

**SUPPLEMENT DATED APRIL 6, 2020 TO  
UPDATED OFFICIAL STATEMENT DATED MARCH 27, 2020**

**\$241,640,000**

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**



**\$26,145,000**  
**Subordinate Airport**  
**Revenue Refunding Bonds**  
**Series 2020A**  
**(Governmental/Non-AMT)**

**\$189,090,000**  
**Subordinate Airport**  
**Revenue Refunding Bonds**  
**Series 2020B**  
**(Private Activity/Non-AMT)**

**\$26,405,000**  
**Subordinate Airport**  
**Revenue Refunding Bonds**  
**Series 2020C**  
**(Private Activity/AMT)**



*The entire subsection under the heading “INTRODUCTION—Recent Developments –COVID-19 Outbreak” in the Updated Official Statement, dated March 27, 2020, with respect to the above referenced Subordinate Series 2020 Bonds (the “Updated Official Statement”) is hereby amended and replaced to read as follows:*

**Recent Developments – COVID-19 Outbreak**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a Public Health Emergency of International Concern by the World Health Organization and is having an adverse effect on domestic and international travel and a number of travel-related industries. The President of the United States and state and local governments in the United States, including the State of California (the “State”), have issued declarations of emergency to enable and empower governments in coordinating responses to the spread of COVID-19. Federal, state and local governments, as well as other nations and private businesses, are issuing restrictions on non-essential movement, gatherings, air travel (domestic and international) and other activities. For example, on March 19, 2020, the Governor of the State issued a “stay at home” order, effective until further notice, which requires all residents of the State to stay home or at their place of residence, except for those residents that are needed to maintain continuity of operation of the federal critical infrastructure sectors, critical government services, schools, childcare, and construction, including housing construction. Airlines are reporting a significant downturn in traffic as well as expectations for continued reduced levels of traffic which, in turn, has resulted in many airlines significantly reducing flights throughout the nation and the world. The declines in passenger traffic also have reduced demand for parking, retail and services provided by Airport concessionaires, including but not limited to restaurants, retail and rental car services, as well as ground transportation services including but not limited to those provided by taxis, executive cars and Transportation Network Companies, such as Uber and Lyft. These reductions in air traffic and declines in air passenger demand for airport-related goods and services are expected to reduce airport revenues nationally and globally, including Authority revenues. In addition, the COVID-19 outbreak and resulting restrictions are severely disrupting the economies of the United States and other countries, leading to an erosion of investor confidence in the financial sector. Continued volatility in the securities markets, and significant losses in investment portfolios may continue, and increased business failures, worker layoffs, and consumer and business bankruptcies have occurred and can be expected to continue in the near future.

According to information provided by the Transportation Security Administration (“TSA”), the number of people processed through all security checkpoints at SDIA between March 1 and March 31, 2020 decreased by 55% compared to the same period in March 2019; and the number of people processed through all security checkpoints at SDIA for the fourteen day period from March 18 through March 31,

2020 decreased by 88% compared to the same period in March 2019. These figures include domestic and international passengers with trips originating at the Airport and international passengers with connecting flights at the Airport, as well as an incidental number of badged Airport employees and contractors. They do not include passengers connecting post-security from one flight to another (i.e. connections within the same terminal or connections from one terminal to another where a post-security corridor exists). These numbers do not represent a passenger traffic or enplanement count. Passenger traffic and enplanement data is reported monthly to the Authority by each airline serving at SDIA. While the security checkpoint data is not directly comparable to traffic or enplanement data, it is an indication of the level of foot traffic through security checkpoints at SDIA.

Additionally, according to information derived from the Diio/OAG Database:

- At the beginning of March 2020, there were 17,452 scheduled passenger flights that were expected to occur at SDIA during March 2020. The actual passenger flights that occurred at SDIA in March 2020 were 14,560 or 83.4% of the scheduled flights.
- At the beginning of March 2019, there were 17,308 scheduled passenger flights that were expected to occur at SDIA during March 2019. The actual passenger flights that occurred at SDIA in March 2019 were 16,915 or 97.7% of the scheduled flights.
- At the beginning of March 2020, there were 7,915 scheduled passenger flights that were expected to occur at SDIA during the fourteen day period from March 18 through 31, 2020. The actual passenger flights that occurred at SDIA during the fourteen day period from March 18 through March 31, 2020 were 5,190 or 65.6% of the scheduled flights.
- At the beginning of March 2019, there were 7,879 scheduled passenger flights that were expected to occur at SDIA during the fourteen day period from March 18 through 31, 2019. The actual passenger flights that occurred at SDIA during the fourteen day period from March 18 through March 31, 2019 were 7,674 or 97.4% of the scheduled flights.

Investors are cautioned that the percentage decreases discussed above are only for a 31-day period and may not be indicative of passenger enplanements or flights at SDIA for the foreseeable future. As of the date of this Supplement, the Authority cannot predict the scope or duration of the decline in enplanements and flights at SDIA or when domestic and international air travel will begin to recover from the effects of the COVID-19 outbreak.

See “SAN DIEGO INTERNATIONAL AIRPORT—Emergency Preparedness—Financial Resilience Plan” and “CERTAIN INVESTMENT CONSIDERATIONS—COVID-19” for additional information on the COVID-19 outbreak, the effects that the outbreak have had and continue to have on the operations and financial results of the Authority, the airlines, the concessionaires, the rental car companies, and other companies operating at SDIA, the international and national economies and the travel industry and what steps the Authority has taken and may take to address these effects.

*The entire subsection under the heading “CERTAIN INVESTMENT CONSIDERATIONS—COVID-19” in the Updated Official Statement is hereby amended and replaced to read as follows:*

## **COVID-19**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a Public Health Emergency of International Concern by the World Health Organization. The President of the United States and state and local governments in the United States, including the State, have issued declarations of emergency to enable and empower governments in coordinating responses to the spread of COVID-19. Additionally federal, state and local governments, as well as other nations and private businesses, are issuing restrictions on non-essential movement, gatherings, air travel (domestic and international) and other activities. For example, on March 19, 2020, the Governor of the State issued a “stay at home” order, effective until further notice, which requires all residents of the State to stay home or at their place of residence, except for those residents that are needed to maintain continuity of operation of the federal critical infrastructure sectors, critical government services, schools, childcare, and construction, including housing construction. The outbreak is having an adverse effect on domestic and international travel and a number of travel-related industries. Airlines are reporting unprecedented downturns in passenger volumes, as well as expectations for continued reduced levels of traffic which, in turn, has resulted in many airlines significantly reducing flights throughout the nation and the world. Many airlines have publicly reported that, as a result of these and other conditions, operations could be volatile and subject to rapid and unexpected change. For example, Compass Air, who operates at SDIA as an affiliate airline to American and Delta, has announced that it will cease operations throughout the country in April 2020. The declines in passenger traffic also have reduced demand for parking, retail and services provided by Airport concessionaires, including but not limited to restaurants, retail and rental car services, as well as ground transportation services including but not limited to those provided by taxis, executive cars and TNCs. These reductions in air traffic and declines in air passenger demand for airport-related goods and services are expected to reduce airport revenues nationally and globally, including Authority revenues. See “INTRODUCTION—Recent Developments – COVID-19 Outbreak.”

Furthermore, on March 16, 2020, the Mayor of the City of San Diego issued an Executive Order prohibiting on-premises consumption at restaurants and business establishments that serve food in the City of San Diego. Although this order does not specifically apply to the Airport, some restaurants at the Airport have closed and others have curtailed their hours of operation. Although the dining facilities at the Airport will remain open, employees and patrons are required to comply with social distancing. Signs have been installed in the terminals pursuant to the requirements of the San Diego County Health Department.

In addition, the COVID-19 outbreak and resulting restrictions are severely disrupting the economies of the United States and other countries, leading to an erosion of investor confidence in the financial sector. Continued volatility in the securities markets, and significant losses in investment portfolios may continue, and increased business failures, worker layoffs, and consumer and business bankruptcies have occurred and can be expected to continue in the near future. Federal legislation and regulatory initiatives have been approved (including the economic stimulus bill known as the “Coronavirus Aid, Relief, and Economic Security Act” (the “CARES Act”) that was approved by the U.S. Congress and signed by the President on March 27, 2020, which is further discussed below) and more are being actively considered by the United States government, and various federal agencies, the Federal Reserve Board and foreign governments are implementing or in the process of implementing actions, all of which are intended to mitigate the broad disruptive effects of the COVID-19 outbreak. It is unclear whether these legislative, regulatory and other governmental actions will have the positive effect that is intended.

In response to the COVID-19 outbreak, the Authority is implementing the Financial Resilience Plan which is intended to mitigate financial impacts to the Authority. As described under “SAN DIEGO

INTERNATIONAL AIRPORT—Emergency Preparedness—Financial Resilience Plan,” the Authority has taken the following actions in accordance with the Financial Resilience Plan: (i) the Authority has instituted a hiring freeze on all Authority positions; the CEO’s approval is required for all new hires; (ii) Capital Program – the Authority is delaying all non-ADP and non-mission critical project spending (such delayed projects have an estimated cost of \$170 million and include, among several other projects, the replacement of the baggage handling system, the replacement and refurbishment of passenger boarding bridges, and certain utility projects on the northside of the Airport); (iii) the Authority is delaying or reducing non-essential expenditures (i.e., travel, training, shuttle services, consulting services, certain major maintenance, equipment, supplies, marketing and landscaping); (iv) the Authority’s Government Relations team is working with industry groups and regional U.S. Congressional delegation to seek federal assistance; and (v) the Authority is evaluating measures to assist airlines and concessionaires.

The Authority has received and may continue to receive requests for rate relief and other forms of financial restructuring of agreements from airlines and Airport concessionaires, including rental car companies. The Authority has offered the Signatory Airlines a 90-day deferral of the payment of approximately three months of rents, fees and charges, including, among others, terminal rentals and landing fees. Following the 90-day deferral period, the Signatory Airlines would be required to pay the deferred rents, fees and charges in three equal monthly installments. The Authority also has agreed to defer collecting the full amount of the Major Maintenance Fund deposit until the year-end reconciliation for Fiscal Years 2020 and 2021. As of the date of this Supplement, the Authority has not approved any rate relief for the Airport concessionaires, including the rental car companies.

In addition to the Financial Resilience Plan, with respect to the physical assets of the Authority, the Authority is taking the following steps: (i) the Authority’s custodial provider is providing cleaning services 24-hours a day. They are placing an additional emphasis on public touch points in all areas, including handrails, bathroom stalls, seating, door handles, chairs and tables, touchscreen directories, concessions and credit card machines; and (ii) in the parking lots and rental car shuttles, the Authority is sanitizing seats, rails, and other surfaces several times daily, in addition to performing a deep clean twice weekly.

The CARES Act contains various provisions to assist airports throughout the nation (including SDIA). Provisions of the CARES Act, which provide \$10 billion of assistance to airports, include the following: (i) \$3.7 billion to be allocated among all commercial service airports throughout the nation based on calendar year 2018 enplanements for a given airport as a percentage of total 2018 enplanements for all commercial service airports (according to calendar year 2018 data provided by ACI, the Airport was the 24<sup>th</sup> busiest airport in the United States in terms of enplaned passengers), (ii) \$3.7 billion to be allocated among all commercial service airports based on a formula that includes as its factors the fiscal year 2018 debt service for a given airport as a percentage of the combined debt service for all commercial service airports, and the airport’s ratio of unrestricted reserves to respective debt service, (iii) \$2 billion to be apportioned in accordance with the Airport Improvement Program entitlement formulas, subject to CARES Act formula revisions, (iv) \$500 million to pay a federal share of the costs of making grants under the Further Consolidated Appropriations Act, 2020 (Public Act 116-94), with unused amounts to be distributed to airports according to the allocations described in (i) and (ii), and (v) \$100 million reserved for general aviation airports. With the exception of any funds allocated to the Authority under (iv) above, CARES Act funds received by the Authority are eligible to be used for any lawful purpose. According to the Federal Aviation Administration, it plans to make the funds available to qualifying airports in April 2020. However, the Authority cannot predict or guarantee the final amount of aid that will be allocated to it under the CARES Act, or when such funds will be received by the Authority.

In addition to the assistance to the airports in the country, the CARES Act includes more than \$50 billion in grants, loans and tax breaks for passenger and cargo carriers. The CARES Act provides \$33 billion in grants for airlines to make payrolls, including \$25 billion for passenger carriers, \$4 billion for

cargo carriers, and \$3 billion for contractors. The bill also makes \$29 billion in loans available, providing a liquidity backstop if private capital markets freeze up. It also includes waivers on fuel and excise taxes through January 1, 2021.

The Authority cannot predict (i) the duration or extent of the COVID-19 outbreak or another outbreak or pandemic; (ii) the scope or duration of restrictions or warnings related to air travel, gatherings or any other activities, and the duration or extent to which airlines will reduce services at SDIA, or whether airlines will cease operations at SDIA or shut down in response to such restrictions or warnings; (iii) what effect any COVID-19 or other outbreak or pandemic-related restrictions or warnings may have on air travel, including to and from SDIA, the retail and services provided by Airport concessionaires, Airport costs or Authority revenues; (iv) whether and to what extent COVID-19 or other outbreak or pandemic may disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Airport-related construction, the cost, sources of funds, schedule or implementation of the Capital Program, or other Authority operations; (v) the extent to which the COVID-19 outbreak or other outbreak or pandemic, or the resultant disruption to the local, State, national or global economy, may result in changes in demand for air travel, or may have an impact on the airlines or concessionaires serving SDIA, or the airline and travel industry, generally; (vi) whether or to what extent the Authority may provide additional deferrals, forbearances, adjustments or other changes to the Authority's arrangements with the airlines and the Airport concessionaires, including the rental car companies; or (vii) whether any of the foregoing may have a material adverse effect on the finances and operations of the Authority. Prospective investors should assume that the restrictions and limitations related to COVID-19, and the current upheaval to the air travel industry and the national and global economies, will increase at least over the near term, recovery may be prolonged and, therefore, have an adverse impact on Authority revenues. Future outbreaks, pandemics or events outside the Authority's control may further reduce demand for travel, which in turn could cause a decrease in passenger activity at SDIA and declines in Authority revenues. See also "—Factors Affecting the Airline Industry" and "—Aviation Security and Worldwide Health Concerns" below.

*The entire section under the heading "RATINGS" in the Updated Official Statement is hereby amended as follows deletions shown in ~~strikethrough~~ and additions in **bold double underline**:*

## RATINGS

Fitch Ratings and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, have assigned ratings of "A+" (~~stable~~ **negative** outlook) and "A" (negative outlook), respectively, to the Subordinate Series 2020 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: Fitch Ratings, One State Street Plaza, New York, NY 10004; and S&P Global Ratings, 55 Water Street, New York, New York 10041. 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 2020 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 2020 Bonds.

UPDATED OFFICIAL STATEMENT

NEW ISSUE  
BOOK-ENTRY ONLY

Ratings: See "RATINGS" herein.

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 2020 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Subordinate Series 2020B Bond or Subordinate Series 2020C Bond for any period during which such Subordinate Series 2020B Bond or Subordinate Series 2020C Bond is held by a "substantial user" of the facilities refinanced by the Subordinate Series 2020B Bonds or the Subordinate Series 2020C Bonds, as applicable, 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 2020A Bonds and the Subordinate Series 2020B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, and (b) interest on the Subordinate Series 2020C Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion that interest on the Subordinate Series 2020 Bonds is exempt from present State of California personal income taxes. See "TAX MATTERS" herein.

\$241,640,000

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY



\$26,145,000  
Subordinate Airport  
Revenue Refunding Bonds  
Series 2020A  
(Governmental/Non-AMT)

\$189,090,000  
Subordinate Airport  
Revenue Refunding Bonds  
Series 2020B  
(Private Activity/Non-AMT)

\$26,405,000  
Subordinate Airport  
Revenue Refunding Bonds  
Series 2020C  
(Private Activity/AMT)

Dated: Date of Delivery

Due: July 1 as shown on the inside cover

This Updated Official Statement supersedes the Official Statement dated November 14, 2019 with respect to the San Diego County Regional Airport Authority Subordinate Airport Revenue and Revenue Refunding Bonds, Series 2019A (Governmental/Non-AMT), Subordinate Airport Revenue Bonds, Series 2019B (Private Activity/AMT), Subordinate Airport Revenue Refunding Bonds, Series 2020A (Governmental/Non-AMT), Subordinate Airport Revenue Refunding Bonds, Series 2020B (Private Activity/Non-AMT), and Subordinate Airport Revenue Refunding Bonds, Series 2020C (Private Activity/AMT).

The San Diego County Regional Airport Authority (the "Authority") is issuing its (i) Subordinate Airport Revenue Refunding Bonds, Series 2020A (Governmental/Non-AMT) (the "Subordinate Series 2020A Bonds"), (ii) Subordinate Airport Revenue Refunding Bonds, Series 2020B (Private Activity/Non-AMT) (the "Subordinate Series 2020B Bonds"), and (iii) Subordinate Airport Revenue Refunding Bonds, Series 2020C (Private Activity/AMT) (the "Subordinate Series 2020C Bonds," and collectively with the Subordinate Series 2020A Bonds and the Subordinate Series 2020B Bonds, the "Subordinate Series 2020 Bonds"), to (a) refund and defease the Refunded Bonds and (b) pay the costs of issuance of the Subordinate Series 2020 Bonds. See "PLAN OF REFUNDING AND ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Subordinate Series 2020 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 2020 Bonds will be issued with a pledge of and lien on Subordinate Net Revenues on parity with the Authority's Existing Subordinate Bonds (including the Refunded Bonds), which, as of March 1, 2020, were outstanding in the aggregate principal amount of \$1,046,865,000, 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 2020 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 2020 BONDS. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2020 BONDS."**

The Subordinate Series 2020 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 2020 Bonds may be made in book-entry-form only in denominations of \$5,000 and integral multiples thereof. Interest on the Subordinate Series 2020 Bonds will be payable on January 1 and July 1, commencing on July 1, 2020. So long as the Subordinate Series 2020 Bonds are held by DTC, the principal of and interest on the Subordinate Series 2020 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 2020 Bonds, as more fully described herein. See "APPENDIX G—BOOK-ENTRY-ONLY SYSTEM."

Maturity Schedules on Inside Front Cover

The Subordinate Series 2020 Bonds are subject to optional redemption prior to maturity, as more fully described herein. See "DESCRIPTION OF THE SUBORDINATE SERIES 2020 BONDS—Redemption Provisions."

The purchase and ownership of Subordinate Series 2020 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 2020 Bonds. Investors are advised to read the entire Updated 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 "INTRODUCTION—Recent Developments—COVID-19 Outbreak" and "CERTAIN INVESTMENT CONSIDERATIONS," and specifically the discussion under "CERTAIN INVESTMENT CONSIDERATIONS—COVID-19." Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The Subordinate Series 2020 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 2020 Bonds will be available for delivery through the facilities of DTC on or about April 8, 2020, subject to the satisfaction of certain conditions. Potential investors in the Subordinate Series 2020 Bonds should carefully review the information under the caption "DELAYED DELIVERY OF THE SUBORDINATE SERIES 2020 BONDS" and in "APPENDIX H—FORM OF INVESTOR DELAYED DELIVERY CONTRACT."

Citigroup

RBC Capital Markets

Backstrom McCarley Berry & Co., LLC

Jefferies

Morgan Stanley

Siebert Williams Shank & Co., LLC

## MATURITY SCHEDULES

**\$26,145,000**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**Subordinate Airport Revenue Refunding Bonds**  
**Series 2020A**  
**(Governmental/Non-AMT)**

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Numbers <sup>†</sup>
2020	\$ 70,000	5.000%	1.240%	100.860	79739GGT7
2021	1,960,000	5.000	1.240	104.575	79739GGU4
2022	2,055,000	5.000	1.270	108.175	79739GGV2
2023	2,160,000	5.000	1.300	111.666	79739GGW0
2024	2,265,000	5.000	1.360	114.913	79739GGX8
2025	1,845,000	5.000	1.430	117.927	79739GGY6
2026	1,935,000	5.000	1.540	120.478	79739GGZ3
2027	2,035,000	5.000	1.650	122.742	79739GHA7
2028	2,140,000	5.000	1.760	124.721	79739GHB5
2029	2,245,000	5.000	1.870	126.419	79739GHC3
2030	2,355,000	5.000	1.980	127.840	79739GHD1
2031	345,000	5.000	2.070	126.886 <sup>C</sup>	79739GHE9
2032	360,000	5.000	2.140	126.149 <sup>C</sup>	79739GHF6
2033	455,000	5.000	2.220	125.314 <sup>C</sup>	79739GHG4
2034	475,000	5.000	2.290	124.588 <sup>C</sup>	79739GHH2
2035	505,000	5.000	2.360	123.867 <sup>C</sup>	79739GHJ8
2036	530,000	5.000	2.400	123.457 <sup>C</sup>	79739GHK5
2037	560,000	5.000	2.440	123.049 <sup>C</sup>	79739GHL3
2038	585,000	5.000	2.480	122.643 <sup>C</sup>	79739GHM1
2039	615,000	5.000	2.510	122.339 <sup>C</sup>	79739GHN9
2040	650,000	5.000	2.540	122.036 <sup>C</sup>	79739GHP4

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

<sup>C</sup> Priced to the optional redemption date of July 1, 2030 at a redemption price of par.

**\$189,090,000**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**Subordinate Airport Revenue Refunding Bonds**  
**Series 2020B**  
**(Private Activity/Non-AMT)**

<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP Numbers<sup>†</sup></b>
2020	\$ 670,000	5.000%	1.240%	100.860	79739GHQ2
2021	10,465,000	5.000	1.240	104.575	79739GHR0
2022	10,990,000	5.000	1.250	108.221	79739GHS8
2023	11,535,000	5.000	1.280	111.733	79739GHT6
2024	12,115,000	5.000	1.350	114.957	79739GHU3
2025	8,270,000	5.000	1.420	117.983	79739GHV1
2026	8,680,000	5.000	1.520	120.610	79739GHW9
2027	9,110,000	5.000	1.630	122.895	79739GHX7
2028	9,570,000	5.000	1.740	124.895	79739GHY5
2029	10,050,000	5.000	1.830	126.807	79739GHZ2
2030	10,550,000	5.000	1.930	128.374	79739GJA5
2031	10,905,000	5.000	2.020	127.415 <sup>C</sup>	79739GJB3
2032	10,340,000	5.000	2.090	126.675 <sup>C</sup>	79739GJC1
2033	10,850,000	5.000	2.180	125.731 <sup>C</sup>	79739GJD9
2034	10,030,000	5.000	2.250	125.002 <sup>C</sup>	79739GJE7
2035	6,610,000	5.000	2.290	124.588 <sup>C</sup>	79739GJF4
2036	6,940,000	5.000	2.340	124.072 <sup>C</sup>	79739GJG2
2037	7,285,000	5.000	2.400	123.457 <sup>C</sup>	79739GJH0
2038	7,650,000	5.000	2.440	123.049 <sup>C</sup>	79739GJJ6
2039	8,035,000	5.000	2.470	122.744 <sup>C</sup>	79739GJK3
2040	8,440,000	5.000	2.500	122.440 <sup>C</sup>	79739GJL1

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

<sup>C</sup> Priced to the optional redemption date of July 1, 2030 at a redemption price of par.



**\$26,405,000**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**  
**Subordinate Airport Revenue Refunding Bonds**  
**Series 2020C**  
**(Private Activity/AMT)**

<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP Numbers<sup>†</sup></b>
2020	\$ 80,000	5.000%	1.590%	100.778	79739GJM9
2021	1,400,000	5.000	1.590	104.136	79739GJN7
2022	1,475,000	5.000	1.620	107.372	79739GJP2
2023	1,545,000	5.000	1.650	110.494	79739GJQ0
2024	1,625,000	5.000	1.710	113.369	79739GJR8
2025	1,160,000	5.000	1.780	116.011	79739GJS6
2026	1,215,000	5.000	1.890	118.195	79739GJT4
2027	1,280,000	5.000	1.990	120.174	79739GJU1
2028	1,340,000	5.000	2.110	121.727	79739GJV9
2029	1,410,000	5.000	2.220	123.083	79739GJW7
2030	1,480,000	5.000	2.330	124.175	79739GJX5
2031	1,530,000	5.000	2.390	123.560 <sup>C</sup>	79739GJY3
2032	1,455,000	5.000	2.430	123.151 <sup>C</sup>	79739GJZ0
2033	1,530,000	5.000	2.480	122.643 <sup>C</sup>	79739GKA3
2034	1,415,000	5.000	2.530	122.137 <sup>C</sup>	79739GKB1
2035	950,000	5.000	2.590	121.533 <sup>C</sup>	79739GKC9
2036	995,000	5.000	2.630	121.133 <sup>C</sup>	79739GKD7
2037	1,050,000	5.000	2.670	120.734 <sup>C</sup>	79739GKE5
2038	1,100,000	5.000	2.710	120.337 <sup>C</sup>	79739GKF2
2039	1,155,000	5.000	2.740	120.040 <sup>C</sup>	79739GKG0
2040	1,215,000	5.000	2.770	119.744 <sup>C</sup>	79739GKH8

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

<sup>C</sup> Priced to the optional redemption date of July 1, 2030 at a redemption price of par.

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**

***BOARD OF DIRECTORS***

C. April Boling (Chair)\*  
Paul Robinson (Vice Chair)\*  
Robert Lloyd\*  
Catherine Blakespear  
Greg Cox  
Mark Kersey  
Paul McNamara  
Johanna Schiavoni  
Mark West  
Colonel Charles Dockery, *Ex-Officio* Member  
Gayle Miller, *Ex-Officio* Member

\*Member of the Executive Committee.

***EXECUTIVE MANAGEMENT***

Kimberly J. Becker, President and CEO  
Scott M. Brickner, Vice President, Chief Financial Officer  
Angela Shafer-Payne, Vice President, Chief Operations Officer  
Dennis Probst, Vice President, Chief Development Officer  
Lee Parravano, Chief Auditor  
Amy Gonzalez, General Counsel

**SUBORDINATE TRUSTEE/  
ESCROW AGENT**

U.S. Bank National Association

**INDEPENDENT AUDITORS**

BKD, LLP

**BOND COUNSEL AND  
DISCLOSURE COUNSEL**

Kutak Rock LLP

**MUNICIPAL ADVISOR**

Frasca & Associates, LLC

**VERIFICATION AGENT**

Robert Thomas CPA, LLC

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 Updated 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 2020 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Updated Official Statement is not to be construed as a contract with the purchasers of the Subordinate Series 2020 Bonds. Statements contained in this Updated 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 Updated Official Statement. The Underwriters have reviewed the information in this Updated 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 Updated 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 Updated Official Statement is submitted in connection with the sale of the Subordinate Series 2020 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE SUBORDINATE SERIES 2020 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 2020 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 UPDATED 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 2020 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 2020 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGES OF THIS UPDATED OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

**TABLE OF CONTENTS**

	<u>Page</u>	<u>Page</u>
INTRODUCTION.....	1	
General.....	1	
The Authority.....	1	
San Diego International Airport and Airport System.....	2	
Recent Developments – COVID-19 Outbreak.....	2	
Plan of Refunding.....	3	
Subordinate Series 2020 Bonds and Pledge of Subordinate Net Revenues.....	3	
Outstanding Subordinate Obligations.....	4	
Senior Bonds.....	5	
Capital Program and Airport Development Plan.....	5	
Continuing Disclosure.....	7	
Investment Considerations.....	7	
Forward-Looking Statements.....	7	
Additional Information.....	8	
PLAN OF REFUNDING AND ESTIMATED SOURCES AND USES OF FUNDS.....	8	
Plan of Refunding.....	8	
Estimated Sources and Uses of Funds.....	10	
DELAYED DELIVERY OF THE SUBORDINATE SERIES 2020 BONDS.....	10	
Termination Rights of Underwriters.....	11	
Authority Not a Party to Investor Delayed Delivery Contracts.....	12	
Certain Risks Related to the Delayed Delivery.....	12	
DESCRIPTION OF THE SUBORDINATE SERIES 2020 BONDS.....	14	
General.....	14	
Redemption Provisions.....	15	
SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2020 BONDS.....	16	
Flow of Funds.....	16	
Pledge of Subordinate Net Revenues.....	20	
Subordinate Rate Covenant.....	20	
Subordinate Reserve Fund.....	22	
Additional Subordinate Obligations.....	23	
Use of PFCs to Pay Debt Service.....	25	
Permitted Investments.....	26	
Subordinate Events of Default and Remedies; No Acceleration.....	26	
OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE.....	27	
Outstanding Senior Bonds.....	27	
Outstanding Subordinate Obligations.....	28	
Debt Service Requirements.....	30	
Future Financings.....	31	
Other Obligations.....	31	
THE AUTHORITY.....	33	
General.....	33	
Board of Directors.....	34	
Executive Management.....	36	
Employees and Labor Relations.....	38	
SAN DIEGO INTERNATIONAL AIRPORT.....	38	
Introduction.....	38	
Existing Facilities.....	39	
Air Carriers Serving SDIA.....	41	
Aviation Activity.....	41	
Air Cargo.....	44	
Enplanements by Air Carriers.....	44	
Landed Weight.....	46	
Emergency Preparedness.....	47	
AGREEMENTS FOR THE USE OF AIRPORT FACILITIES.....	48	
Agreements with Passenger Airlines and All-Cargo Carriers.....	49	
Parking Agreement.....	52	
Rental Car Agreements.....	53	
Terminal Concessions, Advertising and Other Agreements.....	54	
FINANCIAL INFORMATION.....	54	
Summary of Financial Operations.....	54	
Summary of Financial Results.....	57	
Revenue Diversity.....	60	
Historical Debt Service Coverage.....	61	
Historical Airline Cost Per Enplaned Passenger.....	62	
Projected Enplanements and Financial Results.....	62	
Pension and Retirement Plans.....	63	
Risk Management and Insurance.....	64	
DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT.....	65	
Master Plan.....	65	
Airport Development Plan.....	66	
Capital Program.....	67	
Funding Sources for Capital Program (not including ADP).....	68	
Third-Party Financed Projects.....	71	
Airport Land Use Commission.....	71	
AIRPORT ENVIRONMENTAL MATTERS.....	72	
Environmental Stewardship.....	72	
Airport Noise.....	73	
Fuel Storage Tanks.....	74	
Air Quality and Carbon Management Planning.....	74	
Storm Water Management.....	76	
Per- and Polyfluoroalkyl Substances.....	78	
CERTAIN INVESTMENT CONSIDERATIONS.....	78	
COVID-19.....	79	
Subordinate Series 2020 Bonds Are Special Obligations.....	81	
Factors Affecting the Airline Industry.....	82	
Bankruptcy by Airlines and Concessionaires.....	84	
Southwest Airlines – SDIA’s Largest Carrier.....	85	
Aviation Security and Worldwide Health Concerns.....	85	
Regulations and Restrictions Affecting SDIA.....	86	
State Tidelands Trusts.....	86	
Federal Law Affecting Airport Rates and Charges.....	86	
Restrictions on Airport Facilities and Operations.....	87	
Cyber and Data Security.....	87	
Unavailability of, or Delay in, Anticipated Funding Sources.....	88	
Future Capital Projects and Additional Indebtedness.....	89	
Federal Funding; Impact of Federal Sequestration.....	90	
Technological Innovations in Ground Transportation.....	90	
Impact of Potential Earthquakes.....	91	
Climate Change Issues.....	91	
Ability To Meet Rate Covenant.....	93	
Enforceability of Remedies; Limitation on Remedies.....	94	
Potential Limitation of Tax Exemption of Interest on Subordinate Series 2020 Bonds.....	94	
Forward-Looking Statements.....	94	
AIRLINE INDUSTRY INFORMATION.....	95	
LITIGATION.....	95	
No Litigation Relating to Subordinate Series 2020 Bonds.....	95	
Litigation Relating to the Authority and SDIA.....	95	
TAX MATTERS.....	96	
General.....	96	
Special Considerations With Respect to the Subordinate Series 2020 Bonds.....	96	
Backup Withholding.....	97	
Tax Treatment of Original Issue Premium.....	97	
Changes in Federal and State Tax Law.....	97	
RATINGS.....	97	
LEGAL MATTERS.....	98	
UNDERWRITING.....	98	
MUNICIPAL ADVISOR.....	100	
VERIFICATION OF MATHEMATICAL COMPUTATIONS.....	100	
CONTINUING DISCLOSURE.....	100	
FINANCIAL STATEMENTS.....	100	
RELATED PARTIES.....	101	
MISCELLANEOUS.....	101	
AUTHORIZATION.....	102	

APPENDIX A	AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018
APPENDIX B	DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF SAN DIEGO AND THE COUNTY OF SAN DIEGO
APPENDIX C-1	CERTAIN DEFINITIONS
APPENDIX C-2	SUMMARY OF MASTER SENIOR INDENTURE
APPENDIX C-3	SUMMARY OF MASTER SUBORDINATE INDENTURE
APPENDIX C-4	SUMMARY OF SEVENTH SUPPLEMENTAL SUBORDINATE INDENTURE
APPENDIX D	SUMMARY OF CERTAIN PROVISIONS OF AIRLINE LEASE AGREEMENT
APPENDIX E	PROPOSED FORM OF BOND COUNSEL'S OPINION
APPENDIX F	FORM OF CONTINUING DISCLOSURE CERTIFICATE
APPENDIX G	BOOK-ENTRY-ONLY SYSTEM
APPENDIX H	FORM OF INVESTOR DELAYED DELIVERY CONTRACT

**UPDATED OFFICIAL STATEMENT**

**\$241,640,000**

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**

<b>\$26,145,000</b>	<b>\$189,090,000</b>	<b>\$26,405,000</b>
<b>Subordinate Airport Revenue Refunding Bonds Series 2020A (Governmental/Non-AMT)</b>	<b>Subordinate Airport Revenue Refunding Bonds Series 2020B (Private Activity/Non-AMT)</b>	<b>Subordinate Airport Revenue Refunding Bonds Series 2020C (Private Activity/AMT)</b>

**INTRODUCTION**

**General**

*This Updated Official Statement supersedes the Official Statement dated November 14, 2019 (the “Original Official Statement”) with respect to the San Diego County Regional Airport Authority Subordinate Airport Revenue and Revenue Refunding Bonds, Series 2019A (Governmental/Non-AMT), Subordinate Airport Revenue Bonds, Series 2019B (Private Activity/AMT), Subordinate Airport Revenue Refunding Bonds, Series 2020A (Governmental/Non-AMT), Subordinate Airport Revenue Refunding Bonds, Series 2020B (Private Activity/Non-AMT), and Subordinate Airport Revenue Refunding Bonds, Series 2020C (Private Activity/AMT). This Updated Official Statement is being provided pursuant to the terms of that certain Forward Delivery Purchase Contract, dated November 14, 2019 (the “Forward Delivery Purchase Contract”), between Citigroup Global Markets Inc., as representatives of the underwriters (Citigroup Global Markets Inc., RBC Capital Markets, LLC, Backstrom McCarley Berry & Co., LLC, Jefferies LLC, Morgan Stanley & Co. LLC, and Siebert Williams Shank & Co., LLC), and the San Diego County Regional Airport Authority (the “Authority”).*

The purpose of this Updated 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 Authority of its (a) \$26,145,000 San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2020A (Governmental/Non-AMT) (the “Subordinate Series 2020A Bonds”), (b) \$189,090,000 San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2020B (Private Activity/Non-AMT) (the “Subordinate Series 2020B Bonds”), and (c) \$26,405,000 San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2020C (Private Activity/AMT) (the “Subordinate Series 2020C Bonds,” and collectively with the Subordinate Series 2020A Bonds and the Subordinate Series 2020B Bonds, the “Subordinate Series 2020 Bonds”). Capitalized terms used but not defined herein have the meanings ascribed to them in “APPENDIX C-1—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 (“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, 2018, SDIA was ranked as the 24<sup>th</sup> busiest airport in the country as measured by total number of enplaned and deplaned passengers. For the fiscal year ended June 30, 2019 ("Fiscal Year 2019"), approximately 12.4 million passengers were enplaned at SDIA, which represented an approximately 5.3% increase in enplaned passengers from the fiscal year ended June 30, 2018. For the calendar year ended December 31, 2019, 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.

### **Recent Developments – COVID-19 Outbreak**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a Public Health Emergency of International Concern by the World Health Organization and is having an adverse effect on domestic and international travel and a number of travel-related industries. The President of the United States and state and local governments in the United States, including the State of California (the "State"), have issued declarations of emergency to enable and empower governments in coordinating responses to the spread of COVID-19. Federal, state and local governments, as well as other nations and private businesses, are issuing restrictions on non-essential movement, gatherings, air travel (domestic and international) and other activities. For example, on March 19, 2020, the Governor of the State issued a "stay at home" order, effective until further notice, which requires all residents of the State to stay home or at their place of residence, except for those residents that are needed to maintain continuity of operation of the federal critical infrastructure sectors, critical government services, schools, childcare, and construction, including housing construction. Airlines are reporting a significant downturn in traffic as well as expectations for continued reduced levels of traffic which, in turn, has resulted in many airlines significantly reducing flights throughout the nation and the world. The declines in passenger traffic also have reduced demand for parking, retail and services provided by Airport concessionaires, including but not limited to restaurants, retail and rental car services, as well as ground transportation services including but not limited to those provided by taxis, executive cars and Transportation Network Companies, such as Uber and Lyft. These reductions in air traffic and declines in air passenger demand for airport-related goods and services are expected to reduce airport revenues nationally and globally, including Authority revenues. In addition, the COVID-19 outbreak and resulting restrictions are severely disrupting the economies of the

United States and other countries, leading to an erosion of investor confidence in the financial sector. Continued volatility in the securities markets, and significant losses in investment portfolios can be expected to continue, and increased business failures and consumer and business bankruptcies can be expected to begin in the near future.

According to information provided by the Transportation Security Administration (“TSA”), the number of people processed through all security checkpoints at SDIA between March 1 and March 24, 2020 decreased by 43.2% compared to the same period in March 2019; and the number of people processed through all security checkpoints at SDIA for the seven day period from March 18 through 24, 2020 decreased by 81.8% compared to the same period in March 2019. The figures included domestic and international passengers with trips originating at the Airport and international passengers with connecting flights at the Airport, as well as an incidental number of badged Airport employees and contractors. It does not include passengers connecting post-security from one flight to another (i.e. connections within the same terminal or connections from one terminal to another where a post-security corridor exists). These numbers do not represent a passenger traffic or enplanement count. Passenger traffic and enplanement data is reported monthly to the Authority by each airline serving at SDIA. While the security checkpoint data is not directly comparable to traffic or enplanement data, it is an indication of the level of foot traffic through security checkpoints at SDIA. Investors are cautioned that the percentage decreases discussed in this paragraph are only for a 24-day period and may not be indicative of passenger enplanements at SDIA for the foreseeable future. As of the date of this Updated Official Statement, the Authority cannot predict the scope or duration of the decline in enplanements at SDIA or when domestic and international air travel will begin to recover from the effects of the COVID-19 outbreak.

See “SAN DIEGO INTERNATIONAL AIRPORT—Emergency Preparedness—Financial Resilience Plan” and “CERTAIN INVESTMENT CONSIDERATIONS—COVID-19” for additional information on the COVID-19 outbreak, the effects that the outbreak have had and continue to have on the operations and financial results of the Authority, the airlines, the concessionaires, the rental car companies, and other companies operating at SDIA, the international and national economies and the travel industry and what steps the Authority has taken and may take to address these effects.

### **Plan of Refunding**

The Subordinate Series 2020 Bonds are being issued to (a) refund and defease the Refunded Bonds (as defined herein), and (b) pay the costs of issuance of the Subordinate Series 2020 Bonds. See “PLAN OF REFUNDING AND ESTIMATED SOURCES AND USES OF FUNDS.”

### **Subordinate Series 2020 Bonds and Pledge of Subordinate Net Revenues**

The Subordinate Series 2020 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 Seventh Supplemental Subordinate Trust Indenture, to be dated as of April 1, 2020 (the “Seventh 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). The Authority expects to deliver the Subordinate Series 2020 Bonds, in book-entry form through the facilities of The Depository Trust Company (“DTC”), on or about April 8, 2020 for the account of the Underwriters (as defined herein). See “DELAYED DELIVERY OF THE SUBORDINATE SERIES 2020 BONDS” and “APPENDIX H—FORM OF INVESTOR DELAYED DELIVERY CONTRACT.”



The board of directors of the Authority (the “Board”) authorized the issuance of the Subordinate Series 2020 Bonds pursuant to a resolution adopted by the Board on November 7, 2019 (the “Resolution”). See “DESCRIPTION OF THE SUBORDINATE SERIES 2020 BONDS.”

The Subordinate Series 2020 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 2020 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 2020 BONDS—Flow of Funds,” “—Pledge of Subordinate Net Revenues” and “—Use of PFCs to Pay Debt Service” and “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE.”

**The Subordinate Series 2020 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 2020 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 or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Subordinate Series 2020 Bonds.**

#### **Outstanding Subordinate Obligations**

Pursuant to the Subordinate Indenture, the Authority previously issued, and as of March 1, 2020, there was \$1,046,865,000 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 together with the Subordinate Series 2010A Bonds, the “Subordinate Series 2010 Bonds”), Subordinate Airport Revenue Bonds, Series 2017A (the “Subordinate Series 2017A Bonds”), Subordinate Airport Revenue Bonds, Series 2017B (the “Subordinate Series 2017B Bonds,” and together with the Subordinate Series 2017A Bonds, the “Subordinate Series 2017 Bonds”), Subordinate Airport Revenue and Revenue Refunding Bonds, Series 2019A (Governmental/Non-AMT) (the “Subordinate Series 2019A Bonds”), and Subordinate Airport Revenue Bonds, Series 2019B (Private Activity/AMT) (the “Subordinate Series 2019B Bonds,” and together with the Subordinate Series 2019A Bonds, the “Subordinate Series 2019 Bonds”). The Subordinate Series 2010 Bonds, the Subordinate Series 2017 Bonds and the Subordinate Series 2019 Bonds are collectively referred to in this Updated Official Statement as the “Existing Subordinate Bonds.” A portion of the proceeds of the Subordinate Series 2020 Bonds, along with certain other available moneys, will be used to refund and defease a portion of 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 March 1, 2020, the Authority had \$13,719,000 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.

Pursuant to the Master Subordinate Indenture, the Fourth Supplemental Subordinate Trust Indenture, dated as of April 1, 2017, as amended (the “Fourth Supplemental Subordinate Indenture”), by and between the Authority and the Subordinate Trustee, the Bondholder’s Agreement, dated as of April 1, 2017, as amended (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 March 1, 2020, the Authority had no Subordinate Drawdown Bonds outstanding. All Subordinate Drawdown Bonds issued by the Authority are 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 Existing Subordinate Bonds, the Subordinate Revolving Obligations and the Subordinate Drawdown Bonds are collectively referred to in this Updated Official Statement as the “Existing Subordinate Obligations”; and the Subordinate Series 2020 Bonds, the Existing Subordinate Obligations and any Additional Subordinate Obligations are collectively referred to in this Updated 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 2020 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 March 1, 2020, there was outstanding \$368,750,000 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 2020 Bonds). “Net Revenues” include Revenues less Operation and Maintenance Expenses of the Airport System. For purposes of this Updated 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 2020 BONDS” and “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Outstanding Senior Bonds.”

## **Capital Program and Airport Development Plan**

**Capital Program.** The Authority maintains a 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 capital program, which was most recently amended on January 9, 2020 with the addition of the ADP (as described below) (collectively, the "Capital Program") includes projects completed and anticipated to be completed in Fiscal Years 2019 through 2024 that have an estimated cost of \$3.955 billion (as of January 31, 2020, \$446 million of this cost had been incurred). The Capital Program includes, among other projects, the ADP, a new facilities maintenance building, a new passenger airline belly cargo and provisioning facility, storm water capture and reuse projects, a remain-overnight aircraft parking facility on the north side of SDIA, and various other airfield, terminal and landside projects. The Capital Program has been and will be financed with a combination of proceeds of the Senior Series 2013 Bonds, the Subordinate Series 2017 Bonds, the Subordinate Series 2019 Bonds, federal grants, Passenger Facility Charges ("PFCs"), Additional Senior Bonds and/or Additional Subordinate Obligations, and certain other available moneys of the Authority. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT."

***Airport Development Plan.*** In 2012, the Authority embarked on a new master-planning effort for SDIA known as the "Airport Development Plan" (the "ADP"), to identify the facilities needed to meet the Airport's passenger demand through 2035. SDIA has had record-breaking growth over the last five Fiscal Years with approximately 24.7 million passengers being served in Fiscal Year 2019. Activity levels at the Airport are estimated to surpass 39 million passengers and 280,000 aircraft operations in 2035, based on the latest FAA-approved forecast. The cornerstone of the ADP is the replacement of Terminal 1, which is over 50 years old, with a more modern, comfortable, and efficient terminal facility. As of the date of this Updated Official Statement, the new terminal is expected to have 30 gates and be able to accommodate both narrow-body and wide-body aircraft. The Authority expects the new Terminal 1 will be served by a dual-level curbside, a new close-in parking structure (currently planned with 5,500 parking spaces, which, when combined with the parking spaces that will be lost as a result of the ADP, will add a total of approximately 650 new, permanent parking spaces at the Airport), and new entry and circulation roadways. Other components contemplated to be part of the ADP include multiple airfield improvements, such as a new apron area for the new terminal, a new full length Taxiway A, and reconfigured Remain Overnight aircraft parking positions. Overall, the Authority expects the ADP will add 11 net aircraft gates to SDIA (bringing the total gate count to 62), while creating enhanced non-airline revenue opportunities.

The total cost of the ADP is currently estimated by the Authority to be not more than \$3.0 billion. The Authority expects to finance the costs of the ADP from various sources including, but not limited to, the proceeds of Additional Senior Bonds and/or Additional Subordinate Obligations. On January 9, 2020, the Board certified the final Environmental Impact Report for the ADP ("Final ADP EIR") under the California Environmental Quality Act ("CEQA") and formally approved the ADP. The ADP still requires environmental review by FAA under the National Environmental Policy Act ("NEPA"), and a Coastal Development Permit by the California Coastal Commission.

On February 7, 2020, a group of residents and communities in the San Diego area, known as *Quiet Skies San Diego* ("Quiet Skies") filed a lawsuit in San Diego Superior Court alleging that the Final ADP EIR should be rescinded and set aside because it does not comply with CEQA. Quiet Skies alleges, among other things, that the Final ADP EIR violates CEQA because it fails to disclose all potential significant environmental impacts related to noise and greenhouse gas emissions and fails to implement feasible mitigation measures. As of the date of this Updated Official Statement, both parties are undertaking preliminary administrative matters associated with the lawsuit; no trial date has been set. The Authority cannot predict the net exposure to the Authority with respect to this matter, the probability or remoteness of any outcome, or what affect this may have on the cost or construction schedule for the ADP.

Prior to the filing of the challenge by Quiet Skies, the Authority had estimated that construction of the ADP could begin as early as 2021 (assuming the FAA's review under NEPA was timely completed and the Authority timely received the Coastal Development Permit). Based on this preliminary schedule, the

Authority had estimated that the first phase of the new Terminal 1 (19 gates) would open in Fiscal Year 2025, and full completion of the new facility (30 gates) and associated roadway and airfield improvements would occur in Fiscal Year 2026. However, all construction on the ADP could be delayed until the Quiet Skies litigation is resolved. While the Quiet Skies litigation is ongoing, construction of the ADP cannot begin, however, the Authority is currently continuing preliminary design work on the ADP. See “DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Airport Development Plan.”

### **Continuing Disclosure**

The Authority will covenant for the benefit of the owners and beneficial owners of the Subordinate Series 2020 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 F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

### **Investment Considerations**

The purchase and ownership of the Subordinate Series 2020 Bonds involve investment risks. Prospective purchasers of the Subordinate Series 2020 Bonds should read this Updated Official Statement in its entirety. For a discussion of certain risks relating to the Subordinate Series 2020 Bonds, see “CERTAIN INVESTMENT CONSIDERATIONS.” *See specifically the discussion under “CERTAIN INVESTMENT CONSIDERATIONS—COVID-19.”* See also “DELAYED DELIVERY OF THE SUBORDINATE SERIES 2020 BONDS.”

### **Forward-Looking Statements**

The statements contained in this Updated 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 Updated 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 Updated Official Statement will prove to be accurate.

## **Additional Information**

Brief descriptions of the Subordinate Series 2020 Bonds, the Senior Indenture, the Subordinate Indenture, the Airline Lease Agreements (as defined herein) and certain other documents are included in this Updated 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 Updated 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 Updated 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 2020 Bonds. The Authority maintains a website, the information on which is not part of this Updated 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 2020 Bonds.

### **PLAN OF REFUNDING AND ESTIMATED SOURCES AND USES OF FUNDS**

#### **Plan of Refunding**

Proceeds from the sale of the Subordinate Series 2020 Bonds, along with certain other available moneys of the Authority, will be used to (a) refund and defease the Refunded Bonds, and (b) pay the costs of issuance of the Subordinate Series 2020 Bonds.

A portion of the proceeds of the Subordinate Series 2020 Bonds, along with certain other available moneys of the Authority, will be used to (a) current refund and defease the Subordinate Series 2010A Bonds described in the following table (the “Refunded Subordinate Series 2010A Bonds”), and (b) current refund and defease the Subordinate Series 2010B Bonds described in the following table (the “Refunded Subordinate Series 2010B Bonds,” and together with the Refunded Subordinate Series 2010A Bonds, the “Refunded Bonds”).

[Remainder of page intentionally left blank]

<b>Series</b>	<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>CUSIP Number<sup>1</sup></b>	<b>Redemption Date</b>	<b>Redemption Price</b>
2010A	2021	\$ 9,640,000	79739GBM7	July 1, 2020	100%
2010A	2022	10,125,000	79739GBN5	July 1, 2020	100
2010A	2023	10,625,000	79739GBP0	July 1, 2020	100
2010A	2024	11,160,000	79739GBQ8	July 1, 2020	100
2010A	2025	11,720,000	79739GBR6	July 1, 2020	100
2010A	2026	12,305,000	79739GBS4	July 1, 2020	100
2010A	2027	12,915,000	79739GBT2	July 1, 2020	100
2010A	2028	13,565,000	79739GBU9	July 1, 2020	100
2010A	2029	14,245,000	79739GBV7	July 1, 2020	100
2010A	2030	14,955,000	79739GBW5	July 1, 2020	100
2010A	2034	61,300,000	79739GBX3	July 1, 2020	100
2010A	2040	76,835,000	79739GBY1	July 1, 2020	100
2010B	2021	\$1,775,000	79739GCK0	July 1, 2020	100%
2010B	2022	1,785,000	79739GCX2	July 1, 2020	100
2010B	2022	50,000	79739GCL8	July 1, 2020	100
2010B	2023	1,775,000	79739GCY0	July 1, 2020	100
2010B	2023	150,000	79739GCM6	July 1, 2020	100
2010B	2024	2,020,000	79739GCN4	July 1, 2020	100
2010B	2025	2,120,000	79739GCP9	July 1, 2020	100
2010B	2026	2,225,000	79739GCQ7	July 1, 2020	100
2010B	2027	2,315,000	79739GCR5	July 1, 2020	100
2010B	2028	2,435,000	79739GCS3	July 1, 2020	100
2010B	2029	2,055,000	79739GDA1	July 1, 2020	100
2010B	2029	500,000	79739GCT1	July 1, 2020	100
2010B	2030	2,675,000	79739GCU8	July 1, 2020	100
2010B	2032	1,390,000	79739GCW4	July 1, 2020	100
2010B	2040	750,000	79739GCV6	July 1, 2020	100
2010B	2040	7,100,000	79739GCZ7	July 1, 2020	100

<sup>1</sup> CUSIP numbers are provided only for the convenience of the reader. Neither the Authority nor the Underwriters undertake any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in the list of CUSIP numbers.

A portion of the proceeds of the Subordinate Series 2020 Bonds, together with certain available moneys of the Authority, will be deposited into separate escrow funds for the Refunded Subordinate Series 2010A Bonds and the Refunded Subordinate Series 2010B Bonds (the “Subordinate Series 2010A/B Escrow Funds”) to be established under the terms of an escrow agreement to be entered into by the Authority and the Subordinate Trustee, as trustee and escrow agent. Certain amounts deposited into the Subordinate Series 2010A/B Escrow Funds will be invested in direct, noncallable obligations of the United States Treasury and all remaining amounts deposited into the Subordinate Series 2010A/B Escrow Funds will be held uninvested in cash. Amounts on deposit in the Subordinate Series 2010A/B Escrow Funds will be used on July 1, 2020 to pay the redemption price of and interest on the Refunded Subordinate Series 2010A Bonds and the Refunded Subordinate Series 2010B Bonds.

Robert Thomas CPA, LLC, certified public accountants, the verification agent, has delivered a report stating that it has verified the mathematical accuracy of the computations contained in the schedules provided by Citigroup Global Markets Inc. to determine that the amounts to be held in the Subordinate Series 2010A/B Escrow Funds will be sufficient to pay the redemption price of and interest on the Refunded

Subordinate Series 2010A Bonds and the Refunded Subordinate Series 2010B Bonds on July 1, 2020. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

### 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 2020 Bonds:

	<u>Subordinate Series 2020A Bonds</u>	<u>Subordinate Series 2020B Bonds</u>	<u>Subordinate Series 2020C Bonds</u>	<u>Total</u>
<b>Sources</b>				
Principal Amount	\$26,145,000.00	\$189,090,000.00	\$26,405,000.00	\$241,640,000.00
Original Issue Premium	5,021,473.45	39,522,040.15	4,870,662.05	49,414,175.65
Release from Interest Account of Subordinate Series 2010A Debt Service Fund	0.00	2,852,187.50	390,187.50	3,242,375.00
Release from Interest Account of Subordinate Series 2010B Debt Service Fund	372,996.88	0.00	0.00	372,996.88
Release from Subordinate Reserve Fund	<u>396,351.44</u>	<u>2,907,313.57</u>	<u>397,740.01</u>	<u>3,701,405.02</u>
<i>Total Sources</i>	<u>\$31,935,821.77</u>	<u>\$234,371,541.22</u>	<u>\$32,063,589.56</u>	<u>\$298,370,952.55</u>
<b>Uses</b>				
Deposit to Subordinate Series 2010A Escrow Fund	\$ 0.00	\$233,879,375.00	\$31,995,375.00	\$265,874,750.00
Deposit to Subordinate Series 2010B Escrow Fund	31,865,993.75	0.00	0.00	31,865,993.75
Costs of Issuance <sup>1</sup>	<u>69,828.02</u>	<u>492,166.22</u>	<u>68,214.56</u>	<u>630,208.80</u>
<i>Total Uses</i>	<u>\$31,935,821.77</u>	<u>\$234,371,541.22</u>	<u>\$32,063,589.56</u>	<u>\$298,370,952.55</u>

<sup>1</sup> Includes Underwriters' discount, legal and other costs of issuance.

### DELAYED DELIVERY OF THE SUBORDINATE SERIES 2020 BONDS

Subject to the terms of the Forward Delivery Purchase Contract, the Authority expects to deliver the Subordinate Series 2020 Bonds, in book-entry form through the facilities of DTC, on or about April 8, 2020 (such date, or such later date as is agreed to by the Authority and Citigroup Global Markets Inc. (the “Representative”) for delivery of the Subordinate Series 2020 Bonds, is referred to herein as the “2020 Settlement Date”), for the account of the Underwriters identified in the Forward Delivery Purchase Contract.

The obligation of the Underwriters to purchase the Subordinate Series 2020 Bonds from the Authority on the 2020 Settlement Date is subject to the satisfaction of certain conditions, as outlined in the Forward Delivery Purchase Contract. The conditions to be satisfied on the 2020 Settlement Date are, in general, comparable to those in connection with a bond closing that utilizes a standard time period between the sale date and the settlement date. Because of the forward delivery of the Subordinate Series 2020 Bonds, there are certain additional termination rights and settlement conditions that are not generally present in a bond transaction that does not involve a forward delivery. Certain of those rights and conditions are summarized below.

BY PLACING AN ORDER WITH THE UNDERWRITERS FOR THE PURCHASE OF THE SUBORDINATE SERIES 2020 BONDS, THE PURCHASER ACKNOWLEDGES AND AGREES THAT THE SUBORDINATE SERIES 2020 BONDS ARE BEING SOLD ON A “FORWARD” BASIS AND THAT THE PURCHASER IS OBLIGATED TO ACCEPT DELIVERY OF AND PAY FOR THE SUBORDINATE SERIES 2020 BONDS ON THE 2020 SETTLEMENT DATE SUBJECT TO THE CONDITIONS IN THE INVESTOR DELAYED DELIVERY CONTRACT (AS DEFINED BELOW), AND THAT EACH PURCHASER IS REQUIRED TO SIGN, AND DELIVER TO THE REPRESENTATIVE, AN INVESTOR DELAYED DELIVERY CONTRACT AS A CONDITION TO ANY SUBORDINATE SERIES 2020 BONDS BEING ALLOCATED TO SUCH PURCHASER. ADDITIONALLY, EACH PURCHASER ACKNOWLEDGES AND AGREES THAT ANY SALE OF THE SUBORDINATE SERIES 2020 BONDS BY THE PURCHASER FROM THE DATE OF THIS UPDATED OFFICIAL STATEMENT THROUGH THE 2020 SETTLEMENT DATE MUST BE ACCOMPANIED BY AN INVESTOR DELAYED DELIVERY CONTRACT EXECUTED BY THE NEW PURCHASER, TOGETHER WITH DELIVERY OF THIS UPDATED OFFICIAL STATEMENT TO THE NEW PURCHASER.

### **Termination Rights of Underwriters**

Under the Forward Delivery Purchase Contract, at any time from December 11, 2019 (the “Preliminary Closing Date”) up to the 2020 Settlement Date, the Underwriters may terminate their obligation to purchase the Subordinate Series 2020 Bonds under the Forward Delivery Purchase Contract, by notifying the Authority, if any of the following shall have occurred and be continuing as of the date of termination:

- (a) a Change of Law (as defined below) shall have occurred;
- (b) the House of Representatives or the Senate of the Congress of the United States, or a committee of either, shall have pending before it, or shall have passed or recommended favorably, legislation which, if enacted in the form as introduced or as amended, would have the purpose or effect of imposing federal income taxation upon revenues or other income of the general character to be derived by the Authority or causing interest on the Subordinate Series 2020 Bonds to be includable in whole or in part in gross income for purposes of federal income taxation;
- (c) for any other reason on the 2020 Settlement Date, Kutak Rock LLP, Bond Counsel to the Authority, cannot issue its opinion substantially in the form and to the effect attached as Appendix E to this Updated Official Statement;
- (d) the Original Official Statement, as of the Preliminary Closing Date, or this Updated Official Statement, as of its date or as of the 2020 Settlement Date, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;
- (e) legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which has the effect of requiring the Subordinate Series 2020 Bonds to be registered under the Securities Act of 1933, as amended, or requires the qualification of the Subordinate Indenture under the Trust Indenture Act of 1939, as amended;
- (f) for any reason, including a Change in Law, the issuance, offering, or sale of the Subordinate Series 2020 Bonds as contemplated by the Forward Delivery Purchase Contract or by



this Updated Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended;

(g) a general banking moratorium has been declared by federal, New York or California authorities and it is in effect as of the 2020 Settlement Date;

(h) a material event of default has occurred and is continuing on the 2020 Settlement Date under the Subordinate Indenture; or

(i) as of the 2020 Settlement Date, the Subordinate Series 2020 Bonds are not rated (or any rating is suspended) by either S&P Global Ratings or Fitch Ratings.

“Change of Law” is defined in the Forward Delivery Purchase Contract as (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies, (ii) any legislation enacted by the Congress of the United States or recommended for passage by the President of the United States (if such enacted legislation or recommended legislation has a proposed effective date which is on or before the 2020 Settlement Date), (iii) any law, rule or regulation enacted by any governmental body, department or agency (if such enacted law, rule or regulation has a proposed effective date which is on or before the 2020 Settlement Date), or (iv) any judgment, ruling or order issued by any court or administrative body, which in any such case, would, (A) as to the Underwriters, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) their purchase of the Subordinate Series 2020 Bonds as provided in the Forward Delivery Purchase Contract or their sale of the Subordinate Series 2020 Bonds or beneficial ownership interests therein to the public, or (B) as to the Authority, make illegal the issuance, sale or delivery of the Subordinate Series 2020 Bonds (or have the retroactive effect of making illegal such issuance, sale or delivery, if enacted, adopted, passed or finalized).

#### **Authority Not a Party to Investor Delayed Delivery Contracts**

The Underwriters have advised the Authority that the Subordinate Series 2020 Bonds will be sold only to Purchasers who execute an Investor Delayed Delivery Contract, a form of which is included as Appendix H to this Updated Official Statement (the “Investor Delayed Delivery Contract”), with the Underwriters substantially in the form of Appendix H attached hereto. The Investor Delayed Delivery Contract restricts the ability of Purchasers of the Subordinate Series 2020 Bonds to transfer their interests in the Subordinate Series 2020 Bonds prior to the 2020 Settlement Date and no representation is made that any such transfer will be permitted. The Authority is not a party to the Investor Delayed Delivery Contracts and is not in any way responsible for the performance thereof or for any representations or warranties contained therein. The rights and obligations of the Authority and the Underwriters under the Forward Delivery Purchase Contract are not conditioned or dependent upon the performance of any Investor Delayed Delivery Contract.

#### **Certain Risks Related to the Delayed Delivery**

During the period of time between the date of the Original Official Statement and the 2020 Settlement Date, certain information contained in the Original Official Statement may have changed in a material respect. Any changes in such information do not permit the Underwriters to terminate the Forward Delivery Purchase Contract or release the Purchasers from their commitments to purchase the Subordinate Series 2020 Bonds unless the change reflects an event described under “Termination Rights of Underwriters” above. Although the Authority is not aware, as of the date of this Updated Official Statement, of any information that would lead it to believe that it will be unable to satisfy its obligations

under the Forward Delivery Purchase Contract on the 2020 Settlement Date, no assurances can be made that, as of the 2020 Settlement Date: (a) there will have been no Change of Law; (b) the facts and circumstances that are material to one or more of the required legal opinions will not differ from the facts and circumstances as of the Preliminary Closing Date, or (c) that all necessary certifications and representations can or will be delivered and made in connection with the proposed issuance and delivery of the Subordinate Series 2020 Bonds. As a consequence of any of the foregoing or other unforeseen events, including the events described below, one or more of the conditions required to be met by the Authority on the 2020 Settlement Date, as set forth in the Forward Delivery Purchase Contract, may not be met, with the possible result that the Subordinate Series 2020 Bonds will not be issued by the Authority.

**NONE OF THE UNDERWRITERS (NOR, IN TURN, THE PURCHASERS OF THE SUBORDINATE SERIES 2020 BONDS) MAY REFUSE TO PURCHASE THE SUBORDINATE SERIES 2020 BONDS BY REASON OF GENERAL MARKET OR CREDIT CHANGES, INCLUDING, BUT NOT LIMITED TO, (A) CHANGES IN THE RATINGS ASSIGNED TO THE SUBORDINATE SERIES 2020 BONDS ON THE PRELIMINARY CLOSING DATE OR (B) CHANGES IN THE FINANCIAL CONDITION, OPERATIONS, PERFORMANCE, PROPERTIES OR PROSPECTS OF THE AUTHORITY PRIOR TO THE 2020 SETTLEMENT DATE. See “INTRODUCTION—Recent Developments—COVID-19 Outbreak” and “CERTAIN INVESTMENT CONSIDERATIONS—COVID-19.”**

**IN ADDITION TO THE RISKS SET FORTH ABOVE, PURCHASERS OF THE SUBORDINATE SERIES 2020 BONDS ARE SUBJECT TO CERTAIN ADDITIONAL RISKS, SOME OF WHICH ARE DESCRIBED BELOW, AND WHICH WILL NOT CONSTITUTE GROUNDS FOR PURCHASERS TO REFUSE TO ACCEPT DELIVERY OF AND PAY FOR THE SUBORDINATE SERIES 2020 BONDS.**

***Ratings Risk.*** Issuance of the Subordinate Series 2020 Bonds and the Underwriters’ obligations under the Forward Delivery Purchase Contract are not conditioned upon the assignment of any particular ratings for the Subordinate Series 2020 Bonds or the maintenance of the ratings that were assigned to the Subordinate Series 2020 Bonds on the Preliminary Closing Date. A change in ratings does not entitle the Underwriters to terminate the Forward Delivery Purchase Contract or release the Underwriters from their obligations to purchase the Subordinate Series 2020 Bonds from the Authority and in turn the obligation of the Purchasers to purchase the Subordinate Series 2020 Bonds from the Underwriters.

