# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

SAN DIEGO, CALIFORNIA

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2021 & 2020


SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

SAN DIEGO, CALIFORNIA

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2021 & 2020

PREPARED BY

ACCOUNTING DEPARTMENT OF THE
SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

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SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SAN DIEGO, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 & 2020

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# INTRODUCTORY SECTION

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SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
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SAN DIEGO INTERNATIONAL AIRPORT
LET'S GO.

**October 20, 2021**
**To Members of the Board and the Public:**

We are pleased to present the Annual Comprehensive Financial Report of the San Diego County Regional Airport Authority ("Airport Authority") for the fiscal years ended June 30, 2021 and 2020. The purpose of this report is to provide the Airport Authority Board, the public and other interested parties with reliable information concerning the financial condition and results of the operations of the Airport Authority. The Airport Authority's Accounting Department prepared this report following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).Responsibility for the accuracy, completeness and fairness of the presented data, including all disclosures, rests with the Airport Authority management.

To the best of our knowledge and belief, this report fairly presents and fully discloses the Airport Authority's financial position, changes in financial position, results of operations and cash flows in accordance with generally accepted accounting principles (GAAP) in the United States of America.

The Airport Authority has established and maintains a comprehensive framework of internal controls to provide reasonable assurance that assets are properly safeguarded, transactions are properly executed, and the financial statements are free from material misstatement.

The Airport Authority engaged the Certified Public Accounting firm BKD, LLP to perform the annual independent audit of the basic financial statements contained in this report. The auditors issued an unmodified (or clean) opinion on the Airport Authority's financial statements for the fiscal years ended June 30, 2021 and 2020.

GAAP requires that management provide a narrative overview and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A) section. This letter of transmittal should be read in conjunction with the MD&A, which can be found immediately following the report of the independent auditors in the Financial Section of this report.

## PROFILE OF AIRPORT AUTHORITY AND ORGANIZATIONAL STRUCTURE

The Airport Authority began operations on January 1, 2003, as an independent agency to manage the operations of San Diego International Airport (SAN) and address the region's long-term air transportation needs.

The legislation that created the Airport Authority mandates three main responsibilities:

- Operate San Diego International Airport
- Plan for the future air transportation needs of the region
- Serve as the region's Airport Land Use Commission – and ensure the adoption of land use plans that protect public health and safety surrounding all 16 of the county's airports

The Airport Authority is governed by an appointed Board of Directors of nine members representing all areas of San Diego County and three additional members serving as non-voting, ex-officio Board members. Three Board members serve as the Executive Committee consisting of one Board member from each of the following "defined jurisdictions": the City of San Diego, the County of San Diego, and one Board member from among the east county cities, south county cities, north county coastal or north county inland cities. The Board members serve three-year terms.

The management and operations of SAN are carried out by a staff headed by the President/ Chief Executive Officer, who is appointed by and reports directly to the Airport Authority Board of Directors ("Board").

## ECONOMIC CONDITION

In addition to overwhelming health and economic impacts, the COVID-19 pandemic caused an unprecedented global transportation crisis. Many of years of sustained growth abruptly ended in March of 2020, throwing the air travel industry into survival mode due to the devastating loss of passenger traffic and revenues. Yet, as travel and tourism are both dependent upon, and vital pieces of, the global economy, the industry is expected to recover. Signs of the recovery are well under way, but how long recovery to pre-pandemic numbers will take is still unknown.

In March 2021, we began to see an increase in passengers and activity. Japan Airlines resumed its nonstop service between SAN and Tokyo in March 2021. A combination of people being more confident to travel, new destination offerings being added, and pent-up demand contributed to monthly passenger increases through the spring and summer months. By the end of FY 2021, most domestic, Canadian, and Mexican routes had been recovered and some of the lost international service was supplanted with additional new domestic routes. The Air Trade Area for SAN includes San Diego County as well as portions of neighboring Orange, Imperial and Riverside Counties, and Baja California, Mexico.

US Gross Domestic Product (GDP) growth in the first two quarters of 2021 was 6.3 percent and 6.6 percent respectively. The increase in second quarter GDP reflected the continued economic recovery, reopening of establishments, and continued government response related to the COVID-19 pandemic.

The Census Bureau estimates the population of San Diego County to be 3.32 million as of July 1, 2021. The county is the second largest in California, in terms of population, and the City of San Diego ranks as the second largest city in the state. The majority of the county's population is concentrated in its western portion adjacent to the ocean. The largest cities in the county are San Diego (42%), Chula Vista (3 percent), Oceanside (5 percent), Escondido (5 percent), Carlsbad (3 percent), El Cajon (3 percent), and Vista (3 percent). The combined San Diego/Tijuana metropolitan population is estimated to be approximately 5.4 million inhabitants.

Although the impact from the COVID-19 pandemic was pervasive and substantial, San Diego County's economic climate has remained relatively stable. According to the U.S. Bureau of Labor Statistics, the county's average unemployment rate for June 2021 was 7.0 percent compared to 13.8 percent in June 2020. California's unemployment rate was 7.7 percent in June 2021 and 13.7 percent in June 2020, and the national unemployment rate was 5.9 percent as of June 2021 compared to 10.5 percent as of June 2020. See the Statistical Section for additional economic information.

San Diego has always been a desirable place to visit and do business and the Airport Authority is optimistic that with vaccinations available and continued health and safety measures being implemented, the public will continue to gain confidence and take to the skies again. The Authority implemented our Financial Resilience Plan at the beginning of the pandemic, which included a hiring freeze, delay of capital project implementation, and focus on essential spending only, among other measures. While some of these measures have been relaxed with the increase in passenger traffic, the Authority will continue to ensure our financial stability through conservative spending, careful monitoring and responsible planning.

