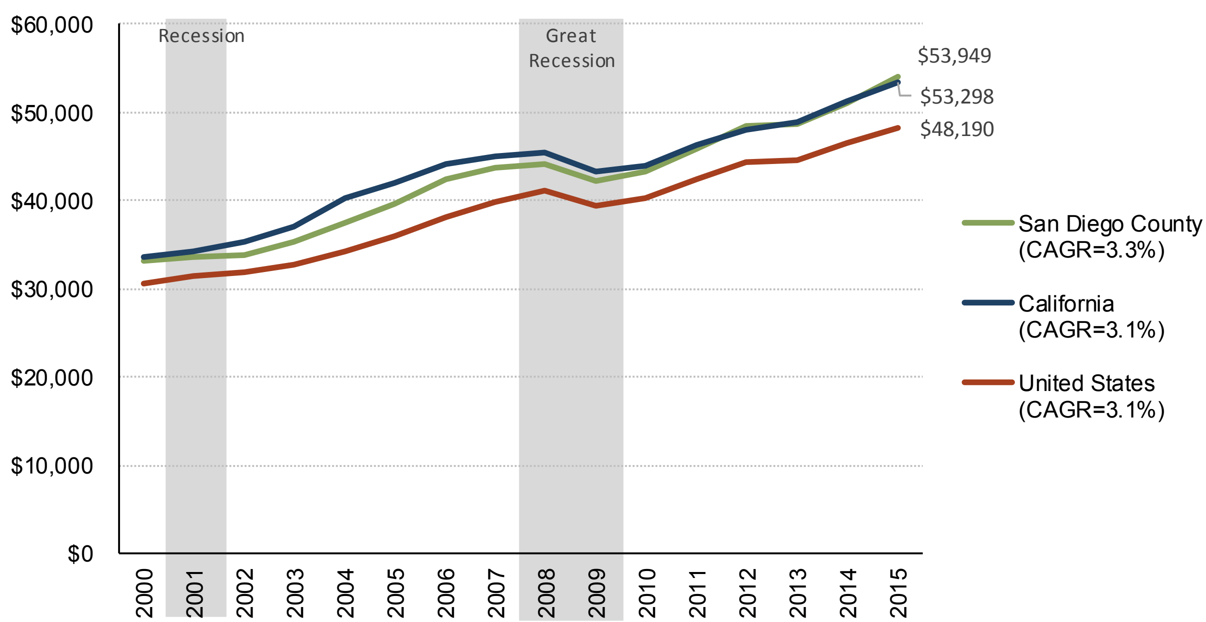
CAGR – Compound average growth rate.
Source: U.S. Bureau of Economic Analysis, Regional Economic Accounts.

2.11 Income

Personal income measures the income people receive from all sources—employment, proprietorship, government transfers, rental properties, and other assets. Consumers' ability to spend and build wealth depends on their personal income. Growth in personal income boosts demand for air travel. A component of GDP, personal income follows the same cyclical pattern: increasing during economic expansion and decreasing during economic recession.

From 2000 to 2015, the San Diego MSA's per capita income was higher than the nation's, but it was slightly lower than the state's except in 2012 and 2015 (Figure 2-21). Per capita income increased at a faster pace in the San Diego MSA than in both the state and the nation. Annual growth in per capita income averaged 3.3 percent in the San Diego MSA, while it averaged 3.1 percent for both the state and the nation.

Figure 2-21: Per Capita Personal Income (Current Dollars)



CAGR – Compound average growth rate.
Source: U.S. Bureau of Economic Analysis, Regional Economic Accounts.

2.12 Cost of Living

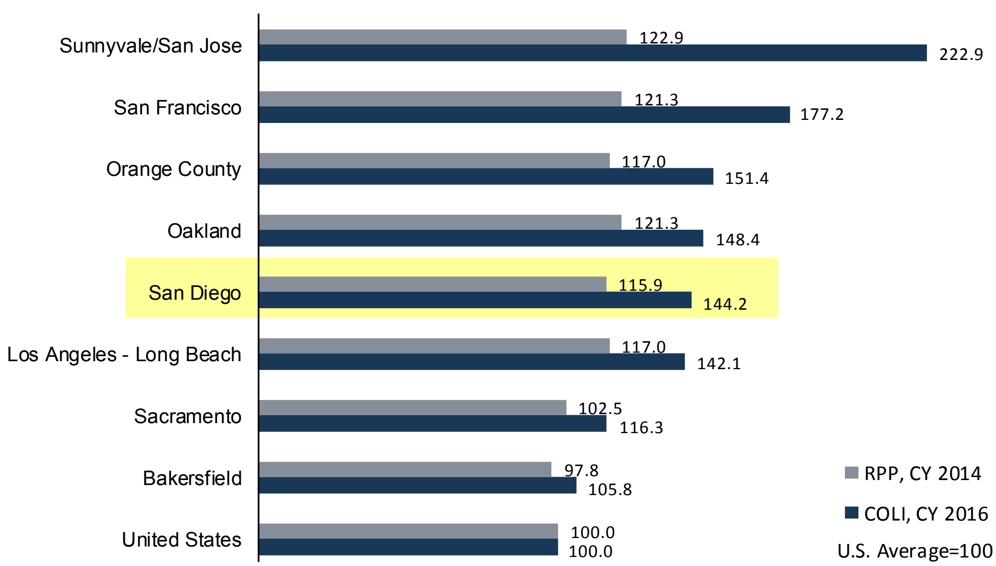
A low cost of living attracts new workers and businesses into the area. The San Diego MSA has a moderate cost of living compared to other metropolitan areas within the state, per the two measures shown in Figure 2-22: (1) the Cost of Living Index (COLI) published by the Council for

Community and Economic Research (C2ER) and (2) the Regional Price Parity (RPP) published by the U.S. Bureau of Economic Analysis (BEA).

COLI measures regional differences in the cost of consumer goods and services, excluding taxes and non-consumer expenditures, for professional and managerial households in the top income quintile. In 2016, the cost of living in the San Diego MSA was 44 percent higher than the U.S. average and ranked among the middle of the major metropolitan areas within the state.

Like COLI, RPP measures price differences across metropolitan areas relative to the national level. Based on RPP, the cost of living in the San Diego MSA in 2014 was 16 percent higher than the national average, but was also among the lowest of major California metropolitan areas.

Figure 2-22: Cost of Living in Select Urban Areas



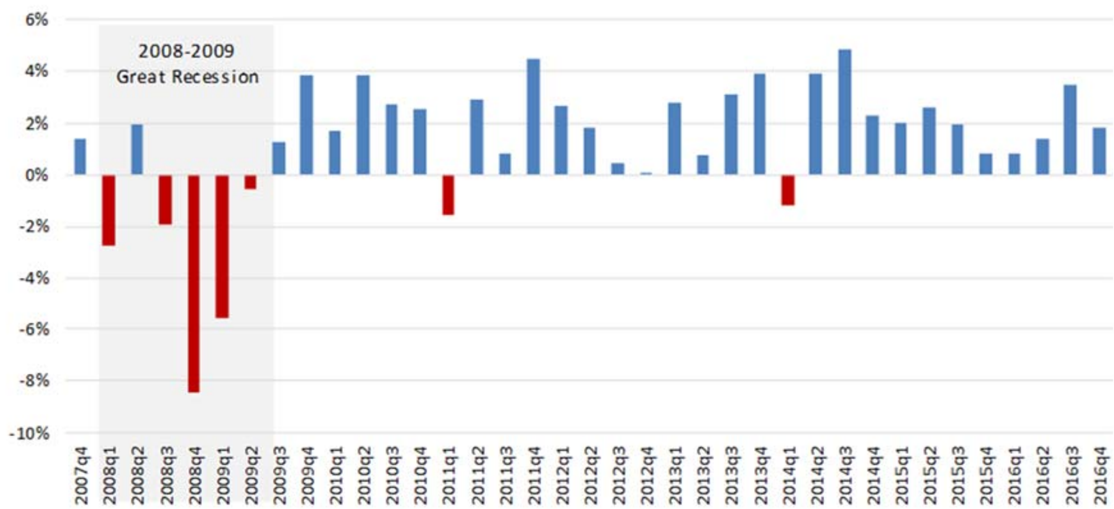
Sources: Council for Community and Economic Research and U.S. Bureau of Economic Analysis.

2.13 National Economy

Since 2000, the U.S. economy has experienced two recessions. The most recent recession, the 2008-2009 Great Recession, was the longest and deepest U.S. recession since World War II. It lasted six quarters (Figure 2-23). At the depth of the Great Recession in the second quarter of 2009, U.S. real GDP decreased to a level more than 4 percent below its previous peak in the fourth quarter of 2007. Within two years of the start of the recession, the economy lost 8.7 million jobs—jobs that had been created over five years before the recession.

The recovery from the Great Recession has been the slowest in post-World War II history. Economic output, measured by U.S. real GDP, took nearly four years to return to its pre-recession peak, compared with the average two years it took to recover from the previous 10 recessions. The U.S. nonfarm employment level took nearly 6 ½ years to return to its previous peak, compared with only 2 to 2½ years in recoveries from previous recessions.

Figure 2-23: Growth in U.S. Real Gross Domestic Product



Source: U.S. Bureau of Economic Analysis.

The U.S. economy has continued its slow expansion, with consumer spending, making up two-thirds of GDP, as the economy's major driver. Now entering its eighth year, the current U.S. economic expansion is expected to continue over the next few years, according to several sources (Table 2-8).

Table 2-8: U.S. Economic Growth Forecasts (Year-Over-Year Change in Real U.S. GDP)

	Actual		Forecast				
Source	**2015**	**2016**	**2017F**	**2018F**	**2019F**	**2020F**	**2021F**
Moody's Analytics, December 2016	2.6	1.6	2.8	3.0	2.2	1.4	1.6
Economist Intelligence Unit, April 2017	2.6	1.6	2.2	2.1			
International Monetary Fund, April 2017	2.6	1.6	2.3	2.5	2.1	1.8	1.7
World Bank, January 2017	2.6	1.6	2.2	2.1	1.9		
Federal Reserve Board, December 2016	2.6	1.6	2.1	2.0	1.9		
Wall Street Journal Economic Forecasting Survey, April 2017	2.6	1.6	2.3	2.5	2.1		
OECD, March 2017	2.6	1.6	2.4	2.8			
Wells Fargo, April 2017	2.6	1.6	2.1	2.5			
Average	**2.6**	**1.6**	**2.3**	**2.4**	**2.0**	**1.6**	**1.6**

Source: U.S. Bureau of Economic Analysis for historical data and listed sources for forecasts.

The April 2017 Wall Street Journal economic forecasting survey estimates the probability of a recession in the next 12 months at less than 16 percent. But the U.S. economy faces risks from within and from abroad. Within the country, the prospect of significant economic policy changes increases economic uncertainty. In addition, the following factors continue to raise concern: (1) the high level of U.S. government debt and the level of private debt in relation to the U.S. GDP;[22] (2) tightening monetary policy; (3) the dollar appreciation; (4) the disconnect between trends in financial markets and economic fundamentals; and (5) the adverse effects of declining oil prices on the U.S. energy and manufacturing sectors. Abroad the following developments add to the uncertainties facing the U.S. economy: (1) the United Kingdom's withdrawal from the European Union, (2) ongoing political conflicts in the Middle East, (3) the threat of terrorism, and (4) an enduring global oil glut.

2.14 Outlook for the California Economy

California should continue to perform well economically, particularly as measured by economic output and per capita income. In the *California County-Level Economic Forecast 2016-2050,* a report prepared for the California Department of Transportation, California's GDP growth is forecast to accelerate in 2017. Job growth is expected to remain positive and significant over the next few years, with most of the new job growth coming from the technology, leisure and hospitality, healthcare, and the real estate industry sectors.[23] For 2017, the Los Angeles County Economic Development Corporation (LAEDC) forecasts for the State an unemployment rate of 5.1 percent, nonfarm job growth of 1.7 percent, a 3.3 percent increase in per capita income, and a 2.4 percent increase in real GDP. For 2018, LAEDC forecasts an unemployment rate of 5 percent, nonfarm job growth of 1.7 percent, and a 4 percent increase in per capita income, and a 2.6 percent increase in real GDP.[24]

2.15 Outlook for the San Diego MSA Economy

The San Diego MSA is forecast to continue to outperform California and the United States within the labor market. The LAEDC anticipates continued economic growth for the San Diego MSA in 2017, with a forecast unemployment rate of 3.9 percent, nonfarm job growth of 1.8 percent, real GDP growth of 2.1 percent, and per capita personal income growth of 4 percent.[25] For 2018, LAEDC forecasts an unemployment rate of 4.5 percent, nonfarm job growth of 1.6 percent, real GDP growth of 2.3 percent, and per capita personal income growth of 3.3 percent.[26] The *California County-Level Economic Forecast* predicts an increase of 1.6 percent for real average salaries, and growth in industrial production by an average of 1.8 percent annually between 2016 and 2021. *Professional and business services*; *leisure and hospitality services*; *education and healthcare services*; and

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[22] The private debt to GDP ratio continues to be a concern because the increases in the ratio imply that output is not keeping up with the increase in private debt.
[23] Mark Schniepp, *California County-Level Economic Forecast 2016-2050*, October 2016.
[24] Los Angeles County Economic Development Corporation, *Economic Forecast & Industry Outlook: 2017 - 2018*, February 2017, 11.
[25] Los Angeles County Economic Development Corporation, *Economic Forecast & Industry Outlook: 2017 - 2018*, February 2017,
[26] Los Angeles County Economic Development Corporation, *Economic Forecast & Industry Outlook: 2017 - 2018*, February 2017, 28-31.

*governmen*t are predicted to continue leading in job growth—accounting for over 70 percent of net job creation.[27]

Hotel development in the San Diego MSA is expected to continue its strong growth pace. As of December 2016, the San Diego MSA had more than 30 new hotels with more than 5,000 hotel rooms planned through July 2019. (Table 2-9) [28] These new developments should boost the tourism industry within the MSA and within the state.

Table 2-9: San Diego County Potential New Hotel Supply Developments

Property Name	Potential Open Date	Number of Rooms	Potentiality Rating
SpringHill Suites San Diego Downtown/Bayfront	Open	253	Open
Residence Inn San Diego Downtown/Bayfront	Open	147	Open
SpringHill Suites San Diego/Mission Valley	Open	135	Open
Homewood Suites San Diego/Mission Valley/Zoo	Open	118	Open
Homewood Suites San Diego Bayside	Open	160	Open
Hilton Garden Inn San Diego Downtown/Bayside	Open	204	Open
	2016 Total	**1,017**	
Pendry San Diego	Jan-17	317	5
Fairfield Inn and Suites San Marcos	Jan-17	116	5
SpringHill Suites Carlsbad San Diego	May-17	103	5
Courtyard by Marriott	Jul-17	120	5
Hampton Inn and Suites by Hilton (Liberty Station)	Jun-17	181	5
Ayers Hotel - Millenia Chula Vista	Sep-17	135	5
Hampton Inn	Dec-17	80	3
La Terraza Springhill Suites by Marriott	Dec-17	105	5
	2017 Total	**1,157**	
Stone Brewing Company Boutique Hotel	Mar-18	99	3
Sixth Avenue Suites	Mar-18	98	5
Home2 Suites - Carlsbad Palomar Airport	Mar-18	142	3
Sheraton Hotel Carlsbad Resort & Spa (expansion project)	May-18	71	3
Moxy Hotel	Jun-18	126	5
TownePlace Suites by Marriott (Liberty Station)	Jun-18	222	5
Residence Inn by Marriott	Jun-18	148	2
Carte Hotel & Suites Downtown San Diego	Aug-18	239	5
AC Hotel (Autograph Collection by Marriott)	Sep-18	147	3
Embassy Suites by Hilton (Liberty Station)	Oct-18	240	5
InterContinental Hotel - Lane Field South	Oct-18	400	5
LEGOLAND Hotel	Dec-18	250	2
	2018 Total	**2,182**	
Beach Resort Hotel - South Block	Jun-19	225	3
Oceanside Beach Resort Hotel - North Block	Jun-19	135	3
Hyatt Place	Jun-19	127	2
1010 Oceanside	Jun-19	124	3
San Marcos Hotel SWC Montiel Rd & Leora Ln	Jun-19	128	1
Crowne Plaza (2 hotels in one building)	Jul-19	186	3
Staybridge Suites (2 hotels in one building)	Jul-19	146	3
Sheraton Carlsbad Resort expansion	Jul-19	79	2
	2019 Total	**1,150**	

* Potentiality Rating: (5) Hotel is under construction; (4) Financing for hotel is secured; (3) City approved the project and all permits; (2) Architectural design/renderings, environmental documents prepared and ready to obtain permits and approval from city; and (1) Conceptual idea only.
Source: San Diego Tourism Authority, December 2016.

[27] Mark Schniepp, *California County-Level Economic Forecast 2016-2050*, October 2016, 145-148.
[28] Tourism Economics, *San Diego Travel Forecast*, December 2016.

2.16 Summary

Demographic and economic trends in the San Diego MSA, California, and the United States influence passenger traffic trends at SAN. Trends in key demographic and economic indicators in the MSA and California show rapid expansion that is expected to continue.

Below are the major highlights of the analysis in this section:

- As mentioned in Section 2.1, the San Diego MSA's location adjacent to the U.S.-Mexico border makes the area ideal for international commerce and business on the west coast
- Having the seventeenth largest metro area population in the country and the second largest within the state of California, the San Diego MSA offers a large market that has been growing at a faster rate than the nation in many key performance indicators.
- The San Diego MSA has a younger and more highly educated population, relative to the state of California and the nation. These attributes are important for attracting businesses to locate in the MSA.
- The San Diego MSA and California enjoy above-average growth trends in business establishments, jobs, and labor force, and below-average unemployment rates.
- The San Diego MSA and California have diversified employment bases. Although the largest share of employees work within the public sector, other sectors, such as education and health services, leisure and hospitality, and professional and business services are the San Diego MSA's growth drivers. Like the rest of the state and the nation, manufacturing experienced the biggest decline in employment since 2000.
- Tourism is one of the biggest drivers of the San Diego MSA and California economies; and the MSA is a popular destination for leisure travelers. San Diego's many nature attractions — beaches, parks, coves and bays — attract millions of domestic and international visitors annually. Hotel developments should help support growth in the travel and tourism industries within the San Diego MSA and the state.
- The San Diego MSA's GDP and California's GDP have grown at high rates to unprecedented levels, despite the setbacks of the Great Recession. They grew faster than the nation's GDP from 2001 through 2015. From 2001 to 2016, the San Diego MSA's real GDP grew 35 percent, while California's GDP increased by 52 percent, and national GDP grew 26 percent.
- The San Diego MSA has higher levels of per capita personal incomes than California and the nation. The San Diego MSA has also experienced higher income growth than both California and the nation.
- Relative to other California metropolitan areas, the San Diego MSA has moderate living costs, which combine with higher wages and salaries to attract workers and businesses. In 2016, the cost of living in the San Diego MSA was 44 percent higher than the U.S. average, but ranked among the middle of the major metropolitan areas within the state.

- A major driver of both the San Diego MSA and California economies, the U.S. economy continues to expand, supporting growth in the economies of the MSA and California. Now in its eighth year, the current U.S. economic expansion, based on the data cited in this section, is expected to continue for at least a few more years. As reflected in the data cited in this section and the consensus of economic forecasts, the probability of a recession remains low, but many factors—within the country and abroad—present recession risks.
- Based on the data and forecasts cited in this section, California is expected to perform well economically, particularly as measured by economic output and per capita income. The state's GDP growth is forecast to accelerate in 2017, while jobs are expected to continue growing, with most of the new job growth coming from the technology, leisure and hospitality, healthcare, and the real estate industry sectors.
- The San Diego MSA's economy continues to enjoy broad-based job growth and it is expected to continue outperforming the national economy in the coming years.

Section 3 Aviation Activity Analysis and Forecasts

SAN is one of the 30 U.S. airports classified as a large hub by the FAA. The FAA defines large hubs as commercial airports accounting for at least 1 percent of annual U.S. enplanements.[29] SAN has maintained its position among the top 30 busiest airports in terms of passenger enplanements, ranking 27th in calendar year (CY) 2015 (the most recent year for which rankings are available) according to traffic data compiled by the Airports Council International-North America (ACI-NA). The ACI-NA data also show that SAN ranked 41st in terms of total aircraft operations among all U.S. airports in CY 2015.

In 2015, SAN served more than 20 million passengers (enplaned and deplaned) for the first time in the airport's history. The Airport surpassed that milestone in 2016 and continues to exhibit strong growth in passenger traffic in 2017. This section provides an overview of the historical trends in commercial passenger traffic at SAN and discusses factors that have affected those trends. The section also develops a six-year forecast of aviation activity at the Airport while addressing underlying market factors and relevant industry developments. Unless otherwise noted, annual data in this section is based on the Authority's Fiscal Year (FY), which begins on July 1 and ends on June 30 of the following calendar year.

3.1 Current Air Service

Table 3-1 shows that as of June 2017, 15 domestic passenger air carriers, seven foreign flag passenger airlines, and five all-cargo carriers provide scheduled air service at SAN. With nearly 500 flights per day, the passenger carriers serve more than 60 nonstop domestic and international destinations.

[29] Total passengers consist of enplanements and deplanements. Passenger activity at most airports, including SAN, is generally forecast in terms of enplanements.

Table 3-1: Scheduled Passenger and Cargo Airlines (as of June 2017)

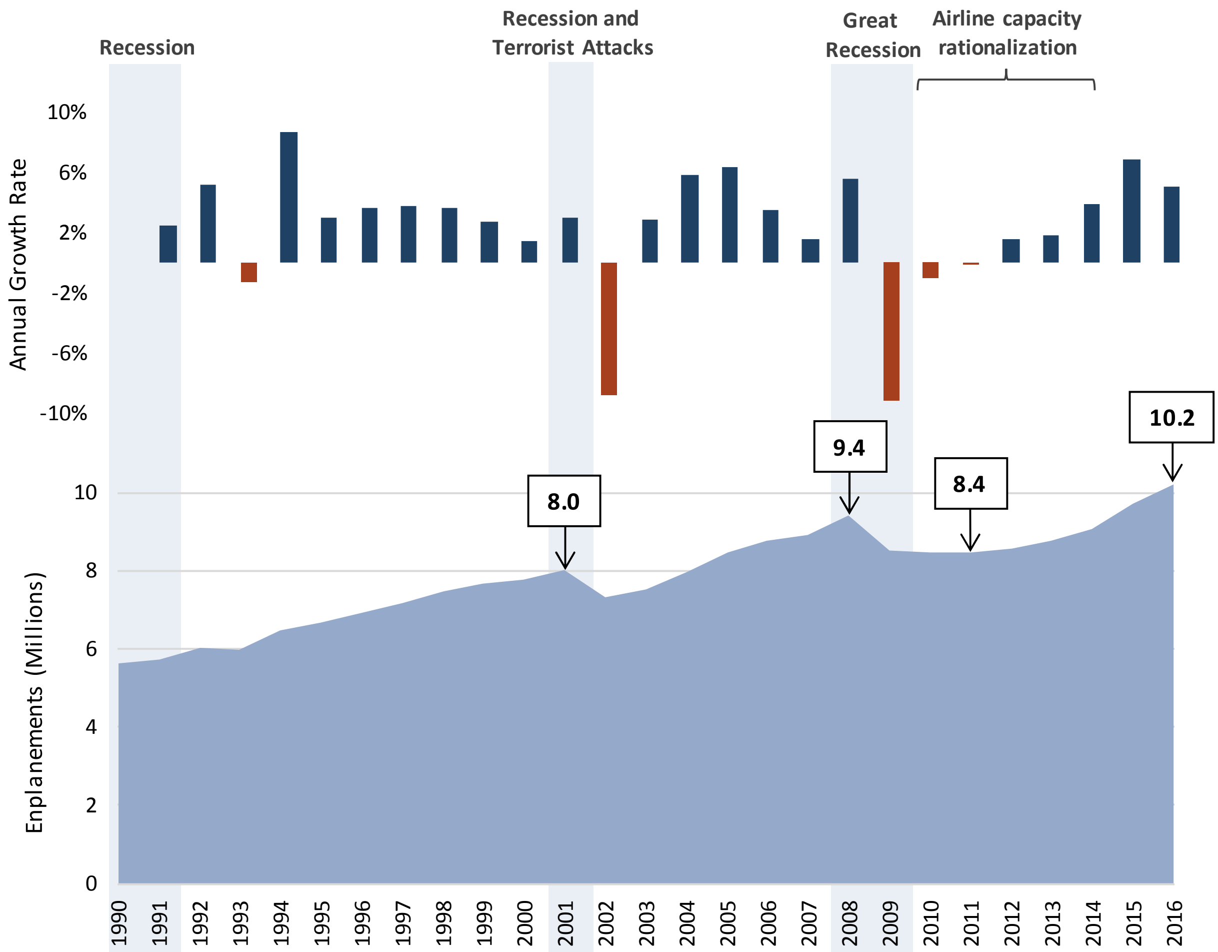
Passenger Carriers			
U.S. Carriers		Foreign Flag Carriers	All-Cargo Carriers
Alaska Airlines[1,2]	Southwest Airlines	Air Canada Rouge[6]	Atlas Air, Inc.
Allegiant Air	Spirit Airlines	British Airways	Ameriflight
American Airlines	Sun Country Airlines	Condor	FedEx Express
Compass Air[3]	United Airlines	Edelweiss Air	UPS Airlines
Delta Air Lines	Virgin America[2]	Japan Airlines	West Air, Inc.
Frontier Airlines		Jazz Aviation[6]	
Hawaiian Airlines		WestJet Airlines	
Horizon Air[1,4]			
JetBlue Airways			
SkyWest Airlines[5]			

[1] Alaska Airlines and Horizon Air Industries are separately certificated airlines owned by Alaska Air Group, Inc. ("Alaska Air Group").
[2] In December 2016, Alaska Air Group acquired Virgin America, Inc. Alaska and Virgin currently are operating under separate FAA certificates, but are expected to begin operating under one certificate in the first quarter of calendar year 2018.
[3] Affiliate of and doing business as American Airlines and Delta Air Lines.
[4] Affiliate of and doing business as Alaska Airlines.
[5] Affiliate of and doing business as United Express, Delta Connection, and Alaska Airlines.
[6] Affiliate of Air Canada.
Source: Airport Authority.

3.2 Historical Passenger Traffic Trends

Growth in the San Diego MSA's population and economy has driven passenger enplanements to record numbers in recent years. Figure 3-1 shows the trends in SAN's passenger traffic since FY 1990, which have tracked closely with business cycles. The 1990s began with a national economic recession that lasted from June 1990 to March 1991. The Airport weathered the recession with traffic growth through FY 1992 and only a small decrease in FY 1993. Economic expansion ensued through March 2001—the longest in U.S. history, and the Airport's enplanements grew steadily through FY 2001, reaching 8 million, an increase of nearly 2.4 million in 10 years.

Figure 3-1: Historical Enplanement Trends at SAN by Fiscal Year



Source: Airport Authority.

After reaching 8 million in FY 2001, enplanements at SAN suffered a steep decline in FY 2002, falling by nearly 9 percent compared to FY 2001 levels. This decline was driven by a short-term recession, lasting from March to November 2001, and by the terrorist events of September 11, 2001.

Along with other U.S. airports, SAN faced weak air travel demand from the economic recession, security concerns after the terrorist attacks, and a decrease in short-haul air travel due to the new stringent security measures. The decade beginning with year 2000 was eventful for the aviation industry as a whole, prompting lasting changes in consumer air travel behavior and airline business practices:

- A recession, lasting from March to November 2001, ended a 10-year U.S. economic expansion. On September 11, 2001, while the U.S. economy was in recession, terrorists attacked U.S. aviation. Passenger traffic plummeted, and airport security tightened.

- Jet fuel prices rose to record high levels, causing airline operating costs to escalate.
- Amid record fuel prices, in 2008-2009, the U.S. economy entered the Great Recession, so called because it is the longest and deepest recession since the Great Depression. The Great Recession again weakened demand for both passenger and cargo air services.
- To improve financial results, airlines cut domestic seat capacity to increase load factors, retired fuel-inefficient aircraft, added seats to aircraft, and implemented other cost-cutting measures. They optimized their networks, transferred routes between mainline and regional service, and changed their pricing structures. Mounting financial difficulties eventually led to bankruptcies, mergers, and business restructuring.
- Bad weather, natural disasters, disease outbreaks, and geopolitical conflicts also hurt the aviation industry in various ways—by disrupting air service, decreasing traffic, and hampering economic recovery.

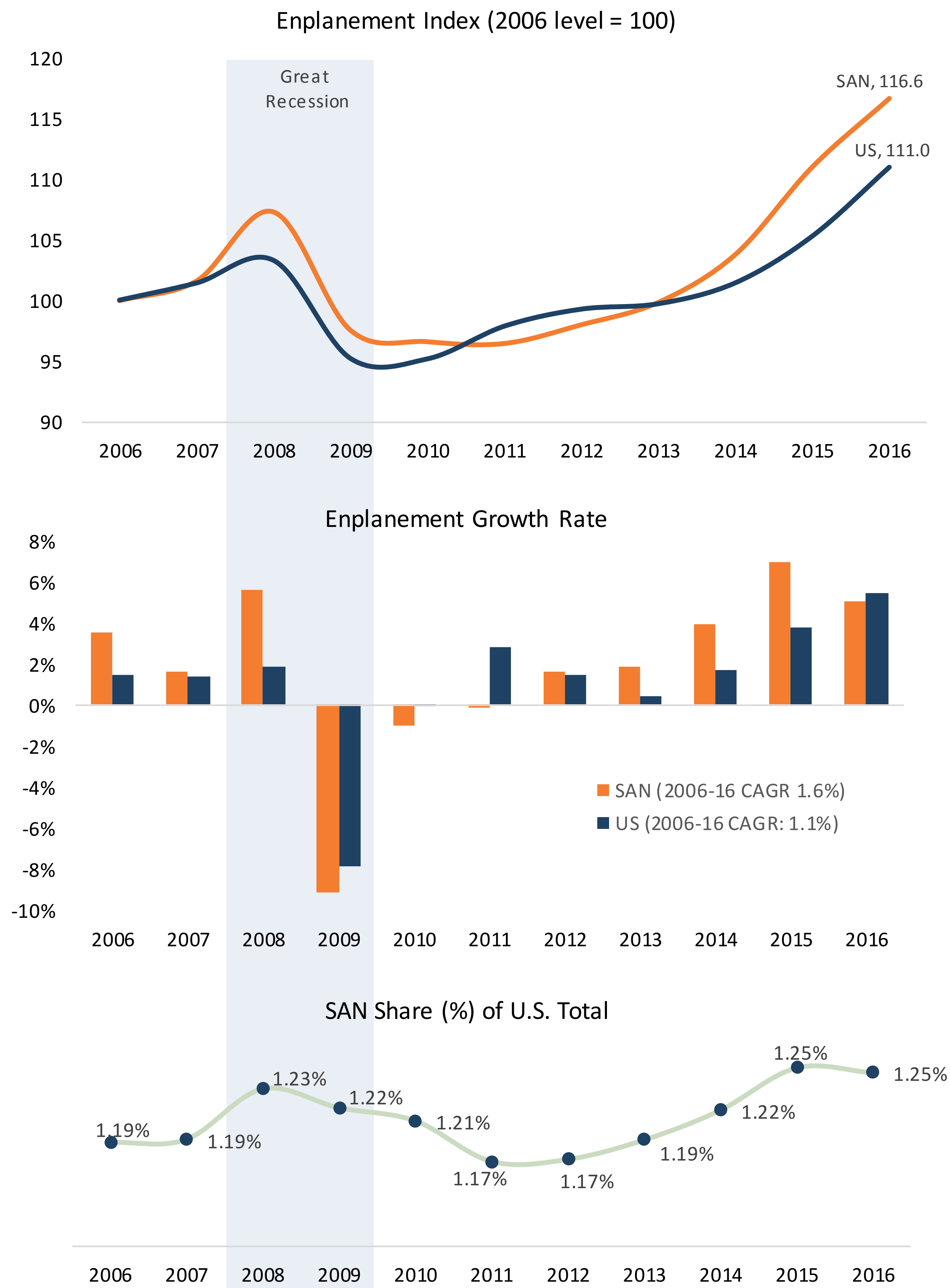
After FY 2002, the Airport experienced six consecutive years of growth before the next recession and set another record of 9.4 million enplanements in FY 2008. Weak demand and airline capacity cuts during the Great Recession and the early years of recovery caused enplanements to decrease 10.1 percent to 8.4 million in FY 2011. Since FY 2011, however, passenger traffic at SAN has increased steadily as the U.S. and the regional economies continue to grow, and as airlines add more capacity. The Airport's enplanements surpassed the 2008-peak levels with a 7 percent year-over-year increase in FY 2015, and grew another 5 percent over FY 2015 levels to reach 10.2 million passengers in FY 2016.

3.2.1 Comparison of Enplanement Trends at SAN and the United States

Figure 3-2 and Table 3-2 show the annual enplanement trends for SAN and the entire U.S. system from 2006 through 2016, which are summarized in the following points:

- SAN's enplanements grew faster than the national trend over his period, increasing by 1.6 percent annually compared to the national 1.1 percent annual growth, which reflect the annual decreases related to the Great Recession, as well as the strong increases in the last few years, as explained below.
- During the Great Recession, SAN suffered decreases in enplanements along with other U.S. airports. Traffic recovery at SAN lagged behind national recovery until 2013. After the Recession ended in 2009, U.S. total enplanements grew steadily beginning in 2011 and surpassed their pre-recession level in 2014. Enplanements at SAN began to increase in FY 2012 and surpassed their pre-recession level in FY 2015, but they increased at nearly double the rate of the national growth between FY 2013 and FY 2015. In 2016, both the U.S. system and SAN posted a 5 percent enplanement growth.
- SAN's annual share of U.S. system enplanements remained close to 1.2 percent over the FY 2006 – FY 2016 period, increasing slightly from 1.19 percent in FY 2006 to 1.25 percent in FY 2016.

Figure 3-2: SAN and U.S. Total Enplanement Growth by Fiscal Year



CAGR - Compound annual growth rate.
Sources: Airport Authority and U.S. Bureau of Transportation Statistics.

Table 3-2: SAN and U.S. System Enplanements (Thousands)

	SAN Enplanements		Total U.S. Enplanements		SAN Share of
Fiscal Year	**Number**	**% Change**	**Number**	**% Change**	**Total U.S.**
2006	8,750		736,112		1.19%
2007	8,892	1.6%	746,509	1.4%	1.19%
2008	9,389	5.6%	760,363	1.9%	1.23%
2009	8,536	-9.1%	700,462	-7.9%	1.22%
2010	8,454	-1.0%	700,221	0.0%	1.21%
2011	8,441	-0.2%	720,196	2.9%	1.17%
2012	8,576	1.6%	730,606	1.4%	1.17%
2013	8,738	1.9%	733,830	0.4%	1.19%
2014	9,082	3.9%	746,650	1.7%	1.22%
2015	9,713	6.9%	775,137	3.8%	1.25%
2016	10,206	5.1%	817,222	5.4%	1.25%
	Compound Annual Growth Rate				**Avg. Share**
2006-2016		1.6%		1.1%	1.21%

Sources: Airport Authority and U.S. Bureau of Transportation Statistics.

3.2.2 International Traffic

Although SAN primarily serves domestic traffic, the share of international traffic at the Airport has grown over the last decade, from under 1.0 percent in FY 2006 to 3.5 percent in FY 2016 (Table 3-3). The expansion of international air service began after 2009, when Air Canada and WestJet increased nonstop service to Canada to 14 flights per week. British Airways began daily nonstop service to London in June 2011, and Japan Airlines began nonstop service daily to Tokyo in December 2012. International service to Europe is continuing to expand. Condor and Edelweiss Air recently implemented seasonal service to Frankfurt, Germany, and Zürich, Switzerland. Condor's service to Frankfurt began in May 2017, and Edelweiss Airbegan flights to Zürich in June 2017.

As mentioned in Section 2.1, Tijuana Rodriguez International Airport (TIJ) is located 24 miles south of SAN, in Tijuana, Mexico. TIJ primarily serves the Mexican domestic market, with 98.6 of its passengers traveling within Mexico. The CBX (defined and described on page 2-4), which opened in December 2015, was designed to make it easier for passengers to cross the border and fly from TIJ to other Mexican destinations. Sufficient statistics are not yet available to fully evaluate the effect of the CBX, if any, on air traffic at SAN. However, enplaned passengers who fly from SAN to destinations in Mexico are a very small portion of total enplanements at SAN (1.25 percent in FY 2016). The number of enplaned passengers who traveled to Mexico from SAN increased 12 percent from FY 2015 to FY 2016, from approximately 114,000 to 128,000 enplanements (CBX opened in the middle of FY 2016). Although it is possible that the FY 2016 increase in passengers enplaning at SAN and flying to destinations in Mexico might have been higher had the CBX not opened, the effect on SAN's total passenger traffic, if any, would not have been substantial, given the very small share of passengers flying to Mexico.

Table 3-3: SAN Domestic and International Enplanements (Thousands)

	Domestic		International[1]		Total
Fiscal Year	Number	Share	Number	Share	Enplanements
2006	8,691	99.3%	59	0.7%	8,750
2007	8,797	98.9%	95	1.1%	8,892
2008	9,302	99.1%	87	0.9%	9,389
2009	8,479	99.3%	57	0.7%	8,536
2010	8,339	98.6%	115	1.4%	8,454
2011	8,316	98.5%	125	1.5%	8,441
2012	8,324	97.1%	252	2.9%	8,576
2013	8,461	96.8%	277	3.2%	8,738
2014	8,746	96.3%	337	3.7%	9,082
2015	9,381	96.6%	332	3.4%	9,713
2016	9,849	96.5%	357	3.5%	10,206
	Compound Annual Growth Rate				
2006-2016	1.3%		19.7%		1.6%

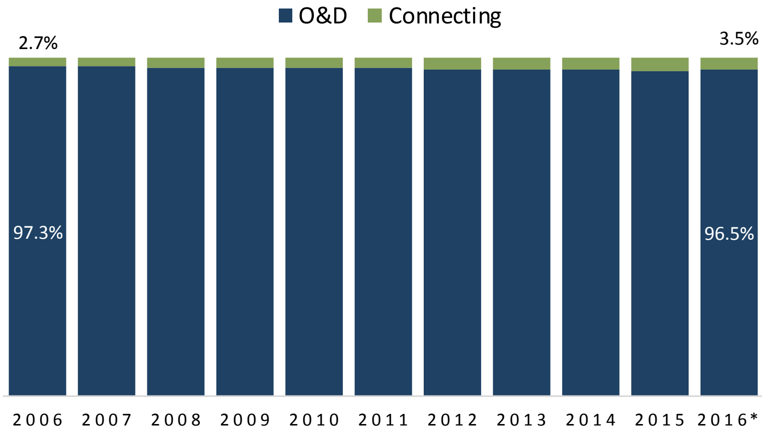
[1] International enplanements include enplanements by foreign flag carriers, as well as seasonal international enplanements reported by U.S. air carriers.
Source: Airport Authority.

3.2.3 Composition of Passenger Traffic at SAN

SAN has a strong O&D traffic base, which constitutes a reliable market for air service. Having a predominantly O&D traffic makes the Airport less sensitive to changes in any particular airline's connecting services.

SAN has primarily served O&D passengers, typically accounting for around 96 percent of the airport's annual traffic. Connecting passengers made up the remaining share of traffic (Figure 3-3). According to U.S. Department of Transportation data, Southwest Airlines ("Southwest") accounted for more than one-half of the connecting traffic at SAN in FY 2016. (Southwest also accounts for the largest share of total passenger traffic at SAN, as shown in subsection 3.2.5.) The Airport's connecting traffic primarily consisted of passengers originating from San Francisco, Los Angeles, and Sacramento.

Figure 3-3: O&D and Connecting Traffic Shares



*2016 is through June 2016.
Sources: Airport Authority and U.S. Department of Transportation DB1B.

Data on O&D passengers traveling to and from SAN indicate that residents account for approximately 45 percent of O&D traffic at SAN, while visitors account for the remaining 55 percent.[30] These percentages remained fairly constant from 2009 through 2016.

Passengers traveling for leisure accounted for the greatest share of Airport traffic (61 percent in both CY 2012 and CY 2016, as shown in Figure 3-4). Those traveling for business and conventions

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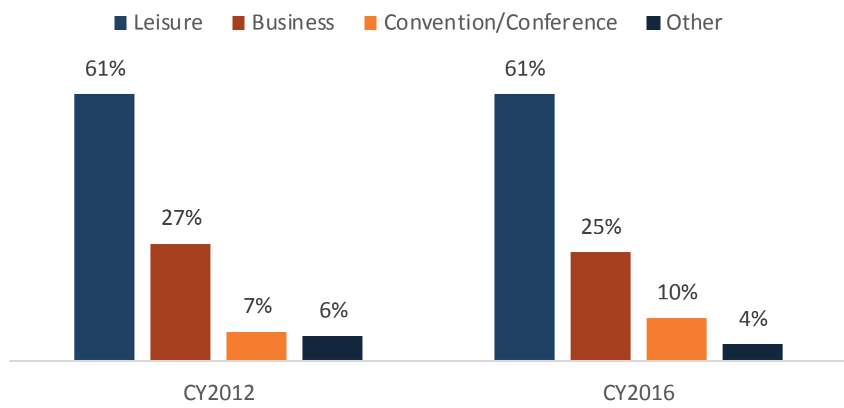
30 Data Source: U.S. Department of Transportation DB1B. The shares of resident and visitor O&D passengers were estimated by separating one-way or round-trip passengers that began their trips originally at SAN, from one-way or round-trip passengers that began their trips originally at another airport.

accounted for a combined share of 34-35 percent, and those traveling for other purposes accounted for the remaining share of 4-6 percent.

Figure 3-4: SAN Passenger Traffic Shares by Trip Purpose



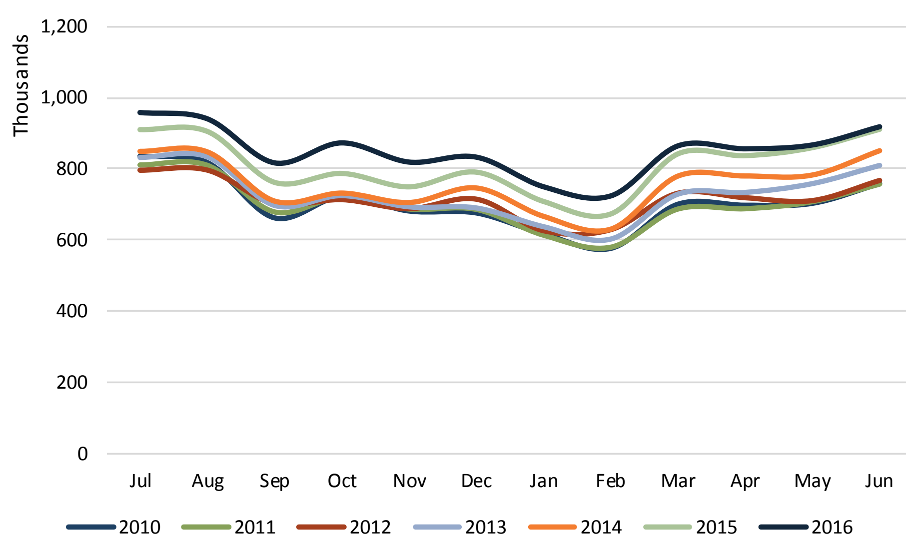
Sources: Reports prepared by the Redhill Group for the Airport Authority.

3.2.4 Monthly Enplanements

SAN's enplanements peak slightly in the summer months of July and August (Figure 3-5). The Airport's seasonal patterns are consistent with patterns observed nationwide.

Figure 3-5: SAN Monthly Enplanements

Month	2010-2016 Avg. Share of FY Total
July	9.5%
August	9.4%
September	8.0%
October	8.3%
November	7.9%
December	8.1%
January	7.3%
February	7.0%
March	8.4%
April	8.4%
May	8.5%
June	9.1%



Source: Airport Authority.

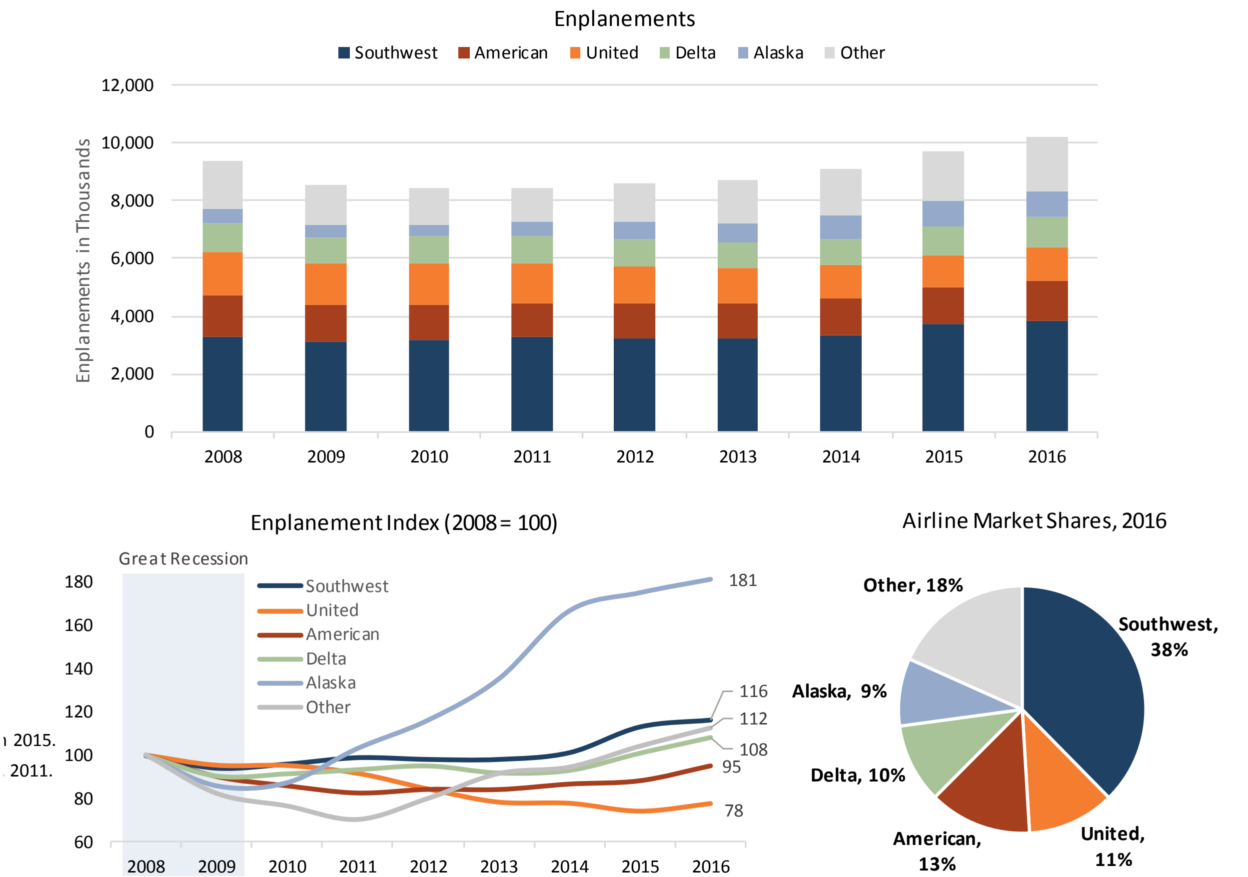
3.2.5 Enplanements by Airline

SAN's top five carriers in terms of passenger enplanements are Southwest, American Airlines (American), United Airlines (United), Delta Air Lines (Delta), and Alaska Airlines (Alaska). These five carriers accounted for about 80 percent of annual passenger traffic in 2016, while the other airlines – which include mainline, regional and foreign flag carriers – accounted for the remaining 20 percent (Figure 3-6 and Table 3-4). Southwest has maintained a strong presence at the Airport with an enplanement share above 35 percent since FY 2008, and above 30 percent since FY 1993. Foreign flag carriers accounted for around 2.5 percent of SAN's enplanements in FY 2016.

Collectively, service by the mainline carriers continues to make up the large majority of enplanements at SAN (about 94 percent in FY 2016). A number of factors contribute to the larger share of mainline service at SAN, compared to the national share (around 78 percent). Unlike other large hubs in the country, SAN is a single-runway airport, where efficiencies can be gained by operating larger aircraft. Larger aircraft are also better-suited for mainline service by carriers at SAN that mostly serve O&D traffic on relatively dense routes. Still, in recent years, regional carriers have shown modest growth in their share of passenger enplanements at SAN.

Enplanements for all carriers operating at the Airport decreased during the Great Recession, and did not show signs of steady recovery until FY 2012. Among the top-five carriers, Southwest, Delta and Alaska rebounded the earliest from the traffic slump. Alaska's enplanements continued to grow substantially through 2016 at an annual average rate of almost 8 percent as it has further developed San Diego into a focus city by adding new flights and destinations, while Southwest's annual growth averaged 2 percent over the same period. Enplanements for Delta and American recovered slowly after FY 2011. United's traffic declined in most years between FY 2008 and FY 2016.

Figure 3-6: SAN Enplanements by Airline



Source: Airport Authority.

Table 3-4: SAN Enplanements by Airline by Fiscal Year

	Enplanements (in Thousands)					Market Share				
Airline	**2012**	**2013**	**2014**	**2015**	**2016**	**2012**	**2013**	**2014**	**2015**	**2016**
Mainline										
Southwest	3,252	3,253	3,353	3,737	3,840	37.9%	37.2%	36.9%	38.5%	37.6%
American[1]	1,213	1,212	1,248	1,271	1,369	14.1%	13.9%	13.7%	13.1%	13.4%
United	1,266	1,176	1,168	1,114	1,166	14.8%	13.5%	12.9%	11.5%	11.4%
Delta	936	905	916	992	1,062	10.9%	10.4%	10.1%	10.2%	10.4%
Alaska	579	674	830	872	903	6.8%	7.7%	9.1%	9.0%	8.8%
Spirit	78	164	201	252	327	0.9%	1.9%	2.2%	2.6%	3.2%
Virgin America	166	168	157	176	211	1.9%	1.9%	1.7%	1.8%	2.1%
JetBlue	147	153	173	179	183	1.7%	1.7%	1.9%	1.8%	1.8%
Frontier[2]	199	184	185	151	119	2.3%	2.1%	2.0%	1.6%	1.2%
Hawaiian	86	94	99	97	102	1.0%	1.1%	1.1%	1.0%	1.0%
British Airways	81	82	85	84	90	0.9%	0.9%	0.9%	0.9%	0.9%
Japan Airlines	-	18	54	59	60	0.0%	0.2%	0.6%	0.6%	0.6%
Air Canada[3]	56	45	37	41	49	0.7%	0.5%	0.4%	0.4%	0.5%
Other[4]	105	98	90	90	108	1.2%	1.1%	1.0%	0.9%	1.1%
Subtotal - Mainline	**8,166**	**8,225**	**8,596**	**9,114**	**9,588**	**95.2%**	**94.1%**	**94.6%**	**93.8%**	**93.9%**
Regional										
SkyWest[5]	263	352	341	372	313	3.1%	4.0%	3.8%	3.8%	3.1%
Compass	-	-	9	140	250	0.0%	0.0%	0.1%	1.4%	2.4%
Horizon[6]	6	77	84	84	53	0.1%	0.9%	0.9%	0.9%	0.5%
Other	-	-	1	3	2	0.0%	0.0%	0.0%	0.0%	0.0%
American Eagle[7]	141	82	51	-	-	1.6%	0.9%	0.6%	0.0%	0.0%
Subtotal - Regional	**410**	**512**	**486**	**599**	**618**	**4.8%**	**5.9%**	**5.4%**	**6.2%**	**6.1%**
TOTAL	**8,575**	**8,737**	**9,082**	**9,713**	**10,206**	**100%**	**100%**	**100%**	**100%**	**100%**

[1] Enplanements combined for American and US Airways. American merged with US Airways on Dec. 9, 2013 and began operating as a single carrier in April 2015.
[2] Enplanements combined for Frontier and Midwest. The carriers combined brands under Frontier in April 2010.
[3] Enplanements combined for Air Canada Rouge and Jazz Aviation.
[4] Includes airlines that ceased operating at SAN during the period shown and airlines that accounted for less than 0.5% of market share in 2016.
[5] Includes Delta Connection, United Express, US Airways Express (2012-2015) and American Airlines (2013).
[6] Operating as Alaska Airlines.
[7] Operating as American Airlines.
Source: Airport Authority.

3.2.6 Top O&D Markets

O&D enplanements account for approximately 96 percent of SAN's passenger traffic. Table 3-5 lists the Airport's top 25 O&D city markets in CY2016, ranked by share of O&D enplanements. The table shows the airports served in each market, the number of daily nonstop departures to each market from SAN, and the airlines serving each market from SAN in CY 2016.

The top 25 destination cities listed, consisting of large urban areas across the U.S., were served by 192 of the 237 daily nonstop departures from SAN. Together, service to these markets accounted for approximately 75 percent of O&D enplanements at the Airport in CY 2016.