***Secondary Market Risk.*** The Underwriters are not obligated to make a secondary market in the Subordinate Series 2020 Bonds and no assurances can be given that a secondary market will exist for the Subordinate Series 2020 Bonds between the date of the Original Official Statement and the 2020 Settlement Date (the “Delayed Delivery Period”). Purchasers of the Subordinate Series 2020 Bonds should assume that the Subordinate Series 2020 Bonds will be illiquid throughout the Delayed Delivery Period.

***Market Value Risk.*** The market value of the Subordinate Series 2020 Bonds as of the 2020 Settlement Date may be affected by a variety of factors including, without limitation, general market conditions, the ratings then assigned to the Subordinate Series 2020 Bonds, the financial condition and business operations of the Authority and SDIA and federal, state and local income tax and other laws. The market value of the Subordinate Series 2020 Bonds as of the 2020 Settlement Date could therefore be higher or lower than the price to be paid by the initial purchasers of the Subordinate Series 2020 Bonds and that difference could be substantial. The Underwriters will nevertheless be obligated to take delivery of and pay for the Subordinate Series 2020 Bonds if the 2020 Settlement Date conditions in the Forward Delivery Purchase Contract are satisfied. Neither the Authority nor the Underwriters make any representation as to the expected market price of the Subordinate Series 2020 Bonds as of the 2020 Settlement Date. Further, no assurance can be given that the introduction or enactment of any future legislation will not affect the

market price for the Subordinate Series 2020 Bonds as of the 2020 Settlement Date or thereafter or not have a materially adverse impact on any secondary market for the Subordinate Series 2020 Bonds.

**Tax Law Risk.** Subject to the additional conditions of settlement described above, the Forward Delivery Purchase Contract obligates the Authority to deliver and the Underwriters to purchase and accept delivery of the Subordinate Series 2020 Bonds if the Authority causes to be delivered an opinion of Bond Counsel with respect to the Subordinate Series 2020 Bonds substantially in the form and to the effect as set forth in “APPENDIX E—PROPOSED FORM OF BOND COUNSEL’S OPINION.” During the Delayed Delivery Period, new legislation, new court decisions, new regulations, or new rulings may be enacted, delivered, or promulgated, or existing law, including regulations adopted pursuant thereto, may be interpreted in a manner that might prevent Bond Counsel from rendering its opinion or otherwise affect the substance of such opinion.

## DESCRIPTION OF THE SUBORDINATE SERIES 2020 BONDS

### General

The Subordinate Series 2020 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover pages of this Updated Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Subordinate Series 2020 Bonds will be dated their date of delivery, and will bear interest from such date, payable semi-annually on January 1 and July 1 of each year (each an “Interest Payment Date”), commencing on July 1, 2020. Interest due and payable on the Subordinate Series 2020 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 DTC is in effect). Each Subordinate Series 2020 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 2020 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 2020 Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is on or before June 15, 2020, in which event such Subordinate Series 2020 Bond will bear interest from its date of delivery. If interest on the Subordinate Series 2020 Bonds is in default, Subordinate Series 2020 Bonds issued in exchange for Subordinate Series 2020 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 2020 Bonds surrendered.

The Subordinate Series 2020 Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The Subordinate Series 2020 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 2020 Bonds. Individual purchases may be made in book-entry-form only. Purchasers will not receive certificates representing their interest in the Subordinate Series 2020 Bonds purchased. So long as Cede & Co., as a nominee of DTC, is the registered owner of the Subordinate Series 2020 Bonds, references herein to the Holders or registered owners means Cede & Co., and does not mean the Beneficial Owners of the Subordinate Series 2020 Bonds.

So long as Cede & Co. is the registered owner of the Subordinate Series 2020 Bonds, principal of and interest on the Subordinate Series 2020 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 G—BOOK-ENTRY-ONLY SYSTEM.”

## **Redemption Provisions**

***Optional Redemption.*** The Subordinate Series 2020 Bonds maturing on or before July 1, 2030 are not subject to optional redemption prior to maturity. The Subordinate Series 2020 Bonds maturing on or after July 1, 2031 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, 2030, at a redemption price equal to 100% of the principal amount of the Subordinate Series 2020 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

***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 2020 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 2020 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 2020 Bond to be redeemed (if less than all Subordinate Series 2020 Bonds of a Series, maturity date and interest rate are called for redemption, the numbers assigned to the Subordinate Series 2020 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 2020 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 2020 Bond will not affect the validity of the call for redemption of any Subordinate Series 2020 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 2020 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 2020 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 2020 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 2020 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 2020 Bonds called for redemption will become and be due and payable on the redemption date, interest on such Subordinate Series 2020 Bonds will cease to accrue from and after such redemption date, such Subordinate Series 2020 Bonds will cease to be entitled to any lien, benefit or security

under the Subordinate Indenture and the Holders of such Subordinate Series 2020 Bonds will have no rights in respect thereof except to receive payment of the redemption price. Subordinate Series 2020 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 Sixth Supplemental Subordinate Indenture, will not be deemed to be Outstanding under the provisions of the Subordinate Indenture.

***Selection of Subordinate Series 2020 Bonds for Redemption; Subordinate Series 2020 Bonds Redeemed in Part.*** Redemption of the Subordinate Series 2020 Bonds will only be in Authorized Denominations. The Subordinate Series 2020 Bonds are subject to redemption in such order of maturity and interest rate within a Series 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 2020 Bonds), deems appropriate.

## **SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2020 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, Senior Capitalized Interest, Subordinate Capitalized Interest and Customer Facility Charges (“CFCs”), 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, Senior Capitalized Interest, Subordinate Capitalized Interest or CFCs as Revenues. However, the Authority expects to apply a portion of the PFCs it receives to the payment of debt service on the Senior Series 2013 Bonds, the Subordinate Series 2019A Bonds and the Subordinate Series 2020 Bonds (see “—Use of PFCs to Pay Debt Service” below). Additionally, although not included in Revenues, the Subordinate Capitalized

Interest on deposit in the debt service funds for the Subordinate Series 2019A Bonds and the Subordinate Series 2019B Bonds is subject to a lien on and security interest in favor of the Holders of the Subordinate Series 2019A Bonds and the Subordinate Series 2019B Bonds, respectively.

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 20<sup>th</sup> 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 15<sup>th</sup> 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 15<sup>th</sup> 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 15<sup>th</sup> 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 15<sup>th</sup> day of the month prior to the date such sinking installment payment becomes due. Additionally, if provided for in a Supplemental Senior 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 Senior 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 Senior Debt Service Reserve Funds or reimburse a Credit Provider of a Senior Debt Service Reserve Fund Surety Policy. As of the date of this Updated Official Statement, the Senior Debt Service Reserve Fund for the Senior Series 2013 Bonds is the only Senior Debt Service Reserve Fund established for Senior Bonds.

(4) *Subordinate Obligations Debt Service Funds.* On or prior to the 20<sup>th</sup> 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 20<sup>th</sup> 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 20<sup>th</sup> 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 20<sup>th</sup> 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 20<sup>th</sup> day of each month, upon any deficiency in any Subordinate 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 Subordinate Debt Service Reserve Fund an amount equal to: (a) one-twelfth of the aggregate amount of each unreplenished prior withdrawal from such Subordinate Debt Service Reserve Fund; and (b) the full amount of any deficiency in such Subordinate Debt Service Reserve Fund due to any required valuations of the investments in such Subordinate Debt Service Reserve Fund until the balance in such Subordinate 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 20<sup>th</sup> 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.

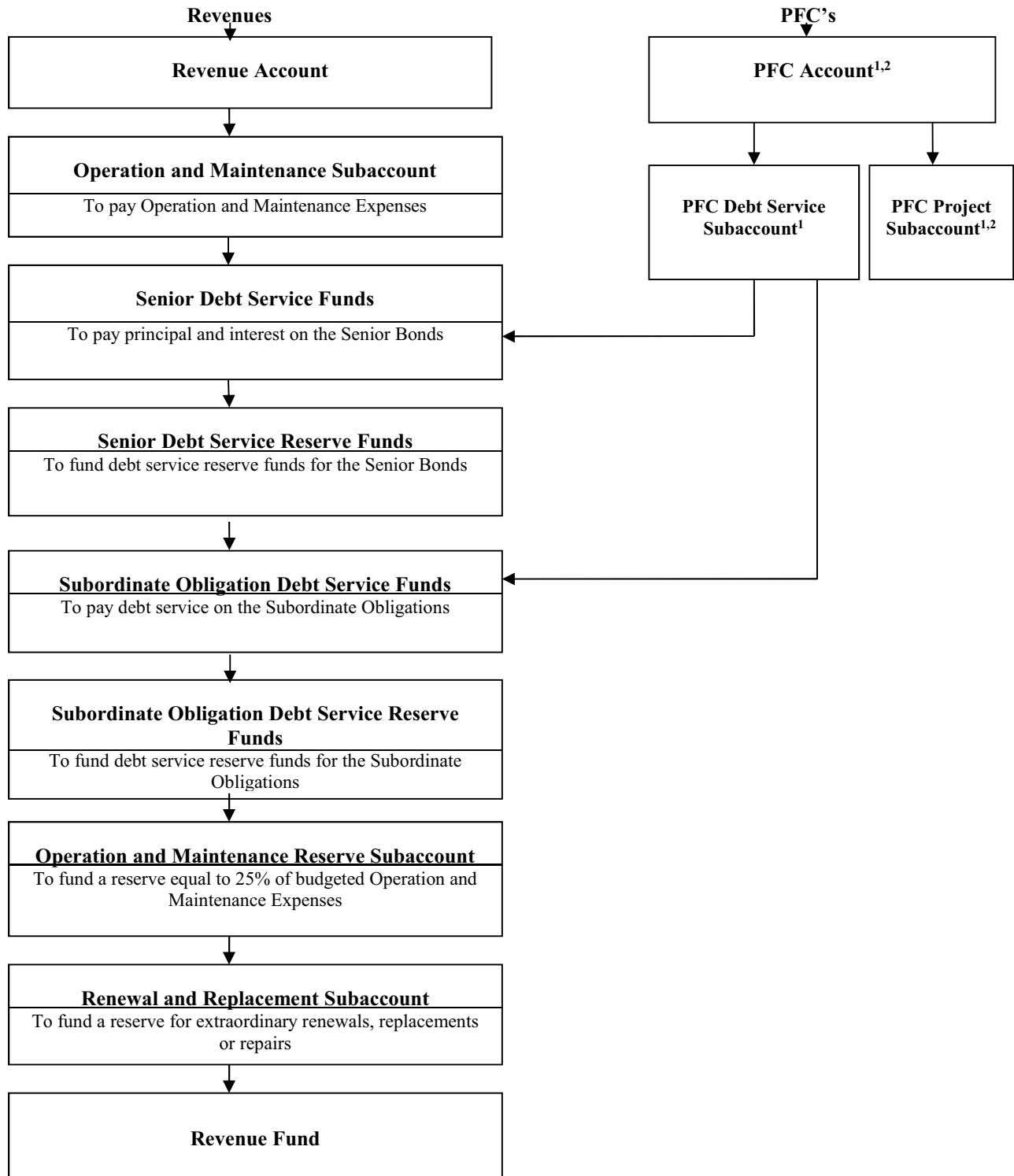
(7) *Renewal and Replacement Subaccount.* On or prior to the 20<sup>th</sup> day of each month, to the payment of the amounts required to be deposited in the Renewal and Replacement Subaccount as specified in the Master Senior Indenture.

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.”

[Remainder of page intentionally left blank.]

**San Diego County Regional Airport Authority  
Flow of Funds**



<sup>1</sup> 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 Updated Official Statement.



## **Pledge of Subordinate Net Revenues**

The Subordinate Series 2020 Bonds are special obligations of the Authority payable solely from and secured by a pledge of Subordinate Net Revenues. The Subordinate Series 2020 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.

“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 2020 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 2020 Bonds.**

Subordinate Net Revenues are available for the equal and proportionate benefit and security of all Subordinate Obligations (including the Subordinate Series 2020 Bonds). The Subordinate Series 2020 Bonds are secured by a pledge of and lien on Subordinate Net Revenues on parity with the Existing Subordinate 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 a Subordinate 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 a Subordinate 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 and Subordinate 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, the Subordinate Series 2019A Bonds and the Subordinate Series 2020 Bonds and (b) Subordinate Capitalized Interest to pay a portion of the debt service on the Subordinate Series 2019 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—Unavailability of, or Delay in, Anticipated Funding Sources—Availability of PFCs” for additional information about the Authority's expected use of PFC revenues.

## **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 Subordinate Series 2017 Bonds and the Subordinate Series 2019 Bonds, the Authority elected to have the Subordinate Series 2010 Bonds, the Subordinate Series 2017 Bonds and the Subordinate Series 2019 Bonds participate in the Subordinate Reserve Fund. Additionally, at the time of issuance of the Subordinate Series 2020 Bonds, the Authority will elect to have the Subordinate Series 2020 Bonds participate in the Subordinate Reserve Fund. The Subordinate Series 2010 Bonds, the Subordinate Series 2017 Bonds, the Subordinate Series 2019 Bonds, the Subordinate Series 2020 Bonds and any Additional Subordinate Obligations the Authority elects to have participate in the Subordinate Reserve Fund are collectively referred to in this Updated 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 2020 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 2020 Bonds, no deposit to the Subordinate Reserve Fund will be required and the Subordinate Reserve Requirement will be equal to \$73,672,100.00.

The Authority may fund all or a portion of the Subordinate Reserve Requirement with a Subordinate Reserve Fund Insurance Policy. A Subordinate 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 Subordinate Reserve Fund Insurance Policy must either extend to the final maturity of the Series

of Subordinate Obligations for which the Subordinate Reserve Fund Insurance Policy was issued, or the Authority must agree, by Supplemental Subordinate Indenture, that the Authority will replace such Subordinate Reserve Fund Insurance Policy prior to its expiration with another Subordinate Reserve Fund Insurance Policy, or with cash. Any such Subordinate 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 2020 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 2020 Bonds, funded with a Subordinate 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 2020 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.

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).

The certificate described in (A) above is expected to be delivered by an Authorized Authority Representative at the time of issuance of the Subordinate Series 2020 Bonds.

#### **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. As of

the date of this Updated Official Statement, the Authority has not irrevocably committed any PFCs to the payment of debt service on Senior Bonds and/or Subordinate Obligations.

Even though PFCs are not included in Revenues and the Authority has not irrevocably committed any PFCs to the payment of debt service on Senior Bonds and/or Subordinate Obligations, the Authority still expects to use approximately \$30 million of PFCs to pay debt service on PFC Eligible Bonds (a portion of the Senior Series 2013 Bonds, a portion of the Subordinate Series 2019A Bonds and a portion of the Subordinate Series 2020 Bonds) through Fiscal Year 2022. Consequently, debt service on such obligations is excluded from the calculation of the rate covenant for the Senior Bonds and the Subordinate Obligations, which results in higher debt service coverage ratios.

Additionally, as described in “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF AIRLINE LEASE AGREEMENT,” the Authority has agreed in the Airline Lease Agreements to set aside \$30 million of PFCs each Fiscal Year during the three Fiscal Years prior to the opening of the new Terminal 1 to be constructed as part of the ADP, and to use those PFCs in the three Fiscal Years following the opening of the new Terminal 1 to pay debt service on Senior Bonds and/or Subordinate Obligations the proceeds of which were used to finance the construction of the new Terminal 1.

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 Senior Permitted Investments and Subordinate Permitted Investments, subject to any restrictions set forth in the Master Senior Indenture and the Subordinate Indenture, respectively, 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 Subordinate 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.”

### **Subordinate Events of Default and Remedies; No Acceleration**

Events of default under the Subordinate Indenture and related remedies are described in “APPENDIX C-3—SUMMARY OF MASTER SUBORDINATE INDENTURE—Subordinate Defaults and Remedies.” Except as described below, the occurrence of a Subordinate Event of Default under the Subordinate Indenture (or a Senior Event of Default under the Senior Indenture) does not grant any right to accelerate payment of the Subordinate Obligations (including the Subordinate Series 2020 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 2020 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 a Subordinate Event of Default under the Subordinate Indenture, including proceedings to

enforce the obligations of the Authority under the Subordinate Indenture. If there is a Subordinate 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 March 1, 2020.

**TABLE 1**  
**San Diego County Regional Airport Authority**  
**Senior Series 2013 Bonds**  
**(as of March 1, 2020)**

<u>Existing Senior Bonds<sup>1</sup></u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding</u>	<u>Final Maturity Date</u>
Series 2013A	\$107,285,000	\$ 97,455,000	7/1/2043
Series 2013B	<u>272,300,000</u>	<u>271,295,000</u>	7/1/2043
Total	<u>\$379,585,000</u>	<u>\$368,750,000</u>	

<sup>1</sup> The Authority is currently reviewing plans to issue one or more series of Additional Subordinate Obligations to refund all or a portion of the Senior Series 2013 Bonds.  
Source: San Diego County Regional Airport Authority

[Remainder of page intentionally left blank.]



## Outstanding Subordinate Obligations

*Existing Subordinate Bonds.* The following table sets forth the principal amounts and final maturity dates of the Existing Subordinate Bonds as of March 1, 2020.

**TABLE 2**  
**San Diego County Regional Airport Authority**  
**Existing Subordinate Bonds**  
**(as of March 1, 2020)**

<b>Existing Subordinate Bonds</b>	<b>Original Principal Amount</b>	<b>Principal Amount Outstanding</b>	<b>Final Maturity Date</b>
Series 2010A <sup>1</sup>	\$ 313,150,000	\$ 268,570,000	7/1/2040
Series 2010B <sup>1</sup>	44,055,000	32,805,000	7/1/2040
Series 2017A	146,040,000	141,500,000	7/1/2047
Series 2017B	145,170,000	140,310,000	7/1/2047
Series 2019A	338,775,000	338,775,000	7/1/2049
Series 2019B	<u>124,905,000</u>	<u>124,905,000</u>	7/1/2049
Total	<u>\$1,112,095,000</u>	<u>\$1,046,865,000</u>	

<sup>1</sup> See “PLAN OF REFUNDING AND ESTIMATED SOURCES AND USES OF FUNDS—Plan of Refunding” for a discussion of the planned refunding and defeasance of a portion of the Subordinate Series 2010A Bonds and a portion of the Subordinate Series 2010B Bonds.

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 March 1, 2020, the Authority had \$13,719,000 aggregate principal amount of Subordinate Revolving Obligations outstanding. All Subordinate Revolving Obligations issued by the Authority are purchased by the Subordinate Revolving Obligations Bank (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. As of the date of this Updated Official Statement, the Authority is planning on paying off the \$13,719,000 of outstanding Subordinate Revolving Obligations and letting the Subordinate Credit Agreement expire on June 29, 2020.

***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 March 1, 2020, the Authority had no Subordinate Drawdown Bonds outstanding.

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. As of the date of this Updated Official Statement, the Authority is planning on letting the Subordinate Drawdown Bond Purchase Agreement and the Subordinate Drawdown Bondholder's Agreement expire on April 17, 2020.

[Remainder of page intentionally left blank.]

## Debt Service Requirements

The following table sets forth the debt service requirements on the Senior Series 2013 Bonds, the Existing Subordinate Bonds (excluding the Refunded Bonds) and the Subordinate Series 2020 Bonds.

**TABLE 3**  
**San Diego County Regional Airport Authority**  
**Debt Service Requirements**  
**Senior and Subordinate Bonds<sup>1</sup>**

Year Ended July 1	Total Debt Service Senior Series 2013 Bonds <sup>2</sup>	Total Debt Service Existing Subordinate Bonds <sup>3,4,5,6,7</sup>	Subordinate Series 2020 Bonds <sup>8</sup>		Total Debt Service Subordinate Bonds	Total Debt Service Senior and Subordinate Bonds
			Principal	Interest		
2020	\$ 26,006,350	\$ 61,078,330	\$ 820,000	\$ 2,785,572	\$ 64,683,901	\$ 90,690,251
2021	26,000,100	44,631,350	13,825,000	12,041,000	70,497,350	96,497,450
2022	25,994,350	45,476,850	14,520,000	11,349,750	71,346,600	97,340,950
2023	26,003,100	46,908,850	15,240,000	10,623,750	72,772,600	98,775,700
2024	25,999,600	46,909,850	16,005,000	9,861,750	72,776,600	98,776,200
2025	25,998,350	45,801,600	11,275,000	9,061,500	66,138,100	92,136,450
2026	26,003,100	45,803,100	11,830,000	8,497,750	66,130,850	92,133,950
2027	26,002,350	45,810,100	12,425,000	7,906,250	66,141,350	92,143,700
2028	25,996,000	45,805,850	13,050,000	7,285,000	66,140,850	92,136,850
2029	25,989,850	45,804,350	13,705,000	6,632,500	66,141,850	92,131,700
2030	26,002,750	45,803,850	14,385,000	5,947,250	66,136,100	92,138,850
2031	16,667,500	55,637,600	12,780,000	5,228,000	73,645,600	90,313,100
2032	16,979,000	56,872,100	12,155,000	4,589,000	73,616,100	90,595,100
2033	17,239,750	56,855,850	12,835,000	3,981,250	73,672,100	90,911,850
2034	17,606,000	58,385,100	11,920,000	3,339,500	73,644,600	91,250,600
2035	18,016,250	62,819,100	8,065,000	2,743,500	73,627,600	91,643,850
2036	18,551,750	62,795,100	8,465,000	2,340,250	73,600,350	92,152,100
2037	19,104,500	62,760,850	8,895,000	1,917,000	73,572,850	92,677,350
2038	19,691,500	62,721,400	9,335,000	1,472,250	73,528,650	93,220,150
2039	20,293,750	62,681,600	9,805,000	1,005,500	73,492,100	93,785,850
2040	20,923,000	62,652,350	10,305,000	515,250	73,472,600	94,395,600
2041	67,600,250	37,341,000	–	–	37,341,000	104,941,250
2042	67,600,250	37,338,750	–	–	37,338,750	104,939,000
2043	67,597,500	37,332,650	–	–	37,332,650	104,930,150
2044	–	37,335,050	–	–	37,335,050	37,335,050
2045	–	37,332,500	–	–	37,332,500	37,332,500
2046	–	37,334,000	–	–	37,334,000	37,334,000
2047	–	37,333,500	–	–	37,333,500	37,333,500
2048	–	18,417,250	–	–	18,417,250	18,417,250
2049	–	18,417,000	–	–	18,417,000	18,417,000
Total	<u>\$673,866,900</u>	<u>\$1,422,196,830</u>	<u>\$241,640,000</u>	<u>\$119,123,572</u>	<u>\$1,782,960,401</u>	<u>\$2,456,827,301</u>

<sup>1</sup> Numbers may not total due to rounding to nearest dollar.

<sup>2</sup> 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. The Authority is currently reviewing plans to issue one or more series of Additional Subordinate Obligations to refund all or a portion of the Senior Series 2013 Bonds.

<sup>3</sup> Excludes debt service on the Refunded Bonds. See “PLAN OF REFUNDING AND ESTIMATED SOURCES AND USES OF FUNDS.”

<sup>4</sup> The Existing Subordinate Bonds have a lien on Subordinate Net Revenues on parity with the other Subordinate Obligations (including the Subordinate Series 2020 Bonds). Principal of and interest on the Existing Subordinate Bonds does not reflect the application of PFCs to the payment of debt service on the Existing Subordinate Bonds.

<sup>5</sup> Does not reflect the application of cash subsidy payments the Authority received in Fiscal Year 2020 from the United States Treasury (the “Federal Direct Payments”), that were equal to a portion of the interest payable on the Authority’s previously Outstanding Subordinate Airport Revenue Bonds, Series 2010C (the “Subordinate Series 2010C Bonds”) to the payment of debt service on the Existing Subordinate Bonds. Upon the issuance of the Subordinate Series 2019 Bonds and the defeasance of the Subordinate Series 2010C Bonds, the Authority’s receipt of Federal Direct Payments ceased.

<sup>6</sup> 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 March 1, 2020, \$13,719,000 aggregate principal amount of Subordinate Revolving Obligations were outstanding and no Subordinate Drawdown Bonds were outstanding.

<sup>7</sup> Includes a portion of the interest on the Subordinate Series 2019 Bonds through July 1, 2022 to be paid from a portion of the proceeds of the Subordinate Series 2019 Bonds.

<sup>8</sup> The Subordinate Series 2020 Bonds have a lien on Subordinate Net Revenues on parity with the other Subordinate Obligations.

Source: San Diego County Regional Airport Authority and Frasca & Associates, LLC (only with respect to debt service on the Subordinate Series 2020 Bonds).

## **Future Financings**

The Authority expects to finance the costs of the ADP from various sources including, but not limited to, the proceeds of Additional Senior Bonds and/or Additional Subordinate Obligations. Other than the ADP, the Authority does not expect to issue any Additional Senior Bonds and/or Additional Subordinate Obligations to finance the costs of the other projects in the Capital Program. See “DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—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. The Authority is currently reviewing plans to issue one or more series of Additional Subordinate Obligations to refund all or a portion of the Senior Series 2013 Bonds.

## **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 2020 Bonds). All such leases are treated as operating leases by the Authority.

[Remainder of page intentionally left blank.]

As of July 1, 2019, 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
2020	\$10,176,660
2021	10,176,660
2022	10,176,660
2023	10,176,660
2024	10,176,660
2025-2029	50,883,300 <sup>1</sup>
2030-2034	50,883,300 <sup>1</sup>
2035-2039	50,883,300 <sup>1</sup>
2040-2044	50,883,300 <sup>1</sup>
2045-2049	50,883,300 <sup>1</sup>
2050-2054	50,883,300 <sup>1</sup>
2055-2059	50,883,300 <sup>1</sup>
2060-2064	50,883,300 <sup>1</sup>
2065-2069	<u>45,794,970</u> <sup>2</sup>
Total	<u>\$503,744,670</u>

<sup>1</sup> Total rental payments due during five Fiscal Year period. Rental payments are \$10,176,660 in each Fiscal Year.

<sup>2</sup> 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 five-year capital lease agreements for office equipment that require monthly payments of \$6,849.

**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 2020 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. As of March 1, 2020, the Series 2014 Special Facilities Bonds were outstanding in the aggregate principal amount of \$293,985,000. 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 2020 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 Updated Official Statement, the Authority has no outstanding Senior Repayment Obligations or Subordinate Repayment Obligations. See “APPENDIX C-2—SUMMARY OF MASTER SENIOR INDENTURE—Senior Repayment Obligations Afforded the Status of Senior Bonds” and “APPENDIX C-3—SUMMARY OF 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.

[Remainder of page intentionally left blank.]

The current members of the Board are set forth below.

<b>Board Members</b>	<b>Occupation</b>	<b>Appointing Authority</b>	<b>Current Term Expires</b>
<b><u>Executive Committee</u></b>			
C. April Boling (Chair)	Certified Public Accountant	Mayor, City of San Diego	January 31, 2021
Paul Robinson (Vice Chair)	Partner, Hecht Solberg Robinson Goldberg and Bagley LLP	Chair, San Diego County Board of Supervisors	January 31, 2023
Robert Lloyd	President/CEO, Lloyds Collision Center	Mayors, East County Cities	January 31, 2022
<b><u>General Members</u></b>			
Catherine Blakespear	Mayor, City of Encinitas	Mayor, North County Coastal Cities	January 31, 2023
Greg Cox	San Diego County Supervisor	Chair, San Diego County Board of Supervisors	January 31, 2022
Mark Kersey	Councilmember, City of San Diego	Mayor, City of San Diego	January 31, 2019 <sup>1</sup>
Johanna Schiavoni	Attorney	Mayor, City of San Diego	January 31, 2023
Paul McNamara	Mayor, City of Escondido; Executive Director, MCRD Museum Foundation	Mayors, North County Inland City Mayors	January 31, 2021
Mark West	Councilmember, Imperial Beach	Mayors, South County Cities	January 31, 2021
<b><u>Ex-Officio Members<sup>2</sup></u></b>			
Colonel Charles Dockery	Commander, Marine Corps Air Station Miramar	United States Navy/United States Marine Corps	N/A
Gayle Miller	Chief Deputy Director, Policy at the Department of Finance, State of California	Governor, State of California	N/A

<sup>1</sup> Mr. Kersey will continue to serve on the Board until a successor is appointed and confirmed. Mr. Kersey could also be reappointed to the Board.

<sup>2</sup> The Ex-Officio position on the Board reserved for the District Director of the State Department of Transportation for the San Diego region is currently vacant.

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.

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. As President/CEO, Ms. Becker is responsible for management oversight of the Authority and SDIA and the Authority's annual operating budget and five-year capital budget. Prior to joining the Authority, Ms. Becker served as Director of Aviation for the Norman Y. Mineta San José International Airport ("San José Airport") from 2013 to 2017. 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 spans more than 30 years and has included operations and environmental positions at Lockheed Air Terminal in Burbank, California, and Teterboro Airport in New Jersey. She is a member of the California Airports Council Board of Directors, the Gateway Airports Council Committee of Directors and a board member of the American Association of the Airport Executives International Facilitation Committee. Ms. Becker actively serves as a U.S. Policy Council Member and Large Hub

Committee Member for Airports Council International – North America, where she participates in policy discussions that affect U.S. airports. Locally, she serves on the Boards of the San Diego Regional Chamber of Commerce, the San Diego Regional Economic Development Corp. and the San Diego Tourism Authority. 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 in Daytona Beach, Florida

***Scott M. Brickner, Vice President, Chief Financial Officer.*** Scott Brickner is the Vice President, Chief Financial Officer of the Authority. Mr. Brickner held various senior management positions in the private sector prior to joining the Authority in 2009. He currently leads the Authority’s Accounting, Airline Relations, Finance & Risk Management, Information & Technology Services, and Procurement functions. Since joining the Authority, Mr. Brickner has led three airport revenue bond financings, and one special facility revenue bond financing totaling over \$1.5 billion. In 2016, he received the CFO of the Year Award from the San Diego Business Journal. Mr. Brickner serves on the Board of the San Diego Chapter of Financial Executives International and also serves on the Finance Committee of ACI. In 2019, he was named ACI’s Financial Professional of the Year for large hub airports. 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.

***Angela Shafer-Payne, Vice President, Chief Operations Officer.*** Angela Shafer-Payne is the Vice President, Chief Operations Officer of the Authority. Ms. Shafer-Payne oversees airside and landside operations, aviation security and public safety, 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.

***Dennis Probst, Vice President, Chief Development Officer.*** Dennis Probst is the Vice President, Chief Development Officer of the Authority. Mr. Probst oversees all aspects of planning, environmental affairs, capital improvements and facilities development. Major projects completed under his leadership include the new Federal Inspection Services (“FIS”) facility and the Terminal 2 Parking Plaza. Mr. Probst is currently overseeing the largest planned development program in the Authority’s history, the ADP. Prior to joining the Authority in December 2017, he was the Chief Operating Officer for the Metropolitan Airports Commission (Minneapolis-St. Paul). In that role, Mr. Probst was responsible for airport planning and development activities, information technology functions, and management and operation of Minneapolis-St. Paul International Airport and six general aviation airports in the Twin Cities metropolitan area. Mr. Probst holds a Bachelor of Science degree in civil engineering, a bachelor of arts degree in architecture and a master of architecture degree from Iowa State University.

***Lee Parravano, Chief Auditor.*** Lee Parravano is the Chief Auditor for the Authority. Prior to joining the Authority on April 4, 2018, Mr. Parravano served for five years as the Internal Auditor at the San Diego City Employees’ Retirement System, the Authority’s pension plan administrator. He also worked for White Nelson Diehl Evans, an accounting, audit, and tax management advisory firm, as a senior audit manager for 11 years. Mr. Parravano holds a Bachelor of Arts degree with a major in business economics from the University of California Santa Barbara and is a licensed Certified Public Accountant, a Certified Internal Auditor, and a Chartered Global Management Accountant.

***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 19 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 409 full-time employees. Approximately 133 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 133 employees are governed by a labor agreement between the Authority and Teamsters Local 911, which will expire on September 30, 2020.

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 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 January 2020, SDIA handled air transportation for 17 passenger airlines. In Fiscal Year 2019, SDIA enplaned approximately 12.4 million passengers (which represented an approximately 5.3% increase in enplaned passengers from the fiscal year ended June 30, 2018). For the calendar year ended December 31, 2019, approximately 96% of the passengers using SDIA were O&D passengers. According to ACI statistics, for the calendar year ended December 31, 2018, SDIA was ranked as the 24<sup>th</sup> 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. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Airport Development Plan" for a discussion of the Authority's plans to potentially replace Terminal 1 with a new terminal of up to 30 gates.

Approximately 6,800 public parking spaces, operated by the Authority, are currently available at the Airport, including (a) approximately 5,141 short-term parking spaces located directly in front of Terminals 1 and 2 (consisting of two surface lots and the new Terminal 2 Parking Plaza that opened in 2018), (b) approximately 1,123 long-term parking spaces located in a remote lot, (c) approximately 84 spaces in a free cell phone lot located east of the Authority's administration offices, and (d) approximately 450 valet parking spaces, with curbside drop-off in front of Terminals 1 and 2. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Airport Development Plan" for a discussion of the Authority's plans to potentially construct a new parking structure adjacent to Terminal 1 that would contain approximately 5,500 parking spaces, which, when combined with the parking spaces that will be lost as a result of the ADP, will add a total of approximately 650 new, permanent parking spaces 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 6.7 acres of land. In September 2019, the Authority began constructing a new 80,000 square foot passenger airline belly cargo and provisioning facility consisting of an approximately 80,000 square foot building located on approximately eight acres of land on the south side of the Airport. The Authority currently anticipates that the facility will be leased to various airlines operating at the Airport. The Authority is currently negotiating the terms of separate lease agreements for the facility. The Authority expects the facility to be completed in late 2020 and operations to begin in Fiscal Year 2021.

The Authority also has selected a developer to design, build, finance, operate and maintain a new, 150,000 square foot, integrated cargo operator facility 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 are located at the Airport or on land located near the Airport, including, among others, a control tower, central utilities plant and fuel facilities. The previous Commuter Terminal, a three-story building with approximately 133,000 square-feet, currently serves as the offices of the Authority. See “DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Airport Development Plan” for a discussion of the Authority’s plans to construct new administrative offices as a result of the demolition of the Commuter Terminal in connection with construction of the new Terminal 1.

[Remainder of page intentionally left blank.]

## Air Carriers Serving SDIA

As of January 2020, 17 passenger airlines provided service from SDIA to a total of 64 U.S. cities and nine international cities, and five air carriers provided scheduled all-cargo service at SDIA. The following table sets forth the air carriers serving SDIA as of January 2020. See “AIRLINE INDUSTRY INFORMATION.”

**TABLE 5**  
**San Diego International Airport**  
**Air Carriers Serving San Diego International Airport**  
**(As of January 2020)**

U.S. Carriers	Foreign Flag Carriers	All-Cargo Carriers
Alaska Airlines <sup>1</sup>	Air Canada <sup>5</sup>	Ameriflight
Allegiant Air	British Airways <sup>6</sup>	Atlas Air
American Airlines <sup>2</sup>	Edelweiss Air	FedEx
Delta Air Lines <sup>3</sup>	Japan Airlines	United Parcel Service
Frontier Airlines	Lufthansa Airlines <sup>6</sup>	West Air
Hawaiian Airlines	WestJet Airlines	
JetBlue Airways		
Southwest Airlines		
Spirit Airlines		
Sun Country Airlines		
United Airlines <sup>4</sup>		

<sup>1</sup> Operated by Alaska Airlines and Horizon Air, separately certificated airlines owned by Alaska Air Group, Inc. (“Alaska Air Group”) and regional affiliate, SkyWest Airlines.

<sup>2</sup> Operated by American Airlines and regional affiliates, Compass Air and SkyWest Airlines. Compass Air recently announced that it would cease operating in April 2020.

<sup>3</sup> Operated by Delta Air Lines and regional affiliates, Compass Air and SkyWest Airlines. Compass Air recently announced that it would cease operating in April 2020.

<sup>4</sup> Operated by United Airlines and regional affiliate, SkyWest Airlines.

<sup>5</sup> Operated by affiliates, Air Canada Jazz and Air Canada Jazz Rouge.

<sup>6</sup> British Airways and Lufthansa have temporarily ceased operating at SDIA because of the international flight restrictions instituted as a result of the COVID-19 outbreak.

Source: San Diego County Regional Airport Authority

## Aviation Activity

In Fiscal Year 2019, SDIA enplaned approximately 12.4 million passengers (which represented an approximately 5.3% increase in enplaned passengers from the fiscal year ended June 30, 2018). For the calendar year ended December 31, 2018, approximately 96% of the passengers using SDIA were O&D passengers. According to ACI statistics, for the calendar year ended December 31, 2018, SDIA was ranked as the 24<sup>th</sup> busiest airport in the country as measured by total number of enplaned and deplaned passengers. During January 2020, passenger airlines and cargo carriers were operating approximately 275 departures daily at SDIA. See “INTRODUCTION—Recent Developments – COVID-19 Outbreak” and “CERTAIN INVESTMENT CONSIDERATIONS—COVID-19.”

[Remainder of page intentionally left blank.]

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 six months of Fiscal Years 2019 and 2020. Over the last ten Fiscal Years, total enplanements increased approximately 46%, with domestic enplanements increasing approximately 42% and international enplanements increasing approximately 356%.

**TABLE 6**  
**San Diego International Airport**  
**Total Enplanements and Deplanements**

Fiscal Year	Enplanements					Deplanements			Total Enplanements and Deplanements	
	Domestic Enplanements	Percent of Total	International Enplanements	Percent of Total	Total Enplanements	Percent Change	Total Deplanements	Percent Change	Total Enplanements and Deplanements	Percent Change
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
2017	10,194,718	96.2	401,765	3.8	10,596,483	3.8	10,543,584	3.5	21,140,067	3.6
2018	11,257,939	96.0	473,894	4.0	11,731,833	10.7	11,702,560	11.0	23,434,393	10.9
2019	11,832,512	95.8	523,774	4.2	12,356,286	5.3	12,335,387	5.4	24,691,673	5.4
<b><i>First Six Months<sup>1</sup></i></b>										
2019	6,012,296	95.7%	272,232	4.3%	6,284,528	—	6,297,231	—	12,581,759	—
2020	6,282,391	95.9	270,978	4.1	6,553,369	4.3%	6,553,597	4.1%	13,106,966	4.2%

<sup>1</sup> July 1 through December 31. Results for the first six months of Fiscal Year 2020 may not be indicative of results for the full Fiscal Year 2020. See “INTRODUCTION—Recent Developments—COVID-19 Outbreak” and “CERTAIN INVESTMENT CONSIDERATIONS—COVID-19.”  
Source: San Diego County Regional Airport Authority

[Remainder of page intentionally left blank.]

The following table sets forth total revenue operations (landings and takeoffs) at SDIA for Fiscal Years 2010 through 2019 and the first six months of Fiscal Years 2019 and 2020.

**TABLE 7**  
**San Diego International Airport**  
**Revenue Operations**

<b>Fiscal Year</b>	<b>Total Operations<sup>1</sup></b>	<b>Operations Growth</b>
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)
2017	201,011	3.5
2018	218,671	8.8
2019	227,931	4.2
 <b><i>First Six Months<sup>2</sup></i></b>		
2019	115,894	—
2020 <sup>3</sup>	119,317	3.0%

<sup>1</sup> For revenue-related departures and arrivals.

<sup>2</sup> July 1 through December 31. Results for the first six months of Fiscal Year 2020 may not be indicative of results for the full Fiscal Year 2020. See “INTRODUCTION—Recent Developments—COVID-19 Outbreak” and “CERTAIN INVESTMENT CONSIDERATIONS—COVID-19.”

<sup>3</sup> Estimated.

Source: San Diego County Regional Airport Authority

[Remainder of page intentionally left blank.]



## Air Cargo

The following table sets forth information concerning cargo traffic (enplaned and deplaned cargo) over the last ten Fiscal Years and the first six months of Fiscal Years 2019 and 2020.

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

<b>Fiscal Year</b>	<b>Freight</b>	<b>Annual Percentage Change</b>	<b>U.S. Mail</b>	<b>Annual Percentage Change</b>	<b>Total</b>	<b>Annual Percentage Change</b>
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
2017	166,446	0.8	22,161	7.5	188,606	1.6
2018	167,352	0.5	24,198	9.2	191,550	1.6
2019	162,231 <sup>1</sup>	(3.1)	24,238	1.0	186,469	(2.5)
<b><i>First Six Months</i></b> <sup>2</sup>						
2019	84,838	—	N/A <sup>3</sup>	—	84,838	—
2020 <sup>3</sup>	77,667	(8.5)%	N/A <sup>3</sup>	—	77,667	(8.5)%

<sup>1</sup> In October 2018, Amazon opened a new “air gateway” near Ontario International Airport. Amazon transports cargo through Ontario International Airport and then uses ground transportation to delivery items into the San Diego area.

<sup>2</sup> July 1 through September 30. Results for the first six months of Fiscal Year 2020 may not be indicative of results for the full Fiscal Year 2020. See “INTRODUCTION—Recent Developments—COVID-19 Outbreak” and “CERTAIN INVESTMENT CONSIDERATIONS—COVID-19.”

<sup>3</sup> In accordance with new rules imposed by the U.S. Postal Service, as of August 2019, FedEx ceased reporting U.S. Mail tonnage. Over the last several years, FedEx carried approximately two-thirds of all U.S. Mail out of SDIA.

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 2019, Southwest accounted for approximately 37.7% of the enplanements at SDIA, 35.7% of the landed weight at SDIA and 14.4% 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 2019 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.

[Remainder of page intentionally left blank.]

**TABLE 9**  
**San Diego International Airport**  
**Enplanements By Air Carriers**  
**(Ranked on 2019 Results)<sup>1</sup>**

<u>Air Carrier</u>	<u>Fiscal Year 2015</u>	<u>2015 Percent Share</u>	<u>Fiscal Year 2016</u>	<u>2016 Percent Share</u>	<u>Fiscal Year 2017</u>	<u>2017 Percent Share</u>	<u>Fiscal Year 2018</u>	<u>2018 Percent Share</u>	<u>Fiscal Year 2019</u>	<u>2019 Percent Share</u>
Southwest	3,736,688	38.5%	3,840,455	37.6%	3,967,487	37.4%	4,457,984	38.0%	4,656,029	37.7%
Alaska <sup>2</sup>	1,172,634	12.1	1,249,548	10.9	1,326,087	10.7	1,578,470	13.5	1,702,289	13.8
United <sup>3</sup>	1,180,300	12.2	1,347,650	11.4	1,396,671	11.9	1,501,572	12.8	1,593,244	12.9
Delta <sup>4</sup>	1,268,168	13.1	1,234,034	10.4	1,268,737	10.3	1,362,135	11.6	1,504,544	12.2
American <sup>5</sup>	1,398,936	14.4	1,495,078	13.4	1,454,495	12.6	1,492,627	12.7	1,467,899	11.9
Spirit	252,219	2.6	327,183	3.2	287,208	2.7	318,201	2.7	323,623	2.6
Frontier	150,595	1.6	118,990	1.2	180,235	1.7	254,760	2.2	277,320	2.2
JetBlue	178,590	1.8	182,605	1.8	224,700	2.1	248,325	2.1	230,909	1.9
Hawaiian	96,963	1.0	102,462	1.0	107,776	1.0	108,971	0.9	149,744	1.2
Air Canada <sup>6</sup>	41,175	0.4	48,985	0.5	93,274	0.9	110,684	0.9	130,404	1.1
British Airways <sup>7</sup>	84,263	0.9	89,723	0.9	90,200	0.9	82,543	0.7	83,492	0.7
Japan Airlines	59,372	0.6	59,647	0.6	59,916	0.6	62,034	0.5	66,688	0.5
Lufthansa <sup>7</sup>	0	0.0	0	0.0	0	0.0	13,037	0.1	49,974	0.4
WestJet	33,723	0.3	34,516	0.3	41,043	0.4	39,285	0.3	42,939	0.3
Sun Country Airlines	28,732	0.3	34,886	0.3	40,109	0.4	41,466	0.4	40,167	0.3
Allegiant	7,406	0.1	16,825	0.2	49,480	0.5	44,934	0.4	30,750	0.2
Others <sup>8</sup>	<u>23,302</u>	<u>0.2</u>	<u>23,635</u>	<u>0.2</u>	<u>9,065</u>	<u>0.0</u>	<u>14,805</u>	<u>0.1</u>	<u>6,271</u>	<u>0.1</u>
Total Enplanements	<u>9,713,066</u>	<u>100.0%</u>	<u>10,206,222</u>	<u>100.0%</u>	<u>10,596,483</u>	<u>100.0%</u>	<u>11,731,833</u>	<u>100.0%</u>	<u>12,356,286</u>	<u>100.0%</u>

<sup>1</sup> Totals may not add due to rounding.

<sup>2</sup> In December 2016, Alaska Air Group acquired Virgin America Inc. Alaska and Virgin received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. Enplanements are for Alaska, Virgin America and Alaska's regional carrier service provided by Horizon and SkyWest.

<sup>3</sup> Enplanements are for United and its regional carrier service provided by SkyWest.

<sup>4</sup> Enplanements are for Delta and its regional carrier service provided by Compass and SkyWest. Compass Air recently announced that it would cease operating in April 2020.

<sup>5</sup> 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 and American's regional carrier service provided by Compass. Compass Air recently announced that it would cease operating in April 2020.

<sup>6</sup> Enplanements are for Air Canada Rouge and Jazz Aviation, both affiliates for Air Canada.

<sup>7</sup> British Airways and Lufthansa have temporarily ceased operating at SDIA because of the international flight restrictions instituted as a result of the COVID-19 outbreak.

<sup>8</sup> "Others" includes airlines that ceased operating at SDIA during the period shown in the table, and airlines with a Fiscal Year 2019 market share of less than 0.2%.

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 2019 results.

**TABLE 10**  
**San Diego International Airport**  
**Total Revenue Landed Weight**  
**(Ranked on Fiscal Year 2019 Results)**  
**(in thousands of lbs.)<sup>1</sup>**

<u>Airline/Cargo Carrier</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019% of Total</u>
Southwest	4,214,314	4,257,162	4,470,104	4,924,451	5,180,064	35.8%
Alaska <sup>2</sup>	1,265,328	1,360,980	1,545,488	1,828,522	1,995,130	13.8
United <sup>3</sup>	1,394,106	1,461,056	1,515,672	1,611,065	1,701,559	11.8
Delta <sup>4</sup>	1,304,596	1,361,671	1,416,839	1,484,342	1,616,827	11.2
American <sup>5</sup>	1,499,407	1,620,768	1,576,026	1,627,081	1,566,041	10.8
FedEx	384,686	444,038	390,716	388,782	375,807	2.6
Spirit	296,925	351,977	286,162	328,424	331,366	2.3
JetBlue	193,848	199,232	244,364	293,160	281,715	1.9
Frontier	153,880	115,238	167,590	232,794	247,145	1.7
Hawaiian	146,284	147,406	147,568	161,486	237,560	1.6
British Airways <sup>6</sup>	166,980	183,760	217,360	208,926	210,432	1.5
United Parcel Service	127,660	135,318	146,778	143,678	138,860	1.0
Japan Airlines	138,700	139,080	139,626	138,745	138,700	1.0
Air Canada <sup>7</sup>	48,216	57,375	101,552	116,381	138,417	1.0
Lufthansa <sup>6</sup>	0	0	0	29,727	103,322	0.7
Atlas Air	28,560	72,890	71,988	70,278	71,076	0.5
Sun Country	35,163	41,302	48,589	49,687	44,972	0.3
WestJet	36,080	37,144	44,880	39,488	42,540	0.3
Allegiant	7,053	17,403	57,227	47,516	31,927	0.2
Others <sup>8</sup>	<u>81,933</u>	<u>49,115</u>	<u>27,538</u>	<u>45,412</u>	<u>27,770</u>	<u>0.2</u>
Total	<u>11,523,720</u>	<u>12,052,913</u>	<u>12,616,066</u>	<u>13,769,945</u>	<u>14,481,229</u>	<u>100.0%</u>
Annual % Change	3.0%	4.6%	4.7%	9.1%	5.2%	

<sup>1</sup> Totals may not add due to rounding.

<sup>2</sup> In December 2016, Alaska Air Group acquired Virgin America Inc. Alaska and Virgin received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. Landed weight is for Alaska, Virgin America and Alaska's regional carrier service provided by Horizon and SkyWest.

<sup>3</sup> Landed weight is for United and its regional carrier service provided by SkyWest.

<sup>4</sup> Landed weight is for Delta and its regional carrier service provided by Compass and SkyWest. Compass Air recently announced that it would cease operating in April 2020.

<sup>5</sup> 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 both American and US Airways and American's regional carrier service provided by Compass. Compass Air recently announced that it would cease operating in April 2020.

<sup>6</sup> British Airways and Lufthansa have temporarily ceased operating at SDIA because of the international flight restrictions instituted as a result of the COVID-19 outbreak.

<sup>7</sup> Landed weight is for Air Canada Rouge and Jazz Aviation, both affiliates for Air Canada.

<sup>8</sup> "Others" includes airlines/cargo carriers that ceased operating at SDIA during the period shown in the table, and airlines/cargo carriers with a Fiscal Year 2019 market share of less than 0.2%.

Source: San Diego County Regional Airport Authority

## Emergency Preparedness

***Airport Emergency Plan.*** 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 AEP is reviewed with stakeholders on a regular basis and exercises (i.e. tabletop or full-scale field) are conducted annually to test the readiness of the plan.

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.

***Business Continuity Plan.*** 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.

All employees of the Authority are responsible for maintaining the continuous operation of the organization in the event of a disaster. 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.

***Financial Resilience Plan.*** Additionally, the Authority has developed a Financial Resilience Plan (the “Financial Resilience Plan”) which contains actions to be taken by the Authority to ensure the Authority’s ability to navigate through events that create financial stress on the Authority, such as the current COVID-19 outbreak. The Financial Resilience Plan includes three levels of Authority responses based on the threat level to the Authority’s finances.

### **Level 1**

- Actual or anticipated moderate threat; expected slower revenue growth or increased expenses; impacts current and potentially the following fiscal year
- Moderate measures to be implemented
- Target Result:
  - Meet expense budget parameters
  - Protect revenue budget at highest level possible

## Level 2

- Actual or anticipated substantial threat: expected significant impact to budgeted net income; impacts current and potentially future fiscal years;
- Significant measures to be implemented; protect net income in current and future fiscal years to highest extent possible
- Target Result:
  - Ensure major metrics (debt service coverage; cost per enplanement; days' cash on hand) maintained to preserve senior credit rating of "A" or higher
  - Preserve as much air service to region as possible

## Level 3

- Imminent threat or actual occurrence: expected severe impact to budgeted net income; impacts current and future fiscal years
- Drastic measures to be implemented; protect net income and major metrics (debt service coverage; cost per enplanement; days' cash on hand) in current and future fiscal years to highest extent possible
- Target Result:
  - Keep cost per enplanement at a level that protects air service
  - Preserve Authority's senior credit rating of "A or higher"

As a direct result of the current COVID-19 outbreak, the Authority has activated its Financial Resilience Plan and is implementing the Level 2 and most of the Level 3 measures, including:

- (1) Hiring freeze on all Authority positions – CEO approval required for all new hires
- (2) Capital Program – delaying non-ADP and non-mission critical project spending
- (3) Delaying or reducing non-essential expenditures (i.e., travel, training, shuttle services, consulting services, certain major maintenance, equipment, supplies, marketing and landscaping)
- (4) Government Relations team working with industry groups and regional U.S. Congressional delegation to seek federal assistance
- (5) Evaluating measures to assist airlines and concessionaires

See "CERTAIN INVESTMENT CONSIDERATIONS—COVID-19" for additional information on the effects the outbreak is having on the operations and finances of the Authority and the airline industry.

## **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.

### **Agreements with Passenger Airlines and All-Cargo Carriers**

***Airline Lease Agreements.*** The Authority has entered into separate, but substantially similar, Airline Operating and Lease Agreements (the “Airline Lease Agreements”) with 12 passenger airlines operating at SDIA (the “Signatory Passenger Airlines”) and 3 all-cargo carriers (the “Signatory Cargo Carriers,” and together with the Signatory Passenger Airlines, the “Signatory Airlines”). The Signatory Passenger Airlines are currently Air Canada, Alaska, American, Delta, Frontier, Hawaiian, Japan Airlines, JetBlue, Southwest, Spirit, United and WestJet; and the Signatory Cargo Carriers are currently Atlas, FedEx and UPS. 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, 2019 and terminating on June 30, 2029, unless terminated earlier pursuant to their terms.

Under the Airline Lease Agreements, the Signatory Passenger Airline operating in Terminal 1-East (Southwest) has exclusive rights to use the “Exclusive Use Premises” which consist of ticket counters, free-standing self-service kiosks, skycab podiums, curbside positions, and associated passenger queuing areas (on a transitional basis until the new Terminal 1 facilities are constructed), ticket and baggage service offices and operational support areas. Under the Airline Lease Agreements, the Signatory Passenger Airlines operating in Terminal 1-West (Frontier, JetBlue, Spirit, and WestJet) and Terminal 2 (Air Canada, Alaska, American, Delta, Hawaiian, Japan Airlines and United) operate under “Common Use Premises” for ticket counters, free-standing self-service kiosks, skycab 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 passenger hold rooms, passenger screening, baggage claim areas, passenger loading bridges, baggage handling systems, and information displays and paging; “Public Areas,” which include sidewalks, concourses, corridors, lobbies, passageways, restrooms, elevators, escalators and other similar space made available by the Authority from time to time; and “Airfield Areas,” which include (1) facilities, equipment, improvements, runways, taxiways, and control towers, for the purpose of controlling or assisting arrivals, departures and operations of aircraft, (2) all airline apron areas not leased exclusively, including without limitation Aircraft Parking Positions (3) other airport-related facilities operated and maintained by the FAA or any other federal agency, (4) security fences and service roads located on the Airport and related to the rest of the Airfield Area, (5) signals, beacons, wind indicators, flood lights, landing lights, boundary lights, construction lights, radio and electronic aids or other aids to operations, navigation or ground control of aircraft whether or not of a type herein mentioned and even though located away from but related to the rest of the Airfield Area, (6) aircraft rescue and fire-fighting services, (7) aircraft fueling systems, and (8) noise monitoring/mitigation program costs.

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 set at the beginning of each Fiscal Year by first determining the airfield area requirement. The airfield area requirement is calculated as: (a) the sum of Operation and Maintenance Expenses of the Airport System, annual net debt service, amortization charges, reserve deposits, coverage charges, Major Maintenance Fund deposits and bad debt expenses attributable or allocable to the airfield, and fuel system costs; minus (b) the sum of fuel flowage fee revenue, fingerprinting revenue, ground handling concession revenue, 70% of inflight catering revenue and any federal, State or local grants that are attributable or allocable to the airfield. The landing fee rate is then calculated by subtracting the sum of non-signatory landing fees, aircraft parking position rentals,

aircraft parking position turn fees and aircraft parking position overnight fees from the airfield area requirement and then dividing such result by the cumulative maximum gross landed weight of the Signatory Airlines for the Fiscal Year.

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 set at the beginning of each Fiscal Year by first determining the base terminal area rental rate and the supplemental terminal rental rate. The base terminal area rental rate is calculated as: (a) the sum of Operation and Maintenance Expenses of the Airport System, annual net debt service, amortization charges and reserve deposits attributable or allocable to the terminal, minus (b) FIS fee revenues and any federal, State or local grants received to offset Operation and Maintenance Expenses of the Airport System, annual net debt service or reserve deposits attributable or allocable to the terminal, divided by (c) the total square footage of leasable space in the terminal. The supplemental terminal rental rate is calculated as (i) the sum of coverage charges, Major Maintenance Fund deposits and bad debt expenses attributable or allocable to the terminal, divided by (ii) the square footage of spaced leased by the airlines in the terminal. The base terminal area rental rate and the supplemental terminal rental rate are then added together to calculate the terminal rental rate.

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, aircraft parking position fees, aircraft parking position turn fees and aircraft parking position overnight fees. As described above, as part of the landing fee rate and the terminal rental rate, the Signatory Airlines have agreed to pay coverage charges which are equal to the sum of (a) 140% of the debt service on the Senior Bonds, the Subordinate Obligations and any other indebtedness of the Authority, plus (b) the Operation and Maintenance Expenses of the Airport System, minus (c) Revenues and PFCs used to pay debt service on the Senior Bonds, the Subordinate Obligations and any other indebtedness of the Authority.

Pursuant to the Airline Lease Agreements, for each Fiscal Year, the Authority is required to develop budgeted landing fee rates, terminal rental rates, aircraft parking position rentals and fees, joint use fees, and common use fees. 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 rents, fees, and charges. Pursuant to the Airline Lease Agreements, the Authority will review the rents, fees, and charges at least once during the Fiscal Year. If during any review the Authority finds that the estimated rents, fees, and charges vary by more than 5% from those originally budgeted or previously estimated by the Authority, the Authority may, after consultation with the Signatory Airlines, adjust the rents, fees, and charges.

Within six months after the close of each Fiscal Year, the Authority will calculate the final rent, fees and charges based on actual results for the Fiscal Year. Any difference between the budgeted rents, fees, and charges paid by the Signatory Airlines and the actual rents, fees, and charges chargeable to the Signatory airlines based on actual results shall be either refunded by the Authority or the Signatory Airlines shall pay the Authority the difference. If the actual rents, fees and charges paid by a Signatory Airline in a Fiscal Year are less than \$500,000 (for a Signatory Passenger Airline) or \$250,000 (for a Signatory Cargo Airline), such Signatory Airline will be required to make a supplemental payment to the Authority so that total payments for the Fiscal Year are at least \$500,000 (for a Signatory Passenger Airline) or \$250,000 (for a Signatory Cargo Airline). 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 within 30 days of the invoice.

Except as described below with respect to Off-Airport Public Transportation Projects, the Airline Lease Agreements do not require the Authority to receive the approval of the Signatory Airlines for the construction of the projects included in the Master Plan, the Capital Program or the ADP. Under the Airline Lease Agreements the Signatory Airlines have agreed that the Authority can fund one or more Off-Airport Public Transportation Projects that are approved by the FAA. The Signatory Airlines have agreed to \$75 million in funding of Off-Airport Public Transportation Projects with no contribution from other agencies, an additional \$125 million with \$200 million in legally binding commitments from third parties, and an additional \$150 million with an additional \$150 million in legally binding commitments from third parties. The aggregate Authority contribution cannot exceed \$350 million without Signatory Airline approval.

In accordance with the Airline Lease Agreement, the Authority has established the Major Maintenance Fund to fund capital projects in the airfield area, the terminal area, for common use systems and airline terminal support costs centers and capital projects in indirect cost centers to the extent allocable to the airfield area, the terminal area, for common use systems and for airline terminal support cost centers. Each Fiscal Year, the Authority has agreed to deposit \$40 million to the Major Maintenance Fund from the following revenue sources: \$15 million from the airfield area; \$15 million from the terminal area; and \$10 million from non-airline revenues.

See “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF AIRLINE LEASE AGREEMENT” for a more detailed description of certain terms of the Airline Lease Agreements.

***Affiliate Airline Operating Agreements.*** 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) fly in or out of the Airport solely for the benefit of a Signatory Airline and providing transportation of property or passengers for the Signatory Airline under the name of the Signatory Airline, (d) if flying under its own name, not selling any seats in its own name and all seats are being sold in the name of the Signatory Airline or (e) a wholly-owned subsidiary of the Signatory Airline or a subsidiary of the same corporate parent as the Signatory Airline. 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**

<b>Signatory Passenger Airline</b>	<b>Affiliate Airline</b>
Air Canada	Air Canada Rouge
Air Canada	Jazz Aviation
Alaska Airlines	Horizon Air
Alaska Airlines	SkyWest Airlines
American Airlines	Compass Air <sup>1</sup>
Delta Air Lines	Compass Air <sup>1</sup>
United Airlines	SkyWest Airlines

<sup>1</sup> Compass Air recently announced that it would cease operating in April 2020.

Source: San Diego County Regional Airport Authority

***Non-Signatory Airline Operating Agreements.*** Passenger airlines and cargo carriers operating at SDIA that are not a party to an Airline Lease Agreement or an Affiliate Airline Operating Agreement (the “Non-Signatory Airlines”), operate at the Airport pursuant to a Non-Signatory Airline Operating Agreement. The Non-Signatory Airlines are currently Allegiant, British Airways, Edelweiss, Lufthansa, Sun County, Ameriflight and WestAir. The terms of the Non-Signatory Airline Operating Agreements are generally the same as the terms of the Airline Lease Agreements, except that the landing fees and terminal rentals paid by the Non-Signatory Airlines are higher than the fees and rates paid by the Signatory Airlines under the Airline Lease Agreements (20% higher), except for FIS fees.

See “FINANCIAL INFORMATION—Summary of Financial Results” for information with respect to aviation revenues collected by the Authority in Fiscal Year 2019.

### **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 September 30, 2021, however, the agreement has an option for two 1-year extensions, that may be exercised at the sole discretion of the Authority. 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 expenses incurred in the management and operation of the parking facilities.

The Authority sets rates for parking in the Authority’s public parking lots. For Fiscal Year 2020, long-term parking rates will be \$20 per day (\$15 per day with an advance reservation), and short-term parking rates will be \$6 for the first hour and a maximum of \$32 for the first day, with every additional day being \$32 per day (the daily rate is \$19 per day with an advance reservation).

For Fiscal Year 2020, valet parking rates will be \$40 per day. Customers who reserve parking in advance of arriving at SDIA pay a discounted rate for valet parking (\$35 per day). Public parking accounted for approximately \$46.7 million of operating revenues in Fiscal Year 2019, equal to approximately 15.8% of operating revenues or approximately 34.6% of nonairline revenues.

## **Rental Car Agreements**

As of January 31, 2020, there were 12 rental car companies (operating a total of 18 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 (Fox, Nu Car, Payless and Silvercar by Audi) and local brands (Ace, Mex Rent a Car and Pacific). Fourteen of the brands lease space within and operate from the Rental Car Center (the “On-Airport Rental Car Companies”). The remaining four 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, on October 4, 2012, the Board authorized the following CFC collection rates on rental cars rented from the rental car companies operating at SDIA: \$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 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 costs of 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 2020 Bonds).

The Authority received approximately \$34.3 million in payments (not including CFCs) from the On-Airport Rental Car Companies and Off-Airport Rental Car Companies in Fiscal Year 2019. The Authority recorded the receipt of approximately \$41.9 million of CFC revenues in Fiscal Year 2019. The CFC revenues are not pledged to or available to pay the Subordinate Series 2020 Bonds. The CFC revenues are pledged to and are used to pay the Series 2014 Special Facilities Bonds and other costs related to the Rental Car Center.

### **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 on the date the applicable concession space was 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 on the date the applicable concession space was 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 2019, gross sales for food and beverage outlets were \$96.1 million, providing approximately \$14.0 million in operating revenues to the Authority (which equaled a percentage of the gross sales for food and beverage outlets). For Fiscal Year 2019, gross sales for gift, news and specialty retail outlets were \$50.7 million, providing approximately \$8.2 million in operating revenues to the Authority (which equaled a percentage of the gross sales for gift, news and specialty retail outlets).

Effective November 1, 2018, the Authority entered into a new in-terminal advertising lease with Clear Channel. The in-terminal advertising lease has a ten-year term and provides for payments from Clear Channel equal to the greater of a MAG or a percentage of gross income received by Clear Channel from advertisements at SDIA. From November 1, 2018 through June 30, 2019, gross advertising income was \$1.9 million, providing approximately \$1.0 million in operating revenues to the Authority.

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. Additionally, the Authority recovers certain costs of operating the concession program and collects a marketing fee from the concessionaires to promote the program.

## **FINANCIAL INFORMATION**

### **Summary of Financial Operations**

**Budgeting Process.** The Authority operates on a July 1 through 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 October with senior management collaborating with the Board to update, review and formulate the strategies and initiatives that will drive business performance. From October to 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. Meetings are held with each division to review their budget requests and weigh the cost/benefit impact, where appropriate.

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 other tenants.

From April to 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 May 30, 2019, the Board adopted the budget for Fiscal Year 2020 and approved, in concept, the budget for Fiscal Year 2021. The conceptual budget for Fiscal Year 2021 approved by the Board will be brought back to the Board in 2020 for review, any needed revisions and final adoption.

In 2019, the Authority received its 14<sup>th</sup> 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 2019.