## SAN ADDS SEVERAL NEW AIR SERVICE ROUTES

Despite the challenges brought on by COVID-19, San Diego International Airport welcomed several new air service routes and restored many that had been suspended in FY 2021. Today SAN offers more service to Hawaii than ever before.

Southwest Airlines continued to be the number one carrier at SAN. In addition to new nonstop service to Norfolk, Virginia, in November 2020, Southwest celebrated the inaugural nonstop flight to Honolulu, Hawaii and later added three new flights to Kahului, Maui, Kona, Island of Hawaii and Lihue, Kauai.

Alaska Airlines service continues to grow and now has 33 nonstop destinations from SAN. New routes include nonstop service to Missoula, Montana, New York City and Fort Lauderdale, Florida. The airline also added nonstop service to Santa Barbara, along with seasonal non-stop flights to Jackson Hole, Wyoming, Bozeman and Kalispell, Montana. Alaska was also the first carrier to resume international service to Mexico and added a new route to Cancún.

Allegiant Air added five new seasonal routes to Kalispell, Montana, Pasco, Washington, Bozeman, Montana, Des Moines, Iowa and Mesa Arizona. JetBlue began nonstop service to Newark, New Jersey in August 2020, marking the first new route following the start of the pandemic in March 2020.

In March 2021 after a year for being suspended, Japan Airlines resumed nonstop flights between Tokyo, Japan and British Airways' flights to London returned in October 2021.

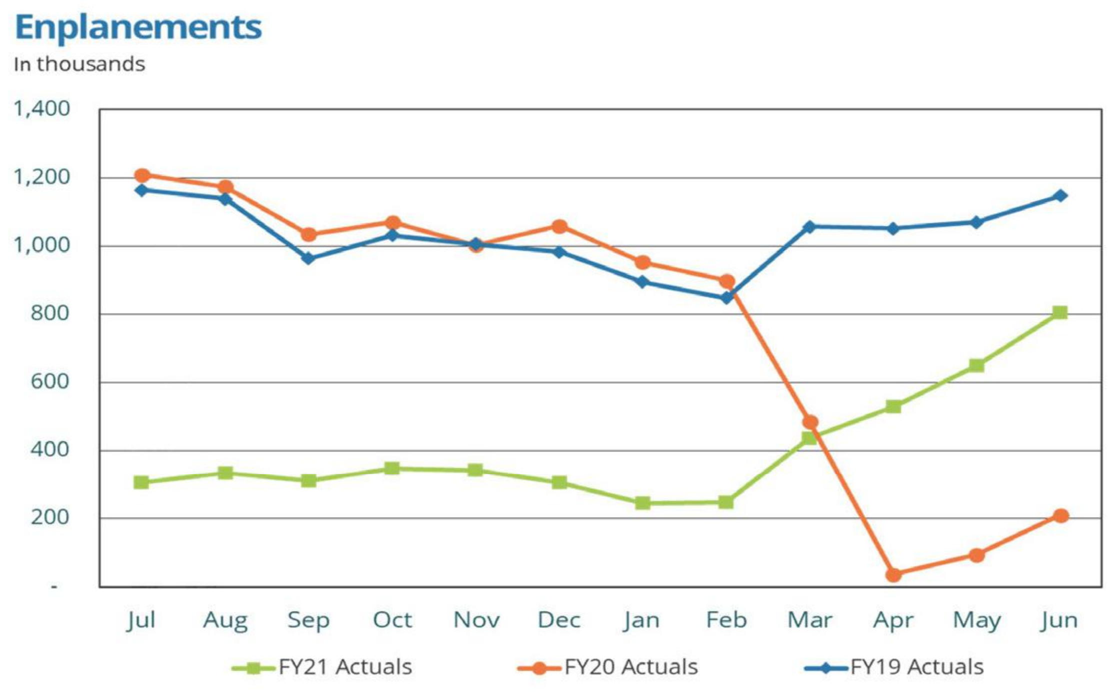
Looking ahead to fall 2021, SAN will welcome Canadian-based ultra-low-cost carrier Swoop, through seasonal service from Edmonton, Alberta, Canada from October to April 2022.

## SAN DIEGO INTERNATIONAL AIRPORT PERSEVERES THROUGH THE PANDEMIC

2020 was a difficult year for the aviation industry, with sudden and lasting decreases in passenger numbers. Throughout the pandemic, the airport remained open as a critical piece of the nation's transportation infrastructure. The Airport Authority's work to restore confidence in air travel, maintain the health and safety of the traveling public, employees and the community remained the top priority throughout the year.

The Airport Authority implemented several operational modifications and efficiencies to help the airport maintain a high level of customer service and ensure the health and safety of passengers, most notably through the launch of the "Let's Go Safely" program. The Authority also quickly implemented its Financial Resilience Plan to counteract the financial impacts from the pandemic and ensure the financial stability.

Enplanements for twelve months after the pandemic began from March 2020 through February 2021, were 74% below the previous twelve-month period. Beginning in March 2021, as the vaccines became more widely available, enplanements gradually increased each month. By June 2021, they had improved to 30% below June 2019 numbers. Slight improvements continued into the remaining summer months.








## SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY RECEIVES ENVIRONMENTAL EXCELLENCE AWARD

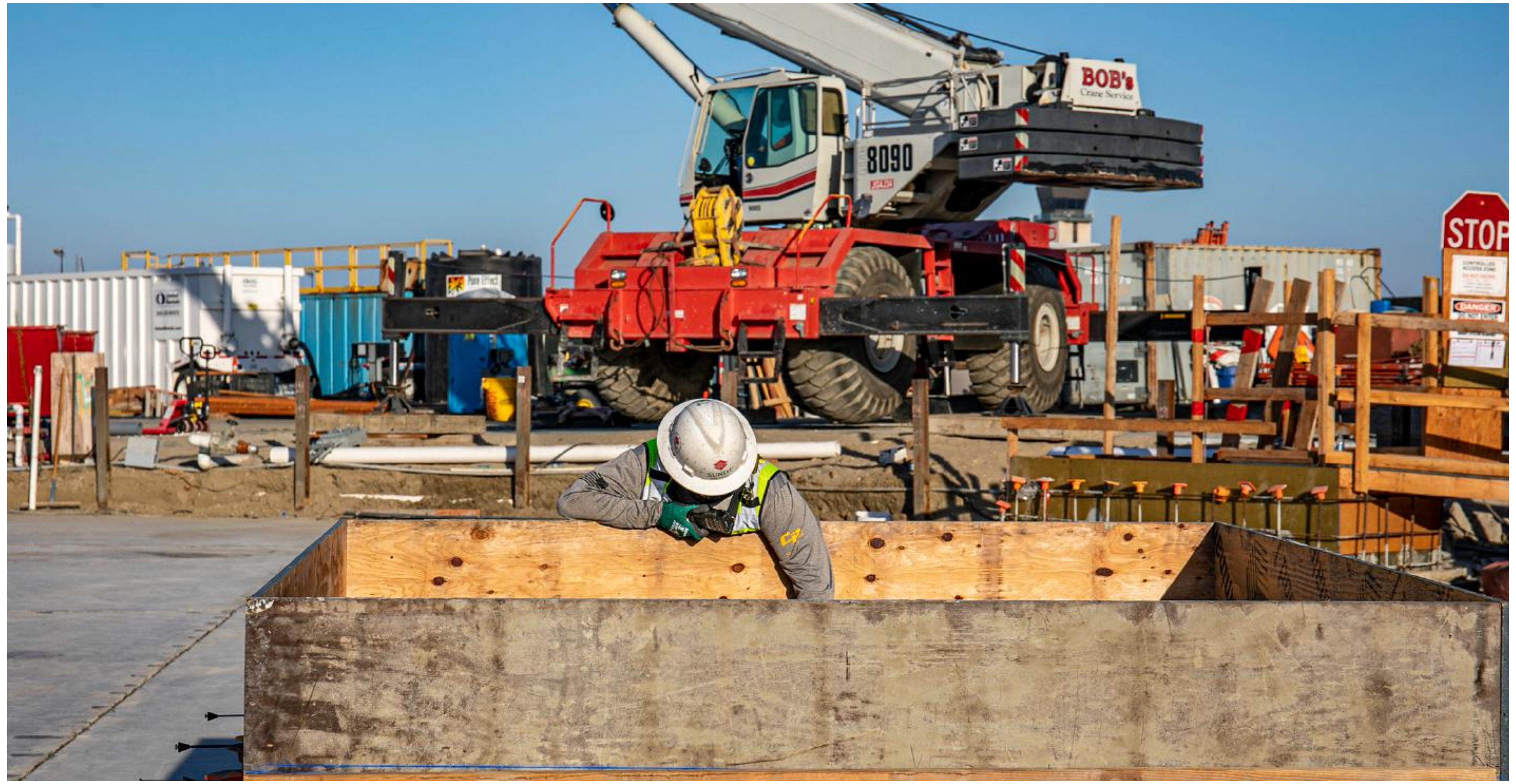
The Industrial Environmental Association (IEA) selected the San Diego County Regional Airport Authority as a 2020 Environmental Excellence Award winner for the Northside Stormwater Capture Cistern. Award winners were evaluated by a panel of industry experts from the IEA and the California Manufacturers and Technology Association on projects that demonstrate science driven environmental leadership and best practices.

The Northside Stormwater Capture Cistern is the first element of the Stormwater Capture and Reuse System to come from the Airport Authority Water Stewardship Plan. The storage capacity for the Stormwater Capture and Reuse System was conceived as three separate elements of approximately three million gallons each. The first of these three elements to be constructed is the Northside Stormwater Capture Cistern.

The Northside Stormwater Capture Cistern has been constructed to capture stormwater runoff from 80 acres of airport property on the north side of the airport runway, approximately 16 million gallons annually. The captured stormwater will be used to wash cars at the nearby Rental Car Center where an average of 4,000 cars are washed daily.

Development of the Northside Cistern is driven by scientific analysis and provides an innovative response to regional permit requirements for both stormwater pollution prevention and post-construction requirements for development/redevelopment, while creating a new source of water in San Diego's drought-prone arid environment.

Environmental stewardship is a hallmark of operations at the San Diego International Airport. The Airport Authority instituted one of the first sustainability policies for a major airport in the United States. The Airport Authority is committed to building and operating sustainably and strives to protect the wide variety of natural resources that exist at SAN's location. For more information about SAN's sustainability policy and our sustainability report, please visit sustain.san.org.



## AIRPORT INNOVATION LAB'S FIFTH GROUP TESTS UNIQUE CONCEPTS TO ENHANCE PASSENGER HEALTH AND SAFETY

COVID forced airports around the world, including San Diego International Airport (SAN), to re-evaluate health and safety protocols to mitigate spreading the virus. At SAN, the fifth cohort of the Airport Innovation Lab was focused specifically on identifying companies with solutions that could enhance the touchless journey, enhance cleanliness and sanitation or advance queue management.