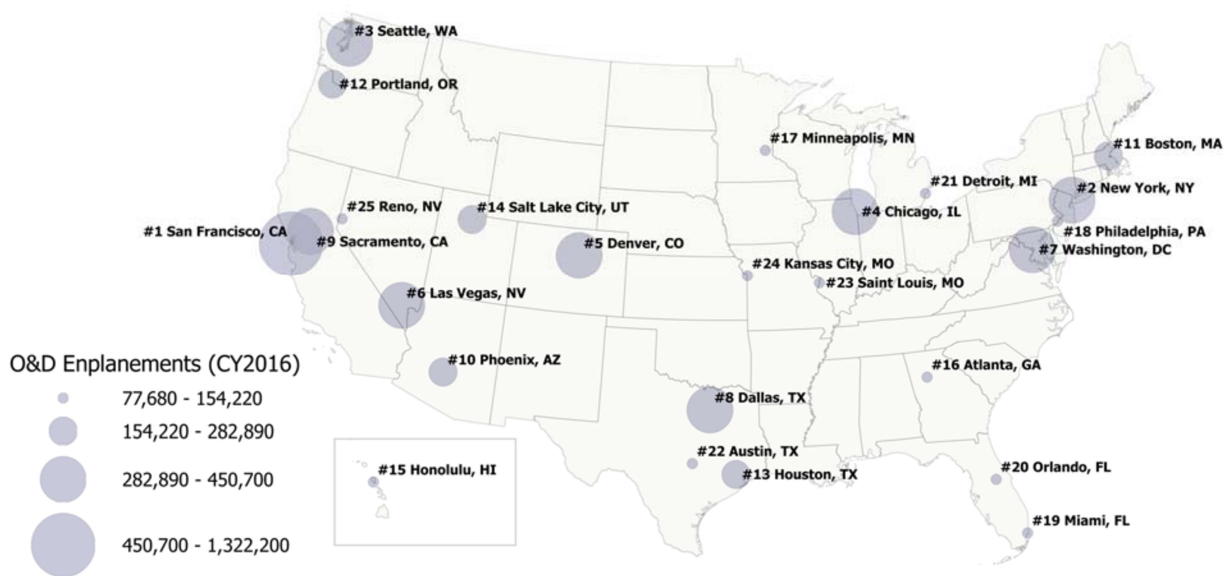
Table 3-5: SAN's Top 25 O&D Markets

CY2016 Rank [1]	Destination	Airports	O&D Market Share [2]	Daily Nonstop Departures [3]	Airlines Serving Market from SAN [4]
1	San Francisco, CA	SFO, SJC, OAK	14.62%	43	WN, UA, VX, AS
2	New York, NY	JFK, EWR, LGA	4.98%	9	UA, DL, B6, AA, AS
3	Seattle, WA	SEA	4.90%	12	AS, WN, DL
4	Chicago, IL	ORD, MDW	4.40%	12	AA, UA, WN, NK
5	Denver, CO	DEN	4.09%	14	WN, UA, F9, NK
6	Las Vegas, NV	LAS	3.85%	12	WN, UA, DL, NK
7	Washington, DC	BWI, IAD, DCA	3.84%	5	UA, WN, NK
8	Dallas/Fort Worth, TX	DFW, DAL	3.77%	13	AA, WN, NK
9	Sacramento, CA	SMF	3.75%	9	WN
10	Phoenix, AZ	PHX	3.13%	15	WN, AA
11	Boston, MA	BOS, PVD	2.68%	3	B6, AS
12	Portland, OR	PDX	2.68%	5	AS, WN
13	Houston, TX	IAH, HOU	2.02%	7	UA, WN, NK
14	Salt Lake City, UT	SLC	2.01%	7	DL, AS
15	Honolulu, HI	HNL	1.71%	2	HA, AS
16	Atlanta, GA	ATL	1.65%	6	DL, WN
17	Minneapolis/St. Paul, MN	MSP	1.63%	4	DL, SY
18	Philadelphia, PA	PHL	1.60%	3	AA
19	Miami, FL	FLL, MIA	1.35%	2	AA, B6
20	Orlando, FL	MCO	1.33%	2	WN, DL, F9
21	Detroit, MI	DTW	1.21%	2	DL
22	Austin, TX	AUS	0.99%	2	WN
23	St. Louis, MO	STL	0.95%	1	DL, AS
24	Kansas City, MO	MCI	0.87%	1	WN
25	Reno, NV	RNO	0.86%	2	WN
	DESTINATIONS LISTED	-	**74.9%**	**192**	
	OTHER DESTINATIONS	-	**25.1%**	**45**	
	TOTAL	-	**100.0%**	**237**	

[1] Ranking is based on share of SAN O&D passengers. Represents metro markets that are served by nonstop flights from SAN; however, not every airport in each metro market has nonstop flights from SAN.
[2] U.S. Department of Transportation DB1B.
[3] OAG Schedules Analyzer (accessed April 2017). Daily nonstop departures: annual nonstop departures in CY 2016 divided by 365.
[4] Airline codes: AA=American; AS=Alaska; B6=Jet Blue; DL=Delta; F9=Frontier; HA=Hawaiian; NK=Spirit; SY=Sun Country; UA=United; VX=Virgin America; WN=Southwest. VX was acquired by AS in December 2016.
Source: U.S. Department of Transportation DB1B.

Figure 3-7 shows that SAN's top 25 O&D markets are spread across the United States.

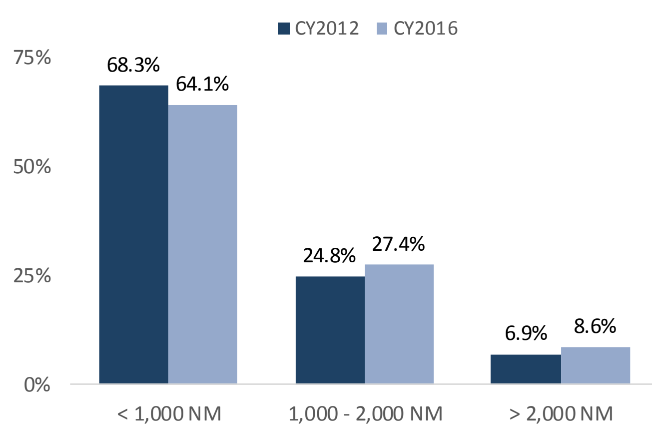
Figure 3-7: SAN's Top 25 O&D Markets



Sources: Unison Consulting, Inc., U.S. Department of Transportation DB1B.

Figure 3-8 shows that most of the nonstop flights from SAN serve destinations within 1,000 nautical miles (NM) of SAN, although the share of nonstop flights serving destinations beyond 1,000 NM increased between CY 2012 and CY 2016.

Figure 3-8: Share of Nonstop Departures from SAN by Distance (Nautical Miles)



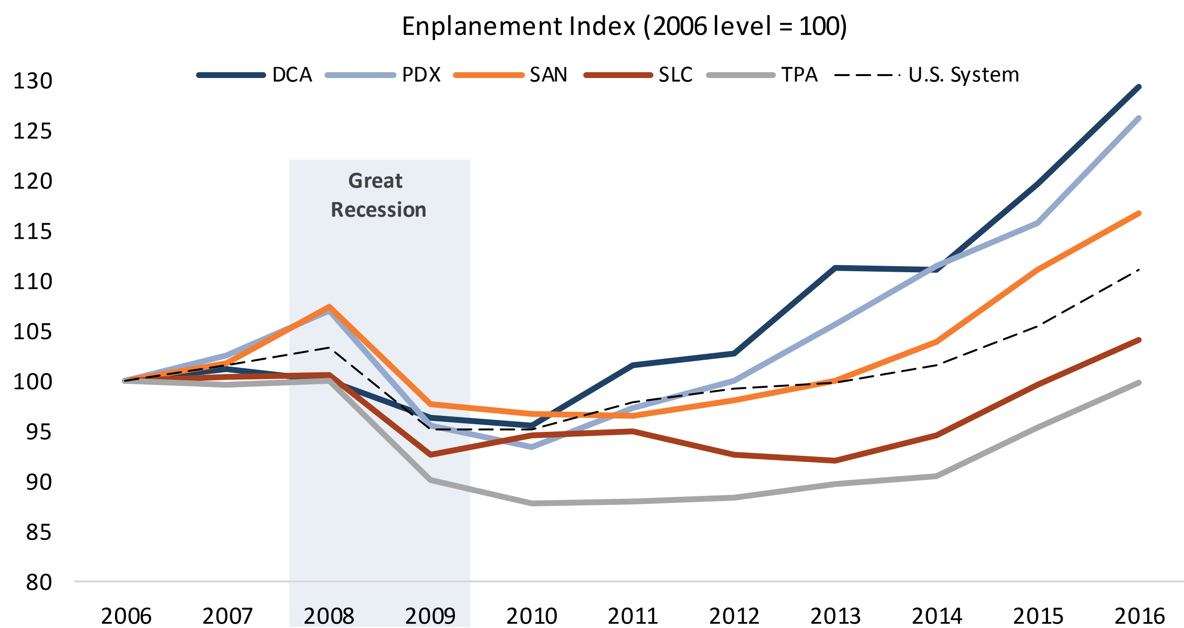
Source: Unison Consulting, Inc., OAG Schedules Analyzer.

3.2.7 Enplanement Trends at Select Large Hub Airports

Figure 3-9 compares the trends in enplanements at SAN and four other large hub airports, from FY 2006 through FY 2016. The FAA designates large hubs as commercial airports that enplane at least 1 percent of total U.S. commercial passengers in a given year. In 2015 (the most recent year for which ranking information is available), SAN ranked 27th by total passenger enplanements among the 30 U.S. airports classified as large hubs. Large hub airports, however, still differ considerably in terms of enplanements and other characteristics. Among these airports, Portland International (PDX), Tampa International (TPA), Salt Lake City International (SLC), and Ronald Regan Washington National (DCA) are the most similar to SAN in terms of the following criteria: enplanement level, share of domestic and international traffic, relative diversity of airline base, share of Southwest service, and the number of markets served on both nonstop and connecting flights.

As Figure 3-9 shows, although SAN and its peer airports exhibit similar enplanement trends, which tracked national growth trends, there are some notable differences. Along with PDX, SAN suffered a big decline in traffic during the recession, but exhibited a stronger recovery compared with TPA and SLC.

Figure 3-9: Enplanement Trends at SAN and Select Large Hubs



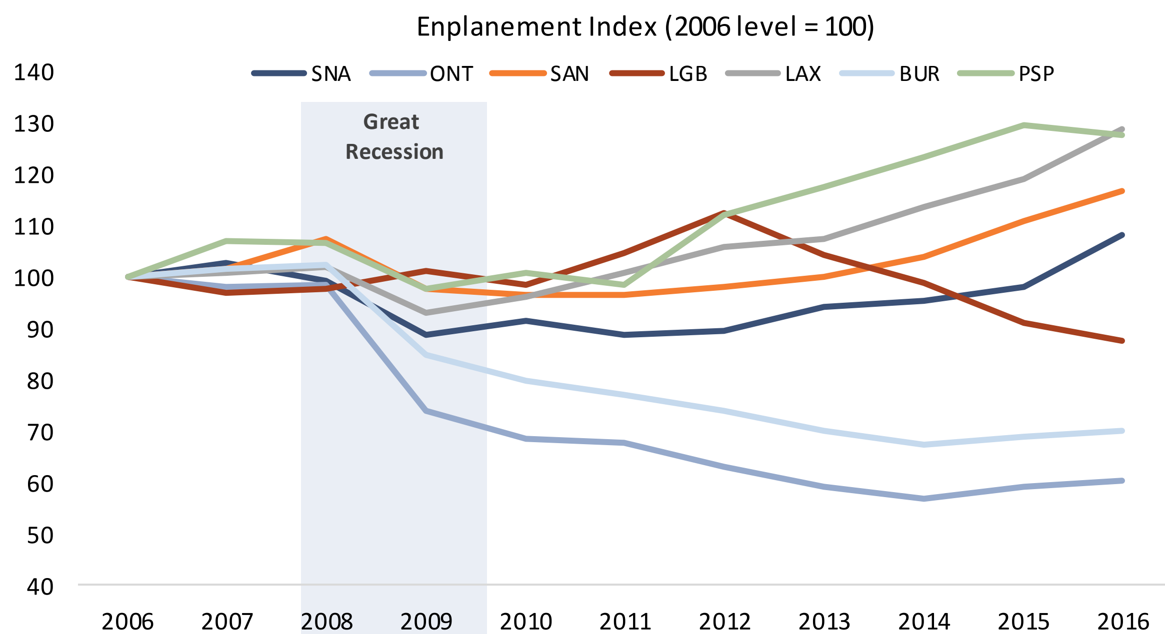
Sources: Airport Authority and U.S. Bureau of Transportation Statistics.

3.2.8 Enplanement and Fare Trends at Southern California Airports

Figure 3-10 compares enplanements trends at SAN with trends at other commercial airports in Southern California. Within 150 road miles of SAN are the following commercial airports with reported historical enplanements[31]: small hubs Long Beach Airport (LGB) and Palm Springs International Airport (PSP); medium hubs John Wayne (SNA), Ontario International (ONT), and Burbank Bob Hope Airport (BUR); and large hub Los Angeles International Airport (LAX).

Among the Southern California commercial airports, SAN's enplanement trends since FY 2006 are most similar to trends at SNA and LAX. SAN and SNA, however, lagged behind LAX in traffic after the recession. BUR and ONT both suffered sustained declines in enplanements—their enplanements levels remain well below pre-recession levels in spite of increases in the last two years. LGB weathered the recession better than all the other airports, but its enplanements have decreased steadily since reaching a peak in FY 2012.

Figure 3-10: Enplanement Trends at SAN and Southern California Airports



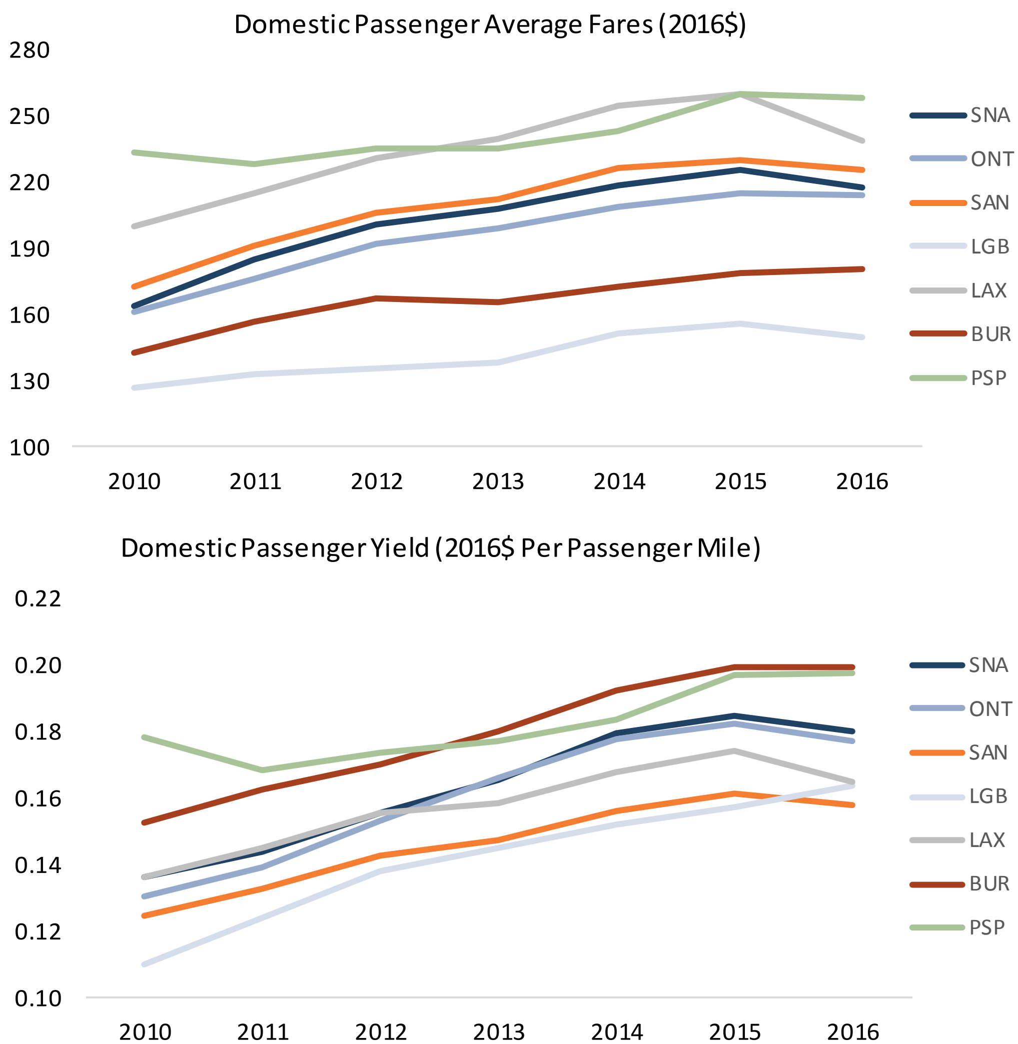
Sources: Airport Authority and U.S. Bureau of Transportation Statistics.

Passengers consider airfares as one factor when choosing airlines and airports (if they have access to more than one airport). Airlines consider yields, measured as revenue per passenger mile, when choosing which airports to serve. Figure 3-11 shows the trends in domestic average fares and

[31] See Table 2-1 (and footnotes) in Section 2 regarding Imperial County Airport and San Bernardino International Airport, neither of which had historical information to include in this analysis.

passenger yields at SAN and the other Southern California airports with reported historical commercial service. SAN's domestic average air fare is the third-highest in the region after LAX and PSP. Controlling for distance, domestic passenger yields indicate that SAN is actually more price-competitive than the Airport's average fares suggest. Yields at SAN were the lowest in the region in 2016, falling below yields at LGB which were the lowest in previous years.[32] Yield trends at SAN follow the regional and national trends.

Figure 3-11: Domestic Average Fares and Passenger Yields at So. Calif. Airports By Fiscal Year



Source: U.S. Bureau of Transportation Statistics DB1B. The analysis removed itineraries with fares below $50 to exclude frequent flier, nonrevenue and other discounted fare tickets.

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[32] Lower yields at SAN, relative to other airports in Southern California, indicate that SAN is price competitive, which is a positive indicator for demand at SAN.

3.2.9 Air Cargo

According to ACI-NA statistics, SAN ranked 29th among U.S. airports for cargo tons handled in CY 2015. Air cargo tonnage, consisting of enplaned freight and mail, recovered to pre-recession levels at SAN in FY 2014 (Table 3-6). The Airport enplaned nearly 92 million tons of cargo the following year (FY 2015), the highest level of cargo tonnage recorded at SAN since FY2000. Total cargo tonnage declined only slightly in FY 2016, and remained above pre-recession levels.

Table 3-6: SAN Enplaned Cargo

	Mail (tons)		Air Freight (tons)		Total
Fiscal Year	Weight	% of Total	Weight	% of Total	(tons)
2006	12,924	15.3%	71,719	84.7%	84,644
2007	13,369	15.6%	72,092	84.4%	85,460
2008	12,950	17.4%	61,643	82.6%	74,593
2009	13,338	19.6%	54,813	80.4%	68,150
2010	13,088	18.9%	56,338	81.1%	69,427
2011	13,250	19.0%	56,445	81.0%	69,694
2012	13,574	17.2%	65,426	82.8%	79,000
2013	13,692	16.2%	70,879	83.8%	84,571
2014	14,175	15.8%	75,387	84.2%	89,562
2015	15,670	17.0%	76,239	83.0%	91,909
2016	15,798	17.4%	75,011	82.6%	90,809
			Compound Annual Growth Rate		
2006-2016	2.0%		0.4%		0.71%

Source: Airport Authority.

3.2.10 Commercial Aircraft Departures

Departures (landings) performed by commercial aircraft at SAN are shown in Table 3-7. Departures increased from 83,520 in 2012 to 88,305 in FY 2016, averaging 1.4 percent in growth annually. Departures decreased between FY 2015 and FY 2016, while enplanements increased. This trend potentially reflects the airlines' continuing efforts to increase load factors while operating aircraft with more seating capacity (mainline service). Subtotals for mainline and regional service in FY 2016 show mainline departures increased, while regional departures decreased.

Noncommercial operations at SAN include both Military and General Aviation (GA) flights. Flight records from the FAA's Terminal Area Forecast (TAF) show that around 800 military departures took place at the Airport in FY2016, while GA operations accounted for approximately 4,900 departures that year. Military departures increased in FY2015 (21 percent) and FY2016 (26 percent), after falling by around 56 percent between FYs 2009 and 2014. GA departures at SAN decreased by 36 percent through the Great Recession (FYs 2007-2009), but are showing signs of recovery in recent years. GA operations grew 4 percent in FY2015 and 3 percent in FY2016.

Table 3-7: SAN Landings by Airline by Fiscal Year

	Landings					Market Share				
Airline	**2012**	**2013**	**2014**	**2015**	**2016**	**2012**	**2013**	**2014**	**2015**	**2016**
Mainline										
Southwest	32,100	31,266	31,092	33,421	33,328	38.4%	36.8%	36.4%	37.7%	37.7%
American[1]	9,015	8,998	9,255	8,875	9,153	10.8%	10.6%	10.8%	10.0%	10.4%
United	9,539	8,905	8,725	8,187	8,401	11.4%	10.5%	10.2%	9.2%	9.5%
Delta	6,317	6,147	6,029	6,422	6,857	7.6%	7.2%	7.1%	7.2%	7.8%
Alaska	4,771	5,478	6,311	6,276	6,459	5.7%	6.5%	7.4%	7.1%	7.3%
Spirit	718	1,507	1,764	2,109	2,463	0.9%	1.8%	2.1%	2.4%	2.8%
Virgin America	1,465	1,667	1,657	1,713	1,983	1.8%	2.0%	1.9%	1.9%	2.2%
JetBlue	1,169	1,182	1,336	1,363	1,392	1.4%	1.4%	1.6%	1.5%	1.6%
Frontier	1,584	1,481	1,423	1,119	851	1.9%	1.7%	1.7%	1.3%	1.0%
Air Canada[2]	725	475	359	356	423	0.9%	0.6%	0.4%	0.4%	0.5%
Hawaiian	367	365	368	365	368	0.4%	0.4%	0.4%	0.4%	0.4%
Japan Airlines	-	112	365	365	366	0.0%	0.1%	0.4%	0.4%	0.4%
British Airways	364	356	363	363	364	0.4%	0.4%	0.4%	0.4%	0.4%
Other[3]	1,037	877	834	764	902	1.2%	1.0%	1.0%	0.9%	1.0%
Subtotal - Mainline	**69,171**	**68,816**	**69,881**	**71,698**	**73,310**	**82.8%**	**81.0%**	**81.9%**	**80.8%**	**83.0%**
Regional										
SkyWest[4]	7,352	9,594	8,924	8,681	5,637	8.8%	11.3%	10.5%	9.8%	6.4%
Compass	-	-	146	2,298	4,116	0.0%	0.0%	0.2%	2.6%	4.7%
Horizon[5]	106	1,400	1,538	1,429	976	0.1%	1.6%	1.8%	1.6%	1.1%
American Eagle[6]	3,586	1,832	965	-	-	4.3%	2.2%	1.1%	0.0%	0.0%
Subtotal - Regional	**11,044**	**12,930**	**12,189**	**13,721**	**11,496**	**13.2%**	**15.2%**	**14.3%**	**15.5%**	**13.0%**
All Cargo										
FedEx Express	1,278	1,248	1,274	1,266	1,383	1.5%	1.5%	1.5%	1.4%	1.6%
Other[7]	2,027	1,916	1,980	2,054	2,116	2.4%	2.3%	2.3%	2.3%	2.4%
Subtotal - All Cargo	**3,305**	**3,164**	**3,254**	**3,320**	**3,499**	**4.0%**	**3.7%**	**3.8%**	**3.7%**	**4.0%**
TOTAL	**83,520**	**84,910**	**85,324**	**88,739**	**88,305**	**100%**	**100%**	**100%**	**100%**	**100%**

[1] Landings combined for American and US Airways. American merged with US Airways in December 2013 and began operating as a single carrier in April 2015.
[2] Landings combined for Air Canada Rouge and Jazz Aviation.
[3] Includes airlines that ceased operating at SAN during the period shown and airlines that accounted for less than 0.4 percent of market share in 2016.
[4] Includes Delta Connection, United Express, US Airways Express (2012-2015) and American Airlines (2013).
[5] Operating as Alaska Airlines.
[6] Operating as American Airlines.
[7] Includes departures for Ameriflight, Air Transport Int'l, UPS Airlines, Atlas Air, and West Air.
Source: Airport Authority.

3.2.11 Commercial Aircraft Landed Weight

Table 3-8 shows increasing trends in aircraft landed weight at SAN. Landed weight increased from 10.8 billion pounds in FY 2012 to 12.1 billion pounds in FY 2016, growing at an average rate of 2.7 percent per year. The slower growth in landings over the same period implies that larger aircraft were operated at higher load factors to accommodate the increasing number of passengers at SAN.

Table 3-8: SAN Revenue Landed Weight by Airline by Fiscal Year

	Landed Weight (Thousand Pounds)[1]					2016 % of
Airline	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Southwest	3,953,536	3,907,554	3,925,362	4,214,314	4,257,162	35.3%
American[2]	1,344,140	1,339,751	1,349,554	1,359,911	1,467,922	12.2%
United[3]	1,502,203	1,387,854	1,340,736	1,227,974	1,250,500	10.4%
Delta	1,047,068	1,023,608	1,016,878	1,077,103	1,153,074	9.6%
Alaska[4]	648,359	750,000	884,727	888,065	924,310	7.7%
FedEx	452,453	451,797	419,127	384,686	444,038	3.7%
SkyWest[5]	306,789	428,595	396,054	408,608	359,197	3.0%
Spirit	98,931	208,200	245,669	296,925	351,977	2.9%
Compass	-	-	10,979	172,754	307,793	2.6%
Visgin America[4]	208,253	235,934	232,136	240,781	281,411	2.3%
JetBlue	166,232	168,080	189,979	193,848	199,232	1.7%
British Airways	167,440	163,760	166,980	166,980	183,760	1.5%
Hawaiian	118,088	140,637	147,325	146,284	147,406	1.2%
Japan Airlines	-	47,125	138,700	138,700	139,080	1.2%
United Parcel Service	120,454	118,180	121,742	127,660	135,318	1.1%
Others	685,956	644,639	600,817	479,127	445,964	3.7%
TOTAL	**10,819,901**	**11,015,716**	**11,186,765**	**11,523,720**	**12,048,144**	**100.0%**

1 Totals may not add due to rounding.
2 Effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways began operating as a single airline (under the American brand) in October 2015. Landed weight is for both American and US Airways.
3 On October 1, 2010, United Airlines and Continental Airlines merged. United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012. Landed weight is for both United Airlines and Continental Airlines.
4 In December 2016, Alaska Air Group acquired Virgin America, Inc. Alaska and Virgin currently are operating under separate FAA certificates, but are expected to begin operating under one certificate in the first quarter of 2018.
5 Affiliate of and doing business as United Express, Delta Connection, and Alaska Airlines.
6 Affiliate of and doing business as American Airlines and Delta Air Lines.
Source: Airport Authority.

3.3 Forecast Commercial Aviation Activity

Forecasts are presented for three key measures of commercial aviation activity—enplanements, aircraft landings, and landed weight—for the period of FY 2017 through FY 2023. Forecast enplanement levels, in turn, determine the number of aircraft operations and corresponding landed weight, along with assumptions regarding trends in boarding load factors.

3.3.1 Hybrid Regression Forecast

The forecast for the first year is supply-driven, based primarily on published airline flight schedules for up to one year ahead. Airlines plan their schedules based on passenger bookings, and the schedules therefore reflect near-term market demand. The schedules also establish the baseline data on commercial aircraft operations. Beyond the first year, forecasts are demand-driven. Market demand factors drive growth in enplanements. The Hybrid Regression Forecast is based on Unison's hybrid modeling framework for unconstrained air travel demand forecasting. This hybrid modeling framework incorporates both scheduled air service supply and market demand drivers. The resulting forecast is supply-driven in the short run and demand-driven in the long run.

Multivariate time series regression analysis links enplanement growth to trends in market demand drivers. This approach combines elements of multiple regression and time series regression methods. This econometric modeling technique provides the ability to incorporate many explanatory variables, quantify the contribution of each explanatory variable to aviation activity trends, and account for time trends and any serial correlation in time series data. The model estimation process using the least squares method is designed to minimize forecast errors.

The regression model specification for SAN's passenger traffic is based on the underlying theory of consumer demand and the dynamics of traffic growth at the Airport. The regression coefficients that measure contributions of market demand drivers (explanatory variables) to SAN enplanement growth trends are estimated using historical annual data from 1993, controlling for the effects of any structural changes in air service and extra-ordinary events like the 2001 terrorist attacks. The estimated regression coefficients are then used to generate forecasts of SAN enplanements based on projected trends for the model explanatory variables.

For the regression model of passenger traffic, total enplanements serve as the dependent variable. The three key explanatory variables (independent variables) in the regression model of passenger traffic are two economic indicators and an indicator for price, as follows:

- Economic trends (two variables, one for regional economic trends and a second variable for national economic trends): The regression model includes two economic indicators: the real gross domestic product (GDP) for the San Diego-Carlsbad MSA to capture regional economic trends, and the U.S. unemployment rate to indicate national economic trends. GDP was selected to track regional economic trends because it provides a comprehensive measure of economic health that accounts for employment, incomes, production, trade, and other important indicators of the regional economy. The regression coefficient estimates for these variables confirm their expected effects on SAN enplanement trends. Holding all other factors constant, growth in regional real GDP and decreases in U.S. unemployment rate, indicating overall national economic growth, promote growth in SAN enplanements. Conversely, economic downturns and increases in unemployment decrease SAN enplanements.

- Airline yield trends: Consumer demand is inversely related to price. Demand increases when price decreases and decreases when price increases, if all other things are equal. The regression model uses the average real passenger yield at SAN as the indicator for the price of air travel. Passenger yield, which is the average revenue per passenger mile, is a better price indicator than the average fare, because it controls for trip distance.

The regression model also includes an explanatory variable to account for the adverse effects of the terrorist attacks in 2001 and the subsequent structural changes in the travel market and the airline industry. The terrorist attacks had profound effects on the airline industry and airports, including SAN. They caused a sharp decrease in enplanements, prompted more stringent security screening processes at airports that caused lasting changes in the demand for air travel, and they set in motion other structural changes in the airline industry.

Figure 3-12**,** Figure 3-13**,** and Figure 3-14 exhibit the historical and six-year projections of the three key explanatory variables (demand drivers) used in the regression model. Forecasts for regional and economic trends were obtained from Moody's Analytics, while projections for real yields at SAN were developed using the latest FAA Aerospace Forecast assumptions for growth in real yields.

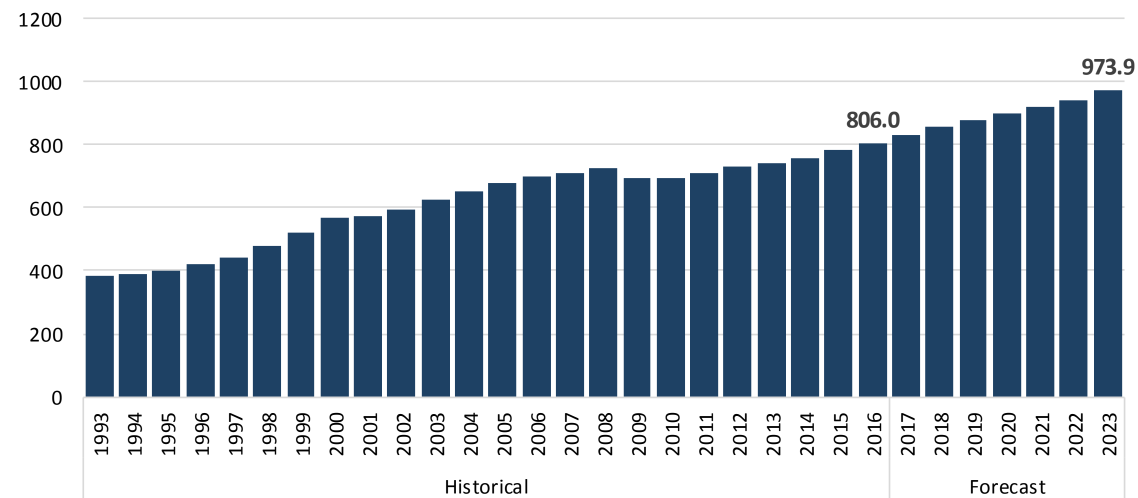
- Regional economic trends (Figure 3-13): Although San Diego's regional GDP decreased during the Great Recession, the economy recovered to pre-recession levels by 2012. Several cities across the country suffered a deep economic decline during the Great Recession, and did not recover as quickly. The enplanement slump experienced at SAN tracked closely with these changes in the regional economy. Subsequent increases in enplanements at SAN lagged the economic recovery of the San Diego MSA because air traffic demand at SAN is also affected by national economic trends (described in the next paragraph).[33] The relationship between changes in the regional economy and air traffic demand at SAN is captured in the multivariate regression model specifications. According to Moody's Analytics, San Diego's regional economy will continue to grow at an annual average rate of 2.7 percent through 2023. The long-term forecast does not anticipate any deep downturns in the regional economy.

- National economic trends (Figure 3-14): Reflecting improving national economic conditions, the U.S. unemployment rate has been declining steadily from a peak level of 9.6 percent reached in 2010. The 4.9 percent U.S. unemployment rate in 2016 reflects a national economy near full employment. According to Moody's Analytics' economic forecast, the U.S. unemployment rate will continue to decline for another three years before rising again, but it will not rise to levels reached during the Great Recession. It will rise to 5.4 percent in 2022 and then taper around 4.9 percent. The long-term forecast does not anticipate any national recession.

- Airline yield trends (Figure 3-15): The average real passenger yield at SAN mostly decreased for over a decade through FY 2005, including a sharp drop after FY 2001. The average passenger real yield at SAN has remained at the lower level since then. The FAA's most recent forecasts for mainline passenger yields do not anticipate significant changes during the forecast period.

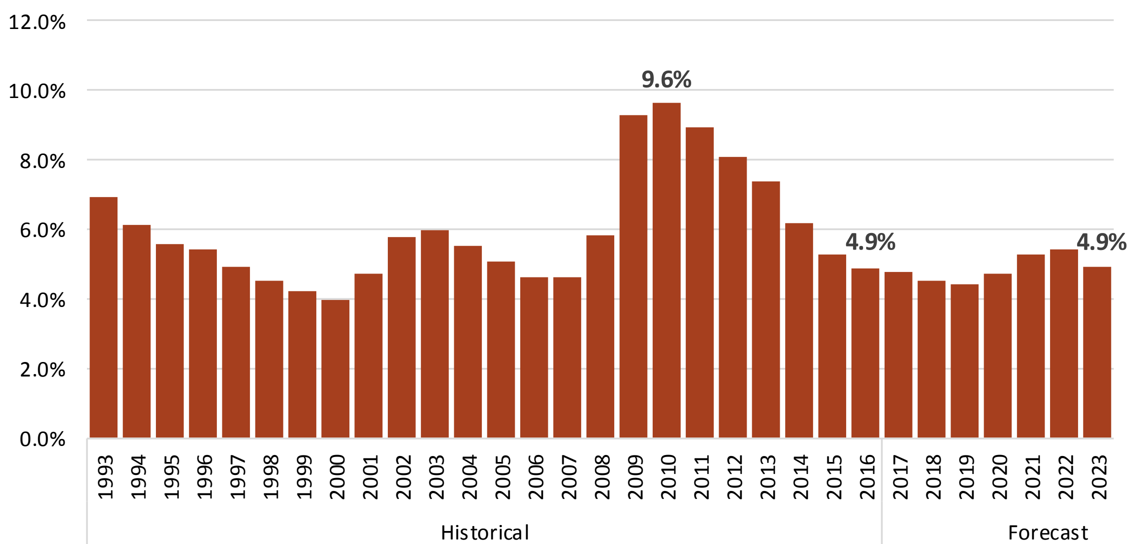
[33] Air traffic activity at SAN is not a function of solely the regional economy. Visitors who fly to SAN come from other parts of the nation, and that portion of the air traffic demand at SAN is influenced by national economic trends. In addition, the airline capacity increases at SAN lagged the economic recovery in the San Diego MSA, as a result of the capacity discipline implemented by the airlines nationwide during the Great Recession.

Figure 3-12: Real Gross Domestic Product (Billion Chained 2009$) - San Diego-Carlsbad MSA



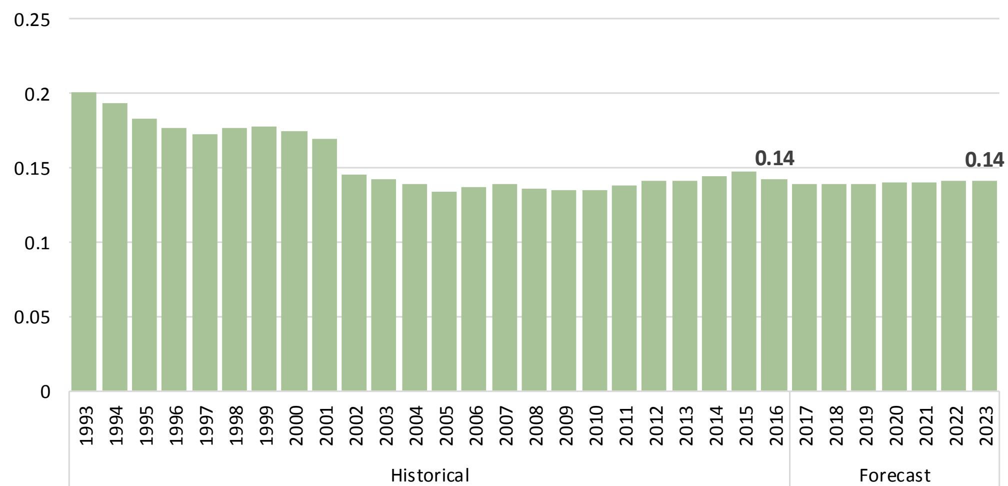
Sources: U.S. Bureau of Economic Analysis (BEA) and Moody's Analytics.

Figure 3-13: Unemployment Rate - U.S.



Sources: U.S. Bureau of Economic Analysis (BEA) and Moody's Analytics.

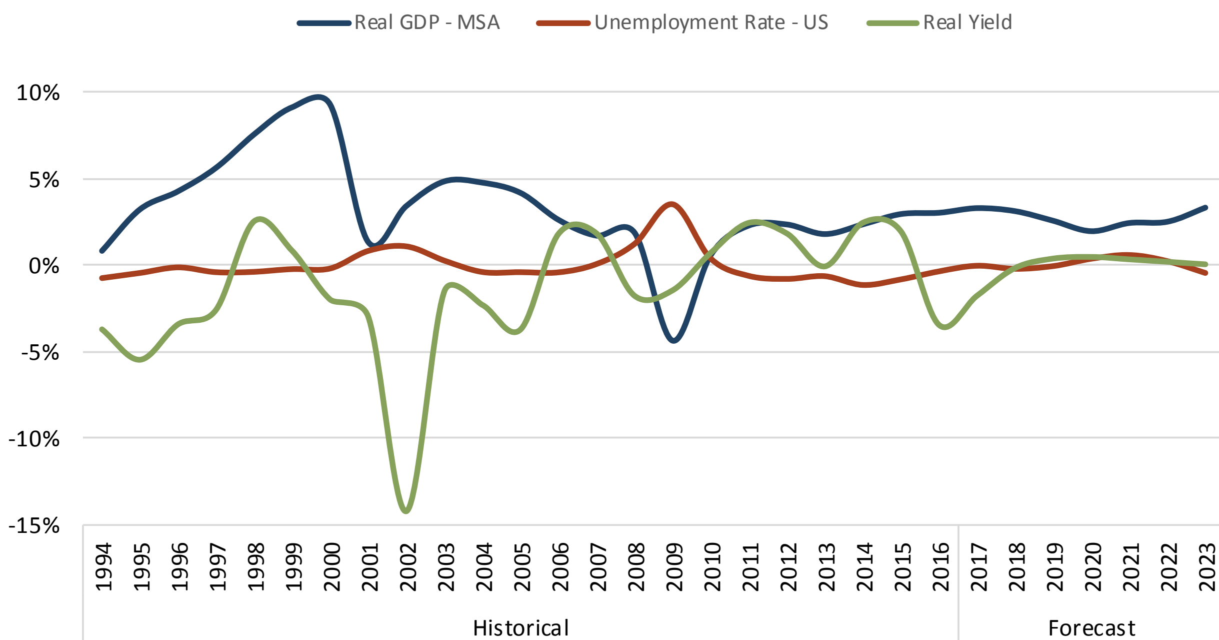
Figure 3-14: SAN Real Yields (2009$)



Fares below $50 are dropped from the sample to exclude frequent flier, nonrevenue and other discounted fare tickets.
Yields are reported in 2009 dollars to be consistent with the reference year of the real GDP estimates. The BEA rebased its real GDP estimates to chained 2009 dollars for the latest comprehensive revision.
Source: U.S. Bureau of Transportation Statistics (DB1B 10%-sample airline ticket survey) and FAA Aerospace Forecast: Fiscal Years 2017-2037.

Figure 3-15 shows the annual growth trends in the three key explanatory variables used in the regression model (regional GDP, U.S. unemployment rate, and real passenger yield at SAN). These three explanatory variables explain the variation in historical enplanement trends at SAN, and drive the forecast trends in the Airport's enplanements beyond 2017.

Figure 3-15: Changes in Key Explanatory Variables



Sources: U.S. Bureau of Transportation Statistics (DB1B 10% ticket survey) and Federal Aviation Administration for SAN real passenger yield; U.S. Bureau of Economic Analysis (BEA) and Moody's Analytics for real per capita GDP in the San Diego-Carlsbad, MSA and the U.S. unemployment rate.

3.3.2 Forecast Results

The model coefficient estimates measuring the contributions of market drivers to growth in SAN's enplanements, along with projections of trends in the three key market demand drivers (explanatory variables) discussed above (regional GDP, U.S. unemployment rate, and average real passenger yield at SAN), produce the forecast growth in enplanements beyond the first year of the forecast period. The regression model also accounts for the effects of the 2001 terrorist attacks on historical trends and controls for the serial correlation inherent in the time series data used for model estimation.

As stated previously in the discussion of the input variables of the regression model, the forecasts from Moody's Analytics do not anticipate any deep downturns in the regional economy or any national recession during the forecast period.

Recognizing uncertainty in the future trends of key market drivers, alternative forecasts were developed using Monte Carlo simulation. A comprehensive approach to forecast risk analysis Monte Carlo simulation uses probability distributions and random sampling techniques for assigning future values to the three key explanatory variables of the regression model. The simulation, involving 5,000 iterations, produced a wide range of possible scenarios for future enplanement growth and corresponding percentile rankings. Percentiles provide an indication of the likelihood of each of the forecast scenarios.[34]

Base Forecast

The regression analysis and assumptions produce the base enplanement forecast, which are slightly higher than the median result in the first two years of the forecast period, and decrease to levels between the median and 25-percentile ranges.

Under the base forecast, enplanements will increase from 10.5 million in FY 2017 to 11.8 million in FY 2023, growing at an average annual rate of 1.9 percent (Table 3-9). Aircraft landings will increase 1.4 percent from 91,000 in FY 2017 to 95,100 in FY 2023, while landed weight is projected to increase from 12.7 billion pounds to 13.6 billion pounds over the same period. The FAA's TAF estimates higher enplanements than the base forecast through FY 2023. However, these two projections appear to be converging towards the latter part of the forecast years. According to the TAF, annual enplanements will grow at an average rate of 2.5 percent, reaching 12.2 million in FY 2023—3 percent higher than the base forecast for that year.

Low Forecast

The low enplanement forecast is based on the 15-percentile Monte Carlo simulation result, which corresponds with an 85 percent probability estimate that actual enplanements will be equal to or greater than the 15-percentile level. This forecast scenario projects lower boarding load factors and decreases in the number of aircraft departures (landings). Enplanements are forecast to grow at an average annual rate of 1 percent, reaching 11.1 million in FY 2023, while aircraft landings remain lower than current levels (91,000).

Table 3-9 and Table 3-10 present the forecast results for the two scenarios.

[34] The probability distributions for the input variables in the Monte Carlo simulation were chosen from sampling distributions of their historic data.

Table 3-9: Base Forecast Commercial Aviation Activity by Fiscal Year

	Actual						Forecast*							CAGR
Air Traffic Measure	2011	2012	2013	2014	2015	2016	2017**	2018	2019	2020	2021	2022	2023	2017-23
Total enplanements (mill.)	8.45	8.59	8.74	9.08	9.71	10.21	10.51	10.76	10.94	11.04	11.18	11.39	11.79	1.9%
Annual growth rate		1.7%	1.7%	3.9%	6.9%	5.1%	3.0%	2.3%	1.7%	0.9%	1.3%	1.9%	3.5%	
Total aircraft departures (thous.)	83.7	83.5	84.9	85.3	88.7	88.3	91.0	91.0	92.5	93.2	93.4	93.9	95.1	0.7%
Annual growth rate		-0.2%	1.7%	0.5%	4.0%	-0.5%	3.0%	0.0%	1.6%	0.8%	0.2%	0.6%	1.3%	
Total landed weight (billion lbs.)	10.61	10.82	11.01	11.19	11.53	12.05	12.67	12.67	12.95	13.14	13.23	13.37	13.59	1.2%
Annual growth rate		2.0%	1.8%	1.6%	3.1%	4.5%	5.1%	0.0%	2.2%	1.4%	0.7%	1.1%	1.7%	
Avg. enplanements per passenger aircraft departure	101	103	103	106	109	116	116	118	118	118	120	121	124	
Avg. seats per passenger aircraft departure	131	133	132	135	138	146	150	150	151	152	153	154	154	
Avg. boarding load factor	77.0%	77.4%	77.7%	79.0%	79.2%	79.2%	77.0%	78.8%	78.4%	77.9%	78.4%	79.0%	80.4%	
Avg. aircraft landed weight (thousand pounds)	126.8	129.5	129.7	131.1	130.0	136.5	139.2	139.2	140.1	140.9	141.7	142.3	142.9	

* Except for FY2017, forecasts are based on the annual enplanement growth rates predicted from the regression model of enplanements under base growth assumptions for the trends in key demand drivers.
** The FY2017 forecast is based on available airline schedules for the last four months of the fiscal year.
CAGR: Compound average growth rate.

Table 3-10: Low Forecast Commercial Aviation Activity by Fiscal Year

	Actual						Forecast*							CAGR
Air Traffic Measure	2011	2012	2013	2014	2015	2016	2017**	2018	2019	2020	2021	2022	2023	2017-23
Total enplanements (mill.)	8.45	8.59	8.74	9.08	9.71	10.21	10.51	10.14	10.29	10.41	10.59	10.81	11.12	1.0%
Annual growth rate		1.7%	1.7%	3.9%	6.9%	5.1%	3.0%	-3.5%	1.5%	1.2%	1.7%	2.1%	2.9%	
Total aircraft departures (thous.)	83.7	83.5	84.9	85.3	88.7	88.3	91.0	91.0	87.4	87.9	88.3	89.2	90.5	-0.1%
Annual growth rate		-0.2%	1.7%	0.5%	4.0%	-0.5%	3.0%	0.0%	-4.0%	0.6%	0.5%	1.0%	1.5%	
Total landed weight (billion lbs.)	10.61	10.82	11.01	11.19	11.53	12.05	12.67	12.67	12.25	12.39	12.52	12.70	12.93	0.3%
Annual growth rate		2.0%	1.8%	1.6%	3.1%	4.5%	5.1%	0.0%	-3.3%	1.2%	1.0%	1.5%	1.9%	
Avg. enplanements per passenger aircraft departure	101	103	103	106	109	116	116	111	118	119	120	121	123	
Avg. seats per passenger aircraft departure	131	133	132	135	138	146	150	150	151	152	153	154	154	
Avg. boarding load factor	77.0%	77.4%	77.7%	79.0%	79.2%	79.2%	77.0%	74.3%	78.0%	78.0%	78.5%	79.0%	79.8%	
Avg. aircraft landed weight (thousand pounds)	126.8	129.5	129.7	131.1	130.0	136.5	139.2	139.2	140.2	141.0	141.8	142.4	143.0	

* Except for FY2017, forecasts are based on the annual enplanement growth rates predicted from the regression model of enplanements under low growth assumptions for the trends in key demand drivers.
** The FY2017 forecast is based on available airline schedules for the last four months of the fiscal year.
CAGR: Compound average growth rate.

Comparison of Enplanement Forecasts with Most Recent SAN Enplanement Forecast

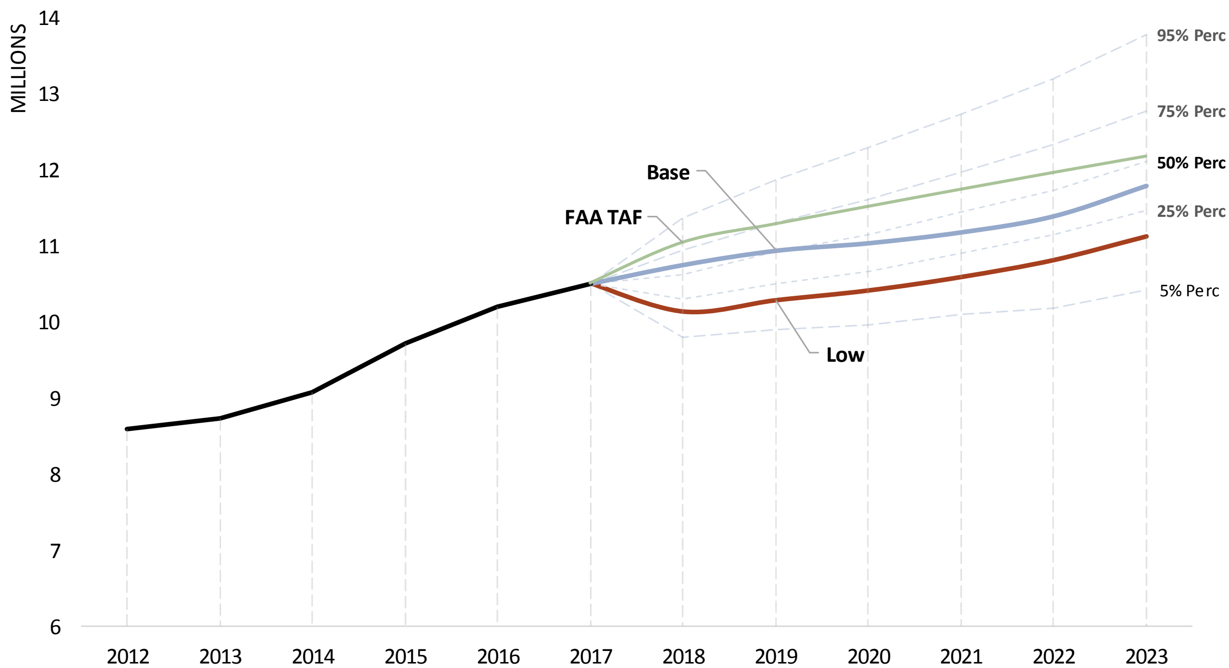
The base forecast enplanements are higher than the forecast enplanements in the most recent financial feasibility report prepared for SAN, in January 2014 (the "2014 Report").[35] At the time the 2014 Report was prepared, SAN enplanements had not yet recovered to their pre-Great Recession level. After decreasing in FY 2009, FY 2010, and FY 2011 (decreases of 9.1 percent, 1.0 percent, and 0.2 percent, respectively) in the aftermath of the Great Recession, enplanements at SAN increased slowly in FY 2012 and FY 2013 (increases of 1.6 percent and 1.9 percent, respectively), mirroring the slow pace of the economic recovery in those years. Therefore, the enplanement forecast prepared at that time was deliberately conservative, to reflect the high level of uncertainty surrounding the economic and other factors. Actual enplanements in FY 2014, FY 2015, and FY 2016 were higher than the base forecast in the 2014 Report (higher by 2.7 percent in FY 2014, 7.3 percent in FY 2015, and 10.3 percent in FY 2016). The updated forecasts in this Report reflect the strong rebound in passenger traffic in the past two years, so that the estimated FY 2017 enplanements in this Report are 12.1 percent higher than the forecast 2017 enplanements in the 2014 Report. During the remainder of the forecast period, the percentage difference between the base forecast enplanements in this report and the base forecast in the 2014 Report increases from 13.4 percent in FY 2018 to 16.7 percent in FY 2023.

Comparison of Enplanement Forecasts with FAA Terminal Area Forecast (TAF)

The FAA develops annual airport forecasts for planning, budgeting, and staffing purposes (the Terminal Area Forecast, or TAF). The most recent TAF was published in January 2017. Forecast publications lag more than a year behind forecast development, and so the latest TAF considers actual performance only through federal fiscal year 2015 (which ended on September 30, 2015). Figure 3-16 compares the FAA's TAF enplanement estimates with the range of forecast enplanements, which include select Monte Carlo simulation results. The base enplanement forecast, a low growth forecast, and the TAF enplanement estimates are highlighted for comparison. Although the FAA estimates higher enplanements than the base forecast through FY 2023, these two projections appear to be converging towards the latter part of the forecast years. According to the TAF, annual enplanements will grow at an average rate of 2.5 percent, reaching 12.2 million in FY 2023—3 percent higher than the base forecast for that year.

[35] Unison Consulting, Inc., *Financial Feasibility Report, San Diego County Regional Airport Authority, Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project), Series 2014A and Series 2014B,* January 23, 2014.

Figure 3-16: Comparison of SAN Forecast with FAA Terminal Area Forecast



FAA TAF enplanements are converted from Federal FYs to the Airport's FYs.
Sources: FAA Terminal Area Forecast (TAF) and Unison Consulting, Inc. (all other forecasts).