*Fiscal Year 2020 Budget and Interim Results for Fiscal Year 2020.* Budgeted operating and non-operating revenues for Fiscal Year 2020 are \$476.8 million, an increase of \$64.3 million (or 15.6%) over Fiscal Year 2019 budgeted operating and non-operating revenues. This increase can be primarily attributed to an increase in airline revenues, ground transportation revenue, rental car revenue, terminal concessions, PFCs, interest income and capital grant contributions. Budgeted expenses for Fiscal Year 2020 are projected to increase \$18.0 million, or 6.0%, over Fiscal Year 2019 budgeted expenses (which were \$299.7 million). This increase is primarily attributable to increases in debt service costs, personnel costs and utilities. The Fiscal Year 2020 budget assumes 12.6 million enplaned passengers, as compared to (a) 11.8 million enplaned passengers in the Fiscal Year 2019 budget (a 6.4% increase), and (b) 12.4 million actual enplaned passengers for Fiscal Year 2019 (a 2.2% increase).

Through February 29, 2020, operating Revenues exceeded budget by 3.2% and operating expenses were 5.0% under budget. PFC revenues exceeded budget by 3.9% and CFC revenues were flat to budget. Enplanements through February 2020 were 4.7% higher than the same period through February 2019 and exceeded budget by 2.2%. Results for the first eight months of Fiscal Year 2020 may not be indicative of results for the full Fiscal Year 2020. See "INTRODUCTION—Recent Developments—COVID-19 Outbreak" and "CERTAIN INVESTMENT CONSIDERATIONS—COVID-19."

*Conceptual Fiscal Year 2021 Budget.* Budgeted operating and non-operating revenues for Fiscal Year 2021 are \$496.1 million, an increase of \$19.3 million (or 4.0%) over Fiscal Year 2020 budgeted operating and non-operating revenues. This increase can be primarily attributed to an increase in airline revenues and ground transportation revenues. Budgeted expenses for Fiscal Year 2021 are projected to increase \$17.5 million, or 5.5%, over Fiscal Year 2020 budgeted expenses (which are \$317.6 million). This increase is primarily attributable to increases in debt service costs, personnel costs, safety and security costs and maintenance. The Fiscal Year 2021 budget assumes 12.8 million enplaned passengers, versus 12.6 million enplaned passengers in the Fiscal Year 2020 budget (a 2.0% increase). See "CERTAIN INVESTMENT CONSIDERATIONS—COVID-19."

**Internal Controls.** The Authority's Vice President, Chief Financial Officer 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 2019. 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) a debt service coverage target (Net Revenues (which, for purposes of the Debt Policies, includes PFCs used to pay debt service) divided by annual debt service) of 1.40 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 600 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.

[Remainder of page intentionally left blank.]

The following table sets forth a summary of the Authority’s investments as of June 30, 2019:

**TABLE 12**  
**San Diego County Regional Airport Authority**  
**Investments**  
**(As of June 30, 2019)**

<u>Security Type</u>	<u>Market Value as of June 30, 2019</u>	<u>Percentage of Portfolio</u>
U.S. Agency Securities	\$135,540,168	25.6%
U.S. Treasuries	115,975,780	21.9
Medium Term Notes	67,172,042	12.7
San Diego County Investment Pool	56,765,755	10.7
Local Area Investment Fund (LAIF)	50,095,523	9.5
Collateralized Bank Demand Deposits	40,558,128	7.7
Negotiable Certificates of Deposit	18,914,775	3.6
Cal Trust	15,952,044	3.0
Certificates of Deposit	15,923,749	3.0
Supra Nationals	12,687,291	2.4
Money Market Fund	<u>153,611</u>	<u>&lt;0.0</u>
Total	<u>\$529,738,866</u>	<u>100.0%</u>

Source: San Diego County Regional Airport Authority June 30, 2019 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 Updated Official Statement, the Authority has not entered into any contracts for derivative financial products.

**Summary of Financial Results**

**Financial Results for Fiscal Years 2015 through 2019.** The following table summarizes the financial results from operations for the Authority for Fiscal Years 2015 through 2019. See “APPENDIX A—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018.” 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 A attached hereto, any procedures on the financial statements addressed in that report. BKD, LLP also has not performed any procedures relating to this Updated Official Statement.

[Remainder of page intentionally left blank.]

**TABLE 13**  
**San Diego County Regional Airport Authority**  
**Statements of Revenues, Expenses and Change in Net Position**  
**(Dollars in Thousands)<sup>1</sup>**

	<u>2015<sup>2</sup></u>	<u>2016<sup>3</sup></u>	<u>2017</u>	<u>2018<sup>4</sup></u>	<u>2019</u>
Operating revenue:					
Aviation revenue					
Landing fees	\$ 21,390	\$ 23,985	\$ 24,612	\$ 23,900	\$ 24,816
Aircraft parking fees	2,716	2,701	2,927	3,236	3,471
Building rentals	48,153	53,536	56,575	62,241	70,912
Security surcharge	25,180	29,223	29,468	32,303	33,559
Other aviation revenue	4,893	2,760	2,799	1,476	1,596
Concession revenue	52,496	56,274	61,256	65,610	71,256
Parking and ground transportation revenue	41,633	48,106	49,407	53,254	62,818
Ground rentals	13,074	16,226	20,053	22,109	22,810
Other operating revenue	971	1,183	1,750	1,949	2,440
Total operating revenue	<u>210,505</u>	<u>233,994</u>	<u>248,847</u>	<u>266,079</u>	<u>293,679</u>
Operating expenses:					
Salaries and benefits	39,211	42,025	46,874	47,866	49,578
Contractual services	32,422	38,215	44,372	45,249	49,903
Safety & security	23,464	28,721	28,422	30,733	31,397
Space rental	10,433	10,367	10,190	10,190	10,191
Utilities	10,152	11,480	10,736	12,509	13,194
Maintenance	14,516	14,122	14,270	12,603	13,436
Equipment and systems	1,805	708	506	598	375
Material and supplies	519	536	611	656	657
Insurance	1,145	949	956	1,098	1,200
Employee development & support	1,136	1,242	1,347	1,248	1,045
Business development	2,493	2,390	2,347	3,246	2,630
Equipment rental and repair	2,951	2,852	3,095	3,124	3,614
Total operating expenses before depreciation and amortization	<u>140,250</u>	<u>153,608</u>	<u>163,726</u>	<u>169,120</u>	<u>177,219</u>
Income from operations before depreciation and amortization	70,255	80,386	85,121	96,959	116,460
Depreciation and amortization	81,887	87,821	95,229	105,532	124,329
Operating (loss)	<u>(11,632)</u>	<u>(7,435)</u>	<u>(10,108)</u>	<u>(8,573)</u>	<u>(7,869)</u>
Non-operating revenues (expenses):					
Passenger facility charges	38,517	40,258	42,200	46,953	49,198
Customer facility charges	32,465	33,208	36,528	41,037	41,919
Quieter Home Program, net	(2,811)	(3,698)	(785)	(2,747)	(3,192)
Joint Studies Program	(145)	(101)	-	(114)	(99)
Interest income	5,747	5,999	5,689	9,426	25,533
Interest expense	(55,187)	(50,636)	(58,179)	(68,411)	(74,501)
"Build America Bond" rebate	4,631	4,656	4,651	4,666	4,686
Other revenues (expenses), net	1,367	2,247	(14,676)	(9,281)	(510)
Non-operating revenue, net	<u>24,584</u>	<u>31,933</u>	<u>15,428</u>	<u>21,529</u>	<u>43,033</u>
Income before capital grant contributions	12,952	24,498	5,321	12,956	35,164
Capital grant contributions	10,765	10,477	1,904	13,079	8,213
Change in net position	23,717	34,975	7,224	26,035	43,378
Prior Period Adjustment	(7,995)	(1,767)	-	717	-
Net position, beginning of year	727,017	742,740	775,949	783,173	809,925
Net position, end of year	<u>\$742,740</u>	<u>\$775,949</u>	<u>\$783,173</u>	<u>\$809,925</u>	<u>\$853,302</u>

<sup>1</sup> Totals may not add due to rounding.

<sup>2</sup> Certain amounts for Fiscal Year 2015 were restated in accordance with Governmental Accounting Standards Board Statement No. 65.

<sup>3</sup> Certain amounts for Fiscal Year 2016 were restated in accordance with Governmental Accounting Standards Board Statement No. 68.

<sup>4</sup> Certain amounts for Fiscal Year 2018 were restated in accordance with Governmental Accounting Standards Board Statement No. 75.

Source: Derived from the audited financial statements of the Authority.

**Management's Discussion of Fiscal Year 2019 Financial Results.** Total operating revenue for Fiscal Year 2019 increased \$27.6 million or 10.4% over Fiscal Year 2018. Aviation revenue for Fiscal Year 2019 increased \$11.2 million or 9.1% over Fiscal Year 2018. The increase in total airline revenue was primarily due to an increased cost recovery for the airlines due to higher operating expenses and amortization of capital projects. A large component of airline revenues consist of terminal rentals which increased by \$8.7 million or 13.9% due to increased terminal operating costs and amortization of cash funded projects including the FIS project and other terminal improvements. Additionally, security surcharges increased by \$1.3 million or 3.9%, primarily due to an increase of the security checkpoint footprint and the higher terminal rental rate for the security checkpoints. Concession revenue increased by \$5.6 million or 8.6% reflecting increased enplanements and higher per-enplanement sales. Parking and ground transportation revenue increased by \$9.6 million or 18.0%, due to higher enplanements and new fees charged to Transportation Network Companies, such as Uber and Lyft ("TNCs") for drop-offs.

Operating expenses, before depreciation and amortization expense, for Fiscal Year 2019 increased by \$8.1 million, or 4.8%, from \$169.1 million in Fiscal Year 2018 to \$177.2 million. Contributing to this increase were the following: salaries and benefits increased \$1.7 million or 3.6%, mostly due to planned wage and benefit increases and increased pension contribution; and contractual services increased by \$4.7 million or 10.3%, as a result of increased shuttle services at the terminal and higher environmental costs. Maintenance costs increased by \$833,000 or 6.6% as a result of major refurbishments including the baggage handling systems and the Airfield Operating Area access stairs. Utilities increased by \$685,000, or 5.5%, due to expanded facilities including the new FIS and the Terminal 2 Parking Plaza along with rate increases from the utility company; and safety and security increased \$664,000, or 2.2%, reflecting an increase in employee screening in the terminals and higher airfield rescue and firefighting hourly rates and training.

Depreciation and amortization increased by \$18.8 million as both the FIS and the Terminal 2 Parking Plaza were brought into service.

Non-operating revenue (net) increased by \$21.5 million or 99.9% in Fiscal Year 2019. Investment income increased by \$16.1 million; a portion of the increase was caused by the Fiscal Year 2018 unrealized loss on investments of \$3.0 million swinging to an unrealized gain of \$8.8 million in Fiscal Year 2019. The \$11.8 million change was a result of investment yields falling at the end of the 2019 Fiscal Year. The remaining increase in investment income was mainly due to higher cash balances and higher investment rates of return. Additionally, in Fiscal Year 2018, the Authority wrote-down fixed assets of \$9.5 million, there was no substantive write down in Fiscal Year 2019. Other changes within the Non-operating revenue (net) line include an increase in interest expense of \$6.1 million which was offset by a \$2.2 million increase in PFCs and a \$881,000 increase in CFCs. Interest expense has risen due to a change in accounting treatment due to Governmental Accounting Standards Board Statement No. 89 where interest costs are fully expensed in the year they are incurred. The PFC revenue increase of 4.8% was due to increased enplaned passengers while the CFC increase of 2.1% was due to longer rental car contracts.

[Remainder of page intentionally left blank.]



## Revenue Diversity

The following table sets forth the top ten operating revenue providers at SDIA for Fiscal Year 2019.

**TABLE 14**  
**San Diego County Regional Airport Authority**  
**Top Ten Operating Revenue Providers**  
**(Fiscal Year 2019)**

	<u>Revenue Provider</u>	<u>Revenues</u>	<u>Percent of Total Operating Revenue</u>
1.	Southwest Airlines	\$42,358,547	14.4%
2.	Delta Air Lines	18,367,799	6.3
3.	United Airlines	18,335,068	6.2
4.	Alaska Airlines	17,436,299	5.9
5.	American Airlines	17,073,172	5.8
6.	Enterprise Holdings	12,779,605	4.4
7.	Hertz Global Holdings	11,538,847	3.9
8.	Uber Technologies	8,618,750	2.9
9.	SSP America	6,798,270	2.3
10.	High Flying Foods San Diego	6,373,271	2.2

Source: San Diego County Regional Airport Authority

The following table sets forth the top ten revenue sources at SDIA for Fiscal Year 2019.

**TABLE 15**  
**San Diego County Regional Airport Authority**  
**Top Ten Operating Revenue Sources**  
**(Fiscal Year 2019)**

	<u>Source</u>	<u>Revenue</u>	<u>Percent of Total Operating Revenue</u>
1.	Terminal Rent-Airlines	\$70,911,566	24.1%
2.	Parking	46,584,799	15.9
3.	Security Surcharge	33,558,621	11.4
4.	Car Rental License Fees <sup>1</sup>	32,350,039	11.0
5.	Terminal Concessions	30,101,705	10.2
6.	Landing Fees	24,816,308	8.5
7.	Ground Rent	20,646,993	7.0
8.	Ground Transportation Fees	15,737,225	5.4
9.	Ground Handling Services	4,409,697	1.5
10.	Aircraft Parking Fees	3,471,363	1.2

<sup>1</sup> Excludes CFC revenues, of which the Authority recorded the receipt of \$41,918,554 in Fiscal Year 2019.  
Source: San Diego County Regional Airport Authority

[Remainder of page intentionally left blank.]

## Historical Debt Service Coverage

The following table shows historical senior and subordinate debt service coverage for Fiscal Years 2015 through 2019.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Net Revenues</b>					
Revenues <sup>1</sup>	\$214,770,544	\$238,640,326	\$255,540,858	\$276,983,726	\$306,683,097
Operating and Maintenance Expenses	(142,781,639)	(151,327,219)	(151,455,699)	(157,246,523)	(165,925,555)
Net Revenues Available for Debt Service	<u>\$71,988,905</u>	<u>\$87,313,106</u>	<u>\$101,085,159</u>	<u>\$119,737,204</u>	<u>\$140,757,542</u>
<b>Senior Debt Service<sup>2</sup></b>					
Senior Bonds <sup>3</sup>					
Principal	\$ 2,030,000	\$ 2,090,000	\$ 2,155,000	\$ 2,240,000	\$ 2,320,000
Interest	18,034,575 <sup>4</sup>	18,414,600	18,349,950	18,263,750	18,174,150
Less: PFCs Applied to Senior Debt Service	(8,669,966)	(9,490,326)	(9,548,626)	(9,547,482)	(9,544,262)
Total Senior Debt Service	<u>\$11,394,609</u>	<u>\$11,014,274</u>	<u>\$10,956,324</u>	<u>10,956,268</u>	<u>10,949,889</u>
Senior Debt Service Coverage	6.32x	7.93x	9.23x	10.93x	12.85x
<b>Subordinate Debt Service<sup>5</sup></b>					
Subordinate Net Revenues Available for Debt Service	\$60,594,296	\$76,298,832	\$90,128,835	\$108,780,936	\$129,807,653
Subordinate Bonds <sup>6</sup>					
Principal	\$ 8,665,000	\$ 9,000,000	\$ 9,430,000	\$14,830,000	\$15,895,000
Interest <sup>7</sup>	26,853,179	26,495,600	26,085,029	37,197,656	37,917,500
Variable Rate Debt <sup>8</sup>	6,736,945	6,760,189	7,000,066	7,335,123	7,497,649
Less: PFCs Applied to Subordinate Debt Service	(21,554,245)	(20,331,674)	(20,456,707)	(20,457,851)	(20,461,071)
Total Subordinate Debt Service	<u>\$20,700,879</u>	<u>\$21,924,115</u>	<u>\$22,058,389</u>	<u>\$38,904,928</u>	<u>\$40,849,078</u>
Subordinate Debt Service Coverage	2.93x	3.48x	4.09x	2.80x	3.18x
<b>Aggregate Senior and Subordinate Debt Service</b>					
Net Revenues Available for Debt Service	\$71,988,905	\$87,313,106	\$101,085,159	\$119,737,204	\$140,757,542
Aggregate Debt Service (Bonds)					
Principal	10,695,000	11,090,000	11,585,000	17,070,000	18,215,000
Interest <sup>4,7</sup>	44,887,754	44,910,200	44,434,979	55,461,406	56,091,650
Variable Rate Debt <sup>8</sup>	6,736,945	6,760,189	7,000,066	7,335,123	7,497,649
Less: PFCs Applied to Senior and Subordinate Debt Service	(30,224,211)	(29,822,000)	(30,005,333)	(30,005,333)	(30,005,333)
Total Aggregate Debt Service	<u>\$32,095,488</u>	<u>\$32,938,389</u>	<u>\$33,014,712</u>	<u>\$49,861,196</u>	<u>\$51,798,966</u>
Aggregate Debt Service Coverage	2.24x	2.65x	3.06x	2.40x	2.72x

<sup>1</sup> 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.

<sup>2</sup> Senior Debt Service is calculated pursuant to the provisions of the Master Senior Indenture.

<sup>3</sup> Includes principal of and interest paid on the Senior Series 2013 Bonds.

<sup>4</sup> Net of interest paid with proceeds of the Senior Series 2013 Bonds through July 1, 2015.

<sup>5</sup> Subordinate Debt Service is calculated pursuant to the provisions of the Master Subordinate Indenture.

<sup>6</sup> Includes principal of and interest paid on the Subordinate Series 2010 Bonds and the Subordinate Series 2017 Bonds.

<sup>7</sup> Net of interest paid with proceeds of the Subordinate Series 2017 Bonds through January 1, 2019 and the Federal Direct Payments received by the Authority with respect to the Subordinate Series 2010C Bonds.

<sup>8</sup> Includes principal and interest paid on the Subordinate Revolving Obligations, and commitment fees paid to the Subordinate Revolving Obligation Bank and the Subordinate Drawdown Bond Purchaser.

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	2015	2016	2017	2018	2019
Landing Fees <sup>1</sup>	\$21,616,219	\$ 24,073,489	\$ 24,856,800	\$ 24,001,147	\$ 24,973,853
Aircraft Parking Fees <sup>2</sup>	2,715,854	2,701,219	2,926,972	3,235,788	3,471,363
Terminal Rentals <sup>1,3</sup>	48,227,864	51,389,765	54,235,615	59,578,125	65,821,092
FIS Use Charges	710,178	735,034	845,360	997,616	3,532,491
Security Surcharge	25,179,679	29,223,097	29,468,089	32,303,267	33,558,621
Common Use Charges	1,254,818	1,152,458	1,181,660	1,292,569	1,407,707
Total Airline Revenue	<u>\$99,704,612</u>	<u>\$109,275,061</u>	<u>\$113,514,496</u>	<u>\$121,410,530</u>	<u>\$132,765,126</u>
Enplaned Passengers	9,713,066	10,206,222	10,596,483	11,728,880	12,356,286
Airline Derived Revenue Per Passenger	\$10.26	\$10.71	\$10.71	\$10.35	\$10.74

<sup>1</sup> Excludes rebates.

<sup>2</sup> Amount excludes general aviation remote overnight parking.

<sup>3</sup> Excludes Executive Lounge rent of approximately \$1.4 million in Fiscal Year 2016, \$1.5 million in Fiscal Year 2017, \$1.7 million in Fiscal Year 2018, and \$1.8 million in Fiscal Year 2019.

Source: San Diego County Regional Airport Authority

## Projected Enplanements and Financial Results

In connection with the issuance of the Subordinate Series 2019 Bonds and the Subordinate Series 2020 Bonds, the Authority engaged Unison Consulting, Inc. (the “Feasibility Consultant”) to deliver the Financial Feasibility Report dated November 6, 2019 (the “Financial Feasibility Report”). The Financial Feasibility Report included, 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 2024 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 2024 and a description of the assumptions upon which such projections were based. The Feasibility Consultant’s “base case” forecast projected enplanements at SDIA would increase from 12.36 million in Fiscal Year 2019 to 13.47 million in Fiscal Year 2024; aggregate debt service coverage on the Senior Series 2013 Bonds, the Subordinate Series 2017 Bonds, the Subordinate Series 2019 Bonds and the Subordinate Series 2020 Bonds would range from 331% in Fiscal Year 2020 to 210% in Fiscal Year 2024; and costs per enplanement would range from \$14.01 per passenger in Fiscal Year 2020 to \$16.74 per enplanement in Fiscal Year 2024. ***Investors are cautioned against placing undue reliance on the projected enplanements and financial results provided in the Financial Feasibility Report in that such projected enplanements and financial results and the assumptions and estimates underlying the forecasted enplanements and financial information included in the Financial Feasibility Report were prepared prior to the COVID-19 outbreak and do not take into account any of the adverse effects of the outbreak.*** See “INTRODUCTION—Recent Developments – COVID-19 Outbreak” and “CERTAIN INVESTMENT CONSIDERATIONS—COVID-19.” Additionally, the projections set forth in the

Financial Feasibility Report did not take into account the construction costs, revenues, expenses or debt service payments that would result from the construction, operation, maintenance and financing of the ADP. The Financial Feasibility Report also was not updated to take into account the final debt service on the Subordinate Series 2019 Bonds and the Subordinate Series 2020 Bonds, or the debt service savings that the Authority realized and will realize with the refunding of the Subordinate Series 2010C Bonds and the Refunded Bonds.

The Authority did not engage the Feasibility Consultant to provide an update to the Financial Feasibility Report for inclusion in this Updated Financial Statement. Investors are additionally cautioned that the assumptions and estimates underlying the forecasted financial information included in the Financial Feasibility Report (some of which forecasted information is described in the prior paragraph) are inherently uncertain and, though considered reasonable by the management of the Authority as of the date of the report, 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” (see specifically the discussion under “CERTAIN INVESTMENT CONSIDERATIONS—COVID-19”) below. Accordingly, there can be no assurance that the forecasted results included in the Financial Feasibility Report 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 stated above should not be regarded as a representation by any person that the results contained in the forecasted financial information will be achieved.

## **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.

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 Authority Pension Plan. 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. For Fiscal Year 2019, the Authority’s contribution rate was 24.43% as a percentage of covered payroll, as compared to 23.49% for Fiscal Year 2018. These contribution rates were greater than the actuarially determined contribution rates. For Fiscal Year 2019, the Authority contributed approximately \$7.78 million to the Authority Pension Fund, and for Fiscal Year 2018, the Authority contributed approximately \$7.25 million to the Authority Pension Fund. For Fiscal Year 2020, the Authority expects to contribute approximately \$8.4 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.

See “Note 6. Defined-Benefit Plan” in the Authority’s financial statements for the year ended June 30, 2019 attached hereto as “APPENDIX A—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018” for more information on the Authority’s Pension Plan. Additionally, complete copies of SDCERS’ comprehensive annual financial reports and the actuarial reports with respect to the Authority Pension Plan 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](http://www.sdcers.org). No information contained on such website is incorporated into this Updated Official Statement.

***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.

For Fiscal Year 2019, the Authority paid approximately \$603,000 for Postemployment Health Benefits, as compared to \$462,000 for Fiscal Year 2018. For Fiscal Year 2020, the Authority expects to pay approximately \$650,000 for Postemployment Health Benefits.

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, 261 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.

See “Note 9. Other Postemployment Benefits” in the Authority’s financial statements for the year ended June 30, 2019 attached hereto as “APPENDIX A—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018” for more information on the Authority’s Postemployment Health Benefits.

## **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 a robust insurance program, including insurance for commercial general liability, property, public officials and employment practices, privacy and cyber network security, crime, fiduciary, automobile, and workers compensation. Construction activity is insured through Owner Controlled Insurance Programs (“OCIPs”) that provide general liability coverage. This is achieved either

by placing a stand-alone OCIP for large projects or a flexible or "rolling" OCIP program designed to encompass all the smaller capital improvement projects together

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 maintains a property insurance policy with limits of \$1 billion providing all risk and flood coverage on physical assets. The cost of earthquake insurance 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 July 1, 2019, the Authority had designated approximately \$11 million from its net position as an insurance contingency in the event of damage caused to the Airport by an earthquake. 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 overall insurance portfolio as well as each individual line of coverage renews annually. Prior to renewal, the Authority works with its team of insurance brokers, currently Willis Towers Watson, to analyze adequacy of coverage, limits, terms and conditions, market conditions and new market offerings. During Fiscal Year 2019, there were no reductions in insurance coverage from the prior year.

The Authority also has an active loss prevention program staffed by a Risk Manager, a Manager of Employee Safety and Wellness, a Risk Analyst, a Safety & Loss Prevention Analyst and two Administrative Assistants. All employees receive regular safety training. Loss control engineers from the Authority's property and casualty insurers conduct annual safety survey and site inspections. Claims are monitored and administered by Willis Towers Watson, with Authority oversight and control.

## **DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT**

### **Master Plan**

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

The five primary steps of the Master Plan process included: (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. The Authority developed its Green Build Program to implement certain of these 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, which included the Rental Car Center and the new general aviation facilities.

### **Airport Development Plan**

In 2012, the Authority embarked on a new master-planning effort for SDIA, known as the "Airport Development Plan" (the "ADP"), to identify the facilities needed to meet the Airport's passenger demand through 2035. SDIA has had record-breaking growth over the last five Fiscal Years with approximately 24.7 million passengers being served in Fiscal Year 2019. Activity levels at the Airport are estimated to surpass 39 million passengers and 280,000 aircraft operations in 2035, based on the latest FAA-approved forecast.

In March 2017, the Board approved the development of environmental review documents for the ADP. A draft Environmental Impact Report ("EIR") was subsequently released in the summer of 2018 for public review, as required under CEQA. The Authority received numerous comment letters, and between October 2018 and July 2019, the Authority participated in over 100 meetings with key stakeholders to further refine the proposed project and its associated environmental review documents. As result of this additional stakeholder engagement, the Authority recirculated a new draft EIR with respect to the ADP in September 2019 for public review. On January 9, 2020, the Board certified the draft EIR released in September 2019 (the "Final ADP EIR") and formally approved the ADP. The ADP is currently undergoing federal environmental review pursuant to NEPA, with the FAA acting as the lead agency. The ADP also will require a Coastal Development Permit from the California Coastal Commission.

The cornerstone of the ADP is the replacement of Terminal 1, which is over 50 years old, with a more modern, comfortable, and efficient terminal facility. As of the date of this Updated Official Statement, the new terminal is expected to have 30 gates and be able to accommodate both narrow-body and wide-body aircraft. The new Terminal 1 will be served by a dual-level curbside, a new close-in parking structure (currently planned with 5,500 spaces, which when combined with the parking spaces that will be lost as a result of the ADP, will add a total of approximately 650 new, permanent parking spaces at the Airport), and new entry and circulation roadways. Additional mobility-focused project components include new pedestrian and bicycle infrastructure, a dedicated airport shuttle service between the Old Town Transit Center and SDIA, and designation of a "transit-ready" area next to the proposed parking structure for a

potential future connection to the region's fixed-rail system. Airfield improvements contemplated as part of the ADP include a new apron area for the new Terminal 1, a new full-length Taxiway A and reconfigured Remain Overnight aircraft parking positions. Another component contemplated to be part of the ADP includes the replacement of the Authority's existing administration building with a new facility to be located on the west side of the Airport. Overall, the Authority expects the ADP will add 11 net aircraft gates to SDIA (bringing the total gate count to 62), while creating enhanced non-airline revenue opportunities.

The total cost of the ADP is currently estimated by the Authority to be not more than \$3.0 billion. The Authority expects to finance the costs of the ADP from various sources including, but not limited to, the proceeds of Additional Senior Bonds and/or Additional Subordinate Obligations. The Authority believes that with the enhancements in the new Airline Lease Agreements, it will be able to fund the ADP. Airline cost per enplanement, debt per enplanement and debt coverage metrics are expected to change once the financial impact of ADP is included in the Authority's plan of finance. Based on current preliminary estimates, the Authority projects the following in Fiscal Year 2025 (the first year with the full financial impact of ADP):

- Debt service coverage on the Senior Bonds and the Subordinate Obligations of at least 1.40x on a cash basis as guaranteed by the Signatory Airlines in the Airline Lease Agreements;
- Cost per enplanement in the range of \$23-\$24 per enplanement; and
- Debt per enplanement in the range of \$275-\$300 per enplanement.

On February 7, 2020, Quiet Skies, a group of residents and communities in the San Diego area, filed a lawsuit in San Diego Superior Court alleging that the Final ADP EIR should be rescinded and set aside because it does not comply with CEQA. Quiet Skies alleges, among other things, that the Final ADP EIR violates CEQA because it fails to disclose all potential significant environmental impacts related to noise and greenhouse gas emissions and fails to implement feasible mitigation measures. As of the date of this Updated Official Statement, both parties are undertaking preliminary administrative matters associated with the lawsuit; no trial date has been set. The Authority cannot predict the net exposure to the Authority with respect to this matter, the probability or remoteness of any outcome, or what affect this may have on the cost or construction schedule for the ADP.

Prior to the filing of the challenge by Quiet Skies, the Authority had estimated that construction of the ADP could begin as early as 2021 (assuming the FAA's review under NEPA was timely completed and the Authority timely received the Coastal Development Permit). Based on this preliminary schedule, the Authority had estimated that the first phase of the new Terminal 1 (19 gates) would open in Fiscal Year 2025, and full completion of the new facility (30 gates) and associated roadway and airfield improvements would occur in Fiscal Year 2026. However, all construction on the ADP could be delayed until the Quiet Skies litigation is resolved. While the Quiet Skies litigation is ongoing, construction of the ADP cannot begin, however, the Authority is currently continuing preliminary design work on the ADP.

## **Capital Program**

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 capital improvement program, the Capital Program, which was most recently amended on January 9, 2020 with the addition of the ADP, sets forth projects that



were completed and are anticipated to be completed at SDIA between Fiscal Years 2019 and 2024. The projects in the Capital Program include, among others, the ADP, a new facilities maintenance building, new airline provisioning and cargo facilities, storm water capture and reuse projects, a remain-overnight aircraft parking facility on the north side of SDIA, and various other airfield, terminal and landside projects. The current Capital Program has an estimated cost of approximately \$3.955 billion (approximately \$446 million of such costs have already been incurred by the Authority as of January 31, 2020). Of the \$3.955 billion in total estimated costs of the Capital Program, approximately \$3.230 billion (or 82%) represents two projects: (i) the ADP (\$3.0 billion), and (ii) Terminal 2 West FIS Buildout (\$230 million), the last phase of which became operational in July 2019. See “CERTAIN INVESTMENT CONSIDERATIONS—COVID-19.”

### **Funding Sources for Capital Program (not including ADP)**

**General.** The Authority anticipates financing the Capital Program (not including the ADP) with a combination of proceeds of the Subordinate Series 2019 Bonds (approximately \$310.0 million); internally generated cash of the Authority (approximately \$162.1 million); moneys on deposit in the Major Maintenance Fund (approximately \$47.8 million); PFC revenues on a pay-as-you-go basis (approximately \$63.4 million); federal Airport Improvement Program (“AIP”) grants (approximately \$74.3 million); proceeds of the Senior Series 2013 Bonds and the Subordinate Series 2017 Bonds (approximately \$197.4 million); and other sources (approximately \$100.4 million). The Authority is currently evaluating all potential funding sources for the ADP, but final decisions have not been made as of the date of this Updated Official Statement; although, the Authority expects a large portion of the costs of the ADP will be financed with the proceeds of Additional Senior Bonds and/or Additional Subordinate Obligations.

Following is an additional discussion of the funding sources for the Capital Program, not including the ADP.

**Subordinate Series 2019 Bonds, Senior Series 2013 Bonds and Subordinate Series 2017 Bonds.** The Authority will use approximately \$310.0 million of the proceeds of the Subordinate Series 2019 Bonds, approximately \$1 million of the proceeds of the Senior Series 2013 Bonds and approximately \$196.3 million of the proceeds of the Subordinate Series 2017 Bonds to finance a portion of the costs of the Capital Program (not including the ADP).

**Authority Funds and Other Sources.** The Authority will use approximately \$162.1 million of available funds of the Authority, approximately \$47.8 million of moneys on deposit in the Major Maintenance Fund and approximately \$100.4 million of other moneys (consisting of CFCs, fuel consortium funding, local grant funding for electric supply equipment and certain budget savings) to finance a portion of the costs of the Capital Program (not including the ADP).

**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 eleven 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 \$1.589 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 June 30, 2019, there were four active PFC Applications.

As of June 30, 2019, the Authority had recorded the receipt of approximately \$761.2 million of PFCs (consisting of \$745.8 million of PFCs collections and \$15.4 million of interest). As of June 30, 2019, the Authority had disbursed a total of \$665.2 million of PFCs on approved capital projects expenditures.

The following table sets forth a summary of the Authority’s approved PFC applications through September 30, 2019.

**TABLE 18**  
**San Diego County Regional Airport Authority**  
**Approved PFC Applications**

<b>PFC Applications</b>	<b>Approval Date</b>	<b>Amended Approval Amount<sup>1,2</sup></b>
1-5, 7 and 11 <sup>3,4</sup>	Various	\$ 357,703,762
8	2010	1,118,567,229
10 <sup>5</sup>	2012	29,227,174
12	2016	43,795,768
13	2019	<u>40,000,000</u>
Total		<u>\$1,589,293,933</u>

<sup>1</sup> Includes the amount of PFCs the FAA has authorized the Authority to collect and use at SDIA.

<sup>2</sup> 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.

<sup>3</sup> The Authority withdrew PFC Application #6.

<sup>4</sup> 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

<sup>5</sup> 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. The Authority expects to use approximately \$63.4 million of PFCs on a pay-as-you-go basis to finance a portion

of the costs of the Capital Program and \$30 million of PFCs to pay debt service on PFC Eligible Bonds (a portion of the Senior Series 2013 Bonds, a portion of the Subordinate Series 2019A Bonds and a portion of the Subordinate Series 2020 Bonds) through Fiscal Year 2022. Additionally, the Authority has agreed in the Airline Lease Agreements to set aside \$30 million of PFCs each Fiscal Year during the three Fiscal Years prior to the opening of the new Terminal 1 to be constructed as part of the ADP, and to use those PFCs in the three Fiscal Years following the opening of the new Terminal 1 to pay debt service on Senior Bonds and/or Subordinate Obligations the proceeds of which are expected to be used to finance the construction of the new Terminal 1. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2020 BONDS—Use of PFCs to Pay Debt Service.”

The following table sets forth the amount of PFCs received by the Authority in Fiscal Years 2015 through 2019.

**TABLE 19**  
**San Diego County Regional**  
**Airport Authority**  
**Annual Receipt of PFCs<sup>1</sup>**

<u>Fiscal Year</u>	<u>PFCs Collected</u>
2015	\$38,517,355
2016	40,257,993
2017	42,199,763
2018	46,952,755
2019	49,197,716

<sup>1</sup> 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 2019, the Authority received approximately \$8.2 million in grants.

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 potential North Cargo Facility. The potential North Cargo Facility may consist of a new, approximately 150,000 square foot, air cargo processing facility that is anticipated to be constructed on approximately eight acres on the north side of the Airport. In addition to the cargo processing facility, an aircraft ramp will be constructed to accommodate aircraft utilizing the facility. Following a "request for proposals" selection process, the Authority selected Aviation Facilities Company Management LLC to design, build, finance, operate and maintain the North Cargo Facility. The facility is expected to be used by FedEx, UPS and DHL. The specific site size and layouts are being validated and are under review by the FAA relative to the adjacent aircraft tail heights and visual obstructions the aircraft tails create on surrounding aircraft movement areas. The Authority is currently working to develop potential alternative site configurations to address issues and concerns raised by the FAA.

### **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 all 16 public-use and military airports in the County. The ALUCP is not a plan for airport development and does not require any changes to existing land uses, but rather, 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 addition to an ALUCP for SDIA, the Authority, acting as the region's ALUC, has developed and adopted ALUCPs for six rural general aviation airports (Agua Caliente, Borrego Valley, Fallbrook Airpark, Jacumba Airport, Ocotillo Airport, and Ramona Airport) and five urban commercial and general aviation airports (Brown Field Municipal Airport, Gillespie Field, McClellan-Palomar Airport, Montgomery-Gibbs

Executive Airport, and Oceanside Municipal Airport). ALUCPs also have been finalized for three military airports (Marine Corps Base Camp Pendleton, Marine Corps Air Station Miramar, and Naval Outlying Landing Field Imperial Beach). The Authority is currently drafting an ALUCP for Naval Air Station North Island, which is the only remaining airport in the County without a formal ALUCP.

## **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, air quality, hazardous materials, industrial waste, landfill remediation and wildlife.

### **Environmental Stewardship**

The Authority has made environmental stewardship a hallmark of operations at SDIA. The Authority instituted one of the first sustainability policies for a major airport in the U.S. The Planning and Environmental Affairs Department of the Authority (the “Environmental Department”) manages all environmental-related programs, including airport planning and environmental review, regulatory compliance, water and air quality, site remediation, hazardous material handling and natural resources protection. The Environmental Department interfaces with other Authority departments to assess potential environmental impacts of all proposed projects. The Environmental Department also is responsible for long-range airport facility planning, including the Master Plan.

As part of its ongoing commitment to sustainability, in 2011, SDIA was the first airport in the U.S. to issue a sustainability report based on the internationally recognized criteria of the Global Reporting Initiative. The Authority has developed a Sustainability Management Plan (the “Sustainability Plan”) that sets forth the Authority’s framework for advancing and measuring its environmental sustainability progress. The Sustainability Plan is comprised of seven overarching elements including the areas of water stewardship, strategic energy, carbon neutrality, clean transportation, zero waste, climate resilience, and biodiversity. The Authority sets goals and stand-alone strategies that it aims to achieve by 2035 in each of these programmatic areas. The seven elements of the Sustainability Plan are described in more detail below:

Water Stewardship Plan - Establishes the Authority’s vision for the stewardship of water resources and provides a framework for rethinking how the Authority manages its water resources while it prepares to accommodate passenger growth, new airport developments, and a changing climate. Specifically, the plan addresses issues of water conservation, water quality, and flood-risk considerations.

Strategic Energy Plan - Establishes the Authority’s approach to the provision of cost-effective, energy resilience strategies that are environmentally responsible and fully aligned with airport operations and development. It addresses key issues of energy efficiency and conservation including on-site energy generation and storage, enhanced monitoring of key energy metrics, and mechanisms through which to actively engage the broad spectrum of Airport stakeholders.

Carbon Neutrality Plan - Establishes the strategy for managing air quality and greenhouse gas emissions over which the Authority has control and provides a framework for the Airport to achieve carbon neutrality under the ACI-Airport Carbon Accreditation program. On September 18, 2019, SDIA became only the second airport in the U.S. to reach carbon neutral accreditation from ACI. SDIA was certified “Level 3+,” the highest level of certification through ACI’s Airport Carbon Accreditation program.

Clean Transportation Plan - Provides the Authority's strategy and plan for managing various ground transportation issues at SDIA. Covers all ground transportation emission sources, including all vehicles and equipment accessing and operating at the Airport, whether owned and operated by the Authority or by third parties.

Zero Waste Plan ("ZWP") - The ZWP serves as the Authority's strategy and plan for managing various waste issues and covers all waste generated at SDIA. The ZWP provides an organized framework for eliminating or reducing waste generation and responsibly managing materials that are produced at SDIA. The Authority sees zero waste as addressing five primary focus areas, including sustainable materials management, infrastructure and development, training and education, metrics and reporting, and leadership and influence.

Climate Resilience Plan - Provides the Authority's strategy for achieving uninterrupted business continuity in future climate conditions. The Authority is proactively working toward long-term solutions that would allow for improvements in areas related to climate resilience that go beyond complying with existing regulations. This plan builds off existing initiatives ranging from improving storm drainage capacity in low-lying areas to collaborating with regional stakeholders to explore large-scale coastal flood protection strategies.

Biodiversity Plan - Establishes the Authority's vision for the stewardship of plants and wildlife. Provides a framework for how the Authority manages onsite habitat for the endangered California Least Tern (a species of bird), reduces the use of biocides through the Authority's Integrated Pest Management program, and identifies robust drought-tolerant plant species for its campus-wide xeriscape landscape program.

Each year, the Authority reports its progress toward sustainability-related goals through its Sustainability Report, in accordance with Global Reporting Initiative standards. The development and completion of the Sustainability Plan will serve as a framework for monitoring and planning the Authority's work to achieve an enduring and resilient enterprise while considering its environmental, financial, and social obligations, risks, and opportunities.

## **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 seeking 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. Nonetheless, the Authority has various rules and regulations to address aircraft noise, including a prohibition on the operation at SDIA of any air carrier commercial aircraft not complying with Stage 3 noise levels.

There also are direct restrictions on aircraft departures at SDIA, primarily relating to noise abatement. Specifically, the Authority prohibits departures from SDIA between 11:30 p.m. and 6:30 a.m. (the "Curfew"), and 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 Division of Aeronautics of 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 most recent variance for SDIA issued by Caltrans took effect in September 2019, and is valid for three years. During the term of the variance, the Authority is required to continue facilitation of an Airport Noise Advisory Committee, staffing of an Airport Noise Management Office, maintaining a noise monitoring system, submittal of a quarterly noise report, and implementation of its residential sound attenuation program, 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 approximately 4,000 residences. From its inception to June 30, 2019, the Authority has spent approximately \$216 million (\$173 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 Planning**

**Memorandum of Understanding with State.** 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. 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. 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 included in the Master Plan. Many of the elements of the Air Quality Management Plan have been incorporated into the Capital Program. Future improvements at SDIA, including the ADP, also will need to incorporate the provisions of the Air Quality Management Plan. Following are certain key achievements of the Authority in meeting the provisions of the MOU:

- MOU Provision: provide power (400 hertz) and pre-conditioned air (“PCA”) at all gates
  - All gates provide 400 Hz ground power and PCA for aircraft use
  - The Authority is requiring ground power and PCA for any new projects
  
- MOU Provision: replace ground service equipment (“GSE”) with alternative fuel vehicles at end of useful equipment life
  - The Authority has 71 airside charging ports and approximately 200 airline-owned alternative-fuel GSE
  - The Authority is requiring airside charging ports for any new projects
  
- MOU Provision: replace shuttles with electric or alternative fuel vehicles
  - 100% of Authority-controlled shuttles use alternative fuels
  - Over 95% of taxis accessing SDIA use hybrid vehicles
  
- MOU Provision: achieve “Leadership in Energy and Environmental Design” (“LEED”) Certification (at least Silver level) for all new development and renovation
  - At least LEED Gold has been achieved on all major construction projects
  - Approximately 85% of SDIA’s electricity comes from renewables, including 5.5 megawatts from onsite solar panels
  
- MOU Provision: use green construction methods and equipment
  - Standard contract language includes use of low- and zero-emitting equipment
  
- MOU Provision: engage tenants in recycling and emissions reduction efforts
  - SDIA has a robust waste diversion program, including post-consumer food waste
  - 54 concessions at SDIA (approximately 72% of all concessions) are certified through the Authority’s “Green Concessions” sustainability program

***Ground Transportation Vehicle Conversion Incentive-Based Program.*** 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 Incentive Program cost approximately \$400,000 in Fiscal Year 2019, and the Authority estimates that the Incentive Program will cost approximately \$400,000 in Fiscal Year 2020.

***TNC GHG Emissions Reduction Program.*** In June 2018, a TNC greenhouse gas (“GHG”) emissions reduction program was implemented to target cleaner fuel vehicles, higher efficiency vehicles, and carpooling of passengers. The program is based on a performance parameters to measure grams of CO<sub>2</sub> emissions generated from TNC trips to lower carbon emissions. Through the end of Fiscal Year 2019, the large TNCs operators have met their emissions targets and penalty rates have been applied.



**State Legislation.** In 2016, the California legislature passed Senate Bill 32 that codifies the State’s commitment to reduce GHG 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 engaging CARB on the potential structure of any incentives or rules that may be developed as a result. To prepare for these pending regulations and to continue to proactively address GHG emission sources at the Airport, the Authority developed a “Carbon Neutrality Plan” in 2019. In addition to inventorying baseline conditions, the Carbon Neutrality Plan identifies a variety of potential climate mitigation initiatives and tactics within five primary focus areas:

- *Airlines & Aircraft:* Potential action items include forming a biofuel task force to engage airlines about options to increase onsite biofuel use; leveraging gate optimization software; and installing an underground fuel hydrant system at all aircraft gates.

- *Transportation:* Potential action items include reducing emissions from construction equipment; converting Authority fleet and encouraging third parties to use zero or low emission vehicles; and strengthening inter-agency collaboration regarding regional transit and ground access to the Airport.

- *Energy:* Potential action items include participating in direct access or community choice energy programs; installing renewable energy systems in a cost-effective manner; and evaluating alternative fuel options for stationary sources.

- *Other Emissions:* Potential action items include updating tenant improvement guidelines to emphasize water conservation and resilient design; applying best practices for preventing refrigerant leaks; and expanding the food recovery program to include all applicable tenants and airlines.

- *Carbon Leadership:* Potential action items include prioritizing LEED/Envision credits related to carbon and air emissions; expanding passenger participation in “The Good Traveler” carbon offset program; and leveraging the implementation of aviation-specific offset programs (such as the Carbon Offsetting and Reduction Scheme for International Aviation).

**Local Regulations.** Additionally, the Authority is working 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 United States Environmental Protection Agency (“EPA”) 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 “SWRCB”). 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 SWRCB. As part of the new permit, industrial facilities' storm water discharges need to be below certain "numeric action levels" for water quality parameters. SDIA is currently categorized as a Level 2 facility for copper and a Level 1 facility for zinc, meaning that the Authority has had to develop exceedance response action plans to identify varying levels of additional best management practices that will be implemented to reduce concentrations of these 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. For example, the new Terminal 2 Parking Plaza includes a 100,000-gallon storage system that can collect, treat, and reuse over 2 million gallons of storm water annually, while the new FIS facility utilizes modular wetlands to bio-filtrate its runoff. An additional 3-million gallon storage tank is currently being installed on SDIA's north side to greatly expand the Airport's storm water harvesting opportunities.

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 August 2017, the SDRWQCB sent the parties a new administrative draft investigative order that gave the Authority, the Port District and General Dynamics an opportunity to provide comments to the SDRWQCB prior to the formal issuance of another investigative order. In January 2018, the parties submitted the work plans for both land and water that were accepted by the SDRWQCB. On July 25, 2018, the SDRWQCB sent the parties a new final draft investigative order and indicated that the final order would be issued shortly thereafter. On October 2, 2019, the SDRWQCB issued new investigative orders to several parties, to investigate sediment in the Laurel Hawthorne Embayment, however, the Authority was not named in any of these new orders. On November 1, 2019, the Authority received notice of a Petition to the SDRWQCB from General Dynamics requesting that the Authority, the City and the Port District be added to the investigative order issued on October 2, 2019, as well as other relief. General Dynamics also sought similar relief from the California State Water Resources Control Board. To date, General Dynamics has been unsuccessful in having the Authority, or any other parties, added to the investigative order. The Authority is currently awaiting service by General Dynamics of a petition against the SDRWQCB in State court, presumably related to this matter. The Authority has been advised that it will be named as "real party in interest".

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.

## **Per- and Polyfluoroalkyl Substances**

Per- and Polyfluoroalkyl Substances (“PFAS”) are a group of more than 3,000 synthetic chemicals that have been in use since the 1940s. PFAS are found in many products such as dental floss, food packaging materials, non-stick products, water repellent textiles, and fire-fighting foams. PFAS are used in the aerospace, automotive, chemical, electronics, metal coatings and plating, and textiles industries. The FAA requires airport operators to use Aqueous Film Forming Foam (“AFFF”) containing PFAS in their aircraft rescue and firefighting vehicles and fire suppression operating systems.

The EPA has determined that, due to the widespread use and persistence in the environment of PFAS, most people in the United States have been exposed to PFAS. The EPA also found evidence that continued exposure above specific levels to certain PFAS may lead to adverse health effects. Currently, the key PFAS classes of concern are perfluoroalkyl sulfonic acids, such as perfluorooctanesulfonate (“PFOS”) and perfluorooctanoic acid (“PFOA”). The EPA released a statement in November 2016 summarizing available peer-reviewed studies on laboratory animals and epidemiological evidence in human populations as indicating that exposure to PFOA and PFOS over certain levels may result in adverse health effects including cancer, reproductive and developmental effects, liver effects, immune effects and other effects. In February 2019, the EPA issued a PFAS Action Plan. The PFAS Action Plan outlines EPA’s strategy to better understand the health risks associated with PFAS and to develop tools for characterizing PFAS in the environment, cleanup approaches, and enforcement mechanisms.

On March 20, 2019, the SWRCB issued “Water Code Section 13267 Order WQ-2019-0005-DWQ for the Determination of the Presence of PFAS” (the “Airport Order”) to numerous airports in California, including the Airport. The Airport Order identifies the Airport as a facility that accepted, stored, or used materials that may contain PFAS. The Airport uses AFFF containing PFAS, as required by the FAA. The Airport Order required the Authority to test soil and groundwater for 23 PFAS analytes, including PFOA and PFOS. The Authority submitted a work plan to the SWRCB, which was subsequently accepted by the SWRCB. The Authority completed and sent its Final PFAS Site Investigation Report to the State on December 11, 2019.

Additionally, in October 2019, the SWRCB issued “Water Code Sections 13267 and 13383 Order for the Determination of the Presence of PFAS Substances at Chrome Plating Facilities Order WQ-2019-0045-DWQ” (the “Chrome-Plating Order”) in connection with chrome plating facilities located throughout the State. The Chrome-Plating Order identifies the former General Dynamics property on Pacific Highway, which the Authority leases from the Port District, as a site of a previous chrome-plating facility. PFAS are used in the chrome-plating processes. The Chrome-Plating Order was forwarded to the Authority by the SDRWQCB on March 5, 2020. On March 9, 2020, the Authority was advised by the SDRWQCB that the Order was intended for “current chrome platers – not historical at this point” and that it could “disregard [the Order] for now.” The Authority was further advised that this may change in the future but the current Chrome-Plating Order does not apply to the Airport site.

The Authority’s PFAS site investigation established the existence of PFAS at the Airport. At this time, the SWRCB has not established cleanup standards for PFAS or otherwise indicated what actions, if any, will be required at the Airport. Further, the extent to which PFAS poses a risk to human health and the environment is not yet well understood. If the Authority is required to cleanup PFAS at the Airport, it is possible that the costs of remediation and third-party liability could be extensive.

## **CERTAIN INVESTMENT CONSIDERATIONS**

*The purchase and ownership of the Subordinate Series 2020 Bonds involve investment risk and may not be suitable for all investors. The factors set forth below, among others, may affect the security*

***of the Subordinate Series 2020 Bonds. Prospective investors are urged to read this Updated Official Statement, including its appendices, in its entirety. The factors set forth in this Updated Official Statement, among others, may affect the security for and/or trading value of the Subordinate Series 2020 Bonds. The information contained in this Updated Official Statement relates solely to the Subordinate Series 2020 Bonds and speaks only as of the date of this Updated Official Statement. The information in this Updated Official Statement does not purport to be a comprehensive or complete discussion of all risks or other considerations that may be relevant to an investment in the Subordinate Series 2020 Bonds. Other factors may exist which may be material to investors based on their respective individual characteristics. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. Additional risk factors relating to the purchase of Subordinate Series 2020 Bonds are described throughout this Updated Official Statement, whether or not specifically designated as risk factors. Additional risks and uncertainties not presently known, or currently believed to be immaterial, may also materially and adversely affect, among other things, Revenues and Net Revenues or individual investors. In addition, although the various risks discussed in this Updated Official Statement are generally described separately, prospective investors of the Subordinate Series 2020 Bonds should consider the potential effects of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss to an investor may be significantly increased. There can be no assurance that other risks or considerations not discussed in this Updated Official Statement are or will not become material in the future.***

## **COVID-19**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a Public Health Emergency of International Concern by the World Health Organization. The President of the United States and state and local governments in the United States, including the State, have issued declarations of emergency to enable and empower governments in coordinating responses to the spread of COVID-19. Federal, state and local governments, as well as other nations and private businesses, are issuing restrictions on non-essential movement, gatherings, air travel (domestic and international) and other activities. For example, on March 19, 2020, the Governor of the State issued a “stay at home” order, effective until further notice, which requires all residents of the State to stay home or at their place of residence, except for those residents that are needed to maintain continuity of operation of the federal critical infrastructure sectors, critical government services, schools, childcare, and construction, including housing construction. The outbreak is having an adverse effect on domestic and international travel and a number of travel-related industries. Airlines are reporting a significant downturn in traffic as well as expectations for continued reduced levels of traffic which, in turn, has resulted in many airlines significantly reducing flights throughout the nation and the world. Many airlines have publicly reported that, as a result of these and other conditions, operations could be volatile and subject to rapid and unexpected change. For example, Compass Air, who operates at SDIA as an affiliate airline to American and Delta, has announced that it will cease operations throughout the country in April 2020. The declines in passenger traffic also have reduced demand for parking, retail and services provided by Airport concessionaires, including but not limited to restaurants, retail and rental car services, as well as ground transportation services including but not limited to those provided by taxis, executive cars and TNCs. These reductions in air traffic and declines in air passenger demand for airport-related goods and services are expected to reduce airport revenues nationally and globally, including Authority revenues. See “INTRODUCTION—Recent Developments – COVID-19 Outbreak.”

Furthermore, on March 16, 2020, the Mayor of the City of San Diego issued an Executive Order prohibiting on-premises consumption at restaurants and business establishments that serve food in the City of San Diego. Although this order does not specifically apply to the Airport, some restaurants at the Airport have closed and others have curtailed their hours of operation. Although the dining facilities at the Airport

will remain open, employees and patrons are required to comply with social distancing. Signs have been installed in the terminals pursuant to the requirements of the San Diego County Health Department.

In addition, the COVID-19 outbreak and resulting restrictions are severely disrupting the economies of the United States and other countries, leading to an erosion of investor confidence in the financial sector. Continued volatility in the securities markets, and significant losses in investment portfolios may continue, and increased business failures and consumer and business bankruptcies can be expected to begin in the near future. Federal legislation and regulatory initiatives have been approved and more are being actively considered by the United States government (including the economic stimulus bill known as the “Coronavirus Aid, Relief, and Economic Security Act” (the “CARES Act”) approved by the U.S. Senate on March 25, 2020, and expected to be approved by the U.S. House of Representatives on March 27, 2020 and signed by the President soon thereafter, which is further discussed below), and various federal agencies, the Federal Reserve Board and foreign governments are implementing or in the process of implementing actions, all of which are intended to mitigate the broad disruptive effects of the COVID-19 outbreak. It is unclear whether these legislative, regulatory and other governmental actions will have the positive effect that is intended.

In response to the COVID-19 outbreak, the Authority is implementing the Financial Resilience Plan which is intended to mitigate financial impacts to the Authority. As described under “SAN DIEGO INTERNATIONAL AIRPORT—Emergency Preparedness—Financial Resilience Plan,” the Authority has taken the following actions in accordance with the Financial Resilience Plan: (i) the Authority has instituted a hiring freeze on all Authority positions; the CEO’s approval is required for all new hires; (ii) Capital Program – the Authority is delaying all non-ADP and non-mission critical project spending; (iii) the Authority is delaying or reducing non-essential expenditures (i.e., travel, training, shuttle services, consulting services, certain major maintenance, equipment, supplies, marketing and landscaping); (iv) the Authority’s Government Relations team is working with industry groups and regional U.S. Congressional delegation to seek federal assistance; and (v) the Authority is evaluating measures to assist airlines and concessionaires.

The Authority has received and may continue to receive requests for rate relief and other forms of financial restructuring of agreements from airlines and Airport concessionaires, including rental car companies. As of the date of this Updated Official Statement, the Authority has not approved any rate relief for airlines or the Airport concessionaires, including the rental car companies.

In addition to the Financial Resilience Plan, with respect to the physical assets of the Authority, the Authority is taking the following steps: (i) the Authority’s custodial provider is providing cleaning services 24-hours a day. They are placing an additional emphasis on public touch points in all areas, including handrails, bathroom stalls, seating, door handles, chairs and tables, touchscreen directories, concessions and credit card machines; and (ii) in the parking lots and rental car shuttles, the Authority is sanitizing seats, rails, and other surfaces several times daily, in addition to performing a deep clean twice weekly.

The version of the CARES Act approved by the U.S. Senate on March 25, 2020 (which version is expected to be approved by the U.S. House of Representatives on March 27, 2020 and signed by the President soon thereafter) contains various provisions to assist airports throughout the nation (including SDIA). Certain of the provisions of the CARES Act that will provide assistance to airports include the following: \$10 billion will be provided to airports throughout the country including (i) \$3.7 billion would be allocated among all commercial service airports throughout the nation based on their percent share of 2018 enplanements (in 2018, SDIA was the 24<sup>th</sup> busiest airport in the country as measured by total number of enplaned and deplaned passengers) and (ii) \$3.7 billion would be allocated among all commercial service airports based on a “to-be-finalized” formula that will be based on an airport’s debt service as a percentage

of debt service for all airports throughout the nation and an airport's ratio of unrestricted reserves to that airport's debt service. If the CARES Act receives final approval from the U.S. Congress and is signed by the President in its current form, as of the date of this Updated Official Statement, the Authority expects to receive monetary assistance, but the Authority cannot predict the level of that assistance.

In addition to the assistance to the airports in the country, the CARES Act includes more than \$50 billion in grants, loans and tax breaks for passenger and cargo carriers. The CARES Act provides \$33 billion in grants for airlines to make payrolls, including \$25 billion for passenger carriers, \$4 billion for cargo carriers, and \$3 billion for contractors. The bill also makes \$29 billion in loans available, providing a liquidity backstop if private capital markets freeze up. It also includes waivers on fuel and excise taxes through January 1, 2021.

The Authority cannot predict (i) the duration or extent of the COVID-19 outbreak or another outbreak or pandemic; (ii) the scope or duration of restrictions or warnings related to air travel, gatherings or any other activities, and the duration or extent to which airlines will reduce services at SDIA, or whether airlines will cease operations at SDIA or shut down in response to such restrictions or warnings; (iii) what effect any COVID-19 or other outbreak or pandemic-related restrictions or warnings may have on air travel, including to and from SDIA, the retail and services provided by Airport concessionaires, Airport costs or Authority revenues; (iv) whether and to what extent COVID-19 or other outbreak or pandemic may disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Airport-related construction, the cost, sources of funds, schedule or implementation of the Capital Program, or other Authority operations; (v) the extent to which the COVID-19 outbreak or other outbreak or pandemic, or the resultant disruption to the local, State, national or global economy, may result in changes in demand for air travel, or may have an impact on the airlines or concessionaires serving SDIA, or the airline and travel industry, generally; (vi) whether or to what extent the Authority may provide deferrals, forbearances, adjustments or other changes to the Authority's arrangements with its tenants and Airport concessionaires; or (vii) whether any of the foregoing may have a material adverse effect on the finances and operations of the Authority. Prospective investors should assume that the restrictions and limitations related to COVID-19, and the current upheaval to the air travel industry and the national and global economies, will increase at least over the near term, recovery may be prolonged and, therefore, have an adverse impact on Authority revenues. Future outbreaks, pandemics or events outside the Authority's control may further reduce demand for travel, which in turn could cause a decrease in passenger activity at SDIA and declines in Authority revenues. See also "—Factors Affecting the Airline Industry" and "—Aviation Security and Worldwide Health Concerns" below.

### **Subordinate Series 2020 Bonds Are Special Obligations**

The Subordinate Series 2020 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 2020 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 2020 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 2020 Bonds, include: local, regional, national and international economic and political conditions; international hostilities; world health concerns (see “—COVID-19” above); aviation security concerns; accidents involving commercial passenger aircraft; changes in law, local, State and federal regulations and the application thereof; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of SDIA and competition from other airports for connecting traffic; 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, the economic recession that occurred between 2008 and 2009, and the current COVID-19 outbreak. 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. During September 2008, significant and dramatic changes occurred in the U.S. and global financial markets. Between 2008 and 2009, the U.S. economy experienced a recession, which was followed by weak economic growth. More recently, the significant improvement in economic conditions in the U.S. contributed to the rebound in aviation activity levels nationwide. However, with the outbreak COVID-19 and the potential resulting negative adverse effect on the U.S. and international economies, it is not known at this time what ultimate effect it will have on the air transportation industry. See “—COVID-19” above.

**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. The Authority cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001 or the terrorist attacks that occurred in Nice,

Munich, Paris, Brussels and Istanbul in 2015 and 2016, 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, during 2019, jet fuel accounted for approximately 17.7% 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 \$2.02 per gallon during the first 6 months of 2019. 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 Airlines; (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. 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 the Airport 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.

***Pilot and Mechanics Shortage.*** Pilot shortage is an industry-wide issue, and especially for smaller regional airlines. In 2017, Horizon Air had to cancel more than 300 flights systemwide, and in 2018, Great Lakes Airlines completely ended service, because of pilot shortages. There are several causes for the pilot shortage that affect all airlines. Congress changed duty time rules in 2010 to mitigate pilot fatigue, which required airlines to increase pilot staff. Beginning in 2013, first officers flying for commercial airlines were required to have at least 1,500 hours of flight time, instead of the 250 hours previously required. Other factors include an aging pilot workforce and fewer new pilots coming out of the military. Further, as passenger demand increases, the major air carriers are anticipated to need additional pilots, and are generally able to hire pilots away from regional airlines. As a result, small regional airlines have a particularly difficult time hiring qualified new pilots, despite increased incentives. The shortage of pilots available to regional airlines may result in reduced service to some smaller U.S. markets.

In addition to the pilot shortage, over the next decade there could be a shortage of qualified mechanics to maintain the airlines' fleet of planes. This potential shortage is as a result of an aging pool of



mechanics, a large portion of which are expected to retire in the next decade, and a lack of younger people joining the ranks of the mechanics. A shortage of mechanics could raise the cost of maintenance, require airlines to maintain more spare planes and/or result in increased flight cancellations and delays.

### **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 2020 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 2020 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 2020 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 2020 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, the Subordinate Series 2019A Bonds and the Subordinate Series 2020 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2020 BONDS—Use of PFCs to Pay Debt Service.”

Each Non-Signatory 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 a Non-Signatory 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 owed by the bankrupt airline. Signatory Airlines are not required to provide a letter of credit or any other form of security deposit with the Authority. However, in the event a Signatory Airlines were to file for bankruptcy protection and subsequently failed to pay any obligations owed to the Authority, pursuant to the terms of the Airline Lease Agreement, the Authority would be allowed to collect those unpaid obligations from the Signatory Airlines that continue to operate from the Airport as part of the landing fees and terminal rentals charged to the Signatory Airlines.

There may be delays in payments to the Authority and resulting delays in the payment of principal of and interest on the Subordinate Series 2020 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 2020 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 2020 Bonds.

### **Southwest Airlines – SDIA’s Largest Carrier**

In Fiscal Year 2019, Southwest Airlines accounted for approximately 37.7% 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 and Worldwide Health 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, the Zika virus outbreak that began in South America in 2015 and the current COVID-19 outbreak that was first identified in Wuhan, China in December 2019 (see “—COVID-19” above), 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**

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."

There also are direct restrictions on aircraft departures at SDIA, primarily relating to noise abatement. Specifically, the Authority prohibits departures from SDIA between 11:30 p.m. and 6:30 a.m. (the "Curfew"), and 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.

### **Cyber and Data Security**

**Authority.** The Authority, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Authority faces multiple cyber threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computers and other sensitive digital networks and systems (collectively, "Systems Technology"). There have been cyber-attack attempts on the Authority's computer system, but not any resulting in a material compromise of the system, data loss or breach that the Authority has identified.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Authority's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage.

The Authority has taken extensive measures to safeguard its Systems Technology against cybersecurity threats. To name a few, the Authority has obtained PCI (Payment Card Industry) compliance for all systems processing, storing, or transmitting credit card data; the Authority has implemented the NIST (National Institute of Standards Technology) framework consisting of standards, guidelines, and best practices to manage cybersecurity related risk; the Authority has engaged the Department of Homeland Security to conduct risk and vulnerability assessments of its Systems Technology; and annually, the

Authority conducts incident response table top exercises to simulate a data breach and provide Authority wide training to staff and contractors on cybersecurity best practices.

No assurances can be given that the Authority's security and operational control measures will ensure against any and all cybersecurity threats and attacks. A cybersecurity incident or breach could damage the Authority's Systems Technology and cause disruption to Authority and/or Airport services, operations and finances. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the Authority to material litigation and other legal risks, which could cause the Authority to incur material costs related to such legal claims or proceedings. The Authority will continue to assess cyber threats and protect its data and systems

***Airlines, Concessionaires and Other Entities Operating at the Airport.*** Computer networks and data transmission and collection are vital to the efficient operation of the airline industry. Air travel industry participants, including the airlines, the FAA, the TSA, the concessionaires and others collect and store sensitive data, including intellectual property, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to air travel industry operations. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in the efficiency of the air travel industry, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, operations and the services provided, and cause a loss of confidence in the air travel industry, which could ultimately adversely affect the airline industry and operations at the Airport System.