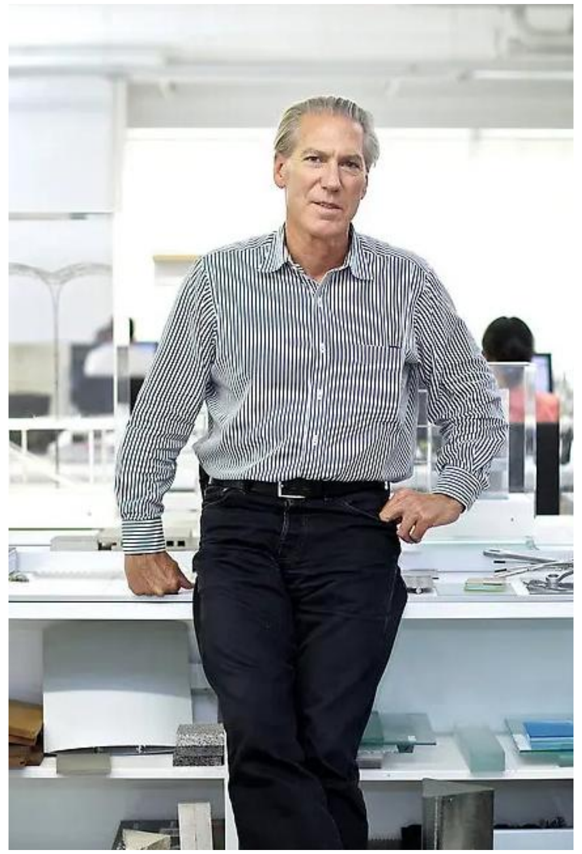
Six companies were invited into the 16-week program to test and refine ideas in a real-life airport environment.

Each of the companies and concepts invited into the fifth cohort have the potential to shape the future airport customer experience and support recovery efforts. Those innovations that succeed at SAN in the midst of the pandemic will allow the airport to be ready for when passenger volumes return to normal.

Pre-pandemic, participating companies tested and developed their concepts in this 3,500-square-foot space which offers a functional mini-terminal area with ticket counters and a bag claim carousel, all without passenger or security concern to work around. With the onset of the pandemic, the program shifted to a full-virtual format which included online workshops, sessions with subject matter experts from the Airport Authority and potentially live testing in the airport as health and safety restrictions allowed.

Companies work diligently throughout the program to have the opportunity to win a contract from the Airport Authority and/or gain entry to other airports and analogous businesses including other transportation hubs, convention centers, shopping malls and other large venues such as ballparks, theme parks and hotels.

The unique Airport Innovation Lab was launched to reduce barriers for innovators to break into the aviation industry. For more information, go to www.innovate.san.org.



## RENOWNED ARTIST JAMES CARPENTER SELECTED AS LEAD ARTIST FOR AIRPORT'S NEW TERMINAL 1 (NEW T1)

San Diego International Airport's planned replacement for the aging Terminal 1 will be a unique integration of art and architecture, with the façade being designed by renowned artist James Carpenter.

From the beginning, the San Diego County Regional Airport Authority's Board has been committed to incorporating art into the New T1 project. As a result, Carpenter will be an integral member of the Board-approved design-build team, which includes Turner-Flatiron and Gensler. Typically, artists are commissioned to design original works of art inside and outside the building, but this collaboration is the first of its kind for the Airport Authority. Carpenter and team have been charged with developing a design for the building itself, focusing on its south façade.

The goal of this approach is to develop a design that harnesses the abundance of sunshine San Diego enjoys, creating a warm and welcoming feeling for passengers. Carpenter and his team aspire to transform the interior of the New T1 space through a varying play of light and color that occurs throughout the day. Their design will celebrate the changing character of the sky from sunrise to sunset, using a variety of design elements he refers to as "light interventions."

Carpenter and his studio are also committed to sustainability in their practice, which aligns with the Airport Authority's ongoing focus on environmental stewardship. The new Terminal 1 building design will be climate-resilient and adaptive; and will utilize both renewable electricity and a stormwater capture and reuse system.

Construction on the New T1 is scheduled to begin in early 2022, pending National Environmental Protection Act (NEPA) approval, with completion anticipated by late 2026.

## AIRPORT AUTHORITY HOSTS 2020 "MEET THE PRIMES" VIRTUAL EVENT TO CONNECT BUSINESSES

"Meet the Primes" is one of several outreach events lead by the Airport Authority's Small Business Department to ensure the local, small, historically underutilized, service-disabled veteran and emerging businesses have every opportunity to do business with the Airport Authority.

Due to the ongoing challenges of COVID-19, the San Diego County Regional Airport Authority (Airport Authority) hosted its annual "Meet the Primes" event virtually in the fall. First introduced in 2015, the event is designed to introduce small and disadvantaged businesses to representatives of the Airport Authority, other public agencies, and construction and concessionaire prime contractors. Despite the pandemic and shift to the virtual format, the Airport Authority had more than 400 participants this year.

Participants were provided the unique opportunity to attend presentations that provided information on successful business strategies, learn about doing business with the Airport Authority, how to apply for the Authority's Local Business Enterprise (LBE) certification, how to be informed about future projects and available small business opportunities. Several other San Diego County agencies participated in the event to provide attendees with other regional contracting opportunities and share available resources provided by support services centers and organizations within Southern California.


## SAN DIEGO INTERNATIONAL AIRPORT WELCOMES PERFORMING ARTS RESIDENCY PROGRAM ARTIST MARGARET NOBLE

The San Diego International Airport Arts Program includes performing arts, public art, and temporary exhibitions components which are aimed at engaging travelers and creating an ambiance unique to the culture of San Diego. The Performing Arts Residency Program cultivates the local performing arts community by inviting artists to develop and perform new work over the course of five months that simultaneously enriches the airport experience for customers.

In late 2020, Performing Arts Residency Program featured Margaret Noble and her work [Sky][Muse]. Born in Texas and raised in California, Noble's experimental artworks have been exhibited nationally and internationally. Her interdisciplinary work resides at the intersection of sound, sculpture, and performance and is influenced by the dynamic, dance music cultures of southern California.