3.4 Sources of Forecast Risk and Uncertainty

The forecasts of aviation activity are based on information available at the time of analysis, measurable factors that drive air travel demand, and assumptions about the availability and characteristics of airline service at the Airport. Forecasts, however, are inherently uncertain. Broader factors affecting the aviation industry and the airport can cause the Airport's actual performance to differ from the forecasts. Several of these factors are discussed below.

3.4.1 Economic Conditions

National and regional economic conditions drive trends in the Airport's commercial aviation activity. Economic expansions increase income, boost consumer confidence, stimulate business activity, and increase air travel demand. In contrast, economic recessions reduce income, diminish consumer confidence, dampen business activity, and weaken air travel demand. The regional economy moves with the national economy. While the diversity of the regional economy helps temper the effects of business cycles, the regional economy can be vulnerable to a national economic recession as deep as the Great Recession in 2008-2009. During the Great Recession, the regional economy suffered declines in output (real GDP), income, and employment.

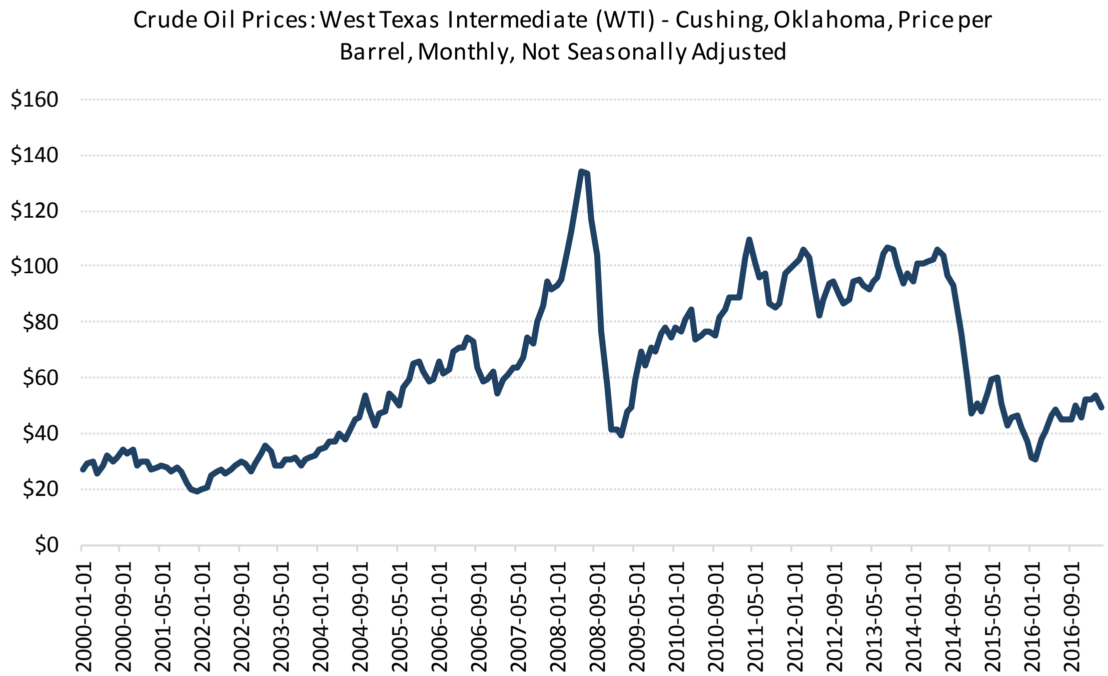
The U.S. economy is now on its eighth year of expansion after the Great Recession. Driven by growth in consumer spending and business investment, the U.S. economy is predicted by economic experts to continue growing over the next few years. While the probability of a recession remains low, many factors within the country and abroad present economic risks. The air traffic forecasts presented in this section are based on specific assumptions about future economic growth. As stated previously in the discussion of the input variables of the regression model, the forecasts from Moody's Analytics do not anticipate any deep downturns in the regional economy or any national recession during the forecast period. If the regional and national economy were to grow at a slower pace than projected, or experience another recession, the Airport's air traffic could fall short of the forecasts.

3.4.2 Trends in Oil Prices and Jet Fuel Prices

Oil prices affect one of the largest components of airline costs—jet fuel. The sharp increase in oil prices in the past decade, shown in Figure 3-17, resulted in huge financial losses in the U.S. airline industry, pushing many airlines into bankruptcy and prompting significant changes in airlines' operations and business practices.

World oil prices have declined since mid-2014. From a June 2014 peak near $106 per barrel, West Texas Intermediate (WTI) spot oil prices fell to their lowest level of around $30 per barrel in February 2016, before climbing to just under $47 in October 2016, as shown in Figure 3-18. Oil prices have recovered to over $52 as of January 2017, and the U.S. Energy Information Administration projects oil prices to average $52 per barrel this year. The U.S. Energy Information Administration does not anticipate oil prices to rise in 2017; however, upward price pressures are expected to emerge in 2018 as inventories decrease to match demand more closely. Ultimately, there is considerable ambiguity surrounding oil prices for the next few years. Geopolitical events, Organization of the Petroleum Exporting Countries (OPEC) production cuts, whether individual OPEC members adhere to those production cuts, and continuing technological improvements in U.S. oil production can push oil prices in either direction.

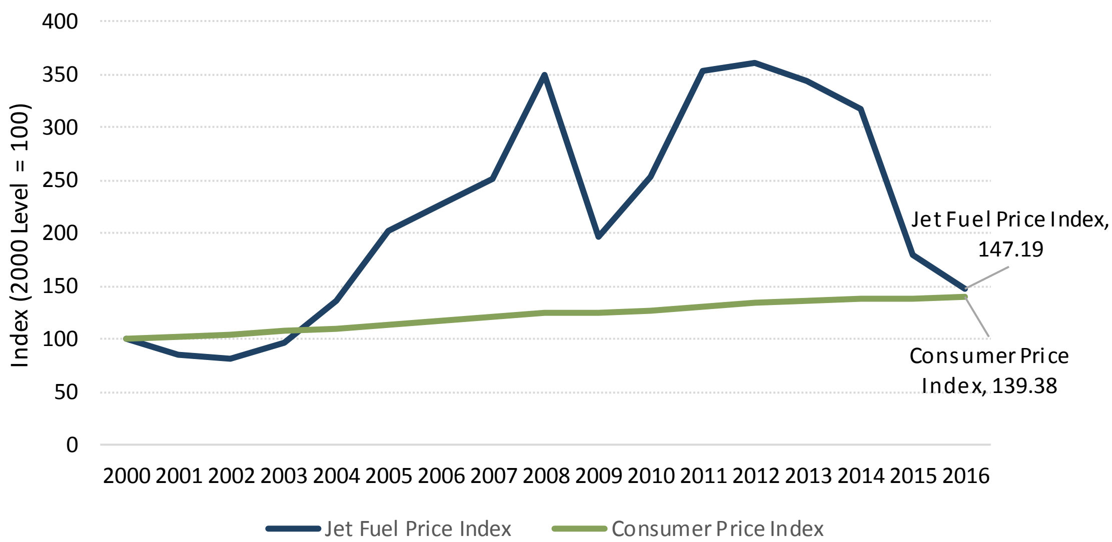
Figure 3-17: Crude Oil Prices



Sources: U.S. Energy Information Administration and Unison Consulting, Inc.

Jet fuel prices increased—reaching their highest levels in 2012—and decreased along with oil prices. Despite recent decreases, the overall increase in jet fuel prices (nearly 47 percent) from 2000 to 2016 was still greater than the general price increase (39 percent) over the same period (Figure 3-18). The sharp decrease in jet fuel prices since 2014 has contributed to record profits for airlines.

Figure 3-18: U.S. Jet Fuel and Consumer Price Indexes



Sources: U.S. Bureau of Transportation Statistics, U.S. Bureau of Labor Statistics, and Unison Consulting, Inc.

3.4.3 Financial Health of the U.S. Airline Industry

Airports benefit from stable and growing air service when airlines are profitable. They risk losing service, when airlines suffer financial hardship. The business of airlines is highly cyclical, intensely competitive, and capital intensive. Over the years, the U.S. airline industry has struggled to sustain profits. Today, the U.S. airline industry is finally reaping the benefits of business restructuring, capacity restraint, cost-cutting measures, and productivity improvements, helped by the recent decline in oil prices.

As shown in Figure 3-19, from 2000 to 2016, the U.S. airline industry incurred losses amounting to $83.9 billion in seven years, and made profits amounting to $94.3 billion in the other ten years. The period since 2010 has been one of the industry's most profitable, with industry profits averaging $9.4 billion each year. Airports have benefitted by seeing increases in airline service. Since 2015, SAN has enjoyed annual increases of at least 5 percent in scheduled airline seats.

Figure 3-19: Annual Net Profit of U.S. Passenger and Cargo Airlines (Billions)

Sources: U.S. Bureau of Transportation Statistics and Unison Consulting, Inc.

3.4.4 Performance of the Airport's Largest Carrier

The Airport's largest carrier is Southwest Airlines, which accounted for 38 percent of the Airport's FY2016 enplanements. Southwest's operating performance and business decisions have implications for the stability and growth of the Airport's traffic.

Southwest operates a network of 101 destinations in the United States and eight other countries with more than 3,900 departures a day during peak travel season. Based on the U.S. DOT's most recent airline traffic data, Southwest is the nation's largest carrier in terms of O&D passengers boarded. Southwest also holds the record of being the only U.S. airline that has been consistently profitable. In 2016, Southwest reported its 44th profitable year in less than 46 years of service. In 2016, Southwest earned a net income of $2.4 billion, a 10 percent increase from its net income in 2015, and more than double its net income in 2014.[36]

In the last 10 years, Southwest experienced a number of milestones: (1) the repeal of the Wright amendment, lifting restrictions in air service at Southwest's home base Dallas Love Field beginning in October 2014; (2) the acquisition of AirTran Airways, Inc., in May 2011; (3) access to gates at key U.S. airports (Ronald Reagan National, La Guardia, and Boston Logan) given up by American Airlines and US Airways as a condition of the Department of Justice approval of their merger in December 2013; and (4) the start of international service. These milestones allowed Southwest to expand its network. In 2013, Southwest broke ground on its five-gate, international facility at Houston's William P. Hobby Airport. This international facility was completed in October 2015 to

[36] Southwest Airlines Investor Relations at http://www.southwestairlinesinvestorrelations.com.

serve destinations in the Caribbean, Mexico, Central America, and the northern cities of South America.

To increase and introduce service at those other airports, Southwest had to cut capacity elsewhere, working within the constraints of its fleet and crew. San Diego International Airport suffered cuts in Southwest seats in 2009-2013,[37] along with other airports. Southwest has since increased its fleet and crew, and restored capacity at the Airport. The number of seats Southwest has scheduled at the Airport in 2017 exceeds the prior peak record set in 2008. The experience in 2009-2013, however, shows how the airlines' business decisions can affect passenger traffic at the Airport.

3.4.5 Airline Mergers

Airline mergers affect service and traffic at airports, when the merging airlines consolidate facilities, optimize route networks, and route connecting traffic through other hubs. The impact on affected airports is often immediate. The extent of the impact depends upon a number of considerations, including whether the merging airlines have a large market share at the Airport, whether they carry significant connecting traffic through the Airport, and whether they serve the same markets from the Airport.

Recent mergers include Delta and Northwest in 2008, United and Continental in 2010, Southwest and AirTran in 2011, American and US Airways in 2013, and Alaska and Virgin America in 2016. After the United-Continental merger, the combined seats of the two airlines at the Airport decreased beginning FY2011, and the decreases persisted through FY2015. Following the American-US Airways merger, their combined seats at the Airport increased each year through FY2016, except in FY2015. The decreases in Southwest's seats at the Airport following Southwest's acquisition of AirTran could not be clearly attributed to the merger, because of other developments affecting Southwest's network decisions at the time. The effects of the Alaska-Virgin America merger have yet to be seen. So far the combined seats of the two airlines at the Airport have increased—by 9 percent in FY2016 and 13 percent in FY2017.

3.4.6 Aviation Security, Health and Safety Concerns

Concerns about security, health, and safety influence consumer travel behavior. Even with tightened security measures implemented by the Department of Homeland Security, terrorism remains a serious threat to the aviation industry. Additionally, the stringent screening process and long waits at security screening lines discourage air travel particularly to destinations that can be reached by ground transportation within a reasonable amount of time. Health and safety concerns can also cause temporary dips in traffic in affected routes.

3.4.7 Structural Changes in Travel Demand

Consumers alter their travel patterns in response to changes at airports, changes in airline business practices, and changes in technology. For example, the stringent airport security screening and long wait times at the airports after the 2001 terrorist attacks decreased the demand for air travel for

[37] Based on OAG airline schedules data.

short-haul trips. Intense fare competition and the ease of comparison shopping allowed by the internet have made consumers more price-sensitive. Moreover, the widespread use of tele- and videoconferencing has decreased the need for business travel.

3.4.8 Competition from Other Nearby Airports

Section 2 identified the commercial service airports within 150 road miles of SAN, and discussed the extent by which each airport could compete with SAN for passenger traffic. With the exception of LAX (125 miles north of SAN), none of the other Southern California airports pose significant competition to SAN for passenger traffic. Across the border in Mexico, just 24 miles south of SAN, is the Tijuana Rodriguez International Airport (TIJ) serving mostly destinations in Mexico.

3.4.9 Airfield and Curfew Constraints

The Airport has a single runway, which will eventually cause congestion and limit traffic growth. Runway additions will be difficult because of the following obstacles: 1) significant geographic obstructions (including high terrain to the northeast and southwest of the Airport); 2) manmade obstructions, such as office buildings, to the northeast, east, and southeast of the Airport; 3) major land acquisition requirements; 4) extensive infrastructure impacts; 5) local resident opposition; and 6) increased noise impacts. According to the SAN Master Plan, runway congestion is anticipated to occur when annual aircraft operations reach between 260,000 and 300,000. Annual aircraft operations are not projected to reach this range during the forecast period.

Beyond the forecast period, the Next Generation Air Transportation System (NextGen) offers significant improvements to the air traffic control system that could increase SAN air traffic capacity, regardless of the constraint to airfield expansion. NextGen refers to the ongoing, wide-ranging transformation of the National Airspace System (NAS) including the change from a ground-based air traffic control system to a satellite-based management system.

In addition to airfield capacity restrictions, the Airport operations are subject to restrictions relating to noise abatement. Section 9.40 of the San Diego County Regional Airport Authority Code, which sets forth the regulations of the Authority that restrict and regulate certain operations at the Airport, prohibits aircraft departures between 11:30 p.m. and 6:30 a.m. Commercial passenger aircraft departures at SAN are scheduled outside of the restricted hours.

3.5 Summary

Passenger enplanements at SAN have been driven by growth in the region's population and economy. Enplanements trends have also tracked closely with the national business cycle, growing during economic expansions and declining during recessions. During the longest U.S. economic expansion of the 1990s, the SAN's enplanements grew steadily and reached 8 million in 2001. The Airport's passenger traffic then suffered a brief but significant decline in 2001, as a result of the September 11, 2001 terrorist attacks and a recession which ended the 10-year U.S. economic expansion.

The Airport enjoyed six consecutive years of growth after FY 2002, setting another record of 9.4 million enplanements in 2008. Demand weakened and airlines reduced capacity during the Great Recession and the early years of recovery, causing SAN's enplanements to decrease to 8.4 million in FY 2011. Enplanements at the Airport recovered after 2011, as the U.S. and the regional economies continued to grow, and as airlines added more capacity. SAN's passenger traffic surpassed the FY 2008 peak levels with a 7 percent year-over-year growth in FY 2015, and grew another 5 percent in FY 2016 to reach 10.2 million passengers.

To develop forecasts of commercial aviation activity, a hybrid modeling approach was taken. This approach provides a systematic framework for incorporating both scheduled air service supply and market demand drivers. The near-term forecast is capacity-driven, as it uses published airline schedules to project airport activity. The long-term forecast is demand-driven, where a multivariate time series regression model is developed to quantify the relationship between enplanement trends and market demand drivers: regional and national economic growth trends, changes in the price of air travel, and structural changes in the industry following September 11, 2001. Recognizing uncertainty in the key drivers of the enplanement regression model, risk analysis is performed using a sampling method known as Monte Carlo simulation.

A base forecast scenario and a low forecast scenario are provided, where the base forecast enplanements result from the regression model specification and assumptions. The low forecast scenario is based on 15-percentile results of the Monte Carlo simulation. In the base forecast scenario, enplanements at SAN are forecast to grow from 10.2 million in FY 2016 to 11.8 million in FY 2023. Based on assumptions regarding trends in boarding load factors, aircraft landings are expected increase 1.4 percent from 91,000 in FY 2016 to 95,100 in FY 2023, while landed weight is projected to increase from 12.7 billion pounds to 13.6 billion pounds over the same period. The low forecast scenario projects lower boarding load factors and decreases in the number of aircraft departures. In this scenario, enplanements are forecast to reach 11.1 million in FY 2023, while aircraft landings remain lower than current levels (91,000).

Section 4 Financial Analysis

This section reviews the framework for the financial operation of the Authority, including key provisions of bond indentures that govern the Authority's senior revenue bonds ("Senior Bonds") and subordinate revenue obligations ("Subordinate Obligations"). This section also (i) reviews the recent historical financial performance of the Authority, and examines the ability of the Authority to generate sufficient Net Revenues and Subordinate Net Revenues (as defined in the bond indentures and explained later in this Section)[38] in each Fiscal Year of the forecast period to meet the obligations of the bond indentures, and (ii) discusses the information and assumptions underlying the financial forecasts, which include Revenues, Operation and Maintenance Expenses ("O&M Expenses"), debt service requirements, and debt service coverage. The financial analysis presented in this section reflects the base case air traffic forecast scenario presented in Section 3.

4.1 Financial Framework

The Series 2017 Bonds are being issued as Subordinate Obligations under and subject to the terms of the Master Subordinate Trust Indenture, dated as of September 1, 2007 (the "Master Subordinate Indenture"), by and between the Authority and U.S. Bank National Association (the "Subordinate Trustee"), and a Fifth Supplemental Subordinate Trust Indenture, to be dated as of August 1, 2017 (the "Fifth Supplemental Subordinate Indenture"), by and between the Authority and the Subordinate Trustee. The Series 2017 Bonds are special obligations of the Authority, secured by and payable from the Authority's Subordinate Net Revenues and certain funds and accounts held by the Subordinate Trustee. Except as noted otherwise, all capitalized terms in this section have the meanings set forth in the Master Subordinate Indenture.

Prior to the issuance of the Series 2017 Bonds, the Authority has outstanding the following other long-term obligations that are secured by a pledge of Net Revenues or Subordinate Net Revenues of the Authority:[39]

- On January 30, 2013, the Authority issued $379.6 million of Senior Airport Revenue Bonds Series 2013A and Series 2013B ("Series 2013 Bonds"). The Series 2013 Bonds were issued as Senior Bonds pursuant to the Master Trust Indenture. The Series 2013 Bonds are special obligations of the Authority, secured by a pledge of and first lien on Net Revenues and certain funds and accounts held by the Senior Trustee.

- On October 5, 2010, the Authority issued $572.6 million of the Subordinate Series 2010, Series 2010B, and Series 2010C Bonds (the "Series 2010 Bonds"). The Subordinate Series 2010 Bonds were issued pursuant to the Master Subordinate Indenture and a Second Supplemental Subordinate Trust Indenture, dated as of October 1, 2010 (the "Second

[38] Capitalized terms not otherwise defined are used in this section as they are defined in the bond indentures.
[39] On February 1, 2014, the Authority issued $305.3 million of Senior Special Facilities Revenue Bonds (the "Series 2014 Bonds"), which are special limited obligations of the Authority, payable from and secured by a pledge of CFCs. The Series 2014 Bonds are not secured by a pledge of the Net Revenues or Subordinate Net Revenues of the Authority.

Supplemental Subordinate Indenture"), by and between the Authority and the Subordinate Trustee. The Series 2010 Bonds are special obligations of the Authority, secured by a pledge of Subordinate Net Revenues (as defined in the Master Subordinate Indenture), and certain funds and accounts held by the Subordinate Trustee.

The Authority also has short-term debt obligations. On March 27, 2017, the Board authorized the issuance of up to $125.0 million of Subordinate Airport Revenue revolving obligations with U.S. Bank National Association and up to $100.0 million of flexible drawdown bonds with RBC Municipal Products, LLC. These obligations are payable solely from and secured by a pledge of Subordinate Net Revenues, pursuant to the Master Subordinate Indenture.

Under the Master Senior Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to the following amounts: (a) the aggregate annual debt service on any outstanding Senior Bonds; (b) the required deposits to any Senior Debt Service Reserve Fund; (c) the reimbursement owed to any credit provider or liquidity provider as required by a Supplemental Senior Indenture; (d) the interest on and principal of any indebtedness other than Outstanding Senior Bonds, including Subordinate Obligations; and (e) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Senior Bonds, including Subordinate Obligations.

The Authority has also covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to 125 percent of aggregate annual debt service on the Outstanding Senior Bonds. This provision is known as the "Senior Rate Covenant."

Under the Master Subordinate Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues at least equal to the following amounts: (a) the Aggregate Annual Debt Service required to be funded in each Fiscal Year on any Outstanding Subordinate Obligations; (b) the required deposits to any Subordinate Debt Service Reserve Fund; (c) the reimbursement owed to any credit provider or liquidity provider; (d) the interest on and principal of any indebtedness other than Special Facility Obligations, senior lien revenue bonds and Outstanding Subordinate Obligations, including obligations issued with alien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations; (e) payments of any reserve requirement for debt service for any indebtedness other than senior bonds and Outstanding Subordinate Obligations, including obligations issued with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations.

The Authority has also covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least 110 percent of Aggregate Annual Debt Service on the Outstanding Subordinate Obligations. This provision is known as the "Subordinate Rate Covenant."

The Master Subordinate Indenture requires, as a condition to the issuance of new subordinate bonds, that the Authority demonstrate that it meets the requirements of the provision known as the "Additional Bonds Test (ABT)." The ABT can be met through a historical debt service coverage test (for 12 consecutive months out of the prior 18 months) which assumes that future bonds were already outstanding at the time of the historical test. Alternatively, the ABT can be met through the issuance of a certificate prepared by a consultant between the date of pricing and the date of delivery of the subordinate bonds showing that:

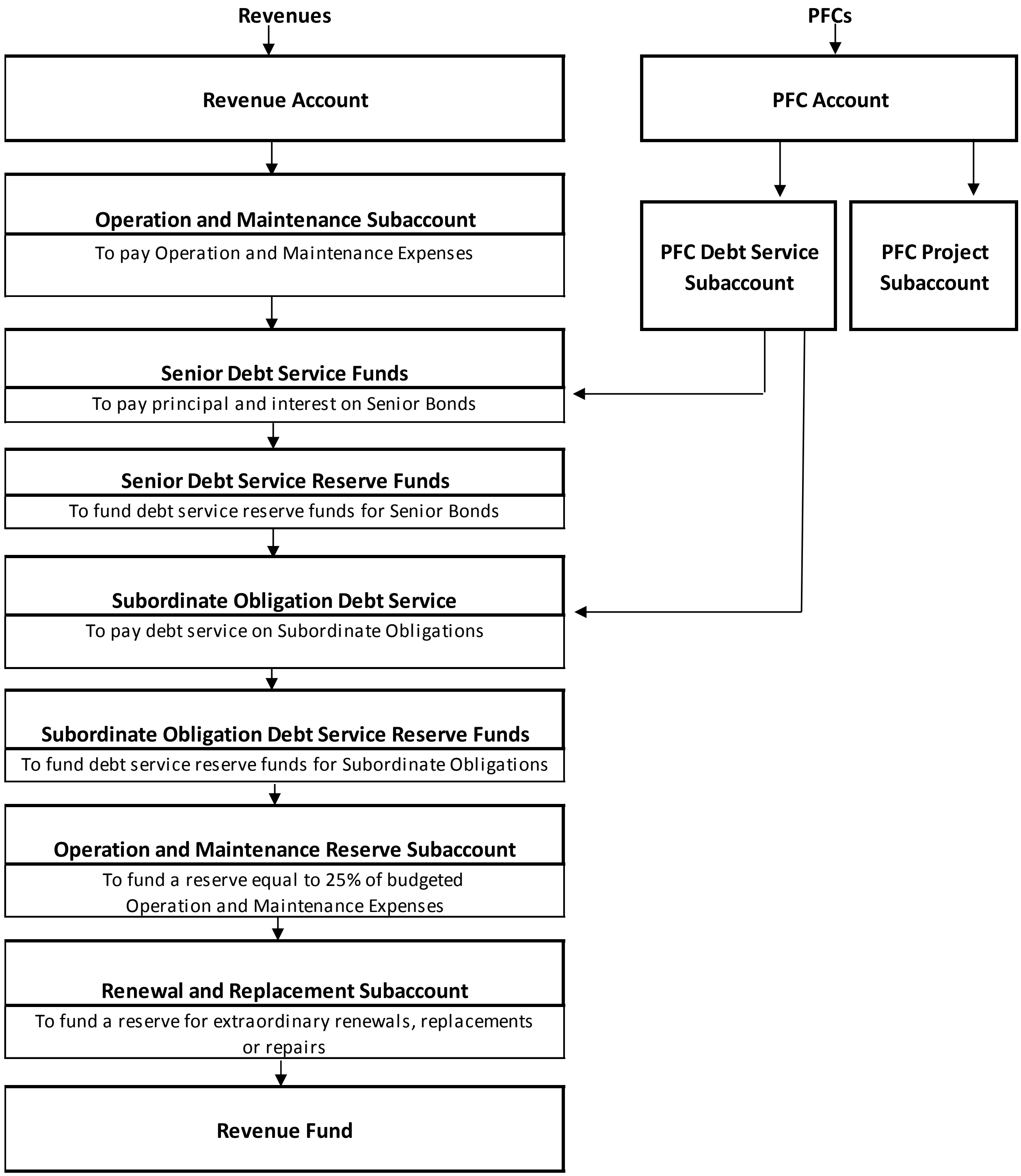
(i) the Subordinate Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed subordinate bonds were at least equal to 110% of the sum of Subordinate Aggregate Annual Debt Service due and payable with respect to all Outstanding Subordinate Obligations for such applicable period;

(ii) for the period from and including the first full Fiscal Year following the issuance of the proposed new subordinate bonds through and including the last Fiscal Year during any part of which interest on the proposed new subordinate bonds is expected to be paid from the bond proceeds, the consultant estimates that the Authority will be in compliance with the rate covenant under the Master Subordinate Indenture; and

(iii) for the period from and including the first full Fiscal Year following the issuance of the proposed new subordinate bonds during which no interest on the proposed new subordinate bonds is expected to be paid from the bond proceeds through and including the later of: (A) the fifth full Fiscal Year following the issuance of the bonds, or (B) the third full Fiscal Year during which no interest on the bonds is expected to be paid from the proceeds of the bonds. the estimated Subordinate Net Revenues for each such Fiscal Year, will be at least equal to 110% of the Subordinate Aggregate Annual Debt Service for each such Fiscal Year with respect to all outstanding Subordinate Obligations, Unissued Subordinate Program Obligations and calculated as if the proposed series of Subordinate Obligations and the full Authorized Amount of such proposed Subordinate Program Obligations were then outstanding.

Figure 4-1 illustrates the application and priority in the uses of Revenues and PFCs, as specified in the Master Senior Indenture, the Master Subordinate Indenture, and the PFC Resolution.

Figure 4-1: Flow of Funds



Note: During a Fiscal Year, all PFCs in the PFC Account will be first deposited into the PFC Debt Service Subaccount until an amount equal to the PFCs irrevocably committed by the Authority to the payment of debt service on the Senior Bonds and/or the Subordinate Obligations for such Fiscal Year has been deposited to the PFC Debt Service Subaccount. No PFCs will be deposited to the PFC Project Subaccount during a Fiscal Year until the PFC Debt Service Subaccount has been fully funded.

4.1.1 The Airport System Accounting and Financial Reporting

The basic financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting, which means that revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Independent Auditor's Report for the years ended June 30, 2016 and 2015 states that, in the opinion of the independent auditors, the Authority's financial statements for those years were presented in conformity with accounting principles generally accepted in the United States of America. Financial information is presented based on the Authority's fiscal year beginning July 1 of each calendar year and ending on June 30 of the succeeding calendar year. The Authority's FY 2016 financial statements show that as of June 30, 2016, the Authority had total assets of approximately $2,217.4 million, total liabilities of $1,439.8 million, and total net assets of approximately $777.6 million.

Table 4-1 summarizes the Authority's operating results for FY 2012 through FY 2016 presented in the financial statements, the Net Revenues presented in this Report, and a reconciliation between the two presentations. The Net Revenues presented in this Report are calculated pursuant to the definitions of Revenues, Operation and Maintenance Expenses ("O&M Expenses"), and Net Revenues included in the Master Senior Indenture – with the exception of grant reimbursements. Grant reimbursements are included in the definition of Revenues in the Master Senior Indenture, but are excluded from the projections of Revenues in this Report, in order to reflect only the ongoing operations of the Authority. The reconciling items between the annual Operating Profit or Loss reported in the financial statements and the Net Revenues presented in this Report consist of depreciation and amortization expense[40], interest income (excluding interest earned on unspent PFCs and CFCs)[41], RCC busing expenses paid with CFCs[42], actuarial liability adjustments[43], and the Joint Studies Program expenses[44].

[40] Depreciation and amortization expense is included in Operating Expenses in the audited financial statements, but is excluded from the definition of O&M Expenses in the Master Senior Indenture.
[41] Interest Income, excluding interest earned on unspent PFCs and CFCs, is included in the definition of Revenues in the Master Senior Indenture, but is not included in the calculation of Operating Profit or Loss on the audited financial statements because it is classified as Non-Operating Revenue.
[42] The definition of O&M Expenses in the Master Senior Indenture excludes expenses paid with CFCs (the definition of Revenues excludes CFC revenue).
[43] Actuarial liability adjustments are non-cash accounting entries made by the Authority to comply with reporting requirements for the audited financial statements.
[44] Joint Studies Program expenses are included in the definition of O&M Expenses in the Master Senior Indenture, but are not part of the calculation of Operating Profit or Loss on the financial statements because they are included in Non-Operating Expenses.

Table 4-1: Historical Financial Results

Category	Fiscal Years Ended June 30				
	2012	2013	2014	2015	2016
Audited Statement of Revenues and Expenses					
Operating Revenues	$153,549,960	$177,497,814	$195,736,837	$210,505,247	$233,994,051
Less: Operating Expenses	(163,701,280)	(168,420,028)	(214,025,911)	(217,808,842)	(237,228,768)
Operating Gain (Loss)	**($10,151,320)**	**$9,077,786**	**($18,289,074)**	**($7,303,595)**	**($3,234,717)**
Net Revenues per Master Senior Indenture					
Revenues	$158,311,784	$181,051,930	$199,834,430	$214,770,544	$238,640,326
Less: O&M Expenses	(118,941,148)	(126,662,546)	(136,604,105)	(142,781,639)	(151,327,220)
Net Revenue per Master Senior Indenture	**$39,370,636**	**$54,389,383**	**$63,230,325**	**$71,988,905**	**$87,313,106**
Reconciliation					
Operating Gain (Loss) per Financial Statements	($10,151,320)	$9,077,786	($18,289,074)	($7,303,595)	($3,234,717)
Add: Depreciation and Amortization Expense	44,532,069	41,623,629	77,205,256	77,558,961	83,577,615
Add: Interest excluding interest on PFCs and CFCs	5,062,722	3,743,222	4,465,998	4,557,393	4,930,292
Add: RCC Expenses	0	0	0	28,000	3,655,876
Deduct: Adjustment for Actuarial Liability	0	0	0	(2,711,376)	(1,514,601)
Deduct: Joint Studies Program	(72,835)	(55,254)	(151,855)	(140,478)	(101,359)
Net Revenue per Master Senior Indenture	**$39,370,636**	**$54,389,383**	**$63,230,325**	**$71,988,905**	**$87,313,106**

Please see discussion, including footnotes, on page 4-3 for explanation of the reconciling items.

4.1.2 Airline Rates and Charges

The Authority collects landing fees, terminal rentals, aircraft parking fees, security surcharges, FIS facilities charges, and other fees from the airlines operating at the Airport to support the operation and maintenance of the facilities used by the airlines. The Authority has entered into separate, but substantially similar, Airline Operating and Lease Agreements (the "Airline Agreements") with the air carriers operating at SAN (the "Signatory Airlines"). The Airline Agreements cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SAN. The Airline Agreements have a term commencing on July 1, 2013 and terminating on June 30, 2018, unless terminated earlier pursuant to their terms. The Signatory Airlines and the Authority have begun negotiating a new airline operating and lease agreement. Since the negotiations with the Signatory Airlines are in their preliminary stages, the Authority cannot predict if certain terms of the new agreements will be materially different from the existing agreements. If a new agreement is not entered into by July 1, 2018, the Signatory Airlines will continue to operate at SAN under the terms of the current Airline Agreements on a month-to-month basis. The financial analyses and projections in this section assume that the new airline operating and lease agreement will have substantially the same rate making provisions as included in the current Airline Agreements.

The calculation methodologies for the airline rates and charges, as specified in the current Airline Agreements, include a cost center residual methodology for the landing fee and a cost center compensatory methodology for the terminal rental rate. The calculations for the projected landing fee and the terminal rental rate during the forecast period are presented later in this section. The airline revenue projections presented in this section reflect the current airline rate methodology.

4.2 Operation and Maintenance Expenses

The Master Senior Indenture defines "Operation and Maintenance Expenses," or "O&M Expenses," as the total operation and maintenance expenses of the Airport as determined in accordance with generally accepted accounting principles, excluding depreciation expense and any operation and maintenance expenses payable from moneys other than Revenues, such as PFCs, and CFCs. Table 4-2 presents historical O&M Expenses for the period FY 2012 through FY 2016. Total O&M expenses increased from approximately $118.8 million in FY 2012 to approximately $151.3 million in FY 2016, representing an average annual increase of 6.2 percent during the historical period, in part due to the additional obligations resulting from the new facilities that opened in the last few years, including the Terminal 2 expansion and other components of the Authority's prior capital program ("The Green Build"), and the RCC, which opened in FY 2016. The historical changes in the various categories of O&M Expenses are discussed in the subsections below.

During the forecast period, total O&M Expenses are projected to increase to approximately $195.0 million in FY 2023, as shown on Table 4-3. The projections of O&M Expenses reflect the Authority's FY 2017 and FY 2018 budgets; anticipated future expense trends, including an inflation factor; and the projected operating expense impacts of the capital projects, including projects in the Capital Program. The projected changes in the various elements of projected O&M Expenses are explained in the sub-sections below. FY 2017 O&M Expenses are estimated to total approximately $155.7 million, an increase of 2.9 percent over FY 2016. In FY 2018, O&M Expenses are budgeted to increase 6.7 percent, to $166.1 million. The Authority anticipates that the annual growth in total O&M Expenses will slow after FY 2018 through the remainder of the forecast period, due to the Authority's ongoing commitment to limit increases in expenses. Authority management has outlined a number of cost saving initiatives that could be implemented if needed, to meet that commitment. Therefore, the projections of O&M Expenses in this Section are based on management's commitment and plan.

Table 4-2: Historical O&M Expenses

	Fiscal Years Ended June 30				
O&M Expense Categories	**2012**	**2013**	**2014**	**2015**	**2016**
Personnel	$37,236,512	$38,092,408	$39,135,284	$41,922,736	$43,581,971
Contractual Services	26,905,517	29,283,526	31,557,740	32,394,011	34,555,503
Safety and Security	22,625,169	23,994,020	24,150,563	23,464,483	28,721,250
Utilities	6,674,423	6,659,333	8,680,410	10,151,923	11,479,888
Maintenance	8,496,587	11,204,464	13,981,690	14,515,948	14,121,740
Space Rent	11,414,838	10,897,338	10,478,262	10,433,251	10,367,148
Business Development	2,093,166	2,444,367	2,661,222	2,484,624	2,391,259
Other Expenses	3,494,935	4,087,090	5,958,934	7,414,662	6,108,460
Total O&M Expenses	**$118,941,148**	**$126,662,546**	**$136,604,105**	**$142,781,639**	**$151,327,219**

Source: Authority records. This table presents O&M Expenses as defined in the Master Senior Indenture.

Table 4-3: Projected O&M Expenses

	Fiscal Years Ending June 30						
	Estimate	Projected					
O&M Expense Category	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Personnel	$43,652,845	$47,920,155	$51,242,527	$53,017,451	$54,857,506	$56,765,239	$58,743,304
Contractual Services	37,782,285	38,426,350	39,410,948	41,593,276	42,841,074	44,126,307	45,450,096
Safety and Security	28,754,692	31,064,556	32,964,718	33,953,659	34,972,269	36,021,437	37,102,080
Utilities	11,399,247	12,250,493	12,933,070	13,321,062	13,720,694	14,132,315	14,556,284
Maintenance	14,232,530	15,352,342	15,315,254	15,774,712	16,247,953	16,735,392	17,237,453
Space Rent	10,190,750	10,190,750	10,190,750	10,190,750	10,190,750	10,190,750	10,190,750
Business Development	2,670,902	3,744,934	3,128,614	3,222,472	3,319,147	3,418,721	3,521,283
Other Expenses	7,058,029	7,189,367	7,291,572	7,510,319	7,735,628	7,967,697	8,206,728
Total O&M Expenses	$155,741,280	$166,138,947	$172,477,452	$178,583,702	$183,885,021	$189,357,857	$195,007,978

This table presents O&M Expenses as defined in the Master Senior Indenture.

4.2.1 Personnel

Personnel is the largest category of O&M Expenses, representing approximately 28.8 percent of total O&M Expenses in FY 2016. Personnel expenses increased from approximately $37.2 million in FY 2012 to $43.6 million in FY 2016. The increases were primarily attributed to increased staffing resulting from the Terminal 2 expansion and related facilities included in The Green Build, salary increase, and higher costs for pension and medical benefits.

Personnel expenses are estimated to increase slightly in FY 2017, to approximately $43.7 million in FY 2017. Personnel expenses are budgeted to increase 9.8 percent in FY 2018, to $47.9 million, and 6.9 percent in FY 2019, to $51.2 million. These increases are due to anticipated increases in pension costs associated with updated actuarial estimates of the Authority's pension liability, salary increases, and the planned addition of new personnel positions. Personnel expenses are projected to increase 3.5 percent per year in FY 2019 and subsequent years, to reflect future salary increases and rising pension costs. Personnel expenses are projected to increase to approximately $58.7 million in FY 2023.

4.2.2 Contractual Services

The Contractual Services category represented approximately 22.8 percent of total O&M Expenses in FY 2016. It consists primarily of fees incurred for contracts for services supplied by vendors, such as janitorial services for the terminals, parking management costs, contracts with facility development consultants, legal consultants, and other consultants. Contractual Services increased from approximately $26.9 in FY 2012 to $34.6 million in FY 2016. The large increases in FY 2013 FY 2014 were mainly due to increased consulting services such as ramp control professional services and new software related to the new facilities constructed as part of The Green Build. The large increase in FY 2016 was due to increases in the parking operation expenses.

Contractual Services are estimated to increase to approximately $37.8 million in FY 2017 and $38.4 million in FY 2018, mainly due to anticipated wage increases on various contracts and increases in shuttle bus operating expenses. Contractual Services are projected to increase 3.0 percent per year in FY 2019 through FY 2023, plus an additional increase in FY 2020 (for a total increase of 5.5 percent in FY 2020). The larger increase in FY 2020 is due to the anticipated effects of the completion of a storm water treatment system, which is projected to result in additional expenses for periodic replacements of water filters and other materials, plus contractual services personnel to maintain the system. Contractual Services are projected to increase to approximately $45.5 million in FY 2023.

4.2.3 Safety and Security

Safety and Security expenses totaled $27.7 million in FY 2016, or 18.1 percent of total O&M Expenses. The largest component of the Safety and Security is the cost of Harbor Police services ($18.8 million, or 67.7 percent of Safety and Security expenses in FY 2016). The Act that created the Authority mandates that the Authority use the services of the Harbor Police for Airport security. Approximately $6.0 million, or 21.5 percent of Safety and Security expenses, represented the costs of the Airfield Rescue and Fire Fighting ("ARFF") services provided by the City of San Diego in FY 2016. Total Safety and Security expenses increased from $22.6 million in FY 2012 to $28.7 million in FY 2016. Most of the increases were due to increased Harbor Police expenses. In FY 2013, Harbor Police expenses increased by $1.9 million, or 12.6 percent, due to higher salary and benefit expenses associated with a new agreement negotiated with Harbor Police. In FY 2016, Harbor Police expenses increased by approximately $3.9 million, or 24.6 percent, due to increased law enforcement training and benefit costs, and the reclassification of maintenance costs for the security system from Maintenance to Safety and Security.

Safety and Security expenses are estimated to increase to approximately $28.8 million in FY 2017. The increase is mainly attributable to the reclassification of the Access Control System expenses from the Maintenance expense category. Safety and Security expenses are budgeted to increase to $31.1 million in FY 2018, due to additional anticipated cost of living and retirement cost increases for Harbor Police. This expense category is projected to increase 3.0 percent per year from FY 2019 through FY 2023, and total approximately $37.1 million in FY 2023.

4.2.4 Utilities

Utilities expenses increased from approximately $6.7 million in FY 2012 to $11.5 million in FY 2016. The largest annual increase occurred in FY 2014, when Utilities increased approximately $2.0 million or 30.3 percent, mainly due to increased rates and additional utilities usage resulting from the opening of the Terminal 2 expansion and the other components of The Green Build. Utilities expenses increased an additional $1.5 million, or 17.0 percent, in FY 2015, reflecting the effects of the first full year of the operation of the Terminal 2 expansion and the other components of The Green Build. Utilities expenses increased 13.1 percent in FY 2016, mainly as a result of higher rates and increased power usage associated with the RCC's opening in January 2016.

In FY 2017, Utilities expenses are estimated to total less than the FY 2016 total – approximately $11.4 million. Utilities expenses are budgeted to increase 7.5 percent in FY 2018, to $12.3 million and 5.6 percent in FY 2019, to $12.9 million, mainly due to rate increases and increased usage related to the Terminal 2 Parking Plaza and the Terminal 2 FIS Buildout. Utility expenses are projected to increase 3.0 percent per year in FY 2020 through FY 2023, to approximately $14.6 million in FY 2023.

4.2.5 Maintenance

Maintenance expenses increased from approximately $8.3 million in FY 2012 to $11.2 million in FY 2013 and $14.0 million in FY 2014. This expense category increased more modestly in FY 2015, to $14.5 million and decreased to $14.1 million in FY 2016. The significant increases in FY 2013 and FY 2014 were mainly due to the costs of elevator and escalator repairs, sinkhole repair, runway restriping, and other airfield repairs. The decrease in FY 2016 was due to the reclassification of maintenance costs for the security system from Maintenance to Safety and Security

Maintenance expenses are estimated to decrease to approximately $14.2 million in FY 2017. The costs of the Access Control System were reclassified and are included in Safety and Security expenses (which caused a corresponding increase in that expense category in FY 2017, as explained above). Maintenance expenses are budgeted to increase to $15.3 million in FY 2018, mainly due to anticipated increases in annual repair and service contracts. Maintenance expenses are projected to increase 3.0 per year in FY 2019 and subsequent years, to approximately $17.2 million in FY 2023.

4.2.6 Space Rent

Space rental expense consists of lease payments to the Port District for properties adjacent to the Airport, including the former General Dynamics, Teledyne Ryan, and Harbor Island parcels. Space rental payments decreased from approximately $11.4 million in FY 2012 to $10.9 million in FY 2013 and $10.5 million in FY 2014, mainly due to the cancellation of a land lease for employee parking during FY 2013 (with the full year effect in FY 2014). Space rent decreased to $10.4 million in FY 2015 and FY 2016 due to the termination of a lease with the Port District related to the FBO area.

FY 2017 Space rental expense is estimated to total approximately $10.2 million, a decrease of $0.3 million from FY 2016, due to the termination of the lease with the Port District for the Taxi Hold Lot, which was relocated to Airport property. This line item is budgeted to remain constant at $10.2 million in FY 2018 and throughout the remainder of the forecast period, reflecting the long-term nature of the Authority's remaining leases with the Port District.

4.2.7 Business Development

The business development expense category includes costs for advertising, membership and dues, postage and shipping, promotional activities and materials, and travel. Business development expenses fluctuated between $2.1 million and $2.7 million during the period of FY 2012 through FY

2016, and totaled $2.4 million in FY 2016. The fluctuations were mainly due to increased advertising expenses and expenditures for promotional materials related to the completion of The Green Build and air service development efforts.

Business Development expenses are estimated to total approximately $2.7 million in FY 2017, an increase of 11.7 percent over the FY 2016 amount. The increase was mainly due to advertising expenses related to new domestic and international air service initiatives; advertising of changes in the public parking facilities, including changes related to the construction of the Terminal 2 Parking Plaza; and the concession marketing program. Business Development expenses are budgeted to increase to $3.7 million in FY 2018 due to sponsorship expenses for the American Association of Airport Executives, promotional expenses related to the Airport's 90th anniversary, and continued expenses related to the concession marketing program. After the completion of the unusual advertising and promotional expenses in FY 2017 and FY 2018, Business Development expenses are anticipated to decrease to $3.1 million in FY 2019, and then increase 3.0 percent per year thereafter, to $3.5 million in FY 2023.

4.2.8 Other Expenses

Other expenses include employee development and support; equipment rentals and repairs; insurance; operating equipment and systems; operating supplies; and other expenses. The total amount of these expense categories increased from approximately $3.5 million in FY 2012 to $4.1 million in FY 2013, $6.0 million in FY 2014, and $7.4 million in FY 2015 before decreasing to $6.1 million in FY 2016. Much of the large increase in FY 2014 was due to increased costs associated with Common Use Systems and Flight Information Display Systems (FIDS) resulting from the completion of the Terminal 2 Expansion. The additional increase in FY 2015 was caused by purchases of additional equipment for information technology and security needs. Adding to the increases in both FY 2014 and FY 2015 was the addition to the Authority's property insurance policy of the facilities included in The Green Build (completed in FY 2014, with the first full year of operation in FY 2015). These additions caused an increase in the appraisal of the insurable values included in the Authority's property insurance policy.

The expense category aggregated as "Other Expenses" is projected to total approximately $7.1 million in FY 2017 and is budgeted to total $7.2 million in FY 2018. A main factor in these increases is an increase in insurance expense, due to increases in the insurance rates, and the addition of Pollution Liability insurance. Total Other Expenses are projected to increase 3.0 percent per year in FY 2019 and subsequent years, to approximately $8.2 million in FY 2023.

4.3 Debt Service and Amortization Charges

As discussed in Section 1, the Authority's Capital Program includes the Terminal 2 Parking Plaza and the Terminal 2 FIS Buildout, which are being funded with a portion of the proceeds of the Series 2017 Bonds. The sources and uses of the Series 2017 Bonds are presented on Table 4-4.

Table 4-4: Sources and Uses of the Series 2017 Bonds

	Series 2017A	Series 2017B	Total Series 2017
Sources			
Par Amount	$157,030,000	$156,850,000	$313,880,000
Premium	18,361,631	14,487,240	32,848,871
Total Sources	$175,391,631	$171,337,240	$346,728,871
Uses			
Project Fund	$129,477,640	$159,000,000	$288,477,640
Repayment of Short-Term Obligation	32,550,000	-	32,550,000
Debt Service Reserve Fund	10,204,250	10,164,750	20,369,000
Capitalized Interest	1,588,393	601,858	2,190,251
Underwriters Discount	628,120	627,400	1,255,520
Costs of Issuance and Rounding	943,228	943,232	1,886,460
Total Uses	$175,391,631	$171,337,240	$346,728,871

Source: Frasca & Associates, LLC, based upon market rates as of May 24, 2017 plus 50 basis points

The debt service requirements projected during the forecast period are presented on Table 4-5. In addition to the issuance of the Series 2017 Bonds, the Authority anticipates issuing bonds in 2018 (the "Series 2018 Bonds") in the second half of calendar year 2018. This financial analysis assumes that the Series 2018 Bonds will be issued as Senior Lien bonds. In addition, the Authority plans to continue utilizing its authorized line of credit during the forecast period, to provide funding needed on a short-term basis for projects in the Capital Program. The debt instruments assumed to remain outstanding during the forecast period are the following:

- Senior Lien debt
  - Series 2013A and Series 2013B Bonds
  - Series 2018 Bonds (assumed to fund future projects in the Capital Program)
- Subordinate Lien debt
  - Series 2010A, Series 2010B, and Series 2010C Bonds
  - Series 2017A and Series 2017B Bonds
  - Short-term obligations

Annual debt service for the Series 2017 Bonds is projected to equal approximately $17.8 million in FY 2018, $19.8 million in FY 2019, and $20.4 million in FY 2020 through FY 2023. The annual debt service requirements, as estimated by Frasca & Associates, LLC, are based on an assumed annual interest rate of approximately 4.2 percent and are net of estimated capitalized interest.

Annual debt service requirements on the Series 2018 Bonds, as estimated by Frasca & Associates, LLC, are based on an annual interest rate of approximately 4.9 percent. Annual debt service for the Series 2018 Bonds is projected to begin in FY 2019 (partial year) at approximately $0.5 million and increase to $25.0 million in FY 2020 and subsequent years.

Projected annual debt service includes projected annual payments, which are assumed to include both principal and interest payments, related to the Authority's short-term obligations. Approximately $10.6 million of short-term obligations are assumed to be amortized through FY 2019 at an average interest rate of 2.35 percent, and $15.8 million in short-term obligations are assumed to be amortized through FY 2030 at an average interest rate of 2.30 percent.

Total annual debt service is projected to increase from $85.8 million in FY 2018 to $87.8 million in FY 2019, mainly due to the scheduled increase in debt service on the Series 2017 Bonds and the first year (partial) of debt service on the Series 2018 Bonds, partially offset by a decrease in the projected payments on the short-term subordinate obligations. Total annual debt service is projected to increase to $113.3 million in FY 2020, and throughout the remainder of the forecast period, due to the scheduled increase in the annual debt service for the Series 2017A Bonds and the first full year of debt service for the Series 2018 Bonds, partially offset by a decrease in the annual debt service on the short-term subordinate obligations.

Table 4-5: Projected Debt Service

	Fiscal Years Ending June 30						
Bond Series	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Senior Lien Bonds:							
Series 2013 A	$6,710,400	$6,712,400	$6,716,200	$6,716,600	$6,711,600	$6,711,350	$6,710,350
Series 2013 B	13,794,550	13,791,350	13,777,950	19,289,750	19,288,500	19,283,000	19,292,750
Total Series 2013	$20,504,950	$20,503,750	$20,494,150	$26,006,350	$26,000,100	$25,994,350	$26,003,100
Series 2018	-	-	492,448	25,011,100	25,014,000	25,011,350	25,013,750
Total Senior Lien	$20,504,950	$20,503,750	$20,986,598	$51,017,450	$51,014,100	$51,005,700	$51,016,850
Subordinate Obligations:							
Series 2010 A	22,608,750	22,612,250	22,610,750	22,608,500	22,609,500	22,612,500	22,606,250
Series 2010 B	3,263,438	3,263,438	3,261,038	3,261,238	3,266,988	3,264,863	3,263,800
Series 2010 C	14,274,061	14,274,061	14,274,061	14,274,061	14,274,061	14,274,061	14,274,061
Total Series 2010	$40,146,248	$40,149,748	$40,145,848	$40,143,798	$40,150,548	$40,151,423	$40,144,111
Series 2017 A	-	8,303,057	9,814,646	10,199,250	10,199,250	10,202,750	10,204,250
Series 2017 B	-	9,516,028	9,949,622	10,160,100	10,160,500	10,164,500	10,161,500
Total Series 2017	$0	$17,819,085	$19,764,268	$20,359,350	$20,359,750	$20,367,250	$20,365,750
Short Term Subordinate	7,141,241	7,291,534	6,935,379	1,771,885	1,774,940	1,782,496	1,789,454
Total Subordinate	$47,287,489	$65,260,368	$66,845,495	$62,275,033	$62,285,238	$62,301,170	$62,299,315
Total Debt Service	$67,792,439	$85,764,118	$87,832,093	$113,292,483	$113,299,338	$113,306,870	$113,316,165

Source: Authority records and Frasca & Associates, LLC.

The Airline Agreements allow the Authority to include amortization charges in the airline rates and charges to reimburse the Authority for capital project costs paid from Authority funds. The Authority may include in airline rates and charges the amount of principal and interest in equal annual amounts for the term of the asset's useful life, with the interest calculated at a rate equal to the 30-year revenue bond index at the time the asset is placed in service. The financial analysis assumes that such amortization charges will be included in the calculation of airline rates and charges during the forecast period. Amortization charges for the Airfield and Terminal cost centers are shown on the tables that present the landing fee and terminal rental rate calculations (Tables 4-8 and 4-9).

4.4 Revenues

The Master Senior Indenture defines "Revenues" as all income, receipts, earnings and revenues received by the Authority from the operation and ownership of the Airport. Excluded from the definition of Revenues are PFCs, CFCs, interest income on unspent PFCs and CFCs, and certain other items.[45] The Authority has covenanted that all Revenues will be deposited into the Revenue Account within the Revenue Fund to be pledged as security for the Senior Lien Bonds (the currently outstanding Series 2013 Bonds), the Subordinate Obligations (the currently outstanding Series 2010 Bonds), and any additional bonds issued pursuant to the Master Senior Indenture and the Master Subordinate Indenture. As discussed earlier in this section, the Series 2017 Bonds are being issued as Subordinate Obligations.