### **Unavailability of, or Delay in, Anticipated Funding Sources**

As described herein, the Authority anticipates that funding for the Capital Program (not including the ADP) has been and will be provided through a combination of proceeds of the Subordinate Series 2019 Bonds, the previously-issued Senior Series 2013 Bonds, the previously-issued Subordinate Series 2017 Bonds, 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 (not including ADP)." 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.

The Authority is currently evaluating all potential funding sources for the ADP, but final decisions have not been made as of the date of this Updated Official Statement; although, the Authority expects a large portion of the costs of the ADP will be financed with the proceeds of Additional Senior Bonds and/or Additional Subordinate Obligations

***Availability of PFCs.*** The Authority expects to use approximately \$63.4 million of PFCs on a pay-as-you-go basis to finance a portion of the costs of the Capital Program (not including the ADP) and \$30 million of PFCs to pay debt service on PFC Eligible Bonds (a portion of the Senior Series 2013 Bonds, a portion of the Subordinate Series 2019A Bonds and a portion of the Subordinate Series 2020 Bonds)

through Fiscal Year 2022. Additionally, the Authority has agreed in the Airline Lease Agreements to set aside \$30 million of PFCs each Fiscal Year during the three Fiscal Years prior to the opening of the new Terminal 1 to be constructed as part of the ADP, and to use those PFCs in the three Fiscal Years following the opening of the new Terminal 1 to pay debt service on Senior Bonds and/or Subordinate Obligations the proceeds of which were used to finance the construction of the new Terminal 1. See “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2020 BONDS—Use of PFCs to Pay Debt Service” and “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF AIRLINE LEASE AGREEMENT.”

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.

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 SDIA 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.

### **Future Capital Projects and Additional Indebtedness**

As previously described under “DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Airport Development Plan” and “—Capital Program,” the Board formally approved the ADP and added it to the Capital Program. The total cost of the ADP is currently estimated by the Authority to be not more than \$3.0 billion. The Authority is currently evaluating all potential funding sources for the ADP, but final decisions have not been made as of the date of this Updated Official Statement; although,

the Authority expects a large portion of the costs of the ADP will be financed with the proceeds of Additional Senior Bonds and/or Additional Subordinate Obligations. Depending on the amount of Additional Senior Bonds and Additional Subordinate Bonds that the Authority issues to fund the ADP, the Authority's aggregate debt service on its Senior Bonds and Subordinate Obligations could increase substantially and debt service coverage ratios could decrease. However, pursuant to the provisions of the Airline Lease Agreements, the Signatory Airlines have agreed that they will pay rates and charges sufficient to maintain the Authority's aggregate debt service coverage ratio on its Senior Bonds and Subordinate Obligations at 140%.

### **Federal Funding; Impact of Federal Sequestration**

The Authority receives certain federal funds including from the AIP fund. Additionally, certain operations at the Airport are supported by federal agencies including, flight traffic controllers, FAA, TSA, FBI, Customs and Border Security, among others. Federal agencies also have regulatory and review authority over, among other things, certain Airport operations, construction at the Airport and the airlines operating at the Airport.

From time to time, the federal government has, and may in the future, come to an impasse regarding, among other things, reauthorization of the FAA (which has historically included funding for AIP) and other federal appropriations and spending. The current FAA reauthorization became effective on October 5, 2018, with the passage of the "FAA Reauthorization Act of 2018" (the "2018 FAA Act"). The 2018 FAA Act provides funding for the FAA and AIP through September 30, 2023.

Failure to adopt such legislation may have a material, adverse impact on, among other things, (i) federal funding received by the Authority, including under the AIP; (ii) federal agency budgets, hiring, furloughs, operations and availability of Federal employees to support certain operations at the Airport, provide regulatory and other oversight, review and provide required approvals, in each case at the Airport and over the airlines serving the Airport; (iii) flight schedules, consumer confidence, operational efficiency at the Airport and in the air transportation system generally. In addition, the anticipated federal spending could be affected by, among other things, the automatic across-the-board spending cuts, known as sequestration.

There can be no assurance that the Congress will enact and the President will sign federal appropriation legislation or future FAA reauthorization which may require the Authority to fund capital expenditures forecast to come from such federal funds and from other sources (including operating revenues, Additional Senior Bonds and/or Additional Subordinate Obligations), result in decreases to the Capital Program or extend the timing for completion of certain projects and the Authority is also unable to predict future impact of any federal spending cuts or appropriation impasses or the impact of such actions on airline traffic at the Airport or the Authority's revenues.

### **Technological Innovations in Ground Transportation**

One significant category of non-airline revenues for the Authority is generated from ground transportation activity, including use of on-Airport parking garages; fees paid by taxi, limousine and TNCs, such as Uber and Lyft; and rental car transactions by Airport passengers. While passenger levels are increasing, the relative market share of these sources of revenue is shifting. As one example, the popularity of TNCs has increased because of the increasing number of cities where TNCs operate, convenience of requesting a ride through a mobile application, the ability to pay for this service without providing cash or other payment to the hired driver, and competitive pricing. In Fiscal Year 2019, TNCs recorded nearly 2.1 million (estimated) Airport pick-ups and 2.4 (estimated) Airport drop-offs resulting in \$13.5 million in fee revenue for the Authority, compared to nearly 1.8 million Airport pickups and \$6.7 million in fee revenue

in Fiscal Year 2018. The Authority did not begin tracking Airport drop-offs or collecting a fee for drop-offs until Fiscal Year 2019.

New technologies (such as autonomous vehicles and connected vehicles) and innovative business strategies in established markets such as commercial ground transportation and car rental may continue to occur and may result in further changes in Airport passengers' choice of ground transportation mode. While the Authority makes every effort to anticipate demand shifts, there may be times when the Authority's expectations differ from actual outcomes. In such event, revenue from one or more ground transportation modes may be lower than expected. The Authority cannot predict with certainty what impact these innovations in ground transportation will have over time on revenues from parking, other ground transportation services or rental cars. The Authority also cannot predict with certainty whether or to what extent it will collect non-airline revenues in connection with such new technologies or innovative business strategies.

### **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 June 30, 2019, the Authority had designated approximately \$11 million 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.

According to the EPA, aircraft account for 12% of all U.S. transportation GHG emissions and approximately 3% of total U.S. GHG emissions. While in 2016 the EPA finalized an endangerment finding that GHG emissions from "U.S. covered aircraft" cause or contribute to air pollution, triggering the Clean Air Act Section 231's requirement to regulate, aircraft GHG emission standards are not yet proposed and there has been no public EPA action in this area since December 2016. Regulations may be implemented in the future.



In March 2017, the International Civil Aviation Organization (“ICAO”), a specialized agency within the United Nations, adopted GHG carbon neutral growth targets applicable to (i) new aircraft type designs as of 2020 and (ii) new deliveries of current in-production aircraft models from 2023. The global standard includes a cutoff date of 2028 for production of non-compliant aircraft.

In October 2016, the ICAO also passed a market-based mechanism to curb emissions, the Carbon Offsetting and Reduction Scheme for International Aviation (“CORSIA”). CORSIA is comprised of 192 member countries and is designed to achieve carbon-neutral growth for international (but not domestic) civil aviation from 2020 onwards, in three phases. As of July 2, 2018, 73 nations representing 87.7% of international aviation activity, including the United States, indicated they will participate in the pilot (2021-2023), first (2024-2026) and second (2027-2035) phases of CORSIA. While the United States announced its withdrawal from the Paris Agreement of 2016 in 2017, with an effective date of 2020, which would imply a likely withdrawal from CORSIA participation, virtually all U.S.-based airlines agreed to participate in CORSIA, regardless of the United States’ position in May 2019. Currently, those participating nations whose aircraft operators undertake international flights are developing a monitoring, reporting and verification (MRV) system for CO<sub>2</sub> emissions from international flights. It remains unclear whether CORSIA will have any impact, economically or on climate.

On a state level, California passed the “California Global Warming Solutions Act of 2006,” which requires reduction of the statewide level of GHGs to 1990 levels by 2020. In 2016, the California legislature adopted as state law Governor Brown’s 2015 Executive Order B-30-15 (Senate Bill 32), requiring a reduction of the Statewide level of GHGs to 40% below 1990 levels by 2030. Further, the CARB implemented the “California Cap-and-Trade Program” (the “Program”) for certain entities emitting 25,000 metric tons of carbon dioxide equivalent per year or more, with non-covered entities allowed to voluntarily participate. Entities emitting between 10,000 and 25,000 metric tons (including the Airport) are required to report stationary source emissions, but are not required to participate in the Program. The Program, and additional State and local regulations related to climate change (including CARB’s Low Carbon Fuel Standard, California’s State Implementation Plan, the Sustainable Freight Action Plan, and regional GHG Emissions Reduction Targets) may require the airlines serving the Airport, other Airport tenants, and on-Airport operations to meet new compliance obligations that increase operational, utility and fuel costs (such as CARB’s recent adoption of a requirement for all airport shuttles to be zero emission by 2035 and its similar proposed regulations regarding ground support equipment). In some cases, these policies provide financial incentives for GHG reduction or air quality improvements through expanded or improved infrastructure and/or vehicle electrification or alternative fuels replacement. In other cases, they prevent the airport, equipment owner, or operator from accessing grants where a key eligibility requirement is that an investment must be voluntary. Additional regulations on a State and local level are pending and foreseeable (including expanding emissions mitigation measures aimed at commercial airports).

See “AIRPORT ENVIRONMENTAL MATTERS—Air Quality and Carbon 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. The paper was updated in March 2018

and expanded to include various sea level rise scenarios (coupled with 100-year storm surge events) through 2100 and their relative probability. These estimates guided additional flood modeling that was included in a new Climate Resilience Plan for SDIA

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. 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. This assessment was expanded with the development of a Climate Resilience Plan in 2019. The plan formally evaluated SDIA's vulnerability to potentially higher sea levels, more intense rainfall, and more extreme heat and identifies strategies to address predicted climate conditions through the end of the century. The plan's strategies are generally grouped around the following goals: (1) reduce risks associated with climate change to ensure business continuity, and to maintain a quality passenger experience; (2) integrate climate resilience into airport operations and development decisions; and (3) provide regional and industry leadership in climate resilience. The Authority is unable to predict whether sea-level rise or other impacts of climate change will occur while the Subordinate Series 2020 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 2020 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 2020 and Fiscal Year 2022 to pay debt service on the PFC Eligible Bonds (the Senior Series 2013 Bonds, the Subordinate Series 2019A Bonds and the Subordinate Series 2020 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 2020 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 2020 BONDS—Subordinate 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 2020 Bonds upon a Subordinate 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 Subordinate Indenture may not be readily available or may be limited. Legal opinions to be delivered concurrently with the delivery of the Subordinate Series 2020 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Subordinate Series 2020 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 2020 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 2020 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 2020 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 2020 Bonds. Prospective purchasers of the Subordinate Series 2020 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.”

## **Forward-Looking Statements**

This Updated Official Statement contains statements relating to future results that are “forward-looking statements”. When used in this Updated 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 Updated 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 Updated 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 Updated 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 2020 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 2020 Bonds or in any way contests the validity of the Subordinate Series 2020 Bonds or any proceedings of the Board taken with respect to the authorization, sale or issuance of the Subordinate Series 2020 Bonds, the pledge or application of any moneys provided for the payment of or security for the Subordinate Series 2020 Bonds, or the use of the proceeds of the Subordinate Series 2020 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 “INTRODUCTION—Capital Program and Airport Development Plan—Airport Development Plan” and “DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Airport Development Plan” for a description of the lawsuit filed by Quiet Skies challenging, among other things, the Final ADP EIR.

See also “APPENDIX A—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018—Note 14. Commitments and Contingencies.”

## **TAX MATTERS**

### **General**

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2020 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Subordinate Series 2020B Bond or Subordinate Series 2020C Bond for any period during which such Subordinate Series 2020B Bond or Subordinate Series 2020C Bond, as applicable, is held by a “substantial user” of the facilities refinanced by the Subordinate Series 2020B Bonds or the Subordinate Series 2020C Bonds, as applicable, 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 2020A Bonds and the Subordinate Series 2020B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, and (b) interest on the Subordinate Series 2020C Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. 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 Code that must be met subsequent to the issuance of the Subordinate Series 2020 Bonds. Failure to comply with such requirements could cause interest on the Subordinate Series 2020 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Subordinate Series 2020 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 2020 Bonds.

Bond Counsel is further of the opinion that interest on the Subordinate Series 2020 Bonds is exempt from present State of California personal income taxes.

### **Special Considerations With Respect to the Subordinate Series 2020 Bonds**

The accrual or receipt of interest on the Subordinate Series 2020 Bonds may otherwise affect the federal income tax liability of the owners of the Subordinate Series 2020 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 2020 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 2020 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 2020 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 2020 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

## **Tax Treatment of Original Issue Premium**

The Subordinate Series 2020 Bonds are being sold at a premium. An amount equal to the excess of the issue price of a Subordinate Series 2020 Bond over its stated redemption price at maturity constitutes premium on such Subordinate Series 2020 Bond. An initial purchaser of a Subordinate Series 2020 Bond must amortize any premium over such Subordinate Series 2020 Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Subordinate Series 2020 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 2020 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 2020 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 2020 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 2020 Bond.

## **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 2020 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 2020 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 2020 Bonds or the market value thereof would be impacted thereby. Purchasers of the Subordinate Series 2020 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 2020 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.

## **RATINGS**

Fitch Ratings and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, have assigned ratings of "A+" (stable outlook) and "A" (negative outlook), respectively, to the Subordinate Series 2020 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: Fitch Ratings, One State Street Plaza, New York, NY 10004; and S&P Global Ratings, 55 Water Street, New York, New York 10041. 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 2020 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 2020 Bonds.

## **LEGAL MATTERS**

The validity of the Subordinate Series 2020 Bonds and certain other legal matters are subject to the approving opinions 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 E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Updated 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 Updated 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 2019 Bonds are contingent upon the issuance and delivery of the Subordinate Series 2019 Bonds. All of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel with respect to the issuance of the Subordinate Series 2020 Bonds are contingent upon the issuance and delivery of the Subordinate Series 2020 Bonds.

## **UNDERWRITING**

The Subordinate Series 2020A Bonds will be purchased by Citigroup Global Markets Inc., RBC Capital Markets, LLC, Backstrom McCarley Berry & Co., LLC, Jefferies LLC, Morgan Stanley & Co. LLC, and Siebert Williams Shank & Co., LLC (collectively, the "Underwriters"), from the Authority at a price of \$31,109,473.75 (which is the par amount of the Subordinate Series 2020A Bonds, plus an original issue premium of \$5,021,473.45, less an underwriters' discount of \$56,999.70), subject to the terms of the Forward Delivery Purchase Contract.

The Subordinate Series 2020B Bonds will be purchased by the Underwriters, from the Authority at a price of \$228,199,313.64 (which is the par amount of the Subordinate Series 2020B Bonds, plus an original issue premium of \$39,522,040.15, less an underwriters' discount of \$412,726.51), subject to the terms of the Forward Delivery Purchase Contract.

The Subordinate Series 2020C Bonds will be purchased by the Underwriters, from the Authority at a price of \$31,218,125.86 (which is the par amount of the Subordinate Series 2020C Bonds, plus an original issue premium of \$4,870,662.05, less an underwriters' discount of \$57,536.19), subject to the terms of the Forward Delivery Purchase Contract.

The Forward Delivery Purchase Contract provides that the Underwriters will purchase all of the Subordinate Series 2020 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Forward Delivery Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Subordinate Series 2020 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 2020 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.

Citigroup Global Markets Inc. (“Citigroup”) provided the information contained in this paragraph for inclusion in this Updated Official Statement and the Authority does not take any responsibility for or make any representation as to its accuracy or completeness. Citigroup, an underwriter of the Subordinate Series 2020 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

Backstrom McCarley Berry & Co., LLC (“BMcB”) provided the information contained in this paragraph for inclusion in this Updated 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 2020 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 2020 Bonds. Pursuant to these distribution agreements, the Firms may purchase Subordinate Series 2020 Bonds from BMcB at the original issue price less a negotiated portion of the selling concession applicable to any Subordinate Series 2020 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.

Jefferies LLC (“Jefferies”) provided the information contained in this paragraph for inclusion in this Updated 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 2020 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 2020 Bonds to E\*TRADE and will share a portion of its selling concession compensation with E\*TRADE.

Morgan Stanley & Co. LLC (“Morgan Stanley”) provided the information contained in this paragraph for inclusion in this Updated 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 2020 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 2020 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 2020 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 Updated Official Statement.

### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Robert Thomas CPA, LLC, the Verification Agent, has verified the mathematical accuracy of the computations contained in the schedules provided by Citigroup Global Markets Inc. to determine that the amounts to be held in the Subordinate Series 2010A Escrow Fund and the Subordinate Series 2010B Escrow Fund will be sufficient to pay the redemption price of and interest on the applicable Series of the Refunded Bonds on July 1, 2020.

### **CONTINUING DISCLOSURE**

At the time of issuance of the Subordinate Series 2020 Bonds, the Authority will execute and deliver a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) substantially in the form set forth in Appendix F of this Updated 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 F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

The Authority entered into a continuing disclosure certificate with respect to the Series 2014 Special Facilities Bonds. With respect to such continuing disclosure certificate, the Authority failed to file on a timely basis, on the EMMA website, notice of a change in the rating of the Series 2014 Special Facilities Bonds. S&P upgraded the rating on the Series 2014 Special Facilities Bonds from “A-” to “A” on October 31, 2018, and the Authority filed the notice of the rating change on the EMMA website on December 3, 2018.

### **FINANCIAL STATEMENTS**

The audited financial statements of the Authority for Fiscal Years 2019 and 2018 are included as Appendix A 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 7, 2019, included in Appendix A. 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 Updated Official Statement.

## **RELATED PARTIES**

RBC Capital Markets, LLC is serving as one of the underwriters of the Subordinate Series 2020 Bonds. RBC Capital Markets, LLC also serves as the underwriter for the Subordinate Drawdown Bonds, and RBC Municipal Products, LLC, an affiliate of RBC Capital Markets, LLC, is the purchaser of any Subordinate Drawdown Bonds issued by the Authority.

## **MISCELLANEOUS**

Any statements made in this Updated 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 3<sup>rd</sup> Floor, 3225 North Harbor Drive, San Diego, California 92101. This Updated Official Statement is not to be construed as a contract or agreement between the Authority and the owners of any of the Subordinate Series 2020 Bonds.

[Remainder of page intentionally left blank.]



**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF  
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY  
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

[PAGE INTENTIONALLY LEFT BLANK]

# **San Diego County Regional Airport Authority**

Financial Statements

For the Fiscal Years Ended

June 30, 2019 and 2018

# San Diego County Regional Airport Authority

June 30, 2019 and 2018

## Contents

**Independent Auditor's Report..... 1-2**

**Management's Discussion and Analysis (Unaudited) ..... 3-14**

### **Financial Statements**

Statements of Net Position ..... 15-16

Statements of Revenues, Expenses and Changes in Net Position ..... 17-18

Statements of Cash Flows ..... 19-20

Notes to Financial Statements ..... 21-62

### **Required Supplementary Information (Unaudited)**

Schedule of Changes in the Net Pension Liability and Related Ratios ..... 63

Schedule of Contributions (Pensions) ..... 64

Schedule of Changes in the Net Pension Liability and Related Ratios ..... 65

Schedule of Contributions (Pensions) ..... 66

Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios ..... 67

Schedule of Contributions (OPEB) ..... 68

## Independent Auditor's Report

To the Members of the Board  
San Diego County Regional Airport Authority  
San Diego, CA

We have audited the accompanying financial statements of the San Diego County Regional Airport Authority (Airport Authority) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express 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.



***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, 2019 and 2018, and the changes in its financial position and its cash flows for the years 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***BKD, LLP***

Dallas, Texas  
October 7, 2019

## SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

# Management's Discussion and Analysis

For The Years Ended June 30, 2019 and 2018

### **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 (2017 – 2019)***

The Airport Authority experienced continued growth 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 2017	FY 2018	FY 2019
Enplaned passengers	10,596,483	11,731,559	<b>12,356,286</b>
% increase	3.8%	10.7%	<b>5.3%</b>
Total passengers	21,140,067	23,433,018	<b>24,691,673</b>
% increase	3.6%	10.8%	<b>5.4%</b>
Aircraft operations	201,011	218,671	<b>228,092</b>
% increase (decrease)	3.9%	8.8%	<b>4.3%</b>
Freight and mail (in tons)	188,607	191,347	<b>186,469</b>
% increase	1.6%	1.5%	<b>-2.5%</b>
Landed weight (in thousands)	12,616	13,770	<b>14,481</b>
% increase	4.7%	9.1%	<b>5.2%</b>

Overall, the strong economy is reflected in the FY 2019 Airport Activities results at SDIA. There was a substantial increase in enplaned passengers in fiscal year 2019 of 5.3 percent. New airline routes also factored into the sizable increases of aircraft operations and landed weight.

***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 increased by .9 percent in 2017, was followed by a larger 3.4 percent increase in 2018, and was followed by another large increase of 5.4 percent in 2019. The following is a summary of the statements of revenues, expenses and changes in net position (in thousands):

	FY 2017	FY 2018	FY 2019
Operating revenues	\$ 248,847	\$ 266,079	<b>\$ 293,679</b>
Operating expenses	(258,955)	(274,651)	<b>(301,548)</b>
Nonoperating revenues, net	15,428	21,528	<b>43,033</b>
Capital contributions and grants	1,904	13,079	<b>8,213</b>
Increase (decrease) in net position	7,224	26,035	<b>43,377</b>
Net position, beginning of year	775,949	783,173	<b>809,925</b>
Prior-period adjustment GASB 68	-	717	<b>-</b>
Net position, end of year	<b>\$ 783,173</b>	<b>\$ 809,925</b>	<b>\$ 853,302</b>

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 75 caused prior-period adjustments in fiscal year 2018. The cumulative changes in accounting for post-retirement benefits liabilities are reflected in these adjustments.

## FINANCIAL HIGHLIGHTS

### Operating Revenues (in thousands)

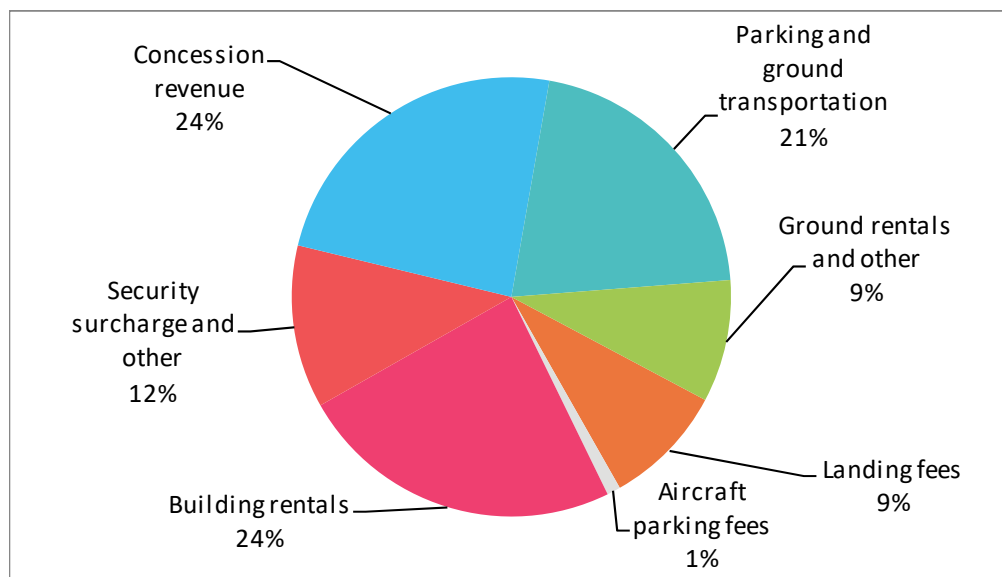
	FY 2018	FY 2019	From 2018 to 2019	
			Increase (Decrease)	% Change
Airline revenue:				
Landing fees	\$ 23,900	\$ 24,816	\$ 916	3.8%
Aircraft parking fees	3,236	3,471	235	7.3%
Building rentals	62,241	70,912	8,671	13.9%
Security surcharge	32,303	33,559	1,256	3.9%
Other aviation revenue	1,477	1,596	119	8.1%
Total airline revenue	123,157	134,354	11,197	9.1%
Concession revenue	65,610	71,256	5,646	8.6%
Parking and ground transportation revenue	53,254	62,818	9,564	18.0%
Ground rentals	22,109	22,810	701	3.2%
Other operating revenue	1,949	2,441	492	25.2%
Total operating revenue	\$ 266,079	\$ 293,679	\$ 27,600	10.4%

	FY 2017	FY 2018	From 2017 to 2018	
			Increase (Decrease)	% Change
Airline revenue:				
Landing fees	\$ 24,612	\$ 23,900	\$ (712)	(2.9%)
Aircraft parking fees	2,927	3,236	309	10.6%
Building rentals	56,575	62,241	5,666	10.0%
Security surcharge	29,468	32,303	2,835	9.6%
Other aviation revenue	2,799	1,477	(1,322)	(47.2%)
Total airline revenue	116,381	123,157	6,776	5.8%
Concession revenue	61,256	65,610	4,354	7.1%
Parking and ground transportation revenue	49,407	53,254	3,847	7.8%
Ground rentals	20,053	22,109	2,056	10.3%
Other operating revenue	1,750	1,949	199	11.4%
Total operating revenue	\$ 248,847	\$ 266,079	\$ 17,232	6.9%

**Fiscal year 2019 compared to 2018:** Total airline revenues increased by \$11.2 million, or 9.1 percent, primarily due to an increased cost recovery for the airlines which was higher in fiscal year 2019, compared to 2018. Landing fees increased by \$916 thousand or 3.8 percent due to higher airfield-related costs. Aircraft parking fees increased by \$235 thousand or 7.3 percent due to additional overnight aircraft parking positions, with the increased service from Alaska Airlines. Building rentals increased by \$8.7 million or 13.9 percent due to increased cost recovery from airline rents, higher exclusive use square footage and higher employee shuttle services expenses. Security surcharge increased by \$1.3 million or 3.9 percent, primarily due to increased terminal security charges by the Harbor Police increased wages and benefits. Other aviation revenue increased by \$119 thousand or 8.1 percent, mostly due to the recovery of higher common use cost charges. Concession revenue increased by \$5.6 million or 8.6 percent, reflecting increased enplanements. Parking and ground transportation increased by \$9.6 million or 18 percent, due to higher enplanements, a full year of our new Terminal 2 Parking Plaza and higher trip fees from transportation network companies due to increased transactions. Ground and non-airline terminal rentals increased by \$701 thousand or 3.2 percent. This increase was primarily due to scheduled CPI rent increases. Other operating revenue increased by \$492 thousand or 25.2 percent, primarily due to two new revenue sources; telecom services offered to terminal tenants and revenue generated by the Innovation Lab.

**Fiscal year 2018 compared to 2017:** Total airline revenues increased by \$6.8 million, or 5.8 percent, primarily due to an increased cost recovery for the airlines which was higher in fiscal year 2018, compared to 2017. Landing fees decreased by \$712 thousand or 2.9 percent due to airfield-related cost savings. Aircraft parking fees increased by \$309 thousand or 10.6 percent due to additional overnight aircraft parking positions. Building rentals increased by \$5.7 million or 10.0 percent due to increased cost recovery from airline rents. Security surcharge increased by \$2.8 million or 9.6 percent, primarily due to increased terminal security charges. Other aviation revenue decreased by \$1.3 million or 47.2 percent, mostly due to common use cost recovery charges. Concession revenue increased by \$4.4 million or 7.1 percent, reflecting increased enplanements. Parking and ground transportation increased by \$3.8 million or 7.8 percent, due to higher enplanements and higher trip fees from transportation network companies. Ground and non-airline terminal rentals increased by \$2.1 million or 10.3 percent. This increase was primarily due to fuel facility rentals, and scheduled rent increases. Other operating revenue increased by \$199 thousand or 11.4 percent, primarily due to an increase in planning grant funding.

**San Diego County Regional Airport Authority  
Fiscal Year Ended June 30, 2019  
Operating Revenues**



**Operating Expenses (in thousands)**

	FY 2018	FY 2019	From 2018 to 2019	
			Increase (Decrease)	% Change
Salaries and benefits	\$ 47,866	\$ 49,578	\$ 1,712	3.6%
Contractual services	45,249	49,903	4,654	10.3%
Safety and security	30,733	31,397	664	2.2%
Space rental	10,190	10,191	1	0.0%
Utilities	12,509	13,194	685	5.5%
Maintenance	12,603	13,436	833	6.6%
Equipment and systems	598	375	(223)	(37.3%)
Materials and supplies	655	656	1	0.2%
Insurance	1,098	1,200	102	9.3%
Employee development and support	1,248	1,045	(203)	(16.3%)
Business development	3,246	2,630	(616)	(19.0%)
Equipment rentals and repairs	3,124	3,614	490	15.7%
Total operating expenses before depreciation	169,119	177,219	8,100	4.8%
Depreciation	105,532	124,329	18,797	17.8%
Total operating expense	\$ 274,651	\$ 301,548	26,897	9.8%

	FY 2017	FY 2018	From 2017 to 2018	
			Increase (Decrease)	% Change
Salaries and benefits	\$ 46,874	\$ 47,866	\$ 992	2.1%
Contractual services	44,372	45,249	877	2.0%
Safety and security	28,422	30,733	2,311	8.1%
Space rental	10,190	10,190	-	0.0%
Utilities	10,736	12,509	1,773	16.5%
Maintenance	14,270	12,603	(1,667)	(11.7%)
Equipment and systems	506	598	92	18.2%
Materials and supplies	611	655	44	7.2%
Insurance	956	1,098	142	14.9%
Employee development and support	1,347	1,248	(99)	(7.3%)
Business development	2,347	3,246	899	38.3%
Equipment rentals and repairs	3,095	3,124	29	0.9%
Total operating expenses before depreciation	163,726	169,119	5,393	3.3%
Depreciation	95,229	105,532	10,303	10.8%
Total operating expense	\$ 258,955	\$ 274,651	\$ 15,696	6.1%

**Fiscal year 2019 compared to 2018:** Total fiscal year 2019 operating expenses increased by \$26.9 million or 9.8 percent. Salaries and benefits increased by \$1.7 million or 3.6 percent, due to planned wage and benefit increases, higher overtime and increased head count. Contractual services increased by \$4.7 million or 10.3 percent, mainly due to higher expenses in shuttle services, janitorial services, and temporary services. Safety and security increased by \$664 thousand or 2.2 percent due to increased salaries and benefits for law enforcement and emergency services. Utilities increased by \$685 thousand or 5.5 percent, due to higher usage as a result of the increase in total passengers. Maintenance expenses increased \$833 thousand, or 6.6 percent, due to replacement of carpet in Terminal 1, and retrofitting electronic signs to LED. Insurance increased by \$102 thousand or 9.3 percent, primarily due to larger terminal square footage with the completion of the Federal Inspection Station.

Equipment rentals and repairs were increased by \$490 thousand and 15.7 percent, due to expanded IT computers, office equipment, repairs and systems support.

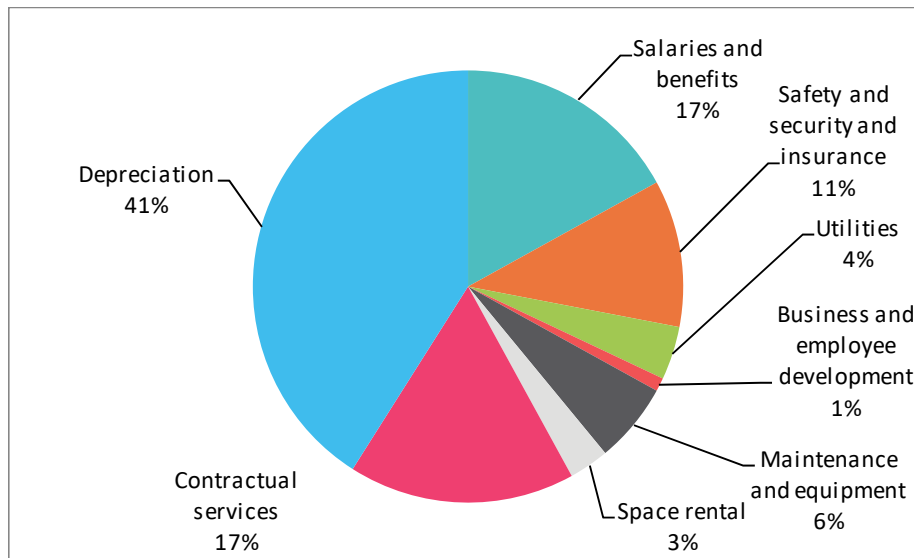
Depreciation increased by \$18.8 million or 17.8 percent, due to a full year of depreciation for the Parking Plaza and international passenger area (FIS) being placed in service.

Offsetting this increase in operating expenses was the following decreases: Equipment and systems decreased by \$223 thousand or 37.3 percent, mainly due to scheduled replacement of computer equipment occurred in prior year. Employee development and support decreased by \$203 thousand and 16.3 percent due to more conservative approval processes. Business development decreased by \$616 thousand or 19.0 percent, mainly due to decrease in sponsorship and marketing.

**Fiscal year 2018 compared to 2017:** Total fiscal year 2018 operating expenses increased by \$15.7 million or 6.1 percent. Salaries and benefits increased by \$992 thousand or 2.1 percent, due to planned wage and benefit increases. Contractual services increased by \$877 thousand or 2.0 percent, mainly due to higher expenses in custodial services. Safety and security increased by \$2.3 million or 8.1 percent due to higher law enforcement and emergency services costs. Utilities increased by \$1.8 million or 16.5 percent, due to higher usage as a result of the increase in total passengers. Equipment and systems increased by \$92 thousand or 18.2 percent, mainly due to additional computer equipment and licenses. Insurance increased by \$142 thousand or 14.9 percent, primarily due to higher coverage costs of various policies. Business development increased by \$899 thousand or 38.3 percent, mainly due to community outreach. Depreciation increased by \$10.3 million or 10.8 percent, due to the Parking Plaza and international passenger area (FIS) being placed in service.

Offsetting this increase in operating expenses was the following decrease: Maintenance expenses decreased \$1.7 million, or 11.7 percent, due in part to lower electrical and HVAC maintenance contract costs.

**San Diego County Regional Airport Authority  
Fiscal Year Ended June 30, 2019  
Operating Expenses**



**Nonoperating Revenues (Expenses) (in thousands)**

	FY 2018	FY 2019	From 2018 to 2019	
			Increase (Decrease)	% Change
Passenger facility charges	\$ 46,953	\$ 49,198	\$ 2,245	4.8%
Customer facility charges	41,036	41,918	882	2.1%
Quieter Home Program, net	(2,747)	(3,192)	(445)	(16.2%)
Joint studies program	(114)	(99)	15	13.2%
Investment income	9,426	25,533	16,107	170.9%
Interest expense, net	(63,745)	(69,815)	(6,070)	(9.5%)
Other nonoperating income (expenses)	(9,281)	(510)	8,771	94.5%
<b>Nonoperating revenues, net</b>	<b>\$ 21,528</b>	<b>\$ 43,033</b>	<b>\$ 21,505</b>	<b>99.9%</b>

	FY 2017	FY 2018	From 2017 to 2018	
			Increase (Decrease)	% Change
Passenger facility charges	\$ 42,200	\$ 46,953	\$ 4,753	11.3%
Customer facility charges	36,528	41,036	4,508	12.3%
Quieter Home Program, net	(785)	(2,747)	(1,962)	(249.9%)
Joint studies program	-	(114)	(114)	0.0%
Investment income	5,689	9,426	3,737	65.7%
Interest expense, net	(53,528)	(63,745)	(10,217)	(19.1%)
Other nonoperating income (expenses)	(14,676)	(9,281)	5,395	36.8%
<b>Nonoperating revenues, net</b>	<b>\$ 15,428</b>	<b>\$ 21,528</b>	<b>\$ 6,100</b>	<b>39.5%</b>

**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 1949 of the California Civil Code and approved by legislation under Senate Bill 1510. 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 January 2017, the fee was increased from \$7.50 to \$9.00 per day, up to five days for rental car transactions. This fee applies to transactions that originated at the Rental Car Center (RCC). For car rental transactions of non-RCC tenants, the CFC rate was increased from \$2.17 to \$2.42 per day, up to five days for rental car transactions.

**Quieter Home Program** includes sound attenuation construction improvements at all eligible single-family and multi-family 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 2019, the Airport Authority has spent \$216.2 million and received reimbursement for \$173.8 million.

**Investment Income** is derived from interest earned by the Airport Authority on investments and notes receivable and unrealized gain (loss) on investments.



**Interest expense** includes interest paid and accrued on the Bonds, Variable Debt, and Lease Interest. For fiscal year 2018, this was netted with the capitalization of bond interest to the construction in progress assets that the bond and variable debt finances. The capitalized interest in fiscal year ended June 30, 2018 was \$7.2 million. In fiscal year 2019, the Airport Authority implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This standard requires prospective implementation which resulted in expensing of all interest costs in fiscal year 2019. As of June 30, 2019 interest expense was \$80.2 million and the interest expense that was not capitalized for June 30, 2018 was \$74.1 million. The bond premium amortization from all four bond series is also netted with interest expense. 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 32.7 percent of the interest payable. The interest subsidy for the fiscal years ended June 30, 2019 and 2018 was \$4.7 million.

**Other nonoperating income (expense)** includes proceeds and expenses for legal settlements, gain (loss) on the sale of assets, and other miscellaneous revenue and expenses.

**Fiscal year 2019 compared to 2018:** Nonoperating revenues (net) increased by \$21.5 million or 99.9 percent. Passenger facility charges increased by \$2.2 million or 4.8 percent, due to a 5.2 percent increase in enplaned passengers. Customer facility charges increased by \$882 thousand or 2.1 percent, due to a corresponding increase in rental car transactions. Investment income increased by \$16.1 million or 170.9 percent, due to higher investment returns. Other nonoperating expense decreased by \$8.8 million or 94.5 percent, primarily due to a nonrecurring loss on disposal of capital assets related to the Terminal 2 construction projects in 2018.

The increase in nonoperating income was offset by a Quieter Home Program expenses (net) increase of \$445 thousand or 16.2 percent, due to higher sound attenuation activity. Interest expense (net) was higher by \$6 million or 9.5 percent, due to a full year of interest from the SE 2017 bond issuance.

**Fiscal year 2018 compared to 2017:** Nonoperating revenues (net) increased by \$6.1 million or 39.5 percent. Passenger facility charges increased by \$4.8 million or 11.3 percent, due to a 10.7 percent increase in enplaned passengers. Customer facility charges increased by \$4.5 million or 12.3 percent, due to a corresponding increase in rental car transactions and a full year receiving the increased daily fee previously discussed. Investment income increased by \$3.7 million or 65.7 percent, due to an increase in dollars invested from the Series 2017 bond issuance as well as improved market performance compared to fiscal year 2017. Other nonoperating expense decreased by \$5.4 million or 36.8 percent, primarily due to a decrease from loss on fixed asset disposals resulting from the new Parking Plaza in 2017.

The increase in nonoperating income was offset by a Quieter Home Program expenses (net) increase of \$2.0 million or 249.9 percent, due to higher sound attenuation activity. Interest expense (net) was higher by \$10.2 million or 19.1 percent, due to the SE 2017 bond issuance.

**Capital Grant Contributions (in thousands)**

			<b>From 2018 to 2019</b>	
	FY 2018	FY 2019	Increase (Decrease)	% Change
Federal grants	\$ 13,079	\$ 8,213	\$ (4,866)	(37.2%)

			<b>From 2017 to 2018</b>	
	FY 2017	FY 2018	Increase (Decrease)	% Change
Federal grants	\$ 1,904	\$ 13,079	\$ 11,175	586.9%

**Capital Grant Contributions** are comprised of Airport Improvement Project (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. In fiscal year 2019 capital grant contributions decreased by \$4.9 million or 37.2 percent compared to fiscal year 2018. Additionally in fiscal year 2018, capital grant contributions increased by \$11.2 million or 586.9 percent, compared to fiscal year 2017. This was due to the completion in 2018 of the Runway 9 displaced threshold, Northside taxiway bypass, and storm drain trunk projects.

Variances from year to year relate to the amount of work completed on eligible projects during the fiscal year. In fiscal year 2018, the grant fund increase is primarily due to airfield projects.

**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, 2017, 2018 and 2019, is as follows:

	FY 2017	FY 2018	FY 2019
<b>Assets and Deferred Outflows of Resources</b>			
Current assets	\$ 191,307	\$ 223,610	\$ 244,592
Capital assets, net	1,544,909	1,704,141	1,722,150
Noncurrent assets	494,040	643,474	598,156
Total assets	2,230,256	2,571,225	2,564,898
Deferred outflows of resources	20,246	24,196	26,681
Total assets and deferred outflows of resources	2,250,502	2,595,421	2,591,579
<b>Liabilities and Deferred Inflows of Resources</b>			
Current liabilities	104,422	145,942	131,085
Long-term liabilities	1,361,090	1,635,326	1,600,230
Total liabilities	1,465,512	1,781,268	1,731,315
Deferred inflows of resources	1,815	4,228	6,961
Total liabilities and deferred inflows of resources	1,467,327	1,785,496	1,738,276
<b>Net Position</b>			
Net investment in capital assets	263,952	294,937	281,491
Restricted	225,088	230,954	246,508
Unrestricted	294,133	284,034	325,303
Total net position	\$ 783,173	\$ 809,925	\$ 853,302

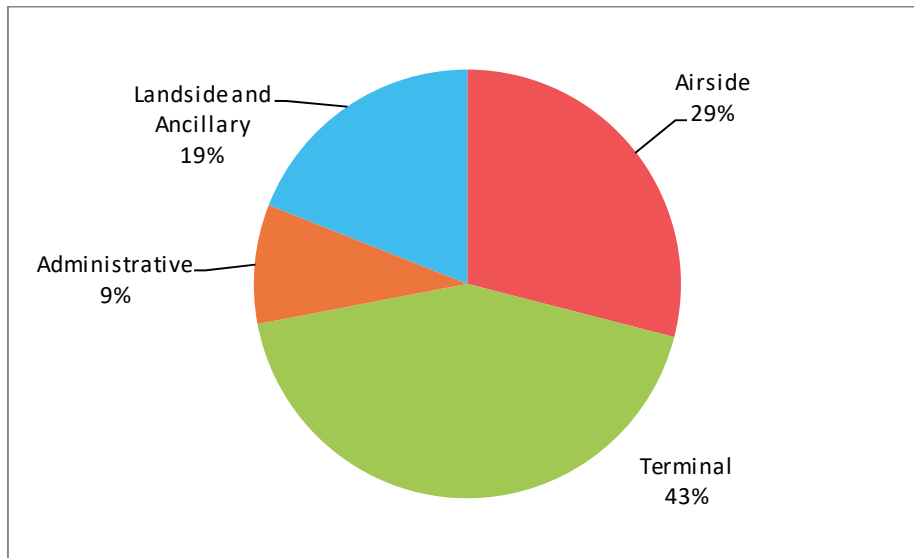
As of June 30, 2019, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$853.3 million. This reflects a \$43.4 million or 5.4 percent increase in net position from June 30, 2018. The Airport Authority uses the capital assets to 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 \$325.3 million as of June 30, 2019, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2019, 2018 and 2017, management has designated unrestricted funds in the amount of \$26.2 million, \$39.3 million, and \$25.8 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance and operating contingency.

### **Capital Program**

The Capital Program is a rolling five-year program that provides critical improvements and asset additions. The program includes capital 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 revolving lines of credit and Drawdown Bonds.

The current Capital Program, which includes projects through 2024, consists of \$281.3 million for airside projects, \$175.9 million for landside and ancillary projects, \$415.6 million for terminal projects, and \$82.6 million for administrative projects.

**Capital Program 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, 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, 32.69 percent of interest payable. The interest rate on the Series 2010 C Bonds, net of subsidy, is 4.46 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. Interest expense for the fiscal year ended June 30, 2019 amounted to \$29.7 million, including accrued interest of \$14.9 million. As of June 30, 2019, the principal balance on the subordinate Series 2010 Bonds was \$527.1 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 accrued on the senior Series 2013 Bonds, 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, 2019, amounted to \$18.17 million, including accrued interest of \$9.08 million. The principal balance on the Series 2013 Bonds as of June 30, 2019 was \$371.0 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 and (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 19, 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 on the Series 2014 Bonds, 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. Interest expense for the fiscal year ended June 30, 2019, amounted to \$16.2 million, including accrued interest of \$8.1 million. As of June 30, 2019, the principal balance on the Series 2014 Bonds was \$299.7 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 August 3, 2017, the Airport Authority issued \$291,210,000 of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds). The Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund \$32,550,000 of the Airport Authority's outstanding variable rate debt, which was issued during 2017, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of \$48,423,688, which is being amortized over the life of the bonds. Interest on the senior Series 2017 Bonds is payable semiannually on January 1 and July 1, of each year. Interest expense for the fiscal year ended June 30, 2019, amounted to \$14.3 million, including accrued interest of \$7.16 million. As of June 30, 2019, the principal balance on the Series 2017 was \$286.3 million.

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 agreement that was extended through June 29, 2020. As of June 30, 2019, the Airport Authority's outstanding debt under this agreement consists of \$13.7 million of Series B (AMT).

In April of 2018 the Airport Authority established a Subordinate Drawdown Bond program with Royal Bank of Canada (RBC) Municipal Products of up to \$100 million. On April 1, 2018, the Airport Authority and RBC Municipal Products agreed upon a Bondholders Agreement and on April 19, 2018, the Airport Authority and RBC Capital Markets LLC agreed upon a Subordinate Drawdown Bond Purchase Agreement. 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. As of June 30, 2019 no Subordinate Drawdown Bonds were outstanding. Subsequent to fiscal year-end 2019, on July 18, 2019 the Airport Authority made Subordinate Drawdown Bond draws of \$11.1 million on Series A (Non-AMT) and \$22.9 million on Series B (AMT). It is anticipated that these Subordinate Drawdown Bonds will be refunded with a future bond issuance.

The revolving line of credit and the Drawdown Bonds are 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 February 1, 2040.

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately \$24.5 million in grant awards for the federal fiscal year ended September 30, 2019, as compared to \$25.4 million for 2018. 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](http://www.san.org)

# San Diego County Regional Airport Authority

## Statements of Net Position

June 30, 2019 and 2018

Assets and Deferred Outflows of Resources	2019	2018
<b>Current Assets</b>		
Unrestricted:		
Cash and cash equivalents (Note 2)	\$ 10,286,307	\$ 7,243,688
Investments (Notes 2 and 11)	124,558,161	85,690,254
Tenant lease receivables, net	12,491,101	10,837,699
Grants receivable	4,148,758	10,955,228
Note receivable, current portion (Note 3)	2,006,052	1,903,323
Other current assets	7,111,124	7,329,052
<b>Total unrestricted current assets</b>	<b>160,601,503</b>	<b>123,959,244</b>
Restricted cash, cash equivalents and investments with trustees (Notes 2 and 5)	<b>83,990,603</b>	99,650,564
<b>Total current assets</b>	<b>244,592,106</b>	<b>223,609,808</b>
<b>Noncurrent Assets</b>		
Restricted assets (Notes 2 and 5):		
Restricted cash, cash equivalents and investments not with trustees	205,979,093	191,304,621
Restricted investments with trustees	162,164,029	228,598,834
Passenger facility charges receivable (Note 1)	6,959,982	6,635,273
Customer facility charges receivable (Note 1)	4,339,192	4,097,757
Other restricted assets	5,315,982	5,310,167
<b>Total restricted assets</b>	<b>384,758,278</b>	<b>435,946,652</b>
Other noncurrent assets:		
Investments, noncurrent (Note 2)	157,461,822	136,796,912
Note receivable, long-term portion (Note 3)	29,332,710	31,338,762
Cash and cash equivalents designated for specific capital projects and other commitments (Notes 2 and 11)	26,208,561	39,294,169
Net OPEB asset (Note 9)	394,547	97,418
<b>Total other noncurrent assets</b>	<b>213,397,640</b>	<b>207,527,261</b>
Capital assets (Note 4):		
Land and land improvements	135,850,387	135,086,590
Buildings and structures	1,709,304,802	1,692,102,858
Machinery and equipment	131,172,226	112,464,060
Runways, roads and parking lots	698,595,118	646,939,284
Construction in progress	144,432,325	110,520,200
	<b>2,819,354,858</b>	2,697,112,992
Less accumulated depreciation	<b>(1,097,205,313)</b>	(992,971,931)
Capital assets, net	<b>1,722,149,545</b>	1,704,141,061
<b>Total noncurrent assets</b>	<b>2,320,305,463</b>	<b>2,347,614,974</b>
<b>Total assets</b>	<b>2,564,897,569</b>	<b>2,571,224,782</b>
Deferred outflows of resources		
Deferred pension outflows (Notes 6 and 7)	25,602,589	23,113,159
Deferred OPEB outflows (Note 9)	1,078,263	1,082,904
<b>Total deferred outflows of resources</b>	<b>26,680,852</b>	<b>24,196,063</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 2,591,578,421</b>	<b>\$ 2,595,420,845</b>

See Notes to Financial Statements.

(Continued)

# San Diego County Regional Airport Authority

## Statements of Net Position, Continued June 30, 2019 and 2018

Liabilities, Deferred Inflows of Resources and Net Position	2019	2018
<b>Current Liabilities</b>		
Payable from unrestricted assets:		
Accounts payable	\$ 5,671,003	\$ 2,589,715
Accrued liabilities	29,101,867	28,508,254
Compensated absences, current portion (Note 5)	2,978,157	3,093,379
Other current liabilities	9,020,385	11,777,067
Capital leases, current portion (Note 5)	323,242	323,514
<b>Total payable from unrestricted assets</b>	<b>47,094,654</b>	<b>46,291,929</b>
Payable from restricted assets:		
Accounts payable	7,093,105	51,585
Accrued liabilities	14,798,425	37,247,974
Long-term debt, current portion (Note 5)	22,865,000	22,650,000
Accrued interest on variable rate debt and bonds (Note 5)	39,234,073	39,701,005
<b>Total payable from restricted assets</b>	<b>83,990,603</b>	<b>99,650,564</b>
<b>Total current liabilities</b>	<b>131,085,257</b>	<b>145,942,493</b>
<b>Long-Term Liabilities</b>		
Compensated absences, net of current portion (Note 5)	572,054	183,209
Other noncurrent liabilities	648,372	626,423
Long-term debt, net of current portion (Note 5)	1,578,980,028	1,614,294,048
Net pension liability (Notes 6 and 7)	20,029,343	20,222,458
<b>Total long-term liabilities</b>	<b>1,600,229,797</b>	<b>1,635,326,138</b>
<b>Total liabilities</b>	<b>1,731,315,054</b>	<b>1,781,268,631</b>
<b>Deferred inflows of resources</b>		
Deferred pension inflows (Notes 6 and 7)	6,453,432	3,685,838
Deferred OPEB inflows (Note 9)	507,578	541,669
<b>Total deferred inflows of resources</b>	<b>6,961,010</b>	<b>4,227,507</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>1,738,276,064</b>	<b>1,785,496,138</b>
<b>Net Position</b>		
Net investment in capital assets (Note 1)	281,491,126	294,937,128
Restricted:		
Debt Service	71,952,864	71,618,324
Construction	150,466,640	135,691,506
OPEB	394,547	97,418
Operation and maintenance expenses	14,377,942	14,236,540
Small business bond guarantee	4,000,000	4,000,000
OCIP loss reserve	5,315,982	5,310,166
Total restricted net position	<b>246,507,975</b>	<b>230,953,954</b>
Unrestricted net position	<b>325,303,256</b>	<b>284,033,625</b>
<b>Total net position</b>	<b>\$ 853,302,357</b>	<b>\$ 809,924,707</b>

See Notes to Financial Statements.

## San Diego County Regional Airport Authority

### Statements of Revenues, Expenses and Changes in Net Position For the Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
Operating revenues:		
Airline revenue:		
Landing fees	\$ 24,816,308	\$ 23,900,414
Aircraft parking fees	3,471,363	3,235,788
Building rentals (Note 12)	70,911,568	62,241,252
Security surcharge	33,558,621	32,303,267
Other aviation revenue	1,596,275	1,476,479
Concession revenue	71,256,293	65,609,858
Parking and ground transportation revenue	62,817,901	53,254,030
Ground and non-airline terminal rentals (Note 12)	22,810,139	22,108,637
Other operating revenue	2,440,464	1,949,405
<b>Total operating revenues</b>	<b>293,678,932</b>	<b>266,079,130</b>
Operating expenses before depreciation:		
Salaries and benefits (Notes 6, 7 and 8)	49,578,048	47,865,727
Contractual services (Note 14)	49,902,811	45,248,939
Safety and security	31,397,062	30,733,076
Space rental (Note 13)	10,190,910	10,189,836
Utilities	13,194,014	12,509,607
Maintenance	13,435,562	12,602,987
Equipment and systems	375,089	597,859
Materials and supplies	656,501	655,698
Insurance	1,199,555	1,097,868
Employee development and support	1,045,116	1,248,355
Business development	2,630,038	3,245,967
Equipment rentals and repairs	3,614,053	3,124,471
<b>Total operating expenses before depreciation</b>	<b>177,218,759</b>	<b>169,120,390</b>
<b>Income from operations before depreciation</b>	<b>116,460,173</b>	<b>96,958,740</b>
Depreciation expense	124,328,880	105,531,703
<b>Operating loss</b>	<b>(7,868,707)</b>	<b>(8,572,963)</b>

(Continued)



## San Diego County Regional Airport Authority

### Statements of Revenues, Expenses and Change in Net Position, Continued For the Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
Nonoperating revenues (expenses):		
Passenger facility charges	\$ 49,197,716	\$ 46,952,755
Customer facility charges	41,918,554	41,036,526
Quieter Home Program grant revenue (Note 1)	11,550,178	8,389,249
Quieter Home Program expenses (Note 1)	(14,742,390)	(11,135,808)
Joint Studies Program	(98,601)	(114,387)
Investment Income	25,533,268	9,426,328
Interest expense (Note 5)	(74,501,336)	(68,411,379)
Build America Bonds subsidy (Note 5)	4,686,174	4,666,190
Other revenues (expenses), net	(510,440)	(9,281,255)
Nonoperating revenue, net	43,033,123	21,528,219
Income before federal grants	35,164,416	12,955,256
Federal grants (Note 1)	8,213,234	13,079,164
Change in net position	43,377,650	26,034,420
Net position, beginning of year	809,924,707	783,890,287
Net position, end of year	\$ 853,302,357	\$ 809,924,707

See Notes to Financial Statements.

## San Diego County Regional Airport Authority

### Statements of Cash Flows

For the Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	\$ 286,895,333	\$ 267,462,006
Payments to suppliers	(107,008,045)	(164,900,528)
Payments to employees	(50,553,389)	(49,265,624)
Other receipts	2,555,497	2,292,761
<b>Net cash provided by operating activities</b>	<b>131,889,396</b>	<b>55,588,615</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Settlement receipts (payments)	(1,177,331)	168,442
Quieter Home Program grant receipts	14,204,701	5,424,925
Quieter Home Program payments	(14,742,390)	(11,135,808)
Joint Studies Program payments	(98,601)	(114,387)
<b>Net cash used in noncapital financing activities</b>	<b>(1,813,621)</b>	<b>(5,656,828)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Capital outlay	(172,486,803)	(212,327,613)
Proceeds on Build America Bonds subsidy	4,686,174	4,666,190
Proceeds from variable rate debt	-	-
Payment of variable rate debt	(6,444,000)	(38,835,000)
Federal grants received (excluding Quieter Home Program)	12,365,181	8,442,656
Proceeds from passenger facility charges	48,873,007	46,473,100
Proceeds from customer facility charges	41,677,119	40,656,344
Payment of principal on bonds	(22,650,000)	(11,585,000)
Proceeds from issuance of Series 2017 Bonds	-	339,633,688
Payment of capital lease	(323,514)	(298,449)
Interest and debt fees paid	(80,694,774)	(67,174,633)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(174,997,610)</b>	<b>109,651,283</b>
<b>Cash Flows From Investing Activities</b>		
Sales and maturities of investments	248,392,203	467,359,490
Purchases of investments	(240,504,726)	(625,758,198)
Interest received on investments and note receivable	25,088,046	7,015,998
Principal payments received on notes receivable	1,903,323	1,801,694
<b>Net cash provided by (used in) investing activities</b>	<b>34,878,846</b>	<b>(149,581,016)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(10,042,989)</b>	<b>10,002,054</b>
Cash and cash equivalents, beginning of year	46,537,857	36,535,803
Cash and cash equivalents, end of year	<b>\$ 36,494,868</b>	<b>\$ 46,537,857</b>

(Continued)

See Notes to Financial Statements.

## San Diego County Regional Airport Authority

### Statements of Cash Flows, Continued For the Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Unrestricted cash and cash equivalents	\$ 10,286,307	\$ 7,243,688
Cash and cash equivalents designated for specific capital projects and other commitments	26,208,561	39,294,169
<b>Total cash and cash equivalents</b>	<b>\$ 36,494,868</b>	<b>\$ 46,537,857</b>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (7,868,707)	\$ (8,572,963)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	124,328,880	105,531,703
Change in pensions/OPEB liability/asset	(490,244)	718,394
Change in deferred outflow s related to pensions/OPEB	(2,484,789)	(1,938,110)
Change in deferred inflow s related to pensions/OPEB	2,733,503	2,412,067
Changes in assets and liabilities:		
Tenant lease receivables	(1,653,402)	(1,515,759)
Other assets	657,335	(3,003,518)
Accounts payable	18,489,317	(49,176,177)
Accrued liabilities	593,613	8,102,069
Compensated absences	273,623	45,562
Other liabilities	(2,689,733)	2,985,347
<b>Net cash provided by operating activities</b>	<b>\$ 131,889,396</b>	<b>\$ 55,588,615</b>
Supplemental Disclosure of Noncash Investing, Capital and Financing Activities		
Additions to capital assets included in accounts payable	\$ 21,891,530	\$ 37,299,559

See Notes to Financial Statements.

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### 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.

**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.

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

**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 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, 2019 and 2018, the Airport Authority recovered \$8,213,234 and \$13,079,164, respectively, for approved capital projects and \$11,550,178 and \$8,389,249, 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, 2019 and 2018, accrued PFC receivables totaled \$6,959,982 and \$6,635,273, respectively, and there were \$96,034,369 and \$80,297,022 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2019 and 2018, 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 into a ninth application to impose and use approximately \$32 million in PFC revenue. The latest application was approved by the FAA in October 2016 providing collection authority with a charge effective date through November 2037. 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.

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### 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, 2017, the CFC rate went from \$7.50 to \$9.00 per day for a maximum of five days. As of June 30, 2019 and 2018, accrued CFC receivables totaled \$4,339,192 and \$4,097,757, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2019 and 2018, were \$43,133,096 and \$44,661,454 respectively.

**Deferred Outflows/Inflows of Resources:** In addition to assets and liabilities, the statement of net position may report a separate section for deferred outflows of resources and deferred inflows of resources, respectively. These separate financial statement elements represent the consumption or addition to net position that applies to a future reporting period(s) and as such will not be recognized as flows of resources (expenses/revenues) until then.

- Employer Contributions – Pensions and OPEB– These contributions are those made after the measurement date through the fiscal year-end (July 1<sup>st</sup> – June 30<sup>th</sup>) resulting in a cash outlay not yet recognized under GASB 68 or GASB 75. This amount is deferred and recognized in the following fiscal year. This item is presented as a deferred outflow of resources.
- Investment difference – Pensions and OPEB – These amounts represent the difference in projected and actual earnings on pension/OPEB plan assets. These differences are deferred and amortized over a closed five-year period. This item can be presented as both a deferred outflow and deferred inflow of resources and is combined annually as a single net unamortized balance.
- Experience difference – Pensions and OPEB – These amounts represent the difference in expected and actual pension/OPEB experience. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.
- Assumption changes – Pensions and OPEB – These amounts represent the difference resulting from a change in assumptions used to measure the underlying net pension/OPEB liability/asset. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.

**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.

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### 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)
<b>Land improvements</b>	30-40
<b>Runways, roadways and parking lots</b>	
Lighting, security, and minor improvements	3-10
Airfield and parking lots and improvements	12-25
Drainage systems, gas lines, and pedestrian bridges	30
Roadways, bridges, and infrastructure	40-50
<b>Buildings and structures</b>	
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
<b>Machinery and equipment</b>	
Vehicles and emergency vehicles	3-15
Office furniture and equipment	3-10
Communication and electronic systems	3-20
<b>Works of art</b>	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, 2019 and 2018, the Airport Authority capitalized interest of \$0 and \$7,218,861, respectively. This change resulted from the adoption of GASB No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, eliminating the requirement to capitalize interest; see Note 1 for additional information on accounting pronouncements adopted.

**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.

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### 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 includes 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, 2019 and 2018 includes designations of net position that represent tentative management plans that are subject to change, consisting of:

	2019	2018
Operating contingency	\$ 2,000,000	\$ 2,000,000
Insurance contingency	10,967,958	10,249,962
Capital projects and other commitments	13,240,603	27,044,207
Total designated net position	\$ 26,208,561	\$ 39,294,169

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 of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions and grants.



# San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

## 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 five largest airlines in terms of enplaned passengers are as follows:

	2019	2018
Southwest Airlines	37.7%	38.0%
Alaska	13.8%	13.4%
United Airlines	12.9%	12.7%
Delta	12.2%	10.6%
American Airlines	11.9%	12.8%

**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.

**Accounting pronouncements adopted:** The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2019:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, effective for the Airport Authority's year ending June 30, 2019. Implementation of this statement had no effect on beginning net position.
- GASB Statement No. 88, *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements*, effective for the Airport Authority's year ended June 30, 2019. Implementation of this statement had no effect on beginning net position.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the Airport Authority's year ended June 30, 2019. Implementation of this statement had no effect on beginning net position.

The implementation of Statement No. 89 requires governmental entities to expense interest incurred before the end of a construction period. On adoption, interest costs incurred after the beginning of the first reporting period in which this statement was implemented should not be capitalized. Additionally, application of this statement requires prospective application and had no effect on previously capitalized interest costs.

## San Diego County Regional Airport Authority

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

**Accounting 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. 84, *Fiduciary Activities*, effective for the Airport Authority's year ending June 30, 2020
- GASB Statement No. 87, *Leases*, effective for the Airport Authority's year ending June 30, 2021
- GASB Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*, effective for the Airport Authority's year ended June 30, 2020.
- GASB Statement No. 91, *Conduit Debt Obligations*, effective for the Airport Authority's year ended June 30, 2022.

**Reclassifications:** Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. The reclassifications had no effect on the changes in net position.

**Net Position Revision:** Fiscal year 2018 has been revised for a misclassification in ending net position. This revision resulted in an increase in net investment in capital assets from \$281,703,129 to \$294,937,128 or \$13,233,999 and a decrease in restricted for debt service from \$84,852,323 to \$71,618,324 or (\$13,233,999). This revision had no impact on unrestricted net position or total net position.