Through her Performing Arts Residency, Noble presented a series of audio-visual works designed to ignite, delight, and reframe the airport experience. Inspired by Brian Eno's seminal work Music for Airports and the historical art traditions of visual music and graphical notation, [Sky][Muse] is a collection of animated graphics accessible and experienced through personal devices. For passengers preparing to move through portals, time zones, and geographies these short, digital works were designed to enhance their travel by elevating their sensory experiences of color, light, and sound.


## SAN DIEGO INTERNATIONAL AIRPORT RECEIVES $18 MILLION IN FEDERAL GRANT FOR NOISE MITIGATION MEASURES

In the fall of 2020, it was announced that the San Diego International Airport would receive a total of $18,023,885 in two airport safety and infrastructure grants through the Federal Aviation Administration (FAA) for noise mitigation measures. The $18 million in grants marks the largest annual amount given to SAN by the FAA for its Quieter Home Program, the airport's residential sound insulation program.

The FAA has determined that residences within the 65 to 69 decibel level contour map around SAN may be eligible for sound insulation treatments to mitigate aircraft noise. The FAA has set a goal of reducing interior noise levels for eligible residents by at least five decibels inside the home, providing a noticeable reduction in noise. The Airport Authority's Quieter Home Program is the means to obtain that goal.

Primarily, the funds go towards sound insulating approximately 200 to 400 homes per year, depending on the size of the home, in the areas most impacted by aircraft noise. Through the program, homes may receive retrofitted exterior doors and windows, installation of a ventilation system, and other items such as weather stripping and caulking around openings. Since its inception, the Quieter Home Program has retrofitted more than 4,300 single-family and multi-family residences immediately east and west of the airport.

This year the Airport Authority also began a non-residential program to sound insulate noise-sensitive properties such as schools and churches. It is estimated that once the program is initiated, one non-residential noise-sensitive property can be sound insulated each year.

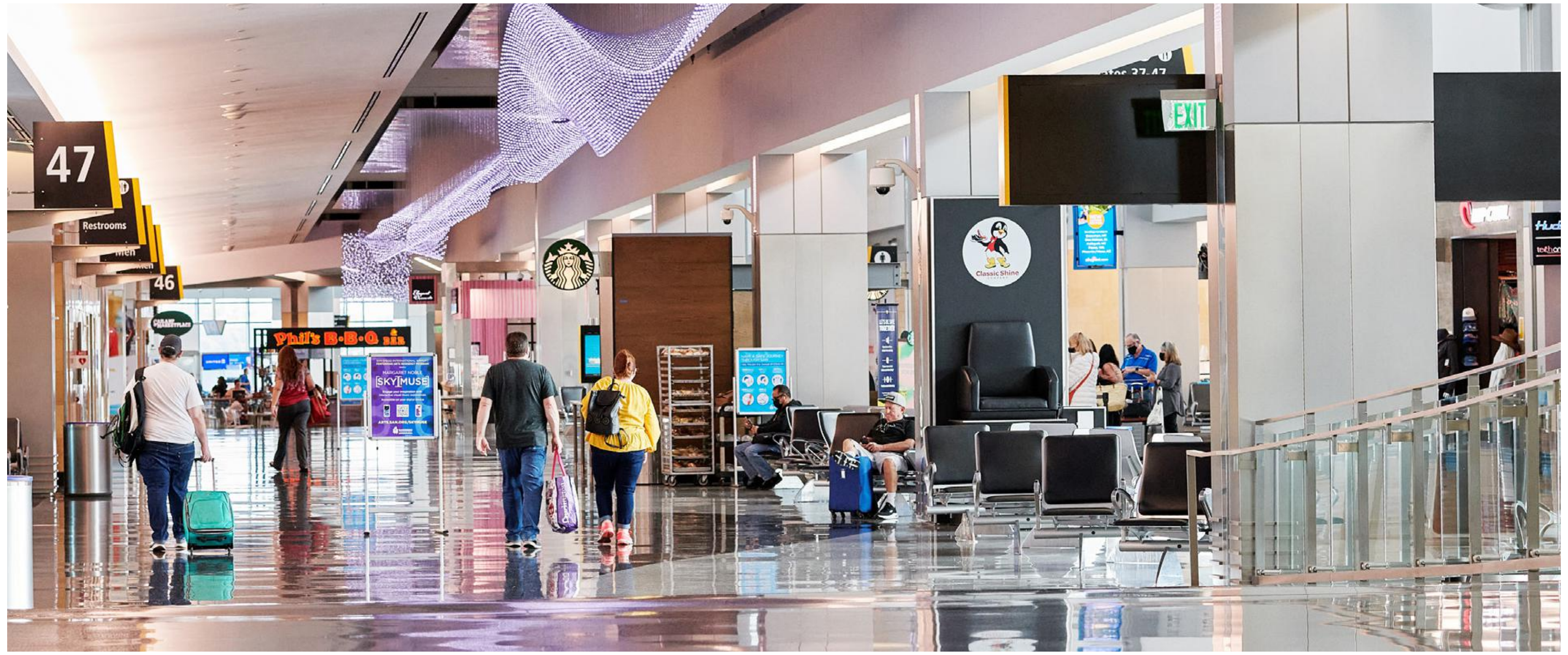
## AIRPORT AUTHORITY RECEIVES GFOA DISTINGUISHED BUDGET PRESENTATION AWARD FOR 16TH CONSECUTIVE YEAR

The Authority received its fifteenth consecutive Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for its annual budget for the fiscal year beginning July 1, 2020. The GFOA Distinguished Budget Presentation Awards Program (Budget Awards Program) was established to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting, and the GFOA's best practices on budgeting, and then to recognize individual governments that succeed in achieving that goal. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. This award is valid for a period of one year only.