Historical and projected Revenues are presented on Table 4-6 and Table 4-7, respectively. Revenues increased from approximately $158.6 million in FY 2012 to $238.6 million in FY 2016, due to the factors described in the sub-sections below. Revenues are estimated to total approximately $250.5 million in FY 2017, are budgeted to increase to $262.4 million in FY 2018, and are projected to increase to $348.8 million in FY 2023. The projections of the various categories of Revenues are explained in the sub-sections below.

4.4.1 Airline Revenues

Airline revenues consist of landing fees, aircraft parking fees, terminal rentals, security surcharges, and other revenue, in accordance with the provisions of the Airline Agreement. Total airline revenues increased from approximately $72.4 million in FY 2012 to $112.2 million in FY 2016. During this historical period, the Authority implemented a progressive cost recovery system with graduated rate increases. In addition, O&M Expenses allocated to the airline cost centers increased due to the expansion of Terminal 2 and increases in airfield costs. Debt service allocated to the terminal cost center increased due to the Series 2013 Bonds that funded a portion of the Terminal 2 expansion. Total airline revenues are projected to increase to approximately $172.8 million in FY 2023, mainly due to projected increases in O&M Expenses, increases in amortization charges related to planned Authority-funded capital expenditures, and increases in debt service costs for the Series 2017 Bonds and the anticipated Series 2018 Bonds, as discussed in the sub-sections below. The components of airline revenue are discussed below.

[45] Although FAA grant receipts, which are reimbursements of capital expenditures, are included in the definition of Revenues contained in the Master Senior Indenture, they are excluded from the projections of Revenues in this section, in order to reflect only the ongoing operations of the Authority.

Table 4-6: Historical Revenues

	Fiscal Years Ended June 30				
Revenue Categories	**2012**	**2013**	**2014**	**2015**	**2016**
Airline Revenue					
Landing Fees	$18,419,244	$19,658,173	$19,107,258	$21,390,056	$23,984,793
Aircraft Parking Fees	3,134,539	3,190,928	2,503,181	2,715,854	2,701,219
Terminal Rentals [1]	30,632,762	41,839,619	48,895,351	51,460,911	54,688,738
Security Surcharge	18,649,147	23,359,938	25,776,517	25,179,679	29,223,097
Other Aviation Revenue	1,594,529	1,591,266	1,593,918	1,584,599	1,607,391
Total Airline Revenue	$72,430,221	$89,639,923	$97,876,224	$102,331,098	$112,205,238
Non-Airline Revenue					
Building and Other Rents	907,264	971,790	1,157,565	1,506,604	1,031,891
Concessions					
Rental Cars	23,943,041	24,401,371	24,900,830	26,209,701	27,815,816
Food and Beverage	6,403,844	6,574,875	7,630,853	8,920,781	10,405,272
Gifts and News	4,041,936	3,257,773	5,052,162	5,888,989	6,368,546
License Fees	3,178,544	3,488,472	4,070,505	4,325,175	4,440,557
Other Terminal Concessions	2,859,943	2,879,212	2,850,931	3,240,270	3,303,256
Cost Recovery	0	1,439,038	3,264,587	3,911,478	3,940,894
Total Concessions	$40,427,308	$42,040,741	$47,769,867	$52,496,393	$56,274,343
Parking and Ground Transportation	31,469,960	35,750,484	38,959,022	41,632,530	48,105,643
Ground rentals	7,136,299	8,189,723	8,445,275	11,567,849	15,193,757
Other Operating Revenue	878,051	715,970	1,160,501	678,870	890,456
Interest Income	5,062,681	3,743,298	4,465,998	4,557,200	4,938,999
Total Non-Airline Revenue	$85,881,564	$91,412,006	$101,958,229	$112,439,445	$126,435,088
Total Revenues	$158,311,784	$181,051,930	$199,834,453	$214,770,544	$238,640,326

Source: Authority records. This table presents Revenues as defined in the Master Senior Indenture.

[1] This category includes Common Use and FIS Use charges.

Table 4-7: Projected Revenues

	Fiscal Years Ending June 30						
	Estimate	Projected					
Airport Revenues	2017	2018	2019	2020	2021	2022	2023
Airline Revenue							
Landing Fees [1]	$24,867,343	$27,712,653	$29,752,280	$38,827,549	$40,669,266	$44,943,743	$45,715,416
Aircraft Parking Fees	2,865,482	3,019,412	3,233,943	4,220,386	4,420,572	4,885,189	4,969,067
Terminal Rentals [2]	56,249,762	60,409,398	65,094,513	76,496,112	79,385,666	80,086,417	81,561,106
Security Surcharge	30,039,093	32,915,963	34,754,291	37,179,015	38,355,077	39,275,695	40,295,512
Other Aviation Revenue	1,622,714	195,498	199,408	203,396	207,464	211,613	215,846
Total Airline Revenue	$115,644,394	$124,252,924	$133,034,436	$156,926,458	$163,038,045	$169,402,657	$172,756,947
Non-Airline Revenues							
Building and Other Rents	1,547,359	1,584,928	1,604,432	1,609,035	1,613,683	1,618,378	1,623,120
Concessions:							
Rental Cars	29,277,201	30,081,562	30,333,348	30,637,564	31,033,469	31,630,952	32,698,836
Food and Beverage	10,604,683	10,975,345	11,190,507	11,551,688	11,968,330	12,476,036	13,208,504
Gifts and News	6,806,544	6,965,892	7,241,769	7,475,502	7,745,126	8,073,680	8,547,686
License Fees	4,743,903	4,785,748	4,867,009	4,940,311	5,004,227	5,069,484	5,135,188
Other Terminal Concessions	3,296,788	3,036,333	3,110,685	3,184,999	3,273,612	3,385,999	3,558,039
Cost Recovery	4,160,239	4,724,648	4,860,842	4,989,048	5,120,923	5,256,577	5,396,120
Total Concessions	58,889,358	60,569,529	61,604,160	62,779,112	64,145,688	65,892,727	68,544,374
Parking & Ground Transportation	48,096,749	47,977,417	57,639,539	58,158,917	59,051,086	61,101,291	62,873,112
Ground rentals	18,462,946	19,805,203	19,711,964	26,382,941	26,725,015	27,066,021	27,412,642
FIS Use Charge	-	-	4,559,000	4,593,000	4,646,000	4,728,000	4,888,000
Other Operating Revenue	1,523,659	773,469	773,469	773,469	773,469	773,469	773,469
Interest Income	6,329,275	7,459,238	8,901,252	8,681,672	8,800,381	9,402,134	9,967,722
Total Non-Airline Revenues	$134,849,345	$138,169,783	$154,793,816	$162,978,146	$165,755,322	$170,582,021	$176,082,439
Total Revenues	$250,493,739	$262,422,707	$287,828,252	$319,904,604	$328,793,368	$339,984,678	$348,839,386

This table presents Revenues as defined in the Master Senior Indenture.[1] This category Includes Common Use and FIS Use Charges in FY 2017 and FY 2018. Beginning in FY 2019, the FIS Use Charge revenue is shown in a separate line item.

4.4.1.1 Landing Fees

Landing fees increased from approximately $18.4 million in FY 2012 to $24.0 million in FY 2016. The increases were mainly due to higher airfield costs, which rose throughout the historical period. Landing fees are estimated to increase from approximately $24.9 million in FY 2017 to $45.7 million in FY 2023. The projected increases are primarily due to projected increases in annual debt service costs and amortization charges associated with planned future airfield capital projects, as well as projected increases in O&M Expenses allocated to the airfield. The calculations of the projected landing fee revenue and landing fee rate, based on the methodology stipulated in the Airline Agreement, are shown on Table 4-8. The landing fee rate is projected to increase from $1.96 in FY 2017 to $3.31 in FY 2022, and then decrease to $3.26 in FY 2023. The largest increase is projected to occur in FY 2020 (it is projected to increase from $2.26 in FY 2019 to $2.94 in FY 2020), primarily due to the projected debt service on the anticipated Series 2018 Bonds and amortization charges associated with planned airfield projects.

Table 4-8: Projected Landing Fee Rate

	Fiscal Years Ending June 30						
	Estimate	Projected					
Calculation Elements	2017	2018	2019	2020	2021	2022	2023
Airfield Costs							
Operating Expenses	$30,407,836	$44,892,207	$45,047,519	$46,277,275	$47,293,721	$48,054,599	$49,140,224
Debt Service	1,224,207	1,225,013	3,293,174	9,855,247	9,856,449	9,856,284	9,857,009
Amortization Charges	1,894,400	2,797,300	2,949,000	5,279,700	6,353,400	10,382,000	10,201,400
Other Requirements	883,200	677,800	566,900	575,300	586,800	598,800	611,300
Total Airfield Requirement	$34,409,643	$49,592,320	$51,856,593	$61,987,522	$64,090,370	$68,891,683	$69,809,933
Credits:							
Fuel Flowage	(195,302)	(195,498)	(199,408)	(203,396)	(207,464)	(211,613)	(215,846)
Quieter Home Grant Receipts	(2,324,000)	(14,340,000)	(14,340,000)	(14,340,000)	(14,340,000)	(14,340,000)	(14,340,000)
Operating Grant Revenue	-	-	-	-	-	-	-
Ground Handling Concession Revenue	($3,029,768)	($3,028,759)	($3,080,187)	($3,126,578)	($3,167,028)	($3,208,327)	($3,249,909)
Other Credits	(1,199,894)	(1,229,892)	(1,250,775)	(1,269,613)	(1,286,039)	(1,302,810)	(1,319,695)
Total Credits	($6,748,965)	($18,794,150)	($18,870,370)	($18,939,587)	($19,000,532)	($19,062,750)	($19,125,450)
Airfield Net Requirement	**$27,660,678**	**$30,798,170**	**$32,986,223**	**$43,047,935**	**$45,089,838**	**$49,828,932**	**$50,684,483**
Airline Adjacent Parking Fee	(2,370,140)	(2,596,708)	(2,781,191)	(3,629,532)	(3,801,692)	(4,201,263)	(4,273,398)
Remote Overnight Parking Fee	(462,096)	(422,720)	(452,752)	(590,854)	(618,880)	(683,927)	(695,669)
Aircraft Parking Position Credit	($2,832,236)	($3,019,428)	($3,233,943)	($4,220,386)	($4,420,572)	($4,885,189)	($4,969,067)
Adjusted Net Requirement	**$24,828,442**	**$27,778,741**	**$29,752,280**	**$38,827,549**	**$40,669,266**	**$44,943,743**	**$45,715,416**
Total Landed Weight (1,000 lb. units)	12,668,840	12,951,218	13,138,249	13,228,780	13,369,411	13,593,067	14,028,931
Landing Fee Rate	$1.96	$2.14	$2.26	$2.94	$3.04	$3.31	$3.26

4.4.1.2 Aircraft Parking Fees

Aircraft parking fees are assessed based on the number of aircraft parking positions assigned to each airline at the terminal gates and in remote parking positions. Aircraft parking fees decreased from $3.1 million in FY 2012 to $2.7 million in FY 2016, due to a decrease in aircraft parking positions used by the air carriers. Aircraft parking fees are projected to increase from $2.9 million in FY 2017 to $5.0 million in FY 2023. The basis for the calculation of the per-parking position fee is an amount equal to 10 percent of the net costs allocated to the airfield (this amount is deducted from the airfield requirement in the calculation of the landing fee rate). Therefore, as airfield costs are projected to increase during the forecast period (discussed above), the amount used in the calculation of the aircraft parking fee is projected to increase, and the aircraft parking fees are projected to increase accordingly.

4.4.1.3 Terminal Rentals

Terminal rentals increased from approximately $30.6 million in FY 2012 to $54.7 million in FY 2016. The increases were mainly due to the implementation of the graduated rate increases to enable the Authority to recover more costs allocated to the Terminal cost center, and the increases in O&M Expenses and debt service costs associated with the expansion of Terminal 2. Terminal rents are estimated to total approximately $56.3 million in FY 2017. This revenue category is budgeted to increase to $60.4 million in FY 2018 and is projected to increase to $65.1 million in FY 2019. A significant increase in this revenue category is projected for FY 2020 (to $76.5 million), when debt service for the anticipated Series 2018 Bonds related to Terminal projects is anticipated to begin. Terminal Rentals are projected to increase in FY 2021 through FY 2023, to approximately $81.6 million in FY 2023. The calculation of the projected terminal rental rate is presented on Table 4-9. The average terminal rental rate is projected to increase from $147.19 in FY 2017 to $206.76 in FY 2023.

Table 4-9: Projected Terminal Rental Rate

	Fiscal Years Ending June 30						
	Estimate	Projected					
Calculation Elements	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Terminal Costs							
O&M Expenses	62,934,704	65,987,787	67,676,267	70,316,037	72,537,902	74,210,179	76,581,522
Revenue Bond Debt Service	23,677,748	23,863,125	24,771,888	35,099,720	35,101,803	35,097,729	35,100,453
Short Term Obligations	1,303,049	1,477,968	1,180,754	1,490,039	1,492,873	1,499,405	1,505,455
Amortization Charges	2,892,700	6,557,100	9,826,800	14,135,500	16,475,000	15,972,900	15,972,900
Other Requirements	1,766,300	1,355,600	1,133,800	1,150,600	1,173,600	1,197,500	1,222,500
Total Terminal Requirement	**$92,574,501**	**$99,241,579**	**$104,589,509**	**$122,191,896**	**$126,781,179**	**$127,977,713**	**$130,382,830**
Credits:							
Citation Revenue Credit	(179,558)	(184,944)	(190,493)	(196,208)	(202,094)	(208,157)	(214,401)
Custodial Contract Credit	(5,571,865)	(5,532,193)	(5,698,159)	(5,869,103)	(6,045,177)	(6,226,532)	(6,413,328)
FIS Use Charge	(871,170)	(911,814)	-	-	-	-	-
Total Credits	($6,622,593)	($6,628,951)	($5,888,651)	($6,065,311)	($6,247,270)	($6,434,688)	($6,627,729)
Terminal Net Requirement	**$85,951,908**	**$92,612,628**	**$98,700,857**	**$116,126,585**	**$120,533,908**	**$121,543,025**	**$123,755,101**
Terminal Square Footage	583,945	575,185	599,562	598,533	598,533	598,533	598,533
Rental Rate Per Square Foot	**$147.19**	**$161.01**	**$164.62**	**$194.02**	**$201.38**	**$203.07**	**$206.76**

4.4.1.4 Security Surcharge Revenue

The Signatory Airlines pay a Security Surcharge to reimburse the Authority for the cost of providing security in the airfield and terminal areas. The security costs incorporated into the calculation of the Security Surcharge include allocated O&M Expenses, debt service costs, amortization charges, and terminal rent for the security check point areas used by the TSA for passenger security screening. Any federal, state, or local grants received to offset security costs, and PFCs applied to security costs, are deducted from the allocated costs in calculating the Security Surcharge. This revenue category increased from approximately $18.6 million in FY 2012 to $29.2 million in FY 2016, reflecting the historical increases in the cost of providing security. Security Surcharge revenue is estimated to total $30.0 million in FY 2017, and is budgeted to increase to $32.9 million in FY 2018, reflecting the security cost increases explained in the sub-section on O&M Expenses above. Security Surcharge revenue is projected to increase to $40.3 million in FY 2023, reflecting future projected increases in security costs, as explained earlier in this section.

4.4.1.5 Other Aviation Revenues

Other Aviation Revenues consist primarily of the capital cost recovery of the fuel farm and fuel farm franchise fees. This revenue category remained constant at $1.6 million from FY 2012 through FY

2016, and is estimated to equal $1.6 million in FY 2017. However, with the completion of the capital cost recovery period for the fuel farm at the end of FY 2017, this revenue category is projected to decrease to approximately $200,000 in FY 2018 and throughout the remainder of the forecast period.

4.4.2 Non-Airline Revenues

Non-airline revenues consist of building rents, terminal concession revenues, parking and ground transportation revenues, ground rentals, other operating revenue, and interest income. Non-airline revenues increased from $86.2 million in FY 2012 to $127.2 million in FY 2016, mainly due to increases in parking revenue and ground transportation revenue; revenue received from the concessions in the terminal; and ground rentals. Total non-airline revenues are projected to increase from approximately $134.8 million in FY 2017 to $176.1 million in FY 2023. Much of the projected increases are due to anticipated increases in parking revenue after the completion of the Terminal 2 Parking Plaza and a planned increase in the FIS use charge. The components of non-airline revenue, including historical changes and projected increases, are discussed in the paragraphs below.

4.4.2.1 Building and Other Rents

The Authority receives rent from non-airline tenants for space rented in the terminal buildings and other areas. This revenue category increased from $0.9 million in FY 2012 to $1.5 million in FY 2015 and decreased to $1.0 million in FY 2016. Building and Other Rent revenue is estimated to total approximately $1.5 million in FY 2017, and is projected to total $1.6 million per year from FY 2018 through FY 2023.

4.4.2.2 Concessions

The Authority receives percentage concession fees, subject to a minimum annual guarantee, from rental car, food and beverage, news and gift, and other concessionaires. The concession revenue is calculated as a percentage of each concessionaire's sales, subject to minimum annual guarantee amounts. The various types of concession revenues and the historical trends and projected future increases are described in the sub-sections below.

4.4.2.2.1 Rental Car Concession Revenue

The largest component of the terminal concession revenue category is rental car concession revenue, which represented 52.4 percent of total terminal concession revenue in FY 2016. The rental car companies that operate at the Airport pay a concession fee of 10 percent of their gross revenues. Beginning with the opening of the RCC in January 2016, the rental car companies have also been paying a cost recovery fee for the operating expenses of the RCC. Rental car concession revenue increased from approximately $23.9 million in FY 2012 to $27.8 million in FY 2016. Rental car gross revenues per non-connecting deplanement remained fairly constant during the historical period, meaning that the increase in rental car concession revenue has been mainly due to increases in non-connecting deplanements. In FY 2017, rental car concession revenue is estimated to total $29.3 million, including $1.6 million for the RCC cost recovery fee. Rental car concession revenue for future years is projected based on the FY 2016 gross revenues, per non-connecting deplanement, applied to projected non-connecting deplanements, plus the RCC cost recovery fee. Rental car concession revenue is projected to increase from approximately $30.1 million in FY 2018 to $32.7 million in FY 2023.

4.4.2.2.2 Food and Beverage/Gift and News Concession Revenues

In March 2015, the Authority completed its Concessions Development Program (CDP), which involved a complete revamp of the shopping and dining options in the passenger terminals. The Authority began implementing the CDP after its master concession agreement with the master concessions operator expired in November 2012. The CDP marked a change from the Authority's long-time master concessionaire model to a hybrid model involving the direct leasing and multiple prime concessionaire approaches. The CDP increased the number of shops and restaurants from 55 to 83, and involved the introduction of local San Diego offerings. The CDP was designed to increase competition among concessionaires, to promote a variety of brands and concepts, and to increase the Authority's control over the concessions program – thereby maximizing concession sales and the resulting revenue to the Authority. Based on the financial results of the concessions in the passenger terminals, the CDP has successfully increased gross sales and concession revenues, as described in the following statistics:

- Food and Beverage concession revenue increased from $6.4 million in FY 2012 to $10.4 million in FY 2016 – representing a 12.9 percent average annual increase, compared to the 4.4 percent average annual increase in enplanements during the same time period. The significantly higher growth rate in concession revenues is reflected in the increase in Food and Beverage gross sales per enplanement, which increased from $5.50 in FY 2012 to $6.92 in FY 2016.

- Gift and News concession revenue increased from $4.0 million in FY 2012 to $6.4 million in FY 2016 – representing a 12.0 percent average annual increase. The Gift and News gross sales per enplanement increased from $2.88 in FY 2012 to $4.00 in FY 2016.

The projections of concession revenues for Food and Beverage and Gift and News are based on the FY 2016 gross sales per enplanement for each of the two types of concession operations, with annual increases for assumed price inflation, applied to forecast enplanements, and multiplied by the applicable concession fee percentages. Food and Beverage concession revenue is projected to increase to $13.2 million in FY 2023, and Gift and News concession revenue is projected to increase to $8.5 million in FY 2023.

4.4.2.2.3 License Fees

The Authority receives license fees from companies that provide ground handling and in-flight food services. These license fees, which are based on a percentage of the providers' gross revenues. Increased from $3.2 million in FY 2012 to $4.4 million in FY 2016. License Fees are estimated to total $4.7 million in FY 2017 and are budgeted to equal $4.8 million in FY 2018. Based on anticipated increases in future activity, License Fees are projected to increase to approximately $5.1 million in FY 2023.

4.4.2.2.4 Other Terminal Concession Revenues

This category includes rents and fees received for advertising displays, luggage carts, ATMs, wifi service providers, security bin advertisements, and other miscellaneous sources. This revenue category increased from $2.9 million in FY 2012 to $3.3 million in FY 2016, mainly due to an increase in the minimum annual guarantee for the advertising concessionaire, and increases in gross revenues reported by the concessionaires that provide luggage carts, ATMs, vending machines, and a common use passenger lounge. Other Terminal Concession revenues are estimated to remain constant at $3.3 million in FY 2017 and then decrease to $3.0 million in FY 2018, due to the termination of a contract with a wifi service provider, before increasing in FY 2019 and each subsequent year, due to projected increases in passenger activity. This revenue category is projected to increase to $3.6 million in FY 2023.

4.4.2.2.5 Terminal Concession Cost Recovery Revenue

The Authority recovers various costs related to terminal concessions program through cost recovery fees. The revenues from these fees are used to reimburse the Authority for various costs, including: the capital and operating costs of the Receiving and Distribution Center (RDC) located on the north side of the airfield, which is used by the terminal concessionaires; O&M Expenses related to the terminal concessions; marketing expenses related to the terminal concessions program; and storage costs. The fees were phased in starting in FY 2013, and totaled approximately $3.9 million in FY 2016. These fees are projected to increase during the forecast period, reflecting projected increases in O&M Expenses and the operating costs of the RDC, to $5.4 million in FY 2023.

4.4.2.3 Parking and Ground Transportation

The Authority receives revenues from the public parking lots at the Airport, ground transportation permit and trip fees, and parking citation revenues. Parking and Ground Transportation revenues increased from approximately $31.5 million in FY 2012 to $48.1 million in FY 2016, mainly due to (1) parking rate increases in July 2014 and July 2016; (2) the continued multi-year phase-in of cost-based ground transportation fees; and (3) the implementation of trip fees for Transportation Network Companies (TNCs) in July 2015. In FY 2011, the Authority began a four-year phase-in of new ground transportation fees for taxicabs, limousines, other vehicles for hire, hotel shuttles, and off-airport parking shuttles. The largest annual increase in ground transportation fees occurred in FY 2016, when those fees increased to $5.0 million (from $2.9 million in FY 2015), mainly due to the implementation of the TNC trip fees.

In FY 2018, Parking and Ground Transportation revenues are estimated to remain at the FY 2016 level of approximately $48.1 million and are budgeted to decrease slightly in FY 2018, to $48.0 million. This revenue category is estimated to remain relatively flat even though enplanements are increasing, mainly because a portion of the surface parking lot in front of Terminal 2 was closed near the beginning of FY 2017 and will remain closed in FY 2018 during construction of the

Terminal 2 Parking Plaza. Authority staff has developed a very detailed analysis of parking revenue statistics as the basis for detailed projections of parking revenue by facility. Parking revenue projections for the forecast period reflect the anticipated effects of increased passenger activity, modest rate increases every two years, and the projected impacts of the completion of the Terminal 2 Parking Plaza. Parking and Ground Transportation revenues are projected to increase to $57.6 million in FY 2019, reflecting the planned opening of the Terminal 2 Parking Plaza, and are projected to increase further in subsequent years due to projected increases in parking activity tied to forecasted increases in passenger traffic, and assumed parking rate increases every two years. Parking and Ground Transportation revenues are projected to increase to $62.9 million in FY 2023.

4.4.2.4 Ground Rentals

The Authority receives rentals from airline and non-airline tenants for various land parcels at the Airport, including the parcel on which the RCC is located, the FBO, and the passenger and all-cargo airlines. Ground Rentals increased from $7.1 million in FY 2012 to $15.2 million in FY 2016. The largest increase occurred in FY 2016, with the commencement of the ground lease for the RCC in January 2016.

In FY 2017, Ground Rentals are estimated to increase to $18.5 million, reflecting the first full year of the ground lease for the RCC. Ground Rentals are budgeted to increase to $19.8 million in FY 2018. This revenue category is projected to increase significantly in FY 2020, to $26.4 million, due to the scheduled completion of new cargo facilities, which will generate new ground rent revenue. Ground Rentals are projected to increase in accordance with ground lease provisions, to $27.4 million in FY 2023.

4.4.2.5 FIS Use Charge Revenue

The Authority has a use fee for international service based on the number of international arriving seats. This revenue category is projected to total approximately $4.6 million in FY 2019, with increases each year thereafter based on the forecast increases in international arriving seats, to approximately $4.9 million in FY 2023.

4.4.2.6 Other Operating Revenues

The largest component of this category consists of reimbursements of utility expenses, received primarily from the TSA, Host International, and the FAA. This revenue category includes finger printing fees, reimbursement of utility expenses, service charges, equipment rentals, non-airline remote aircraft parking fees, and other miscellaneous revenues. From FY 2012 through FY 2016, the total of this revenue category fluctuated between approximately $0.9 million and $1.5 million. This category increased from $0.9 million in FY 2015 to $1.2 million in FY 2016, and is estimated to total $1.5 million in FY 2017 due to various unusual one-time miscellaneous revenue items. Other Operating Revenues are projected to total approximately $0.8 million per year throughout the remainder of the forecast period.

4.4.2.7 Interest Income

The Authority receives interest income on (i) Authority discretionary cash, (ii) promissory notes from the Port District, and (iii) the various bond funds and accounts established pursuant to the Master Senior Indenture. Interest income is projected to increase to approximately $10.0 million in FY 2023.

4.5 Key Financial Indicators

This sub-section discusses the projections of the following key financial indicators: (1) the application of Revenues pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture, (2) the Authority's ability to satisfy the Additional Bonds Test, as evidenced by its ability to meet the Senior Rate Covenant and the Subordinate Rate Covenant; and (3) the airline cost per enplaned passenger.

4.5.1 Application of Revenues

Table 4-10 shows the forecast application of Revenues pursuant to the provisions of the Master Senior Indenture, during the forecast period. Revenues are applied in the order shown on Figure 4-1.

Table 4-10: Application of Revenues

	Fiscal Years Ending June 30						
	Estimate	Projected					
	2017	2018	2019	2020	2021	2022	2023
Airport Revenues	$250,493,739	$262,422,707	$287,828,252	$319,904,604	$328,793,368	$339,984,678	$348,839,386
Application of Airport Revenues							
Operation & Maintenance Subccount	$155,741,280	$166,138,947	$172,477,452	$178,583,702	$183,885,021	$189,357,857	$195,007,978
Senior Obligation Debt Service net of PFCs applied [1]	10,956,324	10,956,268	11,442,337	39,756,709	39,755,081	39,748,884	39,756,291
Debt Service Reserve Funds	-	-	-	-	-	-	-
Subordinate Obligation Debt Service, net of PFCs applied [1]	22,174,583	40,171,298	41,753,204	38,899,222	38,907,705	38,921,433	38,923,322
Subordinate Obligations Debt Service Reserve Funds	-	-	-	-	-	-	-
Operation & Maintenance Reserve Subaccount	3,239,910	3,702,932	1,584,626	1,526,562	1,325,330	1,368,209	1,412,530
Renewal and Replacement Subaccount	-	-	-	-	-	-	-
Airport Revenue Fund	58,381,641	41,453,263	60,570,633	61,138,409	64,920,230	70,588,295	73,739,265
Total Airport Revenues Applied	$250,493,739	$262,422,707	$287,828,252	$319,904,604	$328,793,368	$339,984,678	$348,839,386

[1] PFCs are excluded from the definition of Revenues in the Master Senior Indenture.

4.5.2 Rate Covenants

The calculations of the Senior Rate Covenant contained in the Master Senior Indenture and the Subordinate Rate Covenant contained in the Master Subordinate Indenture are projected on Table 4-11. The calculations reflect the projected debt service of the Series 2017 Bonds and the anticipated Series 2018 Bonds. As mentioned earlier, under the Master Senior Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues that will satisfy all the Authority's obligations under the Master Senior Indenture, and that will at least equal 125 percent of aggregate annual debt service on the outstanding Senior Bonds (the Senior Rate Covenant). Under the Master Subordinate Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues that will satisfy all the Authority's obligations under the Master Subordinate Indenture, and that will least equal 110 percent of aggregate annual debt service on the outstanding Subordinate Obligations (the Subordinate Rate Covenant).

Net Revenues are defined in the Master Senior Indenture as Revenues minus O&M Expenses. Subordinate Net Revenues are defined in the Master Subordinate Indenture as Net Revenues minus deposits to the Debt Service Funds for the payment of debt service on the Senior Bonds and any reserve fund deposits required pursuant to the Master Senior Indenture.

Pursuant to the PFC Resolution, the Board irrevocably committed $10 million of PFCs to the payment of debt service on certain Senior Bonds and Subordinate Obligations in FY 2018. However, the Authority plans to continue to apply approximately $30.0 million of annual PFCs toward a portion of debt service on Senior Bonds and Subordinate Obligations that constitute PFC Eligible Bonds in each Fiscal Year during the forecast period. When PFCs are used to pay debt service on the Senior Bonds or the Subordinate Obligations, such debt service may be excluded from the calculation of debt service on the Senior Bonds and the Subordinate Obligations for purposes of the Rate Covenant calculations. Therefore, the debt service coverage calculations shown on Table 4-11 exclude the portion of debt service anticipated to be paid with PFCs. In FY 2011, the Authority began receiving cash subsidy payments from the U.S. Treasury for the portion of the Series 2010 Bonds that were issued as Build America Bonds (the "BAB subsidy"). The Authority anticipates that the annual BAB subsidy payments will continue to be received by the Authority at approximately the same annual amount that it has received in recent years, throughout the forecast period. Debt service coverage calculated according to the Senior Rate Covenant is projected to equal at least 3.55 times debt service during the forecast period. Debt service coverage calculated according to the Subordinate Rate Covenant is projected to equal 2.12 times debt service in FY 2018 and then equal at least 2.49 times debt service during the remainder of the forecast period. Therefore, the Authority is projected to satisfy the coverage requirements for both the Master Senior Indenture and the Master Subordinate Indenture.

Total debt service coverage (reflecting Senior Bonds and Subordinate Obligations) is projected to remain at or above 1.80 times debt service throughout the forecast period.

Table 4-11: Rate Covenants

	Fiscal Years Ending June 30							
	Historical	Estimate	Projected					
Calculation Elements	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Revenues	$238,640,326	$250,493,739	$262,422,707	$287,828,252	$319,904,604	$328,793,368	$339,984,678	$348,839,386
O&M Expenses	151,327,219	155,741,280	166,138,947	172,477,452	178,583,702	183,885,021	189,357,857	195,007,978
Net Revenues	$87,313,107	$94,752,459	$96,283,760	$115,350,800	$141,320,903	$144,908,346	$150,626,821	$153,831,408
Senior Bonds Debt Service	$20,504,600	$20,504,950	$20,503,750	$20,986,598	$51,017,450	$51,014,100	$51,005,700	$51,016,850
Minus: PFCs Used to Pay Debt Service	(9,490,326)	(9,548,626)	(9,547,482)	(9,544,261)	(11,260,741)	(11,259,019)	(11,256,816)	(11,260,559)
Senior Bonds Debt Service, Net of PFCs	$11,014,274	$10,956,324	$10,956,268	$11,442,337	$39,756,709	$39,755,081	$39,748,884	$39,756,291
Senior Bonds Debt Service Coverage	**7.93**	**8.65**	**8.79**	**10.08**	**3.55**	**3.65**	**3.79**	**3.87**
Subordinate Net Revenues	$76,298,832	$83,796,135	$85,327,492	$103,908,463	$101,564,194	$105,153,265	$110,877,937	$114,075,117
Subordinate Debt Service	46,911,988	47,287,489	65,260,368	66,845,495	62,275,033	62,285,238	62,301,170	62,299,315
Minus: PFCs Used to Pay Debt Service	(20,331,674)	(20,456,707)	(20,457,851)	(20,461,072)	(18,744,592)	(18,746,315)	(18,748,517)	(18,744,774)
Minus: BAB Subsidy [1]	(4,656,199)	(4,656,199)	(4,631,219)	(4,631,219)	(4,631,219)	(4,631,219)	(4,631,219)	(4,631,219)
Net Subordinate Debt Service	$21,924,115	$22,174,583	$40,171,298	$41,753,204	$38,899,222	$38,907,705	$38,921,433	$38,923,322
Subordinate Debt Service Coverage	**3.49**	**3.78**	**2.12**	**2.49**	**2.61**	**2.70**	**2.85**	**2.93**
Total Debt Service	$32,938,390	$33,130,907	$51,127,566	$53,195,541	$78,655,931	$78,662,786	$78,670,317	$78,679,613
Total Debt Service Coverage	**2.65**	**2.86**	**1.88**	**2.17**	**1.80**	**1.84**	**1.91**	**1.96**

[1] In FY 2011 the Authority began receiving cash subsidy payments from the U.S. Treasury for the portion of the Series 2010 Bonds that were issued as Build America Bonds (BAB subsidy). The projections assume that the annual BAB subsidy payments will continue to be received by the Authority at approximately the level received by the Authority in recent years, throughout the forecast period.

4.5.3 PFC Cash Flow

The projected PFC cash flow is presented on Table 4-12. The projections assume the PFC collection level will remain at the current rate of $4.50. PFC collections, net of the airline collection fee, are projected to increase from $41.5 million in FY 2017 to $46.6 million in FY 2023. As discussed above, the Authority plans to continue to apply $30 million in annual PFCs toward a portion of debt service on certain Senior Bonds and Subordinate Obligations that constitute PFC Eligible Bonds. In addition, the Authority is applying PFCs on a Pay-As-You-Go basis toward PFC eligible costs of the Capital Program. The balance in the PFC Fund is projected to decrease from $73.2 million at the end of FY 2017 to $33.7 million in FY 2018, mainly due to an increase in PFCs applied on a Pay-As-You-Go basis toward eligible project costs of the Capital Program. The PFC Fund balance is then projected to increase to approximately $69.0 million at the end of FY 2023.

Table 4-12: Projected PFC Cash Flow

	Fiscal Years Ending June 30						
	Estimate	Projected					
	2017	2018	2019	2020	2021	2022	2023
PFC Collections							
Projected Enplanements	10,508,643	10,755,312	10,941,262	11,040,468	11,181,498	11,393,768	11,791,493
% Eligible	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
PFC Eligible Enplanements	9,457,800	9,679,800	9,847,100	9,936,400	10,063,300	10,254,400	10,612,300
Gross PFC Collections							
$4.50 Per Eligible Enplanement	$42,560,100	$43,559,100	$44,312,000	$44,713,800	$45,284,900	$46,144,800	$47,755,400
Less: Airline Collection Fee							
$0.11 Per Eligible Enplanement	(1,040,400)	(1,064,800)	(1,083,200)	(1,093,000)	(1,107,000)	(1,128,000)	(1,167,400)
Net PFC Collections	$41,519,700	$42,494,300	$43,228,800	$43,620,800	$44,177,900	$45,016,800	$46,588,000
PFC Fund							
Beginning Balance	$74,104,773	$73,192,124	$33,700,392	$30,903,797	$35,858,431	$48,072,305	$53,905,550
Net PFC Collections	41,519,700	42,494,300	43,228,800	43,620,800	44,177,900	45,016,800	46,588,000
Applied to Debt Service [1]	(30,005,333)	(30,005,333)	(30,005,333)	(30,005,333)	(30,005,333)	(30,005,333)	(30,005,333)
Applied on a Pay-As-You-Go basis [2]	(12,468,907)	(49,660,268)	(13,675,838)	(6,413,550)	(50,000)	(7,450,000)	-
Applied to Quiter Home Program	(400,000)	(2,748,000)	(2,748,000)	(2,748,000)	(2,748,000)	(2,748,000)	(2,748,000)
Interest Income	441,891	427,570	403,776	500,717	839,307	1,019,779	1,228,745
Ending Balance	$73,192,124	$33,700,392	$30,903,797	$35,858,431	$48,072,305	$53,905,550	$68,968,962

[1] The Authority plans to apply certain PFCs to the payment of debt service for the Series 2010 and Series 2013 Bonds.
[2] PFCs projected to be applied on a Pay-As-You-Go basis to capital costs of the Capital Program.

4.5.4 Airline Cost per Enplanement

An important component of the financial feasibility report is an assessment of how the planned capital improvements and the related financings will affect airline rates and charges. Based on the financial projections discussed above, the airline cost per enplaned passenger (CPE), presented on Table 4-12, is projected to increase from $10.71 in FY 2017 to $14.67 in FY 2022 before decreasing to $14.46 in FY 2023. The projected increases in the CPE are mainly due to the factors discussed above, including increases in landing fees and terminal rentals caused by increases in O&M Expenses, and new debt service requirements and amortization charges related to the Capital Program costs. However, a CPE in the $14 to $15 range for a large hub airport such as SAN is reasonable, especially since it incorporates the projected effects of SAN's Capital Program. Several large hub airports currently have a CPE at or above $20, including Miami International, Washington Dulles International, JFK International, and Newark International. A few other large hub airports currently have a CPE in the $14 to $20 range. As those airports implement future capital improvements their CPE levels will likely increase further.

Table 4-13: Projected Airline Cost per Enplanement

	Fiscal Years Ending June 30						
	Estimate	Projected					
Airline Revenue Category	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Landing Fees	$24,867,343	$27,712,653	$29,752,280	$38,827,549	$40,669,266	$44,943,743	$45,715,416
Aircraft Parking Fees	2,865,482	3,019,412	3,233,943	4,220,386	4,420,572	4,885,189	4,969,067
Terminal Rental Revenue [1]	54,795,212	58,844,024	63,467,723	74,578,819	77,395,607	78,079,697	79,517,864
Security Surcharges	30,039,093	32,915,963	34,754,291	37,179,015	38,355,077	39,275,695	40,295,512
Total Airline Revenue	**$112,567,129**	**$122,492,052**	**$131,208,237**	**$154,805,769**	**$160,840,522**	**$167,184,324**	**$170,497,859**
Enplanements	10,508,643	10,755,312	10,941,262	11,040,468	11,181,498	11,393,768	11,791,493
Cost Per Enplanement	**$10.71**	**$11.39**	**$11.99**	**$14.02**	**$14.38**	**$14.67**	**$14.46**

[1] Excludes club room lease revenue.

4.5.5 Sensitivity Analysis

A sensitivity analysis was prepared using the low enplanement forecast scenario presented in Section 4. The projections of the key financial variables under the sensitivity analysis, and for comparative purposes, the base enplanement forecast scenario, are summarized on Table 4-14. Under the low enplanement forecast scenario, the senior debt service coverage and the subordinate debt service coverage are projected to remain well above the minimum requirements throughout the forecast period. The landing fee rate is projected to rise to a high of $3.48 (in FY 2022), and the airline cost per enplanement is projected to increase to a high of $15.46 (in FY 2022). The projected airline costs under the low enplanement forecast scenario would still be reasonable considering that the projections reflect the estimated costs of the Capital Program.

Table 4-14: Key Financial Projections for Sensitivity Analysis

	Fiscal Years Ending June 30						
	2017	2018	2019	2020	2021	2022	2023
Base Forecast							
Net Revenues	$94,752,459	$96,283,760	$115,350,800	$141,320,903	$144,908,346	$150,626,821	$153,831,408
Debt Service Coverage							
Senior	8.65	8.79	10.08	3.55	3.65	3.79	3.87
Subordinate	3.78	2.12	2.49	2.61	2.70	2.85	2.93
Total	2.86	1.88	2.17	1.80	1.84	1.91	1.96
Landing Fee Rate	$1.96	$2.14	$2.26	$2.94	$3.04	$3.31	$3.26
Airline Cost per Enplanement	$10.71	$11.39	$11.99	$14.02	$14.38	$14.67	$14.46
PFC Fund Balance	$73,192,124	$33,700,392	$30,903,797	$35,858,431	$48,072,305	$53,905,550	$68,968,962
Low Forecast							
Net Revenues	$94,752,459	$96,283,760	$112,349,797	$135,820,980	$139,693,741	$145,476,246	$147,862,303
Debt Service Coverage							
Senior	8.65	8.79	9.82	3.42	3.51	3.66	3.72
Subordinate	3.78	2.12	2.42	2.47	2.57	2.72	2.78
Total	2.86	1.88	2.11	1.73	1.78	1.85	1.88
Landing Fee Rate	$1.96	$2.27	$2.40	$3.10	$3.20	$3.48	$3.45
Airline Cost per Enplanement	$10.71	$12.08	$12.75	$14.86	$15.19	$15.46	$15.33
PFC Fund Balance	$73,192,124	$31,258,223	$25,830,255	$28,217,933	$37,922,404	$41,235,853	$53,374,726

4.6 Summary

The following points highlight the significant findings of the financial analysis contained in this section:

- Debt service coverage calculated according to the Senior Rate Covenant is projected to equal at least 3.55 times debt service during the forecast period.
- Debt service coverage calculated according to the Subordinate Rate Covenant is projected to equal 2.12 times debt service in FY 2018 and then equal at least 2.49 times debt service during the remainder of the forecast period. The airline cost per enplaned passenger is projected to remain reasonable during the forecast period. SAN's airline cost per enplanement is projected to increase from $10.71 in FY 2017 to a high of $14.67 in FY 2022, before decreasing to $14.46 in FY 2023.
- PFC revenues are projected to increase from $41.5 million in FY 2017 to $46.6 million in FY 2023. The PFC fund balance is projected to increase from $33.7 million in FY 2018 to $69.0 million in FY 2023.
- Under the low enplanement forecast scenario, the senior debt service coverage and the subordinate debt service coverage are projected to remain well above the minimum requirements throughout the forecast period. The projected airline cost per enplanement under the low enplanement forecast scenario is projected to remain under $15.50 during the forecast period, and the PFC fund balance is projected to increase from $31.3 million in FY 2018 to $53.4 million in FY 2023.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

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San Diego County Regional Airport Authority

Financial Statement

For the Fiscal Years Ended

June 30, 2016 and 2015

BKD LLP
CPAs & Advisors

San Diego County Regional Airport Authority

June 30, 2016 and 2015

Contents

BKD LLP
CPAs & Advisors

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Independent Auditor's Report

To the Members of the Board
San Diego County Regional Airport Authority
San Diego, CA

We have audited the accompanying basic financial statements, which are comprised of statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, as listed in the table of contents, of San Diego County Regional Airport Authority (Airport Authority).

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

To the Members of the Board
San Diego County Regional Airport Authority

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of June 30, 2016 and 2015, and the changes in financial position and its cash flows 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 and pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Introductory and Statistical Sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Dallas, Texas
October 31, 2016

Management's Discussion and Analysis

For The Period July 1, 2015 to June 30, 2016

INTRODUCTION

The San Diego County Regional Airport Authority (Airport Authority) was established on January 1, 2002, as an independent agency. On January 1, 2003, the operations and assets of San Diego International Airport (SDIA) transferred from the San Diego Unified Port District (District) to the Airport Authority.

The Airport Authority is a self-sustaining entity receiving most of its revenues through user fees and rents from airline and non-airline business partners operating at SDIA. Since the Airport Authority is not funded by tax revenues, accounts are maintained in an enterprise fund on the accrual basis of accounting. Under accrual accounting, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows. Users of SDIA's facilities provide most of the revenues to operate, maintain, and acquire necessary services and facilities.

SAN DIEGO INTERNATIONAL AIRPORT

History of Ownership

The public policy decision to transfer responsibility for SDIA from the District to the newly created Airport Authority emanated from recommendations made by the San Diego Regional Efficiency Commission (Commission). The Commission was established to evaluate regional governance in San Diego County and report recommended improvement measures to the California State Legislature.

Because of the significant regional consequences of airport development and operations, the Commission concluded that a regional decision-making process should address the future development of airport facilities in San Diego County. In October 2001, the enabling legislation, Assembly Bill 93 (AB 93) established the composition and jurisdiction of the Airport Authority's governing body in a manner that is designed to reflect the collective interests of the entire San Diego region.

Legislative Background

AB 93 was signed into California State law in October 2001. The Act established the Airport Authority on January 1, 2002, as a local agency of regional government with jurisdiction throughout the County of San Diego. Subsequent legislative changes to AB 93 were introduced and passed in California Senate Bill 1896 (Act). The amendment addresses several points pertaining to the transfer of aviation employees, date of transfer, property leases, property acquisition and purchase of services from the District.

On January 1, 2008, Senate Bill 10 (SB 10), the San Diego County Regional Airport Authority Reform Act, was enacted into law expanding the responsibilities of the Airport Authority. The Airport Authority is vested with five principal responsibilities:

(1) Operation of SDIA;

(2) Planning and operation of any future airport that could be developed as a supplement or replacement to SDIA;

(3) Development of comprehensive airport land use plans for the airports in the county;

(4) Serving as the region's Airport Land Use Commission; and

(5) In accordance with SB 10, preparing a Regional Aviation Strategic Plan (completed in fiscal year 2011).

In August 2013, Assembly Bill 1058 was signed into law. This bill made minor clarifying and technical changes to the Airport Authority Act.

Airport Activities Highlights (2014 – 2016)

The Airport Authority experienced continued growth in all areas during the current and prior two fiscal years. This followed the trend seen at many commercial airports reflecting the gradual improvements in the economy.

The changes in the SDIA's major activities for the three years are as follows:

	FY 2014	FY 2015	**FY 2016**
Enplaned passengers	9,082,244	9,713,066	**10,206,222**
% increase	3.9%	6.9%	**5.1%**
Total passengers	18,145,130	19,409,683	**20,397,170**
% increase	4.0%	7.0%	**5.1%**
Aircraft operations	187,790	195,265	**193,451**
% increase (decrease)	-0.3%	4.0%	(0.9%)
Freight and mail (in tons)	164,966	178,615	**185,655**
% increase	5.1%	8.3%	**3.9%**
Landed weight (in thousands)	11,187	11,524	**12,048**
% increase	1.6%	3.0%	**4.5%**

Overall, the improving economy is having a positive effect on aircraft operations at SDIA. There was a significant increase in enplaned passengers in fiscal year 2016 with a 5.1 percent increase in enplanements. Also, total passengers increased by 5.1 percent and freight and mail tons increased 3.9 percent. Due to higher load factors with different aircraft, there were slightly fewer operations.

Statement of Revenues, Expenses and Changes in Net Position (in thousands)

The metric 'Changes in Net Position' is an indicator of whether the Airport Authority's overall financial condition has improved or deteriorated during the fiscal year. Net position decreased slightly in 2014, had a 2.2 percent increase in 2015, and was followed by a 4.7 percent increase in 2016. Following is a summary of the statements of revenues, expenses and changes in net position (in thousands):

	FY 2014	FY 2015	**FY 2016**
Operating revenues	$ 195,737	$ 210,505	**$ 233,994**
Operating expenses	(214,026)	(217,808)	**(237,229)**
Nonoperating revenues, net	14,318	20,255	**27,690**
Capital contributions and grants	3,924	10,765	**10,477**
Increase (decrease) in net position	(47)	23,717	**34,932**
Net position, beginning of year	727,064	727,017	**742,741**
Prior-period adjustment GASB 68	-	(7,993)	**-**
Net position, end of year	$ 727,017	$ 742,741	**$ 777,673**

Detailed descriptions of the components of operating revenues and expenses, and nonoperating revenues and expenses are described in the sections that follow. The implementation of GASB 68 in fiscal year 2015 caused a prior-period adjustment in that year. The cumulative changes in accounting for pension liabilities are reflected in this adjustment.

FINANCIAL HIGHLIGHTS

Operating Revenues (in thousands)

	FY 2015	**FY 2016**	From 2015 to 2016 Increase (Decrease)	% Change
Airline revenue:				
Landing fees	$ 21,390	**$ 23,985**	$ 2,595	12.1%
Aircraft parking fees	2,716	**2,701**	(15)	(0.6%)
Building rentals	48,153	**51,273**	3,120	6.5%
Security surcharge	25,180	**29,223**	4,043	16.1%
Other aviation revenue	4,893	**5,023**	130	2.7%
Total airline revenue	102,332	**112,205**	9,873	9.6%
Non-airline terminal rent	1,505	**1,032**	(473)	(31.4%)
Concession revenue	52,496	**56,274**	3,778	7.2%
Parking and ground transportation revenue	41,633	**48,106**	6,473	15.5%
Ground rentals	11,568	**15,194**	3,626	31.3%
Other operating revenue	971	**1,183**	212	21.8%
Total operating revenue	$ 210,505	**$ 233,994**	$ 23,489	11.2%

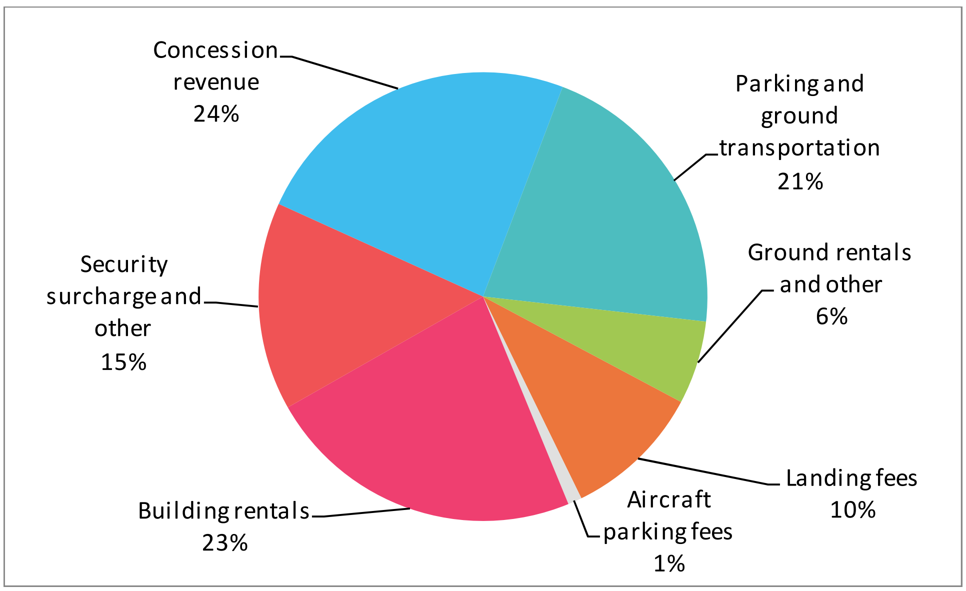
	FY 2014	FY 2015	From 2014 to 2015 Increase (Decrease)	% Change
Airline revenue:				
Landing fees	$ 19,107	$ 21,390	$ 2,283	11.9%
Aircraft parking fees	2,503	2,716	213	8.5%
Building rentals	46,001	48,153	2,152	4.7%
Security surcharge	25,777	25,180	(597)	(2.3%)
Other aviation revenue	4,488	4,893	405	9.0%
Total airline revenue	97,876	102,332	4,456	4.6%
Non-airline terminal rent	1,158	1,505	347	30.0%
Concession revenue	47,770	52,496	4,726	9.9%
Parking and ground transportation revenue	38,959	41,633	2,674	6.9%
Ground rentals	8,445	11,568	3,123	37.0%
Other operating revenue	1,529	971	(558)	(36.5%)
Total operating revenue	$ 195,737	$ 210,505	$ 14,768	7.5%

Operating Revenues, Continued

Fiscal year 2016 compared to 2015:
Total airline revenues increased by $9.9 million, or 9.6 percent, primarily due to an increased cost recovery for the airlines which was higher in fiscal year 2016, compared to 2015. Landing fees increased by $2.6 million or 12.1 percent due to increased airfield costs. Building rentals increased by $3.1 million or 6.5 percent due to increased terminal costs. Security surcharge increased by $4.0 million or 16.1 percent, primarily due to increased Harbor Police expenses and higher terminal rental rate for security checkpoints. Non-airline terminal rent decreased by $473 thousand or 31.4 percent, primarily due to consolidation of ground servicing companies. Concession revenue increased by $3.8 million or 7.2 percent, reflecting increased enplanements and higher sales per enplaned passenger. Parking and ground transportation increased by $6.5 million or 15.5 percent, due to higher enplanements and higher cost recovery on ground transportation. Ground rentals increased by $3.6 million or 31.3 percent, primarily due to the Rental Car Center land lease starting January 2016. Other operating revenue increased by $212 thousand or 21.8 percent, primarily due to higher landing fees at the Fixed Base Operator, higher utility reimbursements, and higher fees for miscellaneous services.

Fiscal year 2015 compared to 2014:
Total airline revenues increased by $4.5 million or 4.6 percent, primarily reflecting an increased cost recovery for the airlines which was higher in fiscal year 2015, compared to 2014. Landing fees increased by $2.3 million or 11.9 percent and aircraft parking fees increased by $213 thousand or 8.5 percent, both due to increased airfield costs. Building rentals increased by $2.2 million or 4.7 percent reflecting a recovery of higher service debt, maintenance, and operating costs for the new and existing facility. The increase in other aviation revenue of $405 thousand reflects an increased volume in fuel delivered by the Fixed Base Operator. Offsetting the airline revenue was a decrease in the security surcharge of $597 thousand, primarily reflecting a decrease of airline security charges. Concession revenue increased by $4.7 million or 9.9 percent, mainly due to a full year of the expanded concession development program. Parking and ground transportation revenue increased by $2.7 million or 6.9 percent, primarily due to a full year of expanded parking capacity after the Green Build completion and increased enplanements. Ground rentals revenue increased $3.1 million or 37 percent, primarily due to rent from the new Fixed Base Operator facility which opened in the summer of 2014. Non-airline terminal rent increased by $347 thousand, mostly due to renewed leases with a higher rental rate. Offsetting the non-airline revenue was a decrease in other operating revenue of $558 thousand, primarily due to lower miscellaneous one-time charges.