### 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:

	2019	2018
Unrestricted and undesignated:		
Cash and cash equivalents	\$ 10,286,307	\$ 7,243,688
Current investments	124,558,161	85,690,254
Noncurrent investments	157,461,822	136,796,912
Total unrestricted and undesignated	<u>292,306,290</u>	<u>229,730,854</u>
Designated for specific capital projects and other commitments: cash and cash equivalents	<u>26,208,561</u>	39,294,169
Restricted:		
Current cash, cash equivalents and investments, with trustees	83,990,603	99,650,564
Noncurrent cash, cash equivalents and investments, not with trustees	205,979,093	191,304,621
Noncurrent investments, with trustees	162,164,029	228,598,834
Total restricted cash, cash equivalents and investments	<u>452,133,725</u>	<u>519,554,019</u>
Total cash, cash equivalents and investments	<u>\$ 770,648,576</u>	<u>\$ 788,579,042</u>

## San Diego County Regional Airport Authority

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 2. Cash, Cash Equivalents and Investments (Continued)

The components of restricted cash, cash equivalents and investments at June 30 are summarized below:

	2019	2018
Restricted cash, cash equivalents and investments:		
Bond reserves:		
Operation and maintenance reserve subaccount	\$ 43,133,828	\$ 42,709,622
Operation and maintenance subaccount	14,377,942	14,236,540
Renewal and replacement account	5,400,000	5,400,000
Total reserves	<u>62,911,770</u>	<u>62,346,162</u>
Passenger facility charges unapplied	96,034,369	80,297,022
Customer facility charges unapplied	43,133,096	44,661,454
Small business development bond guarantee	4,000,000	4,000,000
2010 Series debt service reserve fund	52,163,004	51,974,951
2010 Series debt service account	25,493,536	25,312,063
2013 Series construction fund	2,397	2,323
2013 Series debt service reserve fund	34,246,502	33,573,756
2013 Series debt service account	11,575,069	11,430,643
2014 Series construction fund	1,941	1,969
2014 Series debt service reserve fund	22,368,760	22,347,589
2014 Series debt service account	13,853,720	13,781,497
2014 Series rolling coverage fund	6,905,072	6,769,427
2014 Series renew and replace	5,431,585	3,825,876
2017 Series construction fund	47,288,403	131,388,973
2017 Series debt service reserve fund	14,993,717	15,154,803
2017 Series debt service account	11,730,784	12,685,511
Total restricted cash, cash equivalents and investments	<u>\$ 452,133,725</u>	<u>\$ 519,554,019</u>

**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.

## San Diego County Regional Airport Authority

### Notes to Financial Statements June 30, 2019 and 2018

#### Note 2. Cash, Cash Equivalents and Investments (Continued)

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	10 percent
Bankers' acceptances	180 days	AAA/Aaa	40 percent	5 percent
Commercial paper	270 days	A-1; P-1; F-1	25 percent	5 percent
Negotiable certificates of deposit	5 years	A	30 percent	5 percent
Medium-term notes	5 years	A	20 percent	5 percent
Money market mutual funds	N/A	AAA/Aaa	20 percent	5 percent
Repurchase agreements	1 year	A	None	None
Local Agency Investment Fund	N/A	N/A	None	\$65 million
San Diego County Investment Pool	N/A	N/A	None	\$65 million
Local Government Investment Pool	N/A	N/A	None	\$65 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	5 percent
Time certificates of deposit	3 years	*	20 percent	5 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.

## San Diego County Regional Airport Authority

Notes to Financial Statements  
June 30, 2019 and 2018

### 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 authorized 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.

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### 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 fair 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.

## San Diego County Regional Airport Authority

### Notes to Financial Statements June 30, 2019 and 2018

#### 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:

Investment Type	2019				
	Total	Investment Maturities (in Years)			Ratings
		0 - 1	1 - 2	2 - 5	
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	\$ 115,560,531	\$ 25,307,938	\$ 32,706,596	\$ 57,545,997	N/A
U.S. agency securities	134,911,223	56,506,418	14,699,205	63,705,600	AA+
Supranationals	7,127,201	2,994,180	2,136,241	1,996,780	AAA
	5,485,835	-	-	5,485,835	Not rated
Negotiable certificates of deposit	3,988,200	-	3,988,200	-	AA
	14,763,063	14,763,063	-	-	A+
Medium-term notes	2,974,470	-	-	2,974,470	AAA
	22,796,245	7,490,315	-	15,305,930	AA
	40,834,801	5,498,975	6,333,965	29,001,861	A
Money market mutual funds	81,861	81,861	-	-	AAA
Local Agency Investment Fund	50,140,691	50,140,691	-	-	Not rated
San Diego County Investment Pool	211,235,432	211,235,432	-	-	Not rated <sup>(1)</sup>
CalTrust Fund	15,952,044	15,952,044	-	-	AA
Total investments subject to credit and interest rate risk:	625,851,597	\$ 389,970,917	\$ 59,864,207	\$ 176,016,473	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	15,920,692				
Total Investments	\$ 641,772,289				

Investment Type	2018				
	Total	Investment Maturities (in Years)			Ratings
		0 - 1	1 - 2	2 - 5	
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	\$ 124,032,939	\$ 14,814,921	\$ 24,988,888	\$ 84,229,130	N/A
U.S. agency securities	67,281,728	3,988,720	63,293,008	-	AA+
Supranationals	8,020,598	2,961,090	2,959,710	2,099,798	AAA
	5,294,485	-	-	5,294,485	Not rated
Negotiable certificates of deposit	11,911,120	7,994,640	-	3,916,480	AA
	22,642,037	16,941,660	5,700,377	-	A
Medium-term notes	2,876,730	-	-	2,876,730	AAA
	15,749,735	4,464,870	7,409,025	3,875,840	AA
	31,802,519	10,543,467	7,900,497	13,358,555	A
Money market mutual funds	93,517	93,517	-	-	AAA
Local Agency Investment Fund	48,733,079	48,733,079	-	-	Not rated
San Diego County Investment Pool	234,006,333	234,006,333	-	-	Not rated <sup>(1)</sup>
CalTrust Fund	15,522,832	15,522,832	-	-	AA
Total investments subject to credit and interest rate risk:	587,967,652	\$ 360,065,129	\$ 112,251,505	\$ 115,651,018	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	15,639,415				
Total Investments	\$ 603,607,067				

Ratings per Standard and Poor's  
(1) Investment rated AAA by Fitch

# San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

## 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, 2019 and 2018.

**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, 2019 and 2018, the balance of the note receivable was \$31,338,762 and \$33,242,085, respectively.

The required principal payments owed from the District for note receivable for the fiscal years ending June 30 are as follows:

Years Ending June 30,	Amount
2020	\$ 2,006,052
2021	2,123,843
2022	2,243,644
2023	2,370,203
2024	2,500,653
2025-2029	14,801,696
2030-2031	5,292,671
	<u>\$ 31,338,762</u>



# San Diego County Regional Airport Authority

## Notes to Financial Statements June 30, 2019 and 2018

### Note 4. Capital Assets

Capital asset activity for the years ended June 30, 2019 and 2018, are as follows:

	Balance at June 30, 2018	Increases	Decreases	Balance at June 30, 2019
<b>Nondepreciable assets:</b>				
Land	\$ 22,167,594	\$ -	\$ -	\$ 22,167,594
Construction in progress	110,520,200	141,915,811	(108,003,686)	144,432,325
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets	133,127,794	141,915,811	(108,003,686)	167,039,919
<b>Depreciable assets:</b>				
Land improvements	112,918,996	763,797	-	113,682,793
Buildings and structures (1)	1,691,662,858	34,154,487	(16,952,543)	1,708,864,802
Machinery and equipment (2)	112,464,060	21,197,185	(2,489,019)	131,172,226
Runways, roads and parking lots	646,939,284	52,976,659	(1,320,825)	698,595,118
Total capital assets being depreciated	2,563,985,198	109,092,128	(20,762,387)	2,652,314,939
<b>Less accumulated depreciation for:</b>				
Land improvements	(20,695,006)	(7,606,817)	-	(28,301,823)
Building and structures	(610,550,433)	(77,152,640)	16,952,544	(670,750,529)
Machinery and equipment	(63,186,253)	(11,398,817)	2,031,618	(72,553,452)
Runways, roads and parking lots	(298,540,239)	(28,170,606)	1,111,336	(325,599,509)
Total accumulated depreciation	(992,971,931)	(124,328,880)	20,095,498	(1,097,205,313)
Total capital assets being depreciated, net	1,571,013,267	(15,236,752)	(666,889)	1,555,109,626
Capital assets, net	\$ 1,704,141,061	\$ 126,679,059	\$ (108,670,575)	\$ 1,722,149,545

(1) Includes capitalized lease of building with a net present value of future lease payments of \$6,766,536

(2) Includes capitalized leases of office equipment with a net present value of future lease payments of \$53,815

	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
<b>Nondepreciable assets:</b>				
Land	\$ 22,167,594	\$ -	\$ -	\$ 22,167,594
Construction in progress	171,498,033	272,511,934	(333,489,767)	110,520,200
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets	194,105,627	272,511,934	(333,489,767)	133,127,794
<b>Depreciable assets:</b>				
Land improvements	88,873,547	24,535,625	(490,176)	112,918,996
Buildings and structures (1)	1,430,977,373	262,093,480	(1,407,995)	1,691,662,858
Machinery and equipment (2)	98,289,643	15,856,555	(1,682,138)	112,464,060
Runways, roads and parking lots	626,871,756	32,705,934	(12,638,406)	646,939,284
Total capital assets being depreciated	2,245,012,319	335,191,594	(16,218,715)	2,563,985,198
<b>Less accumulated depreciation for:</b>				
Land improvements	(13,595,257)	(7,185,518)	85,769	(20,695,006)
Building and structures	(547,652,555)	(64,299,973)	1,402,095	(610,550,433)
Machinery and equipment	(56,392,656)	(8,475,734)	1,682,137	(63,186,253)
Runways, roads and parking lots	(276,568,778)	(25,570,478)	3,599,017	(298,540,239)
Total accumulated depreciation	(894,209,246)	(105,531,703)	6,769,018	(992,971,931)
Total capital assets being depreciated, net	1,350,803,073	229,659,891	(9,449,697)	1,571,013,267
Capital assets, net	\$ 1,544,908,700	\$ 502,171,825	\$ (342,939,464)	\$ 1,704,141,061

(1) Includes capitalized lease of building with a net present value of future lease payments of \$7,012,496

(2) Includes capitalized leases of office equipment with a net present value of future lease payments of \$131,369

## San Diego County Regional Airport Authority

### Notes to Financial Statements June 30, 2019 and 2018

#### Note 5. Long-Term Liabilities

The following is a summary of changes in the long-term liability activity for the years ended June 30, 2019 and 2018:

	Principal Balance at June 30, 2018	Additions/ New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2019	Due Within One Year
Variable Rate Debt					
Series B tax-exempt	\$ 14,794,000	\$ -	\$ (1,075,000)	\$ 13,719,000	\$ -
Series C taxable	5,369,000	-	(5,369,000)	-	-
Total variable rate debt	20,163,000	-	(6,444,000)	13,719,000	-
Bonds payable:					
Series 2010 Bonds	536,990,000	-	(9,890,000)	527,100,000	10,365,000
Series 2013 Bonds	373,310,000	-	(2,240,000)	371,070,000	2,320,000
Series 2014 Bonds	305,285,000	-	(5,580,000)	299,705,000	5,720,000
Series 2017 Bonds	291,210,000	-	(4,940,000)	286,270,000	4,460,000
Bond premiums	103,165,697	-	(5,681,778)	97,483,919	-
Total bonds payable	1,609,960,697	-	(28,331,778)	1,581,628,919	22,865,000
Capital Leases	7,143,865	-	(323,514)	6,820,351	323,242
Total debt obligations	1,637,267,562	-	(35,099,292)	1,602,168,270	23,188,242
Compensated absences	3,276,588	3,251,781	(2,978,158)	3,550,211	2,978,157
Total long-term liabilities	\$ 1,640,544,150	\$ 3,251,781	\$ (38,077,450)	\$ 1,605,718,481	\$ 26,166,399

	Principal Balance at June 30, 2017	Additions/ New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2018	Due Within One Year
Variable Rate Debt					
Series A tax-exempt	\$ 32,550,000	\$ -	\$ (32,550,000)	\$ -	\$ -
Series B tax-exempt	15,849,000	-	(1,055,000)	14,794,000	-
Series C taxable	10,599,000	-	(5,230,000)	5,369,000	-
Total variable rate debt	58,998,000	-	(38,835,000)	20,163,000	-
Bonds payable:					
Series 2010 Bonds	546,420,000	-	(9,430,000)	536,990,000	9,890,000
Series 2013 Bonds	375,465,000	-	(2,155,000)	373,310,000	2,240,000
Series 2014 Bonds	305,285,000	-	-	305,285,000	5,580,000
Series 2017 Bonds	-	291,210,000	-	291,210,000	4,940,000
Bond premiums	60,432,498	48,423,688	(5,690,489)	103,165,697	-
Total bonds payable	1,287,602,498	339,633,688	(17,275,489)	1,609,960,697	22,650,000
Capital Leases	7,442,314	-	(298,449)	7,143,865	323,514
Total debt obligations	1,354,042,812	339,633,688	(56,408,938)	1,637,267,562	22,973,514
Compensated absences	3,231,026	3,138,941	(3,093,379)	3,276,588	3,093,379
Total long-term liabilities	\$ 1,357,273,838	\$ 342,772,629	\$ (59,502,317)	\$ 1,640,544,150	\$ 26,066,893

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### 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 November 9, 2005, the Airport Authority issued \$56,270,000 of senior lien Series 2005 bonds to refund all of the then-outstanding Series 1995 Bonds, fund a debt service reserve account and pay cost of issuance.

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, 2019 and 2018, the amount held in escrow by the trustee was \$10,396,042 and \$15,516,704, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was \$9,990,000 and \$14,605,000, respectively.

**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, 2019 and 2018, was \$18,174,150 and \$18,263,750, respectively, including accrued interest of \$9,087,075 and \$9,131,875 for fiscal years ending June 30, 2019 and 2018, respectively. The principal balance on the Series 2013 Bonds as of June 30, 2019 and 2018, was \$371,070,000 and \$373,310,000, 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.

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, 2019 and 2018, the amount held by the trustee was \$45,823,968 and \$45,006,722, respectively, which included the July 1 payment and the debt service reserve fund. The total additional amounts held by the Airport Authority for Operating and Maintenance, and Renewal and Replacements reserves for fiscal years 2019 and 2018 was \$62,911,770 and \$62,346,162, respectively. The public ratings of the Series 2013 Bonds as of June 30, 2019, are A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

## San Diego County Regional Airport Authority

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 5. Long-Term Liabilities (Continued)

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
2020	\$ 2,320,000	\$ 18,127,750	\$ 20,447,750
2021	7,925,000	17,883,225	25,808,225
2022	8,315,000	17,477,225	25,792,225
2023	8,725,000	17,051,225	25,776,225
2024	9,170,000	16,603,850	25,773,850
2025-2029	53,155,000	75,547,025	128,702,025
2030-2034	38,740,000	63,204,425	101,944,425
2035-2039	36,645,000	55,408,875	92,053,875
2040-2044	206,075,000	32,900,375	238,975,375
	<u>\$ 371,070,000</u>	<u>\$ 314,203,975</u>	<u>\$ 685,273,975</u>

**Subordinate Lien Series 2010 and 2017 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. The BAB interest subsidies received by the Airport Authority for fiscal years ended June 30, 2019 and 2018, amounted to \$4,686,174 and \$4,666,190, respectively. The interest rate on the Series 2010 C Bonds, net of the subsidy, is 4.46 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, 2019 and 2018, amounted to \$29,780,849 and \$30,259,748, respectively, including accrued interest of \$14,890,425 and \$15,129,875, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2019 and 2018, was \$527,100,000 and \$536,990,000, respectively.

## San Diego County Regional Airport Authority

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 5. Long-Term Liabilities (Continued)

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
2020	\$ 10,365,000	\$ 29,529,823	\$ 39,894,823
2021	10,865,000	29,007,173	39,872,173
2022	11,415,000	28,463,486	39,878,486
2023	11,960,000	27,892,767	39,852,767
2024	12,550,000	27,281,298	39,831,298
2025-2029	72,780,000	126,152,054	198,932,054
2030-2034	126,555,000	102,133,609	228,688,609
2035-2039	184,500,000	54,968,046	239,468,046
2040-2041	86,110,000	5,269,210	91,379,210
	<u>\$ 527,100,000</u>	<u>\$ 430,697,466</u>	<u>\$ 957,797,466</u>

The Airport Authority issued \$291,210,000 of Series A and B Subordinate Airport Revenue Bonds on August 3, 2017. The Subordinate Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund \$32,550,000 of the Airport Authority's outstanding variable rate debt, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of \$48,423,688, which is being amortized over the life of the bonds. Interest on the Series 2017 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2019 and 2018, amounted to \$14,313,501 and \$13,245,096, respectively, including accrued interest of \$7,156,750 and \$7,268,650, respectively. The principal balance on the subordinate Series 2017 Bonds as of June 30, 2019 and 2018, was \$286,270,000 and \$291,210,000, respectively.

The required debt service payments for the Series 2017 Bonds for the fiscal years ending June 30 are as follows:

Years Ending June 30,	Principal	Interest	Total
2020	\$ 4,460,000	\$ 14,202,000	\$ 18,662,000
2021	4,825,000	13,969,875	18,794,875
2022	5,070,000	13,722,500	18,792,500
2023	5,320,000	13,462,750	18,782,750
2024	5,585,000	13,190,125	18,775,125
2025-2029	32,405,000	61,360,125	93,765,125
2030-2034	41,365,000	52,182,375	93,547,375
2035-2039	52,785,000	40,469,375	93,254,375
2040-2044	67,380,000	25,520,000	92,900,000
2045-2048	67,075,000	6,911,625	73,986,625
	<u>\$ 286,270,000</u>	<u>\$ 254,990,750</u>	<u>\$ 541,260,750</u>

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 5. Long-Term Liabilities (Continued)

The subordinate Series 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 Bonds were issued with a pledge of and lien on subordinate net revenues.

As subordinate lien bonds, the Series 2010 and 2017 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 Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2019 and 2018, the amount held by the trustee was \$151,669,446 and \$236,516,301, respectively, which included the July 1 payment, a debt service reserve fund, construction fund, and a capitalized interest fund. The public ratings of the Subordinate Series 2010 and 2017 Bonds as of June 30, 2019, are A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

**Subordinate Variable Rate Debt Program:** 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 that took effect on September 5, 2014. The agreement was amended on June 29, 2017, to extend the commitment through June 29, 2020.

At June 30, 2019 and 2018, the Authority had an outstanding principal balance on Series A Revolving Obligations of \$0. At June 30 2019 and 2018, the outstanding principal balances of the Series B Revolving Obligations were \$13,719,000 and \$14,794,000, respectively. The Series A and Series B Revolving Obligations bear interest at the tax-exempt rate which is based on a spread to LIBOR. The outstanding principal balances of the Series C Revolving Obligations at June 30 2019 and 2018, were \$0 and \$5,369,000 respectively, and bear interest at the taxable rate, also based on a spread to LIBOR.

In April of 2017, the Authority established a Subordinate Drawdown Bond program with RBC Municipal Products of up to \$100,000,000. On April 1, 2017, the Authority and RBC Municipal Products agreed upon a Bondholders Agreement and on April 19, 2017, the Authority and RBC Capital Markets LLC agreed upon a Subordinate Drawdown Bond Purchase Agreement. 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 Authority currently has no Subordinate Drawdown Bonds outstanding. This commitment will expire on April 17, 2020.

The Revolving Line Of Credit and Subordinate Drawdown Bonds are 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.

**Senior Lien Special Facilities Revenue Bonds, Series 2014:** On February 19, 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, fund deposits to the senior reserve fund and pay the costs of issuance of the Series 2014 Bonds.

## San Diego County Regional Airport Authority

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 5. Long-Term Liabilities (Continued)

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 semiannually on January 1 and July 1 of each year. Interest for fiscal years ended June 30, 2019 and 2018, was \$16,199,645 and \$16,341,210, respectively, including accrued interest of \$8,099,823 and \$8,170,605, respectively. The principal balance on the Series 2014 Bonds for fiscal years ended June 30, 2019 and 2018 was \$299,705,000 and \$305,285,000, respectively.

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 net position, as shown previously in the notes. For the fiscal years ended June 30, 2019 and 2018, the amount held by the trustee was \$48,561,078 and \$46,726,358, respectively, which included the July 1 payment, the debt service reserve fund, and the rolling coverage fund.

The public ratings of the Senior Series Special Facility 2014 Bonds as of June 30, 2019, are A/A3 by Standard & Poor's and Moody's Investors Service.

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
2020	\$ 5,720,000	\$ 16,114,217	\$ 21,834,217
2021	5,890,000	15,928,365	21,818,365
2022	6,090,000	15,714,362	21,804,362
2023	6,320,000	15,424,013	21,744,013
2024	6,670,000	15,060,682	21,730,682
2025-2029	39,395,000	69,100,925	108,495,925
2030-2034	51,720,000	56,433,452	108,153,452
2035-2039	67,890,000	39,804,447	107,694,447
2040-2044	89,135,000	17,999,292	107,134,292
2045	20,875,000	521,875	21,396,875
	<u>\$ 299,705,000</u>	<u>\$ 262,101,630</u>	<u>\$ 561,806,630</u>

**Line of credit:** In fiscal year 2018, the Airport Authority maintained a \$4,000,000 line of credit held with 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, 2019, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

## San Diego County Regional Airport Authority

### Notes to Financial Statements June 30, 2019 and 2018

#### Note 5. Long-Term Liabilities (Continued)

The Airport Authority had the following used and unused balances in line of credit type debt instruments as of June 30, 2019 and 2018:

	June 30, 2019		June 30, 2018	
	Used	Unused	Used	Unused
Revolving line of credit	13,719,000	111,281,000	20,163,000	104,837,000
Drawdown bonds	-	100,000,000	-	100,000,000
Letter of Credit	-	4,000,000	-	4,000,000
	13,719,000	215,281,000	20,163,000	208,837,000

**Event of Default:** In the event of default of all general airport revenue bonds issued by the Airport Authority, acceleration is not a remedy. For privately placed variable rate debt and for the Letter of Credit and Reimbursement Agreement, an event of default could result in either an acceleration or an interest rate increase of 3%-7% in addition to the base rate. Other than this, there are no significant finance-related consequences in the event of default on other debt instruments. The Authority's Letter of Credit and Reimbursement Agreement is collateralized with a \$4,000,000 negotiable certificate of deposit held with US Bank. Excluding general airport revenue bonds, privately placed variable rate debt, special facility bonds and capital leases, no other assets have been pledged or collateralized for and any other debt instruments. General Airport revenue bonds and privately placed variable rate debt are secured by a pledge of Net Revenues which are generally defined as all revenues and other cash receipts of the Airport Authority's operations less amounts required to pay for operations and maintenance expenses of the airport (net revenues do not include cash received from PFC's CFC's or Federal Grants). The special facility bonds are secured by a pledge of the Trust Estate.

#### 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.

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, 2019:

Years Ending June 30,	Amount
2020	\$ 932,090
2021	877,298
2022	877,298
2023	877,298
2024	877,298
2025-2029	4,386,489
2030-2033	2,997,434
Total lease payments	11,825,205
Less amount representing interest	(5,004,854)
Present value of future lease payments	\$ 6,820,351



## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 6. Defined Benefit Plan

**Introduction:** The Airport Authority has two defined benefit pension plans which cumulatively represent the net pension liability and related deferred inflows and deferred outflows of resource balances as reported on the statement of net position. The below schedule represents aggregating information as of June 30, 2019 and 2018:

	Defined Benefit Plan (GASB 68)	Benefits Trust Plan (GASB No. 73)	Total
Balances as of 6/30/19			
Net pension liability	\$ 18,373,281	\$ 1,656,062	\$ 20,029,343
Deferred outflows of resources	25,046,571	556,018	25,602,589
Deferred inflows of resources	6,235,495	217,937	6,453,432
Balances as of 6/30/18			
Net pension liability	\$ 18,743,453	\$ 1,479,005	\$ 20,222,458
Deferred outflows of resources	22,607,833	505,326	23,113,159
Deferred inflows of resources	3,506,867	178,971	3,685,838

**Plan description:** The Airport Authority's defined benefit pension plan (Plan), administered by SDCERS, provides service retirement, disability benefits, death and survivor benefits to Plan members and beneficiaries. SDCERS is a multi-employer public employee retirement system that acts as a common investment and administrative agent for three separate single-employer defined benefit pension plans for the City, the District, and Airport Authority.

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 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 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 members who are participants under the California Public Employees' Pension Reform Act (PEPRA) are subject to pensionable compensation caps.

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### 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 found on the San Diego City Employees' Retirement System website at [www.SDCRA.org](http://www.SDCRA.org).

**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.

As of the measurement dates June 30, 2018 and June 30, 2017, Plan membership was as follows:

	2018	2017
Active employees	405	394
Inactive employees entitled to but not yet receiving benefits	139	119
Inactive employees or beneficiaries currently receiving benefits	101	107
Total	<u>645</u>	<u>620</u>

## San Diego County Regional Airport Authority

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 6. Defined Benefit Plan (Continued)

**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, 2019, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2017, 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.

For the years ended June 30, 2019 and 2018, employees contributed \$3,162,781 and \$2,990,317 respectively, and the Airport Authority contributed \$7,318,546 and \$5,480,984, respectively, to the Plan. Under the Plan, the Airport Authority pays a portion of the classic participant's contribution, referred to as the "off-set". The off-set is equal to 7.00% or 8.50% of the general classic members' base compensation and 9.55% of the executive classic members' base compensation. These contributions are included in the employee contribution. There is no off-set for PEPRA participants.

**Net Pension Liability:** The Airport Authority's net pension liability as of June 30, 2019, is measured as the total pension liability, less the pension plan's fiduciary net position. The total pension liability as of June 30, 2019, is measured as of June 30, 2018. The annual valuation used is as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability follow.

**Actuarial Assumptions:** The total pension liability in the June 30, 2018 and 2017, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2018	June 30, 2017
Valuation date	June 30, 2017	June 30, 2016
Measurement date	June 30, 2018	June 30, 2017
Actuarial cost method	Entry-age normal funding method	Entry-age normal funding method
Asset valuation method	Expected value with smoothing	Expected value with smoothing
Actuarial assumptions:		
Investment rate of return <sup>(1)</sup>	6.50%	6.75%
Projected salary increase <sup>(2)</sup>	3.05%	3.05%
Cost-of-living adjustment	1.9% per annum, compounded	1.9% per annum, compounded
Termination rate <sup>(3)</sup>	3.0% - 11.0%	3.0% - 11.0%
Disability rate <sup>(4)</sup>	0.01% - 0.30%	0.01% - 0.30%
Mortality <sup>(5)</sup>	0.02% - 13.54%	0.02% - 13.54%

<sup>(1)</sup> Net of investment expense

<sup>(2)</sup> Net plus merit component based on employee classification and years of service

<sup>(3)</sup> Based on years of service

<sup>(4)</sup> Based on age

<sup>(5)</sup> All active and retired healthy members: CalPERS Mortality Tables from the CalPERS January 2014 Experience Study. Further details about the actuarial assumptions can be found in the SDCERS June 30, 2018 and June 30, 2017 actuarial reports.

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 6. Defined Benefit Plan (Continued)

**Discount Rate:** For the June 30, 2018 and 2017 actuarial valuations, the discount rates used to measure the total pension liability were 6.50 percent and 6.75 percent, respectively. 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).

The long-term expected rate of return estimates for equity and fixed income are developed using a geometric (long-term compounded) building block approach: 1) expected returns based on observable information in the equity and fixed income markets and consensus estimates for major economic and capital market inputs, such as earnings and inflation, and 2) where necessary, judgment-based modifications are made to these inputs. Return assumptions for other assets classes are based on historical returns, current market characteristics, and professional judgements from SDCERS general investment consultant specialist research teams.

Best estimates of geometric long-term real rates and nominal rates of return for each major asset class are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rates of Return	Long-term Expected Nominal Rates of Return
Domestic equity	18.0%	4.1%	6.5%
International equity	15.0%	5.1%	7.5%
Global equity	8.0%	4.8%	7.2%
Domestic fixed income	22.0%	0.7%	3.1%
Emerging market debt	5.0%	3.1%	5.5%
Real estate	11.0%	3.6%	6.0%
Private equity and infrastructure	13.0%	6.0%	8.4%
Opportunity fund	8.0%	4.0%	6.4%
	100.0%		

## San Diego County Regional Airport Authority

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 6. Defined Benefit Plan (Continued)

**Changes in the Net Pension Liability:** Changes in the total pension liability, plan fiduciary net position and the net pension liability through the year ended June 30, 2019, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 6/30/18	\$ 185,541,212	\$ 166,797,759	\$ 18,743,453
Changes for the year:			
Service cost	7,390,428	-	7,390,428
Interest on total pension liability	12,621,227	-	12,621,227
Difference between expected and actual experience	(2,630,285)	-	(2,630,285)
Changes in assumptions	6,416,088	-	6,416,088
Employer contributions	-	7,318,546	(7,318,546)
Member contributions	-	3,162,781	(3,162,781)
Net investment income	-	14,036,710	(14,036,710)
Benefit payments	(4,462,751)	(4,462,751)	-
Administrative expense	-	(350,407)	350,407
Net changes	19,334,707	19,704,879	(370,172)
Balances as of 6/30/19	\$ 204,875,919	\$ 186,502,638	\$ 18,373,281

Changes in the total pension liability, plan fiduciary net position and the net pension liability through the year ended June 30, 2018, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 6/30/17	\$ 161,951,893	\$ 143,840,411	\$ 18,111,482
Changes for the year:			
Service cost	6,996,180	-	6,996,180
Interest on total pension liability	11,416,679	-	11,416,679
Difference between expected and actual experience	3,975,029	-	3,975,029
Changes in assumptions	5,871,218	-	5,871,218
Employer contributions	-	5,480,984	(5,480,984)
Member contributions	-	2,990,317	(2,990,317)
Net investment income	-	19,480,875	(19,480,875)
Benefit payments	(4,669,787)	(4,669,787)	-
Administrative expense	-	(325,041)	325,041
Net changes	23,589,319	22,957,348	631,971
Balances as of 6/30/18	\$ 185,541,212	\$ 166,797,759	\$ 18,743,453

## San Diego County Regional Airport Authority

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 6. Defined Benefit Plan (Continued)

**Sensitivity of the Net Pension Liability to Discount Rate Changes:** The following presents the resulting net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal years ended June 30, 2019:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Total pension liability	\$ 234,008,749	\$ 204,875,918	\$ 180,956,456
Plan fiduciary net position	186,502,637	186,502,637	186,502,637
Net pension liability	<u>\$ 47,506,112</u>	<u>\$ 18,373,281</u>	<u>\$ (5,546,181)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79.7%</u>	<u>91.0%</u>	<u>103.1%</u>

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Plan:** For the years ended June 30, 2019 and 2018, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$7,774,562 and \$7,491,437, respectively. At June 30, 2019 and 2018, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,765,239	\$ 3,281,160
Net difference between projected and actual earnings	-	2,954,335
Changes in assumptions	14,497,834	-
Employer contributions made subsequent to June 30, 2018 measurement date	7,783,498	-
Total	<u>\$ 25,046,571</u>	<u>\$ 6,235,495</u>

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,485,355	\$ 1,452,351
Net difference between projected and actual earnings	-	2,054,516
Changes in assumptions	11,875,275	-
Employer contributions made subsequent to June 30, 2017 measurement date	7,247,203	-
Total	<u>\$ 22,607,833</u>	<u>\$ 3,506,867</u>

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 6. Defined Benefit Plan (Continued)

The deferred outflows of resources, at June 30, 2019 and 2018, 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, 2020 and 2019, respectively.

Other amounts reported as deferred outflows/inflows of resources related to the plan at June 30, 2019, will be recognized in pension expense as follows:

Fiscal Year-end	
2020	\$ 4,189,313
2021	3,109,669
2022	1,318,544
2023	1,779,074
2024	<u>630,978</u>
	<u>\$ 11,027,578</u>

### Note 7. Preservation of Benefits Trust Plan (GASB No. 73)

**POB description:** The Airport Authority's single-employer defined benefit pension plan under the provisions of GASB 73 established as the preservation of benefits and trust plan (POB), administered by SDCERS, provides benefits to POB members and beneficiaries. The POB was established on January 1, 2003, for the purpose of providing benefits to POB members in excess of San Diego City Charter, Code Section 415(b) limitations. Information regarding SDCERS is included in *Note 6*.

The San Diego City Charter Section 144 and San Diego Municipal Code Sections 24.1601 et seq. assign the authority to establish and amend the benefit provisions of the plans that participate in SDCERS to the SDCERS Board.

**Benefits provided:** The Airport Authority provides retirement benefits.

Retirement benefits are provided to POB members with retirement benefits in excess of Code Section 415(b) who have participated in in the Plan since establishment of the POB. Participation ends for a portion of a plan year in which the retirement benefit of a retiree or beneficiary is not limited by Code Section 415(b) or when all benefit obligations to the retiree or beneficiary have been satisfied. Benefit payments are equal to the amount of retirement income that would have been payable, less the amount payable by the Plan. Benefit payments for the years ended June 30, 2019 and 2018, were \$31,329 and \$0, respectively. The POB is unfunded and provides benefits on an annual basis as determined by SDCERS.

## San Diego County Regional Airport Authority

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 7. Preservation of Benefits Trust Plan (GASB No. 73) (Continued)

As of the measurement dates of June 30, 2018 and 2017, Plan membership was as follows:

	2018	2017
Inactive employees or beneficiaries currently receiving benefits	1	1
Active employees	2	3
	<u>3</u>	<u>4</u>

**Total Pension Liability:** The Airport Authority's total pension liability as of June 30, 2019 and 2018, was \$1,656,062 and \$1,479,005, respectively. The pension liability as of June 30, 2019, is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability follow.

**Actuarial Assumptions:** The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2018	June 30, 2017
Valuation date	June 30, 2017	June 30, 2016
Measurement date	June 30, 2018	June 30, 2017
Actuarial cost method	Entry-age normal	Entry-age normal
Actuarial assumptions:		
Discount rate	3.87%	3.58%
Inflation rate	3.05%	3.05%
Interest credited to member contributions	6.50%	7.00%
Projected salary increases	3.05%	3.05%

**Changes in the Total Pension Liability:** Changes in the total pension liability through the year ended June 30, 2019, was as follows:

	Total Pension Liability
Balances as of 6/30/18	\$ 1,479,005
Changes for the year:	
Service cost	51,775
Interest on total pension liability	53,311
Difference between expected and actual experience	193,013
Changes in assumptions	(89,713)
Benefit payments	(31,329)
Net changes	<u>177,057</u>
Balances as of 6/30/19	<u>\$ 1,656,062</u>



## San Diego County Regional Airport Authority

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 7. Preservation of Benefits Trust Plan (GASB No. 73) (Continued)

Changes in the total pension liability through the year ended June 30, 2018, was as follows:

	Total Pension Liability
Balances as of 6/30/17	\$ 1,209,124
Changes for the year:	
Service cost	60,994
Interest on total pension liability	35,323
Difference between expected and actual experience	388,329
Changes in assumptions	(214,765)
Benefit payments	-
Net changes	269,881
Balances as of 6/30/18	<u>\$ 1,479,005</u>

**Sensitivity of the Total Pension Liability to Discount Rate Changes:** The following presents the resulting total pension liability calculated using the discount rate of 3.58 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal year ended June 30, 2019:

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
Total Pension Liability	\$ 1,995,283	\$ 1,656,062	\$ 1,391,459

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the POB:** For the year ended June 30, 2019 and 2018, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 73, of \$347,712 and \$1,177,544. At June 30, 2019 and 2018, 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
June 30, 2019		
Differences between expected & actual experience	\$ 419,729	\$ -
Change of assumptions	136,289	217,937
Total	<u>\$ 556,018</u>	<u>\$ 217,937</u>

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 7. Preservation of Benefits Trust Plan (GASB No. 73) (Continued)

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 323,607	\$ -
Change of assumptions	181,719	178,971
Total	<u>\$ 505,326</u>	<u>\$ 178,971</u>

Amounts reported as deferred outflows/inflows of resources related to the plan will be recognized in pension expense as follows:

Years Ending June 30	Amount
2020	\$ 91,575
2021	91,575
2022	91,574
2023	46,141
2024	17,216
	<u>\$ 338,081</u>

### Note 8. 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.

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 9. Other Postemployment Benefits

The Airport Authority provides an agent multiple-employer defined benefit 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.

**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. The retirees' contribution rate was raised from 5 percent to 10 percent of plan costs for single coverage and the entire cost of vision benefits, lowering the OPEB liabilities of the Airport Authority. Annually, the Airport Authority's goal is to fund 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. During the fiscal years ended June 30, 2019 and 2018, the Airport Authority's contributions were \$603,003 and \$461,859, respectively.

A measurement date of June 30, 2018 and 2017, was used for the June 30, 2019 and June 2018, OPEB assets and expenses. The information that follows was determined as of a valuation date of July 1, 2018 and July 1, 2017, respectively. Assumptions used in the July 1, 2018 valuation were rolled forward from the July 1, 2017 valuation.

Membership in the OPEB by membership class at June 30, 2018 and 2017, is as follows:

	2018	2017
Active employees	161	173
Inactive employees or beneficiaries currently receiving benefits	69	61
Total	230	234

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 9. Other Postemployment Benefits (Continued)

**Actuarial Assumptions:** The total OPEB liability in the July 1, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	2.75%			
Projected salary increase	3.00%			
Investment rate of return	7.28%, net of OPEB plan investment expense, including inflation.			
Actuarial cost method	Entry Age Normal, with amortization of 7/1/2017 unfunded liability over the period ending 6/30/2037 and amortization of subsequent unanticipated changes in liability over 15-year periods.			
Asset valuation method	5 year asset smoothing			
Retirement age	Rates used are the same as used in the June 30, 2016, San Diego City Employees' Retirements System actuarial valuation.			
Mortality	RP-2006 Mortality Table projected with future improvements from 2006 using fully generational projection Scale MP-2017.			
Health care cost trends rates		Medical		
	Year	Pre-65	Post-65	Dental
	2017	7.6%	8.7%	5.0%
	2018	7.2%	8.2%	5.0%
	2019	6.8%	7.7%	5.0%
	2020	6.4%	7.2%	5.0%
	2021	6.0%	6.6%	5.0%
	2022	5.5%	6.1%	5.0%
	2023	5.0%	5.5%	5.0%
	2024	4.7%	5.0%	5.0%
	2025	4.5%	4.5%	5.0%

Following the June 30, 2018 implementation of GASB Statement No. 75 through the June 30, 2017 actuarial report, changes of assumptions were made from the June 30, 2015 actuarial report. These changes include updated assumptions for mortality, disability, retirement, plan participation, spouse election and baseline trends. These changes resulted in a deferred outflow of resources signifying an expectation of increased future OPEB costs.

The long-term expected rate of return on the OPEB 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 publicly available information. The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

## San Diego County Regional Airport Authority

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 9. Other Postemployment Benefits (Continued)

Asset Class	Target Allocation	Long-term Expected Real Rates of Return
Public Equity	59%	5.98%
Fixed Income	25%	2.62%
REITs	8%	5.00%
TIPS	5%	1.46%
Commodities	3%	2.87%
	<u>100%</u>	

**Discount Rate:** The discount rate used to measure the total OPEB liability (asset) was 7.28 percent. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the Net OPEB Liability (Asset):** Changes in the total OPEB liability, plan fiduciary net position and the net OPEB asset through the year ended June 30, 2019, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balances as of 6/30/18	\$ 24,217,840	\$ 24,315,258	\$ (97,418)
Changes for the year:			
Service cost	436,501	-	436,501
Interest on total OPEB liability	1,772,578	-	1,772,578
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	622,425	(622,425)
Member contributions	-	-	-
Net investment income	-	1,896,351	(1,896,351)
Benefit payments	(622,425)	(622,425)	-
Administrative expense	-	(12,568)	12,568
Net changes	<u>1,586,654</u>	<u>1,883,783</u>	<u>(297,129)</u>
Balances as of 6/30/19	\$ 25,804,494	\$ 26,199,041	\$ (394,547)

## San Diego County Regional Airport Authority

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 9. Other Postemployment Benefits (Continued)

Changes in the total OPEB liability, plan fiduciary net position and the net OPEB liability (asset) through the year ended June 30, 2018, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances as of 6/30/17	\$ 21,884,188	\$ 20,589,024	\$ 1,295,164
Changes for the year:			
Service cost	411,052	-	411,052
Interest on total OPEB liability	1,606,959	-	1,606,959
Difference between expected and actual experience	-	-	-
Changes in assumptions	766,830	-	766,830
Employer contributions	-	2,012,419	(2,012,419)
Member contributions	-	-	-
Net investment income	-	2,175,582	(2,175,582)
Benefit payments	(451,189)	(451,189)	-
Administrative expense	-	(10,578)	10,578
Net changes	<u>2,333,652</u>	<u>3,726,234</u>	<u>(1,392,582)</u>
Balances as of 6/30/18	<u>\$ 24,217,840</u>	<u>\$ 24,315,258</u>	<u>\$ (97,418)</u>

### Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates:

The net OPEB liability of the Authority has been calculated using a discount rate of 7.28%. The following presents the net OPEB liability (asset) using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease 6.28%	Current Rate 7.28%	1% Increase 8.28%
Total pension liability	\$ 29,575,709	\$ 25,804,494	\$ 22,721,952
Plan fiduciary net position	26,199,041	26,199,041	26,199,041
Net pension liability (asset)	<u>\$ 3,376,668</u>	<u>\$ (394,547)</u>	<u>\$ (3,477,089)</u>

The net OPEB liability of the Authority has been calculated using health care cost trend rates of 8.7% decreasing to 4.5% in 2025 and thereafter. The following presents the net OPEB liability (asset) using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1% Decrease	Trend Rate	1% Increase
Total OPEB liability	\$ 22,392,652	\$ 25,804,494	\$ 29,995,650
Plan fiduciary net position	26,199,041	26,199,041	26,199,041
Net OPEB liability (asset)	<u>\$ (3,806,389)</u>	<u>\$ (394,547)</u>	<u>\$ 3,796,609</u>

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 9. Other Postemployment Benefits (Continued)

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB:** For the years ended June 30, 2019 and 2018, the Airport Authority recognized OPEB expense, as measured in accordance with GASB Statement No. 75, of \$436,990 and \$540,459, respectively, and reported deferred inflows of resources and deferred outflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ -	\$ (507,578)
Changes in assumptions	475,260	-
Employer contributions subsequent to June 30, 2018 measurement date	603,003	-
Total	<u>\$ 1,078,263</u>	<u>\$ (507,578)</u>

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ -	\$ (541,669)
Changes in assumptions	621,045	-
Employer contributions subsequent to June 30, 2017 measurement date	461,859	-
Total	<u>\$ 1,082,904</u>	<u>\$ (541,669)</u>

The deferred outflows of resources at June 30, 2019 related to OPEB resulting from Airport Authority contributions subsequent the measurement date and prior to year-end will be recognized as an addition to the net OPEB asset at June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2019, related to the OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	Amount
2020	\$ (14,964)
2021	(14,964)
2022	(14,964)
2023	12,574
Total	<u>\$ (32,318)</u>

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 10. Risk Management

The Airport Authority has a comprehensive Risk Management Program comprised of commercial insurance, self-insurance, loss mitigation/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 a minimum of \$500 million in limits for general liability insurance.
- The Airport Authority maintains a property insurance policy with minimum limits of \$1 billion providing all risk and flood coverage for physical assets.
- The Airport Authority also maintains policies for workers' compensation, commercial auto, fiduciary liability, privacy and network security, crime, and public entity and employment practices liability, among others.

**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 Agency and the California Disaster Assistance Act. As of June 30, 2019 and 2018, the Airport Authority has designated \$10,967,958 and \$10,249,962, 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, one risk analyst, a safety manager and two safety analysts. In addition, third party loss control engineers conduct safety surveys on an annual basis. Employees receive regular safety training and claims are monitored using a claims information system.

During fiscal year 2019, 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 11. 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



## San Diego County Regional Airport Authority

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 11. Disclosures About Fair Value of Assets (Continued)

#### Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at the fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

	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, 2019				
Investments by fair value level				
U.S. Treasury obligations	\$ 115,560,531	\$ 115,560,531	\$ -	\$ -
U.S. agency securities	134,911,223	-	134,911,223	-
Non-U.S. Securities	12,613,036	12,613,036	-	-
Negotiable certificates of deposit	18,751,263	-	18,751,263	-
Medium-term notes	66,605,516	-	66,605,516	-
Total investments by fair value level	348,441,569	\$ 128,173,567	\$ 220,268,002	\$ -
Investment measured at amortized cost				
Money market mutual funds	81,861			
Non-negotiable certificate of deposit	15,920,692			
Investment measured at net asset value				
CalTrust Fund	15,952,044			
Local Agency Investment Fund	50,140,691			
San Diego County Investment Pool	211,235,432			
Total investments	\$ 641,772,289			
June 30, 2018				
Investments by fair value level				
U.S. Treasury obligations	\$ 124,032,939	\$ 124,032,939	\$ -	\$ -
U.S. agency securities	67,281,728	-	67,281,728	-
Non-U.S. Securities	13,315,083	13,315,083	-	-
Negotiable certificates of deposit	34,553,157	-	34,553,157	-
Medium-term notes	50,428,984	-	50,428,984	-
Total investments by fair value level	289,611,891	\$ 137,348,022	\$ 152,263,869	\$ -
Investment measured at amortized cost				
Money market mutual funds	93,517			
Non-negotiable certificate of deposit	15,639,415			
Investment measured at net asset value				
CalTrust Fund	15,522,832			
Local Agency Investment Fund	48,733,079			
San Diego County Investment Pool	234,006,333			
Total investments	\$ 603,607,067			

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 12. Lease Revenues

Substantially all capital assets held by the Airport Authority are for the purpose of rental and related use.

Certain capital assets, such as loading bridges, airfield, and building space, are leased to signatory airlines under the Airline Operating leases. The Airport Authority's Airline Operating leases are governed by a policy statement issued by the Federal Aviation Administration and as such rates are determined each year based upon a combination of residual and compensatory rate setting methodologies, which do not exceed actual costs of operating the airport. Such costs are allocated to each signatory airline based upon factors such as landed weights, enplanements, square footage, acres, etc. These regulated leases are not included in the schedule below.

The five-year Airline Operating Lease Agreement (AOLA) expired June 30, 2018, and was in hold over status as of June 30, 2019. The Authority finalized a new ten year AOLA effective July 1, 2019 through June 30, 2029. This new agreement is substantially similar to the expired agreement.

Other capital assets are leased to concessionaires. As of June 30, 2019, the Airport Authority had 84 terminal food service and retail concession locations as part of a comprehensive concessions program designed to provide a world class shopping and dining experience for the millions of passengers who use SDIA. Concession lease payments for space within the terminals are typically based on the greater of the percentage of tenant sales or an agreed upon minimum guarantee. The amounts exceeding the minimum guarantee are not included in the schedule below.

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 the bonds are repaid.

The minimum future lease payments to be received under the Airport Authority's non-cancelable lease agreements, including known minimum escalations, as of June 30, 2019, are as follows:

Years Ending June 30,	Amount
2020	\$ 32,805,411
2021	27,517,999
2022	26,608,481
2023	25,921,183
2024	22,615,559
2025-2029	74,037,195
2030-2034	77,848,013
2035-2039	85,693,285
2040-2044	95,011,008
2045-2049	82,313,305
2050-2054	724,440
2055-2059	724,440
2060-2064	724,440
2065-2069	651,996
	<u>\$ 553,196,755</u>

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 13. 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
2020	\$ 10,176,660
2021	10,176,660
2022	10,176,660
2023	10,176,660
2024	10,176,660
2025-2029	50,883,300
2030-2034	50,883,300
2035-2039	50,883,300
2040-2044	50,883,300
2045-2049	50,883,300
2050-2054	50,883,300
2055-2059	50,883,300
2060-2064	50,883,300
2065-2069	45,794,970
	<u>\$ 503,744,670</u>

The total rental expense charged to operations for the years ended June 30 consists of the following:

	2019	2018
Rental payments made	<u>\$ 10,190,910</u>	<u>\$ 10,189,944</u>

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 14. Commitments and Contingencies

**Commitments:** As of June 30, 2019 and 2018, 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, 2019 and 2018, these funds totaled approximately \$13.2 million and \$27 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, 2019 and 2018, the Airport Authority expensed \$ 19,291,981 and \$19,337,603 respectively for these services.
- iii. In fiscal year 2012, the Board approved two contracts with Ace Parking Management Inc., for parking management services in the amount of \$29.7 million and airport shuttle services in the amount of \$31.3 million. In fiscal year 2017, the Board approved an additional \$9.9 million for parking management services and \$19.7 million for shuttle services. The total amounts spent as of June 30, 2019, were \$39 million for parking management services and \$47.5 million for airport shuttle services. These contracts were completed as of September 2018.
- iv. In fiscal year 2019, the Board approved two new contracts with Ace Parking Management Inc., for parking management services in the amount of \$38 million and airport shuttle services in the amount of \$45 million. As of June 30, 2019, \$3.9 million has been spent for parking management services and \$4.7 million for shuttle services.
- v. 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. The contract scope also includes the operation, management and maintenance of the shuttle vehicles. In fiscal year 2016, the Board approved an additional \$1.2 million. In fiscal year 2019 the Board approved an additional \$14.6 million. As of June 30, 2019, \$27 million had been spent and the contract is due to be completed in fiscal year 2021.
- vi. In fiscal year 2015, the Board approved a \$60 million contract with AECOM Technical Services, Inc. for on call program management services. In fiscal year 2018, the Board approved an additional \$8 million. As of June 30, 2019, \$64.8 million had been spent and the contract is due to be completed in fiscal year 2019.

## San Diego County Regional Airport Authority

---

Notes to Financial Statements  
June 30, 2019 and 2018

### Note 14. Commitments and Contingencies (Continued)

- vii. In fiscal year 2019, the Board approved a \$19.5 million contract with AECOM Technical Services, Inc. for on call program management, staffing support and consulting services. The contract is due to be completed in fiscal year 2024. As of June 30, 2019 no funds had been spent.
- viii. In fiscal year 2017, the Board approved a \$186.6 million contract with Turner-PCL, A Joint Venture for Terminal 2 West Federal Inspection Station build out. In fiscal year 2018 and 2019, the Board approved an additional \$1.6 million and \$5.3 million respectively. As of June 30, 2019, \$170.4 million had been spent and the contract is due to be completed in fiscal year 2020.
- ix. In fiscal year 2018, the Board approved a \$20.4 million contract with Granite Construction Company to rehabilitate runway 9-27 & cross taxiway B-1, B4-7, C3 & C6. As of June 30, 2019, \$18 million had been spent and the contract was completed in fiscal year 2019.
- x. In fiscal year 2019, the Board approved a \$40.9 million contract with Granite Construction Company to provide a new hydrant fueling infrastructure on the north side of the runway. As of June 30, 2019, \$7.3 million had been spent and the contract is due to be completed in fiscal year 2021.
- xi. In fiscal year 2019, the Board approved a \$150.5 million contract with Sundt Construction, Inc. for the design and construction of Airport Support Facilities. As of June 30, 2019, \$16.9 million had been spent and the contract is scheduled for completion in fiscal year 2020.

**Contingencies:** As of June 30, 2019, 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.

### Note 15. Subsequent Events

On July 1, 2019, a new Airline Operating and Lease Agreement (AOLA) became effective. The AOLA is a 10-year agreement, beginning July 1, 2019, and terminating at the close of business on June 30, 2029. The agreement is with the twelve passenger airlines and three all-cargo carriers operating at the Airport. The AOLA contains new provisions to enhance the Authority's ability to meet its financial obligations and fund future capital improvements.

On July 18, 2019, the Authority issued \$11.1 million of Subordinate Airport Revenue Drawdown Bonds Series A (Non-AMT) and \$22.9 million of Subordinate Airport Revenue Drawdown Bonds Series B (AMT). The proceeds of the Drawdown bonds were used to fund various projects including the Airport Support Facilities, Airline relocations and ADP programmatic documents. It is the Authority's intention to refund these Drawdown Bonds with proceeds from a General Airport Revenue Bond issuance expected later in 2019.

# San Diego County Regional Airport Authority

## Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2019

### Schedule of Changes in the Net Pension Liability and Related Ratios Last 10 Fiscal Years (Plan Year Reported in Subsequent Fiscal Year)

#### Defined Benefit Plan

	2019	2018	2017	2016	2015
<b>Total Pension Liability:</b>					
Service cost	\$ 7,390,428	\$ 6,996,180	\$ 6,205,263	\$ 6,154,579	\$ 6,099,481
Interest (includes interest on service cost)	12,621,226	11,416,679	10,277,610	9,327,538	8,465,485
Differences between expected and actual experience	(2,630,285)	3,975,029	(2,178,527)	345,661	-
Effect of changes of assumptions	6,416,088	5,871,218	10,473,890	-	-
Benefit payments, including refunds of member contributions	(4,462,751)	(4,669,787)	(3,023,391)	(2,482,523)	(2,913,221)
Net change in total pension liability	19,334,706	23,589,319	21,754,845	13,345,255	11,651,745
Total pension liability - beginning	185,541,212	161,951,893	140,197,048	126,851,793	115,200,048
Total pension liability - ending	\$ 204,875,918	\$ 185,541,212	\$ 161,951,893	\$ 140,197,048	\$ 126,851,793
<b>Plan Fiduciary Net Position:</b>					
Contributions - employer	\$ 7,318,546	\$ 5,480,984	\$ 4,047,780	\$ 3,897,545	\$ 3,924,988
Contributions - employee	3,162,781	2,990,317	2,967,269	2,840,236	2,765,079
Net investment income	14,036,710	19,480,875	1,651,283	4,390,185	18,302,683
Benefit payments, including refunds of member contributions	(4,462,751)	(4,669,786)	(3,023,391)	(2,482,523)	(2,913,221)
Administrative expense	(350,408)	(325,042)	(318,817)	(332,290)	(332,645)
Net change in plan fiduciary net position	19,704,878	22,957,348	5,324,124	8,313,153	21,746,884
Plan fiduciary net position - beginning	166,797,759	143,840,411	138,516,287	130,203,134	108,456,250
Plan fiduciary net position - ending	\$ 186,502,637	\$ 166,797,759	\$ 143,840,411	\$ 138,516,287	\$ 130,203,134
Net pension liability (asset) - ending	\$ 18,373,281	\$ 18,743,453	\$ 18,111,482	\$ 1,680,761	\$ (3,351,341)
Plan fiduciary net position as a percentage of the total pension liability	91.03%	89.90%	88.82%	98.80%	102.64%
Covered payroll	\$ 31,628,301	\$ 31,131,795	\$ 29,189,357	\$ 27,955,455	\$ 26,380,323
Net pension liability as a percentage of covered payroll	58.09%	60.21%	62.05%	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, 2019

#### Schedule of Contributions (Pensions), Last 10 Fiscal Years (Dollars in Thousands):

##### Defined Benefit Plan

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 5,740	\$ 5,416	\$ 3,765	\$ 3,666	\$ 3,823
Contributions in relation to the actuarially determined contribution	7,783	7,247	5,421	3,948	3,823
Contribution deficiency (excess)	\$ (2,043)	\$ (1,831)	\$ (1,656)	\$ (282)	\$ -
Covered payroll	\$ 31,864	\$ 30,848	\$ 31,506	\$ 29,189	\$ 27,955
Contributions as a percentage of covered payroll	24.43%	23.49%	17.21%	13.53%	13.68%
	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 2,900	\$ 2,600	\$ 3,800	\$ 4,300	\$ 3,000
Contributions in relation to the actuarially determined contribution	3,728	2,600	3,800	4,300	7,600
Contribution deficiency (excess)	\$ (828)	\$ -	\$ -	\$ -	\$ (4,600)
Covered payroll	\$ 26,380	\$ 24,840	\$ 25,148	\$ 25,596	\$ 24,693
Contributions as a percentage of covered payroll	14.13%	10.47%	15.11%	16.80%	30.78%

\* This schedule is presented for the fiscal year.

## San Diego County Regional Airport Authority

---

### Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2019

#### Schedule of Changes in the Net Pension Liability and Related Ratios Last 10 Fiscal Years (Plan Year Reported in Subsequent Fiscal Year)

##### Preservation of Benefits Trust Plan

	2019	2018	2017
Total Pension Liability			
Service cost	\$ 51,774	\$ 60,994	\$ 29,270
Interest cost	53,311	35,323	34,173
Differences between expected and actual experience	193,013	388,329	-
Changes of assumptions	(89,712)	(214,765)	272,579
Benefit Payments	(31,329)	-	-
Net Change in Total Pension Liability	177,057	269,881	336,022
Total pension liability -beginning	1,479,005	1,209,124	873,102
Total pension liability - ending	\$ 1,656,062	\$ 1,479,005	\$ 1,209,124
Covered payroll	31,628,301	31,131,795	29,189,357
Total Pension Liability as a percentage of covered payroll	5.2%	4.8%	4.1%

**Note to schedule:** This schedule is intended to display the most recent 10 years of data for annual changes in the total pension liability. Until such time has elapsed after implementing GASB Statement No. 73, 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, 2019**

**Schedule of Contributions (Pensions), Last 10 Fiscal Years:**

**Preservation of Benefits Trust Plan**

	2019	2018	2017
Actuarially determined contribution	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	182,381	56,513	-
Contribution deficiency (excess)	\$ (182,381)	\$ (56,513)	\$ -
Covered payroll	\$ 31,319,921	\$ 30,828,256	\$ 31,628,301
Contributions as a percentage of covered payroll	0.58%	0.18%	0.00%

**\* This schedule is presented for the fiscal year.**

**Note to schedule:** This schedule is intended to display the most recent 10 years of data for annual pension contributions. Until such time has elapsed after implementing GASB Statement No. 73, 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, 2019

#### Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios Last 10 Fiscal Years (Plan Year Reported in Subsequent Fiscal Year)

##### Other Postemployment Benefits

	2019	2018
<b>Total OPEB Liability</b>		
Service Cost	\$ 436,501	\$ 411,052
Interest Cost	1,772,578	1,606,959
Changes of Assumptions	-	766,830
Benefit Payments	(622,425)	(451,189)
Net Change in Total OPEB Liability	1,586,654	2,333,652
Total OPEB Liability (Beginning)	24,217,840	21,884,188
Total OPEB Liability (Ending)	\$ 25,804,494	\$ 24,217,840
<b>Plan Fiduciary Net Position</b>		
Contributions—Employer	\$ 622,425	\$ 2,012,419
Net Investment Income	1,896,351	2,175,582
Benefit Payments	(622,425)	(451,189)
Administrative Expense	(12,568)	(10,578)
Net Change in Plan Fiduciary Net Position	1,883,783	3,726,234
Plan Fiduciary Net Position (Beginning)	24,315,258	20,589,024
Plan Fiduciary Net Position (Ending)	\$ 26,199,041	\$ 24,315,258
Net OPEB Asset	(394,547)	(97,418)
Net Position as a Percentage of OPEB Liability	101.53%	100.40%
Covered Payroll	16,625,857	16,141,609
Net OPEB Liability as a Percentage of Covered Payroll	(2.37%)	(0.60%)

**Note to schedule:** This schedule is intended to display the most recent 10 years of data for annual changes in the net OPEB liability (asset). Until such time has elapsed after implementing GASB Statement No. 75, 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, 2019

#### Schedule of Contributions (OPEB), Last 10 Fiscal Years (Dollars in Thousands):

##### Other Postemployment Benefits

	2019	2018
Actuarially determined contribution	\$ 486	\$ 472
Contributions in relation to the actuarially determined contribution	339	462
Contribution deficiency (excess)	\$ 147	\$ 10
Covered payroll	\$ 13,869	\$ 15,674
Contributions as a percentage of covered payroll	2.44%	2.95%

\* This schedule is presented for the fiscal year.

**Note to schedule:** This schedule is intended to display the most recent 10 years of data for annual OPEB contributions. Until such time has elapsed after implementing GASB Statement No. 75, this schedule will only present information from those years that are available.

## APPENDIX B

### DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY OF SAN DIEGO AND THE COUNTY OF SAN DIEGO

*Set forth below is certain economic and demographic information regarding the City of San Diego (the "City") and the County of San Diego (the "County"). This information is provided for informational purposes only and general background. The information set forth herein has been obtained from third party sources believed to be reliable, but such information is not guaranteed by the San Diego County Regional Airport Authority (the "Authority") as to accuracy or completeness. The information and data within this Appendix B speak only as of the dates indicated and may have changed, perhaps materially, from such time. Because it is difficult to obtain timely economic and demographic information, the economic condition of the City and County may not be fully apparent in all of the publicly available local and regional economic statistics provided herein. In particular, the economic statistics provided herein may not fully capture the impact of current economic conditions. Neither the delivery of this Updated Official Statement nor any sale thereafter of the securities offered hereby shall under any circumstances create any implication that there has been no change in any information contained in this Appendix B since the date of such information. The San Diego International Airport (the "Airport") functions primarily as an origination and destination ("O&D") airport (i.e., passengers beginning or ending their trips at the Airport). From Fiscal Year 2015 through Fiscal Year 2019, O&D passengers accounted for an average of 96% of all passengers enplaned at the Airport. A number of economic factors influence the number of passengers flying from and to the Airport, including population, employment and income. Some of those factors are described below.*

#### **Introduction**

The City, with a total population of approximately 1,420,572 as of January 1, 2019 and a land area of approximately 325 square miles, is the eighth largest city in the nation and the second largest city in California. The City is the county seat for the County. In addition to having a favorable climate, the City offers a wide range of cultural and recreational services to both residents and visitors. Major components of the City's diversified economy include defense, tourism, biotechnology/biosciences, financial and business services, software and telecommunications. The City's economic base is also anchored by higher education and major scientific research institutions, including the University of California, San Diego, San Diego State University, Scripps Research Institute, the Salk Institute for Biological Studies, and the San Diego Supercomputer Center.

[Remainder of this page intentionally left blank]

**Population**

The following Table B-1 sets forth annual population figures for the City, the County and the State for calendar years 2010 through 2019. The City’s population increased by approximately 8.90% between 2010 and 2019, with an average annual increase of approximately 11,609.

**TABLE B-1  
CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, AND STATE OF CALIFORNIA  
POPULATION GROWTH  
Calendar Years 2010 Through 2019**

<b>Calendar Year*</b>	<b>City of San Diego</b>	<b>Annual Growth Rate</b>	<b>County of San Diego</b>	<b>Annual Growth Rate</b>	<b>State of California</b>	<b>Annual Growth Rate</b>
2010	1,304,482	0.81%	3,091,579	0.89%	37,223,900	0.70%
2011	1,313,779	0.71	3,125,264	1.09	37,594,781	1.00
2012	1,329,294	1.18	3,161,750	1.17	37,971,427	1.00
2013	1,348,843	1.47	3,201,417	1.25	38,321,459	0.92
2014	1,363,549	1.09	3,235,142	1.05	38,622,301	0.79
2015	1,380,886	1.27	3,267,992	1.02	38,952,462	0.85
2016	1,388,101	0.52	3,287,279	0.59	39,214,803	0.67
2017	1,396,510	0.61	3,309,626	0.68	39,504,609	0.74
2018	1,414,373	1.28	3,333,128	0.80	39,740,508	0.60
2019	1,420,572	0.44	3,351,786	0.56	39,927,315	0.47

\* As of January 1 of the calendar year.

Source: State of California Department of Finance, Demographic Research Unit

[Remainder of this page intentionally left blank]

## Employment

The following Table B-2 sets forth information regarding the size of the labor force, employment and unemployment rates for the City, the County, the State and the United States for calendar years 2014 through 2018, and for November 2019 (Preliminary).

**TABLE B-2**  
**LABOR FORCE – ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND**  
**UNEMPLOYMENT OF CITY OF SAN DIEGO CIVILIAN LABOR FORCE**  
**Calendar Years 2014 Through 2018, and November 2019**  
**(not seasonally adjusted)**

	Calendar Year <sup>1</sup>					November 2019 <sup>1,2</sup>
	2014	2015	2016	2017	2018	
Civilian Labor Force:						
City of San Diego						
Employed	649,400	661,200	672,600	684,200	696,900	709,400
Unemployed	42,300	34,400	32,200	27,700	23,100	20,100
Unemployment Rates:						
City	6.1%	4.9%	4.6%	3.9%	3.2%	2.8%
County	6.4	5.2	4.7	4.0	3.3	2.9
California	7.5	6.2	5.5	4.8	4.2	3.7
United States <sup>3</sup>	6.2	5.3	4.9	4.4	3.9	3.5

<sup>1</sup> County and State 2014-2018 data based on March 2018 Benchmark Report. City information updated November 2019 by EDD.

<sup>2</sup> Preliminary, subject to change.

<sup>3</sup> The United States unemployment rates for calendar years 2014-2019 were generated as of January 10, 2019.

Source: State of California Employment Development Department, Labor Market Information Division; U.S. Department of Labor, Bureau of Labor Statistics

[Remainder of this page intentionally left blank]

The State of California Employment Development Department, Labor Market Information Division (the “EDD”), preliminarily estimates that, on a seasonally unadjusted basis, the civilian labor force in the City in December of 2019 was 729,500, of which approximately 19,400 persons were unemployed. Based on preliminary estimates of the EDD as of January 24, 2020, the City’s unemployment rate of 2.7% in December of 2019, on a seasonally unadjusted basis, was below that of the County at 2.8% and was below the unemployment rate of the State, which was 3.9%. The City’s unemployment rate was below the United States, which was 3.5%. The following Table B-3 sets forth estimates of total annual civilian nonfarm employment by number of employees in each major industry category in the County for calendar years 2015 through 2018 and for December 2019 (Preliminary). Annual industry employment information is not compiled by sector for the City.