## AIRPORT AUTHORITY AWARDED ACHIEVEMENT OF EXCELLENCE IN PROCUREMENT

TThe Airport Authority was awarded the Achievement of Excellence in Procurement® (AEP) for 2021 from the National Procurement Institute, Inc. (NPI). The award recognizes organizations that demonstrate excellence in innovation, professionalism, productivity, leadership and e-procurement. The AEP program encourages the development of excellence as well as continued organizational improvement to earn the award annually. This was the eleventh consecutive year the Airport Authority earned this award.




## AIRPORT AUTHORITY AWARDED CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

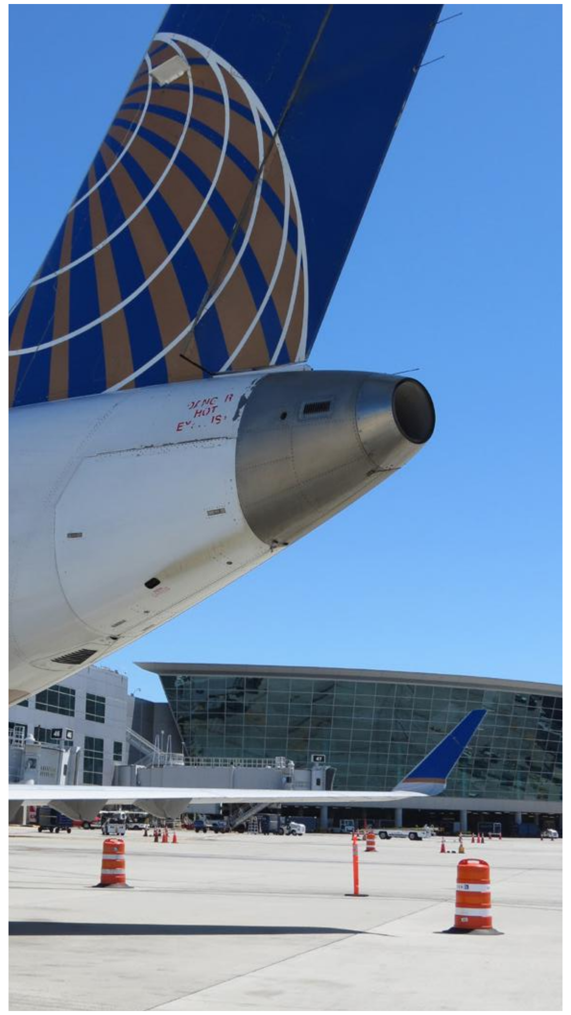
Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to San Diego County Regional Airport Authority for its Annual Comprehensive Financial Report (Annual Report) for the fiscal year ended June 30, 2019. It is judged by an impartial panel to meet the high standards of the program, which includes demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the Annual Report. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

The Airport Authority submitted an application for the Certificate of Achievement Award for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020 and believe that it meets the program's requirements. Due the pandemic, the certification process is taking longer than usual.

## BUDGET PROCESS AND FINANCIAL PLAN

Annually, the Airport Authority prepares a five-year capital program budget, an operating budget for the upcoming fiscal year and a conceptual budget for the following fiscal year. The capital program provides for critical improvements and asset preservation. Security, asset preservation, environmental remediation, terminal upgrades and development are the main focus of the capital program. The budget process begins in the fall with senior management collaborating with the Board to update, review and formulate the strategies and initiatives that drive business performance. 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 Airport Authority's overall strategies and initiatives.

## FINANCIAL INFORMATION



The Airport Authority Board sets policy that enables implementation of appropriate internal controls and provides oversight to ensure that the assets of the Airport Authority are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with GAAP. Internal controls are designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

The Airport Authority derives its operating revenue from two sources: airline and non-airline revenue. Airline revenue is derived primarily from landing fees, aircraft parking fees, building rentals, common use fees and other aviation revenue. Primary sources of non-airline revenue are terminal and rental car concessions, airport parking and ground transportation.

Non-operating revenue of the Airport Authority is comprised of interest income, Passenger Facility Charges, Customer Facility Charges and grant reimbursements (including the Coronavirus Aid, Relief, and Economic Security Act and Airport Coronavirus Response Grant Program funding's in fiscal year 2020 and 2021).

The Airport Authority's debt management policy was developed to ensure compliance with the master and subordinate bond indentures, which dictate the terms of the Airport Authority's outstanding debt and establishes various reserves. Funding of the required reserve balances affects the fund equity portion of the budget and rate-setting process.

The Airport Authority completed fiscal year 2021 with operating income (before depreciation) of $65.4 million, a decrease of 35.1 percent compared to fiscal year 2020. Enplanements decreased 47.4 percent, and airport operations decreased 31.8 percent in fiscal year 2021 compared to fiscal year 2020. These decreases were a direct result of the COVID-19 impact on the economy and transportation industry. The accompanying Management's Discussion and Analysis provides a detailed narrative overview.



## ACKNOWLEDGEMENTS

The preparation of the Annual Comprehensive Financial Report was made possible by the dedicated service and efforts of the Airport Authority's Accounting, Financial Management and Marketing staff. We wish to express our sincere appreciation for their dedication to ensure fiscal transparency and accountability and to maintain and present the Airport Authority's financial statements in conformance with the highest professional standards.

Finally we would like to thank members of the Airport Authority Board for their continued leadership, guidance and support towards the execution of our Mission to plan for and provide air transportation services to the region with safe, effective facilities that exceed customer expectations. We are committed to operating San Diego's air transportation gateways in a manner that promotes the region's prosperity and protects its quality of life.