San Diego County Regional Airport Authority Fiscal Year Ended June 30, 2016
Operating Revenues



Operating Expenses (in thousands)

	FY 2015	**FY 2016**	From 2015 to 2016 Increase (Decrease)	% Change
Salaries and benefits	$ 39,212	**$ 42,067**	$ 2,855	7.3%
Contractual services	32,422	**38,215**	5,793	17.9%
Safety and security	23,466	**28,721**	5,255	22.4%
Space rental	10,433	**10,367**	(66)	(0.6%)
Utilities	10,152	**11,480**	1,328	13.1%
Maintenance	14,516	**14,122**	(394)	(2.7%)
Equipment and systems	1,805	**709**	(1,096)	(60.7%)
Materials and supplies	519	**536**	17	3.3%
Insurance	1,145	**950**	(195)	(17.0%)
Employee development and support	1,136	**1,242**	106	9.3%
Business development	2,493	**2,390**	(103)	(4.1%)
Equipment rentals and repairs	2,951	**2,852**	(99)	(3.4%)
Total operating expenses before depreciation and amortization	140,250	**153,651**	13,401	9.6%
Depreciation and amortization	77,559	**83,578**	6,019	7.8%
Total operating expense	$ 217,809	**$ 237,229**	19,420	8.9%

	FY 2014	FY 2015	From 2014 to 2015 Increase (Decrease)	% Change
Salaries and benefits	$ 39,135	$ 39,212	$ 77	0.2%
Contractual services	31,559	32,422	863	2.7%
Safety and security	24,151	23,466	(685)	(2.8%)
Space rental	10,478	10,433	(45)	(0.4%)
Utilities	8,680	10,152	1,472	17.0%
Maintenance	13,982	14,516	534	3.8%
Equipment and systems	643	1,805	1,162	180.7%
Materials and supplies	440	519	79	18.0%
Insurance	988	1,145	157	15.9%
Employee development and support	1,171	1,136	(35)	(3.0%)
Business development	2,661	2,493	(168)	(6.3%)
Equipment rentals and repairs	2,932	2,951	19	0.6%
Total operating expenses before depreciation and amortization	136,820	140,250	3,430	2.5%
Depreciation and amortization	77,205	77,559	354	0.5%
Total operating expense	$ 214,025	$ 217,809	$ 3,784	1.8%

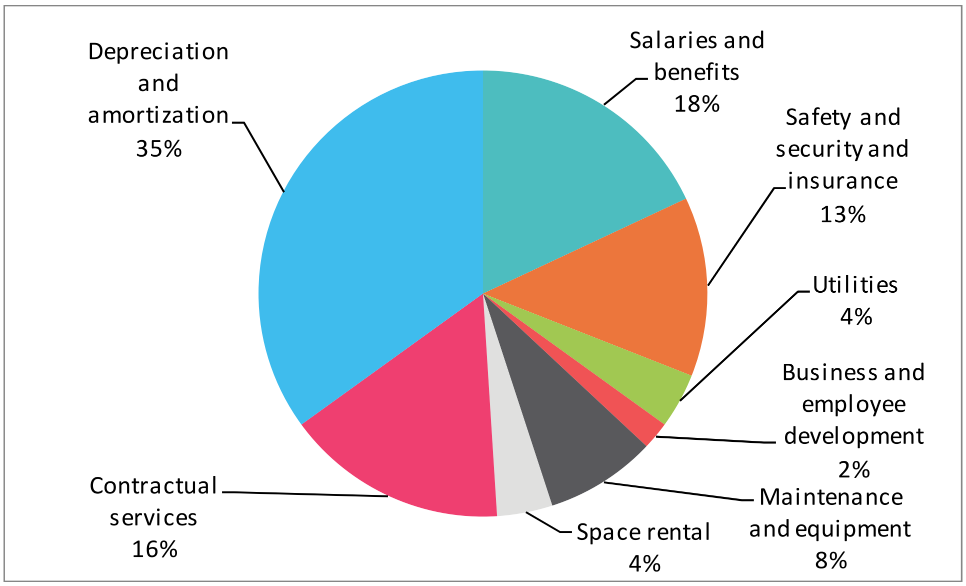
Fiscal year 2016 compared to 2015: Total fiscal year 2016 operating expenses increased by $19.4 million or 8.9%. Salaries and benefits increased $2.9 million or 7.3 percent, mostly due to planned wage and benefit increases. Contractual services increased by $5.8 or 17.9 percent, resulting in higher bussing costs of the Rental Car Center that opened in January 2016. Safety and Security increased $5.3 million or 22.4 percent, reflecting an increase in law enforcement training and benefit costs. Utilities increased $1.3 million or 13.1 percent, due to higher rates and increased power usage of the Rental Car Center. Materials and supplies increased slightly by $ 17 thousand or 3.3 percent, mainly due to higher purchases of small equipment and operating supplies. Employee development and support increased by $106 thousand or 9.3 percent, primarily due to higher training costs.

Offsetting this increase in operating expenses were the following decreases: Space rental of $66 thousand due to fee write offs; Maintenance of $394 thousand due to lower major maintenance project costs; Equipment and systems of $1.1 million due to lower IT equipment purchases; Insurance of $195 thousand primarily due to lower property insurance rates; Business development of $103 thousand due to a delay in planned advertising; Equipment rentals and repairs of $99 thousand due primarily to lower IT maintenance contracts and lower printer costs.

Fiscal year 2015 compared to 2014: Total fiscal year 2015 operating expenses increased by $3.8 million or 1.8 percent. Salaries and benefits had a slight increase of $77 thousand or 0.2 percent, mostly due to planned wage and benefit increases. Contractual services increased by $863 thousand or 2.7 percent, resulting from increased cleaning costs of the new terminal facilities and increased aviation planning costs. Utilities increased by $1.5 million or 17.0 percent, reflecting a full year of the Green Build expansion. Maintenance increased by $534 thousand or 3.8 percent, reflecting increased operating and maintenance costs of new facilities. Equipment and systems increased by $1.2 million or 180.7 percent, reflecting increased purchases of non-capital equipment. Materials and supplies increased by $79 thousand or 18.0 percent, reflecting additional safety equipment and operating supplies. Insurance increased by $157 thousand or 15.9 percent, largely due to higher property insurance premiums and equipment rentals and repairs had a slight increase.

Offsetting this increase in operating expenses were the following decreases: safety and security of $685 thousand, due to lower City of San Diego Aircraft Rescue Fire Fighting (AARF) costs; space rental of $45 thousand due to a lease cancellation; a minor reduction in employee development and support: business development of $168 thousand or 6.3 percent, reflecting a reduction of international and domestic air services marketing costs.

San Diego County Regional Airport Authority Fiscal Year Ended June 30, 2016
Operating Expenses



Nonoperating Revenues (Expenses) (in thousands)

	FY 2015	**FY 2016**	From 2015 to 2016 Increase (Decrease)	From 2015 to 2016 % Change
Passenger facility charges	$ 38,517	**$ 40,258**	$ 1,741	4.5%
Customer facility charges	32,465	**33,208**	743	2.3%
Quieter Home Program, net	(2,811)	**(3,698)**	(887)	(31.6%)
Joint studies program	(145)	**(101)**	44	30.3%
Interest income	5,747	**5,999**	252	4.4%
Interest expense, net	(54,885)	**(50,222)**	4,663	8.5%
Other nonoperating income (expenses)	1,367	**2,246**	879	64.3%
Nonoperating revenues, net	$ 20,255	**$ 27,690**	$ 7,435	36.7%

	FY 2014	FY 2015	From 2014 to 2015 Increase (Decrease)	From 2014 to 2015 % Change
Passenger facility charges	$ 35,770	$ 38,517	$ 2,747	7.7%
Customer facility charges	27,545	32,465	4,920	17.9%
Quieter Home Program, net	(2,750)	(2,811)	(61)	(2.2%)
Joint studies program	(152)	(145)	7	4.6%
Interest income	5,211	5,747	536	10.3%
Interest expense, net	(51,740)	(54,885)	(3,145)	(6.1%)
Other nonoperating income (expenses)	434	1,367	933	215.0%
Nonoperating revenues, net	$ 14,318	$ 20,255	$ 5,937	41.5%

Passenger Facility Charges (PFCs) were established by Congress in 1990 as part of the Aviation Safety and Capacity Expansion Act of 1990. The Airport Authority collects a $4.50 PFC from revenue enplaned passengers to pay for the cost to design and construct eligible Airport capital projects or to repay debt service issued to build such projects. PFCs are collected by the air carriers when passengers purchase their tickets and are remitted to the Airport Authority the month following collection less a $0.11 administration fee.

Customer Facility Charges (CFCs) are authorized under Section 1936 of the California Civil Code and approved by legislation under Senate Bill 1510. The Airport Authority began collecting a $10 per contract CFC on rental cars in May 2009. The revenues collected have been used to plan and construct a consolidated rental car facility and related ground transportation system. The rental car agencies remit to the Airport Authority collection of the fee monthly. In November 2012, the rate of $10 per contract was changed to $6.00 per day up to five days. The fee was again increased in January 2014, to $7.50 per day up to five days for rental car transactions. This fee applies to transactions that originated at the Rental Car Center. For car rental transactions of non-RCC tenants, the CFC rate is $2.17 per day up to five days. The fee is scheduled to increase to $9.00 per day in January 2017 for RCC rental car transactions.

Quieter Home Program includes sound attenuation construction improvements at all eligible single-family and multifamily dwellings with six or fewer units located in the Year 2000 65 dB Community Noise Equivalent Level contour. The project is eligible for the Airport Improvement Program (AIP). From inception through the end of fiscal year 2016, the Airport Authority has spent $184.9 million and received reimbursement for $149.1 million.

Interest income is derived from interest earned by the Airport Authority on investments and notes receivable from the District.

Interest expense includes interest paid and accrued on the 2010, 2013 and 2014 Series Bonds, and Revolving Line of Credit Series B and C. This is netted with the capitalization of bond interest to the construction in progress assets that the debt finances. The capitalized interest in fiscal years ended June 30, 2016 and 2015, was $12.4.0 million and $9.0 million, respectively. The 2010 Series C Bonds were issued as Build America Bonds and, as such, the Airport Authority receives a cash subsidy from the U.S. Treasury equal to 32.62 percent of the interest payable. The interest subsidy for the fiscal years ended June 30, 2016 and 2015 was $4.7 million and $4.6 million, respectively.

Other nonoperating income (expense) includes proceeds and expenses for legal settlements, gain (loss) on the sale of assets, unrealized gain (loss) on investments, and other miscellaneous revenue and expenses.

Fiscal year 2016 compared to 2015: Nonoperating revenues (net) increased by $7.4 million or 36.7 percent. Passenger facility charges increased by $1.7 million or 4.35 percent, due to a 5.1 percent increase in enplaned passengers. Customer facility charges increased by $743 thousand or 2.3 percent, due to an overall increase in rental car transactions. Interest income increased by $252 thousand or 4.4 percent, primarily due to increased investment income. Other nonoperating income increased by $879 thousand or 64.3 percent, mainly due to unrealized gains on investments.

Offsetting the nonoperating income was a higher net expense in the Quieter Home Program of $887 thousand or 31.6 percent, due to increased program activity. Net Interest expense decreased by $4.7 million or 8.5 percent, mainly due to higher capitalized interest.

Fiscal year 2015 compared to 2014: Nonoperating revenues (net) increased by $5.9 million or 41.5 percent. Passenger facility charges increased by $2.7 million or 7.7 percent, due to a 6.9 percent increase in enplaned passengers. Customer facility charges increased by $4.9 million or 17.9 percent, due to a full year at the higher CFC collection rate. Interest income increased by $536 thousand or 10.3 percent, primarily due to higher investment interest income. Other nonoperating income increased by $933 thousand or 215.0 percent, primarily due to unrealized gains on sale of investments. There was also a slight decrease in Joint Studies Program expense as well.

Offsetting the nonoperating income was a slightly higher net expense in the Quieter Home Program, reflecting increased program activity. An increase in net interest expense of $3.1 million or 6.1 percent was primarily due to a full year of interest expense paid on the 2014 Series bond.

Capital Grant Contributions are comprised of AIP entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. Variances relate to the amount of work completed on eligible projects during the fiscal year.

Assets, Liabilities and Net Position (in thousands)

The statements of net position present the financial position of the Airport Authority as of a period in time. The statements include all assets, deferred outflows, liabilities, deferred inflows and net position of the Airport Authority. A summary comparison of the Airport Authority's assets, liabilities and net position at June 30, 2014, 2015 and 2016, is as follows:

	FY 2014	FY 2015	**FY 2016**
Assets and Deferred Outflows of Resources			
Current assets	$ 214,853	$ 204,491	**$ 169,078**
Capital assets, net	1,310,973	1,486,710	**1,551,007**
Noncurrent assets	695,698	540,472	**491,362**
Total assets	2,221,524	2,231,673	**2,211,447**
Deferred outflows of resources	758	5,853	**5,985**
Total assets and deferred outflows of resources	2,222,282	2,237,526	**2,217,432**
Liabilities and Deferred Inflows of Resources			
Current liabilities	119,088	131,457	**103,136**
Long-term liabilities	1,376,177	1,355,160	**1,334,816**
Total liabilities	1,495,265	1,486,617	**1,437,952**
Deferred inflows of resources	-	8,168	**1,807**
Total liabilities and deferred inflows of resources	1,495,265	1,494,785	**1,439,759**
Net Position			
Net investment in capital assets	312,780	316,251	**310,339**
Restricted	204,643	215,968	**214,533**
Unrestricted	209,594	210,522	**252,801**
Total net position	$ 727,017	$ 742,741	**$ 777,673**

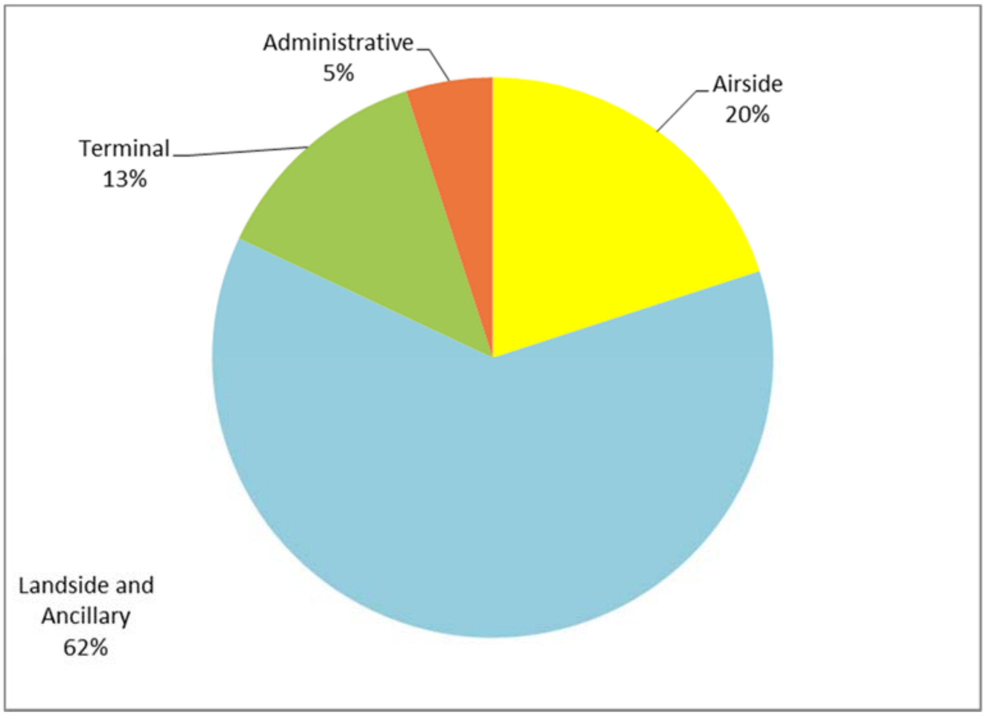
As of June 30, 2016, the Airport Authority's assets and deferred outflows of resources exceeded liabilities by $777.7 million. This reflects a $35.0 million increase in net position from June 30, 2015. The largest portion of the Airport Authority's net position represents its net investment in capital assets. The Airport Authority uses these capital assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital assets is reported net of related debt, it is noted that the funds required to repay this debt must be provided annually from operations. The unrestricted net position of $252.8 million as of June 30, 2016, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2016, 2015 and 2014, management has designated unrestricted funds in the amount of $31.3 million, $22.6 million, and $17.1 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance and operating contingency.

Capital Asset and Capital Improvement Program

The capital program at SDIA consists of the Capital Improvement Program (CIP) and the Green Build. The CIP is a rolling five-year program that provides critical improvements and asset preservation. The program includes capital improvement projects that address federal security requirements, airfield security, environmental remediation, terminal upgrades and development. Funding sources for the projects include the Federal Aviation Administration's Airport Improvement Program, Transportation Security Agency grants, Passenger Facility Charges, Customer Facility Charges, airport operating revenues, airport revenue bonds, special facility bonds and short-term borrowing using commercial paper/revolving lines of credit.

In February 2014, $305 million of Senior Special Facilities Revenue Bonds were issued to be used for the Rental Car Center completed in January 2016. The current CIP, which includes projects through 2021, consists of $119.1 million for airside projects, $582.7 million for landside projects, $123.0 million for terminal projects, and $47.4 million for administrative projects. The current SDIA CIP does not include noise reduction and related projects.

Capital Improvement Program (CIP) Projects by Type



Additional information of the Airport Authority's capital assets can be found in Note 4 to the financial statements.

Capital Financing and Debt Management

On October 5, 2010, the Airport Authority issued $572.6 million of Subordinate Airport Revenue Bonds Series 2010 A, B and C (Series 2010 Bonds). The bonds are rated A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. The Subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the Subordinate Series 2010 Bonds through and including January 1, 2013, refund $142.2 million of the Airport Authority's outstanding commercial paper notes, fund the subordinate bond reserve fund and pay the costs of issuance of the Subordinate Series 2010 Bonds.

The Series 2010 A and B bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years 2012 to 2041. The Series 2010 C Bonds were issued as Build America Bonds and include a cash subsidy payment from the U. S. Treasury; currently, 32.62 percent of interest payable. The interest rate on the Series 2010 C Bonds, net of subsidy, is 4.48 percent and the bonds mature in fiscal year 2041.

The Subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate trustee under the subordinate indenture. The Subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues on parity with the Airport Authority's subordinate commercial paper notes. In addition, the Airport Authority has irrevocably committed a portion of the PFCs it received through 2016. The amount of irrevocably committed PFCs was $19.2 million annually for fiscal years 2014 through 2016. As of June 30, 2016, the principal balance on the subordinate Series 2010 Bonds was $555.4 million.

On January 30 2013, the Airport Authority issued $379.6 million of Senior Airport Revenue Bonds Series 2013 A and B (Series 2013 Bonds). The Series 2013 Bonds are rated A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. The Senior Series 2013 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the senior Series 2013 Bonds through and including July 1, 2015, fund the senior reserve fund and pay the costs of issuance of the Senior Series 2013 Bonds.

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of $55.9 million, which is being amortized over the life of the bonds. Interest on the Senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal year ended June 30, 2015, amounted to $18.5 million, including accrued interest of $9.2 million. The principal balance on the Series 2013 Bonds as of June 30, 2015 was $377.6 million.

The Senior Series 2013 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system (b) certain funds and accounts held by the senior trustee under the senior indenture.

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a reserve account with the bond trustee and to reserve certain amounts in the Airport Authority's books, as shown in Note 2.

On February 1, 2014, the Airport Authority issued $305,285,000 of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest accruing on the Series 2014 Bonds through January 1, 2016, fund deposits to the senior reserve fund, the rolling coverage fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent and mature in fiscal years 2019 to 2045. As of June 30, 2016, the principal balance on the Series 2014 Bonds was $305.3 million.

The Series 2014 Bonds are special limited obligations of the Airport Authority, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, Customer Facility Charges collected from the rental car companies operating at the Airport and remitted to the Trustee. No revenues of the Airport Authority other than the Customer Facility Charges and the Bond Funding Supplemental Consideration (as defined in the Indenture), are pledged to the payment of the Series 2014 Bonds.

On September 5, 2014, the Airport Authority replaced its commercial paper program with a $125,000,000 revolving line of credit, issued by US Bank, which was used to refund the outstanding Series B and Series C commercial paper balances. The revolving line of credit is a three year facility. As of June 30, 2016, the Airport Authority's outstanding debt under this agreement consists of $16.9 million of Series B (AMT) and $15.7 million Series C (taxable).

The revolving line of credit is payable solely from and secured by a pledge of subordinate net revenues. Subordinate net revenues are generally defined as all revenues and other cash receipts of the Airport Authority's airport operations remaining after Senior Lien payments have been deposited by the Trustee in accordance with the Senior Lien Trust Indenture.

Additional information of the Airport Authority's long-term debt can be found in Note 5 to the financial statements.

The SDIA's PFC program was established in 1994, and currently authorizes the imposition of a $4.50 fee on enplaning passengers. There are currently four active applications which provide authority to impose and use PFC revenue through November 1, 2037.

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately $500 thousand in grant awards for the federal fiscal year ended September 30, 2016, as compared to $17.9 million for 2015. Grant awards are recognized as nonoperating revenue or capital contributions as eligible expenses are incurred.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Airport Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Accounting Department, P.O. Box 82776, San Diego, CA 92138. The Accounting Department can also be reached at (619) 400-2807. A copy of the financial report is available at www.san.org.

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Basic Financial Statements:

San Diego County Regional Airport Authority

Statements of Net Position
June 30, 2016 and 2015

Assets and Deferred Outflows of Resources	**2016**	2015
Current Assets		
Unrestricted:		
Cash and cash equivalents (*Note 2*)	**$ 16,244,182**	$ 7,873,038
Investments (*Notes 2 and 10*)	**74,354,944**	76,065,212
Tenant lease receivables, net	**8,528,816**	9,162,322
Grants receivable	**7,623,419**	10,909,798
Note receivable, current portion (*Note 3*)	**1,705,491**	1,608,986
Other current assets	**3,392,579**	3,954,115
Total unrestricted current assets	**111,849,431**	109,573,471
Restricted cash, cash equivalents and investments with trustees (*Notes 2 and 5*)	**57,228,146**	94,917,215
Total current assets	**169,077,577**	204,490,686
Noncurrent Assets		
Restricted assets (*Notes 2 and 5*):		
Restricted cash, cash equivalents and investments not with trustees	**168,074,212**	166,050,576
Restricted investments with trustees	**127,070,127**	219,382,771
Passenger facility charges receivable (*Note 1*)	**4,497,657**	6,303,994
Customer facility charges receivable (*Note 1*)	**2,968,920**	3,851,910
Other restricted assets	**3,033,990**	4,273,584
Total restricted assets	**305,644,906**	399,862,835
Other noncurrent assets:		
Investments, noncurrent (*Note 2*)	**119,052,416**	77,419,978
Note receivable, long-term portion (*Note 3*)	**35,043,779**	36,749,270
Cash and cash equivalents designated for specific capital projects and other commitments (*Notes 2 and 10*)	**31,270,718**	22,588,383
Net pension asset (*Note 6*)	**-**	3,351,341
Workers' compensation security deposits	**349,943**	500,367
Total other noncurrent assets	**185,716,856**	140,609,339
Capital assets (*Note 4*):		
Land, land improvements and nondepreciable assets	**109,974,224**	72,563,518
Buildings and structures	**1,415,691,585**	1,115,452,539
Machinery and equipment	**94,326,157**	53,700,294
Runways, roads and parking lots	**590,772,032**	590,459,084
Construction in progress	**152,703,001**	387,054,944
	2,363,466,999	2,219,230,379
Less accumulated depreciation	**(812,459,642)**	(732,520,841)
Capital assets, net	**1,551,007,357**	1,486,709,538
Total noncurrent assets	**2,042,369,119**	2,027,181,712
Total assets	**2,211,446,696**	2,231,672,398
Deferred outflows of resources		
Deferred pension contributions (*Note 6*)	**5,697,106**	5,852,753
Deferred pension experience loss (*Note 6*)	**288,051**	-
Total deferred outflows of resources	**5,985,157**	5,852,753
Total assets and deferred outflows of resources	**$ 2,217,431,853**	$ 2,237,525,151

See Notes to Financial Statements.

Liabilities, Deferred Inflows of Resources and Net Position	**2016**	2015
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	**$ 9,643,474**	$ 9,483,545
Accrued liabilities	**33,062,074**	23,747,096
Compensated absences, current portion (*Note 5*)	**2,833,970**	2,652,960
Other current liabilities	**92,887**	401,644
Long-term debt, current portion (*Note 5*)	**275,421**	254,259
Total payable from unrestricted assets	**45,907,826**	36,539,504
Payable from restricted assets:		
Accounts payable	**3,168,316**	19,342,618
Accrued liabilities	**10,016,026**	31,729,043
Long-term debt, current portion (*Note 5*)	**11,090,000**	10,695,000
Accrued interest on bonds and commercial paper (*Note 5*)	**32,953,804**	33,150,554
Total payable from restricted assets	**57,228,146**	94,917,215
Total current liabilities	**103,135,972**	131,456,719
Long-Term Liabilities		
Compensated absences, net of current portion (*Note 5*)	**528,143**	523,551
Other noncurrent liabilities	**827,143**	1,124,560
Long-term debt, net of current portion (*Note 5*)	**1,331,779,357**	1,353,512,025
Net pension liability (*Note 6*)	**1,680,759**	-
Total long-term liabilities	**1,334,815,402**	1,355,160,136
Total liabilities	**1,437,951,374**	1,486,616,855
Deferred inflow s of resources		
Deferred pension investment gains	**1,807,420**	8,167,978
Total liabilities and deferred inflows of resources	**$ 1,439,758,794**	$ 1,494,784,833
Net Position		
Net investment in capital assets (*Note 1*)	**310,339,489**	316,249,853
Restricted:		
Debt Service	**80,712,157**	79,488,690
Construction	**113,669,206**	115,338,776
Operation and maintenance expenses	**13,118,064**	12,866,926
Small business bond guarantee	**4,000,000**	4,000,000
OCIP loss reserve	**3,033,990**	4,273,585
Total restricted net position	**214,533,417**	215,967,977
Unrestricted net position	**252,800,153**	210,522,488
Total net position	**$ 777,673,059**	$ 742,740,318

San Diego County Regional Airport Authority

Statements of Revenues, Expenses and Changes in Net Position
June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Airline revenue:		
Landing fees	**$ 23,984,793**	$ 21,390,056
Aircraft parking fees	**2,701,219**	2,715,854
Building rentals (*Note 11*)	**51,273,320**	48,152,670
Security surcharge	**29,223,097**	25,179,679
Other aviation revenue	**5,022,809**	4,892,840
Concession revenue	**56,274,089**	52,496,390
Parking and ground transportation revenue	**48,105,641**	41,632,530
Ground and non-airlilne terminal rentals (*Note 11*)	**16,225,648**	13,074,453
Other operating revenue	**1,183,435**	970,775
Total operating revenues	**233,994,051**	210,505,247
Operating expenses:		
Salaries and benefits (*Notes 6, 7 and 8*)	**42,067,376**	39,211,536
Contractual services (*Note 13*)	**38,215,315**	32,422,054
Safety and security	**28,721,250**	23,464,483
Space rental (*Note 12*)	**10,367,148**	10,433,251
Utilities	**11,479,888**	10,151,922
Maintenance	**14,121,738**	14,515,949
Equipment and systems	**708,404**	1,805,203
Materials and supplies	**536,006**	519,220
Insurance	**949,491**	1,145,376
Employee development and support	**1,242,336**	1,136,077
Business development	**2,390,028**	2,493,402
Equipment rentals and repairs	**2,852,173**	2,951,408
Total operating expenses before depreciation and amortization	**153,651,153**	140,249,881
Income from operations before depreciation and amortization	**80,342,898**	70,255,366
Depreciation and amortization	**83,577,615**	77,558,961
Operating loss	**(3,234,717)**	(7,303,595)

(Continued)

See Notes to Financial Statements.

	2016	2015
Nonoperating revenues (expenses):		
Passenger facility charges	**$ 40,257,993**	$ 38,517,355
Customer facility charges	**33,207,946**	32,464,843
Quieter Home Program grant revenue (*Note 1*)	**8,573,133**	12,073,809
Quieter Home Program expenses (*Note 1*)	**(12,270,742)**	(14,885,182)
Joint Studies Program	**(101,360)**	(144,780)
Interest income	**5,998,970**	5,747,325
Interest expense (*Note 5*)	**(54,878,276)**	(59,516,437)
Build America Bonds subsidy (*Note 5*)	**4,656,199**	4,631,219
Other revenues (expenses), net	**2,246,541**	1,367,095
Nonoperating revenue, net	**27,690,404**	20,255,247
Income (loss) before federal grants	**24,455,687**	12,951,652
Federal grants (*Note 1*)	**10,477,054**	10,764,946
Change in net position	**34,932,741**	23,716,598
Net position, beginning of year	**742,740,318**	719,023,720
Net position, end of year	**$ 777,673,059**	$ 742,740,318

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Cash Flows
June 30, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Receipts from customers	$ 233,448,605	$ 212,946,236
Payments to suppliers	(108,629,115)	(92,486,794)
Payments to employees	(43,605,962)	(38,904,804)
Other receipts (payments)	10,801,571	3,696,188
Net cash provided by operating activities	92,015,099	85,250,826
Cash Flows From Noncapital Financing Activities		
Settlement receipts	377,167	16,075
Quieter Home Program grant receipts	5,784,088	10,318,509
Quieter Home Program payments	(12,270,742)	(14,885,182)
Joint Studies Program payments	(101,360)	(144,780)
Net cash used in noncapital financing activities	(6,210,847)	(4,695,378)
Cash Flows From Capital and Related Financing Activities		
Capital outlay	(190,233,095)	(262,033,260)
Proceeds on Build America Bonds subsidy	4,656,199	4,631,219
Proceeds from sale of capital assets	248,255	11,273
Federal grants received (excluding Quieter Home Program)	16,552,478	7,547,794
Proceeds from passenger facility charges	42,064,330	36,279,609
Proceeds from customer facility charges	34,090,936	32,007,745
Payment of principal on bonds	(16,819,000)	(11,964,000)
Payment of capital lease	(254,258)	(188,356)
Interest and debt fees paid	(54,720,481)	(61,384,552)
Net cash used in capital and related financing activities	(164,414,636)	(255,092,528)
Cash Flows From Investing Activities		
Sales and maturities of investments	250,352,658	317,888,179
Purchases of investments	(162,296,751)	(163,821,054)
Interest received on investments and note receivable	5,998,970	5,747,325
Principal payments received on notes receivable	1,608,986	1,528,512
Net cash provided by in investing activities	95,663,863	161,342,962
Net increase (decrease) in cash and cash equivalents	17,053,479	(13,194,118)
Cash and cash equivalents, beginning of year	30,461,421	43,655,539
Cash and cash equivalents, end of year	$ 47,514,900	$ 30,461,421

(Continued)

See Notes to Financial Statements.

	2016	2015
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Unrestricted cash and cash equivalents	**$ 16,244,182**	$ 7,873,038
Cash and cash equivalents designated for specific capital projects and other commitments	**31,270,718**	22,588,383
	$ 47,514,900	$ 30,461,421
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	**$ (3,234,717)**	$ (7,303,595)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	**83,577,615**	77,558,961
Changes in assets and liabilities:		
Tenant lease receivables	**633,506**	(49,639)
Other assets	**1,833,936**	824,274
Accounts payable	**159,929**	(3,206,994)
Accrued liabilities	**9,465,402**	18,381,996
Compensated absences	**185,602**	81,826
Other liabilities	**(606,174)**	(1,036,003)
Net cash provided by operating activities	**$ 92,015,099**	$ 85,250,826
Supplemental Disclosure of Noncash Investing, Capital and Financing Activities		
Additions to capital assets included in accounts payable	**$ 13,184,342**	$ 51,071,661
Additions to capital lease obligations	**$ -**	$ 349,422

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Note 1. Nature of Organization and Summary of Significant Accounting Policies

Reporting entity: The San Diego County Regional Airport Authority (the Airport Authority), an autonomous public agency, was established in accordance with, Assembly Bill 93 (2001), as modified by Senate Bill 1896 (2002), which together comprise the San Diego County Regional Airport Authority Act (the Act). The Act required, among other things, the transfer of the assets and operations of the San Diego International Airport (SDIA) from the San Diego Unified Port District (the District) to the Airport Authority. Effective January 1, 2003 (inception), the District transferred all airport operations and certain related assets and liabilities to the Airport Authority, pursuant to the Act and the Memorandum of Understanding (MOU) dated as of December 31, 2002, between the Airport Authority and the District, which implemented the Act.

Senate Bill 10 (SB 10), the San Diego County Regional Airport Authority Reform Act, was effective January 1, 2008. Responsibilities of the Airport Authority include, among other things, the operation, maintenance, development, management and regulation of SDIA and its facilities. In addition, the Airport Authority has the responsibility to plan or to expand the existing SDIA. Under one of the requirements of SB 10, the Airport Authority completed a Regional Aviation Strategic Plan and the Airport Authority prepared and adopted an Airport Multimodal Accessibility Plan. In addition, the Airport Authority acts as the Airport Land Use Commission within San Diego County.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements should include all organizations, agencies, boards, commissions and authorities for which the Airport Authority is financially accountable. The Airport Authority has also considered all other potential organizations for which the nature and significance of their relationships with the Airport Authority are such that exclusion would cause the Airport Authority’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

The Airport Authority is governed by a nine-member, appointed Board of Directors (Board), representing all areas of San Diego County and three additional members serving as non-voting, ex-officio Board members. Three Board members are appointed by the Mayor of the City of San Diego (the City). Two Board members are appointed by the San Diego County Board of Supervisors. The remaining four Board members are each appointed by the Mayors of the following defined jurisdictions: the east county cities, south county cities, north coastal area cities and north county inland cities. The Board members serve three year terms in accordance with California SB 10.

Measurement focus and basis of accounting: The accounting policies of the Airport Authority conform to accounting principles generally accepted in the United States of America applicable to state and local government agencies, and as such, the Airport Authority is accounted for as a proprietary fund. The basic financial statements presented are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This measurement focus emphasizes the determination of the change in Airport Authority net position.

Use of estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: For purposes of the statements of cash flows, cash and cash equivalents includes unrestricted (including designated) cash on hand, demand deposits and investment securities with original maturities of three months or less from the date of acquisition.

Investments: Investments in the state and county investment pools are recorded at fair value based upon the Airport Authority's pro rata share of the fair value provided by the state and county investment pools for the entire respective pool. All other investments are stated at fair market value based on quoted market prices.

Tenant lease receivables: Tenant lease receivables are carried at the original invoice amount for fixed-rent tenants and at estimated invoice amount for concession (variable) tenants, less an estimate made for doubtful receivables for both fixed-rent and concession tenants. Management determines the allowance for doubtful accounts by evaluating individual tenant receivables and considering a tenant's financial condition and credit history and current economic conditions. Tenant lease receivables are written off when deemed uncollectible. Recoveries of tenant lease receivables previously written off are recorded when received.

Federal grants: Outlays for airport capital improvements and certain airport nonoperating expenses, primarily those relating to the Airport Authority's Quieter Home Program, are subject to reimbursement from federal grant programs. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

Airport Improvement Program (AIP): AIP grants are authorized and disbursed by the FAA under the Airway Improvement Act of 1982, as amended, which provides funding for airport planning and development projects at airports included in the National Plan of Integrated Airport Systems. As such, the AIP grants must be used to pay for the allowable costs of approved projects. As of June 30, 2016 and 2015, the Airport Authority recovered $10,477,054 and $10,764,946, respectively, for approved capital projects and $8,573,133 and $12,073,809 respectively, for the Quieter Home Program. Related recoverable costs as of June 30, 2016 and 2015 were $10,454,351 and $12,926,028 respectively, for capital projects and $12,270,742 and $14,885,179, respectively, for the Quieter Home Program.

Passenger facility charges (PFC): The PFC program is authorized by the Aviation Safety and Capacity Expansion Act of 1990 (the Expansion Act). In accordance with the Expansion Act, the Airport Authority's AIP Passenger Entitlement Apportionment is reduced by certain percentages, dependent upon the level of PFC received by the Airport Authority.

In accordance with the program, PFC revenue must be used to pay allowable costs for approved capital projects. As of June 30, 2016 and 2015, accrued PFC receivables totaled $4,497,657 and $6,303,994, respectively, and there were $73,279,889 and $63,361,948 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2016 and 2015, respectively.

On May 20, 2003, the FAA approved an increase in the Airport Authority's PFC charge per enplaned passenger from $3.00 to $4.50, beginning August 1, 2003. Currently, there are four active applications that allow the Airport Authority to impose and use $1.2 billion in PFC revenue through November 1, 2037. The Airport Authority has formally closed five previously approved applications and withdrawn one pending application which has been integrated in a ninth application to impose and use approximately $32 million in PFC revenue. The latest application was approved by the FAA in July 2012. During the fiscal year 2016 this application was segmented into two resulting in the addition of application #11, which was substantially completed as of June 30, 2016, pending FAA approval for application closure. In accordance with the Aviation Investment Reform Act (AIR-21), airports imposing a $4.50 collection level are required to reduce AIP Passenger Entitlement Apportionment to 75 percent.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Customer facility charges (CFC): The Airport Authority received approval in May 2009 from the State of California under Section 1936 of the California Civil Code to impose a $10.00 CFC per contract on rental cars at SDIA.

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects. Effective January 1, 2014, the CFC rate went from $6.00 to $7.50 per day for a maximum of five days. As of June 30, 2016 and 2015, accrued CFC receivables totaled $2,968,920 and $3,851,910, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2016 and 2015, were $32,922,068 and $41,820,925, respectively.

Deferred inflows of resources: The Airport Authority defers recognition of gains incurred on net differences on projected and actual earnings associated with its pension investments held with its pension plan and reports such losses as deferred inflows of resources in the statements of net position. Deferred gains on these investments are recognized over a five year period.

Deferred outflows of resources: The Airport Authority defers recognition of contributions to its pension plan made between the measurement date of the pension liability and the Airport Authority's fiscal year-end. Other deferred outflows of resources include differences from expected to actual experience which are amortized over a six year period.

Capital assets: Capital assets are recorded at cost, except for capital assets contributed by third parties, which are recorded at acquisition value as of the date of acquisition. The Airport Authority capitalizes incremental overhead costs and interest cost associated with the construction of capital assets. Capital assets are defined by the Airport Authority as assets with an initial, individual cost of more than $5,000 and an initial useful life of one year or greater.

The Airport Authority recognizes lessee-financed improvements as capital assets based upon the asset's estimated value at the time the asset reverts to the Airport Authority.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Depreciation is computed by use of the straight-line method over the following estimated useful lives:

Asset Category	Useful Life (Years)
Land improvements	30-40
Runways, roadways and parking lots	
Lighting, security and minor improvements	3-10
Airfield and parking lots and improvements	12-25
Drainage systems, gas lines, pedestrian bridges	30
Roadways, bridges and infrastructure	40-50
Buildings and structures	
Passenger loading bridges, security systems, general upgrades and remodels	3-10
Baggage handling systems, HVAC, structural improvements, fuel and storage facility	12-20
Buildings and smart curb improvements	25-50
Machinery and equipment	
Vehicles and emergency vehicles	3-15
Office furniture and equipment	3-10
Communication and electronic systems	3-20
Works of art	15-30

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are expensed as incurred. Major outlays for capital assets and improvements are capitalized as construction in progress as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For the fiscal years ended June 30, 2016 and 2015, the Airport Authority capitalized interest of $12,387,045 and $8,964,526, respectively.

Capital asset impairment: The Airport Authority's capital assets include property, equipment and infrastructure assets. A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The Airport Authority evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Common indicators of impairment include evidence of physical damage where restoration efforts are needed to restore service utility, enactment or approval of laws or regulations setting standards that the capital asset would not be able to meet, technological development or evidence of obsolescence, a change in the manner or expected duration of use of a capital asset or construction stoppage. The Airport Authority reports the effects of capital asset impairments in its financial statements when they occur and accounts for insurance recoveries in the same manner. The Airport Authority's management has determined that no impairments of capital assets currently exist.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Retentions payable: The Airport Authority enters into construction contracts that may include retention provisions such that a certain percentage of the contract amount is held for payment until completion of the contract and acceptance by the Airport Authority. The Airport Authority's policy is to record the retention payable only after completion of the work and acceptance of the contractor invoices have occurred. Retentions payable on completed contracts are included with accounts payable on the accompanying statements of net position. Amounts related to unpaid retentions on uncompleted contracts are included in accrued liabilities.

Compensated absences: All employees of the Airport Authority earn annual leave that is paid upon termination or retirement. Annual leave is accrued at current rates of compensation and based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

Bond discounts, premiums and issuance costs: Bond discounts and premiums are deferred and amortized over the term of the respective bonds using the effective interest method. Bond issuance costs are expensed as incurred.

Airport Authority net position: Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.

Restricted net position represents amounts that are appropriated or legally segregated for a specific purpose. The Airport Authority's net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Airport Authority or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Unrestricted net position as of June 30, 2016 and 2015, includes designations of net position that represent tentative management plans that are subject to change, consisting of:

	2016	2015
Operating contingency	**$ 2,000,000**	$ 2,000,000
Insurance contingency	**8,813,970**	8,095,974
Capital projects and other commitments	**20,456,748**	12,492,409
Total designated net position	**$ 31,270,718**	$ 22,588,383

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

Revenue and expense recognition: Revenues from airlines, concessionaires, lessees and parking are reported as operating revenues. Operating expenses include the cost of administering the airport system, including depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions and grants.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Concentrations: A significant portion of the Airport Authority's earnings and revenues are directly or indirectly attributed to the activity of a number of major airlines. The Airport Authority's earnings and revenues could be materially and adversely affected should any of these major airlines discontinue operations and should the Airport Authority be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of enplaned passengers.

The four largest airlines in terms of enplaned passengers are as follows:

	2016	2015
Southwest Airlines	**37.6%**	38.5%
American Airlines	**13.4%**	7.7%
United Airlines	**11.4%**	11.5%
Delta	**10.4%**	10.2%

Defined Benefit Pension Plan: The Airport Authority has a single-employer defined benefit pension plan (Plan) administered through San Diego City Employee Retirement System (SDCERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pronouncements issued but not yet adopted: GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Airport Authority:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the Airport Authority's year ending June 30, 2018.

- GASB Statement No. 82, *Pension Issues –an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the Airport Authority's year ending June 30, 2018.

Pronouncements adopted: The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2016:

- GASB Statement No. 72, *Fair Value Measurement and Application*, effective for the Airport Authority's year ending June 30, 2016.

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the Airport Authority's year ending June 30, 2016.

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for the Airport Authority's year ending June 30, 2016.

The implementation of GASB Statements No. 72 and No. 76 did not impact net position or the change in net position of the Airport Authority as of or for the year ended June 30, 2016.

Note 2. Cash, Cash Equivalents and Investments

Summary of cash, cash equivalents and investments: Cash, cash equivalents and investments are reported in the accompanying statements of net position as follows at June 30:

		2016		2015
Unrestricted and undesignated:				
Cash and cash equivalents	$	16,244,182	$	7,873,038
Current investments		74,354,944		76,065,212
Noncurrent investments		119,052,416		77,419,978
Total unrestricted and undesignated		209,651,542		161,358,228
Designated for specific capital projects and other commitments: cash and cash equivalents		31,270,718		22,588,383
Restricted:				
Current cash, cash equivalents and investments, with trustees		57,228,146		94,917,215
Noncurrent cash, cash equivalents and investments, not with trustees		168,074,212		166,050,576
Noncurrent investments, with trustees		127,070,127		219,382,771
Total restricted cash, cash equivalents and investments		352,372,485		480,350,562
Total cash, cash equivalents and investments	$	593,294,745	$	664,297,173

The components of restricted cash, cash equivalents and investments at June 30, are summarized below:

		2016		2015
Restricted cash, cash equivalents and investments:				
Bond reserves:				
Operation and maintenance reserve subaccount	$	39,354,191	$	38,600,777
Operation and maintenance subaccount		13,118,064		12,866,926
Renewal and replacement account		5,400,000		5,400,000
Total reserves		57,872,255		56,867,703
Passenger facility charges unapplied		73,279,889		63,361,948
Customer facility charges unapplied		32,922,068		41,820,925
Small business development bond guarantee		4,000,000		4,000,000
Customer facility charges		672		-
2010 Series debt service reserve fund		51,351,322		51,191,339
2010 Series debt service account		24,660,324		24,424,169
2013 Series construction fund		13,037,611		42,856,631
2013 Series debt service reserve fund		33,460,392		33,213,393
2013 Series debt service account		11,297,645		11,063,748
2013 Series capitalized interest account		-		220,469
2014 Series construction fund		13,582,767		106,253,356
2014 Series debt service reserve fund		22,170,728		22,040,300
2014 Series capitalized interest account		8,087,171		16,436,026
2014 Series rolling coverage fund		6,649,641		6,600,555
Total restricted cash, cash equivalents and investments	$	352,372,485	$	480,350,562

Note 2. Cash, Cash Equivalents and Investments (Continued)

Investments authorized in accordance with California Government Code Section 53601 and under the provisions of the Airport Authority's investment policy: The table that follows identifies the investment types that are authorized by the Airport Authority's investment policy and State Government Code. The table also identifies certain provisions of the Airport Authority's investment policy that address interest rate risk, credit risk and concentration of credit risk.

This table does not address investments of bond proceeds held by the bond trustee that are governed by provisions of debt agreements of the Airport Authority, in addition to the general provisions of the Airport Authority's investment policy and State Government Code.

Authorized Investment Type	Maximum Maturity	Minimum Quality Requirements	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	N/A	None	None
U.S. agency securities	5 years	N/A	None	None
Supranationals	5 years	AA	30 percent	None
Bankers' acceptances	180 days	AAA/Aaa	40 percent	10 percent
Commercial paper	270 days	A-1; P-1; F-1	25 percent	10 percent
Negotiable certificates of deposit	5 years	A	30 percent	10 percent
Medium-term notes	5 years	A	15 percent	10 percent
Money market mutual funds	N/A	AAA/Aaa	20 percent	10 percent
Repurchase agreements	1 year	A	None	None
Local Agency Investment Fund	N/A	N/A	None	$50 million
San Diego County Investment Pool	N/A	N/A	None	$50 million
Local Government Investment Pool	N/A	N/A	None	$50 million
U.S. State and California agency indebtedness	5 years	A	20 percent	5 percent
Placement service certificates of deposits	3 years	N/A	30 percent	10 percent
Time certificates of deposit	3 years	*	20 percent	10 percent
Bank deposits	N/A	*	None	None

* Financial institution must have at least an overall satisfactory rating under the Community Reinvestment Act for meeting the credit needs of California communities in its most recent evaluation. Collateralization required per Cal. Gov. Code Section 53630 et seq.

Investment in state investment pools: The Airport Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Airport Authority's investments in this pool are reported in the accompanying financial statements at fair value based upon the Airport Authority's pro rata share of the amortized cost basis provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of each portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

Investment in county investment pool: The Airport Authority is a voluntary participant in the San Diego County Investment Pool (SDCIP) that is regulated by California Government Code Section 16429 under the oversight of the County Treasurer of San Diego. The Airport Authority's investments in this pool are reported in the accompanying financial statements at fair value based upon the Airport Authority's pro rata share of the amortized cost basis provided by SDCIP for the entire SDCIP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by SDCIP.

Note 2. Cash, Cash Equivalents and Investments (Continued)

Investments authorized by debt agreements: Investments held by the bond trustee are governed by the provisions of the debt agreement, in addition to the general provisions of the California Government Code and the Airport Authority's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee, according to the Master Trust Indenture. In the event of a conflict between the Airport Authority's investment policy and permitted investments associated with any Airport Authority debt issuance, the debt agreement shall control. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Quality Requirements	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	None	N/A	None	None
U.S. agency securities	None	N/A	None	None
State obligations	None	AAA/Aaa	None	None
Commercial paper	None	A-1; P-1; F-1	None	None
Negotiable certificates of deposit	None	AAA/Aaa	None	None
Long-term and medium-term notes	None	Two highest ratings	None	None
Money market mutual funds	None	Two highest ratings	None	None
Municipal bonds	None	Two highest ratings	None	None
Repurchase agreements	None	BBB*	None	None
Investment agreements	None	N/A	None	None
Local Agency Investment Fund	None	N/A	None	None
San Diego County Investment Pool	None	N/A	None	None
Deposit accounts	None	N/A	None	None

Any other investment which is a permitted investment of the Authority in accordance with the laws of the state.

*Investment requires collateralization

The primary objective of the Airport Authority's investment policy is to invest public funds in a manner that will provide the highest security of the funds under management while meeting the daily cash flow demands of the Airport Authority. Assets of the Airport Authority that are not bond proceeds, which are invested in securities as permitted in the bond indenture, are described in the preceding table. In addition, there are various credit criteria as defined in the Airport Authority's investment policy as depicted in the previous section entitled "Investments authorizes in accordance with California Government Code Section 53601 and under the provisions of the Airport Authority's investment policy."

Investments held by Trustee: The Airport Authority has monies held by trustees pledged for the security and payment of certain debt instruments, the payment of bond interest during construction and the payment of capital project costs.

Disclosures related to 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, investments with longer maturities have greater fair value sensitivity to changes in market interest rates. One of the ways the Airport Authority manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities. These staggered maturities also provide consistent cash flow and fulfill liquidity needs for operations. The Airport Authority monitors interest rate risk inherent in its portfolio by measuring the segmented time distribution of its portfolio. The Airport Authority has no specific limitations with respect to this metric.

Note 2. Cash, Cash Equivalents and Investments (Continued)

Custodial credit risk (deposits): 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Airport Authority maintains deposits at several institutions in order to minimize custodial credit risk. These deposits are collateralized by various instruments such as U.S. government securities (guaranteed) or U.S. agency securities (government sponsored). California Government Code requires that a financial institution secure deposits made by a state or local government by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Airport Authority deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured deposits.

Insurance through the Federal Deposit Insurance Corporation (FDIC) may be applicable to the first $250,000 of institutional deposit accounts, with any balance above this amount covered by the collateralization requirement. Certificates of deposit held by the Airport Authority's third-party custodians are fully insured by the FDIC, as the individual amounts do not exceed the FDIC-insured limits, or are collateralized in accordance with the California Government Code.

Custodial credit risk (investments): Custodial credit risk for investments is the risk that the Airport Authority will not be able to recover the value of its investments in the event of a counterparty failure. The Airport Authority uses third-party banks' custody and safekeeping services for its registered investment securities. Securities are held in custody at third-party banks registered in the name of the Airport Authority and are segregated from securities owned by those institutions or held in custody by those institutions.

Disclosures related to credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. California Government Code Section 53601 (as referenced previously in this note) limits the types of investment instruments that may be purchased by the Airport Authority.

Note 2. Cash, Cash Equivalents and Investments (Continued)

The maturity ranges and credit ratings for the Airport Authority's investment securities as of June 30, are presented in the following tables:

	2016				
		Investment Maturities (in Years)			
Investment Type	**Total**	**0 - 1**	**1 - 2**	**2 - 5**	**Ratings**
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	$ 95,094,109	$ -	$ 47,437,150	$ 47,656,959	AAA (1)
U.S. agency securities	50,679,745	-	21,004,503	29,675,242	AAA (1)
Supranationals	3,010,290	-	-	3,010,290	AAA (1)
Commercial paper	13,942,250	13,942,250	-	-	A-1+/P-1
Negotiable certicates of deposit	3,999,640	3,999,640	-	-	A-1+/P-1
	21,013,400	4,000,000	17,013,400	-	AA
	17,500,000	9,000,000	8,500,000	-	A
Medium-term notes	25,955,952	800,272	19,057,880	6,097,800	AA
	12,742,165	-	5,039,500	7,702,665	A
Money market mutual funds	40,427,839	40,427,839	-	-	AAA
Local Agency Investment Fund	47,906,365	47,906,365	-	-	Unrated
San Diego County Investment Pool	172,695,968	172,695,968	-	-	AAA (1)
CalTrust Fund	15,177,301	15,177,301	-	-	AAA (1)
Total investments subject to credit and interest rate risk:	520,145,024	$ 307,949,635	$ 118,052,433	$ 94,142,956	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	36,247,049				
Total Investments	$ 556,392,073				

	2015				
		Investment Maturities (in Years)			
Investment Type	**Total**	**0 - 1**	**1 - 2**	**2 - 5**	**Ratings**
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	$ 70,189,787	$ -	$ 22,525,974	$ 47,663,813	AAA (1)
U.S. agency securities	46,898,857	4,999,650	22,358,342	19,540,865	AAA (1)
Commercial paper	3,999,800	3,999,800	-	-	A-1+/P-1
Negotiable certicates of deposit	8,000,000	4,000,000	4,000,000	-	A-1+/P-1
	17,000,280	-	13,002,520	3,997,760	AA
	9,000,000	-	9,000,000	-	A
Medium-term notes	19,801,690	5,014,900	800,680	13,986,110	AA
	4,827,981	4,827,981	-	-	A
Money market mutual funds	35,593,542	35,593,542	-	-	AAA
Local Agency Investment Fund	98,381,500	98,381,500	-	-	Unrated
San Diego County Investment Pool	241,042,718	241,042,718	-	-	AAA (1)
CalTrust Fund	15,074,776	15,074,776	-	-	AAA (1)
Total investments subject to credit and interest rate risk:	569,810,931	$ 412,934,867	$ 71,687,516	$ 85,188,548	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	25,313,449				
Total Investments	$ 595,124,380				

Ratings per Standard and Poor's, Moody's and Fitch.
(1) Includes investments that have split ratings between S&P (AA+), Moody's (AAA) and Fitch (AAA)

Note 2. Cash, Cash Equivalents and Investments (Continued)

Concentration of credit risk: The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated in the table provided earlier in this note. The Airport Authority requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity, issuer or class of securities. The Airport Authority had no concentrations of credit risk at June 30, 2016 and 2015.