**TABLE B-3**  
**COUNTY OF SAN DIEGO**  
**NONFARM EMPLOYMENT**  
**Calendar Years 2015 Through 2019<sup>1</sup>**  
**(in number of jobs by industry)**

<u>Industry Category</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019<sup>5</sup></u>
Services <sup>2</sup>	681,400	701,700	717,700	738,600	761,600
Total Government	236,200	242,200	246,300	247,600	259,300
Federal	46,000	46,800	46,900	46,900	47,600
State and Local	190,200	195,500	199,400	200,700	211,700
Total Trade	190,900	191,200	192,800	191,900	196,700
Wholesale	44,100	43,700	43,800	43,700	43,100
Retail	146,800	147,500	149,000	148,200	153,600
Total Manufacturing	106,600	108,400	109,400	112,700	119,100
Nondurable Goods	26,300	27,200	27,900	28,500	91,000
Durable Goods	80,300	81,200	81,500	84,200	28,100
Financial Activities <sup>3</sup>	71,400	73,000	74,600	75,900	76,200
Construction	69,900	76,300	79,500	84,200	91,700
Transportation, Warehousing & Utilities	28,400	29,700	32,000	33,500	35,700
Mining & Logging	300	300	300	300	400
Total Nonfarm <sup>4</sup>	<u>1,385,000</u>	<u>1,422,900</u>	<u>1,452,600</u>	<u>1,484,600</u>	<u>1,540,700</u>

<sup>1</sup> Based on March 2018 Benchmark Report.

<sup>2</sup> Includes professional and business, information, educational and health, leisure and hospitality and other services.

<sup>3</sup> Includes finance, insurance, and real estate.

<sup>4</sup> Line items may not add to totals due to independent rounding.

<sup>5</sup> Preliminary information as of December 2019.

Source: State of California Employment Development Department, Labor Market Information Division

Since the industry employment data referenced above are organized by standard industrial classification codes, employment in the various high tech categories, such as telecommunications, software and biotechnology may not fall into a single employment section alone. For example, some telecommunications firms appear in Manufacturing while others appear in Services.

**Taxable Sales**

The following Table B-4 sets forth taxable transactions in the City for calendar years 2014 through 2018.

**TABLE B-4  
CITY OF SAN DIEGO  
TAXABLE TRANSACTIONS  
Calendar Years 2014 Through 2018\*  
(in thousands)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Retail and Food Services:					
Apparel	\$ 1,860,941	\$ 1,876,406	\$ 1,849,752	\$ 1,884,703	\$ 1,932,777
General Merchandise	1,660,870	1,685,705	1,629,376	1,633,756	1,710,621
Food	1,057,719	1,054,381	1,045,178	1,078,711	1,125,759
Eating and Drinking	3,534,412	3,871,361	4,133,095	4,307,507	4,466,904
Home Furnishings and Appliances	1,198,020	1,226,012	1,227,499	1,140,892	1,163,314
Building Materials	920,113	957,041	1,008,705	1,041,763	1,081,396
Motor Vehicles and Parts	2,422,829	2,580,830	2,734,187	2,747,732	2,873,480
Service Stations	1,939,188	1,662,826	1,437,892	1,571,570	1,782,322
Other Retail Stores	<u>1,668,503</u>	<u>1,714,791</u>	<u>1,749,474</u>	<u>1,782,546</u>	<u>1,836,103</u>
Total Retail and Food Services	\$16,262,595	\$16,629,356	\$16,815,163	\$17,189,186	\$17,972,680
All Other Outlets	<u>6,009,464</u>	<u>6,056,004</u>	<u>6,407,062</u>	<u>6,566,238</u>	<u>6,999,132</u>
Total All Outlets*	<u>\$22,272,059</u>	<u>\$22,685,360</u>	<u>\$23,222,225</u>	<u>\$23,755,424</u>	<u>\$24,971,813</u>

\* Totals may not total due to independent rounding.

Source: California State Board of Equalization, Research & Statistics Section, Taxable Sales in California for calendar year 2014. California Department of Tax and Fee Administration ("CDTFA"), CDTFA Open Data Portal for calendar years 2015-2018

[Remainder of this page intentionally left blank]



## Tourism

San Diego is one of the top 10 visitor and meeting destinations in the United States, drawing more than 30 million visitors annually. The Airport serves the San Diego-Carlsbad, CA, Metropolitan Statistical Area (the “San Diego MSA”), California’s fourth largest MSA and the nation’s seventeenth largest MSA by population. As shown in Table B-5 below, the number of visitors to the San Diego MSA, measured in person trips, increased from 33.8 million in 2014 to 35.8 million in 2018.

**TABLE B-5**  
**NUMBER OF VISITORS TO**  
**THE SAN DIEGO MSA**  
**Calendar Years 2014 Through 2018**  
**(in million person-trips)**

<u>Calendar Year</u>	<u>Visitors</u>
2014	33.8
2015	
2016	
2017	
2018	35.8

Source: San Diego Tourism Authority, CIC Research,  
and Tourism Economics

The following Table B-6 sets forth total visitor spending in the County for the calendar years 2014 through 2019.

**TABLE B-6**  
**COUNTY OF SAN DIEGO**  
**TOTAL VISITOR SPENDING**  
**Calendar Years 2015 Through 2019**  
**(in millions)**

<u>Calendar Year</u>	<u>Amount</u>
2015	\$ 9,921
2016	10,401
2017	10,828
2018	11,490
2019	11,643

Source: Visitor Industry Summary compiled by the  
San Diego Tourism Authority from data prepared  
by CIC Research, Inc., Oxford Economics

The following Table B-7 sets forth the City’s transient occupancy tax revenues for Fiscal Years 2015 through 2019.

**TABLE B-7**  
**CITY OF SAN DIEGO**  
**TRANSIENT OCCUPANCY TAX\***  
**Fiscal Years 2015 Through 2019**  
**(in thousands)**

<b>Fiscal Year</b>	<b>Amount</b>
2015	\$186,690
2016	204,559
2017	222,228
2018	231,863
2019	250,883

\* Includes both the City’s General Fund portion of the transient occupancy tax (5.5¢ of 10.5¢) and the balance (5¢ of 10.5¢) allocated to Special Promotional Programs. Special Promotional Programs are intended to: advance the City’s economy by promoting the City as a visitor destination; develop, maintain, and enhance visitor-related facilities; and support the City’s cultural amenities and natural attractions.  
Source: Fiscal Year 2019 Comprehensive Annual Financial Report, City of San Diego

For calendar year 2019, the San Diego Tourism Authority reported that hotel occupancy in the City averaged 78.6%, which is a slight decrease in the occupancy level when compared to the prior year.

The City is the focal point for tourism in the County. Most of the County’s major tourist attractions, including the world-renowned San Diego Zoo and SeaWorld San Diego, are located in the City. Other attractions located in the City include the Cabrillo National Monument on Point Loma, the historic Gaslamp Quarter in the downtown area, the Old Town State Park, Balboa Park and a host of other cultural and recreational activities.

Based on information provided by the San Diego Tourism Authority in its annual San Diego County Visitor Industry Summary, in calendar year 2019 there were 35.1 million visitors to San Diego County, and they spent more than \$11.6 billion. About half of the 35.1 million visitors stayed overnight in private homes or hotels.

In addition to the many permanent attractions available to visitors, the City has also been host to a number of major sporting events. The City annually hosts the Farmers Insurance Open, a Professional Golfers’ Association Tour Event played at the world renowned Torrey Pines Golf Course. In addition, the City has annually hosted a post-season contest of elite college football teams at the Holiday Bowl.

The San Diego Convention Center (the “Convention Center”) has 2.6 million total gross square feet of buildings, including the parking structure. According to the San Diego Convention Center Corporation Annual Report for Fiscal Year ended June 30, 2018, events in the Convention Center generated over \$1.1 billion in economic impact for the San Diego regional economy through direct attendee spending, tax revenues, and hotel room nights in Fiscal Year 2018.

## **Military**

*The information in the first three paragraphs below is taken from the San Diego Military Economic Impact Study released in October 2019 (the “Military Study”) prepared by the San Diego Military Advisory Council (“SDMAC”). The Authority has not independently verified the information in the Military Study.*

Military and related defense spending are significant factors in the County economy. Military installations include Marine Corps Base Camp Joseph H. Pendleton; the Marine Corps Recruit Depot; Marine Corps Air Station at Miramar; Naval Air Station North Island; Naval Station San Diego; and Naval Submarine Base, San Diego.

There are approximately 143,000 uniformed military personnel and civilians working for the Department of Defense, Department of Homeland Security or the Veterans Administration within in the County, including approximately 109,500 active duty military personnel, 7,500 reserves and 26,000 full-time civilian workers. These totals are expected to increase to approximately 151,000 in the current federal fiscal year ending September 30, 2020. The estimated direct defense-related spending by the military in the County for the fiscal year ending September 30, 2019 increased approximately 3.7% to \$28.1 billion from \$27.1 billion for the federal fiscal year ending September 30, 2018.

The direct spending by the military results in additional jobs and spending in the local economy. Approximately 22% (354,000) of the jobs in the County were directly and indirectly related to the military in the fiscal year ended September 30, 2019 and the gross regional product in the County related to the military was estimated at \$51.0 billion, up from \$49.7 billion in the prior federal fiscal year. It is estimated that the military’s total impact on the region represents about 20% of the County’s total gross regional product.

[Remainder of this page intentionally left blank]

## Top Ten Principal Employers

The following Table B-8 sets forth the top 10 principal employers in the City for Fiscal Year 2019.

**TABLE B-8**  
**CITY OF SAN DIEGO**  
**TOP TEN PRINCIPAL EMPLOYERS**  
**Fiscal Year 2019**  
**(unaudited)**

Employer	Number of Employees	Percentage of Total Employment <sup>1</sup>
Naval Base, San Diego <sup>2</sup>	41,607	5.82%
University of California San Diego <sup>3</sup>	38,749	5.42
Sharp Healthcare <sup>4</sup>	18,736	2.62
County of San Diego	18,606	2.60
San Diego Unified School District	12,996	1.82
Scripps Health <sup>5</sup>	12,348	1.73
City of San Diego <sup>6</sup>	11,598	1.62
Qualcomm, Inc. <sup>7</sup>	10,300	1.44
San Diego Community College District <sup>8</sup>	6,246	0.87
Kaiser Permanente <sup>9</sup>	<u>5,349</u>	<u>0.75</u>
Total Top Employers	<u>176,535</u>	<u>24.69%</u>

<sup>1</sup> Percentage based on total employment of 712,500 for Fiscal Year 2019.

<sup>2</sup> Employee count includes Navy, Marine and Civil Services personnel.

<sup>3</sup> Includes full and part time, academic and support staff, and UCSD Medical Center, School of Medicine.

<sup>4</sup> Employee count is countywide.

<sup>5</sup> Scripps Health employees within city limits, not including Mercy Hospital in Chula Vista.

<sup>6</sup> As of last pay-period of the fiscal year.

<sup>7</sup> Excludes temporary employees and interns.

<sup>8</sup> Excludes out of state military instructors.

<sup>9</sup> Includes physicians.

Source: Fiscal Year 2019 Comprehensive Annual Financial Report, City of San Diego

[Remainder of this page intentionally left blank]

Table B-9 lists the largest companies headquartered in the San Diego MSA, earning more than \$1 billion in annual revenues.

**TABLE B-9  
LARGEST COMPANIES HEADQUARTERED  
IN THE SAN DIEGO MSA**

<b>Company</b>	<b>Business Description</b>
Qualcomm, Inc.	Semiconductor and telecommunications
Sony Electronics US	Audio and video electronics and information technology
Petco Holdings, Inc.	Specialty pet food retail
Jack in the Box	Fast-food restaurant chain
Sempra Energy	Natural gas utilities holding company
Scripps Health	Health care
General Atomics	Aerospace and defense
WIS International	Retail
Cubic	Information technology
Dyson & Dyson Real Estate Associates	Real estate services
PriceSmart	Retail
Encore Capital Group	Diversified financial services
Illumina	Biotechnology

Source: Zippia, 20 Biggest Companies in San Diego, CA, accessed online on July 15, 2019

**Personal Income**

The following Table B-10 sets forth the per capita personal income in the County, the State and the United States for calendar years 2014 through 2018.

**TABLE B-10  
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA AND UNITED STATES  
PER CAPITA PERSONAL INCOME\*  
Calendar Years 2014 Through 2018**

<b>Calendar Year</b>	<b>County of San Diego</b>	<b>State of California</b>	<b>United States</b>
2014	\$52,214	\$52,324	\$47,058
2015	54,801	55,758	48,978
2016	56,322	57,739	49,870
2017	58,097	60,156	51,885
2018	61,386	63,557	54,446

\* Amounts for County and State may not be comparable based on different source methodology.  
Source: U.S. Bureau of Economic Analysis and Bureau of the Census

## APPENDIX C-1

### CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Official Statement including the summaries of the Master Senior Indenture, the Master Subordinate Indenture and the Seventh Supplemental Subordinate Indenture found in Appendices C-2, C-3 and C-4.

“*Account*” means any account established pursuant to the Master Senior Indenture or any Supplemental Senior Indenture or Master Subordinate Indenture or any Supplemental Subordinate Indenture, as the case may be.

“*Accreted Value*” means

(a) with respect to any Capital Appreciation Senior Bonds or Capital Appreciation Subordinate Obligations, as the case may be, as of any date of calculation, the sum of the amount set forth in a Supplemental Senior Indenture or a Supplemental Subordinate Indenture, as the case may be, as the amount representing the initial principal amount of such Capital Appreciation Senior Bond or Capital Appreciation Subordinate Obligation, as the case may be, plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or

(b) with respect to Original Issue Discount Senior Bonds or Original Issue Discount Subordinate Obligations, as the case may be, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Senior Bonds or Original Issue Discount Subordinate Obligations, as the case may be, 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 Senior Indenture or the Supplemental Subordinate Indenture, as the case may be. authorizing the issuance of such Capital Appreciation Senior Bonds or Original Issue Discount Senior Bonds or Capital Appreciation Subordinate Obligations or Original Issue Discount Subordinate Obligations, as the case may be. All references in the Master Senior Indenture or 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 will 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 Senior Indenture or the Master Subordinate Indenture, as the case may be, 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 Senior Indenture or the Master Subordinate Indenture, as the case may be, will conclusively be deemed by the Senior Trustee or the Subordinate Trustee, as the case may be, 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 (previously known as the Executive Director 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 Senior Trustee or the Subordinate Trustee, as the case may be.

“*Authorized Denominations*” means \$5,000 principal amount and integral multiples thereof.

“*Balloon Indebtedness*” means, with respect to any Series of Senior Bonds or Subordinate Obligations, as the case may be, 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 Senior Bonds or Subordinate Obligations, as the case may be, 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 Senior Bonds or Subordinate Obligations, as the case may be, scheduled to be amortized by prepayment or redemption prior to their stated maturity date. A Senior Commercial Paper Program and the Commercial Paper constituting part of such Senior Program will not be Balloon Indebtedness. A Subordinate Commercial Paper Program and the Commercial Paper constituting part of such Subordinate Program will not be Balloon Indebtedness.

“*Beneficial Owner*” means, whenever used with respect to a Senior Bond or a Subordinate Obligation, as the case may be, the person in whose name such Senior Bond or Subordinate Obligation, as the case may be, is recorded as the beneficial owner of such Senior Bond or Subordinate Obligation, as the case may be, by a Participant on the records of such Participant or such person’s subrogee.

“*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 Senior Indenture or the Master Subordinate Indenture, as the case may be, and which are acceptable to the Authority.

“*Bondholder*,” “*Holder*,” “*holder*,” “*Owner*,” “*owner*” or “*registered owner*” means

(a) the person in whose name any Senior Bond or Senior Bonds are registered on the books maintained by the Senior Registrar and will include any Credit Provider or Liquidity Provider to which a Senior Repayment Obligation is then owed, to the extent that such Senior Repayment Obligation is deemed to be a Senior Bond under the provisions of the Master Senior Indenture; and

(b) the person in whose name any Subordinate Obligation or Subordinate Obligations are registered on the books maintained by the Subordinate 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.

“*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 Senior Trustee or the Subordinate Trustee, as the case may be, is located are open, provided that such term may have a different meaning for any specified Series of Senior Bonds if so provided by Supplemental Senior Indenture or any specified Series of Subordinate Obligations if so provided by Supplemental Subordinate Indenture.

“*Capital Appreciation Senior Bonds*” means Senior Bonds 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 Senior Indenture and is payable only upon redemption or on the maturity date of such Senior Bonds. Senior Bonds which are issued as Capital Appreciation Senior Bonds, but later convert to Senior Bonds on which interest is paid periodically will be Capital Appreciation Senior Bonds until the conversion date and from and after such conversion date will no longer be Capital Appreciation Senior Bonds, but will be treated as having a principal amount equal to their Accreted Value on the conversion date.

“*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.

“*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 Senior Program or a Subordinate Program, as the case may be, 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 Senior Indenture or the Master Subordinate Indenture, as the case may be.

“*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 Senior Bonds and Subordinate Obligations, costs of Credit Facilities, Liquidity Facilities, Senior Capitalized Interest, Subordinate Capitalized Interest, a Senior Debt Service Reserve Fund, if any, a Subordinate Debt Service Reserve Fund, if any, Senior Trustee's fees and expenses and Subordinate Trustee's fees and expenses; (f) any Senior Swap Termination Payment due in connection with a Series of Senior Bonds or the failure to issue such Series of Senior Bonds, (g) Subordinate Swap Termination Payments due in connection with a Series of Subordinate Obligations or the failure to issue such Series of Subordinate Obligations, and (h) 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 2020 Bonds, including, but not limited to, costs and expenses of printing and copying documents, the preliminary and final official statements and the Subordinate Series 2020 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, Senior Debt Service Reserve Fund Surety Policy, Subordinate Debt Service Reserve Fund Surety Policy or other financial instrument which obligates a third party to make payment of or provide funds to the Senior Trustee or the Subordinate Trustee, as the case may be, for the payment of the principal of and/or interest on Senior Bonds or Subordinate Obligations, as the case may be, 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 Senior Bonds or the Subordinate Obligations, as the case may be, 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.

*"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.

*"Executive Director"* means the person at a given time who is the executive director 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 President/CEO, and the officer or officers succeeding to such position as certified to the Senior Trustee or the Subordinate Trustee, as the case may be, by the Authority.

*"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.

*"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, 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 Senior Indenture or any Supplemental Senior Indenture or Master Subordinate Indenture or any Supplemental Subordinate Indenture, as the case may be.

*"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) prerefunded 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 Senior Bonds or the Subordinate Obligations, as the case may be, and such Rating Agencies are then maintaining a rating on any of the Senior Bonds or the Subordinate Obligations, as the case may be; and (c) any other type of security or obligation which the Rating Agencies then maintaining ratings on the Senior Bonds or the Subordinate Obligations, as the case may be, to be defeased have determined to be permitted defeasance securities.

*Implemented"* means,

(a) when used with respect to a Senior Program, a Senior Program which has been authorized and the terms thereof approved by a resolution adopted by the Board and, with respect to which Senior Program, the items described the Master Senior Indenture have been filed with the Senior Trustee; and

(b) 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.

“*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 Senior Bonds or Subordinate Obligations, as the case may be.

“*Liquidity Provider*” means the entity, including a Credit Provider, which is obligated to provide funds to purchase Senior Bonds or Subordinate Obligations, as the case may be, 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., 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 Senior Trustee or the Subordinate Trustee, as the case may be) 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 Senior Bonds*” means Senior Bonds which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Senior Bonds by the Supplemental Senior Indenture under which such Senior Bonds are issued.

“*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*” means:

(1) when used with respect to Senior Bonds means all Senior Bonds which have been authenticated and delivered under the Master Senior Indenture, except:

(a) Senior Bonds cancelled or purchased by the Senior Trustee for cancellation or delivered to or acquired by the Senior Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) Senior Bonds deemed to be paid in accordance with the Master Senior Indenture;

(c) Senior Bonds in lieu of which other Senior Bonds have been authenticated under the provisions of the Master Senior Indenture;

(d) Senior Bonds 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 Senior Trustee or a Senior Paying Agent;

(e) Senior Bonds which, under the terms of the Supplemental Senior Indenture pursuant to which they were issued, are deemed to be no longer Outstanding;

(f) Senior Repayment Obligations deemed to be Senior Bonds under the Master Senior Indenture to the extent such Senior Repayment Obligation arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Senior Bonds 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 Senior Bonds under the Master Senior Indenture, Senior Bonds 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 Senior Bonds are pledged to secure a debt to an unrelated party.

(2) 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 Subordinate 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.

“*Payment Date*” means, with respect to any Senior Bonds or Subordinate Obligations, as the case may be, 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.

“*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 Senior Trustee or the Subordinate Trustee, as the case may be, by the Authority.

“*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 Senior Bonds or Subordinate Obligations.

“*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 Senior Bonds or the Subordinate Obligations, as the case may be, and such Rating Agencies are then maintaining a rating on any of the Senior Bonds or Subordinate Obligations, as the case may be.

“*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.

“*Record Date*” means, (a) with respect to any Series of Senior Bonds, the record date as specified in the Supplemental Senior Indenture which provides for the issuance of such Series; (b) 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 (c) for purposes of the Seventh 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 Senior Bonds*” means any Senior Bonds issued pursuant to the Master Senior Indenture to refund or defease all or a portion of any series of Outstanding Senior Bonds.

“*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.

“*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 2020 BONDS—Flow of Funds” in the forepart of this Official Statement), or (B) an amount not less than 150% of average Senior Aggregate Annual Debt Service 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 2020 BONDS—Flow of Funds” in the forepart of this Official Statement), or (B) an amount not less than 150% of the average Senior Aggregate Annual Debt Service 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 will no longer be included in Revenues and will 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 Senior Indenture.

*“Renewal and Replacement Subaccount”* means the “Renewal and Replacement Subaccount” created by the Authority within the Revenue Account pursuant to the Master Senior Indenture.

*“Renewal and Replacement Subaccount Requirement”* means, as of any date of calculation, such minimum amount as will be established by the Authority from time to time.

*“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 Senior Construction Fund) from the investment of amounts held in the Revenue Account, any Senior or Subordinate Construction Fund, any Senior or Subordinate Debt Service Fund (except Senior or Subordinate Capitalized Interest, as the case may be, on deposit therein), any Senior Debt Service Reserve Fund, any Subordinate 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 Senior or Subordinate Swap Termination Payments paid to the Authority pursuant to a Senior Qualified Swap or a Subordinate Qualified Swap, as the case may be, (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 the Master Senior 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 Senior Bonds or Subordinate Obligations, as the case may be, (G) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code, (H) Senior or Subordinate Capitalized Interest, (I) Customer Facility Charges, and (J) Federal Direct Payments. Further, interest earnings or other investment earnings on any Senior or Subordinate Construction Fund established by any Supplemental Senior Indenture or Supplemental Subordinate Indenture, as the case may be, are specifically excluded from “Revenues,” unless otherwise provided for in such Supplemental Senior Indenture or Supplemental Subordinate Indenture, as the case may be.

“*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 Aggregate Annual Debt Service*” means for any Fiscal Year the aggregate amount of Senior Annual Debt Service on all Outstanding Senior Bonds and Unissued Senior Program Bonds. For purposes of calculating Senior 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 Senior Bonds and Unissued Senior Program Bonds in accordance with any amortization schedule established by the governing documents setting forth the terms of such Senior Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Senior Bonds or Original Issue Discount Senior Bonds 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 Senior Bonds will be excluded to the extent such payments are to be paid from Senior Capitalized Interest for such Fiscal Year;

(b) if all or any portion or portions of an Outstanding Series of Senior Bonds, or Unissued Senior Program Bonds constitute Balloon Indebtedness (excluding Senior Program Bonds or Unissued Senior Program Bonds to which subsection (f) applies), then, for purposes of determining Senior Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness will, unless otherwise provided in the Supplemental Senior 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 Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Senior Bonds, Unissued Senior Program Bonds or Senior Program Bonds 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 Senior Program Bonds or Senior Program Bonds 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 Senior Bonds 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 Senior 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 Senior 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 Senior 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 Senior Bonds (including Senior Program Bonds) or any Senior Bonds which are then proposed to be issued constitute Senior Tender Indebtedness (but excluding Senior Program Bonds or Senior Bonds as to which a Senior Qualified Swap is in effect and to which subsection (g) or (h) applies), then, for purposes of determining Senior Aggregate Annual Debt Service, Senior Tender Indebtedness will be treated as if the principal amount of such Senior Bonds 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 Senior Annual Debt Service payments and extending not later than 30 years from the date such Senior 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 Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds 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 Senior 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 Senior Bonds 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 Senior Tender Indebtedness or subsection (h)(i) relating to Synthetic Fixed Rate Debt applies), the interest rate on such Senior Bonds 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 Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(f) with respect to any Senior Program Bonds or Unissued Senior Program Bonds (other than a Senior Commercial Paper Program) (i) debt service on Senior Program Bonds 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 Senior Program Bonds, it will be assumed that the full principal amount of such Unissued Senior Program Bonds will be amortized over a term certified by an Authorized Authority Representative at the time the initial Senior Program Bonds of such Senior Program are issued to be the expected duration of such Senior Program or, if such expectations have changed, over a term certified by an Authorized Authority Representative to be the expected duration of such Senior Program at the time of such calculation, but not to exceed 30 years from the date the initial Senior Program Bonds of such Senior Program are issued and it will be assumed that debt service will be paid in substantially level Senior 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 Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(g) debt service on Senior Repayment Obligations, to the extent such obligations constitute Senior Bonds under the Master Senior Indenture, will be calculated as provided in the Master Senior Indenture;

(h) (i) for purposes of computing the Senior Aggregate Annual Debt Service of Senior Bonds 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 Senior Aggregate Annual Debt Service of Senior Bonds 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 Senior Bonds to which such Swap pertains will be included in the calculation of Senior Aggregate Annual Debt Service, and the interest rate with respect to such Senior Bonds 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 Senior Designated Debt and the rate received from the Swap Provider;

(i) with respect to any Senior Commercial Paper Program which has been Implemented and not then terminated or with respect to any Senior Commercial Paper Program then proposed to be Implemented, the principal and interest thereon will be calculated as if the entire Senior Authorized Amount of such Senior Commercial Paper Program were to be amortized over a term of 35 years commencing in the year in which such Senior Commercial Paper Program is Implemented and with substantially level Senior 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 Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(j) if moneys or Senior Permitted Investments have been irrevocably deposited with and are held by the Senior Trustee or another fiduciary or Senior Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Senior Bonds, then the principal and/or interest to be paid from such moneys, Senior Permitted Investments, or Senior Capitalized Interest or from the earnings thereon will be disregarded and not included in calculating Senior 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 Senior Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal and/or interest on specified Senior Bonds, 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 Senior Aggregate Annual Debt Service.

“*Senior Annual Debt Service*” means, with respect to any Senior Bond, the aggregate amount required to be on deposit in the respective Senior 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 Senior Qualified Swap is in effect for any Senior Bond, plus the amount payable by the Authority (or the Senior Trustee) under the Senior Qualified Swap in accordance with the terms thereof, less any amount to be received by the Authority from the Senior Qualified Swap Provider pursuant to the Senior Qualified Swap, calculated using the principles and assumptions set forth in the definition of Senior Aggregate Annual Debt Service.

“*Senior Authorized Amount*” means, when used with respect to Senior Bonds, including Senior Bonds issued pursuant to a Senior Program, the maximum Principal Amount of Senior Bonds which is then authorized by a resolution adopted by the Board or a Supplemental Senior Indenture entered into by the Authority pursuant to the Master Senior Indenture to be Outstanding at any one time under the terms of such Senior Program or Supplemental Senior Indenture. If the maximum Principal Amount of Senior Bonds or Senior Program Bonds authorized by a preliminary resolution or form of Supplemental Senior Indenture approved by the Authority pursuant to the Master Senior Indenture exceeds the maximum Principal Amount of Senior Bonds set forth in the final definitive Supplemental Senior Indenture executed and delivered by the Authority pursuant to which such Senior Bonds are issued or such Senior Program is established, the Principal Amount of such Senior Bonds or Senior Program Bonds as is set forth in said final definitive Supplemental Senior Indenture as executed and delivered by the Authority will be deemed to be the “Senior Authorized Amount.”

“*Senior Bond*” or “*Senior Bonds*” 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 Senior 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 Senior Repayment Obligations to the extent provided in the Master Senior Indenture. The term “Senior Bond” or “Senior Bonds” in the Master Senior Indenture does not include any Subordinate Obligation; provided, however, that the Authority may provide in a Supplemental Senior Indenture to the Master Senior Indenture that Subordinate Obligations may be thenceforth issued pursuant to the Master Senior Indenture having the terms applicable to the Senior Bonds, except that such Subordinate Obligations will be junior and subordinate in payment to the Senior Bonds from Net Revenues. The term “Senior Bond” and “Senior Bonds” includes Senior Program Bonds.

“*Senior Capitalized Interest*” means the amount of interest on Senior Bonds, if any, funded from the proceeds of the Senior Bonds or other monies that are deposited with the Senior Trustee in the Senior Debt Service Fund as described in a Supplemental Senior Indenture upon issuance of Senior Bonds to be used to pay interest on the Senior Bonds.

“*Senior Commercial Paper Program*” means a Senior Program authorized by the Authority pursuant to which Commercial Paper will be issued and reissued from time to time, up to the Authorized Amount of such Senior Program.

“*Senior Construction Fund*” means any of the Construction Funds authorized to be created as provided by the Master Senior Indenture.

“*Senior Debt Service Fund*” or “*Senior Debt Service Funds*” means a Senior Debt Service Fund or any of the Senior Debt Service Funds required to be created as provided by the Master Senior Indenture.

“*Senior Debt Service Reserve Fund*” means any Senior Debt Service Reserve Fund created by the Authority or the Senior Trustee pursuant to a Supplemental Senior Indenture in connection with the issuance of any Series of Senior Bonds and that is required to be funded for the purpose of providing additional security for such Series of Senior Bonds and under certain circumstances to provide additional security for such other designated Series of Senior Bonds issued pursuant to the terms of the Master Senior Indenture and as specified in any Supplemental Senior Indenture.

“*Senior 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 Senior Debt Service Reserve Fund created for one or more series of Outstanding Senior Bonds in lieu of or partial substitution for cash

or securities on deposit therein. The entity providing such Senior 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.

“*Senior 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 Senior Bonds.

“*Senior Event of Default*” means any occurrence or event specified as an “Event of Default” in the Master Senior Indenture. See “APPENDIX C-2—SUMMARY OF MASTER SENIOR INDENTURE—Senior Defaults and Remedies.”

“*Senior Indenture*” means the Master Senior Indenture, together with all Supplemental Senior Indentures.

“*Senior Investment Agreement*” means an investment agreement or guaranteed investment contract (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 Senior Investment Agreement is less than three years) or in either of the two highest long term Rating Categories (if the term of the Senior 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 Senior 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 Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (iii) subject to a perfected first lien on behalf of the Senior Trustee, and (iv) free and clear from all third party liens.

“*Senior Maximum Aggregate Annual Debt Service*” means the maximum amount of Senior Aggregate Annual Debt Service with respect to all Senior Bonds, Unissued Senior Program Bonds, and the Authorized Amount of all Senior Bonds then proposed to be issued in the then current or any future Fiscal Year.

“*Senior Notes*” means Senior Bonds issued under the provisions of the Master Senior Indenture which have a maturity of one year or less from their date of original issuance and which are not part of a Senior Commercial Paper Program.

“*Senior Paying Agent*” or “*Senior Paying Agents*” means, with respect to the Senior Bonds or any Series of Senior Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Senior Indenture or a resolution of the Authority as the place where such Senior Bonds will be payable. As of the date of this Official Statement, the Senior Trustee acts as Senior Paying Agent with respect to all Outstanding Senior Bonds.

“*Senior 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 and except as otherwise limited pursuant to a Supplemental Senior Indenture:

- (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 Senior 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 Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (C) subject to a perfected first lien in favor of the Senior 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 Senior 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 Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (3) subject to a perfected first lien in favor of the Senior 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 Senior 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 Senior 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 Senior Trustee to invest provided that there is delivered to the Senior Trustee a certificate of an Authorized Authority Representative stating that each of the Rating Agencies then maintaining a rating on the Senior Bonds 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 Senior Bonds;

(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.

*"Senior Principal Amount"* or *"Senior principal amount"* means, as of any date of calculation, (a) with respect to any Capital Appreciation Senior Bond, 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 Senior Bond, the Accreted Value thereof, unless the Supplemental Senior Indenture under which such Senior Bond was issued will specify a different amount, in which case, the terms of the Supplemental Senior Indenture will control, and (c) with respect to any other Senior Bonds, the principal amount of such Senior Bond payable at maturity.

*"Senior Program"* means a financing program identified in a Supplemental Senior Indenture, including but not limited to a Senior 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 Senior Indenture have been filed with the Senior Trustee, (b) wherein the Authority has authorized the issuance,

from time to time, of notes, commercial paper or other indebtedness in a Senior Authorized Amount, and (c) the Senior Authorized Amount of which has met the additional bonds test set forth in the Master Senior Indenture and the Outstanding amount of which may vary from time to time, but not exceed the Senior Authorized Amount.

“*Senior Program Bonds*” means Senior Bonds issued and Outstanding pursuant to a Senior Program, other than Unissued Senior Program Bonds.

“*Senior Qualified Swap*” means any Swap (a) whose Senior Designated Debt is all or part of a particular Series of Senior Bonds; (b) whose Swap Provider is a Senior Qualified Swap Provider or has been a Senior Qualified Swap Provider within the 60 day period preceding the date on which the calculation of Senior Annual Debt Service or Senior Aggregate Annual Debt Service is being made; (c) which has a term not greater than the term of the Senior Designated Debt or to a specified mandatory tender or redemption of such Senior Designated Debt; and (d) which has been designated in writing to the Senior Trustee by the Authority as a Senior Qualified Swap with respect to such Senior Bonds.

“*Senior Qualified Swap Provider*” means a financial institution whose senior long-term debt obligations, or whose obligations under any Senior 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 Senior 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 Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (iii) subject to a perfected first lien on behalf of the Senior Trustee, and (iv) free and clear from all third party liens.

“*Senior Rebate Fund*” means any fund created by the Authority or the Senior Trustee pursuant to a Supplemental Senior Indenture in connection with the issuance of the Senior Bonds or any Series of Senior Bonds 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.

“*Senior Registrar*” means, with respect to the Senior Bonds or any Series of Senior Bonds, the bank, trust company or other entity designated in a Supplemental Senior Indenture or a resolution of the Authority to perform the function of Senior Registrar under the Master Senior Indenture or any Supplemental Senior Indenture, and which bank, trust company or other entity has accepted the position in accordance with the Master Senior Indenture. As of the date of this Official Statement, the Senior Trustee acts as Senior Registrar with respect to all Outstanding Senior Bonds.

“*Senior Repayment Obligations*” means an obligation arising under a written agreement of the Authority and a Credit Provider pursuant to which the Authority agrees to reimburse the Credit Provider for amounts paid through a Credit Facility to be used to pay debt service on any Senior Bonds or an obligation arising under a written agreement of the Authority and a Liquidity Provider pursuant to which the Authority agrees to reimburse the Liquidity Provider for amounts paid through a Liquidity Facility to be used to purchase Senior Bonds.

“*Senior Reserve Fund*” means the Senior Debt Service Reserve Fund established pursuant to the Third Supplemental Senior Indenture and which provides additional security for the Senior Bonds as may be specified by the Authority pursuant to a Supplemental Senior Indenture.



“*Senior Reserve Fund Insurance Policy*” means an insurance policy, a letter of credit, surety bond or other financial instrument deposited in the Senior 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

“*Senior Reserve Requirement*” means an amount equal to the lesser of (a) Senior Maximum Aggregate Annual Debt Service for all Series of Senior Bonds participating in the Senior Reserve Fund, (b) 10% of the principal amount of all Series of Senior Bonds participating in the Senior Reserve Fund, less for any Series of Senior Bonds the amount of original issue discount with respect to such Series of Senior Bonds if such original issue discount exceeded 2% on such Series of Senior Bonds at the time of their original sale, and (c) 125% of the average Senior Aggregate Annual Debt Service for all Series of Senior Bonds participating in the Senior Reserve Fund. When calculating the Senior 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.

“*Senior Responsible Officer*” means an officer or assistant officer of the Senior Trustee assigned by the Senior Trustee to administer the Master Senior Indenture.

“*Senior Serial Bonds*” means Senior Bonds for which no sinking installment payments are provided.

“*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 Swap Termination Payment*” means an amount payable by the Authority or a Senior Qualified Swap Provider, in accordance with a Senior Qualified Swap, to compensate the other party to the Senior 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 Senior Qualified Swap.

“*Senior Tender Indebtedness*” means any Senior Bonds or portions of Senior Bonds a feature of which is an obligation on the part of the Bondholders, under the terms of such Senior Bonds, to tender all or a portion of such Senior Bonds to the Authority, the Senior Trustee, the Senior Paying Agent or other fiduciary or agent or Credit Provider or Liquidity Provider for payment or purchase and requiring that such Senior Bonds or portions of Senior Bonds be purchased if properly presented.

“*Senior Term Bonds*” means Senior Bonds of a Series which are payable on or before their specified maturity dates from sinking installment payments established pursuant to the Supplemental Senior Indenture for such Series for that purpose and calculated to retire the Senior Bonds on or before their specified maturity dates.

“*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 (a) with respect to Senior Bonds, Senior Bonds designated as a separate Series by a Supplemental Senior Indenture and, with respect to Senior Program Bonds or a Senior Commercial Paper Program, means the full Senior Authorized Amount of such program, regardless of when or whether issued, unless portions thereof are, by Supplemental Senior Indenture, designated as separate Series; and (b) with

respect to Subordinate Obligations, 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.

“*Seventh Supplemental Subordinate Indenture*” means the Seventh Supplemental Subordinate Trust Indenture, to be dated as of April 1, 2020, by and between the Authority and the Subordinate Trustee and which, among other things, sets forth the terms of the Subordinate Series 2020 Bonds.

“*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.

“*Special Facilities*” or “*Special Facility*” means a facility or group of facilities or category of facilities which are designated as a Special Facility pursuant to the provisions of the Master Senior Indenture.

“*Special Facilities Revenue*” means the contractual payments and all other revenues (other than ground rentals relating to such Special Facility) derived by or available to the Authority from a Special Facility which are pledged to secure Special Facility Obligations.

“*Special Facility Obligations*” means bonds or other debt instruments issued pursuant to an indenture other than the Master Senior Indenture to finance Special Facilities and which are not secured by nor payable from a lien on and pledge of the Net Revenues but which are secured by revenues derived from Special Facilities.

“*S&P*” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, 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.

“*State*” means the State of California.

“*Subaccount*” means any subaccount established pursuant to the Master Senior Indenture or any Supplemental Senior Indenture or Master Subordinate Indenture or any Supplemental Subordinate Indenture, as the case may be.

“*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 Subordinate 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 Subordinate 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 Subordinate 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 Subordinate Permitted Investments have been irrevocably deposited with and are held by the Subordinate Trustee or another fiduciary or Subordinate 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, Subordinate Permitted Investments, or Subordinate 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 Subordinate 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 Subordinate Qualified Swap is in effect for any Subordinate Obligation, plus the amount payable by the Authority (or the Subordinate Trustee) under the Subordinate Qualified Swap in accordance with the terms thereof, less any amount to be received by the Authority from the Subordinate Qualified Swap Provider pursuant to the Subordinate 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 lesser 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 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.

“*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. The Subordinate Reserve Fund is a Subordinate Debt Service Reserve Fund.

“*Subordinate 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 Subordinate 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.

“*Subordinate 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.

“*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.”

“*Subordinated Obligation*” means any bond, note or other debt instrument issued or otherwise entered into by the Authority which ranks junior and subordinate to the Senior Bonds and which may be paid from moneys constituting Net Revenues only if all amounts of principal and interest which have become due and payable on the Senior Bonds whether by maturity, redemption or acceleration have been paid in full and the Authority is current on all payments, if any, required to be made to replenish all Senior Debt Service Reserve Funds. “Subordinated Obligations” are not Senior Bonds for purposes of the Master Senior Indenture; provided, however, that the Authority may henceforth by Supplemental Senior Indenture elect to have the provisions of the Master Senior Indenture applicable to the Senior Bonds apply to the Subordinated Obligations issued thereunder, except that such Subordinated Obligations will be secured on a junior and subordinate basis to the Senior Bonds from the Net Revenues. No bond, note or other

instrument of indebtedness will be deemed to be a “Subordinated Obligation” for purposes of the Master Senior Indenture and payable on a subordinate basis from Net Revenues unless specifically designated by the Authority as a “Subordinated Obligation” in a Supplemental Senior Indenture or other written instrument. In connection with any Subordinated Obligation with respect to which a Swap is in effect or proposes to be in effect, the term “Subordinated Obligation” includes, collectively, both such Subordinated Obligation and either such Swap or the obligations of the Authority under each such Swap, as the context requires. The term “Subordinated Obligations” also includes a Swap or the obligations of the Authority under such Swap which has been entered into in connection with a Subordinated Obligation, as the context requires, although none of the Subordinated Obligations with respect to which such Swap was entered into remain outstanding. In connection with any Senior Bonds with respect to which a Senior Qualified Swap is in effect or proposed to be in effect, the term “Subordinated Obligation” includes any Senior Swap Termination Payment if designated as a Subordinated Obligation in a Supplemental Senior Indenture. “Subordinated Obligations” includes the Subordinate Obligations issued pursuant to the Master Subordinate Indenture, including the Subordinate Series 2020 Bonds.

“*Subordinate Event of Default*” means any occurrence or event specified as an “Event of Default” in the Master Subordinate Indenture. See “APPENDIX C-3—SUMMARY OF MASTER SUBORDINATE INDENTURE—Subordinate Defaults and Remedies.”

“*Subordinate 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 Subordinate Investment Agreement is less than three years) or in either of the two highest long-term Rating Categories (if the term of the Subordinate 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 Subordinate 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.

“*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 2020 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 Paying Agent*” or “*Subordinate 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 Seventh Supplemental Subordinate Indenture and the Subordinate Series 2020 Bonds, the Subordinate Trustee, or any other institution appointed by the Authority.

“*Subordinate 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 Subordinate 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 Subordinate 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.

“*Subordinate Principal Amount*” or “*Subordinate 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.

“*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 a 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 Qualified Swap*” means any Swap (a) whose Subordinate Designated Debt is all or part of a particular Series of Subordinate Obligations; (b) whose Swap Provider is a Subordinate Qualified Swap Provider or has been a Subordinate 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 Subordinate Designated Debt or to a specified mandatory tender or redemption of such Subordinate Designated Debt; and (d) which has been designated in writing to the Subordinate Trustee by the Authority as a Subordinate Qualified Swap with respect to such Subordinate Obligations.

“*Subordinate Qualified Swap Provider*” means a financial institution whose senior long-term debt obligations, or whose obligations under any Subordinate 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 Subordinate 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.

“*Subordinate 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.

“*Subordinate 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 Seventh Supplemental Subordinate Indenture and the Subordinate Series 2020 Bonds, the Subordinate Trustee.

“*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 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.

“*Subordinate 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 Subordinate 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.

“*Subordinate Responsible Officer*” means an officer or assistant officer of the Subordinate Trustee assigned by the Subordinate Trustee to administer the Master 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 2010A Bonds*” means the \$313,150,000 original principal amount of Subordinate Obligations designated as “San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010A.”

“*Subordinate Series 2010B Bonds*” means the \$44,055,000 original principal amount of Subordinate Obligations designated as “San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2010B.”

“*Subordinate Series 2010 Bonds*” means, collectively, the Subordinate Series 2010A Bonds and the Subordinate Series 2010B Bonds.

“*Subordinate Series 2017A Bonds*” means \$146,040,000 original principal amount of Subordinate Obligations designated as “San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2017A.”

“*Subordinate Series 2017B Bonds*” means \$145,170,000 original principal amount of Subordinate Obligations 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 Series 2019A Bonds*” means \$338,775,000 original principal amount of Subordinate Obligations designated as “San Diego County Regional Airport Authority Subordinate Airport Revenue and Revenue Refunding Bonds, Series 2019A (Governmental/Non-AMT).”

“*Subordinate Series 2019B Bonds*” means \$124,905,000 original principal amount of Subordinate Obligations designated as “San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2019B (Private Activity/AMT).”

“*Subordinate Series 2019 Bonds*” means, collectively, the Subordinate Series 2019A Bonds and the Subordinate Series 2019B Bonds.

“*Subordinate Series 2020A Bonds*” means \$26,145,000 aggregate principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Seventh Supplemental Subordinate Indenture and designated as “San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2020A (Governmental/Non-AMT).”

“*Subordinate Series 2020B Bonds*” means \$189,090,000 aggregate principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Seventh Supplemental Subordinate Indenture and designated as “San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2020B (Private Activity/Non-AMT).”

“*Subordinate Series 2020C Bonds*” means \$26,405,000 aggregate principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Seventh Supplemental Subordinate Indenture and designated as “San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2020C (Private Activity/AMT).”

“*Subordinate Series 2020 Bonds*” means, collectively, the Subordinate Series 2020A Bonds, the Subordinate Series 2020B Bonds and the Subordinate Series 2020C Bonds.

“*Subordinate Swap Termination Payment*” means an amount payable by the Authority or a Subordinate Qualified Swap Provider, in accordance with a Subordinate Qualified Swap, to compensate the other party to the Subordinate 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 Subordinate Qualified Swap.

“*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 Subordinate 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 Senior Designated Debt or a Subordinate Designated Debt, as the case may be, 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.

“*Synthetic Fixed Rate Debt*” means indebtedness issued by the Authority which: (a) is combined, as Senior Designated Debt or a Subordinate Designated Debt, as the case may be, with a Senior Qualified Swap or a Subordinate Qualified Swap, as the case may be, 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 Senior Indenture*” means the Third Supplemental Trust Indenture, dated as of January 1, 2013, by and between the Authority and the Senior Trustee, and which sets forth the terms of the Senior Series 2013 Bonds.

“*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.

“*Underwriters*” means, collectively, Citigroup Global Markets Inc., RBC Capital Markets, LLC, Backstrom McCarley Berry & Co., LLC, Jefferies LLC, Morgan Stanley & Co. LLC, and Siebert Williams Shank & Co., LLC, as the underwriters of the Subordinate Series 2020 Bonds.

“*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 Senior Program Bonds*” means the bonds, notes or other indebtedness authorized to be issued pursuant to a Senior Program and payable from Net Revenues, issuable in an amount up to the Senior Authorized Amount relating to such Senior Program, which have been approved for issuance by the Authority pursuant to a resolution adopted by the Board and with respect to which Senior Program the items described in the Master Senior Indenture have been filed with the Senior Trustee but which have not yet been authenticated and delivered pursuant to the Senior Program documents.

“*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 Senior Bond, Senior Bonds, Subordinate Obligation or Subordinate Obligations the interest rate on which is not, at the time in question, fixed to maturity, excluding any Senior Commercial Paper Program or Subordinate Commercial Paper Program.

## APPENDIX C-2

### SUMMARY OF MASTER SENIOR INDENTURE

In addition to certain information contained under the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2020 BONDS” in the forepart of this Official Statement, the following is a summary of certain provisions of the Master Senior 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 Senior Indenture.

#### **Grant to Secure Senior Bonds; Pledge of Net Revenues**

To secure the payment of the principal and Accreted Value of, premium, if any, and interest on the Senior Bonds and the performance and observance by the Authority of all the covenants, agreements and conditions expressed or implied in the Master Senior Indenture or contained in the Senior Bonds, the Authority has pledged and assigned to the Senior Trustee and granted to the Senior Trustee a lien on and security interest in all right, title and interest of the Authority in and to all of the following and provided 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 Net Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Senior Rebate Fund) held from time to time by the Senior Trustee under the Master Senior Indenture, and to the extent provided in any Supplemental Senior Indenture moneys and securities held in any Senior Construction Fund whether or not held by the Senior Trustee, (c) earnings on amounts included in provisions (a) and (b) of this paragraph (except to the extent excluded from the definition of “Revenues”), 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 Senior Trustee as additional security under the Master Senior Indenture, for the equal and proportionate benefit and security of all Senior Bonds, 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 Senior Bond over any other Senior Bond or Senior Bonds, except as to the timing of payment of the Senior Bonds. Any Senior Debt Service Reserve Fund and any Senior Debt Service Reserve Fund Surety Policy, provided at any time in satisfaction of all or a portion of the reserve requirement with respect to each Senior Debt Service Reserve Fund and any other security, Liquidity Facility or Credit Facility provided for specific Senior Bonds, a specific Series of Senior Bonds or one or more Series of Senior Bonds may, as provided by a Supplemental Senior Indenture, secure only such specific Senior Bonds, Series of Senior Bonds or one or more Series of Senior Bonds and, therefore, will not be included as security for all Senior Bonds under the Master Senior Indenture unless otherwise provided by a Supplemental Senior Indenture and moneys and securities held in trust as provided in the Master Senior Indenture exclusively for Senior Bonds which have become due and payable and moneys and securities which are held exclusively to pay Senior Bonds which are deemed to have been paid under the Master Senior Indenture will be held solely for the payment of such specific Senior Bonds.

#### **Senior Repayment Obligations Afforded Status of Senior Bonds**

If a Credit Provider or Liquidity Provider makes payment of principal of and interest on a Senior Bond or advances funds to purchase or provide for the purchase of Senior Bonds and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Authority, but is not reimbursed, the Authority’s Senior Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Senior Bond issued under the Master Senior Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider will be the Bondholder and such Senior



Bond will be deemed to have been issued at the time of the original Senior Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the issuance provisions of the Master Senior Indenture; provided, however, notwithstanding the stated terms of the Senior Repayment Obligation, the payment terms of the Senior Bond held by the Credit Provider or Liquidity Provider under the Master Senior Indenture will be as follows (unless otherwise provided in the written agreement with the Authority or a Supplemental Senior Indenture pursuant to which the Senior Bonds 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 Senior Bonds or (B) if longer, the final maturity of the Senior Repayment Obligation under the written agreement, and providing substantially level Senior Annual Debt Service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Senior 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 Senior Repayment Obligation. Any amount which comes due on the Senior Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Senior Bond will be a Subordinated Obligation 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 Senior Indenture. The Senior 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 Senior Repayment Obligation is to be afforded the status of a Senior Bond under the Master Senior Indenture.

#### **Funds and Accounts**

***Funding of Senior Debt Service Funds.*** So long as any of the Senior Bonds are Outstanding, not later than the 15<sup>th</sup> day of each calendar month, the Authority will withdraw from the Revenue Account and pay to the Senior Trustee for deposit in the Senior Debt Service Funds established with respect to each Series of Senior Bonds: (a) sums in equal fractional parts for each one-half year so that at least the full amount required to pay the interest on Senior Bonds of that Series, as it becomes due, will be set aside in that Senior Debt Service Fund by not later than the 15<sup>th</sup> 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 Senior Principal Amount of Senior Bonds of that Series, will be set aside in that Senior Debt Service Fund by not later than the 15<sup>th</sup> day of the month prior to the date such Senior 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 Senior Term Bonds of such Series will be set aside in that Senior Debt Service Fund by not later than the 15<sup>th</sup> 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 Senior Bonds prior to the actual delivery of that Series of Senior Bonds to the purchasers thereof; provided, however, that subsequent to the issuance of such Series of Senior Bonds, there will be transferred and paid from the Revenue Account to the Senior Debt Service Fund established for that Series of Senior Bonds, equal monthly sums at least sufficient together with other transfers required to be made, commencing not later than the 15<sup>th</sup> day of the calendar month immediately succeeding the issuance of such Series of Senior Bonds, so that interest due on such Series of Senior Bonds on the first interest payment date to occur after the issuance of such Series of Senior Bonds will be fully funded at least one Business Day prior to the date the first installment of interest is due on such Series of Senior Bonds, and, if the first principal payment or sinking fund installment of such Series of Senior Bonds is due less than twelve months after the issuance of such Series of Senior Bonds, there will be transferred and paid from the Revenue Account to the Senior Debt Service Fund established for that Series of Senior Bonds, equal monthly sums at least sufficient together with other transfers required to be made, commencing not later than the 15<sup>th</sup> day of the calendar month immediately succeeding the issuance of such Series of Senior Bonds, so that principal or sinking fund installments of such Series of Senior Bonds due on the first principal payment date to occur after the issuance of such Series of Senior Bonds 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 Senior Bonds. On any day on which the Senior Trustee receives funds from the Authority to be used to pay principal or sinking fund installments of or interest on Senior Bonds, the Senior 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 Senior Debt Service Funds for the Series of Senior Bonds 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 Senior Debt Service Fund for any Series of Senior Bonds 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 installments and/or interest, respectively, coming due on such Senior Bonds on the next succeeding Payment Date.

The Authority may provide in any Supplemental Senior Indenture that, as to any Series of Senior Bonds Outstanding, any amounts required to be transferred to and paid into a Senior Debt Service Fund may be prepaid, in whole or in part, by being earlier transferred to and paid into that Senior 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 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 Senior Bonds so delivered or previously redeemed or purchased at the direction of the Authority will be credited by the Senior Trustee at the Senior Principal Amount thereof to the next scheduled sinking installment payments on Senior Bonds 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 Senior Principal Amount of the Senior Bonds 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 Senior Trustee in writing.

Money set aside and placed in a Senior Debt Service Fund for any Series of Senior Bonds 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 Senior Debt Service Fund may be temporarily invested as provided in the Master Senior 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 Senior Debt Service Fund at the time required to meet payments of principal of and interest on Senior Bonds 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 a Senior Event of Default, such earnings will remain in the Senior Debt Service Funds created under the respective Supplemental Senior Indentures.

Each Senior Debt Service Fund established to pay principal of and interest on any Series of Senior Bonds will be held by the Senior Trustee or any agent of the Senior Trustee, and amounts to be used to pay principal of and interest on such Series, as received by the Senior Trustee or its agent, will be deposited therein and used for such purpose. Accounts and subaccounts will be created by the Senior Trustee or any agent of the Senior Trustee in the various Senior Debt Service Funds as requested in writing by the Authorized Authority Representative and will be held by the Senior Trustee or such agents as will be provided by the Supplemental Indenture.

The moneys in each Senior Debt Service Fund established for any Series of Senior Bonds will be held in trust and applied as provided herein and in the Supplemental Senior Indenture, and pending the application of such amounts in accordance herewith and with the provisions of such Supplemental Senior

Indenture will be subject to a lien on and security interest in favor of the holders of the Outstanding Senior Bonds of such Series.

On each Payment Date for any Outstanding Senior Bonds, the Senior Trustee will pay to the Owners of the Senior Bonds of a given Series from the appropriate Senior Debt Service Fund or Senior Debt Service Funds, an amount equal to the principal and interest becoming due on such Series of Senior Bonds.

The payments made by the Senior Trustee in this section will be made solely to the extent that moneys are on deposit in the appropriate Senior Debt Service Fund.

All money remaining in a Senior 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 Senior Bonds of the Series for which that Senior 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 Senior Bonds of that Series, will be returned to the Authority upon its written request and deposited by the Authority in the Revenue Account.

The Senior Trustee will, at least 10 days prior to each Payment Date on any Senior Bond, or as otherwise directed in any Supplemental Senior Indenture, give the Authority notice by telephone, promptly confirmed in writing, of any additional amount required to be deposited with the Senior Trustee to pay the amount required to be paid on such Payment Date in respect of such Senior Bond, in the event the amount then on deposit in any Senior Debt Service Fund is insufficient to pay the amounts due on any Series of Senior Bonds on such Payment Date. With respect to any Series of Senior Bonds, the Supplemental Senior Indenture under which such Senior Bonds 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 Senior Indenture will control.

Notwithstanding anything in the Master Senior Indenture to the contrary, including the provisions of the ninth paragraph of this section, if, on any Payment Date, the Senior Trustee does not have sufficient amounts in the Senior Debt Service Funds (without regard to any amounts which may be available in a Senior Debt Service Reserve Fund) to pay in full with respect to Senior Bonds of all Series all amounts of principal and/or interest due on such date, the Senior Trustee will allocate the total amount which is available to make payment on such day (without regard to any amounts in a Senior Debt Service Reserve Fund) as follows: first, to the payment of past due interest on Senior Bonds of any Series, in the order in which such interest came due, second, to the payment of past due principal on Senior Bonds of any Series, in the order in which such principal came due, third, to the payment of interest then due and payable on the Senior Bonds 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 Senior Bonds 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 Senior Bonds and, if the amount available will not be sufficient to pay in full all principal on the Senior Bonds then due, then pro rata among the Series according to the Senior Principal Amount then due on the Senior Bonds.

If a Senior Debt Service Reserve Fund or Senior Debt Service Reserve Funds (or a Credit Facility provided in lieu thereof) have been used to make payments on Senior Bonds secured thereby, then the Authority may be required by a Supplemental Senior Indenture to replenish such Senior Debt Service Reserve Fund or Senior Debt Service Reserve Funds or reimburse the Credit Provider from Net Revenues provided that (a) no amount from Net Revenues may be used for such purpose until all payments of principal of and interest on all Senior Bonds which have become due and payable will have been paid in full, (b) the required payments to replenish any such Senior Debt Service Reserve Fund or Senior 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 Senior Debt Service Reserve Fund or Senior Debt Service Reserve Funds exceeds the amount available for such purpose, the payments made to the Senior Trustee for such purpose will be allocated among the various Senior Debt Service Reserve Funds pro rata on the basis of the Outstanding Senior Principal Amount of Senior Bonds secured thereby.

Notwithstanding the foregoing, the Authority may, in the Supplemental Senior Indenture authorizing such Series of Senior Bonds, provide for different provisions and timing of deposits with the Senior Trustee and different methods of paying principal of or interest on such Senior Bonds depending upon the terms of such Senior Bonds and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective Senior Debt Service Fund created for the Series of Senior Bonds for which such Credit Facility is provided.

If the Net Revenues are at any time insufficient to make the deposits required to make payments on the Senior Bonds, the Authority may, at its election, pay to the Senior Trustee funds from any available sources with the direction that such funds be deposited into the Senior Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein.”

***Operation and Maintenance Reserve Subaccount.*** The Authority will create and maintain, within the Revenue Account, a special subaccount to be designated as the “Operation and Maintenance Reserve Subaccount.” Upon adoption of the annual budget of the Authority for Operation and Maintenance Expenses of the Airport System, the Authority will recalculate the Operation and Maintenance Reserve Subaccount Requirement. To the extent amounts on deposit in the Operation and Maintenance Reserve Subaccount exceed the Operation and Maintenance Reserve Subaccount Requirement on the date of any such recalculation, the Authority may transfer such excess to the Revenue Account. To the extent amounts on deposit in the Operation and Maintenance Reserve Subaccount on the date of any such recalculation are less than the recalculated Operation and Maintenance Reserve Subaccount Requirement, the Authority will increase the amount on deposit in the Operation and Maintenance Reserve Subaccount to the recalculated Operation and Maintenance Reserve Subaccount Requirement no later than the last Business Day of the month of such recalculation.

In the event of any withdrawal from the Operation and Maintenance Reserve Subaccount, other than such withdrawal as is permitted pursuant to the immediately preceding paragraph, the Authority will deposit monthly in the Operation and Maintenance Reserve Subaccount an amount equal to one-twelfth (1/12th) of the aggregate amount of such withdrawal until the balance in the Operation and Maintenance Reserve Subaccount is at least equal to the Operation and Maintenance Reserve Subaccount Requirement.

All amounts in the Operation and Maintenance Reserve Subaccount will be used and applied by the Authority: (a) to pay Operation and Maintenance Expenses of the Airport System; (b) to make any required payments or deposits to pay or secure the payment of the principal of, or interest on, or premium, if any, on the Senior Bonds; and (c) to pay the costs of any additions, improvements, repairs, renewals or replacements to the Airport System, in each case only if and to the extent that moneys otherwise available to make such payments or deposits are insufficient.

***Renewal and Replacement Subaccount.*** The Authority will create and maintain, within the Revenue Account, a special subaccount to be designated as the “Renewal and Replacement Subaccount.” The Authority will fund the Renewal and Replacement Subaccount in amount equal to the Renewal and Replacement Subaccount Requirement. In the event of any deficiency in the Renewal and Replacement Subaccount, the Authority will deposit monthly in the Renewal and Replacement Subaccount an amount equal to one-twelfth (1/12th) of the aggregate amount of any such deficiency until the balance in the

Renewal and Replacement Subaccount is at least equal to the Renewal and Replacement Subaccount Requirement.

All amounts in the Renewal and Replacement Subaccount will be used and applied by the Authority: (a) to pay the costs of any extraordinary repairs, renewals or replacements to the Airport System; and (b) to make any required payments or deposits to pay or secure the payment of the principal of, or interest on, or premium, if any, on the Senior Bonds.

***Additional Security.*** The pledge of Net Revenues and the other security provided in the Granting Clauses of the Master Senior Indenture, secure all Senior Bonds issued under the terms of the Master Senior 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 Senior Bonds or Series of Senior Bonds with no obligation to provide such additional security or credit enhancement to other Senior Bonds.

### **Payment of Principal and Interest**

The Authority has covenanted and agreed that it will duly and punctually pay or cause to be paid from the Net Revenues and to the extent thereof the principal of, premium, if any, and interest on every Senior Bond at the place and on the dates and in the manner set forth in the Master Senior Indenture, in the Supplemental Senior Indentures and in the Senior Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements in the Master Senior Indenture and in the Senior Bonds contained, provided that the Authority's obligation to make payment of the principal of, premium, if any, and interest on the Senior Bonds will be limited to payment from the Net Revenues, the funds and accounts pledged therefor in the Granting Clauses of the Master Senior Indenture and any other source which the Authority may specifically provide for such purpose and no Bondholder will have any right to enforce payment from any other funds of the Authority.

### **Subordinated Obligations**

The Authority may, from time to time, incur indebtedness which is subordinate to the Senior Bonds and which indebtedness is referred to in the Master Senior Indenture as Subordinated Obligations. Such indebtedness will be incurred at such times and upon such terms as the Authority will determine, provided that: (a) any Supplemental Senior Indenture authorizing the issuance of any Subordinated Obligations will specifically state that such lien on or security interest granted in the Net Revenues is junior and subordinate to the lien on and security interest in such Net Revenues and other assets granted to secure the Senior Bonds; and (b) payment of principal of and interest on such Subordinated Obligations will be permitted, provided that all deposits required to be made pursuant to the Master Senior Indenture, if any, are then current in accordance with the Master Senior Indenture.

### **Special Facilities and Special Facility Obligations**

The Authority is permitted to designate new or existing Airport Facilities as Special Facilities. The Authority may, from time to time, and subject to the terms and conditions of the Master Senior Indenture, (a) designate a separately identifiable existing facility or planned facility as a "Special Facility," (b) pursuant to an indenture other than the Master Senior Indenture and without a pledge of any Net Revenues, incur debt primarily for the purpose of acquiring, constructing, renovating or improving or providing financing or refinancing to a third party to acquire, construct, renovate or improve, such facility, (c) provide that certain of the contractual payments derived from or related to such Special Facility, together with other income and revenues available to the Authority from such Special Facility to the extent necessary to make the payments required by clause (i) of the second succeeding paragraph, be "Special Facilities

Revenue” and not included as Revenues or Net Revenues unless on terms provided in any supplemental indenture, and (d) provide that the debt so incurred will be a “Special Facility Obligation” and the principal of and interest thereon will be payable solely from the Special Facilities Revenue. The Authority may from time to time refinance any such Special Facility Obligations with other Special Facility Obligations.

Special Facility Obligations will be payable as to principal, redemption premium, if any, and interest solely from Special Facilities Revenue, which will include contractual payments derived by the Authority under and pursuant to a contract (which may be in the form of a lease) relating to a Special Facility by and between the Authority and another person, firm or corporation, either public or private, as will undertake the operation of a Special Facility.

No Special Facility Obligations will be issued by the Authority unless there will have been filed with the Senior Trustee a certificate of an Authorized Authority Representative stating that: (i) the estimated Special Facilities Revenue pledged to the payment of obligations relating to the Special Facility will be at least sufficient to pay the 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; and (ii) with respect to the designation of any separately identifiable existing Airport Facilities or Airport Facility as a “Special Facility” or “Special Facilities,” the estimated Net Revenues, calculated without including the new Special Facilities Revenue and without including any operation and maintenance expenses of the Special Facility as Operation and Maintenance Expenses of the Airport System, will be sufficient so that the Authority will be in compliance with the provisions of the rate covenant of the Master Senior Indenture; and (iii) no Senior Event of Default then exists under the Master Senior Indenture.