Foreign currency risk: The Airport Authority's investment policy does not allow investments in foreign securities.

Note 3. Note Receivable

As part of the transfer of airport operations from the District to the Airport Authority, and pursuant to the associated MOU, the District issued a $50,000,000 unsecured promissory note to the Airport Authority. According to an agreement with the District that commenced on January 1, 2006, the note will be amortized over 25 years, maturing on December 31, 2030. The note is subordinate to all bond indebtedness of the District and carries a fixed interest rate of 5.5 percent per annum. At June 30, 2016 and 2015, the balance of the note receivable was $36,749,270 and $38,358,256, respectively.

The required principal payments owed from the District for note receivable for the fiscal years ending June 30 are as follows (rounded):

Years Ending June 30,	Amount
2017	$ 1,705,000
2018	1,802,000
2019	1,903,000
2020	2,006,000
2021	2,124,000
2022-2026	12,554,000
2027-2031	14,655,000
	$ 36,749,000

Note 4. Capital Assets

Capital asset activity for the years ended June 30, 2016 and 2015, are as follows:

	Balance at June 30, 2015	Increases	Decreases	**Balance at June 30, 2016**
Nondepreciable assets:				
Land	$ 22,415,850	$ -	$ (248,255)	**$ 22,167,595**
Construction in progress	387,054,944	150,231,346	(384,583,289)	**152,703,001**
Intangible asset	440,000	-	-	**440,000**
Total nondepreciable assets	409,910,794	150,231,346	(384,831,544)	**175,310,596**
Depreciable assets:				
Land improvements	50,147,668	37,658,961	-	**87,806,629**
Buildings and structures (1)	1,115,012,539	307,002,484	(6,763,438)	**1,415,251,585**
Machinery and equipment (2)	53,700,294	41,027,046	(401,183)	**94,326,157**
Runw ays, roads and parking lots	590,459,084	1,252,586	(939,638)	**590,772,032**
Total capital assets being depreciated	1,809,319,585	386,941,077	(8,104,259)	**2,188,156,403**
Less accumulated depreciation for:				
Land improvements	(6,249,662)	(3,065,596)	-	**(9,315,258)**
Building and structures	(441,622,939)	(57,470,295)	6,611,457	**(492,481,777)**
Machinery and equipment	(44,701,987)	(5,327,455)	409,528	**(49,619,914)**
Runw ays, roads and parking lots	(239,946,253)	(21,957,518)	861,078	**(261,042,693)**
Total accumulated depreciation	(732,520,841)	(87,820,864)	7,882,063	**(812,459,642)**
Total capital assets being depreciated, net	1,076,798,744	299,120,213	(222,196)	**1,375,696,761**
Capital assets, net	$ 1,486,709,538	$ 449,351,559	$ (385,053,740)	**$ 1,551,007,357**

(1) Includes capitalized lease of building w ith a net present value of future lease payments of $7,442,013

(2) Includes capitalized leases of office equipment w ith a net present value of future lease payments of $275,723

Construction in progress contains projects such as upgrading certain major equipment, and improvements to the runway, parking lots and terminals. Current contracts with the Airport Authority related to these projects are discussed later in these notes.

Note 4. Capital Assets (Continued)

	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015
Nondepreciable assets:				
Land	$ 22,415,850	$ -	$ -	$ 22,415,850
Construction in progress	250,103,154	257,367,772	(120,415,982)	387,054,944
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets	272,959,004	257,367,772	(120,415,982)	409,910,794
Depreciable assets:				
Land improvements	48,665,996	1,481,672	-	50,147,668
Buildings and structures (1)	1,025,628,015	94,821,353	(5,436,829)	1,115,012,539
Machinery and equipment (2)	51,618,837	3,000,209	(918,752)	53,700,294
Runways, roads and parking lots	568,935,877	21,523,207	-	590,459,084
Total capital assets being depreciated	1,694,848,725	120,826,441	(6,355,581)	1,809,319,585
Less accumulated depreciation for:				
Land improvements	(4,114,899)	(2,134,763)	-	(6,249,662)
Building and structures	(393,898,118)	(53,054,000)	5,329,179	(441,622,939)
Machinery and equipment	(42,041,579)	(3,532,848)	872,440	(44,701,987)
Runways, roads and parking lots	(216,780,599)	(23,165,654)	-	(239,946,253)
Total accumulated depreciation	(656,835,195)	(81,887,265)	6,201,619	(732,520,841)
Total capital assets being depreciated, net	1,038,013,530	159,765,617	(6,509,543)	1,076,798,744
Capital assets, net	$ 1,310,972,534	$ 674,501,161	$ (247,341,507)	$ 1,486,709,538

(1) Includes capitalized lease of building with initial net present value of future lease payments of $8,040,531

(2) Includes capitalized leases of office equipment with initial net present value of future lease payments of $760,332

Note 5. Long-Term Liabilities

The following is a summary of changes in the long-term liability activity for the years ended June 30, 2016 and 2015:

	Principal Balance at June 30, 2015	Additions/ New Issuances	Reductions/ Repayments	**Principal Balance at June 30, 2016**	Due Within One Year
Debt obligations					
Line of credit Series B tax-exempt	$ 17,909,000	$ -	$ (1,025,000)	**$ 16,884,000**	$ -
Line of credit Series C taxable	20,796,000	-	(5,099,000)	**15,697,000**	-
Total line of credit	38,705,000	-	(6,124,000)	**32,581,000**	-
Bonds payable:					
Series 2010 Bonds	564,085,000	-	(8,665,000)	**555,420,000**	9,000,000
Series 2013 Bonds	379,585,000	-	(2,030,000)	**377,555,000**	2,090,000
Series 2014 Bonds	305,285,000	-	-	**305,285,000**	-
Bond premiums	68,829,291	-	(4,243,248)	**64,586,043**	-
Total bonds payable	1,317,784,291	-	(14,938,248)	**1,302,846,043**	11,090,000
Capital Leases	7,971,993	-	(254,258)	**7,717,735**	275,421
Total debt obligations	1,364,461,284	-	(21,316,506)	**1,343,144,778**	11,365,421
Net pension obligation (asset)	(3,351,341)	5,032,100	-	**1,680,759**	-
Compensated absences	3,176,511	3,019,571	(2,833,969)	**3,362,113**	2,833,970
Total other accruals	(174,830)	8,051,671	(2,833,969)	**5,042,872**	2,833,970
Total long-term liabilities	$ 1,364,286,454	$ 8,051,671	$ (24,150,475)	**$ 1,348,187,650**	$ 14,199,391

	Principal Balance at June 30, 2014	Additions/ New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2015	Due Within One Year
Debt obligations					
Commercial paper	$ 44,884,000	$ -	$ (44,884,000)	$ -	$ -
Line of credit Series B tax-exempt	-	18,929,000	(1,020,000)	17,909,000	-
Line of credit Series C taxable	-	25,955,000	(5,159,000)	20,796,000	-
Total line of credit	44,884,000	44,884,000	(51,063,000)	38,705,000	-
Bonds payable:					
Series 2010 Bonds	569,870,000	-	(5,785,000)	564,085,000	8,665,000
Series 2013 Bonds	379,585,000	-	-	379,585,000	2,030,000
Series 2014 Bonds	305,285,000	-	-	305,285,000	-
Bond premiums	73,157,591	-	(4,328,300)	68,829,291	-
Total bonds payable	1,327,897,591	-	(10,113,300)	1,317,784,291	10,695,000
Capital Leases	7,810,927	349,422	(188,356)	7,971,993	254,259
Total debt obligations	1,380,592,518	45,233,422	(61,364,656)	1,364,461,284	10,949,259
Net pension obligation (asset)	6,743,798	-	(10,095,139)	(3,351,341)	-
Compensated absences	3,094,685	2,734,786	(2,652,960)	3,176,511	2,652,960
Total other accruals	9,838,483	2,734,786	(12,748,099)	(174,830)	2,652,960
Total long-term liabilities	$ 1,390,431,001	$ 47,968,208	$ (74,112,755)	$ 1,364,286,454	$ 13,602,219

Note 5. Long-Term Liabilities (Continued)

Senior Lien Airport Revenue Bonds, Series 2005 and Refunded Series 1995: The California Maritime Infrastructure Authority issued $76,690,000 of Airport Revenue Bonds (Series 1995 Bonds) for the District, pursuant to a trust agreement dated December 1, 1995. The proceeds of the Series 1995 Bonds, together with investment income thereon, were used solely to pay a portion of the construction and installation of the West Terminal Expansion at SDIA, fund a Reserve Account and pay certain expenses in connection with the issuance of the Series 1995 Bonds. In conjunction with the transfer of airport operations to the Airport Authority on January 1, 2003, these bond obligations were assumed by the Airport Authority.

On December 21, 2012, the Airport Authority defeased all of its outstanding Series 2005 Bonds, by depositing proceeds of Subordinate CP Notes and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2005 Bonds until their final maturity date of July 1, 2020. As of June 30, 2016 and 2015, the amount held in escrow by the trustee was $25,668,549 and $30,735,483, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was $23,145,000 and $27,130,000, respectively.

Commercial Paper Series A, B and C (CP Notes): On September 6, 2007, the Board authorized issuance of subordinate CP Notes with up to $250,000,000 of principal outstanding at any time. The CP Notes were issued from time to time and proceeds from the issuance of the CP Notes were used, among other things, to finance improvements to SDIA. The CP Notes were obligations secured by a pledge of airport revenues subordinated to the pledge of net airport revenues securing payment of the senior lien Series 2013 and Series 2014 Bonds and on parity to the subordinate Series 2010 Bonds. Each commercial paper note matured at the end of a period not to exceed 270 days. As noted below, the commercial paper program was replaced by a revolving line of credit.

Revolving Line of Credit program in Fiscal Year 2015: During fiscal year 2015, the Airport Authority replaced its commercial paper program with a $125,000,000 revolving line of credit issued by US Bank. The revolving line of credit was used to refund the outstanding Series B and Series C CP Note balances. The revolving line of credit is a three-year agreement and took effect on September 5, 2014 and expires on September 4, 2017.

The revolving line of credit is payable solely from and secured by a pledge of “Subordinate Net Revenues.” Subordinate Net Revenues are generally defined as all revenues and other cash receipts of the Airport Authority’s airport operations remaining after senior lien payments have been deposited by the Trustee in accordance with the Senior Lien Trust Indenture.

At June 30 2016 and 2015, the principal balance of the Series B Notes were $16,884,000 and $17,909,000, respectively, and bears interest at the tax-exempt LIBOR rate. The balances of the Series C Notes for the same periods were $15,697,000 and $20,796,000 respectively, and bear interest at the taxable LIBOR rate.

Note 5. Long-Term Liabilities (Continued)

Subordinate Lien Series 2010 Bonds: On October 5, 2010, the Airport Authority issued $572,565,000 of Series A, B and C Subordinate Airport Revenue Bonds (Series 2010 Bonds). The subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the subordinate Series 2010 Bonds through and including January 1, 2013, refund $142,176,000 of the Airport Authority's then outstanding commercial paper notes, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2010 Bonds.

The Series 2010 A and 2010 B Bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years 2012 to 2041. The Series 2010 C Bonds were issued as taxable Build America Bonds (BAB), which benefit from periodic cash subsidy payments from the U.S. Treasury, originally equal to 35 percent of interest payable on such bonds. As a result of the automatic spending cuts imposed under the Budget Control Act of 2011, the Airport Authority's BAB subsidies were reduced by 7.2 percent (the BAB Sequester) from October 2013 through September 2014 and 7.3 percent from October 2014 through September 2015. Due to the continued extension of the BAB Sequester, BAB subsidies for the remainder of fiscal year 2016 were reduced by 6.8 percent and such reduction will remain in place through September 2016. The BAB interest subsidies received by the Airport Authority for fiscal years ended June 30, 2016 and 2015, amounted to $4,656,199 and $4,631,219, respectively. The interest rate on the Series 2010 C Bonds, net of the subsidy, is 4.47 percent and the bonds mature in fiscal year 2041. The bonds were issued at a premium of $26,154,344, which is being amortized over the life of the bonds. Interest on the subordinate Series 2010 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2016 and 2015, amounted to $31,151,799 and $31,484,399, respectively, including accrued interest of $15,575,899 and $15,742,199, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2016 and 2015, was $555,420,000 and $564,085,000, respectively.

The subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate trustee under the subordinate indenture. The subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues. The irrevocably committed PFC amount of $19,209,388 and $19,206,113 were fully utilized in fiscal year 2016 and 2015, respectively.

As subordinate lien bonds, the Series 2010 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Series 2010 Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2016 and 2015, the amount held by the trustee was $76,011,646 and $75,615,508, respectively, which included the July 1 payment and a debt service reserve fund.

Note 5. Long-Term Liabilities (Continued)

The public ratings of the Series 2010 Bonds as of June 30, 2016, are A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

The required debt service payments for the Series 2010 Bonds for the fiscal years ending June 30, are as follows:

Years Ending June 30,	Principal	Interest	Total
2017	$ 9,000,000	$ 30,934,023	$ 39,934,023
2018	9,430,000	30,487,998	39,917,998
2019	9,890,000	30,020,298	39,910,298
2020	10,365,000	29,529,823	39,894,823
2021	10,865,000	29,007,173	39,872,173
2022-2026	62,945,000	136,240,023	199,185,023
2027-2031	80,190,000	118,557,929	198,747,929
2032-2036	161,025,000	85,746,886	246,771,886
2037-2041	201,710,000	31,615,633	233,325,633
	$ 555,420,000	$ 522,139,787	$ 1,077,559,787

Senior Lien Airport Revenue Bonds, Series 2013: On January 30, 2013, the Airport Authority issued $379,585,000 of Series A and B Senior Airport Revenue Bonds (Series 2013 Bonds). The Series 2013 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the Series 2013 Bonds through and including July 1, 2015, fund the senior reserve fund and pay the costs of issuance of the Series 2013 Bonds.

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of $55,934,101, which is being amortized over the life of the bonds. Interest on the senior Series 2013 Bonds is payable semiannually on January 1 and July 1, of each year. Interest for the fiscal years ended June 30, 2016 and 2015, was $18,414,600 and $18,475,500, respectively, including accrued interest of $9,207,300 and $9,237,750 for fiscal years ending June 30, 2016 and 2015, respectively. The principal balance on the Series 2013 Bonds as of June 30, 2016 and 2015, was $377,555,000 and $379,585,000, respectively.

The senior Series 2013 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system (b) certain funds and accounts held by the senior trustee under the senior indenture.

Note 5. Long-Term Liabilities (Continued)

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's books, as shown previously in the notes. For the fiscal years ended June 30, 2016 and 2015, the amount held by the trustee was $57,795,658 and $87,354,241, respectively, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund and capitalized interest funds. The total additional amounts reserved by the Airport Authority for fiscal years 2016 and 2015 was $57,782,255 and $56,867,703, respectively. The public ratings of the Series 2013 Bonds as of June 30, 2016, are A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

The required debt service payments for the Series 2013 Bonds for the fiscal years ending June 30, are as follows:

Years Ending June 30,	Principal	Interest	Total
2017	$ 2,090,000	$ 18,382,275	$ 20,472,275
2018	2,155,000	18,306,850	20,461,850
2019	2,240,000	18,218,950	20,458,950
2020	2,320,000	18,127,750	20,447,750
2021	7,925,000	17,883,225	25,808,225
2022-2026	45,940,000	82,907,000	128,847,000
2027-2031	58,435,000	70,163,750	128,598,750
2032-2036	25,815,000	60,048,125	85,863,125
2037-2041	46,130,000	51,281,250	97,411,250
2042-2044	184,505,000	13,792,875	198,297,875
	$ 377,555,000	$ 369,112,050	$ 746,667,050

Senior Lien Airport Revenue Bonds, Series 2014: On February 1, 2014, the Airport Authority issued $305,285,000 of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest accruing on the Series 2014 Bonds through January 1, 2016, fund deposits to the senior reserve fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt and non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent. The bonds were issued at a premium of $594,226, which is amortized over the life of the bonds. Interest on the Series 2014 Bonds is payable semiannual on January 1 and July 1 of each year. Interest for fiscal years ended June 30, 2016 and 2015, was $16,341,210, including accrued interest of $8,179,605 each year. The principal balance on the Series 2014 Bonds as of June 30, 2016 was $305,385,000.

Note 5. Long-Term Liabilities (Continued)

The Series 2014 Bonds are special limited obligations of the Airport Authority, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, customer facility charges collected from the rental car companies operating at the Airport and remitted to the Trustee. No revenues of the Airport Authority other than the customer facility charges and the Bond Funding Supplemental Consideration (as defined in the bond indenture), are pledged to the payment of the Series 2014 Bonds. The Series 2014 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's books, as show previously in the notes. For the fiscal years ended June 30, 2016 and 2015, the amount held by the trustee was $50,490,307 and $151,330,237, respectively, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund, capitalized interest funds and the rolling coverage fund.

The required debt service payments for the Series 2014 Bonds for the fiscal years ending June 30 are as follows:

Years Ending June 30,	Principal	Interest	Total
2017	$ -	$ 16,341,210	$ 16,341,210
2018	-	16,341,210	16,341,210
2019	5,580,000	16,270,428	21,850,428
2020	5,720,000	16,114,217	21,834,217
2021	5,890,000	15,928,365	21,818,365
2022-2026	33,565,000	75,148,059	108,713,059
2027-2031	43,925,000	64,443,360	108,368,360
2032-2036	57,665,000	50,319,070	107,984,070
2037-2041	75,700,000	31,777,897	107,477,897
2042-2045	77,240,000	8,370,662	85,610,662
	$ 305,285,000	$ 311,054,477	$ 616,339,477

Line of credit: In fiscal year 2016, the Airport Authority replaced a $4,000,000 line of credit previously held with Wells Fargo by one now maintained by US Bank, which is collateralized with a bank certificate of deposit. This line is utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2016, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

Capital Leases

Office equipment leases: The Airport Authority has entered into five year capital lease agreements for office equipment that require monthly lease payments of $6,849.

Receiving distribution center lease: The Airport Authority entered into an installment purchase agreement for a receiving and distribution center (RDC) in fiscal year 2013. This agreement has been determined to be a capital lease and requires monthly lease payments of $73,108. The Airport Authority will become the owner of the RDC at the conclusion of the 20 year installment purchase agreement.

Note 5. Long-Term Liabilities (Continued)

The following is a schedule of future lease payments applicable to the RDC installment purchase agreement, the office equipment capital leases, and the net present value of the future lease payments at June 30, 2016:

June 30,	Amount
2017	$ 959,486
2018	959,486
2019	959,486
2020	932,090
2021	877,298
2022-2026	4,386,489
2027-2031	4,386,489
2032	1,242,839
Total lease payments	14,703,663
Less amount representing interest	(6,985,928)
Present value of future lease payments	$ 7,717,735

Note 6. Defined Benefit Plan

Plan description: The Airport Authority's defined benefit pension plan is separately administered by SDCERS. SDCERS is governed by a 13-member Board, responsible for the administration of retirement benefits for the City, the District, and the Airport Authority and for overseeing the investment portfolio of the retirement system's trust fund. The Board is comprised of seven appointed members, four active members, one retired member and one ex-officio member.

SDCERS administers three separate single-employer defined benefit pension plans for the City, the District and Airport Authority, and SDCERS provides service retirement, disability retirement, death and survivor benefits to its participants.

From January 1, 2003 through June 30, 2007, SDCERS administered a qualified employer defined benefit plan for the City, the District and Airport Authority. However, as of July 1, 2007, the City, the District and the Airport Authority plans were separated into independent, qualified, single-employer governmental defined benefit plans and trusts. The assets of the three separate plans and trusts were pooled in the SDCERS Group Trust, which was established as of July 1, 2007. SDCERS invests and administers the Group Trust as a common investment fund and accounts separately for the proportional interest of each plan and trust that participates in the Group Trust.

SDCERS acts as a common, independent investment and administrative agent for the City, the District and the Airport Authority, whose plans cover all eligible employees. In a defined benefit plan, pension benefits are actuarially determined by a member's age at retirement, number of years of service credit and final compensation, typically based on the highest salary earned over a one-year or three-year period. Airport Authority safety members who are participants under the California Public Employees' Pension Reform Act (PEPRA) are subject to pensionable compensation caps.

Note 6. Defined Benefit Plan (Continued)

The San Diego City Charter Section 144 and San Diego Municipal Code Sections 24.0100 et seq. assign the authority to establish and amend the benefit provisions of the plans that participate in SDCERS to the SDCERS Board. The Airport Authority contributes to the Federal Social Security Program. The SDCERS Board issues a publicly available financial report that includes financial statements and required supplementary information for SDCERS. The financial report may be obtained by writing to the San Diego City Employees' Retirement System, 401 B Street, Suite 400, San Diego, California 92101.

Benefits provided: The Airport Authority provides retirement, disability and death benefits.

There are two types of participants, the classic participants and the PEPRA participants. A classic participant means any member who is not a PEPRA participant. A PEPRA participant is any member hired on or after January 1, 2013, who has never been a member of a public retirement system or who had a break in service of more than six months before their Airport Authority hire date.

The classic participant retirement benefit is calculated by using monthly salary amounts based on the highest continuous 26 bi-weekly pay periods divided by 12. The eligibility of the classic participants begins at age 62 with five years of service, or age 55 with 20 years of service.

The PEPRA participant's benefit is calculated by using monthly salary amounts based on the highest 36 consecutive months divided by 36. Base salary cannot exceed 100 percent of the Social Security contribution and benefit base, indexed to the CPI-U. The eligibility of the PEPRA participants begins at age 52 with five years of service.

The Airport Authority provides monthly payments for the life of the employee, with 50 percent continuance to the eligible spouse, domestic partner, or dependent child under 21 years of age upon the member's death. If there is no eligible spouse, the member may receive either a lump sum payment equal to the accumulated surviving spouse contributions or an actuarially equivalent annuity.

Employees with ten years of continuous service are eligible to receive non-industrial disability and employees with no service requirement can receive industrial disability.

The death benefit for non-industrial death before the employee is eligible to retire is a refund of the employee contributions, with interest plus one month's salary for each completed year of service to a maximum of six months' salary. A non-industrial death benefit after the employee is eligible to retire from service is 50 percent of earned benefit payable to eligible surviving spouse, domestic partner, or dependent child under 21 years of age. The industrial death benefit is 50 percent of the final average compensation preceding death, payable to eligible surviving spouse, domestic partner or dependent child under 21 years of age.

Membership in the Plan by membership class at June 30, 2016 and 2015, are as follows:

	2016	2015
Inactive employees or beneficiaries currently receiving benefits	64	55
Inactive employees entitled to but not yet receiving benefits	99	91
Active employees	381	374
	544	520

Note 6. Defined Benefit Plan (Continued)

Actuarial Assumptions: The total pension liability in the June 30, 2015 and 2014, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- The rates of retirement were based on age and service as opposed to just the service of a member.
- The percent married assumption was 55 percent for females and 80 percent for males, and the assumed age difference between husbands and wives was three years.
- The reciprocity assumption was 10 percent.
- Rates of termination were based on service as opposed to the age of a member.
- Disability rates were modified to reflect actual experience through June 30, 2010, and include a projection to 2014 and 2015.
- Mortality rates for active Airport Authority members (RP-2000 Combined Mortality Table) were modified to reflect actual experience through June 30, 2010, and include a projection to 2014 and 2015.
- Mortality rates for retired Airport Authority members were modified to reflect actual experience through June 30, 2010. No modifications have been made to project future mortality improvements.
- The investment return assumption was 7.25 percent.
- The inflation assumption was 3.3 percent
- Cost of living adjustment was assumed 2 percent.
- Actuarial cost method is entry age normal
- Amortization method is level percent closed
- Asset valuation method is expected value method

Note 6. Defined Benefit Plan (Continued)

The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publically available information. The target allocations and best estimates of rates of return for each major asset class are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. equity	21%	4.5%
Non-U.S. equity	14%	4.6%
Emerging market equity	1%	5.8%
Global equity	5%	4.7%
U.S. fixed income	22%	0.6%
Emerging market debt	5%	3.7%
Real estate	11%	4.1%
Private equity and infrastructure	13%	6.6%
Opportunity fund	8%	4.1%
	100%	

Discount Rate: For the June 30, 2014 and 2015, actuarial valuations, the discount rate used to measure the total pension liability (asset) was 7.25 percent. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability (asset).

Contributions: SDCERS uses actuarial developed methods and assumptions to determine what level of contributions are required to achieve and maintain an appropriate funded status for the Plan. The actuarial process uses a funding method that attempts to create a pattern of contributions that is both stable and predictable. The actual employer and member contribution rates in effect each year are based upon actuarial valuations performed by an independent actuary and adopted by the SDCERS Board annually.

The actuarial valuation is completed as of June 30, of each year. Once accepted by the SDCERS Board, the approved rates for Airport Authority apply to the fiscal year beginning 12 months after the valuation date. For June 30, 2016, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2014, actuarial valuation.

The funding objective of SDCERS is to fully fund the plan's actuarially accrued liability with contributions, which over time will remain as a level percent of payroll for the Airport Authority. Under this approach, the contribution rate is based on the normal cost rate and an amortization of any unfunded actuarial liability.

Note 6. Defined Benefit Plan (Continued)

For the years ended June 30, 2016 and 2015, employees contributed $1,073,028 and $1,019,220, respectively, and the Airport Authority contributed $5,664,755 and $5,670,847, respectively, to the Plan. For the years ended June 30, 2016 and 2015, the Airport Authority paid 7.00% or 8.50% of general member employee payroll and 10.47% of executive member payroll as employer paid contributions.

Changes in the total pension liability, plan fiduciary net position and the net pension liability (asset) through the year ended June 30, 2016 and 2015, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of 6/30/14	$ 126,851,793	$ 130,203,134	$ (3,351,341)
Changes for the year:			
Service cost	6,154,579	-	6,154,579
Interest on total pension liability	9,327,538	-	9,327,538
Difference between expected and actual experience	345,661	-	345,661
Benefit payments	(2,482,523)	(2,482,523)	-
Administrative expenses	-	(332,290)	332,290
Member contributions	-	1,073,028	(1,073,028)
Employer contributions	-	5,664,755	(5,664,755)
Net investment income	-	4,390,185	(4,390,185)
Net changes	13,345,255	8,313,155	5,032,100
Balances as of 6/30/15	$ 140,197,048	$ 138,516,289	$ 1,680,759

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of 6/30/13	$ 115,200,048	$ 108,456,250	$ 6,743,798
Changes for the year:			
Service cost	6,099,481	-	6,099,481
Interest on total pension liability	8,465,485	-	8,465,485
Benefit payments	(2,913,221)	(2,913,221)	-
Administrative expenses	-	(332,645)	332,645
Member contributions	-	1,019,220	(1,019,220)
Employer contributions	-	5,670,847	(5,670,847)
Net investment income	-	18,302,683	(18,302,683)
Net changes	11,651,745	21,746,884	(10,095,139)
Balances as of 6/30/14	$ 126,851,793	$ 130,203,134	$ (3,351,341)

Note 6. Defined Benefit Plan (Continued)

Sensitivity to Interest Rate Changes: The following presents the resulting net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate for the fiscal years ended June 30, 2016:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Total pension liability	$ 159,472,645	$ 140,197,047	$ 124,200,218
Plan fiduciary net position	(138,516,288)	(138,516,288)	(138,516,288)
Net pension liability	$ 20,956,357	$ 1,680,759	$ (14,316,070)
Plan fiduciary net position as a percentage of the total pension liability	-86.9%	-98.8%	-111.5%

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Plan: For the year ended June 30, 2016 and 2015, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 68, of $4,048,248 and $3,743,686, respectively. At June 30, 2016 and 2015, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	$ -	$ (1,807,422)
Differences between expected & actual experience	288,051	-
Employer contributions made subsequent to June 30, 2015 measurement date	5,697,106	-
Total	$ 5,985,157	$ (1,807,422)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	$ -	$ (8,167,978)
Employer contributions made subsequent to June 30, 2014 measurement date	5,852,754	-
Total	$ 5,852,754	$ (8,167,978)

The deferred outflows of resources, at June 30, 2016 and 2015, related to pensions resulting from Airport Authority contributions subsequent to the measurement date and prior to year end that will be recognized as a reduction of the net pension liability at June 30, 2017 and 2016, respectively.

Note 6. Defined Benefit Plan (Continued)

Other amounts reported as deferred inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending June 30	
2017	$ (904,744)
2018	(904,744)
2019	(904,746)
2020	1,137,252
2021	57,611

Note 7. Employees' Deferred Compensation Plan

The Airport Authority offers its employees a deferred compensation plan, which was created in accordance with Internal Revenue Code (IRC) Section 457. The Plan, which is available to all full-time Airport Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, total disability, death or unforeseeable emergency.

The plan is administered by the Airport Authority and contracted to an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are held in trust for employees.

Employee assets to be held in the IRC Section 457 plans are not the property of the Airport Authority and are not subject to the claims of the Airport Authority's general creditors. Accordingly, employee assets are not reflected in the Airport Authority's financial statements.

Note 8. Other Postemployment Benefits

The Airport Authority provides a single-employer postemployment benefit plan (the OPEB Plan). The OPEB Plan provides postretirement medical, dental, vision and life insurance benefits for nonunion employees hired prior to May 1, 2006 and union employees hired prior to October 1, 2008. The employees are eligible for these benefits if they retire from active employment after age 55 with 20 years of service or age 62 with five years of service.

Plan description: As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for approximately 1.5 million California public employees, retirees and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States, managing more than $250 billion in assets for more than 2,500 California employers. In 1988 and 2007, enabling statutes and regulations were enacted which permitted CalPERS to form the CERBT fund, an irrevocable Section 115 Trust, for the purpose of receiving employer contributions that will prefund health and other postemployment benefit costs for retirees and their beneficiaries. Financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Note 8. Other Postemployment Benefits (Continued)

Funding policy: CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the annual required contributions (ARCs). As of May 9, 2009, the agreement with CERBT was approved. Retirees contribute 5 percent of plan costs for single coverage and the entire cost of vision benefits. Annually, the Airport Authority funds 100 percent of the actuarially calculated ARC for its OPEB. In previous years, the Airport Authority has made contributions above the annual ARC which has resulted in a net OPEB asset.

Annual OPEB cost and actuarial methods and assumptions: The Airport Authority's annual OPEB cost is calculated based on the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The Airport Authority has elected to perform an actuarial valuation of the OPEB on a biennial basis, the most recent of which is dated as of July 1, 2015. According to the July 1, 2015, actuarial valuation, the ARC was $ 1,752,000 and $2,403,000 for fiscal year 2016, and 2015, respectively. The ARC was determined using the entry age normal cost method with amortization of the unfunded accrued liability occurring over a 30-year period ending June 30, 2037.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations. The actuarial assumptions used by CERBT include (a) a 7.28 percent investment rate of return, (7.36 percent was used in the prior valuations), net of administrative expenses, RP-2015 Mortality Tables with fully generational projection using MP-2015 scale and (b) projected salary increases of 3.00 percent. The annual healthcare cost trend rate ranged from 18 to 21 percent for medical and assumes a 5.0 percent rate for dental and 3.0 percent rate for vision. In establishing the discount rate, an inflation rate of 2.75 percent was used. The 2015 actuarial valuation included a 10 percent retirees' contribution of plan costs for single coverage; previously it was 5 percent.

The entry age normal cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the entry age normal cost method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The actuarial accrued liability is the cumulative value, on the valuation date, of prior service costs. For retirees, the actuarial accrued liability is the present value of all projected benefits.

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true plan costs.

Development of the net OPEB obligation (NOO/Asset) and annual OPEB cost for the past three years is as follows (dollars in thousands):

Actuarial Valuation Date	Fiscal Year	ARCs	Employer Contribution	NOO/(Asset) End of Year	Interest on NOO/(Asset)	Adjustment to the ARC	Annual OPEB Cost
7/1/13	13/14	$ 2,328	$ 2,328	$ (59)	$ (4)	$ 4	$ 2,328
7/1/13	14/15	2,403	2,403	(59)	(4)	4	2,403
7/1/15	15/16	1,959	1,959	(59)	(4)	4	1,959

Note 8. Other Postemployment Benefits (Continued)

The Airport Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2015, 2014 and 2013, were as follows (dollars in thousands):

Fiscal Year Ended	Annual OPEB Costs	Employer Contribution	Percentage of OPEB Cost Contributed	NOO/ (Asset)
6/30/14	$ 2,328	$ 2,328	100.0%	$ (59)
6/30/15	2,403	2,403	100.0%	(59)
6/30/16	1,959	1,959	100.0%	(59)

Funded status and funding progress: The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the accompanying notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The funded status of the Plan based on the most recent biennial actuarial valuation for the plan, dated as of July 1, 2015, was as follows (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
7/1/15	$ 18,917	$ 34,587	$ 15,670	54.7%	$ 16,809	93.2%	7.3%	3.0%

Note 9. Risk Management

The Airport Authority has a comprehensive Risk Management Program comprising commercial insurance, self-insurance, loss prevention, loss control and claims administration. The Airport Authority's coverage includes a variety of retentions or deductibles.

Commercially issued insurance:

- The Airport Authority maintains $500 million in limits for owners' and operators' general liability insurance with a war, hijacking and other perils endorsement in the amount of $150 million.
- The Airport Authority maintains a property insurance policy with limits of $750 million providing all risk and flood coverage on physical assets.
- The Airport Authority also maintains policies for workers' compensation, commercial auto, fiduciary liability, privacy and network security, crime and public officials and employment practices liability, among others.

Note 9. Risk Management (Continued)

Self-insurance: Due to the exorbitant cost of earthquake insurance, the Airport Authority self-insures for losses due to earthquake damage. Effective July 1, 2007, the Airport Authority removed the purchase of commercial earthquake insurance from the Risk Management Program and increased reliance on the laws designed to assist public entities through the Federal Emergency Management 5Agency and the California Disaster Assistance Act. As of June 30, 2016 and 2014, the Airport Authority has designated $8,813,970 and $8,095,974, respectively, from its net position, as an insurance contingency.

A $2,000,000 reserve has been established within unrestricted net position by the Airport Authority's management to respond to uninsured and underinsured catastrophic losses. This fund is maintained pursuant to Board action only; there is no requirement that it be maintained.

Loss prevention: The Airport Authority has an active loss prevention program, staffed by a full-time risk manager, two risk analysts, a safety manager and a safety analyst. In addition, insurer property and casualty loss control engineers conduct safety surveys on a periodic basis. Employees receive regular safety training and claims are monitored using a Web-based claims information system.

During fiscal year 2016, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

Note 10. Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Note 10. Disclosures About Fair Value of Assets (Continued)

Recurring Measurements:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016 and 2015:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2016				
Investments by fair value level				
U.S. Treasury obligations	$ 95,094,109	$ 95,094,109	$ -	$ -
U.S. agency securities	50,679,745	-	50,679,745	-
Non-U.S Securities	3,010,290	3,010,290	-	-
Commercial paper	13,942,250	-	13,942,250	-
Negotiable certicates of deposit	42,513,040	-	42,513,040	-
Medium-term notes	38,698,117	-	38,698,117	
Local Agency Investment Fund	47,906,365	47,906,365	-	-
San Diego County Investment Pool	172,695,968	172,695,968	-	-
Total investments by fair value level	464,539,884	$ 318,706,732	$ 145,833,152	$ -
Investment measured at amortized cost	40,427,839			
Investment measured at net asset value	15,177,301			
Non-negotiable certificate of deposit	36,247,049			
Total investments	$ 556,392,073			

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2015				
Investments by fair value level				
U.S. Treasury obligations	$ 70,189,787	$ 70,189,787	$ -	$ -
U.S. agency securities	46,898,857	-	46,898,857	-
Commercial paper	3,999,800	-	3,999,800	-
Negotiable certicates of deposit	34,000,280	-	34,000,280	-
Medium-term notes	24,629,671	-	24,629,671	-
Local Agency Investment Fund	98,381,500	98,381,500	-	-
San Diego County Investment Pool	241,042,718	241,042,718	-	-
	519,142,613	$ 409,614,005	$ 109,528,608	$ -
Total investments by fair value level				
Investment measured at amortized cost	35,593,542			
Investment measured at net asset value	15,074,776			
Non-negotiable certificate of deposit	25,313,449			
Total investments	$ 595,124,380			

Note 10. Disclosures About Fair Value of Assets (Continued)

Investments:

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 11. Lease Revenues

The Airport Authority leases certain of its capital assets, such as loading bridges and building space, to signatory airlines and other tenants under operating leases. Substantially all capital assets are held by the Airport Authority for the purpose of rental or related use. A majority of the lease payments are determined each year based upon the actual costs of the airport. Such costs are allocated pro rata to each tenant based upon factors such as landed weights, enplanements, square footage, acres, etc. A majority of the Airport Authority's lease commitments are primarily on a month-to-month basis and accordingly are not reflected in the schedule below.

The Airport Authority's recent expansion of approximately 25,000 additional square feet results in the increase of the number of food service and retail concession locations from 55 to 87. The Authority has implemented a comprehensive Concessions Development Program (CDP) to provide a world class shopping and dining experience for the millions of passengers who use SDIA each year. The full program build out was completed during fiscal year 2015. The CDP replaces the Airport Authority's one master concessionaire.

The Airport Authority's CFC revenues and Bonds funded construction of the Rental Car Center Facility (RCC), which was completed and placed in service on January 20, 2016. The RCC facility sits on 24.85 acres of land and houses all the major and small operator rental car tenants. The land rent leases for the RCC commenced on the opening date of the facility and will continue until the Bonds are repaid or defeased. This land rent is a non-cancellable lease and will convert to Facility Rent when bonds are repaid.

The minimum future lease payments to be received under the above operating lease agreements as of June 30, are as follows:

Years Ending June 30,	Amount
2017	$ 12,586,824
2018	11,906,653
2019	11,998,494
2020	12,138,378
2021	12,281,759
2022-2026	63,914,519
2027-2031	69,716,722
2032-2036	76,792,708
2037-2041	85,196,761
2042-2046	95,178,138
2047-2049	40,883,957
	$ 492,594,913

Note 12. Lease Commitments

Operating Leases

General Dynamics lease: The Airport Authority is required, by legislation mandating the transfer of airport operations from the District, to lease from the District 89.75 acres of the former General Dynamics property on Pacific Highway adjacent to SDIA for 66 years commencing January 1, 2003. The lease agreement, as amended, calls for rent payments of $6,750,000 annually through December 31, 2068. A portion of the land is leased back to the District for employee parking at the same fair market value rent paid by the Airport Authority.

SDIA lease: The Airport Authority is leasing from the District 480 acres of land on North Harbor Drive for an annual rent of $1 per year under a lease that expires December 31, 2068.

Teledyne Ryan lease: The Airport Authority is leasing from the District 46.88 acres on North Harbor Drive referred to as the Teledyne Ryan lease that commenced on January 1, 2005 and expires December 31, 2068, for $3 million in annual rent.

Under current law, in the event SDIA is relocated and the District leases are no longer used by the Airport Authority for airport purposes, all District leases will terminate and use of the property will revert to the District.

The future rental commitment under the above operating lease agreements as of June 30, are due as follows:

Years Ending June 30,	Amount
2017	$ 10,172,520
2018	10,172,520
2019	10,172,520
2020	10,172,520
2021	10,172,520
2022-2026	50,862,600
2027-2031	50,862,600
2032-2036	50,862,600
2037-2041	50,862,600
2042-2046	50,862,600
2047-2051	50,862,600
2052-2056	50,862,600
2057-2061	50,862,600
2062-2066	50,862,600
2067-2068	25,431,300
	$ 534,057,300

The total rental expense charged to operations for the years ended June 30, consists of the following:

	2016	2015
Rental payments made	**$ 10,367,148**	$ 10,433,251

Note 13. Commitments and Contingencies

Commitments: As of June 30, 2016 and 2015, the Airport Authority had significant commitments for capital expenditures and other matters as described below:

i. The Airport Authority has funds which have been classified as current assets, primarily for the unpaid contractual portion of capital projects that are currently in progress, and will not be funded by grants or additional debt, but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. At June 30, 2016 and 2015, these funds totaled approximately $20.5 million and $12.5 million, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.

ii. Support services — As part of the MOU, services provided by the District Harbor Police are required to be purchased by the Airport Authority as long as SDIA continues to operate at the current location. At the time of the transfer, the Airport Authority entered into a Master Services Agreement, a Police Services Agreement and a Communications Services Agreement with the District, which described the services that the Airport Authority could purchase and the manner of calculating the payments for such services. The largest amount that became payable under any of these agreements is under the Police Services Agreement, which is for Harbor Police services. The District provides monthly billings to the Airport Authority, with payment generally due 30 days after the date of the invoice, and provision of appropriate supporting documentation. During the years ended June 30, 2016 and 2015, the Airport Authority expensed $18,764,780 and $15,847,455, respectively, for these services.

iii. In fiscal year 2012, the Board approved two contracts with Ace Parking Management Inc., one for the parking management services in the amount of $29.7 million and the second for the airport shuttle services in the amount of $31.3 million. The total amounts spent as of June 30, 2016, were $23.2 million for parking management services and $29.5 million for airport shuttle services. These contracts are scheduled for completion in 2017. As of June 30, 2016, the Airport Authority’s remaining commitment is approximately $6.5 million for the parking management contract and $1.8 million for the shuttle service contract.

iv. In fiscal year 2014, the Board approved a contract with Austin-Sundt JV for the design and construction of the Rental Car Center in the amount of $14.0 million and an additional approval of $10.0 million. In fiscal year 2015, the Board approved an additional $223.9 million. In fiscal year 2016, the Board approved an additional $5.1 million. As of June 30, 2016, $247.7 million had been spent and the contract is due to be completed in fiscal year 2017.

v. In fiscal year 2013, the Board approved a contract with Demattei Wong Architecture in support of the Rental Car Center project in the amount of $10.0 million and an additional approval of $12.0 million. In fiscal year 2015, the Board approved an additional $5.0 million. As of June 30, 2016, $25.2 million had been spent and the contract is due to be completed in fiscal year 2017.

vi. In fiscal year 2015, the Board approved a $29.2 million contract with SP Plus Corporation to transport rental car companies’ customers between the Rental Car Center facility and the terminals and includes the operation, management and maintenance of the shuttle vehicles. In fiscal year 2016, the Board approved an additional $1.2 million. As of June 30, 2016, $3.7 million had been spent and the contract is due to be completed in fiscal year 2021.

vii. In fiscal year 2015, the Board approved a $5.9 million contract with Granite Construction Company for the construction of the Northside bypass Taxiway. As of June 30, 2016, $5.6 million had been spent and the contract is due to be completed in the early fiscal year 2017.

Note 13. Commitments and Contingencies (Continued)

viii. In fiscal year 2015, the Board approved a $60.0 million contract with AECOM Technical Services, Inc. for project support for the development of the Northside solar projects. As of June 30, 2016, $11.6 million had been spent and the contract is due to be completed in fiscal year 2018.

ix. In fiscal year 2016, the Board approved a $3.2 million contract with Granite Construction Company for the Employee Parking Lot 6 Expansion. As of June 30, 2016, $3 million had been spent and the contract is due to be completed in early fiscal year 2017.

x. In fiscal year 2016, the Board approved a $12 million contract with Swinerton Builders for a Design-Build for the T2 Parking Plaza. As of June 30, 2016, $4.5 million had been spent and the contract is due to be completed in early fiscal year 2020.

xi. In fiscal year 2016, the Board approved a $3.2 million contract with Hazard Construction Company for a Taxi hold lot. As of June 30, 2016, $1.6 million had been spent and the contract is due to be completed in fiscal year 2017.

xii. In fiscal year 2016, the Board approved a $4.7 million contract with Hazard Construction Company to rehabilitate the Cross Taxiway. As of June 30, 2016, $2.5 million had been spent and the contract is due to be completed in fiscal year 2017.

Contingencies: As of June 30, 2016, the Airport Authority is subject to contingencies arising from legal matters as described below:

The Airport Authority has leases and operating agreements with various tenants. These agreements typically include provisions requiring the tenants/operators to indemnify the Airport Authority for any damage to property or losses to the Airport Authority as a result of the tenant’s operations. Also, the leases and operating agreements typically require the Airport Authority to be named as an additional insured under certain insurance policies of the tenants/operators. The Airport Authority also tenders these claims to its own insurers once they become asserted claims. When these types of claims are asserted against the Airport Authority, the Airport Authority not only vigorously opposes them but also vigorously seeks contribution and/or indemnity from all tenants/operators involved, from the tenants’/operators’ insurers and from its own insurers. The Airport Authority’s legal counsel cannot predict the net exposure to the Airport Authority with respect to these matters, or the probability or remoteness of any outcome.

Schedule of OPEB funding progress for the Airport Authority is as follows (dollars in thousands)*:

Actuarial Valuation Date*	Actuarial Value of Assets	Actuarial Accrued Liability AAL	Unfunded Actuarial Accrued Liability UAAL	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
7/1/09	$ 2,674	$ 12,206	$ 9,532	21.9%	$ 19,514	48.8%	7.75%	3.25%
7/1/10	4,474	14,149	9,675	31.6%	20,148	48.0%	7.75%	3.25%
7/1/11	7,604	22,197	14,593	34.3%	18,728	77.9%	7.60%	3.25%
7/1/12	7,604	22,197	14,593	34.3%	18,728	77.9%	7.61%	3.25%
7/1/13	12,667	31,553	18,886	40.1%	17,567	107.5%	7.36%	3.00%
7/1/15	18,917	34,587	15,670	54.7%	16,809	93.2%	7.36%	3.00%

* In accordance with GASB Statement No. 45, the Airport Authority has an actuarial valuation completed biennially.

Required Supplementary Information (Unaudited)
Fiscal Year Ended June 30, 2016

Schedule of changes in the net pension liability (asset), last 10 fiscal years (GASB Statement No. 68):

	2016	2015
Total Pension Liability:		
Service cost	$ 6,154,579	$ 6,099,481
Interest (includes interest on service cost)	9,327,538	8,465,485
Differences between expected and actual experience	345,661	-
Benefit payments, including rerfunds of member contributions	(2,482,523)	(2,913,221)
Net change in total pension liability	13,345,255	11,651,745
Total pension liability - beginning	126,851,792	115,200,048
Total pension liability - ending	$ 140,197,047	$ 126,851,793
Plan Fiduciary Net Position:		
Contributions - employer	$ 5,664,753	$ 5,670,847
Contributions - employee	1,073,028	1,019,220
Net investment income	4,390,185	18,302,683
Benefit payments, including refunds of member contributions	(2,482,523)	(2,913,221)
Administrative expense	(332,290)	(332,645)
Net change in plan fiduciary net position	8,313,153	21,746,884
Plan fiduciary net position - beginning	130,203,134	108,456,250
Plan fiduciary net position - ending	$ 138,516,287	$ 130,203,134
Net pension liability (asset) - ending	$ 1,680,760	$ (3,351,341)
Plan fiduciary net position as a percentage of the total pension liability	98.80%	102.64%
Covered employee payroll	$ 27,955,455	$ 26,380,323
Net pension liability as a percentage of covered employee payroll	6.01%	-12.70%

Note to schedule: This schedule is intended to display the most recent 10 years of data for annual changes in the net pension liability. Until such time has elapsed after implementing GASB Statement No. 68, this schedule will only present information from those years that are available.

San Diego County Regional Airport Authority

Required Supplementary Information (Unaudited)
Fiscal Year Ended June 30, 2016

Schedule of contributions, last 10 fiscal years (in thousands) (GASB Statement No. 68):

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	$ 3,823	$ 2,900	$ 2,600	$ 3,800	$ 4,300	$ 3,000	$ 3,000	$ 2,200	$ 2,600	$ 2,879	$ 2,312
Contributions in relation to the actuarially determined contribution	3,823	3,728	2,600	3,800	4,300	7,600	3,035	2,520	2,962	3,300	7,625
Contribution deficiency (excess)	$ -	$ (828)	$ -	$ -	$ -	$ (4,600)	$ (35)	$ (320)	$ (362)	$ (421)	$ (5,313)
Covered-employee payroll	$ 27,955	$ 26,380	$ 24,840	$ 25,148	$ 25,596	$ 24,693	$ 23,488	$ 21,957	$ 19,116	$ 17,609	$ 15,606
Contributions as a percentage of covered-payroll	13.68%	14.13%	10.47%	15.11%	16.80%	30.78%	12.92%	11.48%	15.49%	18.74%	48.86%

APPENDIX C

CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SUBORDINATE INDENTURE AND THE FIFTH SUPPLEMENTAL SUBORDINATE INDENTURE

CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Official Statement including the summaries of the Master Subordinate Indenture and the Fifth Supplemental Subordinate Indenture.

"*Account*" means any account established pursuant to the Master Subordinate Indenture or any Supplemental Subordinate Indenture.

"*Accreted Value*" means (a) with respect to any Capital Appreciation Subordinate Obligations, as of any date of calculation, the sum of the amount set forth in a Supplemental Subordinate Indenture as the amount representing the initial principal amount of such Capital Appreciation Subordinate Obligation plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to Original Issue Discount Subordinate Obligations, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Subordinate Obligations plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value will be determined in accordance with the provisions of the Supplemental Subordinate Indenture authorizing the issuance of such Capital Appreciation Subordinate Obligation or Original Issue Discount Subordinate Obligations. All references in the Master Subordinate Indenture to "principal" will include Accreted Value, as applicable.

"*Act*" means Section 170000 *et seq*. of the California Public Utilities Code, as amended from time to time.

"*Airport Facilities*" or "*Airport Facility*" means a facility or group of facilities or category of facilities which constitute or are part of the Airport System.

"*Airport System*" means all airports, airport sites, and all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce under the jurisdiction and control of the Authority, including San Diego International Airport (Lindbergh Field), and any successor entities thereto, including all facilities and property related thereto, real or personal, under the jurisdiction or control of the Authority or in which the Authority has other rights or from which the Authority derives revenues at such location; and including or excluding, as the case may be, such property as the Authority may either acquire or which shall be placed under its control, or divest or have removed from its control.

"*Authority*" means the San Diego County Regional Airport Authority, created under the provisions of the Act, and any successor to its function. Any action required or authorized to be taken by the Authority in the Master Subordinate Indenture may be taken by the Authorized Authority Representative with such formal approvals by the Authority as are required by the policies and practices of the Authority and applicable laws; provided, however, that actions taken by the Authorized Authority Representative in accordance with the provisions of the Master Subordinate Indenture will conclusively be deemed by the Subordinate Trustee and the Owners to be the act of the Authority without further evidence of the authorization thereof by the Authority.

"*Authorized Authority Representative*" means the President/CEO of the Authority, or such other officer or employee of the Authority or other person which other officer, employee or person has been designated by the President/CEO as an Authorized Authority Representative by written notice delivered by the President/CEO to the Subordinate Trustee.

"*Authorized Denominations*" means $5,000 principal amount and integral multiples thereof.

"*Balloon Indebtedness*" means, with respect to any Series of Subordinate Obligations 50% or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Subordinate Obligations of a Series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such Series which matures during any Fiscal Year. For purposes of this definition, the principal amount maturing on any date will be reduced by the amount of such Subordinate Obligations, scheduled to be amortized by prepayment or redemption prior to their stated maturity date. A Subordinate Commercial Paper Program and the Commercial Paper constituting part of such Subordinate Program will not be Balloon Indebtedness.

"*Board*" means the board of directors of the Authority established pursuant to the provisions of the Act.

"*Bond Counsel*" means a firm or firms of attorneys which are nationally recognized as experts in the area of municipal finance and which are familiar with the transactions contemplated under the Master Subordinate Indenture and which are acceptable to the Authority.

"*Business Day*" means a day on which banks located in New York, New York, in San Diego, California, and in the city in which the principal corporate trust office of the Subordinate Trustee is located are open, provided that such term may have a different meaning for any specified Series of Subordinate Obligations if so provided by Supplemental Subordinate Indenture.

"*Capital Appreciation Subordinate Obligations*" means Subordinate Obligations all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Subordinate Indenture and is payable only upon redemption or on the maturity date of such Subordinate Obligations. Subordinate Obligations which are issued as Capital Appreciation Subordinate Obligations, but later convert to Subordinate Obligations on which interest is paid periodically will be Capital Appreciation Subordinate Obligations until the conversion date and from and after such conversion date will no longer be Capital Appreciation Subordinate Obligations, but will be treated as having a principal amount equal to their Accreted Value on the conversion date.

"*Capitalized Interest*" means the amount of interest on Subordinate Obligations, if any, funded from the proceeds of the Subordinate Obligations or other monies that are deposited with the Subordinate Trustee in the Subordinate Debt Service Fund as will be described in a Supplemental Subordinate Indenture upon issuance of Subordinate Obligations to be used to pay interest on the Subordinate Obligations.

"*Code*" means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

"*Commercial Paper*" means notes of the Authority with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time pursuant to a Subordinate Program adopted by the Authority.

"*Consultant*" means any Independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, financial advisory or investment banking firm, or other expert recognized to be well-qualified for work of the character required and retained by the Authority to perform acts and carry out the duties provided for such consultant in the Master Subordinate Indenture.

"*Costs*" or "*Costs of a Project*" means all costs of planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and will include, but not be limited to the following: (a) costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (b) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (c) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the Authority or a Consultant; (d) costs of the Authority properly allocated to a Project and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (e) financing expenses, including costs related to issuance of and securing of Subordinate Obligations, costs of Credit Facilities, Liquidity Facilities, Capitalized Interest, a Subordinate Debt Service Reserve Fund, if any, Subordinate Trustee's fees and expenses; (f) any Swap Termination Payments due in connection with a Series of Subordinate Obligations or the failure to issue such Series of Subordinate Obligations, and (g) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the Authority.

"*Costs of Issuance*" means all costs and expenses incurred by the Authority in connection with the issuance of the Subordinate Series 2017 Bonds, including, but not limited to, costs and expenses of printing and copying documents, the preliminary and final official statements and the Subordinate Series 2017 Bonds, underwriters' compensation and the fees, costs and expenses of rating agencies, the Subordinate Trustee, counsel, accountants, financial advisors, feasibility consultants and other consultants.

"*Credit Facility*" means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, Debt Service Reserve Fund Surety Policy or other financial instrument which obligates a third party to make payment of or provide funds to the Subordinate Trustee for the payment of the principal of and/or interest on Subordinate Obligations whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the Authority fails to do so.

"*Credit Provider*" means the party obligated to make payment of principal of and/or interest on the Subordinate Obligations under a Credit Facility.

"*Customer Facility Charge*" means a customer facility charge authorized to be imposed by the Authority in accordance with Section 1936 of the California Civil Code or any other applicable State law.

"*Debt Service Reserve Fund Surety Policy*" means an insurance policy or surety bond, or a letter of credit, deposited with the Subordinate Trustee for the credit of the Subordinate Debt Service Reserve Fund created for one or more series of Outstanding Subordinate Obligations in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Debt Service Reserve Fund Surety Policy will be rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

"*Designated Debt*" means a specific indebtedness, designated by the Authority, in which such debt will be offset with a Swap, such specific indebtedness to include all or any part of a Series of Subordinate Obligations.

"*DTC*" means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"*Event of Default*" means any occurrence or event specified in the Master Subordinate Indenture as described in "THE MASTER SUBORDINATE INDENTURE—Defaults and Remedies" below.

"*Facilities Construction Credit*" and "*Facilities Construction Credits*" means the amounts further described in the Master Senior Indenture resulting from an arrangement embodied in a written agreement of the Authority and another person or entity pursuant to which the Authority permits such person or entity to make a payment or payments to the Authority which is reduced by the amount owed by the Authority to such person or entity under such agreement, resulting in a net payment to the Authority by such person or entity. The "Facilities Construction Credit" will be deemed to be the amount owed by the Authority under such agreement which is "netted" against the payment of such person or entity to the Authority. Facilities Construction Credits are sometimes referred to as "rental credits."

"*Federal Direct Payments*" means amounts payable by the federal government to the Authority pursuant to Sections 54AA and 6431 of the Code, and any amendments thereto, in connection with the Authority's issuance of Senior Bonds or Subordinate Obligations, in lieu of any credit otherwise available to the bondholders of such Senior Bonds or Subordinate Obligations.

"*Fifth Supplemental Subordinate Indenture*" means the Fifth Supplemental Subordinate Trust Indenture, to be dated as of August 1, 2017, by and between the Authority and the Subordinate Trustee and which, among other things, sets forth the terms of the Subordinate Series 2017 Bonds.

"*Fiscal Year*" means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other similar period as the Authority designates as its fiscal year.

"*Fitch*" means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation will for any reason no longer perform the functions of a securities rating agency, "Fitch" will be deemed to refer to any nationally recognized rating agency designated by the Authority.

"*Fourth Supplemental Subordinate Indenture*" means the Fourth Supplemental Subordinate Trust Indenture, dated as of April 1, 2017, by and between the Authority and the Subordinate Trustee.

"*Fund*" means any fund established pursuant to the Master Subordinate Indenture or any Supplemental Subordinate Indenture.

"*General Counsel*" means the in-house general counsel to the Authority who is responsible for representing the Authority on legal matters.

"*Government Obligations*" means (a) United States Obligations (including obligations issued or held in book-entry form), (b) prefunded municipal obligations meeting the following conditions: (i) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (ii) the municipal obligations are secured by cash and/or United States Obligations, which United States Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (iii) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (iv) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (v) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (vi) the municipal obligations are rated in their highest rating category by one or more of the Rating Agencies, but only if such Rating Agencies have been requested by the Authority to maintain a rating on the Subordinate Obligations and such Rating Agencies are then maintaining a rating on any of the Subordinate Obligations; and (c) any other type of security or obligation which the Rating Agencies then maintaining ratings on the Subordinate Obligations to be defeased have determined to be permitted defeasance securities.

"*Holder*," "*holder*," "*Owner*," "*owner*" or "*registered owner*" means the person in whose name any Subordinate Obligation or Subordinate Obligations are registered on the books maintained by the Registrar and will include any Credit Provider or Liquidity Provider to which a Subordinate Repayment Obligation is then owed, to the extent that such Subordinate Repayment Obligation is deemed to be a Subordinate Obligation under the provisions of the Master Subordinate Indenture.

"*Implemented*" means, when used with respect to a Subordinate Program, a Subordinate Program which has been authorized and the terms thereof approved by a resolution adopted by the Board and, with respect to which Subordinate Program, the items described the Master Subordinate Indenture have been filed with the Subordinate Trustee.

"*Independent*" means, when used with respect to any specified firm or individual, such a firm or individual who (a) does not have any direct financial interest or any material indirect financial interest in the operations of the Authority, other than the payment to be received under a contract for services to be performed, and (b) is not connected with the Authority as an official, officer or employee.

"*Investment Agreement*" means an investment agreement or guaranteed investment contract by and between either the Authority or the Subordinate Trustee (a) with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial institution whose unsecured debt is rated in the highest short-term rating category (if the term of the Investment Agreement is less than three years) or in either of the two highest long-term Rating Categories (if the term of the Investment Agreement is three years or longer) by one or more of the Rating Agencies, or (b) which investment agreement or guaranteed investment contract is fully secured by obligations described in items (a) or (b) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (iii) subject to a perfected first lien on behalf of the Subordinate Trustee, and (iv) free and clear from all third-party liens.

"*Liquidity Facility*" means a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Subordinate Obligations.

"*Liquidity Provider*" means the entity, including a Credit Provider, which is obligated to provide funds to purchase Subordinate Obligations under the terms of a Liquidity Facility.

"*Mail*" means by first-class United States mail, postage prepaid.

"*Master Senior Indenture*" means the Master Trust Indenture, dated as of November 1, 2005, as amended from time to time, by and between the Authority and the Senior Trustee, together with all amendments thereto.

"*Master Subordinate Indenture*" means the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended from time to time, between the Authority and the Subordinate Trustee under which the Subordinate Series 2017 Bonds are authorized and secured.

"*Moody's*" means Moody's Investors Service Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation will for any reason no longer perform the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized rating agency designated by the Authority.

"*Net Proceeds*" means insurance proceeds received as a result of damage to or destruction of Airport Facilities or any condemnation award or amounts received by the Authority from the sale of Airport Facilities under the threat of condemnation less expenses (including attorneys' fees and expenses and any fees and expenses of the Subordinate Trustee) incurred in the collection of such proceeds or award.

"*Net Revenues*" means, for any given period, the Revenues for such period, less the Operation and Maintenance Expenses of the Airport System for such period.

"*Operation and Maintenance Expenses of the Airport System*" means for any given period, the total operation and maintenance expenses of the Airport System as determined in accordance with generally accepted accounting principles as in effect from time to time, excluding depreciation expense and any operation and maintenance expenses of the Airport System payable from moneys other than Revenues (including, but not limited to, any non-cash items that are required to be treated as operation and maintenance expenses of the Airport System in accordance with generally accepted accounting principles).

"*Operation and Maintenance Reserve Subaccount*" mean the "Operation and Maintenance Reserve Subaccount" created by the Authority within the Revenue Account pursuant to the provisions of the Master Senior Indenture.

"*Operation and Maintenance Reserve Subaccount Requirement*" means, as of any date of calculation, an amount equal to one-fourth of the current annual budget of the Authority for Operation and Maintenance Expenses of the Airport System or such higher amount as may be established by the Authority from time to time.

"*Operation and Maintenance Subaccount*" means the "Operation and Maintenance Subaccount" created by the Authority within the Revenue Account pursuant to the provisions of the Master Senior Indenture.

"*Original Issue Discount Subordinate Obligations*" means Subordinate Obligations which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Subordinate Obligations by the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued.

"*Outstanding*" when used with respect to Subordinate Obligations means all Subordinate Obligations which have been authenticated and delivered under the Master Subordinate Indenture, except:

(a) Subordinate Obligations cancelled or purchased by the Subordinate Trustee for cancellation or delivered to or acquired by the Subordinate Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) Subordinate Obligations deemed to be paid in accordance with the Master Subordinate Indenture;

(c) Subordinate Obligations in lieu of which other Subordinate Obligations have been authenticated under the Master Subordinate Indenture;

(d) Subordinate Obligations that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Subordinate Trustee or a Paying Agent;

(e) Subordinate Obligations which, under the terms of the Supplemental Subordinate Indenture pursuant to which they were issued, are deemed to be no longer outstanding;

(f) Subordinate Repayment Obligations deemed to be Subordinate Obligations under the Master Subordinate Indenture to the extent such Subordinate Repayment Obligation arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Subordinate Obligations acquired by the Liquidity Provider; and

(g) for purposes of any consent or other action to be taken by the holders of a specified percentage of Subordinate Obligations under the Master Subordinate Indenture, Subordinate Obligations held by or for the account of the Authority or by any person controlling, controlled by or under common control with the Authority, unless such Subordinate Obligations are pledged to secure a debt to an unrelated party.

"*Participants*" means the participants of DTC which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

"*Passenger Facility Charges*" means charges received and collected by the Authority pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990 and 14 CFR Part 158, as amended from time to time, in respect of any component of the Airport System and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

"*Paying Agent*" or "*Paying Agents*" means, (a) for purposes of the Master Subordinate Indenture and with respect to the Subordinate Obligations or any Series of Subordinate Obligations, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Subordinate Indenture or a resolution of the Authority as the place where such Subordinate Obligations will be payable; and (b) for purposes of the Fifth Supplemental Subordinate Indenture and the Subordinate Series 2017 Bonds, the Subordinate Trustee, or any other institution appointed by the Authority.

"*Payment Date*" means, with respect to any Subordinate Obligations, each date on which interest is due and payable thereon and each date on which principal is due and payable thereon whether by maturity or redemption thereof.

"*Permitted Investments*" means any of the following, but only to the extent permitted by the laws of the State and the Authority's investment policy:

(a) United States Obligations;

(b) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration;

(c) Direct and general long-term obligations of any state, which obligations are rated in one of the two highest Rating Categories by one or more of the Rating Agencies;

(d) Direct and general short-term obligations of any state which obligations are rated in the highest Rating Category by one or more of the Rating Agencies;

(e) Interest-bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC") or by savings and loan associations that are members of the FDIC, which deposits or interests must either be (i) continuously and fully insured by FDIC and with banks that are rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies; or (ii) fully secured by obligations described in item (a) or (b) of this definition of Permitted Investments (A) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (B) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (C) subject to a perfected first lien in favor of the Subordinate Trustee, and (D) free and clear from all third-party liens;

(f) Long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest Rating Categories by one or more of the Rating Agencies;

(g) Repurchase agreements which are (A) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from one or more of the Rating Agencies and (B) fully secured by obligations specified in items (a) or (b) of this definition of Permitted Investments (1) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements, (2) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (3) subject to a perfected first lien in favor of the Subordinate Trustee and (4) free and clear from all third-party liens;

(h) Prime commercial paper of a United States corporation, finance company or banking institution rated in the highest short-term Rating Category of one or more of the Rating Agencies;

(i) Shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (A) a money market fund that has been rated in one of the two highest Rating Categories by one or more of the Rating Agencies or (B) a money market fund or account of the Subordinate Trustee or its affiliates or any state or federal bank that is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or whose own bank holding company parent is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or that has a combined capital and surplus of not less than $50,000,000 (all investments included in this clause (i) may include funds which the Subordinate Trustee or its affiliates provide investment advisory or other management services);

(j) Interest bearing notes issued by a banking institution having a combined capital and surplus of at least $500,000,000 and whose senior debt is in the highest Rating Category by one or more of the Rating Agencies;

(k) Public housing bonds issued by public agencies which are either unconditionally guaranteed as to principal and interest by the United States of America, or rated in the highest Rating Category by one or more of the Rating Agencies;

(l) Obligations issued or guaranteed by Private Export Funding Corporation, Resolution Funding Corporation and any other instrumentality or agency of the United States of America;

(m) Investment Agreements;

(n) Any other type of investment consistent with Authority policy in which the Authority directs the Subordinate Trustee to invest provided that there is delivered to the Subordinate Trustee a certificate of an Authorized Authority Representative stating that each of the Rating Agencies then maintaining a rating on the Subordinate Obligations has been informed of the proposal to invest in such investment and each of such Rating Agencies has confirmed that such investment will not adversely affect the rating then assigned by such rating agency to any of the Subordinate Obligations;

(o) Any state administered pool investment fund in which the Authority is statutorily permitted or required to invest (including but not limited to the State of California Local Agency Fund ("LAIF") established pursuant to Section 16429.1 et seq. of the Government Code of the State);

(p) The San Diego County Investment Pool ("SDCIP"). The Authority may invest in SDCIP up to the LAIF statutory limit; and

(q) any other investment which is a permitted investment of the Authority in accordance with the laws of the State.

"*PFC Resolution*" means, Resolution No. 2017-0067 adopted by the Board on July 6, 2017, as it may be amended or supplemented from time to time.

"*President/CEO*" means the person at a given time who is the President and CEO of the Authority, as provided for in the Act, or such other title as the Authority may from time to time assign for such position, including, but not limited to Executive Director, and the officer or officers succeeding to such position as certified to the Subordinate Trustee by the Authority.

"*Principal Amount*" or "*principal amount*" means, as of any date of calculation, (a) with respect to any Capital Appreciation Subordinate Obligation, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), (b) with respect to any Original Issue Discount Subordinate Obligation, the Accreted Value thereof, unless the Supplemental Subordinate Indenture under which such Subordinate Obligation was issued will specify a different amount, in which case, the terms of the Supplemental Subordinate Indenture will control, and (c) with respect to any other Subordinate Obligations, the principal amount of such Subordinate Obligation payable at maturity.

"*Project*" means any and all facilities, improvements and other expenditures related to the Airport System financed in whole or in part with proceeds of a Series of Subordinate Obligations.

"*Qualified Swap*" means any Swap (a) whose Designated Debt is all or part of a particular Series of Subordinate Obligations; (b) whose Swap Provider is a Qualified Swap Provider or has been a Qualified Swap Provider within the 60 day period preceding the date on which the calculation of Subordinate Annual Debt Service or Subordinate Aggregate Annual Debt Service is being made; (c) which has a term not greater than the term of the Designated Debt or to a specified mandatory tender or redemption of such Designated Debt; and (d) which has been designated in writing to the Subordinate Trustee by the Authority as a Qualified Swap with respect to such Subordinate Obligations.

"*Qualified Swap Provider*" means a financial institution whose senior long-term debt obligations, or whose obligations under any Qualified Swap are (a) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least "A1," in the case of Moody's and "A+," in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (b) fully secured by obligations described in items (a) or (b) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (iii) subject to a perfected first lien on behalf of the Subordinate Trustee, and (iv) free and clear from all third-party liens.

"*Rating Agency*" and "*Rating Agencies*" means Fitch or Moody's or S&P, or any other nationally recognized rating agency of municipal obligations, but only if such Rating Agencies have been requested by the Authority to maintain a rating on the Subordinate Obligations and such Rating Agencies are then maintaining a rating on any of the Subordinate Obligations.

"*Rating Category*" and "*Rating Categories*" means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"*Rebate Fund*" means any fund created by the Authority or the Subordinate Trustee pursuant to a Supplemental Subordinate Indenture in connection with the issuance of the Subordinate Obligations or any Series of Subordinate Obligations for the purpose of complying with the Code and providing for the collection and holding for and payment of amounts to the United States of America.

"*Record Date*" means, (a) for purposes of the Master Subordinate Indenture and with respect to any Series of Subordinate Obligations, the record date as specified in the Supplemental Subordinate Indenture which provides for the issuance of such Series; and (b) for purposes of the Fifth Supplemental Subordinate Indenture, for a January 1 Interest Payment Date the preceding December 15 and for a July 1 Interest Payment Date the preceding June 15.

"*Refunding Subordinate Obligations*" means any Subordinate Obligations issued pursuant to the Master Subordinate Indenture to refund or defease all or a portion of any series of Outstanding Subordinate Obligations.

"*Registrar*" means, (a) for purposes of the Master Subordinate Indenture and with respect to the Subordinate Obligations or any Series of Subordinate Obligations, a bank, trust company or other entity designated in a Supplemental Subordinate Indenture or a resolution of the Authority to perform the function of Registrar under the Master Subordinate Indenture or any Supplemental Subordinate Indenture, and which bank, trust company or other entity has accepted the position in accordance with the Master Subordinate Indenture and (b) for purposes of the Fifth Supplemental Subordinate Indenture and the Subordinate Series 2017 Bonds, the Subordinate Trustee.

"*Regularly Scheduled Swap Payments*" means the regularly scheduled payments under the terms of a Swap which are due absent any termination, default or dispute in connection with such Swap.

"*Released Revenues*" means Revenues in respect of which the following have been filed with the Senior Trustee:

(a) a resolution of the Board describing a specific identifiable portion of Revenues and approving that such Revenues be excluded from the term Revenues;

(b) either (i) a certificate prepared by an Authorized Authority Representative showing that Net Revenues for each of the two most recent completed Fiscal Years, after the specific identifiable portion of Revenues covered by the Board's resolution described in (a) above are excluded, were at least equal to the larger of (A) the amounts needed for making the required deposits and payments pursuant to the flow of funds set forth in the Master Senior Indenture (see "SECURITY OF SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS—Flow of Funds" in the forepart of this Official Statement), or (B) an amount not less than 150% of average aggregate annual debt service on the Senior Bonds for each Fiscal Year during the remaining term of all Senior Bonds that will remain outstanding after the exclusion of such specific identifiable portion of Revenues; or (ii) a certificate prepared by a Consultant showing that the estimated Net Revenues (excluding the specific identifiable portion of Revenues covered in the resolution adopted by the Board described in (a) above) for each of the first three complete Fiscal Years immediately following the Fiscal Year in which the resolution described in (a) above is adopted by the Board, will not be less than the larger of (A) the amounts needed for making the required deposits and payments pursuant to the flow of funds set forth in the Master Senior Indenture (see "SECURITY OF SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS—Flow of Funds" in the forepart of this Official Statement), or (B) an amount not less than 150% of the average aggregate annual debt service on the Senior Bonds for each Fiscal Year during the remaining term of all Senior Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of Revenues;

(c) an opinion of Bond Counsel to the effect that the exclusion of such specific identifiable portion of revenues from the definition of Revenues and from the pledge and lien of the Master Senior Indenture will not, in and of itself, cause the interest on any outstanding Senior Bonds to be included in gross income for purposes of federal income tax; and

(d) written confirmation from each of Fitch, Moody's and S&P (provided such Rating Agencies have been requested by the Authority to maintain a rating on the Senior Bonds and such Rating Agencies are then maintaining a rating on any of the Senior Bonds) to the effect that the exclusion of such specific identifiable portion of Revenues from the pledge and lien of the Master Senior Indenture will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Senior Bonds.

Upon filing of such documents, the specific identifiable portion of Revenues described in the resolution of the Board shall no longer be included in Revenues and shall be excluded from the pledge and lien of the Master Senior Indenture, unless otherwise included in Revenues and in the pledge and lien of the Master Senior Indenture pursuant to a supplemental indenture.

"*Reserve Fund Insurance Policy*" means an insurance policy, a letter of credit, qualified surety bond or other financial instrument deposited in the Subordinate Reserve Fund in lieu of or in partial substitution for cash or securities which is provided by an institution rated, at the time of issuance of such policy, letter of credit, surety bond or other financial instrument, in one of the two highest long term Rating Categories by one or more of the Rating Agencies.

"*Reserve Requirement*" means with respect to the Subordinate Reserve Fund, an amount equal to the lesser of (a) Subordinate Maximum Aggregate Annual Debt Service for all Series of Subordinate Obligations participating in the Subordinate Reserve Fund, (b) 10% of the principal amount of all Series of Subordinate Obligations participating in the Subordinate Reserve Fund, less for any Series of Subordinate Obligations the amount of original issue discount with respect to such Series of Subordinate Obligations if such original issue discount exceeded 2% on such Series of Subordinate Obligations at the time of their original sale, and (c) 125% of the average Subordinate Aggregate Annual Debt Service for all Series of Subordinate Obligations participating in the Subordinate Reserve Fund. When calculating the Reserve Requirement, all references to Fiscal Year will mean a 12-month period beginning on July 2 of each given year and ending on July 1 of the immediate subsequent year.

"*Responsible Officer*" means an officer or assistant officer of the Subordinate Trustee assigned by the Subordinate Trustee to administer the Master Subordinate Indenture.

"*Revenue Account*" means the "Revenue Account" created by the Authority within the Revenue Fund pursuant to the provisions of the Master Senior Indenture.

"*Revenue Fund*" means the "San Diego County Regional Airport Authority Revenue Fund" established by the Authority and held and maintained by the Authority for the purpose of depositing all Revenues and other moneys and funds not included in Revenues.

"*Revenues*" means, except to the extent specifically excluded herefrom, all income, receipts, earnings and revenues received by the Authority from the operation and ownership of the Airport System, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to, (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the Authority for the use or availability of the Airport System, and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Authority, including rental or business interruption insurance proceeds, received by, held by, accrued to or entitled to be received by the Authority or any successor thereto from the possession, management, charge, superintendence and control of the Airport System and its related facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the Authority receives payments which are attributable to the Airport System or activities or undertakings related thereto. Additionally, "Revenues" will also include amounts received from tenants representing the principal portion of payments received pursuant to certain self-liquidating lease agreements, all income, receipts and earnings (except any earning allowed to be pledged by the terms of a Supplemental Senior Indenture to fund the Construction Fund) from the investment of amounts held in the Revenue Account, any Construction Fund, any Senior Debt Service Fund (except Capitalized Interest on deposit therein), any Senior Debt Service Reserve Fund and such additional revenues, if any, as are designated as "Revenues" under the terms of any Supplemental Senior Indenture. The following, including any investment earnings thereon, are specifically excluded from Revenues: (i) any amounts received by the Authority from the imposition of ad valorem taxes, (ii) gifts, grants and other income (including any investment earnings thereon) otherwise included in this definition of "Revenues" which are restricted by their terms to purposes inconsistent with the payment of debt service on the Senior Bonds, (iii) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds is restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Senior Bonds (except to the extent Net Proceeds are utilized to pay Operation and Maintenance Expenses of the Airport System), and (iv) Special Facilities Revenue (to the extent there is no excess Special Facilities Revenue as described in the Master Senior Indenture). In addition, the following, including any investment earnings thereon, are specifically excluded from "Revenues," unless designated as "Revenues" under the terms of a Supplemental Senior Indenture or pursuant to a certificate of an Authorized Authority Representative: (A) any Swap Termination Payments paid to the Authority pursuant to a Qualified Swap, (B) Facilities Construction Credits, (C) Passenger Facility Charges, (D) Released Revenues, (E) subject to (ii) in the previous sentence, grants and other charges authorized on or after the date of this Indenture by federal and/or State laws or regulations to be assessed to fund specific programs at the Airport System, (F) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Bonds, (G) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code, (H) Capitalized Interest, (I) Customer Facility Charges, and (J) Federal Direct Payments. Further, interest earnings or other investment earnings on any Construction Fund established by any Supplemental Senior Indenture are specifically excluded from "Revenues," unless otherwise provided for in such Supplemental Senior Indenture.

"*Second Supplemental Subordinate Indenture*" means the Second Supplemental Subordinate Trust Indenture, dated as of October 1, 2010, by and between the Authority and the Subordinate Trustee.

"*Senior Bonds*" means all "Bonds" issued pursuant to the terms of the Master Senior Indenture, including the Senior Series 2013 Bonds.

"*Senior Series 2013 Bonds*" means, collectively, the $379,585,000 original principal amount of Senior Bonds designated as "San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013A" and "San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013B".

"*Senior Trustee*" means The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., and any successor thereto.

"*Series*" means Subordinate Obligations designated as a separate Series by a Supplemental Subordinate Indenture and, with respect to Subordinate Program Obligations or a Subordinate Commercial Paper Program, means the full Subordinate Authorized Amount of such program, regardless of when or whether issued, unless portions thereof are, by Supplemental Subordinate Indenture, designated as separate Series.

"*Significant Portion*" means any Airport Facilities or portions thereof which, if such facilities had been sold or disposed of by the Authority at the beginning of an annual period which includes the month of commencement of the 12 month period ending on the day of such disposition would have resulted in a reduction in Net Revenues for such annual period of more than 5% when the actual Net Revenues for such annual period are decreased by the Revenues directly attributable to such Airport Facilities and increased by the expenses of the Authority directly attributable to such Airport Facilities. The Authority will notify each of the Rating Agencies that the Authority has requested ratings from and who are then maintaining a rating on any of the Subordinate Obligations prior to the selling or disposing of a Significant Portion of any Airport Facilities or portions thereof.

"*S&P*" means S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, an entity organized and existing under the laws of the State of New York, its successors and their assigns, and if such entity will for any reason no longer perform the functions of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

"*Specified Project*" means a Project or a group of alternative Projects which are described in a certificate of an Authorized Authority Representative, which is delivered to the Consultant preparing the certificate described in the Master Subordinate Indenture, if applicable, the revenues and expenses of which Project or of the alternative Projects are to be taken into account by such Consultant in preparing the certificate under the Master Subordinate Indenture.

"*State*" means the State of California.

"*Subaccount*" means any subaccount established pursuant to the Master Subordinate Indenture or any Supplemental Subordinate Indenture.

"*Subordinate Aggregate Annual Debt Service*" means for any Fiscal Year the aggregate amount of Subordinate Annual Debt Service on all Outstanding Subordinate Obligations and Unissued Subordinate Program Obligations. For purposes of calculating Subordinate Aggregate Annual Debt Service, the following components of debt service will be computed as follows:

(a) in determining the amount of principal to be funded in each year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Subordinate Obligations and Unissued Subordinate Program Obligations in accordance with any amortization schedule established by the governing documents setting forth the terms of such Subordinate Obligations, including, as a principal payment, the Accreted Value of any Capital Appreciation Subordinate Obligations or Original Issue Discount Subordinate Obligations maturing or scheduled for redemption in such year; in determining the amount of interest to be funded in each year, interest payable at a fixed rate will (except to the extent subsection (b), (c) or (d) of this definition applies) be assumed to be made at such fixed rate and on the required funding dates; provided, however, that interest payable on the Subordinate Obligations will be excluded to the extent such payments are to be paid from Capitalized Interest for such Fiscal Year;

(b) if all or any portion or portions of an Outstanding Series of Subordinate Obligations, or Unissued Subordinate Program Obligations constitute Balloon Indebtedness (excluding Subordinate Program Obligations or Unissued Subordinate Program Obligations to which subsection (f) applies), then, for purposes of determining Subordinate Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness will, unless otherwise provided in the Supplemental Subordinate Indenture pursuant to which such Balloon

Indebtedness is issued or unless provision (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service funding payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than 30 years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Subordinate Obligations, Unissued Subordinate Program Obligations or Subordinate Program Obligations only a portion of which constitutes Balloon Indebtedness, the remaining portion will be treated as described in (a) above or such other provision of this definition as will be applicable and, with respect to any Series, Unissued Subordinate Program Obligations or Subordinate Program Obligations or that portion of a Series thereof which constitutes Balloon Indebtedness, all funding requirements of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness will be treated as described in (a) above or such other provision of this definition as will be applicable;

(c) any maturity of Subordinate Obligations which constitutes Balloon Indebtedness as described in provision (b) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Subordinate Aggregate Annual Debt Service is made, will be assumed to become due and payable on the stated maturity date and provision (b) above will not apply thereto unless there is delivered to the entity making the calculation of Subordinate Aggregate Annual Debt Service a certificate of an Authorized Authority Representative stating that the Authority intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Authority is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness will be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms will be used for purposes of calculating Subordinate Aggregate Annual Debt Service, provided that such assumption will not result in an interest rate lower than that which would be assumed under provision (b) above and will be amortized over a term of not more than 30 years from the date of refinancing;

(d) if any Outstanding Subordinate Obligations (including Subordinate Program Obligations) or any Subordinate Obligations which are then proposed to be issued constitute Subordinate Tender Indebtedness (but excluding Subordinate Program Obligations or Subordinate Obligations as to which a Qualified Swap is in effect and to which subsection (g) or (h) applies), then, for purposes of determining Subordinate Aggregate Annual Debt Service, Subordinate Tender Indebtedness will be treated as if the principal amount of such Subordinate Obligations were to be amortized over a term of not more than 30 years commencing in the year in which such Series is first subject to tender and with substantially level Subordinate Annual Debt Service payments and extending not later than 30 years from the date such Subordinate Tender Indebtedness was originally issued; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes; and with respect to all funding requirements of principal and interest payments becoming due prior to the year in which such Subordinate Tender Indebtedness is first subject to tender, such payments will be treated as described in (a) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date will be determined as provided in (e) or (f) below, as appropriate;

(e) if any Outstanding Subordinate Obligations constitute Variable Rate Indebtedness, including obligations described in subsection (h)(ii) to the extent it applies (except to the extent subsection (b) or (c) relating to Balloon Indebtedness or (d) relating to Subordinate Tender Indebtedness or subsection (h)(i) relating to Synthetic Fixed Rate Debt applies), the interest rate on such Subordinate Obligations will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for variable rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(f) with respect to any Subordinate Program Obligations or Unissued Subordinate Program Obligations (other than a Subordinate Commercial Paper Program) (i) debt service on Subordinate Program Obligations then Outstanding will be determined in accordance with such of the foregoing provisions of this definition as will be applicable, and (ii) with respect to Unissued Subordinate Program Obligations, it will be assumed that the full principal amount of such Unissued Subordinate Program Obligations will be amortized over a term certified by an Authorized Authority Representative at the time the initial Subordinate Program Obligations of such Subordinate Program are issued to be the expected duration of such Subordinate Program or, if such expectations have changed, over a term certified by an Authorized Authority Representative to be the expected duration of such Subordinate Program at the time of such calculation, but not to exceed 30 years from the date the initial Subordinate Program Obligations of such Subordinate Program are issued and it will be assumed that debt service will be paid in substantially level Subordinate Annual Debt Service payments over such assumed term; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(g) debt service on Subordinate Repayment Obligations, to the extent such obligations constitute Subordinate Obligations under the Master Subordinate Indenture, will be calculated as provided therein;

(h) (i) for purposes of computing the Subordinate Aggregate Annual Debt Service of Subordinate Obligations which constitute Synthetic Fixed Rate Debt, the interest payable thereon will, if the Authority elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable; or, if the Authority fails to elect such rate, then it will be deemed to be the fixed interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Authority;

(ii) for purposes of computing the Subordinate Aggregate Annual Debt Service of Subordinate Obligations with respect to which a Swap has been entered into whereby the Authority has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Subordinate Obligations to which such Swap pertains will be included in the calculation of Subordinate Aggregate Annual Debt Service, and the interest rate with respect to such Subordinate Obligations will, if the Authority elects, be the sum of that rate as determined in accordance with subsection (e) relating to Variable Rate Indebtedness plus the difference between the interest rate on the Designated Debt and the rate received from the Swap Provider;

(i) with respect to any Subordinate Commercial Paper Program which has been Implemented and not then terminated or with respect to any Subordinate Commercial Paper Program then proposed to be Implemented, the principal and interest thereon will be calculated as if the entire Subordinate Authorized Amount of such Subordinate Commercial Paper Program were to be amortized over a term of 35 years commencing in the year in which such Subordinate Commercial Paper Program is Implemented and with substantially level Subordinate Annual Debt Service payments; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(j) if moneys or Permitted Investments have been irrevocably deposited with and are held by the Subordinate Trustee or another fiduciary or Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Subordinate Obligations, then the principal and/or interest to be paid from such moneys, Permitted Investments, or Capitalized Interest or from the earnings thereon will be disregarded and not included in calculating Subordinate Aggregate Annual Debt Service or Subordinate Annual Debt Service; and

(k) if Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, Federal Direct Payments, or other moneys have been irrevocably committed or are held by the Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal and/or interest on specified Subordinate Obligations, then the principal and/or interest to be paid from such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, Federal Direct Payments, or other moneys or from earnings thereon will be disregarded (unless such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, Federal

Direct Payments, or other moneys are included in the definition of Revenues) and not included in calculating Subordinate Aggregate Annual Debt Service.

"*Subordinate Annual Debt Service*" means, with respect to any Subordinate Obligation, the aggregate amount required to be on deposit in the respective Subordinate Debt Service Fund or such other Fund or Account during the current Fiscal Year to satisfy the funding requirements for the payment of principal and interest becoming due and payable during such Fiscal Year or in a future Fiscal Year, and if a Qualified Swap is in effect for any Subordinate Obligation, plus the amount payable by the Authority (or the Subordinate Trustee) under the Qualified Swap in accordance with the terms thereof, less any amount to be received by the Authority from the Qualified Swap Provider pursuant to the Qualified Swap, calculated using the principles and assumptions set forth in the definition of Subordinate Aggregate Annual Debt Service..

"*Subordinate Authorized Amount*" means, when used with respect to Subordinate Obligations, including Subordinate Obligations issued pursuant to a Subordinate Program, the maximum Principal Amount of Subordinate Obligations which is then authorized by a resolution adopted by the Board or a Supplemental Subordinate Indenture entered into by the Authority pursuant to the Master Subordinate Indenture to be Outstanding at any one time under the terms of such Subordinate Program or Supplemental Subordinate Indenture. If the maximum Principal Amount of Subordinate Obligations or Subordinate Program Obligations authorized by a preliminary resolution or form of Supplemental Subordinate Indenture approved by the Authority pursuant to the Master Subordinate Indenture exceeds the maximum Principal Amount of Subordinate Obligations set forth in the final definitive Supplemental Subordinate Indenture executed and delivered by the Authority pursuant to which such Subordinate Obligations are issued or such Subordinate Program is established, the Principal Amount of such Subordinate Obligations or Subordinate Program Obligations as is set forth in said final definitive Supplemental Subordinate Indenture as executed and delivered by the Authority will be deemed to be the "Subordinate Authorized Amount." Notwithstanding the provisions of this definition of "Subordinate Authorized Amount," in connection with the Master Subordinate Indenture and the calculation of Subordinate Aggregate Annual Debt Service, Subordinate Annual Debt Service or Subordinate Maximum Annual Debt Service with respect to a Subordinate Commercial Paper Program, "Subordinate Authorized Amount" means the lessor of (i) the authorized amount of Subordinate Program Obligations set forth in the Supplemental Subordinate Indenture establishing the Subordinate Commercial Paper Program or (ii) the total amount available (utilized and unutilized, if applicable) under a Credit Facility entered into with respect to such Subordinate Commercial Paper Program and the total amount of Subordinate Commercial Paper Notes that may be issued pursuant to an Unenhanced Subordinate Commercial Paper Program.

"*Subordinate Commercial Paper Program*" means a Subordinate Program authorized by the Authority pursuant to which Commercial Paper will be issued and reissued from time to time, up to the Subordinate Authorized Amount of such Subordinate Program.

"*Subordinate Construction Fund*" means any of the Subordinate Construction Funds authorized to be created as provided by the Master Subordinate Indenture.

"*Subordinate Debt Service Fund*" or "*Subordinate Debt Service Funds*" means a Subordinate Debt Service Fund or any of the Subordinate Debt Service Funds required to be created as provided by the Master Subordinate Indenture.

"*Subordinate Debt Service Reserve Fund*" means any Subordinate Debt Service Reserve Fund created by the Authority or the Subordinate Trustee pursuant to a Supplemental Subordinate Indenture in connection with the issuance of any Series of Subordinate Obligations and that is required to be funded for the purpose of providing additional security for such Series of Subordinate Obligations and under certain circumstances to provide additional security for such other designated Series of Subordinate Obligations issued pursuant to the terms of the Master Subordinate Indenture and as specified in any Supplemental Subordinate Indenture.

"*Subordinate Drawdown Bonds*" means the Subordinate Obligations issued under the Master Subordinate Indenture and the Fourth Supplemental Subordinate Indenture that may be outstanding at any one time in the aggregate principal amount of $100,000,000 and designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Drawdown Bonds, Series A/B."

"*Subordinate Maximum Aggregate Annual Debt Service*" means the maximum amount of Subordinate Aggregate Annual Debt Service with respect to all Subordinate Obligations, Unissued Subordinate Program Obligations, and the Subordinate Authorized Amount of all Subordinate Obligations then proposed to be issued in the then current or any future Fiscal Year.

"*Subordinate Net Revenues*" means the Revenues remaining after the Authority has made the deposits to the Operation and Maintenance Subaccount, the senior debt service funds and the senior debt service reserve funds as further described in the forepart of this Official Statement under the caption "SECURITY OF SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS—Flow of Funds."

"*Subordinate Notes*" means Subordinate Obligations issued under the provisions of the Master Subordinate Indenture which have a maturity of one year or less from their date of original issuance and which are not part of a Subordinate Commercial Paper Program.

"*Subordinate Obligation*" or "*Subordinate Obligations*" means any debt obligation of the Authority issued as a taxable or tax-exempt obligation under and in accordance with the provisions of the Master Subordinate Indenture, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper notes and other instruments creating an indebtedness of the Authority, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Subordinate Repayment Obligations to the extent provided in the Master Subordinate Indenture. The term "Subordinate Obligation" or "Subordinate Obligations" include any Subordinate Program Obligations.

"*Subordinate Program*" means a financing program identified in a Supplemental Subordinate Indenture, including but not limited to a Subordinate Commercial Paper Program, (a) which is authorized and the terms thereof approved by a resolution adopted by the Board and the items described in the Master Subordinate Indenture have been filed with the Subordinate Trustee, (b) wherein the Authority has authorized the issuance, from time to time, of notes, commercial paper or other indebtedness in an Subordinate Authorized Amount, and (c) the Subordinate Authorized Amount of which has met the additional bonds test set forth in the Master Subordinate Indenture and the Outstanding amount of which may vary from time to time, but not exceed the Subordinate Authorized Amount.

"*Subordinate Program Obligations*" means Subordinate Obligations issued and Outstanding pursuant to a Subordinate Program, other than Unissued Subordinate Program Obligations.

"*Subordinate Repayment Obligations*" means any obligation of the Authority arising under a written agreement of the Authority and a Credit Provider pursuant to which a Credit Facility is issued to pay debt service on any Subordinate Obligations or any obligation arising under a written agreement of the Authority and a Liquidity Provider pursuant to which a Liquidity Facility is issued to purchase Subordinate Obligations.

"*Subordinate Reserve Fund*" means the Subordinate Debt Service Reserve Fund established pursuant to the Master Subordinate Indenture and the Second Supplemental Subordinate Indenture.

"*Subordinate Revolving Obligations*" means the Subordinate Obligations issued and/or incurred under the Master Subordinate Indenture and the Third Supplemental Subordinate Indenture that may be outstanding at any one time in the aggregate principal amount of $125,000,000 and designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Revolving Obligations, Series A/B/C."

"*Subordinate Series 2010 Bonds*" means, collectively, the $572,565,000 original principal amount of Subordinate Obligations designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010A," "San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010B," and "San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010C."

"*Subordinate Series 2010C Bonds*" means the $215,360,000 original principal amount of Subordinate Obligations designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010C."

"*Subordinate Series 2017A Bonds*" means $146,040,000 aggregate principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Fifth Supplemental Subordinate Indenture and designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2017A."

"*Subordinate Series 2017B Bonds*" means $145,170,000 aggregate principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Fifth Supplemental Subordinate Indenture and designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2017B."

"*Subordinate Series 2017 Bonds*" means, collectively, the Subordinate Series 2017A Bonds and the Subordinate Series 2017B Bonds.

"*Subordinate Tender Indebtedness*" means any Subordinate Obligations or portions of Subordinate Obligations a feature of which is an obligation on the part of the Holders, under the terms of such Subordinate Obligations, to tender all or a portion of such Subordinate Obligations to the Authority, the Subordinate Trustee, the Paying Agent or other fiduciary or agent or Credit Provider or Liquidity Provider for payment or purchase and requiring that such Subordinate Obligations or portions of Subordinate Obligations be purchased if properly presented.

"*Subordinate Trustee*" means U.S. Bank National Association, until a successor replaces it and, thereafter, means such successor.

"*Supplemental Senior Indenture*" means any document supplementing or amending the Master Senior Indenture or providing for the issuance of Senior Bonds and entered into as provided in the Master Senior Indenture.

"*Supplemental Subordinate Indenture*" means any document supplementing or amending the Master Subordinate Indenture or providing for the issuance of Subordinate Obligations and entered into as provided in the Master Subordinate Indenture.

"*Swap*" means any financial arrangement between the Authority and a Swap Provider which provides that (a) each of the parties will pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate) on a Designated Debt, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid before it is deemed to have accrued, the amount paid will reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid after it is deemed to have accrued will reflect the time value of such funds; and (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one will pay to the other any net amount due under such arrangement.

"*Swap Provider*" means a party to a Swap with the Authority.

"*Swap Termination Payment*" means an amount payable by the Authority or a Qualified Swap Provider, in accordance with a Qualified Swap, to compensate the other party to the Qualified Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Qualified Swap.

"*Synthetic Fixed Rate Debt*" means indebtedness issued by the Authority which: (a) is combined, as Designated Debt, with a Qualified Swap and creates, in the opinion of a Consultant, a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (b) consisting of an arrangement in which two inversely related variable-rate securities are issued in equal principal amounts with interest based on off-setting indices resulting in a combined payment which is economically equivalent to a fixed rate.

"*Third Supplemental Subordinate Indenture*" means the Third Supplemental Subordinate Trust Indenture, dated as of September 1, 2014, by and between the Authority and the Subordinate Trustee.

"*Unenhanced Subordinate Commercial Paper Program*" will be a Subordinate Commercial Paper Program that is authorized to be issued without the support of a Credit Facility, provided such Subordinate Commercial Paper Program has received a short-term rating of at least "P-2" from Moody's or "A-2" from S&P.

"*Unissued Subordinate Program Obligations*" means the bonds, notes or other indebtedness authorized to be issued pursuant to a Subordinate Program and payable from Subordinate Net Revenues, issuable in an amount up to the Subordinate Authorized Amount relating to such Subordinate Program, which have been approved for issuance by the Authority pursuant to a resolution adopted by the Board and with respect to which Subordinate Program, except as otherwise provided for in the Master Subordinate Indenture, the items described therein have been filed with the Subordinate Trustee but which have not yet been authenticated and delivered pursuant to the Subordinate Program documents.

"*United States Bankruptcy Code*" means Title 11 U.S.C., Section 101 et seq., as amended or supplemented from time to time, or any successor federal act.

"*United States Obligations*" means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, with respect only to direct and general obligations and not to guaranteed obligations, evidences of ownership of proportionate interests in future interest and/or principal payments of such obligations, provided that investments in such proportionate interests must be limited to circumstances wherein: (a) a bank or trust company acts as custodian and holds the underlying United States Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (c) the underlying United States Obligations are held in a special account separate from the custodian's general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated. "United States Obligations" will include any stripped interest or principal portion of United States Treasury securities and any stripped interest portion of Resolution Funding Corporation securities.

"*Variable Rate Indebtedness*" means any Subordinate Obligation or Subordinate Obligations the interest rate on which is not, at the time in question, fixed to maturity, excluding any Subordinate Commercial Paper Program.

THE MASTER SUBORDINATE INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SUBORDINATE SERIES 2017 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS" and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE" in the forepart of this Official Statement, the following is a summary of certain provisions of the Master Subordinate Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Master Subordinate Indenture.

Grant to Secure Subordinate Obligations; Pledge of Subordinate Net Revenues

To secure the payment of the principal and Accreted Value of, premium, if any, and interest on the Subordinate Obligations and the performance and observance by the Authority of all the covenants, agreements and conditions expressed or implied in the Master Subordinate Indenture or contained in the Subordinate Obligations, the Authority hereby pledges and assigns to the Subordinate Trustee and grants to the Subordinate Trustee a lien on and security interest in all right, title and interest of the Authority in and to all of the following and provides that such lien and security interest will be prior in right to any other pledge, lien or security interest created by the Authority in the following: (a) the Subordinate Net Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Subordinate Trustee under the Master Subordinate Indenture, and to the extent provided in any Supplemental Subordinate Indenture moneys and securities held in any Subordinate Construction Fund whether or not held by the Subordinate Trustee, (c) earnings on amounts included in provisions (a) and (b) of this paragraph (except to the extent excluded from the definition of Revenues by the Master Subordinate Indenture), and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Subordinate Trustee as additional security under the Master Subordinate Indenture, for the equal and proportionate benefit and security of all Subordinate Obligations, all of which, regardless of the time or times of their authentication and delivery or maturity, will, with respect to the security provided by this paragraph, be of equal rank without preference, priority or distinction as to any Subordinate Obligation over any other Subordinate Obligation or Subordinate Obligations, except as to the timing of payment of the Subordinate Obligations. Any Subordinate Debt Service Reserve Fund and any Debt Service Reserve Fund Surety Policy provided at any time in satisfaction of all or a portion of the Reserve Requirement and any other security, Liquidity Facility or Credit Facility provided for specific Subordinate Obligations, a specific Series of Subordinate Obligations or one or more Series of Subordinate Obligations may, as provided by a Supplemental Subordinate Indenture, secure only such specific Subordinate Obligations, Series of Subordinate Obligations or one or more Series of Subordinate Obligations and, therefore, will not be included as security for all Subordinate Obligations under the Master Subordinate Indenture unless otherwise provided by a Supplemental Subordinate Indenture and moneys and securities held in trust as provided in the Master Subordinate Indenture exclusively for Subordinate Obligations which have become due and payable and moneys and securities which are held exclusively to pay Subordinate Obligations which are deemed to have been paid under the Master Subordinate Indenture will be held solely for the payment of such specific Subordinate Obligations.

Subordinate Repayment Obligations Afforded Status of Subordinate Obligations

If a Credit Provider or Liquidity Provider makes payment of principal of and interest on a Subordinate Obligation or advances funds to purchase or provide for the purchase of Subordinate Obligations and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Authority, but is not reimbursed, the Authority's Subordinate Repayment Obligation under such written agreement may, if and to the extent so provided in the written agreement, be afforded the status of a Subordinate Obligation issued under the Master Subordinate Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider will be the Holder and such Subordinate Obligation will be deemed to have been issued at the time of the original Subordinate Obligation for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of the Master Subordinate Indenture; provided, however, notwithstanding the stated terms of the Subordinate Repayment Obligation, the payment terms of the Subordinate Obligation held by the Credit Provider or Liquidity Provider under the Master Subordinate Indenture will be as follows (unless otherwise provided in the written agreement with the Authority or a Supplemental Subordinate Indenture pursuant to which the Subordinate Obligations are issued): (a) interest will be due and payable semiannually and (b) principal will be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or, if shorter, (ii)(A) a term extending to the maturity date of the enhanced Subordinate Obligations or (B) if longer, the final maturity of the Subordinate Repayment Obligation under the written agreement, and providing substantially level Subordinate Annual Debt Service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Subordinate Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence will bear interest in accordance with the terms of the Subordinate Repayment Obligation. Except as otherwise provided in a Supplemental Subordinate Indenture, any amount which comes due on the Subordinate Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Subordinate Obligation will be a subordinate obligation payable after its obligations to fund the Senior Bonds and the Subordinate Obligations of the Authority. This provision will not defeat or alter the rights of subrogation which any Credit Provider may have under law or under the terms of any Supplemental Subordinate Indenture. The Subordinate Trustee may conclusively rely on a written certification by the Credit Provider or Liquidity Provider of the amount of such non-reimbursement and that such Subordinate Repayment Obligation is to be afforded the status of a Subordinate Obligation under the Master Subordinate Indenture.

Funds and Accounts

Funding of Subordinate Debt Service Funds. So long as any of the Subordinate Obligations are Outstanding, not later than the 20th day of each calendar month, the Authority will withdraw from the Revenue Account and pay to the Subordinate Trustee for deposit in the Subordinate Debt Service Funds established with respect to each Series of Subordinate Obligations: (a) sums in equal fractional parts for each one-half year so that at least the full amount required to pay the interest on Subordinate Obligations of that Series, as it becomes due, will be set aside in that Subordinate Debt Service Fund by not later than the 20th day of the month prior to the date each installment of interest becomes due; (b) sums in equal fractional parts for each year so that at least the full amount required to pay, as it becomes due at maturity, the Principal Amount of Subordinate Obligations of that Series, will be set aside in that Subordinate Debt Service Fund by not later than the 20th day of the month prior to the date such principal amount becomes due; and (c) sums in equal fractional parts for each year so that at least the full amount required to pay, as it becomes due, the sinking installment payment, if any, due with respect to Term Subordinate Obligations of such Series will be set aside in that Subordinate Debt Service Fund by not later than the 20th day of the month prior to the date such sinking installment payment becomes due. No such transfer need be made in respect of any Series of Subordinate Obligations prior to the actual delivery of that Series of Subordinate Obligations to the purchasers thereof; provided, however, that subsequent to the issuance of such Series of Subordinate Obligations, there will be transferred and paid from the Revenue Account to the Subordinate Debt Service Fund established for that Series of Subordinate Obligations, equal monthly sums at least sufficient together with other transfers required to be made, commencing not later than the 20th day of the calendar month immediately succeeding the issuance of such Series of Subordinate Obligations, so that interest due on such Series of Subordinate Obligations on the first interest payment date to occur after the issuance of such Series of Subordinate Obligations will be fully funded at least one Business Day prior to the date the first installment of interest is due on such Series Subordinate Obligations, and, if the first principal payment or sinking fund installment of such Series of Subordinate Obligations is due less than twelve months after the issuance of such Series of Subordinate Obligations, there will be transferred and paid from the Revenue Account to the Subordinate Debt Service Fund established for that Series of Subordinate Obligations, equal monthly sums at least sufficient together with other transfers required to be made, commencing not later than the 20th day of the calendar month immediately succeeding the issuance of such Series of Subordinate Obligations, so that principal or sinking fund installments of such Series of Subordinate Obligations due on the first principal payment date to occur after the issuance of such Series of Subordinate Obligations will be fully funded at least one Business Day prior to the date the first principal payment or sinking fund installment is due on such Series of Subordinate Obligations. On any day on which the Subordinate Trustee receives funds from the Authority to be used to pay principal or sinking fund installments of or interest on Subordinate Obligations, the Subordinate Trustee will, if the amount received is fully sufficient to pay all amounts of principal or sinking fund installments and interest then due or becoming due on the next Payment Date, deposit such amounts into the respective Subordinate Debt Service Funds for the Series of Subordinate Obligations for which such payments were made. Notwithstanding any of the foregoing provisions of this paragraph, no amount need be transferred from the Revenue Account or otherwise deposited into any Subordinate Debt Service Fund for any Series of Subordinate Obligations for the payment of principal or sinking fund installments or interest, respectively, if the amount already on deposit therein and available for such purpose is sufficient to pay in full the amount of principal or sinking fund installment and/or interest, respectively, coming due on such Subordinate Obligations on the next succeeding Payment Date.

The Authority may provide in any Supplemental Subordinate Indenture that, as to any Series of Subordinate Obligations Outstanding, any amounts required to be transferred to and paid into a Subordinate Debt Service Fund may be prepaid, in whole or in part, by being earlier transferred to and paid into that Subordinate Debt Service Fund, and in that event any subsequently scheduled monthly transfer, or any part thereof, which has been so prepaid need not be made at the time appointed therefor. In any Supplemental Subordinate Indenture, the Authority may provide that moneys in the Redemption Account allocable to sinking fund installment payments of a Series may, at the discretion of the Authority, be applied to the purchase and cancellation of such Series (at a price not greater than par) prior to notice of redemption of such Series. Such Subordinate Obligations so delivered or previously redeemed or purchased at the direction of the Authority will be credited by the Subordinate Trustee at the principal amount thereof to the next scheduled sinking installment payments on Subordinate Obligations of such Series and any excess over the sinking installment payment deposit required on that date will be credited against future sinking installment deposits in such manner and order as the Authority may determine in its discretion, and the scheduled principal amount of the Subordinate Obligations to be redeemed by operation of such sinking installment payments will be accordingly modified in such manner as the Authority may determine and as specified to the Subordinate Trustee in writing.