To the extent Special Facilities Revenue received by the Authority during any Fiscal Year will exceed the amounts required to be paid pursuant to clause (i) of the immediately preceding paragraph for such Fiscal Year, such excess Special Facilities Revenue, to the extent not otherwise encumbered or restricted, will constitute Revenues.

Notwithstanding any other provision of this section, at such time as the Special Facility Obligations issued for an Special Facility including Special Facility Obligations issued to refinance Special Facility Obligations are fully paid or otherwise discharged, all revenues of the Authority from such facility will be included as Revenues.

### **Operation and Maintenance of Airport System**

Subject to the transfer of any Airport Facilities pursuant to the Master Senior Indenture, the Authority has covenanted 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. Subject to the transfer of any Airport Facilities pursuant to the Master Senior Indenture, 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 or 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 or 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 (as defined below) 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 Senior 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 Senior Trustee may conclusively rely upon such certificate and will not be responsible for the sufficiency or adequacy of any insurance required in the Master Senior 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 Senior Bonds, or (iv) create an escrow fund pledged to pay specified Senior Bonds and thereby cause such Senior Bonds to be deemed to be paid as provided in the Master Senior Indenture; provided, however, that the Authority will first deliver to the Senior Trustee a certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the redemption of such specified Senior Bonds, the rate covenant as set forth in the Master Senior 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. For purposes of this section, 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 (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 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 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 or (iii) create an escrow fund pledged to pay specified Senior Bonds and thereby cause such Senior Bonds to be deemed to be paid as provided in the Master Senior Indenture.

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 above, 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.

## **Investments**

Moneys held by the Authority and/or the Senior Trustee in the funds and accounts created in the Master Senior Indenture and under any Supplemental Senior Indenture will be invested and reinvested as directed by the Authority, in Senior Permitted Investments subject to the restrictions set forth in the Master Senior Indenture and such Supplemental Senior 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 (upon which the Senior 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 Senior Trustee will, to the extent practicable, invest in Senior Permitted Investments specified in item (a) 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 Senior Trustee, provided it meets the requirements specified in (i) of the definition of Senior Permitted Investments, which are Senior Permitted Investments under State law.

## **Defeasance**

Senior Bonds 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 Senior Indenture except for the purposes of payment



from moneys, Government Obligations or obligations described in item (b) of the definition of Senior Permitted Investments held by the Senior Trustee or a Senior Paying Agent for such purpose. When all Senior Bonds which have been issued under the Master Senior Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Master Senior Indenture by the Authority, including all necessary and proper fees, compensation and expenses of the Senior Trustee, the Senior Registrar and the Senior Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Senior Trustee in and to the pledge of Net Revenues and the other assets pledged to secure the Senior Bonds under the Master Senior Indenture will thereupon cease, terminate and become void, and thereupon the Senior Trustee will cancel, discharge and release the Master Senior 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 Senior Indenture which may then be in the Senior Trustee's possession, except funds or securities in which such funds are invested and are held by the Senior Trustee or the Senior Paying Agent for the payment of the principal of, premium, if any, and interest on the Senior Bonds.

A Senior Bond will be deemed to be paid within the meaning of the Master Senior Indenture and for all purposes of the Master Senior Indenture 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 Senior Bonds and the Master Senior Indenture or (b) will have been provided for, as certified to the Senior Trustee by a nationally recognized accounting firm, by irrevocably depositing with the Senior 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 item (b) of the definition of Senior 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 Senior Bonds will be deemed to be paid under the Master Senior Indenture, such Senior Bonds will no longer be secured by or entitled to the benefits of the Master Senior Indenture, except for the purposes of payment from such moneys, Government Obligations or obligations described in item (b) of the definition of Senior Permitted Investments.

Any deposit under clause (b) of the foregoing paragraph will be deemed a payment of such Senior Bonds. Once such deposit will have been made, the Senior Trustee will notify all holders of the affected Senior Bonds that the deposit required by (b) above has been made with the Senior Trustee and that such Senior Bonds are deemed to have been paid in accordance with the Master Senior 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 Senior Indenture under which such Senior Bonds were issued. The Authority may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Senior Indenture under which such Senior Bonds were issued, modify or otherwise change the scheduled date for the redemption or payment of any Senior Bond deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Senior Bonds or the Master Senior 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 Senior Bond or Senior Bonds 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 Senior Permitted Investments to provide for the payment of such Senior Bonds. Notwithstanding anything in the Master Senior Indenture to the contrary, monies from the trust or escrow established for the defeasance of Senior Bonds 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.

## Senior Defaults and Remedies

**Senior Events of Default.** Each of the following events will constitute and is referred to in the Master Senior Indenture as a “Senior Event of Default”:

(a) a failure to pay the principal of or premium, if any, on any of the Senior Bonds 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 Senior Bonds when such interest will become due and payable;

(c) a failure to pay the purchase price of any Senior Bond when such purchase price will be due and payable upon an optional or mandatory tender date as provided in a Supplemental Senior 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) of this section) that are to be observed or performed by the Authority and which are contained in the Master Senior Indenture or a Supplemental Senior Indenture, which failure, except for a violation under the rate covenant provisions of the Master Senior 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 Senior Trustee, which notice may be given at the discretion of the Senior Trustee and will be given at the written request of holders of 25% or more of the Senior Principal Amount of the Senior Bonds then Outstanding, unless the Senior Trustee, or the Senior Trustee and the holders of Senior Bonds in a Senior Principal Amount not less than the Senior Principal Amount of Senior Bonds 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 Senior Trustee or the Senior Trustee and the holders of such principal amount of Senior Bonds 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; or

(f) the occurrence of any other Senior Event of Default as is provided in a Supplemental Senior Indenture.

If, on any date on which payment of principal of or interest on the Senior Bonds is due and sufficient moneys are not on deposit with the Senior Trustee or Senior Paying Agent to make such payment, the Senior Trustee will give telephone notice of such insufficiency to the Authority.

### **Remedies.**

(a) Upon the occurrence and continuance of any Senior Event of Default, the Senior Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the Senior Principal Amount of the Senior Bonds then Outstanding and receipt of indemnity to its satisfaction, will, in its own name and as the Senior Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the Authority to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act or any other law to which it is subject and the Master Senior Indenture;

(ii) bring suit upon the Senior Bonds;

(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 Bondholders; 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 Bondholders.

(b) The Senior Trustee will be under no obligation to take any action with respect to any Senior Event of Default unless the Senior Trustee has actual knowledge of the occurrence of such Senior Event of Default.

(c) In no event, upon the occurrence and continuation of a Senior Event of Default, will the Senior Trustee, the Bondholders, a Credit Provider, a Liquidity Provider or any other party have the right to accelerate the payment of principal of and interest on the Senior Bonds Outstanding.

***Bondholders' Right to Direct Proceedings.*** Anything in the Master Senior Indenture to the contrary notwithstanding, holders of a majority in Senior Principal Amount of the Senior Bonds then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Senior Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Senior Trustee under the Master Senior Indenture to be taken in connection with the enforcement of the terms of the Master Senior Indenture or exercising any trust or power conferred on the Senior Trustee by the Master Senior Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Master Senior Indenture and that there will have been provided to the Senior Trustee security and indemnity satisfactory to the Senior Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Senior Trustee.

***Limitation on Right To Institute Proceedings.*** No Bondholder 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 Senior Indenture, or any other remedy under the Master Senior Indenture or on such Senior Bonds, unless such Bondholder or Bondholders previously will have given to the Senior Trustee written notice of a Senior Event of Default as provided above and unless also holders of 25% or more of the Senior Principal Amount of the Senior Bonds then Outstanding will have made written request of the Senior Trustee to do so, after the right to institute such suit, action or proceeding under the Master Senior Indenture will have accrued, and will have afforded the Senior 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 Senior Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Senior Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Senior 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 Bondholders will have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Master Senior Indenture, or to enforce any right under the Master Senior Indenture or under the Senior Bonds, except in the manner provided in the Master Senior 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 Senior Indenture and for the equal benefit of all Bondholders.

***Application of Moneys.*** If a Senior Event of Default will occur and be continuing, all amounts then held or any moneys received by the Senior Trustee, by any receiver or by any Bondholder pursuant to any right given or action taken under the provisions of the Master Senior 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 and of the expenses, liabilities and advances incurred or made by the Senior Trustee (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 Senior Bonds, with interest on overdue installments, if lawful, at the rate per annum as provided in any Supplemental Senior 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 Senior Bonds which will have become due with interest on such Senior Bonds at such rate as provided in a Supplemental Senior Indenture from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full Senior Bonds 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 Senior 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 Senior 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 Senior 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 Bondholders and will not be required to make payment to any Bondholder until such Senior Bonds will be presented to the Senior Trustee for appropriate endorsement or for cancellation if fully paid.

### **The Senior Trustee**

***Standard of Care.*** If a Senior Event of Default has occurred and is continuing, the Senior 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 Senior 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 Senior Trustee will not be liable for any error of judgment made in good faith by a Senior Responsible Officer unless the Senior Trustee was negligent in ascertaining the pertinent facts; and (ii) the Senior 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 Bondholders or the Authority in the manner provided in the Master Senior Indenture.

***Individual Rights of Senior Trustee.*** The Senior Trustee in its individual or any other capacity may become the owner or pledgee of Senior Bonds and may otherwise deal with the Authority with the same rights it would have if it were not Senior Trustee. Any Senior Paying Agent or other agent may do the same with like rights.

***Notice of Defaults.*** If (a) a Senior 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 a Senior 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 Senior Trustee will promptly, after obtaining actual notice of such Senior Event of Default or event described in (b) above, give notice thereof to each Bondholder. Except in the case of a default in payment or purchase on any Senior Bonds, the Senior Trustee may withhold the notice if and so long as a committee of its Senior Responsible Officers in good faith determines that withholding the notice is in the interests of the Bondholders.

***Eligibility of Senior Trustee.*** The Master Senior Indenture will always have a Senior 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 Senior Trustee.*** The Senior Trustee may resign by notifying the Authority in writing prior to the proposed effective date of the resignation. The holders of a majority in Senior Principal Amount of the Senior Bonds may remove the Senior Trustee by notifying the removed Senior Trustee and may appoint a successor Senior Trustee with the Authority's consent. The Authority may remove the Senior Trustee, by notice in writing delivered to the Senior Trustee at least 60 days prior to the proposed removal date; provided, however, that the Authority will have no right to remove the Senior Trustee during any time when a Senior 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 a Senior Event of Default.

No resignation or removal of the Senior Trustee under this section will be effective until a new Senior Trustee has taken office and delivered a written acceptance of its appointment to the retiring Senior Trustee and to the Authority. Immediately thereafter, the retiring Senior Trustee will transfer all property held by it as Senior Trustee to the successor Senior Trustee, the resignation or removal of the retiring Senior Trustee will then (but only then) become effective and the successor Senior Trustee will have all the rights, powers and duties of the Senior Trustee under the Master Senior Indenture.

If the Senior Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Master Senior Indenture, the Authority will promptly appoint a successor Senior Trustee.

If a Senior Trustee is not performing its duties under the Master Senior Indenture and a successor Senior Trustee does not take office within 60 days after the retiring Senior Trustee delivers notice of resignation or the Authority delivers notice of removal, the retiring Senior Trustee, the Authority or the holders of a majority in Senior Principal Amount of the Senior Bonds may petition any court of competent jurisdiction for the appointment of a successor Senior Trustee.

***Successor Senior Trustee or Agent by Merger.*** If the Senior Trustee, any Senior Paying Agent or Senior Registrar consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust assets) to, another corporation and meets the qualifications set forth in the Master Senior Indenture, the resulting, surviving or transferee corporation without any further act will be the successor Senior Trustee, Senior Paying Agent or Senior 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 Bondholders, execute and deliver Supplemental Senior Indentures supplementing and/or amending the Master Senior Indenture or any Supplemental Senior Indenture as follows:

- (a) to provide for the issuance of a Series or multiple Series of Senior Bonds under the provisions of the Master Senior Indenture and to set forth the terms of such Senior Bonds and the special provisions which will apply to such Senior Bonds;
- (b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Master Senior Indenture or any Supplemental Senior Indenture, provided such supplement or amendment is not materially adverse to the Bondholders;
- (c) to add to the covenants and agreements of the Authority in the Master Senior Indenture or any Supplemental Senior 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 Bondholders;
- (d) to confirm, as further assurance, any interest of the Senior Trustee in and to the pledge of Net Revenues or in and to the funds and accounts held by the Senior Trustee or in and to any other moneys, securities or funds of the Authority provided pursuant to the Master Senior Indenture or to otherwise add additional security for the Bondholders;
- (e) to evidence any change made in the terms of any Series of Senior Bonds if such changes are authorized by the Supplemental Senior Indenture at the time the Series of Senior Bonds is issued and such change is made in accordance with the terms of such Supplemental Senior Indenture;
- (f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;
- (g) to modify, alter, amend or supplement the Master Senior Indenture or any Supplemental Senior Indenture in any other respect which is not materially adverse to the Bondholders;
- (h) to provide for uncertificated Senior Bonds or for the issuance of coupons and bearer Senior Bonds or Senior Bonds registered only as to principal;
- (i) to qualify the Senior Bonds or a Series of Senior Bonds for a rating or ratings from a Rating Agency;
- (j) to accommodate the technical, operational and structural features of Senior Bonds which are issued or are proposed to be issued or of a Senior 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;
- (k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Senior Bonds or a specific Series of Senior Bonds; and
- (l) 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 Senior Bonds, including, without limitation, the segregation of Revenues into different funds.

Before the Authority will, pursuant to this section, execute any Supplemental Senior Indenture, there will have been delivered to the Authority and Senior Trustee an opinion of Bond Counsel to the effect that such Supplemental Senior Indenture: (y) is authorized or permitted by the Master Senior 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 (z) will not cause interest on any of the Senior Bonds 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 Senior Indenture executed and delivered in accordance with subsection (a) above.

***Amendments Requiring Consent of Bondholders.*** Except for any Supplemental Senior Indenture entered into pursuant to the above section and any Supplemental Senior Indenture entered into pursuant to the following paragraph, subject to the terms and provisions contained in this section and not otherwise, the holders of not less than a majority in aggregate Senior Principal Amount of the Senior Bonds then Outstanding will have the right from time to time to consent to and approve the execution by the Authority of any Supplemental Senior 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 Senior Indenture or in a Supplemental Senior Indenture; provided, however, that, unless approved in writing by the holders of all the Senior Bonds then Outstanding or unless such change affects less than all Series of Senior Bonds and the following paragraph (b) is applicable, nothing contained in the Master Senior 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 Senior Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Senior Bonds or the rate of interest thereon; and provided that nothing contained in the Master Senior Indenture, including the provisions of the following paragraph, will, unless approved in writing by the holders of all the Senior Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Master Senior Indenture) upon or pledge of the Net Revenues created by the Master Senior Indenture, ranking prior to or on a parity with the claim created by the Master Senior Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Senior Bonds, a preference or priority of any Senior Bond or Senior Bonds over any other Senior Bond or Senior Bonds with respect to the security granted therefor under the Granting Clauses of the Master Senior Indenture, or (v) a reduction in the aggregate Senior Principal Amount of Senior Bonds the consent of the Bondholders of which is required for any such Supplemental Senior Indenture. Nothing contained in the Master Senior Indenture, however, will be construed as making necessary the approval by Bondholders of the execution of any Supplemental Senior Indenture as authorized in the section above, including the granting, for the benefit of particular Series of Senior Bonds, security in addition to the pledge of the Net Revenues.

The Authority may, from time to time and at any time, execute a Supplemental Senior Indenture which amends the provisions of an earlier Supplemental Senior Indenture under which a Series or multiple Series of Senior Bonds were issued. If such Supplemental Senior Indenture is executed for one of the purposes set forth in the previous section, no notice to or consent of the Bondholders will be required. If such Supplemental Senior Indenture contains provisions which affect the rights and interests of less than all Series of Senior Bonds Outstanding and the previous section is not applicable, then this paragraph rather than the paragraph above will control and, subject to the terms and provisions contained in this paragraph and not otherwise, the holders of not less than 51% in aggregate Senior Principal Amount of the Senior Bonds of all Series which are affected by such changes will have the right from time to time to consent to any Supplemental Senior 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 Senior Indenture and affecting only the Senior Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Senior Bonds of all the

affected Series then Outstanding, nothing contained in the Master Senior 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 Senior Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Senior Bonds of such Series or the rate of interest thereon. Nothing contained in the Master Senior Indenture, however, will be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Senior Indenture as authorized in the Master Senior Indenture, including the granting, for the benefit of particular Series of Senior Bonds, security in addition to the pledge of the Net Revenues.

### **Credit Providers**

If a Credit Facility is provided for a Series of Senior Bonds or for specific Senior Bonds, the Authority may in the Supplemental Senior Indenture under which such Senior Bonds are issued, provide any or all of the following rights to the Credit Provider as the Authority deems to be appropriate: (a) the right to make requests of, direct or consent to the actions of the Senior Trustee or to otherwise direct proceedings all as provided in “—Senior Defaults and Remedies” above to the same extent and in place of the Owners of the Senior Bonds which are secured by the Credit Facility and for such purposes the Credit Provider will be deemed to be the Holder of such Senior Bonds; (b) the right to act in place of the Owners of the Senior Bonds which are secured by the Credit Facility for purposes of removing a Senior Trustee or appointing a Senior Trustee under the provisions of the Master Senior Indenture; and (c) the right to consent to Supplemental Senior Indentures, which would otherwise require the consent of the Holders of not less than 51% of the aggregate Senior Principal Amount of the Senior Bonds, entered into pursuant to the provisions of the Master Senior Indenture, except with respect to any amendments described in (i) through (v) of the first paragraph of the section entitled “—Amendments—Amendments Requiring Consent of Bondholders” above and (i) or (ii) of the second paragraph of the section entitled “—Amendments—Amendments Requiring Consent of Bondholders” above which consent of the actual Holders will still be required, of the Master Senior Indenture to the same extent and in place of the Holders of the Senior Bonds which are secured by the Credit Facility and for such purposes the Credit Provider will be deemed to be the Holder of such Senior Bonds.

The rights granted to any such Credit Provider, as described in the previous paragraph, will be disregarded and be of no effect if the Credit Provider is in default of its payment obligations under its Credit Facility.



[PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX C-3

### SUMMARY OF MASTER SUBORDINATE INDENTURE

In addition to certain information contained under the captions “DESCRIPTION OF THE SUBORDINATE SERIES 2020 BONDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2020 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 Subordinate 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 Subordinate 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 20<sup>th</sup> 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 20<sup>th</sup> 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 20<sup>th</sup> 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 20<sup>th</sup> 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 20<sup>th</sup> 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 20<sup>th</sup> 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 a Subordinate 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 Subordinate 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 Subordinate 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 Subordinate Debt Service Reserve Fund or Subordinate 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 Subordinate Debt Service Reserve Fund or Subordinate 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 Subordinate Debt Service Reserve Fund or Subordinate 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 Subordinate Debt Service Reserve Fund or Subordinate 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 Subordinate 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 (as defined below) 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 Subordinate 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 Subordinate 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 Subordinate Permitted Investments, which are Subordinate 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 Subordinate Permitted Investments held by the Subordinate Trustee or a Subordinate 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 Subordinate Registrar and the Subordinate 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 Subordinate 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 Subordinate 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 Subordinate 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 Subordinate 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.

### **Subordinate Defaults and Remedies**

***Subordinate Events of Default.*** Each of the following events will constitute and is referred to in the Master Subordinate Indenture as a “Subordinate 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 Subordinate 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 Subordinate 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 Subordinate 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 Subordinate Event of Default unless the Subordinate Trustee has actual knowledge of the occurrence of such Subordinate 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 a Subordinate 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 a

Subordinate 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 a Subordinate 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 a Subordinate 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 Subordinate 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 Subordinate Paying Agent or other agent may do the same with like rights.

***Notice of Defaults.*** If (a) a Subordinate 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 a Subordinate 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 Subordinate 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 Subordinate 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 a Subordinate 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 a Subordinate 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 Subordinate Paying Agent or Subordinate 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, Subordinate Paying Agent or Subordinate 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:

- (a) 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;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) 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;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;

(g) 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;

(h) to provide for uncertificated Subordinate Obligations or for the issuance of coupons and bearer Subordinate Obligations or Subordinate Obligations registered only as to principal;

(i) to qualify the Subordinate Obligations or a Series of Subordinate Obligations for a rating or ratings from a Rating Agency;

(j) 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;

(k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Subordinate Obligations or a specific Series of Subordinate Obligations; and

(l) 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.

## APPENDIX C-4

### SUMMARY OF SEVENTH SUPPLEMENTAL SUBORDINATE INDENTURE

In addition to certain information contained under the captions “DESCRIPTION OF THE SUBORDINATE SERIES 2020 BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2020 BONDS” in this Official Statement, the following is a summary of certain provisions of the Seventh Supplemental 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 Seventh Supplemental Subordinate Indenture.

#### **Terms of the Subordinate Series 2020 Bonds**

The Seventh Supplemental Subordinate Indenture sets forth the terms of the Subordinate Series 2020 Bonds, most of which terms are described earlier in this Official Statement under “DESCRIPTION OF THE SUBORDINATE SERIES 2020 BONDS.”

#### **Establishment of Funds and Accounts**

Pursuant to the Seventh Supplemental Subordinate Indenture, the Subordinate Trustee will establish and maintain the following funds and accounts: the Subordinate Series 2020A Debt Service Fund, the Subordinate Series 2020B Debt Service Fund and the Subordinate Series 2020C Debt Service Fund (collectively, the “Subordinate Series 2020 Debt Service Funds”), and within each Subordinate Series 2020 Debt Service Fund an Interest Account, a Principal Account and a Redemption Account; the Subordinate Series 2020 Costs of Issuance Fund, and therein a Subordinate Series 2020A Costs of Issuance Account, a Subordinate Series 2020B Costs of Issuance Account and a Subordinate Series 2020C Costs of Issuance Account; the Subordinate Series 2020 Reserve Account in the Subordinate Reserve Fund; and the Subordinate Series 2020 Rebate Fund.

The funds and accounts will be initially funded by the proceeds of the sale of the Subordinate Series 2020 Bonds as described earlier in this Official Statement under “PLAN OF REFUNDING AND ESTIMATED SOURCES AND USES OF FUNDS.”

***Subordinate Series 2020 Debt Service Funds.*** The Subordinate Trustee will deposit into the respective Interest Accounts of the Subordinate Series 2020 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 2020 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 in the Interest Accounts shall be withdrawn by the Trustee and paid to the Authority on the Business Day following an Interest Payment Date for deposit into the Revenue Account.

The Subordinate Trustee will deposit into the respective Principal Accounts of the Subordinate Series 2020 Debt Service Funds amounts received from the Authority to be used to pay principal of the Subordinate Series 2020 Bonds whether at maturity or by mandatory sinking fund redemption as provided in the Seventh 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 a Subordinate 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 2020 Debt Service Funds amounts received from the Authority or from other sources to be used to pay the redemption price of Subordinate Series 2020 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 2020 Debt Service Funds will be invested and reinvested in Subordinate Permitted Investments as directed by the Authority.

***Subordinate Series 2020 Costs of Issuance Fund.*** The proceeds of the Subordinate Series 2020 Bonds deposited into the Subordinate Series 2020 Costs of Issuance Fund will be disbursed by the Subordinate Trustee, from time to time, to pay Costs of Issuance of the Subordinate Series 2020 Bonds. Amounts in the Subordinate Series 2020 Costs of Issuance Fund will be invested and reinvested in Subordinate Permitted Investments as directed by the Authority and the earnings upon such accounts will be credited to such fund.

***Subordinate Series 2020 Reserve Account.*** For a description of the Subordinate Reserve Fund and the Subordinate Series 2020 Reserve Account, reference is made to the forepart of this Official Statement under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2020 BONDS—Subordinate Reserve Fund.”

***Subordinate Series 2020 Rebate Fund.*** The Seventh Supplemental Subordinate Indenture creates the Subordinate Series 2020 Rebate Fund for the Subordinate Series 2020 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 2020 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 2020 Bonds. Such excess is to be deposited into the Subordinate Series 2020 Rebate Fund and periodically paid to the United States of America. The Subordinate Series 2020 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 2020 Bonds.

## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF AIRLINE LEASE AGREEMENT

The following is a summary of certain provisions of the Airline Lease Agreements and is qualified in its entirety by reference to the Airline Lease Agreements, copies of which are available from the Authority.

#### Certain Definitions

The following are definitions of certain terms used in this Appendix D. Capitalized terms used in this Appendix D, but not otherwise defined herein, have the meanings set forth in the forepart of this Official Statement and in Appendix C-1 of this Official Statement.

“*AAAC*” means the Airline Airport Affairs Committee established by the Air Carriers operating at the Airport.

“*Additional Termination Damages*” means, collectively, additional damages incurred by Authority because of Airline’s default under the Airline Lease Agreement as it relates to Airline’s Exclusive Use Premises, including but not limited to the costs of removing or storing any personal property from the Airline’s Exclusive Use Premises, the cost of re-letting such Exclusive Use Premises, and the costs of any necessary renovations or repairs and related expenses therefor, all as further described under the caption “Default and Termination—Authority’s Remedies—General Remedies – Application to All Portions of the Premises” of this Appendix D.

“*ADP*” means the Airport Development Plan under development by Authority to accommodate the demand for and improve the efficiency of the Airport that is expected to include, among other elements, a new, expanded linear Terminal that will replace the existing Terminal-1, a new Taxiway A to improve airfield efficiency with the new Terminal-1 operations, a new, expanded on-airport roadway to serve both the new Terminal-1 and Terminal-2, structured parking to serve the new Terminal-1, a replacement administration building for Authority and other related projects as determined by Authority.

“*Affiliate*” means an Air Carrier that has been properly designated as an Affiliate by a Signatory Airline in accordance with the provisions of the Airline Lease Agreement and is (a) flying in or out of the Airport solely for the benefit of a Signatory Airline and providing transportation of property or passengers for the Signatory Airline under the name of the Signatory Airline, (b) if flying under its own name, not selling any seats in its own name and all seats are being sold in the name of the Signatory Airline or (c) a wholly-owned subsidiary of the Signatory Airline or a subsidiary of the same corporate parent as the Signatory Airline.

“*Air Carrier*” means a carrier certificated by the Secretary of the U.S. Department of Transportation as a Passenger Carrier under 49 U.S.C. § 41102 or a Cargo Carrier under 49 U.S.C. § 41103.

“*Air Transportation Business*” means that business operated by Airline at the Airport for the commercial transportation by air of persons, property, mail, parcels and/or cargo.

“*Aircraft Parking Position*” means a Terminal Parking Position, Cargo Parking Position or Remote Parking Position.

“*Aircraft Parking Premises*” means those areas within the Airfield Area designated by Authority as Aircraft Parking Positions that are made available by Authority to Airline and to one or more other Air Carriers, subject to the provisions of the Airline Lease Agreement, as such areas may be modified and expanded from time to time by Authority.

“*Airfield Area*” means all (1) facilities, equipment, improvements, runways, taxiways, and control towers, for the purpose of controlling or assisting arrivals, departures and operations of aircraft, (2) all airline apron areas not leased exclusively, including without limitation Aircraft Parking Positions (3) other airport-related facilities operated and maintained by the FAA or any other federal agency, (4) security fences and service roads located on the Airport and related to the rest of the Airfield Area, (5) signals, beacons, wind indicators, flood lights, landing lights, boundary lights, construction lights, radio and electronic aids or other aids to operations, navigation or ground control of aircraft whether or not of a type herein mentioned and even though located away from but related to the rest of the Airfield Area, (6) aircraft rescue and fire-fighting services, (7) aircraft fueling systems, and (8) noise monitoring/mitigation program costs, except as otherwise provided in the Airline Lease Agreement, and all as they may be modified and expanded from time to time by the Authority.

“*Airline*” means the Air Carrier that is a party to an Airline Lease Agreement.

“*Airline Club*” means those Exclusive Use Premises used by Airline to provide services to its passengers.

“*Airline Entity*” means Airline’s employees, contractors, subcontractors, agents, licensees, sublessees, Affiliates, vendors, invitees (excluding passengers), and any other Air Carrier that Airline expressly authorizes to use its Premises or the Airfield Area (regardless of whether Airline enters into a sublease or license with such Air Carrier), and other parties under Airline’s direction or control that come onto the Airport in connection with Airline’s use or occupancy of the Airport, but excluding Air Carriers that Airline is compelled by Authority to accommodate within Airline’s Premises pursuant to the provisions of the Airline Lease Agreement.

“*Airline Lease Agreement*” means an Airline Operating and Lease Agreement, together with each Premises Notice issued by Authority to Airline.

“*Airline Leased Premises*” means those areas, if any, assigned to Passenger Carriers collectively as Exclusive Use Premises, Shared Use Premises, Joint Use Premises and Common Use Premises.

“*Airline Rents, Fees and Charges*” means, for any Fiscal Year, all rents, charges and fees payable by Air Carriers for such Fiscal Year as determined and adjusted pursuant to the provisions of the Airline Lease Agreement.

“*Airline Terminal Support*” means Passenger Loading Bridges, Baggage Handling Systems, flight information displays (“FIDS”), gate information displays (“GIDS”), baggage information displays (“BIDS”), paging, and Authority provided staffing, contractual services, facilities, equipment, and other support systems that provide security and other resources supporting Passenger Carrier operations not specifically identified in the Terminal Area. Airline Terminal Support includes the equipment and systems, but not the square footage that houses such systems. The square footage that houses such systems is included in the Terminal Area. Airline Terminal Support shall also include costs incurred by Authority under various provisions of the Airline Lease Agreement.

“*Airport*” means San Diego International Airport and other related real property thereto.

“*Airport Access*” means the roadways and other transit facilities, vehicles, other equipment and related services which serve the Terminal Area and Landside Area, including without limitation Off-Airport Transportation Projects.

“*Airport Facility*” means a facility, group of facilities, or category of facilities which constitute or are part of the Airport.

“*Airport Rules and Regulations*” means, collectively, all rules, procedures, requirements, standards and regulations currently effective and hereafter amended, adopted or established by Authority, all of which are incorporated into and made a part of the Airline Lease Agreement, provided that such Airport Rules and Regulations do not conflict with applicable provisions of state or federal law or the provisions of the Airline Lease Agreement and are enforced in a nondiscriminatory manner. Authority shall provide at least thirty (30) days’ advance notice of any new or amended Airport Rules and Regulations affecting Airline. Such notice may include notice by email or posting on the Authority’s website.

“*Amortization Charges*” means the amounts properly allocated, whether directly or indirectly, and included in the calculation of Airline Rents, Fees and Charges to repay Authority for costs incurred by Authority for a Capital Project which are not otherwise (1) being repaid in the calculation of Airline Rents, Fees and Charges as Debt Service; (2) being repaid through Passenger Facility Charges, or a federal, state, or local grant; or (3) being funded through the Major Maintenance Fund. The amount to be included in the calculation of Airline Rents, Fees and Charges for each Capital Project shall be in substantially equal annual installments of principal and interest for the term of the asset’s useful life as estimated by Authority, with interest calculated by Authority at a rate equal to the Thirty-Year Revenue Bond Index at the time the Capital Project is placed in service.

“*Ancillary*” means those facilities and areas associated with mail facilities, general aviation, flight kitchen, private hangar facilities, and other facilities and land not associated with other Direct Cost Centers located on property owned or leased by Authority.

“*Annual Net Debt Service*” means Debt Service less any Passenger Facility Charges and Federal Interest Payment Subsidy used to pay such Debt Service.

“*Applicable Laws*” means, collectively, all applicable present and future laws, rules, regulations, ordinances, orders, directives, notices, federal grant assurances, limitations, restrictions, or prohibitions of any federal, state or local governmental authority lawfully exercising authority over the Airport or the activities and business operations of Airline, as they may be amended from time to time, whether foreseen or unforeseen, ordinary as well as extraordinary, including without implied limitation those relating to (i) health, sanitation and safety; (ii) the environment, including without limitation all Environmental Laws; (iii) access for persons with disabilities, including without limitation the Americans with Disabilities Act of 1990, 42 U.S.C. §§ 12101 et seq.; and (iv) airport security, including without limitation the regulations of the Transportation Security Administration, 49 CFR Parts 1540, 1542, 1544 et seq.

“*Authority Codes*” means the Authority Codes and Policies.

“*Authority-Controlled Facilities*” means, collectively, those certain areas, fixtures, equipment, systems and improvements and associated space operated, managed and controlled by Authority and located throughout the Airport in furtherance and support of the Air Transportation Business and related operations of Air Carriers at the Airport, including Airline, including without limitation Common Use Premises, Passenger Loading Bridges and Common Use Systems.

“*Average Minimum Use Level*” means the daily average number of Departing Seats calculated by Authority based on the rolling twelve-month average of an Air Carrier’s Departing Seats at all of an Air Carrier’s Preferential Use Gates.

“*Bad Debt Expenses*” means any Airline Rents, Fees and Charges not remitted by any Air Carrier ninety (90) days after the payment is due to Authority. Bad Debt Expenses shall be allocated to the Airfield Area and Terminal Area Cost Centers. To the extent that Bad Debt Expenses are subsequently collected more than ninety (90) days after the payment is due to Authority, such amounts shall be credited to the applicable Cost Center.

“*Baggage Handling Systems*” means the baggage handling systems at Airport owned and controlled by Authority.

“*Bond*” or “*Bonds*” means any debt obligation of Authority issued under and in accordance with any Indenture involving Authority.

“*Capital Project*” means any project with a cost greater than \$150,000, as adjusted by the Consumer Price Index from the Effective Date, that is undertaken and funded by Authority, with a useful life in excess of one year as reasonably determined by Authority, which is acquired, purchased, or constructed to improve, maintain, or develop the Airport, including any extraordinary or substantial expenditure whose objective is to preserve, enhance or protect the Airport which can qualify as a capital expenditure.

“*Cargo Carrier*” means a carrier certificated by the Secretary of the U.S. Department of Transportation as a Cargo Carrier under 49 U.S.C. § 41103.

“*Cargo Parking Positions*” means the apron areas in the Airfield Area, as shown in the Airline Lease Agreement, located adjacent to Cargo Carrier facilities in the Ancillary Area and for which Cargo Carriers pay Aircraft Parking Position Rentals, as such areas may be modified and expanded from time to time by Authority.

“*Claims*” means any and all liability, damages, losses, expenses, claims, judgments, demands, penalties or fines, including without limitation reasonable attorneys’ fees and court costs.

“*Common Use Gate*” means a Gate designated by Authority in accordance with the provisions of the Airline Lease Agreement to be used in common by Passenger Carriers operating at the Airport, and shall not be deemed to be a Preferential Use Gate.

“*Common Use Systems*” means information technology-based systems owned by Authority and which accesses a Passenger Airline’s proprietary passenger processing network for passenger departure or arrival processing. Common Use Systems includes, if any, such systems and related equipment installed at Common Use Premises, Gates, hold rooms, baggage claim areas, and other areas as determined by Authority. Common Use Systems includes the equipment and systems, but not the square footage that houses such systems. The square footage that houses such systems is included in the Terminal Area.

“*Common Use Ticket Counter*” means the Ticket Counters designated by the President/CEO to be used in common by Passenger Carriers operating at the Airport.

“*Common Use Premises*” means those areas within the Terminal, described in the Airline Lease Agreement as of the Effective Date, related to the ticketing of passengers and equipped with Common Use Systems including, but not limited to Common Use Ticket Counters, free-standing self-service kiosks, skycap podiums, curbside positions and Queuing Space, that are made available by Authority to Airline

and to one or more other Passenger Carriers, subject to the provisions of the Airline Lease Agreement, as such areas may be modified and expanded from time to time by Authority.

“*Concluding Walk-Through*” means a physical walk-through of the Premises or any portion thereof by a representative or consultant of Authority and Airline prior to the date that such Premises are vacated or surrendered pursuant to the Airline Lease Agreement.

“*Consumer Price Index*” means the Consumer Price Index for All Urban Consumers, San Diego published by the United States Department of Labor, Bureau of Economic Statistics or, in the event that the United States Department of Labor ceases to publish such an index, a similar index selected in the reasonable discretion of the President/CEO after consultation with the Signatory Airlines.

“*Cost Centers*” means the areas, facilities, systems and services that are grouped for the purpose of accounting for and the assignment of Revenues, O&M Expenses, Debt Service, Amortization Charges, Coverage Charges, Major Maintenance Fund Deposits, Reserve Deposits and any other deposits required by the Indenture.

“*Coverage Charges*” shall be calculated in each Fiscal Year as:

- (1) 140% times Debt Service, *plus*
- (2) O&M Expenses, and *minus*
- (3) Revenues, Passenger Facility Charges used to pay Debt Service, and Federal Interest Payment Subsidy.

If the calculation of Coverage Charges results in a negative amount, no Coverage Charges shall be imposed for such Fiscal Year. Coverage Charges shall be allocated to the Airfield Area, Terminal Area, Common Use Systems, and Airline Terminal Support Cost Centers in proportion to the Annual Net Debt Service in each of those Cost Centers.

“*Date of Beneficial Occupancy*” or “*DBO*” means the date when a Capital Project or phased component of a Capital Project has been completed and the President/CEO determines that it is ready and available for its intended use by Air Carriers.

“*Debt Service*” means the aggregate amount of principal and interest becoming due and payable during the Fiscal Year for Bonds or Other Debt Service of Authority.

“*Departing Seats*” means the total number of seats available on all of a Signatory Airline’s and its Affiliates’ departing Scheduled Operations over a specified period of time.

“*Direct Cost Centers*” means those functionally or physically discrete Cost Centers established by Authority.

“*Effective Date*” means 12:00 a.m. Pacific Daylight Saving Time, July 1, 2019.

“*Endangered, Threatened and Sensitive Species*” means any flora or fauna identified by the provisions of the California Endangered Species Act (California Fish and Game Code § 2050, et seq.), the Federal Endangered Species Act (16 U.S.C. §§ 1531-1543), and the Federal Migratory Bird Treaty Act (16 U.S.C. §§ 703-712), including the California least tern (*Sterna antillarum browni*), a seabird known to nest on the Airport.



“*Enplaned Passengers*” means passengers (including non-revenue passengers) boarding an aircraft at the Airport, but does not include the flight crew.

“*Environmental Laws*” means any applicable statute, ordinance, code, rule, permit, regulation, license, approval, authorization, order, directive, notice, injunction, controlling federal or state court decision, or administrative or regulatory decree, judgment or order of any governmental authority, federal, state or local lawfully exercising authority over the Airport or the activities and business operations of Airline at the Airport, or written plan required by or in response to any of the same, which pertains to the environment (including, but not limited to, ground, air, water pollution or contamination, public health, public safety, public welfare, any Regulated Materials and Pollutants, Endangered, Threatened or Sensitive Species, historic properties and underground or above-ground tanks) and shall include, without limitation, the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq.; the Resource Conservation and Recovery Act (“RCRA”), 42 U.S.C. § 6901 et seq., as amended by the Hazardous and Solid Waste Amendments of 1984; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601 et seq., as amended by the Superfund Amendments and Reauthorization Act of 1986 the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Clean Air Act (“CWA”), 42 U.S.C. § 7401 et seq.; the Safe Drinking Water Act, 42 U.S.C. § 300f, et seq.; the Hazardous Materials Transportation Act 49 U.S.C. § 5101, et seq.; the California Hazardous Waste Control Law, California Health and Safety Code § 25100, et seq.; the Porter-Cologne Water Quality Control Act, California Water Code § 13000, et seq. (“California CWA”); the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health and Safety Code Section 25249.5, et seq.; and any other local, state, or federal environmental statutes, rules, regulations, orders, and decrees applicable now or hereafter promulgated under any of the foregoing, as any of the foregoing may be applicable or may be changed or amended or come into effect in the future. Nothing in these provisions shall preclude Airline from raising reasonable defenses including without limitation federal preemption, to the application of Environmental Laws to Airline.

“*Exclusive Use Premises*” means those areas described in the Airline Lease Agreement, used exclusively by Airline except as otherwise provided in the Airline Lease Agreement, including, but not limited to (a) certain Ticket Counters, free-standing self-service kiosks, sky cap podiums, curbside positions, and associated Queuing Space in Terminal 1 on a transitional basis until the DBO of new Terminal facilities to be constructed in the ADP; and (b) certain ticket offices and baggage service offices, Airline Clubs and operational support areas.

“*Expiration Date*” means 11:59 p.m. Pacific Daylight Saving Time, June 30, 2029.

“*FAA*” means the Federal Aviation Administration or its successor.

“*Federal Interest Payment Subsidy*” means subsidies provided by the Federal Government for the payment of Debt Service.

“*Filed Schedule*” means a Passenger Carrier’s flight schedule submitted in the form required by Authority prior to, or on, the designated due date in the Gate, Ticket Counter and Aircraft Parking Position Rules.

“*FIS*” means the federal inspection services facilities located in the Terminal.

“*Fiscal Year*” means a year beginning July 1 and ending June 30, as may be amended or changed by Authority from time to time.

“*Fuel System*” means, collectively, all fuel (including motor fuel) receipt, storage, transmission, delivery and dispensing systems, including without limitation hydrant systems, and related facilities, fixtures, equipment and other real and personal property, whether permanent, temporary or mobile, including but not limited to underground delivery pipelines, storage tanks, fuel pumps or load racks, and underground hydrant pipes and pumps, located at the Airport or otherwise that are leased, acquired or controlled at any time during the Term by Air Carriers, either directly or indirectly through or a limited liability company, consortium or committee composed primarily of Air Carriers.

“*Fuel System Costs*” means any costs incurred by Authority that are attributable to the Fuel System, including without limitation direct and indirect costs, Authority in-house costs (including Authority employees’ time attributable to the administration and management of the Fuel System), consulting and engineering fees, attorneys’ fees, insurance and premium costs, insurance deductibles and self-retention for property insurance, Capital Project costs, operation and maintenance costs, repair and construction costs, any other costs incurred in connection with capital improvements, the demolition, removal or decommissioning of any portion of the Fuel System, security expenses, entry and inspection costs, costs arising, costs related to a Response to the Release of any Regulated Materials and Pollutants and any other costs incurred by Authority to comply with Environmental Laws that are not directly reimbursed to Authority by Air Carriers or a limited liability company, consortium or committee composed primarily of Air Carriers.

“*Future Charges*” means, collectively, the amounts of all Airline Rent, Fees and Charges which, but for termination of the Airline Lease Agreement pursuant to the provisions of the Airline Lease Agreement, would have become due over the remainder of the Airline Lease Agreement.

“*Gate*” or “*Gates*” means the area(s) on the secure side of the Airport Facilities that transition the passenger from the Terminal to a Passenger Carrier’s aircraft parked in a Terminal Parking Position, which are controlled, operated or assigned to a Passenger Carrier by Authority as set forth in the Airline Lease Agreement.

“*Gate Requesting Airline*” means a Scheduled Airline seeking to operate at a Preferential Use Gate assigned to a Signatory Airline, in accordance with the procedures specified in the Airline Lease Agreement.

“*Gate, Ticket Counter and Aircraft Parking Position Rules*” means Authority’s reasonable policies, rules and protocols, as they shall be developed and may be amended from time to time by the President/CEO after consultation with the Gate, Ticket Counter and Aircraft Parking Position Rules Committee and the Signatory Airlines at a AAAC meeting, governing priorities, procedures and requirements for the assignment and use of Gates, Ticket Counters and Aircraft Parking Positions; provided, however, that the Gate, Ticket Counter and Aircraft Parking Position Rules shall not conflict with the express terms of the Airline Lease Agreement.

“*Gate, Ticket Counter and Aircraft Parking Position Rules Committee*” means a committee comprised of representatives of Authority and the Signatory Airlines that shall make recommendations to the President/CEO on the Gate, Ticket Counter and Aircraft Parking Position Rules. The Gate, Ticket Counter and Aircraft Parking Position Rules Committee shall include at least two Signatory Airlines that are selected by the AAAC.

“*General and Administrative Cost Center*” means all facilities and functions associated with the general management and administration of Authority.

“*Indenture*” means, collectively, the Master Trust Indenture, dated as of November 1, 2005, by and between Authority and the trustee thereto, together with all amendments and supplemental indentures thereto, and the Master Subordinate Trust Indenture, dated as of September 1, 2007 by and between Authority and the trustee thereto, together with any amendments and supplemental indentures thereto, or any other indenture or financial instrument of Authority which creates a debt obligation of Authority.

“*Indirect Cost Centers*” means those Cost Centers established by Authority that are not generally revenue producing and for which costs are not assigned to any Direct Cost Center under Authority’s accounting system.

“*Initial Walk-Through*” means a physical walk-through of the Premises prior to Airline’s initial occupancy (as of the Effective Date or later) of, use of, or operations at the Premises.

“*Irregular Operation*” means an off-schedule arrival or departure of a Scheduled Operation at a particular Gate or any flight that is not a Scheduled Operation at a particular Gate, but needs to operate at that Gate for reasons outside an Passenger Carrier’s control or for other commercially reasonable purposes.

“*Joint Use Premises*” means those areas used by one or more Passenger Carriers and described in the Airline Lease Agreement as of the Effective Date, including but not limited to hold rooms, passenger screening areas and baggage claim areas, as such areas may be modified and expanded from time to time by Authority.

“*Landside Area*” means those services, facilities, and areas associated with auto parking facilities (both public and employee); commercial vehicle operations; and rental car leasing, storage, or operations. For the purposes of calculating Airline Rates, Fees, and Charges, costs associated with providing shuttle bus transportation between the terminal buildings, and between employee parking and the terminal buildings are assigned to the Terminal Area.

“*Leasable Premises*” means those areas and spaces within the Terminal Area that are (1) available for lease to or use by Passenger Carriers as Exclusive Use Premises, Shared Use Premises, Joint Use Premises or Common Use Premises or (2) available for lease to other tenants.

“*Maximum Gross Landing Weight*” (“*MGLW*”) means the maximum certificated weight, in 1,000 pound units, of an aircraft authorized by the FAA to land at an airport, as specified in the flight manual governing that aircraft type.

“*Major Maintenance Fund*” means an account of the name established under the Airline Lease Agreement.

“*Major Maintenance Fund Deposit*” means the amounts deposited into the Major Maintenance Fund in accordance with the provisions of the Airline Lease Agreement.

“*Majority-in-Interest*” means, for any Fiscal Year, at least two Signatory Airlines that together paid at least 50% of all Airline Rents, Fees and Charges paid by all Air Carriers during the immediately preceding Fiscal Year.

“*Minimum Daily Average Utilization*” means (a) for a Signatory Airline assigned only one Preferential Use Gate, 625 Scheduled Departing Seats Per Day over the most recent sixty day period or (b) for a Signatory Airline assigned more than one Preferential Use Gate, 750 Scheduled Departing Seats Per Day over the most recent sixty day period, subject to being adjusted by Authority, after consultation with the Signatory Airlines, from time to time to accommodate Airport operations and promote equity.

“*Non-Signatory Airline*” means any Air Carrier that is not a Signatory Airline.

“*Off-Airport Public Transportation Projects*” means roadway, intersection improvement, fixed-guideway, railway, transit station and other Capital Projects related to public transportation to or from the Airport that include physical components that are located outside of the boundary of the Airport, including on-Airport transportation Capital Projects that link to off-Airport Capital Projects, but excluding the following Capital Projects associated with the ADP: Harbor Drive modifications to integrate the Inbound Roadway Project; elevated departure roadway/departures curb; commercial ground transportation plaza for buses, shuttles and taxis; recirculation roads related to the ADP, including return roadway to parking, terminal, and/or Airport exit; bicycle and pedestrian access facilities; vehicle security screening area; and MTS bus stops and ticket dispensers.

“*Operation*” means the arrival and departure of an aircraft at the Airport.

“*Operation and Maintenance Expenses*” or “*O&M Expenses*” means all reasonable and necessary current expenses of Authority, paid or accrued, for operating, maintaining, and repairing the Airport, including administrative expenses and other Authority expenses reasonably allocated to the Airport, as more specifically defined in the Indenture.

“*Other Debt Service*” means any debt obligation of Authority other than Bonds, including commercial paper, other indebtedness of Authority, and all other related requirements.

“*Passenger Carrier*” means an Air Carrier certificated by the Secretary of the U.S. Department of Transportation under 49 U.S.C. § 41102.

“*Passenger Facility Charges*” or “*PFCs*” means charges authorized by 49 U.S.C. § 40117 and applicable implementing regulations adopted by the FAA, as they may be amended from time to time.

“*Passenger Loading Bridge*” or “*PLB*” means a passenger loading bridge at the Airport owned and controlled by Authority.

“*Period of Use*” means the period of time during which Airline and other Signatory Airlines shall have a scheduling preference on a Preferential Use Gate for a Scheduled Operation, as defined in the Gate, Ticket Counter and Aircraft Parking Position Rules.

“*PFC Regulations*” means, collectively, 49 U.S.C. § 40117 and applicable implementing regulations adopted by the FAA, 14 CFR Part 158, as they may be amended from time to time.

“*Planned Uses*” means commercial, industrial or aviation related land uses reasonably contemplated or anticipated by Authority, except for the following activities: child care, residential, general primary and secondary education facilities and health care uses.

“*Preferential Use Gate*” means a Gate assigned by Authority to Airline or another Passenger Carrier and to which Airline has a higher priority of use over all other Passenger Carriers, in accordance with and subject to Article 4 and the Gate, Ticket Counter and Aircraft Parking Position Rules.

“*Preferential Use FIS Gate*” means a Preferential Use Gate with direct access to the FIS facilities.

“*Premises*” means, (a) Exclusive Use Premises; (b) Shared Use Premises; (c) Joint Use Premises; (d) Common Use Premises; (e) Unenclosed Operations Premises; and (f) Aircraft Parking Premises all as further described in the Airline Lease Agreement; provided, however, that in the case of Shared Use

Premises, Joint Use Premises, Common Use Premises, and Aircraft Parking Premises, such areas will only constitute “Premises” during the period of time for which Airline has the right to use such areas. Premises shall not include any areas leased by Airline in the Terminal Area or otherwise on the Airport pursuant to an instrument, license, permit, or agreement other than the Airline Lease Agreement.

“*Premises Notice*” means the notice described in the Airline Lease Agreement.

“*President/CEO*” means the President/CEO of the Airport or his/her successor or designee, or the person, division, department, bureau, or agency designated by Authority to exercise functions equivalent to those now exercised by the President/CEO or his/her successor.

“*Process Water*” means water that contains Regulated Materials and Pollutants from any point or non-point source subject to the CWA or the State of California Porter-Cologne Water Quality Control Act requirements.

“*Public Areas*” means sidewalks, concourses, corridors, lobbies, passageways, restrooms, elevators, escalators and other similar space made available by Authority from time to time for use by passengers, Authority employees, Airline employees and agents, other Air Carrier employees and agents and other members of the public, as such areas presently exist or may hereafter be expanded, modified, constructed, or relocated.

“*Queuing Space*” means the queuing areas associated with Ticket Counters, curbside positions, and Common Use System-equipped terminals, all as may be reasonably determined by Authority from time to time.

“*Regulated Materials and Pollutants*” means (a) any material that, because of its quantity, concentration or physical or chemical characteristics, has been determined by any applicable federal, State or local governmental authority to pose a hazard to human health or safety or to the air, water, soil or environment; (b) any materials, substances, products, by products, waste, or other materials of any nature or kind whatsoever whose presence in and of itself or in combination with other materials, substances, products, by products, or waste may give rise to liability under any Environmental Law and (c) any Process Water or Solid Waste. “Regulated Materials and Pollutants” includes, without limitation, any material or substance identified, listed, or defined as a “hazardous waste,” “hazardous substance,” “pollutant,” “contaminant” or term of similar import, or which is otherwise regulated pursuant to Environmental Laws; any asbestos and asbestos-containing materials; petroleum, including crude oil or any fraction thereof; natural gas or natural gas liquids; polychlorinated biphenyls or lead-based paint.

“*Release*” when used for Regulated Materials and Pollutants shall include any actual spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or on any property or the environment, and includes any threat of Release to the extent regulated under Environmental Laws.

“*Remote Parking Position*” means a location at the Airport designated for parking an aircraft, including use as a hardstand operation, temporary aircraft parking location, or the overnight storage of aircraft, but excluding Terminal Parking Positions and Cargo Parking Positions, as they may be modified from time to time by the Authority.

“*Reserve Deposits*” means any amounts required for (1) any fund established pursuant to the Indenture or any supplemental Indenture, or (2) any deposit for self-insurance or other purposes, upon notice to the Signatory Airlines, whose object is to preserve or protect the Airport in the event of an

extraordinary or substantial expenditure event. Reserve Deposits shall be allocated 25% to the Airfield Area, 50% to the Terminal Area, 20% to the Landside Area, and 5% to the Ancillary Area.

“*Response*” or “*Respond*” means action taken in compliance with Environmental Laws to correct, remove, remediate, clean-up, prevent, mitigate, treat, monitor, evaluate, investigate, assess or abate the Release of any Regulated Materials and Pollutants, or to prevent or abate any public nuisance.

“*Revenues*” means “Revenues” as defined in the Indenture.

“*Scheduled Airline*” means a Passenger Carrier performing scheduled passenger service operations at the Airport.

“*Scheduled Departing Seats Per Day*” means (a) the Departing Seats of a Signatory Airline during a specified period of time, (b) divided by the number of days in that period of time. In determining Scheduled Departing Seats Per Day, a Signatory Airline may include the Departing Seats of its Affiliates.

“*Scheduled Operation*” means a Scheduled Airline’s operation (arrival or departure) that occurs pursuant to a schedule that is published in the Official Airline Guide (OAG) or any successor publication sixty days prior to the first day of the month in which a Signatory Airline’s schedule would take effect, and that is also submitted to Authority in a Filed Schedule as required by the Airline Lease Agreement and the Gate, Ticket Counter and Aircraft Parking Position Rules, subject to Airline’s right to amend its Filed Schedule in accordance with the Gate, Ticket Counter and Aircraft Parking Position Rules.

“*Shared Use Premises*” means those areas used by one or more Passenger Carriers and described in the Airline Lease Agreement, including but not limited to baggage make up areas and baggage screening areas, as such areas may be modified and expanded from time to time by Authority.

“*Signatory Airline*” means an Air Carrier that has executed an airline operating and lease agreement with Authority substantially similar to the Airline Lease Agreement. An Affiliate of a Signatory Airline shall not be a Signatory Airline.

“*Solid Waste*” shall have the same meaning as that term is given under RCRA.

“*Temporary Space*” means a portion of Airline’s Exclusive Use Premises that is assigned in Authority’s sole discretion to Airline for (i) subletting to a ground handler or other vendor of Airline, subject to the provisions of the Airline Lease Agreement or (ii) Airline’s use for a term determined in Authority’s sole discretion provided that it is less than the remaining Term of the Airline Lease Agreement.

“*Term*” means the period of time beginning on the Effective Date and ending on the Expiration Date, unless earlier terminated as provided in the Airline Lease Agreement; provided, however, that the Effective Date for a duly executed Airline Lease Agreement that is delivered to Authority after July 1, 2019 by any Air Carrier shall be the first day of the next month beginning no less than sixty days after the date the duly executed Airline Lease Agreement is delivered to Authority, and until such Effective Date any such Air Carrier shall be deemed to be a Non-Signatory Airline on and after July 1, 2019.

“*Terminal*” means all of the airline passenger terminal buildings at the Airport, as they may be modified and expanded from time to time by the Authority, including but not limited to Terminal 1 and Terminal 2.

“*Terminal Areas*” means all airline passenger terminal buildings at the Airport, including the central plant and related areas, public walkways and grounds immediately outside the passenger terminal

buildings. The square footage that houses the Common Use Systems and Airline Terminal Support equipment and systems is included in the Terminal Area. For the purposes of calculating Airline Rates, Fees, and Charges, costs associated with providing (1) emergency medical service and (2) shuttle bus transportation between the terminal buildings and between employee parking and the terminal buildings are assigned to the Terminal Area.

“*Terminal Parking Position*” means the apron areas located adjacent to the Terminal and not separated from the Terminal by a taxiway or aircraft maneuvering area, as they may be modified from time to time by the Authority.

“*Termination Damages*” means, collectively, all unpaid Airline Rent, Fees and Charges and damages incurred by Authority due to Airline’s default of the Airline Lease Agreement, including, but not limited to, attorneys’ fees and costs, that Authority is entitled to recover from Airline.

“*Ticket Counter*” means those areas in the Terminal Building designated by the President/CEO for use by Passenger Carriers for ticketing and processing passengers and their baggage, and similar activities.

“*Unenclosed Operations Premises*” means those areas below the dripline between the terminal building and the apron that are not equipped with utility services and that are assigned to Airline in accordance with the provisions of the Airline Lease Agreement.

## **Airline’s Premises**

### ***Rights to Use Premises.***

Premises Notice. On or before the Effective Date, Authority will issue to Airline a Premises Notice that will designate which areas of the Airport, if any, that Authority will make available for Airline’s use as: (a) Exclusive Use Premises; (b) Shared Use Premises; (c) Joint Use Premises; (d) Common Use Premises; (e) Unenclosed Operations Premises and (f) Aircraft Parking Premises. Subject to the terms of the Airline Lease Agreement, Airline acknowledges and agrees that the Premises Notice will be revised by Authority and issued to Airline from time to time during the Term to reflect the reassignment and reallocation of the Premises and rights therein pursuant to the Airline Lease Agreement.

Exclusive Use Premises. Authority leases to Airline and Airline agrees to lease through the Term of the Airline Lease Agreement on an exclusive use basis the Exclusive Use Premises identified in the Premises Notice, subject to the Airline Lease Agreement and Airport Rules and Regulations; provided, however, that the lease of any Exclusive Use Space that is assigned by Authority to Airline as Temporary Space for subleasing to a ground handler or other vendor of Airline may be terminated, in whole or in part, by either Authority or Airline after ninety days’ written notice.

Shared Use Premises. Authority grants to airline, subject to the Airline Lease Agreement and Airport Rules and Regulations, the right to use, on a shared use basis with one or more Passenger Carriers, the Shared Use Premises identified in the Premises Notice provided, however, that Authority shall at all times have exclusive control and management of the Shared Use Premises.

Joint Use Premises. Authority grants to Airline, subject to the Airline Lease Agreement, Airport Rules and Regulations and the Gate, Ticket Counter and Aircraft Parking Position Rules, the right to use, on a joint use basis with one or more Passenger Carriers, the Joint Use Premises identified in the Premises Notice provided, however, that Authority shall at all times have exclusive control and management of the Joint Use Premises other than Preferential Use Gates.

Common Use Premises. Authority grants to Airline, subject to the Airline Lease Agreement, Airport Rules and Regulations and the Gate, Ticket Counter and Aircraft Parking Position Rules, the right to use, on a common use basis with other Passenger Carriers using the Airport, the Common Use Premises identified in the Premises Notice; provided, however, that Authority shall at all times have exclusive control and management of the Common Use Premises.

Unenclosed Operations Premises. Authority grants to Airline, subject to the Airline Lease Agreement and Airport Rules and Regulations, the right to use the Unenclosed Operations Premises identified in the Premises Notice; provided, however, that any use of Unenclosed Operations Premises must be approved by the Authority in writing and that Authority shall have the right to reassign any Unenclosed Operations Premises to another Air Carrier after thirty days' notice. Airline's storage or placement of material on Unenclosed Operations Premises shall be limited to operational material that either cannot be stored within enclosed Exclusive Use Premises in the Terminal or for which there are no enclosed Exclusive Use Premises in the Terminal available for lease. Airline shall have priority over another Air Carrier to lease Unenclosed Operations Premises adjacent to any Preferential Use Gate assigned to Airline or to Airline's Exclusive Use Premises. Any area of Unenclosed Operations Premises that becomes supplied with utilities shall be considered Exclusive Use Premises and shall be subject to the full Terminal Rental Rate.

Aircraft Parking Premises. Authority grants to Airline, subject to the Airline Lease Agreement, Airport Rules and Regulations and the Gate, Ticket Counter and Aircraft Parking Position Rules, the right to use, on a common use basis with one or more Air Carriers, the Aircraft Parking Premises identified in the Premises Notice provided, however, that Authority shall at all times have exclusive control and management of the Aircraft Premises other than the Terminal Parking Positions associated with Preferential Use Gates.

***Airline Relocations, Accommodations and Right-Sizing Related to the ADP.***

Relocations of Space During Construction of the ADP. Airline acknowledges that during construction of the ADP, in order to facilitate the continued operations of all Passenger Carriers at the Airport and to serve the traveling public, it will be necessary for Authority, from time to time, to relocate one or more Signatory Airlines in accordance with the provisions of the Airline Lease Agreement on an interim, transitional basis pending completion of the ADP.

Accommodations. Airline acknowledges that during construction of the ADP, in order to accommodate the needs of all Passenger Carriers for reasonable access to required Terminal facilities, it is likely that Airline will be required to accommodate other Passenger Carriers at its Exclusive Use Premises, where practicable, and on its Preferential Use Gates. If such accommodations are necessary, Authority will coordinate with Airline to allow Airline to address legitimate concerns over labor rights and proprietary information and Authority will apportion the Airline Rents, Fees and Charges fairly between Airline and the accommodated Passenger Carrier.

Airline Right-Sizing Options. Airline may request and Authority shall grant a reduction in the size of Airline's Exclusive Use Premises or, to the extent there is available space, an increase in the size of Airline's Exclusive Use Premises as follows:

- (i) On or before January 1, 2024, Airline may make a written request to be effective July 1, 2024; and
- (ii) At least six months prior to the DBO of new Terminal facilities to be constructed in the ADP, Airline may make a written request to be effective as of the DBO of such facilities.



Authority shall not be obligated to grant requests for reductions in Airline's Exclusive Use Premises that cumulatively exceed 15% of Airline's Exclusive Use Premises (net any Ticket Counters, free-standing self-service kiosks, skycap podiums, curbside positions, and associated Queuing Space in Terminal 1 assigned to Airline as part of its Exclusive Use Premises on a transitional basis until the DBO of new Terminal facilities to be constructed in the ADP) as measured on the date that Airline makes its first request under this section. Additionally, Authority shall not be obligated to grant a request for a reduction in Airline's Exclusive Use Premises if the space requested by Airline is not, in the reasonable judgment of the President/CEO, suitable for lease to another Air Carrier based on location, size and condition of the space.

### **Assignment of Gates and Ticket Counters**

Authority and Airline intend to ensure open access and balanced utilization of Joint Use Premises, including Gates, Shared Use Premises, and Common Use Premises. Authority shall, at all times, have exclusive possession and control of all Joint Use Premises, subject to Preferential Use Gate rights granted to Signatory Airlines in accordance with the provisions of the Airline Lease Agreement, and Common Use Premises.

**No Exclusive Use.** No Gate, Ticket Counter, Terminal Parking Position or Remote Parking Position may be assigned for any Air Carrier's exclusive use, except as provided in the Airline Lease Agreement. Each Gate shall be designated by Authority for either common use or preferential use. All Terminal Parking Positions and Remote Parking Positions shall be designated for common use in accordance with the provisions of the Airline Lease Agreement and the Gate, Ticket Counter and Aircraft Parking Position Rules.

**Discretion of President/CEO.** Subject to the provisions of the Airline Lease Agreement, the use, location and status of Preferential Use Gates, Common Use Gates and Aircraft Parking Positions, scheduling on Common Use Gates, Aircraft Parking Positions and Common Use Ticket Counters, accommodation on Preferential Use Gates and Aircraft Parking Positions shall be determined in the sole discretion of Authority by its President/CEO after consultation with the Gate, Ticket Counter and Airport Parking Position Committee. Authority shall establish and revise from time to time the Gate, Ticket Counter and Airport Parking Position Rules, after consultation with the Gate, Ticket Counter and Airport Parking Position Rules Committee, to set rules, priorities and protocols for the assignment and use of Gates, Aircraft Parking Positions and Ticket Counters.

**Minimum Number of Common Use Gates.** Authority shall throughout the Term designate, at a minimum, nine Common Use Gates in the Terminals.

### **Subordination of Agreement to Indenture**

The Airline Lease Agreement and any obligations owed by Authority to Airline that may arise under the Airline Lease Agreement or as it may be amended are subordinate in all respects and at all times to the lien, covenants (including rate covenants), pledges, provisions and funding requirements under the Indenture and any supplemental Indenture then in effect.

### **Airport Rents, Fees and Charges**

**Budgeted Airline Rents, Fees, and Charges.** The Airline Rents, Fees and Charges to be charged by Authority and paid by Airline and all other Air Carriers for use of the Airport from the Effective Date until the expiration or earlier termination of the Airline Lease Agreement shall be calculated using the rate-setting methods described under this caption "Airport Rents, Fees, and Charges". For each Fiscal Year, Authority shall develop a budgeted Landing Fee Rate, Aircraft Parking Position Rentals and Fees, Terminal

Rental Rate, Joint Use Fees and Common Use Fees. Before formally adopting the budget, and any resulting Airline Rents, Fees, and Charges, Authority shall consult with the Signatory Airlines and consider their comments regarding the capital improvement program at the Airport, budget and calculation of the budgeted Airline Rents, Fees, and Charges.