Money set aside and placed in a Subordinate Debt Service Fund for any Series of Subordinate Obligations will remain therein until from time to time expended for the aforesaid purposes thereof and will not be used for any other purpose whatsoever, except that any such money so set aside and placed in a Subordinate Debt Service Fund may be temporarily invested as provided in the Master Subordinate Indenture, but such investment will not affect the obligation of the Authority to cause the full amount required by the terms of this Section to be available in a Subordinate Debt Service Fund at the time required to meet payments of principal of and interest on Subordinate Obligations of the Series for which it is accumulated. Earnings on such investments upon written request of the Authority may be transferred into the Revenue Account, except that during the continuation of an Event of Default, such earnings will remain in the Subordinate Debt Service Funds created under the respective Supplemental Subordinate Indentures.

Each Subordinate Debt Service Fund established to pay principal of and interest on any Series of Subordinate Obligations will be held by the Subordinate Trustee or any agent of the Subordinate Trustee, and amounts to be used to pay principal of and interest on such Series, as received by the Subordinate Trustee or its agent, will be deposited therein and used for such purpose. Accounts and Subaccounts will be created by the Subordinate Trustee or any agent of the Subordinate Trustee in the various Subordinate Debt Service Funds as requested in writing by the Authorized Authority Representative and will be held by the Subordinate Trustee or such agents as will be provided by the Supplemental Subordinate Indenture.

The moneys in each Subordinate Debt Service Fund established for any Series of Subordinate Obligations will be held in trust and applied as provided herein and in the Supplemental Subordinate Indenture, and pending the application of such amounts in accordance herewith and with the provisions of such Supplemental Subordinate Indenture will be subject to a lien on and security interest in favor of the holders of the Outstanding Subordinate Obligations of such Series.

On each Payment Date for any Outstanding Subordinate Obligations, the Subordinate Trustee will pay to the Owners of the Subordinate Obligations of a given Series from the appropriate Subordinate Debt Service Fund or Subordinate Debt Service Funds, an amount equal to the principal and interest becoming due on such Series of Subordinate Obligations.

The payments made by the Subordinate Trustee will be made solely to the extent that moneys are on deposit in the appropriate Subordinate Debt Service Fund.

All money remaining in a Subordinate Debt Service Fund on the final Payment Date, in excess of the amount required to make provisions for the payment in full of the interest and/or the principal of the Subordinate Obligations of the Series for which that Subordinate Debt Service Fund was established or the payment of amounts required to be rebated, pursuant to the Code, to the United States of America with respect to Subordinate Obligations of that Series, will be returned to the Authority and deposited by the Authority in the Revenue Account.

The Subordinate Trustee will, at least seven days prior to each Payment Date on any Subordinate Obligation, or as otherwise directed in any Supplemental Subordinate Indenture, give the Authority prompt notice of any additional amount required to be deposited with the Subordinate Trustee to pay the amount required to be paid on such Payment Date in respect of such Subordinate Obligation, in the event the amount then on deposit in any Subordinate Debt Service Fund is insufficient to pay the amounts due on any Series of Subordinate Obligations on such Payment Date. With respect to any Series of Subordinate Obligations, the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued may provide for different times and methods of notifying the Authority of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Subordinate Indenture will control.

Notwithstanding anything therein to the contrary, including the provisions of the ninth paragraph of this Section, if, on any Payment Date, the Subordinate Trustee does not have sufficient amounts in the Subordinate Debt Service Funds (without regard to any amounts which may be available in a Debt Service Reserve Fund) to pay in full with respect to Subordinate Obligations of all Series all amounts of principal and/or interest due on such date, the Subordinate Trustee will allocate the total amount which is available to make payment on such day (without regard to any amounts in a Debt Service Reserve Fund) as follows: first, to the payment of past due interest on Subordinate Obligations of any Series, in the order in which such interest came due, second, to the payment of past due principal on Subordinate Obligations of any Series, in the order in which such principal came due, third, to the payment of interest then due and payable on the Subordinate Obligations of each Series due on such Payment Date and, if the amount available will not be sufficient to pay in full all interest on the Subordinate Obligations then due, then pro rata among the Series according to the amount of interest then due, and fourth, to the payment of principal then due on the Subordinate Obligations and, if the amount available will not be sufficient to pay in full all principal on the Subordinate Obligations then due, then pro rata among the Series according to the Principal Amount then due on the Subordinate Obligations.

If a Debt Service Reserve Fund or Debt Service Reserve Funds (or a Credit Facility provided in lieu thereof) have been used to make payments on Subordinate Obligations secured thereby, then the Authority may be required by a Supplemental Subordinate Indenture to replenish such Debt Service Reserve Fund or Debt Service Reserve Funds or reimburse the Credit Provider from Subordinate Net Revenues provided that (a) no amount from Subordinate Net Revenues may be used for such purpose until all payments of principal of and interest on all Subordinate Obligations which have become due and payable will have been paid in full, (b) the required payments to replenish any such Debt Service Reserve Fund or Debt Service Reserve Funds or reimburse the Credit Provider will be due in no more than twelve substantially equal monthly installments commencing in the month following any such withdrawal and (c) if the aggregate amount of payments due on any date to replenish the Debt Service Reserve Fund or Debt Service Reserve Funds exceeds the amount available for such purpose, the payments made to the Subordinate Trustee for such purpose will be allocated among the various Debt Service Reserve Funds pro rata on the basis of the Outstanding Principal Amount of Subordinate Obligations secured thereby.

Notwithstanding the foregoing, the Authority may, in the Supplemental Subordinate Indenture authorizing such Series of Subordinate Obligations, provide for different provisions and timing of deposits with the Subordinate Trustee and different methods of paying principal of or interest on such Subordinate Obligations depending upon the terms of such Subordinate Obligations and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective Subordinate Debt Service Fund created for the Series of Subordinate Obligations for which such Credit Facility is provided.

If the Subordinate Net Revenues are at any time insufficient to make the deposits required to make payments on the Subordinate Obligations, the Authority may, at its election, pay to the Subordinate Trustee funds from any available sources with the direction that such funds be deposited into the Subordinate Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein.

Additional Security. The pledge of Subordinate Net Revenues and the other security provided in the Master Subordinate Indenture, secure all Subordinate Obligations issued under the terms of the Master Subordinate Indenture on an equal and ratable basis, except as to the timing of such payments. The Authority may, however, in its discretion, provide additional security or credit enhancement for specified Subordinate Obligations or a Series of Subordinate Obligations with no obligation to provide such additional security or credit enhancement to other Subordinate Obligations.

Payment of Principal and Interest

The Authority covenants and agrees that it will duly and punctually pay or cause to be paid from the Subordinate Net Revenues and to the extent thereof the principal of, premium, if any, and interest on every Subordinate Obligation at the place and on the dates and in the manner provided in the Master Subordinate Indenture, in the Supplemental Subordinate Indentures and in the Subordinate Obligations specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements the Master Subordinate Indenture and in the Subordinate Obligations contained, provided that the Authority's obligation to make payment of the principal of, premium, if any, and interest on the Subordinate Obligations will be limited to payment from the Subordinate Net Revenues, the funds and accounts pledged therefore in the Granting Clauses of the Master Subordinate Indenture and any other source which the Authority may specifically provide for such purpose and no Holder will have any right to enforce payment from any other funds of the Authority.

Junior and Subordinated Obligations

The Authority may, from time to time, incur indebtedness with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations. Such indebtedness will be incurred at such times and upon such terms as the Authority will determine, provided that:

(a) any resolution or indenture or other instrument of the Authority authorizing the issuance of any subordinate obligations will specifically state that such lien on or security interest granted in the Subordinate Net Revenues is junior and subordinate to the lien on and security interest in such Subordinate Net Revenues and other assets granted to secure the Subordinate Obligations; and

(b) payment of principal of and interest on such subordinated obligations will be permitted, provided that all deposits required to be made to the Subordinate Trustee to be used to pay debt service on the Subordinate Obligations or to replenish the Subordinate Debt Service Reserve Fund, if any, are then current in accordance with the Master Subordinate Indenture.

Operation and Maintenance of Airport System

The Authority covenants that the Airport System will at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises will be complied with (provided the Authority will not be required to comply with any such orders so long as the validity or application thereof will be contested in good faith), and that all licenses and permits necessary to construct or operate any part of the Airport System will be obtained and maintained and that all necessary repairs, improvements and replacements of the Airport System will be made, subject to sound business judgment. The Authority will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the Authority, all taxes (if any), assessments or other governmental charges lawfully imposed upon the Airport System or upon any part thereof, or upon the Revenues, Subordinate Net Revenues, when the same will become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the Revenues, Subordinate Net Revenues or the Airport System or any part thereof constituting part of the Airport System.

Insurance; Application of Insurance Proceeds

Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions: (a) the Authority will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance with respect to the facilities constituting the Airport System and public liability insurance in the form of commercial insurance or Qualified Self Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Authority, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar airports; and (b) the Authority will place on file with the Subordinate Trustee, annually within 120 days after the close of each Fiscal Year a certificate of an Authorized Authority Representative containing a summary of all insurance policies and self-insured programs then in effect with respect to the Airport System and the operations of the Authority. The Subordinate Trustee may conclusively rely upon such certificate and will not be responsible for the sufficiency or adequacy of any insurance required in the Master Subordinate Indenture or obtained by the Authority.

"*Qualified Self Insurance*" means insurance maintained through a program of self-insurance or insurance maintained with a fund, company or association in which the Authority may have a material interest and of which the Authority may have control, either singly or with others. Each plan of Qualified Self Insurance will be established in accordance with law, will provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the Authority determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self Insurance, and such self-insurance program will be reviewed at least once every 12 months by a Consultant who will deliver to the Authority a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, they will make a recommendation as to the amount of reserves that should be established and maintained, and the Authority will comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the Authority.

If, as a result of any event, any part of the Airport System is destroyed or severely damaged, the Authority will create within the Revenue Account a special account and will credit the Net Proceeds received as a result of such event of damage or destruction to such account and such Net Proceeds will, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (i) repair or replace the Airport System, or portion thereof, which were damaged or destroyed, (ii) provide additional revenue-producing Airport Facilities, (iii) redeem Subordinate Obligations, or (iv) create an escrow fund pledged to pay specified Subordinate Obligations and thereby cause such Subordinate Obligations to be deemed to be paid as provided in the Master Subordinate Indenture; provided, however, that the Authority will first deliver to the Subordinate Trustee a certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the redemption of such specified Subordinate Obligations, the rate covenant as set forth in the Master Subordinate Indenture would, nevertheless, be met.

Transfer of Airport Facility or Airport Facilities

The Authority will not, except as provided in Section 170060 of the Act and except as permitted below, transfer, sell or otherwise dispose of an Airport Facility or Airport Facilities. Any transfer of an asset over which the Authority retains substantial control in accordance with the terms of such transfer, will not, for so long as the Authority has such control, be deemed a disposition of an Airport Facility or Airport Facilities.

Except as otherwise provided in Section 170060 of the Act, the Authority may transfer, sell or otherwise dispose of Airport Facilities only if such transfer, sale or disposition complies with one or more of the following provisions: (a) the property being disposed of is inadequate, obsolete or worn out; or (b) the property proposed to be disposed of and all other Airport Facilities disposed of during the 12-month period ending on the day of such transfer (but excluding property disposed of under the preceding paragraph), will not, in the aggregate, constitute a Significant Portion, the proceeds are deposited into the Revenue Account to be used as described below and the Authority believes that such disposal will not prevent it from fulfilling its obligations under the Master Senior Indenture or Master Subordinate Indenture; or (c) the Authority receives fair market value for the property, the proceeds are deposited in the Revenue Account to be used as described below, and prior to the disposition of such property, there is delivered to the Senior Trustee and the Subordinate Trustee a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the Authority as evidenced by a certificate of an Authorized Authority Representative, the Consultant estimates that the Authority will be in compliance with the rate covenant of the Master Senior Indenture and the rate covenant of the Master Subordinate Indenture during each of the first five Fiscal Years immediately following such disposition.

Proceeds of the disposition of assets under the preceding two paragraphs above will be deposited into the Revenue Account and used, within a reasonable period of time, not to exceed three years, to (i) provide additional revenue-producing Airport Facilities, (ii) redeem Senior Bonds and/or Subordinate Obligations or (iii) create an escrow fund pledged to pay specified Senior Bonds and/or Subordinate Obligations and thereby cause such Senior Bonds and/or Subordinate Obligations to be deemed to be paid as provided in the Master Senior Indenture or the Master Subordinate Indenture, as the case may be.

Airport Facilities which were financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes will not be disposed of, except under the terms of the first paragraph of this Section, unless the Authority has first received a written opinion of Bond Counsel to the effect that such disposition will not cause the interest on such obligations to become includable in gross income for federal income tax purposes.

Eminent Domain

If a Significant Portion of any Airport Facility or Airport Facilities are taken by eminent domain proceedings or conveyance in lieu thereof, the Authority will create within the Revenue Account a special account and credit the Net Proceeds received as a result of such taking or conveyance to such account and will within a reasonable period of time, after the receipt of such amounts, use such proceeds to (a) replace the Airport Facility or Airport Facilities which were taken or conveyed, (b) provide an additional revenue producing Airport Facility or Airport Facilities, (c) redeem Senior Bonds and/or Subordinate Obligations, or (d) create an escrow fund pledged to pay specified Senior Bonds and/or Subordinate Obligations and thereby cause such Senior Bonds and/or Subordinate Obligations to be deemed to be paid as provided in the Master Senior Indenture or the Master Subordinate Indenture, as the case may be.

Investments

Moneys held by the Authority and/or the Subordinate Trustee in the funds and accounts created in the Master Subordinate Indenture and under any Supplemental Subordinate Indenture will be invested and reinvested as directed by the Authority, in Permitted Investments subject to the restrictions set forth in the Master Subordinate Indenture and such Supplemental Subordinate Indenture and subject to the investment restrictions imposed upon the Authority by the laws of the State and the Authority's investment policy. The Authority will direct such investments by written certificate (which certificate will include a certification that such directions comply with the Authority's investment policy and upon which the

Subordinate Trustee may conclusively rely) of an Authorized Authority Representative or by telephone instruction followed by prompt written confirmation by an Authorized Authority Representative; in the absence of any such instructions, the Subordinate Trustee will, to the extent practicable, invest in Permitted Investments specified in paragraph (i) of the definition thereof, which includes a money market fund comprised of United States Obligations, or in a money market fund or account of the Subordinate Trustee, provided it meets the requirements specified in paragraph (i) of the definition of Permitted Investments, which are Permitted Investments under State law.

Defeasance

Subordinate Obligations or portions thereof (such portions to be in integral multiples of the authorized denomination) which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Master Subordinate Indenture except for the purposes of payment from moneys, Government Obligations or obligations described in paragraph (b) of the definition of Permitted Investments held by the Subordinate Trustee or a Paying Agent for such purpose. When all Subordinate Obligations which have been issued under the Master Subordinate Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Master Subordinate Indenture by the Authority, including all necessary and proper fees, compensation and expenses of the Subordinate Trustee, the Registrar and the Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Subordinate Trustee in and to the pledge of Subordinate Net Revenues and the other assets pledged to secure the Subordinate Obligations under the Master Subordinate Indenture will thereupon cease, terminate and become void, and thereupon the Subordinate Trustee will cancel, discharge and release the Master Subordinate Indenture, will execute, acknowledge and deliver to the Authority such instruments as will be requisite to evidence such cancellation, discharge and release and will assign and deliver to the Authority any property and revenues at the time subject to the Master Subordinate Indenture which may then be in the Subordinate Trustee's possession, except funds or securities in which such funds are invested and are held by the Subordinate Trustee or the Paying Agent for the payment of the principal of, premium, if any, and interest on the Subordinate Obligations.

A Subordinate Obligation will be deemed to be paid within the meaning of the Master Subordinate Indenture and for all purposes thereof when payment of the principal, interest and premium, if any, either (a) will have been made or caused to be made in accordance with the terms of the Subordinate Obligations and the Master Subordinate Indenture or (b) will have been provided for, as certified to the Subordinate Trustee by a nationally recognized accounting firm, by irrevocably depositing with the Subordinate Trustee in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) noncallable Government Obligations or obligations described in paragraph (b) of the definition of Permitted Investments, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Subordinate Obligations will be deemed to be paid under the Master Subordinate Indenture, such Subordinate Obligations will no longer be secured by or entitled to the benefits of the Master Subordinate Indenture, except for the purposes of payment from such moneys, Government Obligations or obligations described in paragraph (b) of the definition of Permitted Investments.

Any deposit under clause (b) of the foregoing paragraph will be deemed a payment of such Subordinate Obligations. Once such deposit will have been made, the Subordinate Trustee will notify all holders of the affected Subordinate Obligations that the deposit required by (b) above has been made with the Subordinate Trustee and that such Subordinate Obligations are deemed to have been paid in accordance with the Master Subordinate Indenture. Notice of redemption will be required at the time of such defeasance or prior to such date as may be required by the Supplemental Subordinate Indenture under which such Subordinate Obligations were issued. The Authority may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Subordinate Indenture under which such Subordinate Obligations were issued, modify or otherwise change the scheduled date for the redemption or payment of any Subordinate Obligation deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Subordinate Obligations or the Master Subordinate Indenture subject to (A) receipt of an approving opinion of nationally recognized Bond Counsel that such action will not adversely affect the tax-exemption of any Subordinate Obligation or Subordinate Obligations then Outstanding and (B) receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Government Obligations and/or obligations described in item (b) of the definition of Permitted Investments to provide for the payment of such Subordinate Obligations. Notwithstanding anything in the Master Subordinate Indenture to the contrary, monies from the trust or escrow established for the defeasance of Subordinate Obligations may be withdrawn and delivered to the Authority so long as the requirements of subparagraphs (A) and (B) above are met prior to or concurrently with any such withdrawal.

Defaults and Remedies

Events of Default. Each of the following events will constitute and is referred to in the Master Subordinate Indenture as an "Event of Default":

(a) a failure to pay the principal of or premium, if any, on any of the Subordinate Obligations when the same will become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Subordinate Obligations when such interest will become due and payable;

(c) a failure to pay the purchase price of any Subordinate Obligation when such purchase price will be due and payable upon an optional or mandatory tender date as provided in a Supplemental Subordinate Indenture;

(d) a failure by the Authority to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) above) that are to be observed or performed by the Authority and which are contained in the Master Subordinate Indenture or a Supplemental Subordinate Indenture, which failure, except for a violation under the Master Subordinate Indenture which will be controlled by the provisions set forth therein, will continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Authority by the Subordinate Trustee, which notice may be given at the discretion of the Subordinate Trustee and will be given at the written request of holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding, unless the Subordinate Trustee, or the Subordinate Trustee and the holders of Subordinate Obligations in a Principal Amount not less than the Principal Amount of Subordinate Obligations the holders of which requested such notice, will agree in writing to an extension of such period prior to its expiration; provided, however, that the Subordinate Trustee or the Subordinate Trustee and the holders of such principal amount of Subordinate Obligations will be deemed to have agreed to an extension of such period if corrective action is initiated by the Authority within such period and is being diligently pursued until such failure is corrected;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Bankruptcy Code, or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the Authority and, if instituted against the Authority, said proceedings are consented to or are not dismissed within 60 days after such institution;

(f) the occurrence of any other Event of Default as is provided in a Supplemental Subordinate Indenture; or

(g) a default in the payment of principal of or interest on any Senior Bonds.

If, on any date on which payment of principal of or interest on the Subordinate Obligations is due and sufficient moneys are not on deposit with the Subordinate Trustee or Paying Agent to make such payment, the Subordinate Trustee will give telephone notice, followed by written confirmation, of such insufficiency to the Authority.

Remedies.

(h) Upon the occurrence and continuance of any Event of Default, the Subordinate Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding and receipt of indemnity to its satisfaction, will, in its own name and as the Subordinate Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders, and require the Authority to carry out any agreements with or for the benefit of the Holders and to perform its or their duties under the Act or any other law to which it is subject and the Master Subordinate Indenture;

(ii) bring suit upon the Subordinate Obligations;

(iii) commence an action or suit in equity to require the Authority to account as if it were the trustee of an express trust for the Holders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders.

(i) The Subordinate Trustee will be under no obligation to take any action with respect to any Event of Default unless the Subordinate Trustee has actual knowledge of the occurrence of such Event of Default.

(j) Except as otherwise provided in the Master Subordinate Indenture or in a Supplemental Subordinate Indenture, a Credit Facility or a Liquidity Facility, in no event, upon the occurrence and continuation of an Event of Default described in the Master Subordinate Indenture, will the Subordinate Trustee, the Holders, a Credit Provider, a Liquidity Provider or any other party have the right to accelerate the payment of principal of and interest on the Subordinate Obligations Outstanding.

Holders' Right To Direct Proceedings. Anything in the Master Subordinate Indenture to the contrary notwithstanding, holders of a majority in Principal Amount of the Subordinate Obligations then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Subordinate Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Subordinate Trustee under the Master Subordinate Indenture to be taken in connection with the enforcement of the terms of the Master Subordinate Indenture or exercising any trust or power conferred on the Subordinate Trustee by the Master Subordinate Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Master Subordinate Indenture and that there will have been provided to the Subordinate Trustee security and indemnity satisfactory to the Subordinate Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Subordinate Trustee.

Limitation on Right To Institute Proceedings. No Holder will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Master Subordinate Indenture, or any other remedy under the Master Subordinate Indenture or on such Subordinate Obligations, unless such Holder or Holders previously will have given to the Subordinate Trustee written notice of an Event of Default as hereinabove provided and unless also holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding will have made written request of the Subordinate Trustee to do so, after the right to institute such suit, action or proceeding the Master Subordinate Indenture will have accrued, and will have afforded the Subordinate Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also will have been offered to the Subordinate Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Subordinate Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Subordinate Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Holders will have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Master Subordinate Indenture, or to enforce any right under the Master Subordinate Indenture or under the Subordinate Obligations, except in the manner provided in the Master Subordinate Indenture, and that all suits, actions and proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Master Subordinate Indenture and for the equal benefit of all Holders.

Application of Moneys. If an Event of Default will occur and be continuing, all amounts then held or any moneys received by the Subordinate Trustee, by any receiver or by any Holder pursuant to any right given or action taken under the provisions of the Master Subordinate Indenture (which will not include moneys provided through a Credit Facility, which moneys will be restricted to the specific use for which such moneys were provided), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys by the Subordinate Trustee or by any receiver and of the expenses, liabilities and advances incurred or made by the Subordinate Trustee in connection with its performance of its powers and duties under the Master Subordinate Indenture and any Supplemental Subordinate Indenture (including attorneys' fees and disbursements), will be applied as follows: (a) first, to the payment to the persons entitled thereto of all installments of interest then due on the Subordinate Obligations, with interest on overdue installments, if lawful, at the rate per annum as provided in any Supplemental Subordinate Indenture, as the case may be, in the order of maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (b) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Subordinate Obligations which will have become due with interest on such Subordinate Obligations at such rate as provided in a Supplemental Subordinate Indenture from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full Subordinate Obligations on any particular date determined to be the payment date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys will be applied at such times, and from time to time, as the Subordinate Trustee will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Subordinate Trustee will apply such funds, it will fix the date (which will be an interest Payment Date unless it will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date will cease to accrue. The Subordinate Trustee will give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Holders and will not be required to make payment to any Holder until such Subordinate Obligations will be presented to the Subordinate Trustee for appropriate endorsement or for cancellation if fully paid.

The Subordinate Trustee

Standard of Care. If an Event of Default has occurred and is continuing, the Subordinate Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Subordinate Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: (i) the Subordinate Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer unless the Subordinate Trustee was negligent in ascertaining the pertinent facts; and (ii) the Subordinate Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Holders or the Authority in the manner provided in the Master Subordinate Indenture.

Individual Rights of Subordinate Trustee. The Subordinate Trustee in its individual or any other capacity may become the owner or pledgee of Subordinate Obligations and may in such role otherwise deal with the Authority with the same rights it would have if it were not Subordinate Trustee. Any Paying Agent or other agent may do the same with like rights.

Notice of Defaults. If (a) an Event of Default has occurred or (b) an event has occurred which with the giving of notice and/or the lapse of time would be an Event of Default and, with respect to such events for which notice to the Authority is required before such events will become Events of Default, such notice has been given, then the Subordinate Trustee will promptly, after obtaining actual notice of such Event of Default or event described in (b), give notice thereof to each Holder. Except in the case of a default in payment or purchase on any Subordinate Obligations, the Subordinate Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders.

Eligibility of Subordinate Trustee. The Master Subordinate Indenture will always have a Subordinate Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least $100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Subordinate Trustee. The Subordinate Trustee may resign by notifying the Authority in writing prior to the proposed effective date of the resignation. The holders of a majority in Principal Amount of the Subordinate Obligations may remove the Subordinate Trustee by notifying the removed Subordinate Trustee in writing and may appoint a successor Subordinate Trustee with the Authority's consent. The Authority may remove the Subordinate Trustee, by notice in writing delivered to the Subordinate Trustee at least 60 days prior to the proposed removal date; provided, however, that the Authority will have no right to remove the Subordinate Trustee during any time when an Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be an Event of Default.

No resignation or removal of the Subordinate Trustee under this Section will be effective until a new Subordinate Trustee has taken office and delivered a written acceptance of its appointment to the retiring Subordinate Trustee and to the Authority. Immediately thereafter, the retiring Subordinate Trustee will transfer all property held by it as Subordinate Trustee to the successor Subordinate Trustee, the resignation or removal of the retiring Subordinate Trustee will then (but only then) become effective and the successor Subordinate Trustee will have all the rights, powers and duties of the Subordinate Trustee under the Master Subordinate Indenture.

If the Subordinate Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Master Subordinate Indenture, the Authority will promptly appoint a successor Subordinate Trustee.

If a Subordinate Trustee is not performing its duties under the Master Subordinate and a successor Subordinate Trustee does not take office within 60 days after the retiring Subordinate Trustee delivers notice of resignation or the Authority delivers notice of removal, the retiring Subordinate Trustee, the Authority or the holders of a majority in Principal Amount of the Subordinate Obligations may petition any court of competent jurisdiction for the appointment of a successor Subordinate Trustee.

Successor Subordinate Trustee or Agent by Merger. If the Subordinate Trustee, any Paying Agent or Registrar consolidates with, merges or converts into, or sells to or transfers all or substantially all its assets (or, in the case of a bank, national banking association or trust company, its corporate trust assets) to, another corporation and meets the qualifications set forth in the Master Subordinate Indenture, the resulting, surviving or transferee corporation without any further act will be the successor Subordinate Trustee, Paying Agent or Registrar.

Amendments

Amendments Not Requiring Consent of Bondholders. The Authority may, from time to time and at any time, without the consent of or notice to the Holders, execute and deliver Supplemental Subordinate Indentures supplementing and/or amending the Master Subordinate Indenture or any Supplemental Subordinate Indenture as follows:

(k) to provide for the issuance of a Series or multiple Series of Subordinate Obligations under the provisions of the Master Subordinate Indenture and to set forth the terms of such Subordinate Obligations and the special provisions which will apply to such Subordinate Obligations;

(l) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Master Subordinate Indenture or any Supplemental Subordinate Indenture, provided such supplement or amendment is not materially adverse to the Holders;

(m) to add to the covenants and agreements of the Authority in the Master Subordinate Indenture or any Supplemental Subordinate Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Authority, provided such supplement or amendment will not adversely affect the interests of the Holders;

(n) to confirm, as further assurance, any interest of the Subordinate Trustee in and to the pledge of Subordinate Net Revenues or in and to the funds and accounts held by the Subordinate Trustee or in and to any other moneys, securities or funds of the Authority provided pursuant to the Master Subordinate Indenture or to otherwise add additional security for the Holders;

(o) to evidence any change made in the terms of any Series of Subordinate Obligations if such changes are authorized by the Supplemental Subordinate Indenture at the time the Series of Subordinate Obligations is issued and such change is made in accordance with the terms of such Supplemental Subordinate Indenture;

(p) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;

(q) to modify, alter, amend or supplement the Master Subordinate Indenture or any Supplemental Subordinate Indenture in any other respect which is not materially adverse to the Holders;

(r) to provide for uncertificated Subordinate Obligations or for the issuance of coupons and bearer Subordinate Obligations or Subordinate Obligations registered only as to principal;

(s) to qualify the Subordinate Obligations or a Series of Subordinate Obligations for a rating or ratings from a Rating Agency;

(t) to accommodate the technical, operational and structural features of Subordinate Obligations which are issued or are proposed to be issued or of a Subordinate Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, swaps, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the Authority from time to time deems appropriate to incur;

(u) to accommodate the use of a Credit Facility or Liquidity Facility for specific Subordinate Obligations or a specific Series of Subordinate Obligations; and

(v) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Subordinate Obligations, including, without limitation, the segregation of Revenues, Net Revenues and Subordinate Net Revenues into different funds.

Before the Authority will, pursuant to this Section, execute any Supplemental Subordinate Indenture, there will have been delivered to the Authority and Subordinate Trustee an opinion of Bond Counsel to the effect that such Supplemental Subordinate Indenture: (x) is authorized or permitted by the Master Subordinate Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms and (y) will not cause interest on any of the Subordinate Obligations which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes. The opinion of Bond Counsel required pursuant to clause (z) in the preceding sentence will not be required for a Supplemental Subordinate Indenture executed and delivered in accordance with paragraph (a) above.

Amendments Requiring Consent of Bondholders. Except for any Supplemental Subordinate Indenture entered into pursuant to the Master Subordinate Indenture, subject to the terms and provisions contained in this Section and elsewhere in the Master Subordinate Indenture and not otherwise, the holders of not less than a majority in aggregate Principal Amount of the Subordinate Obligations then Outstanding will have the right from time to time to consent to and approve the execution by the Authority of any Supplemental Subordinate Indenture deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Master Subordinate Indenture or in a Supplemental Subordinate Indenture; provided, however, that, unless approved in writing by the holders of all the Subordinate Obligations then Outstanding or unless such change affects less than all Series of Subordinate Obligations and the following paragraph is applicable, nothing contained in the Master Subordinate Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Subordinate Obligations or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Obligations or the rate of interest thereon; and provided that nothing contained in the Master Subordinate Indenture, including the provisions of the following paragraph, will, unless approved in writing by the holders of all the Subordinate Obligations then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Master Subordinate Indenture) upon or pledge of the Subordinate Net Revenues created by the Master Subordinate Indenture, ranking prior to or on a parity with the claim created by the Master Subordinate Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Subordinate Obligations, a preference or priority of any Subordinate Obligation or Subordinate Obligations over any other Subordinate Obligation or Subordinate Obligations with respect to the security granted therefore under the Master Subordinate Indenture, or (v) a reduction in the aggregate Principal Amount of Subordinate Obligations the consent of the Holders of which is required for any such Supplemental Subordinate Indenture. Nothing contained in the Master Subordinate Indenture, however, will be construed as making necessary the approval by Holders of the execution of any Supplemental Subordinate Indenture as authorized in the Master Subordinate Indenture, including the granting, for the benefit of particular Series of Subordinate Obligations, security in addition to the pledge of the Subordinate Net Revenues.

The Authority may, from time to time and at any time, execute a Supplemental Subordinate Indenture which amends the provisions of an earlier Supplemental Subordinate Indenture under which a Series or multiple Series of Subordinate Obligations were issued. If such Supplemental Subordinate Indenture is executed for one of the purposes set forth in the Master Subordinate Indenture, no notice to or consent of the Holders will be required. If such Supplemental Subordinate Indenture contains provisions which affect the rights and interests of less than all Series of Subordinate Obligations Outstanding and the Master Subordinate Indenture is not applicable, then this paragraph rather than the preceding paragraph will control and, subject to the terms and provisions contained in the Master Subordinate Indenture and not otherwise, the holders of not less than 51% in aggregate Principal Amount of the Subordinate Obligations of all Series which are affected by such changes will have the right from time to time to consent to any Supplemental Subordinate Indenture deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Subordinate Indenture and affecting only the Subordinate Obligations of such Series; provided, however, that, unless approved in writing by the holders of all the Subordinate Obligations of all the affected Series then Outstanding, nothing contained in the Master Subordinate Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Subordinate Obligations of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Obligations of such Series or the rate of interest thereon. Nothing contained in the Master Subordinate Indenture, however, will be construed as making necessary the approval by Holders of the adoption of any Supplemental Subordinate Indenture as authorized in the Master Subordinate Indenture, including the granting, for the benefit of particular Series of Subordinate Obligations, security in addition to the pledge of the Subordinate Net Revenues.

THE FIFTH SUPPLEMENTAL SUBORDINATE INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SUBORDINATE SERIES 2017 BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS" in this Official Statement, the following is a summary of certain provisions of the Fifth Supplemental Subordinate Indenture. Such summary is only a brief description of limited provisions of limited provisions of such document and is qualified in its entirety by reference to the full text of the Fifth Supplemental Subordinate Indenture.

Terms of the Subordinate Series 2017 Bonds

The Fifth Supplemental Subordinate Indenture sets forth the terms of the Subordinate Series 2017 Bonds, most of which terms are described earlier in this Official Statement under "DESCRIPTION OF THE SUBORDINATE SERIES 2017 BONDS."

Establishment of Funds and Accounts

Pursuant to the Fifth Supplemental Subordinate Indenture, the Subordinate Trustee will establish and maintain the following funds and accounts: the Subordinate Series 2017A Debt Service Fund and the Subordinate Series 2017B Debt Service Fund (collectively, the "Subordinate Series 2017 Debt Service Funds"), and within each Subordinate Series 2017 Debt Service Fund an Interest Account, a Principal Account and a Redemption Account; the Subordinate Series 2017A Construction Fund and the Subordinate Series 2017B Construction Fund (collectively, the "Subordinate Series 2017 Construction Funds"); the Subordinate Series 2017 Costs of Issuance Fund, and therein a Subordinate Series 2017A Costs of Issuance Account and a Subordinate Series 2017B Costs of Issuance Account; the Subordinate Series 2017 Reserve Account in the Subordinate Reserve Fund; and the Subordinate Series 2017 Rebate Fund.

The funds and accounts will be initially funded by the proceeds of the sale of the Subordinate Series 2017 Bonds as described earlier in this Official Statement under "PLAN OF FINANCE AND APPLICATION OF SUBORDINATE SERIES 2017 BOND PROCEEDS."

Subordinate Series 2017 Debt Service Funds. The Subordinate Trustee will deposit into the respective Interest Accounts of the Subordinate Series 2017 Debt Service Funds amounts received from the Authority, as provided in the Master Subordinate Indenture, to be used to pay interest on the Subordinate Series 2017 Bonds. The Subordinate Trustee will also deposit into the respective Interest Accounts any other amounts deposited with the Subordinate Trustee for deposit in the respective Interest Accounts or transferred from other funds and accounts for deposit therein. Earnings on amounts representing Capitalized Interest on deposit in the respective Interest Accounts will be retained in the respective Interest Accounts until the Subordinate Series 2017 Projects are completed. On the completion date of the Subordinate Series 2017 Projects, any amounts representing Capitalized Interest, and any earnings thereon, remaining on deposit in the respective Interest Accounts will be transferred to the respective Subordinate Series 2017 Construction Funds.

The Subordinate Trustee will deposit into the respective Principal Accounts of the Subordinate Series 2017 Debt Service Funds amounts received from the Authority to be used to pay principal of the Subordinate Series 2017 Bonds whether at maturity or by mandatory sinking fund redemption as provided in the Fifth Supplemental Subordinate Indenture. On or about July 15 of each Fiscal Year, earnings on the respective Principal Accounts will be withdrawn by the Subordinate Trustee and paid to the Authority for deposit into the Revenue Account unless an Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such Principal Accounts.

The Subordinate Trustee will deposit into the respective Redemption Accounts of the Subordinate Series 2017 Debt Service Funds amounts received from the Authority or from other sources to be used to pay the redemption price of Subordinate Series 2017 Bonds being redeemed in advance of their maturity as provided in the Master Subordinate Indenture. Earnings on amounts in the respective Redemption Accounts will be retained in such account or paid to the Authority for deposit into the Revenue Account in accordance with instructions given to the Subordinate Trustee by an Authorized Authority Representative at the time of such deposit.

The Subordinate Series 2017 Debt Service Funds will be invested and reinvested in Permitted Investments as directed by the Authority.

Subordinate Series 2017 Construction Funds. Amounts in the respective Subordinate Series 2017 Construction Funds will be disbursed from time to time, upon requisition of the Authority, to pay the costs or to reimburse the Authority for costs incurred in connection with the portion of the Subordinate Series 2017 Projects for which the Subordinate Series 2017 Bonds were issued. Moneys held in the respective Subordinate Series 2017 Construction Funds will be invested and reinvested as directed by an Authorized Authority Representative in Permitted Investments. Earnings on the respective Subordinate Series 2017 Construction Funds will be retained in the respective Subordinate Series 2017 Construction Funds.

Subordinate Series 2017 Costs of Issuance Fund. The proceeds of the Subordinate Series 2017 Bonds deposited into the Subordinate Series 2017 Costs of Issuance Fund will be disbursed by the Subordinate Trustee, from time to time, to pay Costs of Issuance of the Subordinate Series 2017 Bonds. Amounts in the Subordinate Series 2017 Costs of Issuance Fund will be invested and reinvested in Permitted Investments as directed by the Authority and the earnings upon such accounts will be credited to such fund.

Subordinate Series 2017 Reserve Account. For a description of the Subordinate Reserve Fund and the Subordinate Series 2017 Reserve Account, reference is made to the forepart of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2017 BONDS—Subordinate Reserve Fund."

Subordinate Series 2017 Rebate Fund. The Fifth Supplemental Subordinate Indenture creates the Subordinate Series 2017 Rebate Fund for the Subordinate Series 2017 Bonds established for the purpose of complying with certain provisions of the Code which require that the Authority pay to the United States of America the excess, if any, of the amounts earned on certain funds held by the Subordinate Trustee with respect to the Subordinate Series 2017 Bonds over the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the Subordinate Series 2017 Bonds. Such excess is to be deposited into the Subordinate Series 2017 Rebate Fund and periodically paid to the United States of America. The Subordinate Series 2017 Rebate Fund while held by the Subordinate Trustee is held in trust for the benefit of the United States of America and is not pledged as security for nor available to make payment on the Subordinate Series 2017 Bonds.

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APPENDIX D

PROPOSED FORM OF BOND COUNSEL'S OPINION

[Closing Date]

San Diego County Regional Airport Authority
San Diego, California

$146,040,000 San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds Series 2017A (Non-AMT)	$145,170,000 San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds Series 2017B (AMT)

Ladies and Gentlemen:

We have acted as Bond Counsel to the San Diego County Regional Airport Authority (the "Authority"), in connection with the Authority's issuance and sale of (a) $146,040,000 aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2017A (the "Subordinate Series 2017A Bonds"), and (b) $145,170,000 aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2017B (the "Subordinate Series 2017B Bonds," and together with the Subordinate Series 2017A Bonds, the "Subordinate Series 2017 Bonds"). The Subordinate Series 2017 Bonds are being issued pursuant to Section 170000 et seq. of the California Public Utilities Code (the "Act"); the Revenue Bond Law of 1941 (Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 5 of the California Government Code), excluding Article 3 (commencing with Section 54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code and the limitations set forth in subdivision (b) of Section 54402 of the California Government Code, which will not apply to the issuance and sale of bonds pursuant to the Act (collectively, the "Revenue Bond Law"); the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended (the "Master Subordinate Indenture"), by and between the Authority and U.S. Bank National Association, as successor trustee (the "Subordinate Trustee"); and the Fifth Supplemental Subordinate Trust Indenture, dated as of August 1, 2017 (the "Fifth Supplemental Subordinate Indenture"), by and between the Authority and the Subordinate Trustee. Issuance of the Subordinate Series 2017 Bonds has been authorized by Resolution No. 2017-0066 adopted by the board of directors of the Authority on July 6, 2017 (the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Subordinate Indenture.

In connection with the issuance of the Subordinate Series 2017 Bonds, we have examined: (a) the Act and the Revenue Bond Law; (b) a certified copy of the Resolution; (c) executed copies of the Master Subordinate Indenture and the Fifth Supplemental Subordinate Indenture; (d) an executed copy of the Master Trust Indenture, dated as of November 1, 2005, as amended (the "Master Senior Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee; (e) an executed copy of the Tax Compliance Certificate, dated the date hereof, relating to the Subordinate Series 2017 Bonds and other matters (the "Tax Certificate"); (f) certifications of the Authority, the Subordinate Trustee, Morgan Stanley & Co. LLC, as representative of the underwriters of the Subordinate Series 2017

Bonds (the "Underwriters"), and others; (g) opinions of the Authority's General Counsel, counsel to the Subordinate Trustee, and counsel to the Underwriters; and (h) such other documents as we deemed relevant and necessary in rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties, other than the Authority, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the Authority, the security provided therefor, as contained in the Subordinate Series 2017 Bonds and the Subordinate Indenture, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against charter cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Subordinate Series 2017 Bonds or the Subordinate Indenture. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated July 18, 2017, or any other offering material relating to the Subordinate Series 2017 Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Subordinate Series 2017 Bonds have been duly authorized and all legal conditions precedent to the issuance and delivery of the Subordinate Series 2017 Bonds have been fulfilled.

2. The Subordinate Series 2017 Bonds constitute the valid and binding special obligations of the Authority secured by a pledge of and lien upon and are a charge upon and are payable from the Subordinate Net Revenues and certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture.

3. The Master Subordinate Indenture and the Fifth Supplemental Subordinate Indenture have been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery by the Subordinate Trustee, constitute the valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms. The Subordinate Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Subordinate Series 2017 Bonds, of the Subordinate Net Revenues and certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture, subject to the provisions of the Subordinate Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

4. The Subordinate Series 2017 Bonds are not general obligations of the Authority. Neither the full faith and credit nor the taxing power of the Authority, the City of San Diego, the County of San Diego, the State of California or any political subdivision or agency of the State of California is pledged to the payment of the principal of and interest on the Subordinate Series 2017 Bonds. None of the

properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2017 Bonds.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2017A Bonds is excluded from gross income for federal income tax purposes. Interest on the Subordinate Series 2017A Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, such interest is included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

6. Under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2017B Bonds is excluded from gross income for federal income tax purposes, except that such exclusion does not apply with respect to interest on any Subordinate Series 2017B Bond for any period during which such Subordinate Series 2017B Bond is held by a person who is a "substantial user" of the facilities financed or refinanced by the Subordinate Series 2017B Bonds or a "related person" to such substantial user within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Subordinate Series 2017B Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations by the Code.

7. Under existing laws, interest on the Subordinate Series 2017 Bonds is exempt from present State of California personal income taxes.

The opinions set forth in numbered paragraphs 5 and 6 above regarding the exclusion of interest from gross income of the recipient is subject to continuing compliance by the Authority with covenants regarding federal tax law contained in the Subordinate Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the Subordinate Series 2017 Bonds to be included in gross income retroactive to the date of issue of the Subordinate Series 2017 Bonds. Although we are of the opinion that interest on the Subordinate Series 2017 Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Subordinate Series 2017 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our engagement with respect to the Subordinate Series 2017 Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the San Diego County Regional Airport Authority (the "Authority") in connection with the issuance of its San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2017A (the "Subordinate Series 2017A Bonds"), and San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2017B (the "Subordinate Series 2017B Bonds," and together with the Subordinate Series 2017A Bonds, the "Subordinate Series 2017 Bonds"). The Subordinate Series 2017 Bonds are being issued pursuant to the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended (the "Master Subordinate Indenture"), by and between the Authority and U.S. Bank National Association, as successor trustee (the "Subordinate Trustee"), and the Fifth Supplemental Subordinate Trust Indenture, dated as of August 1, 2017 (the "Fifth Supplemental Subordinate Indenture," and collectively with the Master Subordinate Indenture and all supplements thereto, the "Subordinate Indenture"), by and between the Authority and the Subordinate Trustee. Additionally, the Subordinate Series 2017 Bonds have been authorized by Resolution No. 2017-0066 adopted by the board of directors of the Authority on July 6, 2017 (the "Resolution"). The Subordinate Series 2017 Bonds are being issued pursuant to Section 170000 et seq. of the California Public Utilities Code (the "Act"), and in accordance with Revenue Bond Law of 1941 Chapter 6 (commencing with §54300) of Part 1 of Division 2 of Title 5 of the California Government Code, excluding Article 3 (commencing with §54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code and the limitations set forth in California Government Code §54402(b), which shall not apply to the issuance and sale of bonds pursuant to the Act.

In consideration of the purchase of the Subordinate Series 2017 Bonds by the Participating Underwriter (as defined below), the Authority covenants and agrees as follows:

Section 1. Purpose of the Certificate. This Certificate is being executed and delivered by the Authority for the benefit of the Holders and Beneficial Owners of the Subordinate Series 2017 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

Section 2. Definitions. In addition to the definitions set forth in the Subordinate Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 hereof.

"*Beneficial Owner*" means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Subordinate Series 2017 Bonds (including persons holding Subordinate Series 2017 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Subordinate Series 2017 Bonds for federal income tax purposes.

"*Dissemination Agent*" means the Authority, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

"*EMMA System*" means the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"*Holders*" means either the registered owners of the Subordinate Series 2017 Bonds, or if the Subordinate Series 2017 Bonds are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

"*Listed Events*" means any of the events listed in Sections 5(a) and 5(b) hereof.

"*MSRB*" means the Municipal Securities Rulemaking Board, or any successor thereto.

"*Obligated Person*" means the Authority and each airline or other entity using the Airport System under a lease or use agreement extending for more than one year from the date in question and including bond debt service as part of the calculation of rates and charges, under which lease or use agreement such airline or other entity has paid amounts equal to at least 20% of the Revenues of the Airport System for the prior two Fiscal Years of the Authority. At the time of issuance of the Subordinate Series 2017 Bonds, the Authority is the only Obligated Person.

"*Official Statement*" means the Official Statement, dated July 18, 2017, prepared and distributed in connection with the initial sale of the Subordinate Series 2017 Bonds.

"*Participating Underwriter*" means any of the original underwriters of the Subordinate Series 2017 Bonds required to comply with the Rule in connection with the offering of the Subordinate Series 2017 Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*State*" means the State of California.

Section 3. Provision of Annual Reports.

(a) The Authority shall provide, or shall cause the Dissemination Agent to provide, to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report which is consistent with the requirements of Section 4 hereof by not later than 181 days after the end of the Authority's fiscal year in each fiscal year. The Authority's first Annual Report shall be due December 28, 2017. Not later than 15 Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 hereof. The audited financial statements of the Authority may be submitted separately from the balance of the Annual Report if they are not available by the date of submission, provided such financial statements are submitted within 210 days after the end of the Authority's fiscal year. If the Authority's fiscal year changes, the Authority, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent (if other than the Authority) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with subsection (a).

(c) If the Authority is unable to provide to the MSRB or the Dissemination Agent (if other than the Authority), an Annual Report by the date required in subsection (a), the Authority shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent (if other than the Authority) shall confirm in writing to the Authority that the Annual Report has been filed as required hereunder, stating the date filed.

Section 4. Content of Annual Reports.

(a) The Authority's Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement relating to the Subordinate Series 2017 Bonds, unless otherwise noted):

(i) Audited financial statements of the Authority, updated to incorporate information for the most recent fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Authority, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(ii) Outstanding principal amounts of the Senior Bonds (including the Senior Series 2013 Bonds) and the Subordinate Obligations (including the Subordinate Series 2017 Bonds, the Subordinate Series 2010 Bonds, the Subordinate Revolving Obligations and the Subordinate Drawdown Bonds);

(iii) Table 4 — San Diego County Regional Airport Authority, Future Rental Commitments;

(iv) Table 5 — San Diego International Airport, Air Carriers Serving San Diego International Airport;

(v) Table 6 — San Diego International Airport, Total Enplanements and Deplanements;

(vi) Table 7 — San Diego International Airport, Revenue Operations;

(vii) Table 8 — San Diego International Airport, Historical Enplaned and Deplaned Freight and U.S. Mail Cargo;

(viii) Table 9 — San Diego International Airport, Enplanements by Air Carriers;

(ix) Table 10 — San Diego International Airport, Total Revenue Landed Weight;

(x) Table 12 — San Diego County Regional Airport Authority, Investments;

(xi) Table 13 — San Diego County Regional Airport Authority, Statements of Revenues, Expenses and Change in Net Position;

(xii) Table 14 — San Diego County Regional Airport Authority, Top Ten Operating Revenue Providers;

(xiii) Table 15 — San Diego County Regional Airport Authority, Top Ten Operating Revenue Sources;

(xiv) Table 16 — San Diego County Regional Airport Authority, Historical Senior and Subordinate Debt Service Coverage;

(xv) Table 17 — San Diego International Airport, Airline Derived Revenue Per Passenger;

(xvi) Table 21 — San Diego County Regional Airport Authority, Approved PFC Applications; and

(xvii) Table 22 — San Diego County Regional Airport Authority, Annual Receipt of PFCs;

(b) All or any portion of the information of the Annual Report may be incorporated in the Annual Report by cross reference to any other documents which have been filed with the MSRB.

(c) Information contained in an Annual Report for any fiscal year containing any modified operating data or financial information (as contemplated by Section 8 hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Report shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Subordinate Series 2017 Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions with respect to the tax status of the Subordinate Series 2017 Bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Subordinate Series 2017 Bonds;

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

(b) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Subordinate Series 2017 Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Subordinate Series 2017 Bonds or other material events affecting the tax status of the Subordinate Series 2017 Bonds;

2. Modifications to rights of the Beneficial Owners or Holders of the Subordinate Series 2017 Bonds;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution or sale of property securing repayment of the Subordinate Series 2017 Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee;

(c) The Authority shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a) hereof, as provided in Section 3 hereof.

(d) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the Authority shall determine if such event would be material under applicable federal securities laws.

(e) If the Authority learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the Authority shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in (b)(3) need not be given under this subsection any earlier than the notice of such event is given to Beneficial Owners and Holders of the affected Subordinate Series 2017 Bonds pursuant to the Subordinate Indenture.

Section 6. Termination of Reporting Obligation. The Authority's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Subordinate Series 2017 Bonds, or upon delivery to the Dissemination Agent (if other than the Authority) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Subordinate Series 2017 Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

Section 7. Dissemination Agent. From time to time, the Authority may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Authority) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out of pocket expenses (including, but not limited to, attorneys' fees). The Dissemination Agent (if other than the Authority) shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Certificate.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Certificate, the Authority may amend this Certificate, and any provision of this Certificate may be waived, provided that all of the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an

Obligated Person with respect to the Subordinate Series 2017 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Subordinate Series 2017 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Subordinate Series 2017 Bonds in the same manner as provided in the Subordinate Indenture for amendments to the Subordinate Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Beneficial Owners of the Subordinate Series 2017 Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e) hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the Authority shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Authority to comply with any provision of this Certificate, any Holder or Beneficial Owner of the Subordinate Series 2017 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority or the Dissemination Agent (if other than the Authority), as the case may be, to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Subordinate Indenture and the sole remedy under this Certificate in the event of any failure of the Authority or the Dissemination Agent (if other than the Authority) to comply with this Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any claims, losses, expenses and liabilities which such Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties given to the Dissemination Agent hereunder, including the costs and expenses (including attorneys' fees) of defending, in any manner or forum, against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, subject to the Subordinate Indenture. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Subordinate Series 2017 Bonds.

Section 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Subordinate Series 2017 Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the undersigned has hereunto signed and executed this Certificate this 3rd day of August, 2017.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By ____
Name: ______________________________________
Title: ______________________________________

Approved as to form:

By ___________________________________
Amy Gonzalez
General Counsel

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	San Diego County Regional Airport Authority
Name of Bond Issue:	Subordinate Airport Revenue Bonds, Series 2017A
	Subordinate Airport Revenue Bonds, Series 2017B
Date of Issuance:	August 3, 2017
CUSIP:	79739G____

NOTICE IS HEREBY GIVEN that the San Diego County Regional Airport Authority (the "Authority") has not provided an Annual Report with respect to the above named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated August 3, 2017, executed by the Authority for the benefit of the holders and beneficial owners of the above referenced bonds. The Authority anticipates that the Annual Report will be filed by _________, 20__.

Dated:_____________________

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By: ____
Authorized Representative

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APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption "—General" below has been provided by DTC. The Authority makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Subordinate Series 2017 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE AUTHORITY NOR THE SUBORDINATE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SUBORDINATE SERIES 2017 BONDS UNDER THE SUBORDINATE INDENTURE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SUBORDINATE SERIES 2017 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE TO THE OWNERS OF THE SUBORDINATE SERIES 2017 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SUBORDINATE SERIES 2017 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Subordinate Series 2017 Bonds. The Subordinate Series 2017 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Subordinate Series 2017 Bond certificate will be issued for each maturity of the Subordinate Series 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Subordinate Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Subordinate Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Subordinate Series 2017 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Subordinate Series 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Subordinate Series 2017 Bonds, except in the event that use of the book-entry system for the Subordinate Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Subordinate Series 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Subordinate Series 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Subordinate Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Subordinate Series 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Subordinate Series 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Subordinate Series 2017 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Subordinate Series 2017 Bond documents. For example, Beneficial Owners of Subordinate Series 2017 Bonds may wish to ascertain that the nominee holding the Subordinate Series 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Subordinate Series 2017 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Subordinate Series 2017 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Subordinate Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Subordinate Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Subordinate Series 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority, the Subordinate Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Subordinate Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Subordinate Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Subordinate Series 2017 Bonds at any time by giving reasonable notice to the Authority or the Subordinate Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Subordinate Series 2017 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Subordinate Series 2017 Bonds will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but neither the Authority nor the Underwriters take any responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SUBORDINATE SERIES 2017 BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

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