***Adjustment of Airline Rents, Fees, and Charges During Fiscal Year.*** Authority shall review the Airline Rents, Fees, and Charges at least once during each Fiscal Year. If during any of these reviews, Authority finds that the estimated Airline Rents, Fees, and Charges vary by 5% or more from those originally budgeted or previously estimated by Authority, Authority may, after consultation with the Signatory Airlines, adjust the Airline Rents, Fees, and Charges to conform to Authority's current estimates.

***Reconciliation of Airline Rents, Fees, and Charges for the Fiscal Year.*** Within six months after the close of each Fiscal Year, Authority shall calculate the Airline Rents, Fees, and Charges based on actual results for the Fiscal Year. Any difference between the budgeted Airline Rents, Fees, and Charges paid by the Signatory Airlines and the actual Airline Rents, Fees, and Charges chargeable to the Signatory Airlines based on actual results shall be either refunded by Authority to Airline or Airline shall pay Authority. If the actual Airline Rents, Fees, and Charges paid by Airline under the Airline Lease Agreement for a given Fiscal Year total less than \$500,000 for a Passenger Carrier or \$250,000 for a Cargo Carrier, Airline shall make a supplemental payment such that the total Airline Rents, Fees, and Charges plus the supplemental payment under the Airline Lease Agreement for such Fiscal Year equal \$500,000 for a Passenger Carrier and \$250,000 for a Cargo Carrier. Any amount due Airline shall be paid to Airline in the month following the reconciliation, provided, however, that Authority may deduct any amounts due Authority which are past due by thirty days or more. Any amount due Authority shall be invoiced to Airline and due and payable within thirty days from the date of the invoice. For Fiscal Year 2029, the final year of the Term, the Authority shall make a final settlement in accordance with the provisions of this paragraph and any resulting credit shall be issued to Airline, and any resulting charge will be invoiced to Airline, notwithstanding the termination of the Agreement on June 30, 2029.

***Major Maintenance Fund, Coverage Charges, Days Cash on Hand and Transitional Use of Funding.***

Establishment of Major Maintenance Fund. Authority shall establish the Major Maintenance Fund to be used to fund Capital Projects in the Airfield Area, Terminal Area, Common Use Systems, and Airline Terminal Support Cost Centers and Capital Projects in Indirect Cost Centers to the extent allocable to the Airfield Area, Terminal Area, Common Use Systems, and Airline Terminal Support Cost Centers. Funding from the Major Maintenance Fund shall not incur Amortization Charges. Each Fiscal Year, Authority shall deposit \$40,000,000 into the Major Maintenance Fund and allocate the costs of the deposits to Cost Centers as follows: \$15,000,000 to the Airfield Area; \$15,000,000 to the Terminal Area; and \$10,000,000 to a combination of the Landside Area and Ancillary Area, as determined in the discretion of the Authority.

Use of Any Available Coverage Charges. Authority shall report Coverage Charges collected each Fiscal Year to the Signatory Airlines as part of the annual reconciliation. Authority shall use any Coverage Charges that remain available for use after the year-end reconciliation to either (1) reduce the amount of Bonds outstanding in the Airfield Area, Terminal Area, Common Use Systems, and Airline Terminal Support Cost Centers and Indirect Cost Centers to the extent allocable to the Airfield Area, Terminal Area, Common Use Systems, and Airline Terminal Support Cost Centers in a subsequent Fiscal Year or (2) make a supplemental deposit to the Major Maintenance Fund.

Use of Cash, Cash Equivalents, and Investments Above 600 Days' Cash on Hand. After the completion of an audit of Authority's Financial Statements for each Fiscal Year, Authority shall determine Days' Cash on Hand as follows:

- (a) As provided in Authority's Audited Financial Statements, the sum of the following three lines under "Cash, Cash Equivalents, and Investments:" (1) Unrestricted and Undesignated, (2) Designated for specific capital projects and other Commitments, and (3) Bonds Reserves; *minus*
- (b) As provided in Authority's Audited Financial Statements, the balance in the Major Maintenance Fund; *divided by*
- (c) As provided in Authority's Audited Financial Statements, O&M Expenses; *times*
- (d) 365 days.

Days' Cash on Hand shall be reported on an annual basis to the Signatory Airlines as part of the year-end reconciliation. Any Days' Cash on Hand above 600 days at the time of the year-end reconciliation shall be used by Authority to either (1) reduce the amount of Bonds outstanding in a subsequent Fiscal Year or (2) fund future Capital Projects.

Smoothing of Airline Rents, Fees, and Charges using Passenger Facility Charges. Subject to the provisions of the Airline Lease Agreement, Authority and Airline agree to set aside \$30,000,000 annually in previously FAA-approved Passenger Facility Charges for the three full Fiscal Years prior to the DBO of new Terminal facilities to be constructed in the ADP. These accumulated Passenger Facility Charges shall be used, in accordance with FAA's previous approval, to pay Debt Service in the Terminal Area in the three full Fiscal Years starting with the DBO of new Terminal facilities to be constructed in the ADP. Airline acknowledges that this section governs only the timing of deploying PFCs and that Airline shall have no right whatsoever to determine which Capital Projects Authority shall fund with Passenger Facility Charges or any other rights with respect to Authority's use of PFCs. Authority shall consult with the Signatory Airlines on an annual basis regarding the use of Passenger Facility Charges, and Authority may adjust the schedule in its sole discretion.

**Cost Centers.** To allocate the O&M Expenses, Annual Net Debt Service, Amortization Charges, Reserve Deposits, and Major Maintenance Fund Deposits, the following Cost Centers shall be utilized by Authority:

Direct Cost Centers. Airfield Area, Terminal Area, Common Use Systems, Airline Terminal Support, Landside Area and Ancillary.

Indirect Cost Centers. Airport Access, General and Administrative, and allocations of O&M Expenses, Annual Net Debt Service, and Amortization Charges, if any, in Authority departments not otherwise assigned to Direct Cost Centers.

To calculate Airline Rents, Fees, and Charges, Authority shall account for and allocate annual O&M Expenses, Annual Net Debt Service, and Amortization Charges for the Indirect Cost Centers to Direct Cost Centers as set forth in the Airline Lease Agreement.

**Landing Fee.** Airline shall pay Landing Fees for its use of the Airfield Area based on its Maximum Gross Landed Weight at the Airport during the Fiscal Year. The Landing Fee effective July 1<sup>st</sup> of each Fiscal Year shall be determined according to the rate-setting method set forth below.

Airfield Area Requirement. The Authority shall calculate the Airfield Area Requirement as the sum of the following for each Fiscal Year:

(a) the sum of O&M Expenses, Annual Net Debt Service, Amortization Charges, Reserve Deposits, Coverage Charges, Major Maintenance Fund Deposits and Bad Debt Expenses allocable to the Airfield Area; *plus*

(b) Fuel System Costs, if any; *minus*

(c) The sum of fuel flowage fee revenue, fingerprinting revenue, ground handling concession revenue, 70% of inflight catering revenue, and any federal, State, or local grants that are allocable to the Airfield Area.

Landing Fee Rate. Authority shall calculate the Landing Fee Rate for each Fiscal Year by first subtracting the sum of (i) Non-Signatory Landing Fees, (ii) Aircraft Parking Position Rentals, (iii) Aircraft Parking Position Turn Fees and (iv) Aircraft Parking Position Overnight Fees collected by the Authority from the Airfield Area Requirement and then dividing by the cumulative Maximum Gross Landed Weight of the Signatory Airlines for the Fiscal Year.

***Aircraft Parking Position Rentals and Fees.*** Airline shall pay Aircraft Parking Position Rentals, Aircraft Parking Position Turn Fees, and Aircraft Parking Position Overnight Fees for its use of Aircraft Parking Positions as set forth below.

Aircraft Parking Position Rental Rate. For (a) Terminal Parking Positions associated with a Preferential Use Gate and (b) Cargo Parking Positions, Authority shall calculate the Aircraft Parking Position Rental Rate effective July 1<sup>st</sup> of each Fiscal Year as follows:

(a) Twenty percent of the Airfield Area Requirement; *minus*

(b) Aircraft Parking Position Turn Fees and Aircraft Parking Position Overnight Fees collected from Non-Signatory Airlines; *divided by*

(c) The sum of (i) the total number of Remote Parking Positions divided by three; (ii) the total number of Terminal Parking Positions; and (iii) the total number of Cargo Parking Positions.

Aircraft Parking Position Turn Fees. For each Operation utilizing a Terminal Parking Position associated with either a Common Use Gate, an accommodation of a Gate Requesting Airline on a Preferential Use Gate or a Cargo Parking Position, Cargo Carrier Operation on a Remote Parking Position, and an accommodation of a Cargo Carrier on another Cargo Carrier's Cargo Parking Position, Airline shall pay an Aircraft Parking Position Turn Fee for its use of the Terminal Parking Position, Cargo Parking Position, or Remote Parking Position. Authority shall calculate the Aircraft Parking Position Turn Fee effective July 1st of each Fiscal Year as follows:

(a) The sum of (i) the total number of Remote Parking Positions divided by three; and (ii) the total number of Terminal Parking Positions associated with a Common Use Gate; *times*

(b) Aircraft Parking Position Rental Rate; *divided by*

(c) For the Fiscal Year for Signatory Airlines, the sum of (i) the total number of Operations at (a) Terminal Parking Positions associated with Common Use Gates, (b) accommodations of Gate Requesting Airlines on Preferential Use Gates, (c) accommodations of Gate Requesting Airlines on Cargo Parking Positions, (d) Cargo Carrier operations on Remote Parking Positions, and (e) accommodations of Cargo Carriers on another Cargo Carrier's Cargo

Parking Position, and (ii) the total number of Operations parking overnight at (a) Remote Parking Positions, (b) Terminal Parking Positions associated with Common Use Gates, (c) Terminal Parking Positions associated with accommodations of Gate Requesting Airlines on Preferential Use Gates and (d) Cargo Parking Positions associated with Passenger Carrier operations multiplied by three.

Aircraft Parking Position Overnight Fees. For each Operation parking overnight at Remote Parking Positions, Terminal Parking Positions associated with Common Use Gates, accommodations on Terminal Parking Positions associated with Preferential Use Gates and accommodations on Cargo Parking Positions, Airline shall pay an Aircraft Parking Position Overnight Fee equal to three times the Aircraft Parking Position Turn Fee.

Cap on Aircraft Parking Position Fees. Notwithstanding the foregoing, for any individual Gate, Airline shall not pay more in cumulative Aircraft Parking Position Turn Fees and Overnight Fees than the Aircraft Parking Position Rental Rate for its use of any single, individual Aircraft Parking Position during a Fiscal Year. Such cap on Aircraft Parking Position Fees shall not apply to Non-Signatory Airlines.

***Terminal Rental Rate.*** Airline shall pay rent for Exclusive Use Premises, Joint Use Charges and Common Use Fees for its use of the Terminal Area based on the Terminal Rental Rate. The Terminal Rental Rate effective July 1<sup>st</sup> of each Fiscal Year shall be determined according to the rate-setting method set forth below.

Base Terminal Area Requirement. Authority shall calculate the Base Terminal Area Requirement as the sum of the following for each Fiscal Year:

- (a) Sum of the O&M Expenses, Annual Net Debt Service, Amortization Charges, and Reserve Deposits allocable to the Terminal Area; *minus*
- (b) FIS fee revenue and any federal, State, or local grants received to offset O&M Expenses, Annual Net Debt Service, or Reserve Deposits allocable to the Terminal Area.

Base Terminal Area Rental Rate. Authority shall calculate the Base Terminal Area Rental Rate by dividing the Base Terminal Requirement by the square footage of the Leasable Premises.

Supplemental Terminal Rental Rate. Authority shall calculate the Supplemental Terminal Rental Rate by dividing the sum of Coverage Charges, Major Maintenance Fund Deposits and Bad Debt Expenses allocable to the Terminal Area by the square footage of Airline Leased Premises.

Terminal Rental Rate. Authority shall calculate the Terminal Rental Rate as the sum of the Base Terminal Rental Rate and the Supplemental Terminal Rental Rate.

Rent for Exclusive Use Premises. Airline shall pay rent to Authority for any Temporary Space within its Exclusive Use Premises by multiplying the Non-Signatory Terminal Rental Rate by the total square footage of its Temporary Space within its Exclusive Use Premises in Airline's Premises Notice. Airline shall pay rent to Authority for the remainder of its Exclusive Use Premises by multiplying the Terminal Rental Rate by the square footage of the remainder of its Exclusive Use Premises in Airline's Premises Notice.

Joint Use Charges. Airline shall pay Authority Joint Use Charges for its use of Joint Use Premises and Airline Terminal Support. The Joint Use Charges effective July 1<sup>st</sup> of each Fiscal Year shall be determined according to the rate-setting method set forth below.

*Joint Use Requirement.* Authority shall calculate Joint Use Requirement as follows:

- (a) the Terminal Rental Rate multiplied by the total square footage of the Joint Use Premises; *plus*
- (b) after the DBO of new Terminal facilities to be constructed in the ADP, the Terminal Rental Rate multiplied by the total square footage of the Shared Use Premises; *plus*
- (c) the sum of the O&M Expenses, Annual Net Debt Service, Amortization, and Coverage Charges attributable or allocable to Airline Terminal Support; *minus*
- (d) rental payments received for Unenclosed Operations Premises.

*Joint Use Charges – 10% Share.* Authority shall calculate the Joint Use Charges – 10% Share in the following manner:

- (a) Ten percent of the Joint Use Requirement; *minus*
- (b) Any Non-Signatory Airline Joint Use Charges – 10% Share collected pursuant to the last paragraph under this caption “Joint Use Charges – 10% Share”; *minus*
- (c) The number of Signatory Airlines, excluding Cargo Carriers, with 1% or less of the Enplaned Passengers at the Airport in such Fiscal Year multiplied by 0.2% of the Joint Use Requirement, *divided by*
- (d) The number of Signatory Airlines, excluding Cargo Carriers, with more than 1% of the Enplaned Passengers at the Airport in such Fiscal Year. Each Signatory Airline and its approved Affiliate(s) will be treated as a single entity for purposes of determining the Airline’s portion of the 10% share.

For Signatory Airlines with more than 1% of the Enplaned Passengers at the Airport for such Fiscal Year, the Joint Use Charges – 10% Share be the amount calculated under (a) through (d) above.

For Signatory Airlines with 1% or less of the Enplaned Passengers at the Airport for such Fiscal Year, the Joint Use Charges – 10% Share shall be the Joint Use Requirement multiplied by 0.2%.

Non-Signatory Airlines, excluding Cargo Carriers, with more than 1% of the Enplaned Passengers at the Airport for such Fiscal Year, shall pay Joint Use Charges – 10% Share in the amount calculated under (a) through (d) above *times* 120%. Non-Signatory Airlines, excluding Cargo Carriers, with 1% or less of the Enplaned Passengers at the Airport for such Fiscal Year, shall pay Joint Use Charges – 10% Share in the amount calculated pursuant to the prior paragraph *times* 120%.

*Joint Use Charges – 90% Share.* Authority shall calculate the Joint Use Charges – 90% Share in the following manner:

- (a) The remaining 90% of the Joint Use Requirement; *minus*
- (b) Any Non-Signatory Airline Joint Use Charges – 90% Share; *divided by*
- (c) Total Signatory Airline Enplaned Passengers.

Common Use Fees. Airline shall pay Authority Common Use Fees for its use of Common Use Premises and Common Use Systems. The Common Use Fee effective July 1<sup>st</sup> of each Fiscal Year shall be determined according to the rate-setting method set forth below.

The Authority shall calculate the Common Use Fee by:

- (a) Multiplying the Terminal Rental Rate by the total square footage of the Common Use Premises; *plus*
- (b) Sum of the O&M Expenses, Annual Net Debt Service, Amortization, and Coverage Charges attributable or allocable to the Common Use Systems; *minus*
- (c) Sum of the O&M Expenses, Annual Net Debt Service, Amortization, and Coverage Charges attributable or allocable to Signatory Airlines excluded from paying Common Use Fees in accordance with the following paragraph ; *minus*
- (d) Non-Signatory Common Use Fees; *divided by*
- (e) Total Signatory Airline Enplaned Passengers in Common Use System equipped terminals.

Any Signatory Airline that uses only Exclusive Use Ticket Counters during a Fiscal Year shall be excluded from Common Use Fees but shall pay the sum of the O&M Expenses, Annual Net Debt Service, Amortization, and Coverage Charges attributable or allocable to their use of Common Use Systems.

Notwithstanding anything to the contrary in the Airline Lease Agreement, if future Common Use System configurations allow, the Authority may, after consultation with the Signatory Airlines at a AAAC meeting, modify the methodology for determining Common Use Fees to a per-use charge based on time or frequency of use. Any such modification may be made without amendment or supplement to the Airline Lease Agreement.

Rent for Shared Use Premises. Prior to the DBO of new Terminal facilities to be constructed in the ADP, Airline shall be assigned a pro-rata share of the square footage of the Shared Use Premises as set forth in the Airline Lease Agreement for each Fiscal Year on the following basis for each individual Shared Use Premises area:

- (a) The square footage of the individual Shared Use Premises area; *divided by*
- (b) The total Enplaned Passengers of Passenger Carriers assigned to the individual Shared Use Premises area; *multiplied by*
- (c) Airline's total Enplaned Passengers.

For each Fiscal Year, Airline shall pay rent to Authority for its assigned Shared Use Premises by multiplying the Terminal Rental Rate by the square footage of its assigned pro-rata share of Shared Use Premises in Airline's Premises Notice. After the DBO of new Terminal facilities to be constructed in the ADP, Shared Use Premises shall be incorporated into the Joint Use Fees.

### Other Fees and Charges.

*FIS Fees.* For each Fiscal Year, Authority shall charge for use of its FIS Facilities an amount equal to \$10 per each seat on an arriving aircraft using the FIS Facilities. The President/CEO or a representative appointed by the President/CEO may make adjustments to this charge on a semi-annual basis. The Signatory Airline and Non-Signatory Airline FIS Fee shall be the same.

*Unenclosed Operations Premises.* Unenclosed Operations Premises shall be charged \$12 per square foot per Fiscal Year. The President/CEO or a representative appointed by the President/CEO may make adjustments to this charge on a semi-annual basis based on increases in the Consumer Price Index.

*Non-Signatory Airline Rates, Fees, and Charges.* The Airline Rates, Fees, and Charges in the Airline Lease Agreement apply to Signatory Airlines. Non-Signatory Airline Rates, Fees, and Charges shall be 120% of the Airline Rates, Fees, and Charges, except the FIS Fees, which are established as described above. The Non-Signatory Airline Terminal Rental Rate shall apply to any Temporary Space leased by a Signatory Airline.

### **Payments**

*Landing Fees.* Airline agrees to pay monthly Landing Fees in an amount equal to the Landing Fee Rate multiplied by the Airline's Maximum Gross Landing Weight for such monthly period. Landing Fees shall be due and payable on or before the 15<sup>th</sup> day of each month for the prior month during the term of the Airline Lease Agreement, without invoice, deduction, or setoff, accompanied by an accurate, verifiable activity report on such form as Authority may provide.

### ***Aircraft Parking Position Rentals and Fees.***

Aircraft Parking Position Rentals. For Terminal Parking Positions associated with a Preferential Use Gate or Cargo Parking Positions, Airline agrees to pay each month 1/12<sup>th</sup> of the Aircraft Parking Position Rental Rate for each Terminal Parking Position and Cargo Parking Position assigned to Airline. Aircraft Parking Position Rentals shall be due and payable on or before the tenth day of each month during the term of the Airline Lease Agreement, in advance, without invoice, deduction, or setoff.

Aircraft Parking Position Turn Fees. Airline agrees to pay monthly Aircraft Parking Position Turn Fees in an amount equal to the Aircraft Parking Position Turn Fee multiplied by the number of Airline's Operations at Terminal Parking Positions associated with Common Use Gates and Terminal Parking Positions associated with accommodations of Gate Requesting Airlines on Preferential Use Gates and Cargo Carrier operations on Remote Parking Positions. Aircraft Parking Position Turn Fees shall be due and payable on or before the 15<sup>th</sup> day of each month for the prior month during the term of the Airline Lease Agreement, without invoice, deduction, or setoff, accompanied by an accurate, verifiable activity report on such form as Authority may provide. Authority reserves the right to require Airline to utilize an electronic system for the transmittal of said reports.

Aircraft Parking Position Overnight Fees. Airline agrees to pay monthly Aircraft Parking Position Overnight Fees in an amount equal to the Aircraft Parking Position Overnight Fee multiplied by the number of the Airline's Operations parking overnight at Remote Parking Positions and Terminal Parking Positions associated with Common Use Gates, Terminal Parking Positions associated with accommodations on Preferential Use Gates and Cargo Parking Positions associated with Passenger Carrier operations. Aircraft Parking Position Overnight Fees shall be due and payable on or before the 15<sup>th</sup> day of each month for the prior month during the term of the Airline Lease Agreement, without invoice, deduction, or setoff,



accompanied by an accurate, verifiable activity report on such form as Authority may provide. Authority reserves the right to require Airline to utilize an electronic system for the transmittal of said reports.

***Terminal Rentals.***

Exclusive Use and Shared Use Premises. Airline agrees to pay each month 1/12<sup>th</sup> of the Terminal Rental Rate for each square foot of Exclusive Use Premises , excluding Temporary Space, and the pro-rata share of Shared Use Premises assigned to Airline. Airline agrees to pay each month 1/12<sup>th</sup> of the Non-Signatory Terminal Rental Rate for each square foot of Temporary Space in its Exclusive Use Premises assigned to Airline. Exclusive Use Premises rent and Shared Use Premises rent shall be due and payable on or before the tenth day of each month during the term of the Airline Lease Agreement, in advance, without invoice, deduction, or setoff.

Joint Use Premises – 10% Share.

(a) If Airline is a Signatory Airline with more than one percent of the Enplaned Passengers at the Airport for such Fiscal Year, Airline agrees to pay each month 1/12<sup>th</sup> of the applicable Joint Use Premises – 10% Share. Any such payments shall be due and payable on or before the tenth day of each month during the term of the Airline Lease Agreement, in advance, without invoice, deduction, or setoff.

(b) If Airline is a Signatory Airline with one percent or less of the Enplaned Passengers at the Airport for such Fiscal Year, Airline agrees to pay each month 1/12<sup>th</sup> of the applicable Joint Use Premises – 10% Share. Any such payments shall be due and payable on or before the tenth day of each month during the term of the Airline Lease Agreement, in advance, without invoice, deduction, or setoff.

Joint Use Premises – 90% Share. Airline agrees to pay monthly Joint Use Premises – 90% Share in an amount equal to the Joint Use Premises – 90% Share Fee multiplied by the Airline’s Enplaned Passengers in such monthly period. Joint Use Premises – 90% Share shall be due and payable on or before the 15<sup>th</sup> day of each month for the prior month during the term of the Airline Lease Agreement, without invoice, deduction, or setoff, accompanied by an accurate, verifiable activity report on such form as Authority may provide. Authority reserves the right to require Airline to utilize an electronic system for the transmittal of said reports.

***Common Use Fees.*** Airline agrees to pay monthly Common Use Fees in an amount equal to the Common Use Fee multiplied by the Airline’s Enplaned Passengers in such monthly period. Common Use Fees shall be due and payable on or before the 15<sup>th</sup> day of each month for the prior month during the term of the Airline Lease Agreement, without invoice, deduction, or setoff, accompanied by an accurate, verifiable activity report on such form as Authority may provide. Any Passenger Carrier that uses only Exclusive Use Ticket Counters throughout a Fiscal Year shall be excluded from Common Use Fees; if such a Passenger Carrier utilizes Common Use Ticket Counters for part of a Fiscal Year, it will be excluded from Common Use fees for a prorated portion of the Fiscal Year. Authority reserves the right to require Airline to utilize an electronic system for the transmittal of said reports.

***Other Fees and Charges.*** Airline agrees to pay monthly FIS Fees in an amount equal to the FIS Fee multiplied by the Airline’s number of passenger seats on arriving aircraft using the FIS Facilities for such monthly period. FIS Fees shall be due and payable on or before the 15<sup>th</sup> day of each month for the prior month during the Term, without invoice, deduction, or setoff, accompanied by an accurate, verifiable activity report on such form as Authority may provide. Unenclosed Operations Premises rentals shall be

due and payable on or before the tenth day of each month during the Term, in advance, without invoice, deduction, or setoff.

### **Review of Off-Airport Public Transportation Projects**

**Off-Airport Public Transportation Projects.** Airline acknowledges that, during the Term, Authority may undertake or provide funding for one or more Off-Airport Public Transportation Projects. Airline and Authority agree that addressing public transportation issues related to the Airport is an important goal and that such projects may require funding from Authority. However, as of the Effective Date, the number and scope of any Off-Airport Public Transportation Projects is not known. Due to this uncertainty and the potentially significant impact of Off-Airport Public Transportation Projects on Airline's costs of operating at the Airport, Airline has requested the right to review the Authority's funding of Off-Airport Public Transportation Projects that exceeds certain cost thresholds. In order to address the cost concerns of Airline, Authority and Airline agree to the process set forth in this section for the funding of Off-Airport Public Transportation Projects by the Authority. The Signatory Airlines have committed to pre-approve, in aggregate, an estimated \$515,000,000 in funding for Off-Airport Public Transportation Projects, subject to certain conditions.

**Pre-Approved Funding.** Authority shall have the right, without any review or any other limitation imposed by the Signatory Airlines, to fund the full, actual costs of a new limited access in-bound roadway on the Airport that will connect with North Harbor Drive at approximately Laurel Street and allow vehicles to access both Terminals (the "Inbound Roadway Project"). The Inbound Roadway Project is currently estimated to cost \$165,000,000, but the full, actual costs may exceed that estimate.

In addition to funding the Inbound Roadway Project, Authority shall have the right, without any review or any other limitation imposed by the Signatory Airlines, to provide up to \$75,000,000 in funding for Off-Airport Public Transportation Projects during the Term.

In addition to the funding described in the two prior paragraphs, Authority shall have the right, without any review or any other limitation imposed by the Signatory Airlines, to provide up to an additional \$125,000,000 in funding for Off-Airport Public Transportation Projects during the Term, but only if non-Authority funding of at least \$200,000,000 for the Off-Airport Public Transportation Projects has been secured through legally binding commitments from third-parties.

In addition to the funding available in the three prior paragraphs, Authority shall have the right, without any review or any other limitation imposed by the Signatory Airlines, to provide up to an additional \$150,000,000 in funding for Off-Airport Public Transportation Projects during the Term, but only if additional non-Authority funding of at least \$150,000,000, at \$350,000,000 in aggregate, for the Off-Airport Public Transportation Projects has been secured through legally binding commitments from third-parties.

As provided by 49 U.S.C. § 40117(f), no Capital Project shall be subject to Majority-in-Interest voting or approval to the extent such Capital Project is financed by PFCs or PFC-backed bonds.

All amounts of funding provided by Authority under this section shall be net of CFCs and federal and state transportation grants.

**Majority-in-Interest Review.** Any funding of Off-Airport Public Transportation Projects in excess of the pre-approved amounts described above shall be subject to the Majority-in-Interest review procedures described below.

Authority shall submit a written proposal to the Signatory Airlines describing the Off-Airport Public Transportation Projects, the estimated cost of the Off-Airport Public Transportation Projects, the amount of the funding anticipated from Authority, the amount of anticipated funding from third-parties and the estimated project schedule.

Authority may proceed with the proposed funding of Off-Airport Public Transportation Projects that are subject to review under this section unless Authority is notified in writing by the chair of the AAAC within 30 days of delivery of Authority's proposal that a Majority-in-Interest has disapproved Authority's proposal. Such written notification to Authority shall include the written disapproval of each Signatory Airline that disapproved the proposal.

***Cost Allocation.*** All funding provided by Authority for Off-Airport Public Transportation Projects shall be allocated to the Airport Access Cost Center.

***Limitation on Majority-in-Interest Review.*** Airline shall have no right to review or approve any Capital Projects other than Off-Airport Public Transportation Projects.

### **Damage or Destruction of Premises**

***Damage or Destruction of Authority Constructed Improvements.*** In the event of damage to, or destruction by fire, the elements, acts of God, or any other cause of Authority-constructed improvements at Airport which materially impacts Airport operations, Authority shall have the option, in its reasonable discretion, and shall within 90 days, following the date of such damage, provide Airline written notice of Authority's election, to commence reconstruction of the damaged improvements and prosecute the same diligently to completion, in which event the Airline Lease Agreement shall continue in full force and effect, and Airline Rents, Fees and Charges for all or the portion of the Premises rendered untenable shall be abated until such repairs are complete and the Premises or the portion thereof deemed untenable are tenantable once again. In the event Authority elects not to perform such reconstruction, the portion of the Premises rendered untenable shall be removed from Airline's Premises and a revised Premises Notice shall be issued to Airline and Authority shall reimburse Airline for any Airline Rents, Fees and Charges paid in advance, if any, for all or a portion of the Premises rendered untenable.

***Damage or Destruction of Airline Constructed Improvements.*** In the event of damage to or destruction by fire, the elements, acts of God, or any other cause, of Airline-constructed improvements located within the Premises or in the event Airline-constructed improvements located within the Premises are declared unsafe or unfit for use or occupancy by a public entity with the authority to make and enforce such declaration, Airline shall, subject to the following paragraph, within 60 days, commence and diligently pursue to completion the repair, replacement, or reconstruction of Airline-constructed improvements necessary to permit full use and occupancy of the Premises for the purposes required by the Airline Lease Agreement.

Repair, replacement or reconstruction of Airline-constructed improvements within the Premises shall be accomplished in a manner and according to plans approved by Authority; provided, however, Airline shall not be obligated to repair, reconstruct, or replace the improvements following their destruction in whole or substantial part except to the extent the loss is covered by insurance required to be carried by Airline pursuant to the Airline Lease Agreement (or would be covered whether or not such required insurance is actually in effect).

## **Default and Termination**

***Airline Default.*** The occurrence of any one or more of the following events shall constitute an Event of Default under the Airline Lease Agreement:

(a) Airline shall become insolvent (as such term is defined under Section 101 of the Federal Bankruptcy Code); or shall fail to pay its debts generally as they mature; or shall take the benefit of any present or future federal or state insolvency statute; or shall make a general assignment for the benefit of creditors.

(b) Airline shall file a voluntary petition in bankruptcy or a petition or answer seeking an arrangement of its indebtedness under the Federal Bankruptcy Code or under any other law or statute of the United States or of any state thereof; or consent to the appointment of a receiver, trustee, custodian, liquidator or other similar official, of all or substantially all of its property; or an order for relief shall be entered by or against Airline under any chapter of the Federal Bankruptcy Code.

(c) By order or decree of a court, Airline shall be adjudged bankrupt or an order shall be made approving a petition filed by any of its creditors or by any of its stockholders, seeking its reorganization or the restructuring of its indebtedness under the Federal Bankruptcy Code or under any other law or statute of the United States or any state thereof and such order or decree shall not be stayed or vacated within 60 days of its issuance.

(d) A petition under any chapter of the Federal Bankruptcy Code or an action under any federal or state insolvency law or statute shall be filed against Airline and shall not be dismissed or stayed within 60 days after the filing thereof.

(e) By or pursuant to, or under authority of any legislative act, resolution or rule, or any order or decree of any court or governmental board, agency or officer, a receiver, trustee, custodian, liquidator or other similar official shall take possession or control of all or substantially all of the property of Airline and such possession or control shall continue in effect for a period of 60 days.

(f) Airline shall become a corporation in dissolution.

(g) The letting, license or other interest of or rights of Airline under the Airline Lease Agreement shall be transferred to, pass to or devolve upon, by operation of law or otherwise, any other person, firm, corporation or other entity, by, in connection with or as a result of any bankruptcy, insolvency, trusteeship, liquidation or other proceedings or occurrence described in (a) through (f) above.

(h) Airline shall fail duly and timely to pay any Airline Rents, Fees and Charges, or any other fee or charge due under the Airline Lease Agreement when due to Authority, and such failure shall continue for ten days beyond Airline's receipt of a written notice of such breach or default from the President/CEO. Notwithstanding the foregoing, if there occur two defaults in the payment of Airline Rents, Fees and Charges, or other fee or charge due under the Airline Lease Agreement in any twelve month period, thereafter Airline shall not be entitled to notice of any further payment defaults (i.e., thereafter Airline's failure to pay Airline Rents, Fees and Charges, or other fee or charge due under the Airline Lease Agreement in a timely manner shall be deemed an Event of Default), and Authority shall have no obligation to give such notice.

(i) Airline shall fail duly and timely to remit to Authority PFCs collected by Airline from its passengers in accordance with the PFC Regulations and such failure shall continue for five days beyond Airline's receipt of a written notice from Authority of such breach or default.

(j) There shall occur an assignment or transfer subject to the provisions of the Airline Lease Agreement without Authority's prior written consent and such assignment or transfer is not reversed within ten days after written notice by Authority or Authority consents in writing to the assignment or transfer.

(k) Airline shall abandon the Premises and its conduct of business at the Airport, and in connection with this abandonment, suspend operations for a period of 60 days in the absence of a labor dispute, force majeure event in accordance with the provisions of the Airline Lease Agreement or other governmental action in which Airline is directly involved.

(l) Any lien shall be filed against the Premises as a result of an act or omission of Airline, and shall not be discharged within sixty days after Airline's receipt of notice.

(m) Airline shall fail to obtain and maintain the insurance required by the Airline Lease Agreement, or provide copies of the policies or certificates (including without limitation those related to renewals of such coverages) to Authority as required and, only with respect to providing copies of the policies or certificates, the failure to provide the copies shall continue for five days beyond Airline's receipt of a written notice from Authority of such breach or default.

(n) Airline shall fail to keep, perform and observe each and every other promise, representation, covenant and agreement set forth in the Airline Lease Agreement, and such failure shall continue for a period of more than ten days after the President/CEO's delivery of written notice of such failure or, if satisfaction of such obligation requires activity over a period of time, if Airline fails to commence the cure of such failure within ten days after Airline's receipt of such notice, or thereafter fails to diligently prosecute such cure, or fails to actually cause such cure within 60 days of the President/CEO's delivery of such notice.

***Authority's Remedies.***

**General Remedies – Applicable to All Portions of the Premises.**

(a) Whenever any Event of Default shall occur (other than a default pursuant to clause (a) under the caption "Airline Default" above upon which termination of the Airline Lease Agreement, at Authority's option, shall be effective immediately without further notice), the Airline Lease Agreement and all of Airline's rights under the Airline Lease Agreement shall terminate if the written notice of default so provides. Authority shall be entitled to recover Termination Damages from Airline, together with interest on all Termination Damages at the rate of 18% per annum, or the maximum rate permitted by Applicable Laws, whichever is lower, from the date such Termination Damages are incurred by Authority.

(b) In addition to Termination Damages, and notwithstanding termination, Airline's liability for Future Charges shall not be extinguished, and Airline agrees that Authority shall be entitled, upon termination for an Event of Default, to collect as additional damages a Rental Deficiency so long as Authority is using commercially reasonable efforts to mitigate its damages; provided, however, that the obligation of Authority to use commercially reasonable efforts to mitigate its damages shall not be construed to require Authority to rent all or any portion of the Premises for a use or to a tenant that is not consistent with the Airline Lease Agreement or

Authority's current or future business needs or requirements for the Airport, or to prioritize the renting of all or any portion of the Premises over other space that Authority may have available at the Airport. As used in this section, a "Rental Deficiency" shall mean: an amount or amounts equal to Future Charges less the amount or amounts of rental, if any, that Authority shall actually receive during the remainder of the Term from others to whom the Premises may be rented, in which case such Rental Deficiency shall be computed and payable at Authority's option either: (i) in an accelerated lump sum payment discounted to present value or (ii) in monthly installments, in advance, on the first day of each calendar month following termination of the Agreement, and continuing until the date on which the Term would have expired but for such termination. Any suit or action brought to collect any portion of Rental Deficiency attributable to any particular month or months shall not in any manner prejudice Authority's right to collect any portion of Rental Deficiency by a similar proceeding.

(c) If such Event of Default relates to Airline's Exclusive Use Premises, Authority may re-enter the Exclusive Use Premises upon termination, take exclusive possession of any such Exclusive Use Premises, and remove all persons and property therefrom without Authority being liable to Airline for damage or loss thereby sustained by Airline. Authority shall be entitled to recover from Airline, in addition to Termination Damages and Rental Deficiency, Additional Termination Damages, together with interest on all Additional Termination Damages at the rate of 18% per annum, or the maximum rate permitted by Applicable Laws, whichever is lower, from the date such Additional Termination Damages are incurred by Authority. Airline shall have no right to or claim upon any improvements that may have been previously installed by Airline in or on the Exclusive Use.

(d) If the Airline Lease Agreement terminates as a result of Airline's default, Authority shall use commercially reasonable efforts (as described paragraph (b) above) to relet the Exclusive Use or any part thereof, alone or together with other Exclusive Use, for such term or terms and for such use or uses as Authority in its sole discretion may determine. Airline's obligations under the Airline Lease Agreement shall not be discharged by reason or failure of Authority to relet the Exclusive Use Premises.

(e) Except as specifically provided in the Airline Lease Agreement, Authority's action pursuant to this section shall not in any way limit Authority in the pursuit of any other additional right or remedy available to Authority in law or in equity by reason of Airline's default.

**Termination.** The Airline Lease Agreement may be terminated in advance of its Expiration Date in the following events:

(a) If Authority, in its sole discretion, shall require the use of the Premises or any substantial portion thereof for a major capital improvement for public or private use in connection with Authority's business, Authority may terminate the Airline Lease Agreement by written notice delivered or mailed by Authority to Airline not less than one year before the termination date specified in the notice; provided, however, that if the Airline Lease Agreement is terminated under this paragraph (a), Authority shall reimburse Airline for the unamortized costs of any improvements to the Terminal constructed by Airline with Authority's consent during the Term; and provided further that the costs of any such improvements shall be amortized base on generally accepted accounting principles, unless Authority has previously reimbursed Airline for the costs of such improvements; or

(b) If any federal, state or local government, or agency or instrumentality thereof, shall, by condemnation or deed or conveyance in lieu thereof, take title, possession, or the right to

possession of the Premises or any substantial portion thereof, Authority may, at its option, terminate the Airline Lease Agreement as of the date of such taking; or

(c) If any court having jurisdiction shall render a decision that has become final and will permanently or for a substantial period of time prevent Authority's performance of any of its material obligations under the Airline Lease Agreement, either party hereto may terminate the Airline Lease Agreement by written notice. This right of termination shall be and remain effective whether or not Authority, by taking affirmative action or by inaction, could have prevented the rendering of the decision, or could have caused the decision to be vacated before it became final.

If the Airline Lease Agreement is terminated under paragraph (a) through (c) above, all rights and obligations of the parties shall terminate (with the exception of (i) any undischarged rights and obligations that accrued prior to the effective date of such termination and (ii) any rights and obligations that the Airline Lease Agreement states shall survive such termination), and if Airline is not in default under the Airline Lease Agreement on the effective date of termination, any Airline Rent, Fees and Charges prepaid by Airline shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Airline.

***Authority's Right to Perform.*** All agreements and obligations to be performed by Airline under the Airline Lease Agreement shall be at Airline's sole cost and expense and without any abatement of Airline Rent, Fees and Charges. If Airline shall fail to make any payment or perform any act required to be performed under the Airline Lease Agreement, and such failure shall continue for ten days after Authority's notice thereof, Authority may, but shall not be obligated to, and without waiving or releasing Airline from any of its obligations, make any such payment or perform any such act on Airline's behalf. All sums so paid by Authority and all necessary incidental costs shall be deemed additional Airline Rent, Fees and Charges under the Airline Lease Agreement, payable to Authority on demand, and Authority shall have (in addition to any other right or remedy of Authority) the same rights and remedies in the event of the nonpayment thereof by Airline as in the case of Airline's default in the payment of Airline Rent, Fees and Charges.

***Airline's Rights Related to Termination.*** In the event of any termination based on any breach by Airline of the covenants, terms and conditions contained in the Airline Lease Agreement, all of Airline's rights, powers and privileges under the Airline Lease Agreement shall cease, and Airline shall immediately vacate any portions of the Premises it occupies under the Airline Lease Agreement. Airline shall have no claim of any kind whatsoever against Authority by reason of such termination, or by reason of any act by Authority related to such termination.

***Bankruptcy.*** In no event shall the Airline Lease Agreement or any rights or privileges under the Airline Lease Agreement be an asset of Airline under any bankruptcy, insolvency or reorganization proceedings. To the extent consistent with and permitted under the United States Bankruptcy Code or similar debtor relief laws, if Airline seeks protection under the United States Bankruptcy Code or similar debtor relief laws, or is currently operating under the protection of the United States Bankruptcy Code or other similar debtor relief laws, Airline will comply with every provision of the Airline Lease Agreement as and when required under the Airline Lease Agreement, including without limitation performing any required remediation relating to any environmental matter pursuant to Airline's obligations under Article 23 which arose prior to or arises during the course of Airline's bankruptcy case. No Air Carrier will be allowed to assume the Airline Lease Agreement without performing any required remediation as part of the cure of any Event of Default under the Airline Lease Agreement.

## **Surrender of Possession; Holding Over**

***Surrender.*** Airline covenants and agrees to surrender possession of the Premises or a portion of the Premises, as applicable, upon (a) termination of the Airline Lease Agreement; (b) partial termination of Premises under the provisions of the Airline Lease Agreement; (c) the effective date of Authority's relocation, reallocation or recapture of all or any portion of the Premises under the provisions of the Airline Lease Agreement; (d) termination of any holdover period; or (e) expiration of the Term in as good condition as on the Effective Date (or in the case of improvements or alterations made or fixtures installed subsequent thereto, then as of the date of such improvements, alternations, or fixtures were made or installed), reasonable wear and tear, and damage from casualty as described the Airline Lease Agreement resulting in the termination or partial termination of the Airline Lease Agreement, and repairs that are the responsibility of Authority, excepted. No act or thing done by Authority during the Term shall be deemed acceptance of a surrender of the Premises, and no agreement to accept such surrender shall be valid, unless in writing and signed by Authority.

***Holding Over.*** In the event Airline holds over its tenancy of all or any portion of the Premises beyond the expiration date of the Airline Lease Agreement with Authority's approval, the Airline Lease Agreement shall be deemed to be a month-to-month tenancy, terminable on thirty days' written notice given at any time by either party. During any month-to-month tenancy, Airline shall pay all Airline Rents, Fees and Charges required by the Airline Lease Agreement which shall be paid in accordance with the most current rent and landing fees schedules. All provisions of the Airline Lease Agreement shall apply to the month-to-month tenancy.

## **Miscellaneous Provisions**

***Taxes.*** The Airline Lease Agreement may result in or create a taxable possessory interest and be subject to the payment of property taxes.

Airline shall be liable for, and shall pay throughout the Term, all taxes payable for, or on account of: (a) the activities conducted by Airline on the Airport; (b) all taxes, if any, on the personal property of Airline on or at the Premises; (c) taxes, if any, on any property interest of Airline in the Premises created by the Airline Lease Agreement; (d) any taxes levied in lieu of a tax on any such property interest; and (e) any sales, use, or other taxes levied on, or measured by, the Airline Rent, Fees and Charges and any other fees and charges payable under the Airline Lease Agreement, whether imposed on Airline or on Authority.

Airline shall reimburse Authority for all such taxes paid or payable by Authority. With respect to any such taxes payable by Authority that are levied on, or measured by, the Airline Rent, Fees and Charges or any other fees or charges payable under the Airline Lease Agreement, Airline shall pay to Authority with each payment an amount equal to the tax levied on, or measured by, that particular payment. All other tax amounts for which Authority is or will be entitled to reimbursement from Airline shall be payable by Airline to Authority at least 15 days prior to the due dates of the respective tax amounts involved; provided that Airline shall be entitled to a minimum of ten days' written notice of the amounts payable by Airline.

Airline may contest, in its own name or the name of Authority, the validity or amount of any tax it shall be required to pay to a taxing entity; provided, however, that Airline shall defend, indemnify and hold Authority harmless from all liability and expense arising from such contest, which obligations shall survive expiration or earlier termination of the Airline Lease Agreement and shall provide security satisfactory to Authority for its performance of such indemnification obligation. Airline shall not permit a lien or encumbrance to attach to the Premises or the Airport by reason of any failure to pay taxes.



***Liens and Encumbrances.*** Airline shall keep the Premises free and clear of any liens and encumbrances arising or growing out of Airline's use and occupancy of the Premises or activities at the Airport. Airline agrees that it will at all times indemnify, defend and hold harmless Authority from and against all claims, encumbrances, stop notices, levies and liens ("Indemnified Lien Claims") for labor, services, or materials in connection with improvements, repairs, or alterations made by Airline or its subtenants, contractors, and agents on the Premises, and for the costs of defending against such claims, including reasonable attorney's fees and court costs. The indemnification and other obligations under this section shall survive expiration or earlier termination of the Airline Lease Agreement.

In the event that any Indemnified Lien Claim caused by Airline or its subtenants, contractors, and agents, is filed against the Premises or the leasehold interests of Airline therein, Airline shall, upon written request of Authority, make immediate payment in full of all claims upon which said claim has been filed. In the event Airline contests the Indemnified Lien Claim, Airline shall deposit with Authority a bond conditioned for the payment in full of all claims upon which said claim has been filed. Such surety bond shall be acknowledged by Airline as principal and by a corporation, licensed by the Insurance Commissioner of the State of California to transact the business of a fidelity and surety insurance company, as surety. Authority shall have the right to declare the Airline Lease Agreement in default in the event the bond required by this Article has not been deposited with Authority within ten days after written request has been delivered to Airline.

This provision shall not apply to a foreclosure of a trust deed or mortgage encumbering the leasehold if it has been consented to by Authority as provided in the Airline Lease Agreement.

***Depreciation and Investment Credit.*** Neither Airline nor any successor of Airline under the Airline Lease Agreement may claim depreciation or an investment credit under the Internal Revenue Code of 1954, as amended, with respect to Authority-owned improvements in the Premises, the Terminal or other leased facilities. Airline represents that it has made an election under Proposed Treasury Regulations §1.103(n)-1T through §1.103(n)-6T not to claim such depreciation or investment credit with respect to such Authority-owned improvements in the Premises or other leased facilities and agrees that it will retain copies of said election in its records. Authority acknowledges receipt of a copy of said election and agrees that it will retain copies of said election in its records.

***SEC Rule 15c2-12.*** Airline, upon Authority's request, shall provide to Authority such information as Authority may reasonably request in writing to comply with Authority's continuing disclosure requirements under SEC Rule 15c2-12, as it may be amended from time to time, provided, however, that Airline may, in lieu of providing the requested information, direct Authority to an Airline or SEC website where the requested information is then currently available.

## APPENDIX E

### PROPOSED FORM OF BOND COUNSEL'S OPINION

April 8, 2020

San Diego County Regional Airport Authority  
San Diego, California

\$26,145,000	\$189,090,000
San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds Series 2020A (Governmental/Non-AMT)	San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds Series 2020B (Private Activity/Non-AMT)
\$26,405,000	
San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds Series 2020C (Private Activity/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) \$26,145,000 aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2020A (Governmental/Non-AMT) (the "Subordinate Series 2020A Bonds"), (b) \$189,090,000 aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2020B (Private Activity/Non-AMT) (the "Subordinate Series 2020B Bonds"), and (c) \$26,405,000 aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2020C (Private Activity/AMT) (the "Subordinate Series 2020C Bonds," and collectively with the Subordinate Series 2020A Bonds and the Subordinate Series 2020B Bonds, the "Subordinate Series 2020 Bonds"). The Subordinate Series 2020 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 Seventh Supplemental Subordinate Trust Indenture, dated as of April 1, 2020 (the "Seventh Supplemental Subordinate Indenture," and together with the Master Subordinate Indenture, the "Subordinate Indenture"), by and between the Authority and the Subordinate Trustee. Issuance of the Subordinate Series 2020 Bonds has been authorized by Resolution No. 2019-0103 adopted by the board of directors of the Authority on November 7, 2019 (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 2020 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 Seventh 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 December 11, 2019, relating to the Subordinate Series 2020 Bonds and other matters (the “Tax Certificate”); (f) certifications of the Authority, the Subordinate Trustee, Citigroup Global Markets Inc., as representative of the underwriters of the Subordinate Series 2020 Bonds (the “Underwriters”), and others; (g) opinions of the Authority’s General Counsel, counsel to the Subordinate Trustee, and counsel to the Underwriters; (h) an executed copy of the Escrow Agreement, dated April 8, 2020, by and between the Authority and the Subordinate Trustee, as trustee and escrow agent, with respect to the Refunded Subordinate Series 2010A Bonds and the Refunded Subordinate Series 2010B Bonds; (i) a copy of the Verification Report, dated April 8, 2020, by Robert Thomas CPA, LLC; and (j) 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 2020 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 2020 Bonds or the Subordinate Indenture. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated November 14, 2019, the Updated Official Statement dated March 27, 2020, or any other offering material relating to the Subordinate Series 2020 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 2020 Bonds have been duly authorized and all legal conditions precedent to the issuance and delivery of the Subordinate Series 2020 Bonds have been fulfilled.

2. The Subordinate Series 2020 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 Seventh 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 2020 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 2020 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 2020 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 2020 Bonds.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2020A Bonds is excluded from gross income for federal income tax purposes. Interest on the Subordinate Series 2020A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

6. Under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2020B 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 2020B Bond for any period during which such Subordinate Series 2020B Bond is held by a person who is a “substantial user” of the facilities refinanced by the Subordinate Series 2020B 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 2020B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

7. Under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2020C 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 2020C Bond for any period during which such Subordinate Series 2020C Bond is held by a person who is a “substantial user” of the facilities refinanced by the Subordinate Series 2020C Bonds or a “related person” to such substantial user within the meaning of Section 147(a) of the Code. Interest on the Subordinate Series 2020C Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals.

8. Under existing laws, interest on the Subordinate Series 2020 Bonds is exempt from present State of California personal income taxes.

The opinions set forth in numbered paragraphs 5, 6 and 7 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 2020 Bonds to be included in gross income retroactive to the date of issue of the Subordinate Series 2020 Bonds. Although we are of the opinion that interest on the Subordinate Series 2020 Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Subordinate Series 2020 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 2020 Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

## APPENDIX F

### 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 Refunding Bonds, Series 2020A (Governmental/Non-AMT) (the “*Subordinate Series 2020A Bonds*”), San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2020B (Private Activity/Non-AMT) (the “*Subordinate Series 2020B Bonds*”), and San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2020C (Private Activity/AMT) (the “*Subordinate Series 2020C Bonds*,” and collectively with the Subordinate Series 2020A Bonds and the Subordinate Series 2020B Bonds, the “*Subordinate Series 2020 Bonds*”). The Subordinate Series 2020 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 Seventh Supplemental Subordinate Trust Indenture, dated as of April 1, 2020 (the “*Seventh 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 2020 Bonds have been authorized by Resolution No. 2019-0103 adopted by the board of directors of the Authority on November 7, 2019 (the “*Resolution*”). The Subordinate Series 2020 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 2020 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 2020 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

**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 2020 Bonds (including persons holding Subordinate Series 2020 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Subordinate Series 2020 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.

“*Financial Obligation*” shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and Section (5)(b)(8) of this Certificate, a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“*Holder*” means either the registered owners of the Subordinate Series 2020 Bonds, or if the Subordinate Series 2020 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 2020 Bonds, the Authority is the only Obligated Person.

“*Official Statement*” means the Updated Official Statement, dated March 27, 2020, prepared and distributed in connection with the initial sale of the Subordinate Series 2020 Bonds.

“*Participating Underwriter*” means any of the original underwriters of the Subordinate Series 2020 Bonds required to comply with the Rule in connection with the offering of the Subordinate Series 2020 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, 2020. 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 2020 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 2020 Bonds, the Subordinate Series 2010 Bonds, the Subordinate Series 2017 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 18 — San Diego County Regional Airport Authority, Approved PFC Applications; and
- (xvii) Table 19 — 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 2020 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 2020 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 2020 Bonds;
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the Obligated Person; or
10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Department, any of which reflect financial difficulties.

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 2020 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 2020 Bonds or other material events affecting the tax status of the Subordinate Series 2020 Bonds;
2. Modifications to rights of the Beneficial Owners or Holders of the Subordinate Series 2020 Bonds;

3. Optional, unscheduled or contingent bond calls;
4. Release, substitution or sale of property securing repayment of the Subordinate Series 2020 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;
7. Appointment of a successor or additional trustee or the change of name of a trustee; or
8. Incurrence of a Financial Obligation of the Authority, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect security holders;

(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 2020 Bonds pursuant to the Subordinate Indenture.

(f) The Authority intends to comply with the Listed Events described in Section 5(a)(10) and Section 5(b)(8), and the definition of “Financial Obligation” in Section 2, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the SEC in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the SEC or its staff with respect the amendments to the Rule effected by the 2018 Release.

**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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 8<sup>th</sup> day of April, 2020.

SAN DIEGO COUNTY REGIONAL AIRPORT  
AUTHORITY

By \_\_\_\_\_  
Scott M. Brickner  
Vice President, Chief Financial Officer

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 Refunding Bonds, Series 2020A  
(Governmental/Non-AMT)

Subordinate Airport Revenue Refunding Bonds, Series 2020B (Private  
Activity/Non-AMT)

Subordinate Airport Revenue Refunding Bonds, Series 2020C (Private  
Activity/AMT)

Date of Issuance: April 8, 2020

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 April 8, 2020, 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

[PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX G

### 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 2020 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 2020 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 2020 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 2020 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SUBORDINATE SERIES 2020 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

#### General

DTC will act as securities depository for the Subordinate Series 2020 Bonds. The Subordinate Series 2020 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 2020 Bond certificate will be issued for each maturity of the Subordinate Series 2020 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](http://www.dtcc.com).

Purchases of the Subordinate Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Subordinate Series 2020 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Subordinate Series 2020 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 2020 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 2020 Bonds, except in the event that use of the book-entry system for the Subordinate Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Subordinate Series 2020 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 2020 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 2020 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Subordinate Series 2020 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 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Subordinate Series 2020 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Subordinate Series 2020 Bond documents. For example, Beneficial Owners of Subordinate Series 2020 Bonds may wish to ascertain that the nominee holding the Subordinate Series 2020 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 2020 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Subordinate Series 2020 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 2020 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 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Subordinate Series 2020 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 2020 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 2020 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 2020 Bonds will be printed and delivered to DTC.

The information in this Appendix G 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 2020 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.**

[PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX H**

**FORM OF INVESTOR DELAYED DELIVERY CONTRACT**

**DELAYED DELIVERY CONTRACT**

[Date]

Citigroup Global Markets Inc.,  
as Representative of the Underwriters

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**

<b>\$26,145,000</b>	<b>\$189,090,000</b>	<b>\$26,405,000</b>
<b>Subordinate Airport Revenue Refunding Bonds Series 2020A (Governmental/Non-AMT)</b>	<b>Subordinate Airport Revenue Refunding Bonds Series 2020B (Private Activity/Non-AMT)</b>	<b>Subordinate Airport Revenue Refunding Bonds Series 2020C (Private Activity/AMT)</b>

Ladies and Gentlemen:

The undersigned (the “Purchaser”) hereby agrees to purchase from Citigroup Global Markets Inc., (the “Representative”) as representative of itself and the Underwriters set forth in the Forward Delivery Purchase Contract (defined below) (the “Underwriters”) when, as, and if issued and delivered to the Underwriters by the San Diego County Regional Airport Authority (the “Issuer”) and the Representative agrees to sell to the Purchaser the Bonds described in the table below (the “Purchased Bonds”):

<u>Series</u>	<u>Par Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP* Number</u>
---------------	-------------------	--------------------------	----------------------	--------------	--------------------------

The Bonds are offered by the Issuer pursuant to the Preliminary Official Statement dated November 7, 2019 (the “Preliminary Official Statement”) and the Official Statement dated November 14, 2019 (the “Official Statement”). The Purchased Bonds will be purchased by the Purchaser at the purchase price, at the interest rates, principal amounts, and maturity dates shown above, and on the further terms and conditions set forth in the Forward Delivery Purchase Contract (as defined below) and this Delayed Delivery Contract. Any capitalized term not otherwise defined herein shall have the respective meaning given to such term as set forth in the Official Statement.

The Purchaser acknowledges that it has reviewed the Preliminary Official Statement and will review the Official Statement (including without limitation the section entitled “DELAYED DELIVERY OF THE SUBORDINATE SERIES 2020 BONDS”), has considered the risks associated with purchasing

\* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

the Purchased Bonds (including but not limited to the risks described in the Official Statement under the caption “DELAYED DELIVERY OF THE SUBORDINATE SERIES 2020 BONDS- Certain Risks Related to the Delayed Delivery”) and is duly authorized to purchase the Purchased Bonds.

The Issuer has entered into a forward delivery bond purchase contract (the “Forward Delivery Purchase Contract”) dated November 14, 2019 (the “Sale Date”) for the Bonds with the Representative. Subject to the terms of the Forward Delivery Purchase Contract, the Issuer expects to issue and deliver the Bonds on the Settlement Date. The obligation of the Underwriters to purchase the Bonds from the Issuer is subject to the satisfaction of certain conditions on December 11, 2019 (the “Preliminary Closing Date”), and on the Settlement Date (as defined below).

The Purchaser acknowledges and agrees that the Purchased Bonds are being sold on a “forward” basis, and the Purchaser hereby purchases and agrees to accept delivery of such Purchased Bonds from the Underwriters on or about April 8, 2020 (or such later date as may be agreed to by the Representative and the Issuer) (the “2020 Settlement Date”) as they may be issued and delivered in accordance with the Forward Delivery Bond Purchase Agreement. Such payment and delivery is herein called the “Settlement.”

Payment for the Purchased Bonds shall be made to the Representative or upon its order on the 2020 Settlement Date upon delivery to the Purchaser of the Purchased Bonds through the book-entry system of The Depository Trust Company. The Purchaser agrees that in no event shall the Underwriters be responsible or liable for any claim or loss, whether direct or consequential, which the Purchaser may suffer in the event the Issuer does not for any reason issue and deliver the Purchased Bonds.

Pursuant to the Forward Delivery Bond Purchase Agreement, the Issuer has agreed to amend the Official Statement (the “Updated Official Statement”) to the extent necessary to assure its accuracy as of a date not more than twenty-five (25) and not less than ten (10) days prior to the 2020 Settlement Date, and to provide the Updated Official Statement to the Underwriters at such time.

Upon Settlement, the obligation of the Purchaser to take delivery of the Purchased Bonds hereunder shall be unconditional. The Purchaser may terminate its obligation to purchase the Purchased Bonds in the event that between Preliminary Closing Date and the 2020 Settlement Date, one of the following events shall have occurred and the Purchaser has notified the Underwriters in writing as provided herein:

- (a) At any time following the Closing but prior to the Settlement, the Representative may terminate this Purchase Contract without liability therefor by notification to the Issuer if at any time on or after Closing and on or prior to Settlement:
  - (i) a Change of Law (as defined below) shall have occurred;
  - (ii) the House of Representatives or the Senate of the Congress of the United States, or a committee of either, shall have pending before it, or shall have passed or recommended favorably, legislation which, if enacted in the form as introduced or as amended, would have the purpose or effect of imposing federal income taxation upon revenues or other income of the general character to be derived by the Issuer or causing interest on the Series 2020 Bonds to be includable in whole or in part in gross income for purposes of federal income taxation;
  - (iii) for any other reason on the 2020 Settlement Date, Bond Counsel cannot issue its opinion substantially in the form and to the effect attached as Appendix E to the Official Statement;

(iv) the Official Statement, as of the Preliminary Closing Date, or the Updated Official Statement, as of its date or as of the 2020 Settlement Date, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(v) legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the SEC which has the effect of requiring the Series 2020 Bonds to be registered under the Securities Act or requires the qualification of the Subordinate Indenture under the Trust Indenture Act;

(vi) for any reason, including a Change in Law, the issuance, offering, or sale of the Series 2020 Bonds as contemplated by this Purchase Contract or by the Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act, the Exchange Act or the Trust Indenture Act;

(vii) a general banking moratorium has been declared by federal, New York or California authorities and it is in effect as of the 2020 Settlement Date;

(viii) a material event of default has occurred and is continuing on the 2020 Settlement Date under the Subordinate Indenture; or

(ix) as of the 2020 Settlement Date, the Series 2020 Bonds are not rated (or any rating is suspended) by either S&P or Fitch.

(b) “**Change of Law**” shall mean (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies, (ii) any legislation enacted by the Congress of the United States or recommended for passage by the President of the United States (if such enacted legislation or recommended legislation has a proposed effective date which is on or before the 2020 Settlement Date), (iii) any law, rule or regulation enacted by any governmental body, department or agency (if such enacted law, rule or regulation has a proposed effective date which is on or before the 2020 Settlement Date), or (iv) any judgment, ruling or order issued by any court or administrative body, which in any such case, would, (A) as to the Underwriters, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) their purchase of the Series 2020 Bonds as provided in this Purchase Contract or their sale of the Series 2020 Bonds or beneficial ownership interests therein to the public, or (B) as to the Issuer, make illegal the issuance, sale or delivery of the Series 2020 Bonds (or have the retroactive effect of making illegal such issuance, sale or delivery, if enacted, adopted, passed or finalized).

The Purchaser represents and warrants that, as of the date of this Delayed Delivery Contract, the Purchaser is not prohibited from purchasing the Bonds hereby agreed to be purchased by it under the laws of the jurisdiction to which the Purchaser is subject. This Delayed Delivery Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party without the written consent of the other. The Purchaser acknowledges that the Representative is entering into the Forward Delivery Purchase Contract with the Issuer to purchase the Bonds in reliance in part on the performance by the Purchaser of its obligations hereunder. This Delayed Delivery Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

The Purchaser acknowledges and agrees that the Purchased Bonds are being sold on a “forward” or “forward delivery” basis for delivery on the 2020 Settlement Date and that the Purchaser is obligated to take up and pay for the Purchased Bonds on the 2020 Settlement Date unless the Underwriters terminates the Forward Delivery Purchase Contract or the Purchaser terminates its obligation to purchase the Purchased Bonds as described herein. To effect a termination by the Purchaser, the Purchaser acknowledges and agrees that it must give written notice of termination of this Forward Delivery Contract to the Representative before the 2020 Settlement Date. The Purchaser understands and agrees that no termination of the obligation of the Purchaser may occur after the 2020 Settlement Date. The Purchaser is not a third party beneficiary under the Forward Delivery Agreement and has no rights to enforce, or cause the Underwriters to enforce, any of the terms thereof. The Purchaser acknowledges that it will not be able to withdraw its order except as described herein, and will not otherwise be excused from performance of its obligations to take up and pay for the Purchased Bonds on the 2020 Settlement Date because of market or credit changes, including specifically, but not limited to (a) changes in the ratings assigned to the Purchased Bonds or changes in the credit associated with the Purchased Bonds generally, and (b) changes in the financial condition and operations of the Issuer. The Purchaser acknowledges and agrees that it will remain obligated to purchase the Purchased Bonds in accordance with the terms hereof, even if the Purchaser decides to sell such Purchased Bonds following the date hereof, unless the Purchaser sells Purchased Bonds to another institution with the prior written consent of the Representative and such institution provides a written acknowledgment of confirmation of purchase order and a Delayed Delivery Contract in the same respective forms as that executed by the Purchaser.

The Purchaser agrees that it will at all times satisfy the minimum initial and maintenance margin requirements of Regulation T of the Board of Governors of the Federal Reserve System, Rule 431 of the New York Governors of the Federal Reserve System, Rule 431 of the New York Stock Exchange, Inc., and any other margin regulations applicable to the Representative.

It is understood that the acceptance by the Representative of any Delayed Delivery Contract (including this one) is in the Representative’s sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a first-come, first-served basis. If this Delayed Delivery Contract is acceptable to the Representative, it is requested that the Representative sign the form of acceptance below and mail or deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Representative and the Purchaser when such counterpart is so mailed or delivered by the Representative. This Delayed Delivery Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

This Delayed Delivery Contract shall be construed and administered under the laws of the State of New York.

[PURCHASER]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
Address

\_\_\_\_\_  
Telephone

Accepted: \_\_\_\_\_

CITIGROUP GLOBAL MARKETS INC.,  
as Representative for the Underwriters

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
Address

\_\_\_\_\_  
Telephone



[PAGE INTENTIONALLY LEFT BLANK]