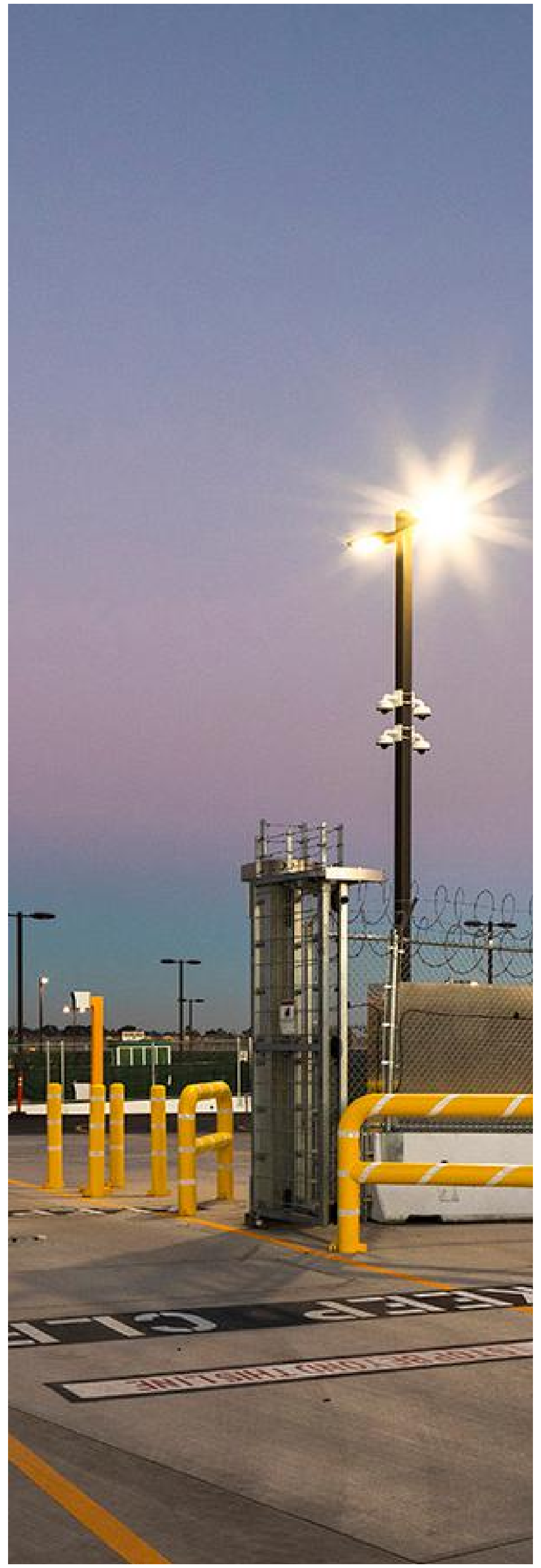
Respectfully submitted,

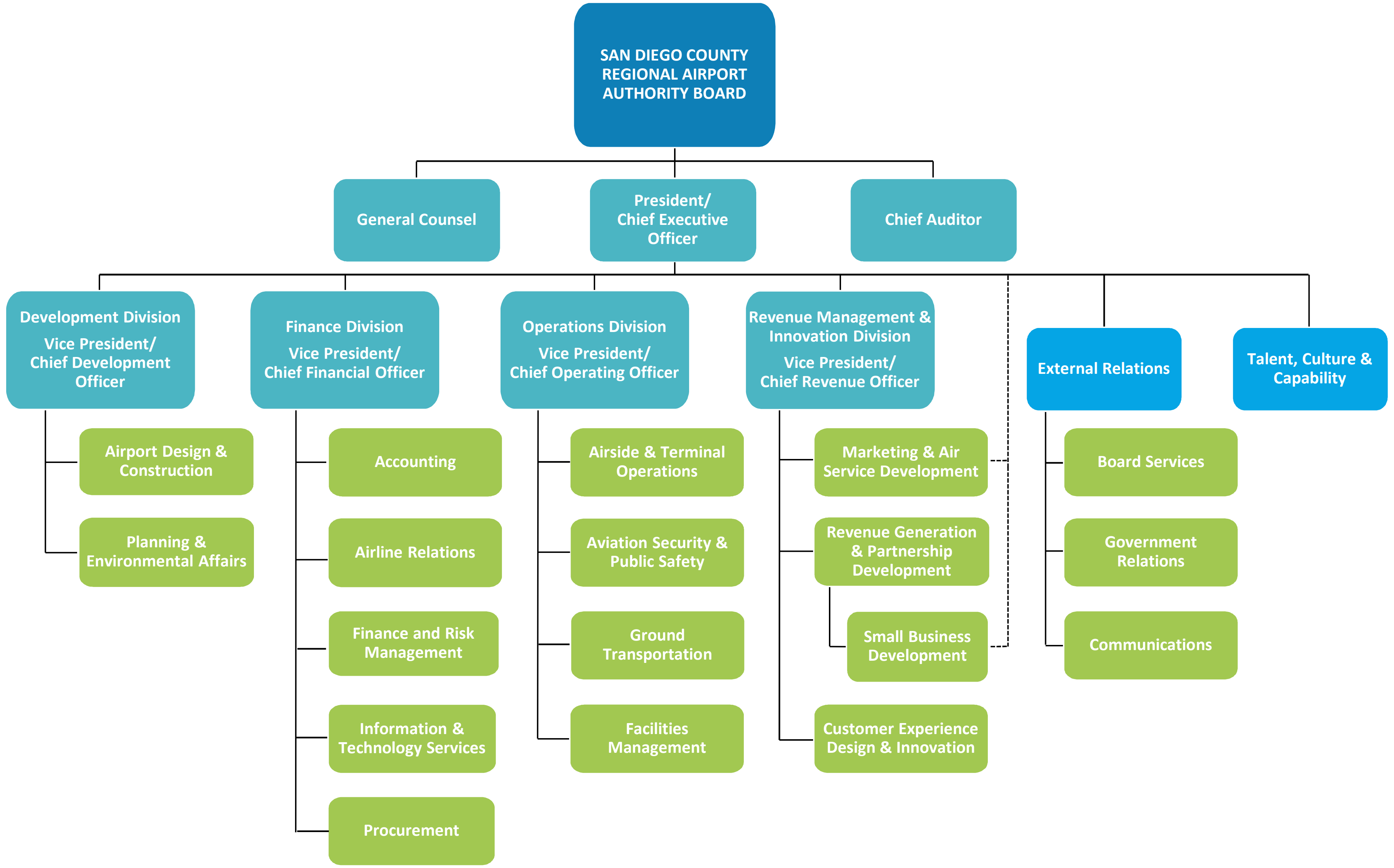
Kimberly J. Becker

President | Chief Executive Officer

Scott Brickner, CPA

Vice President | Chief Financial Officer








## AIRPORT AUTHORITY BOARD

EXECUTIVE MEMBERS:

**JOHANNA SCHIAVONI,** BOARD CHAIR

**PAUL ROBINSON,** VICE CHAIR

GENERAL MEMBERS:

**CATHERINE BLAKESPEAR**

**GIL CABRERA**

**ROBERT T. LLOYD**

**PAUL MCNAMARA**

**MARY CASILLAS SALAS**

**NORA VARGAS**

**MARNI VON WILPERT**

EX-OFFICIO MEMBERS:

**COLONEL THOMAS M. BEDELL**

**GUSTAVO DALLARDA**

**GAYLE MILLER**

## EXECUTIVE STAFF

**KIMBERLY J. BECKER,** PRESIDENT/CHIEF EXECUTIVE OFFICER

**AMY GONZALEZ,** GENERAL COUNSEL

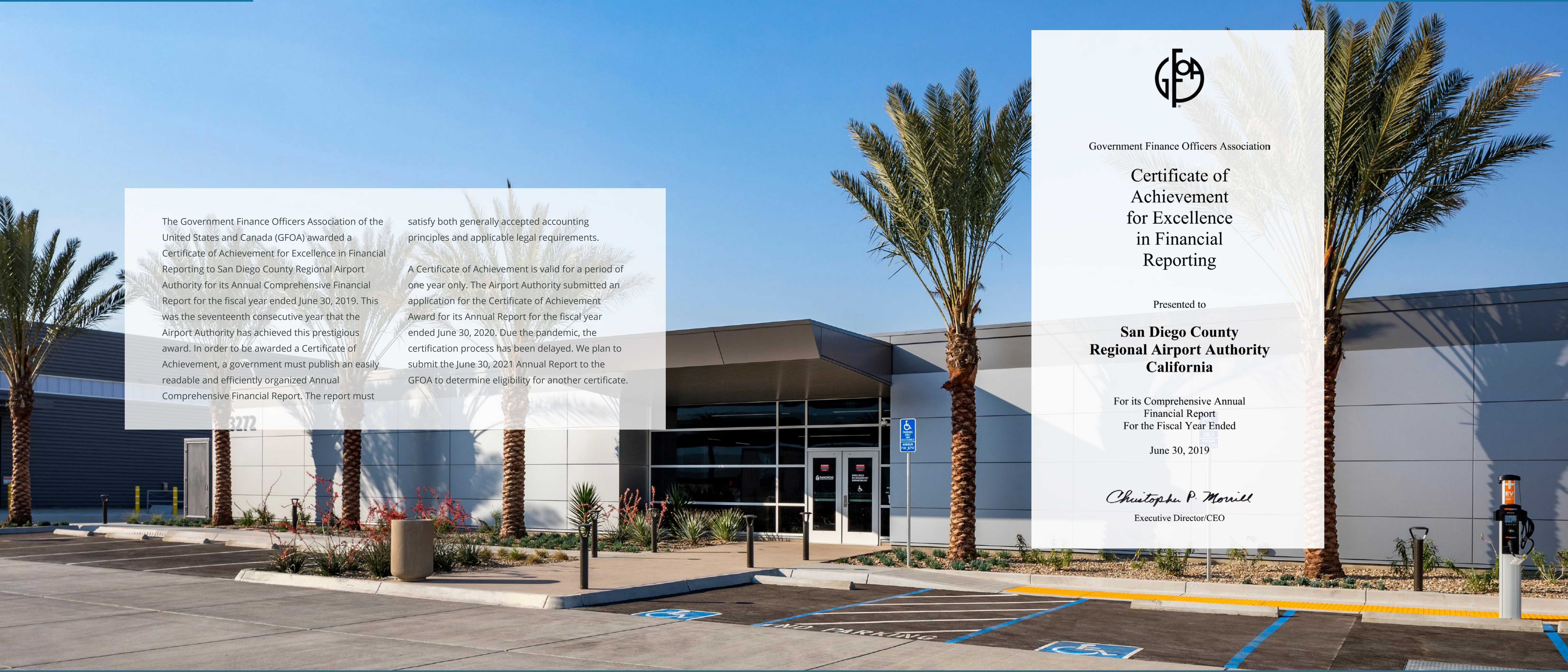
**LEE PARRAVANO,** CHIEF AUDITOR

**SCOTT M. BRICKNER,** VICE PRESIDENT/CHIEF FINANCIAL OFFICER

**HAMPTON BROWN,** VICE PRESIDENT/CHIEF REVENUE OFFICER

**DENNIS PROBST,** VICE PRESIDENT/CHIEF DEVELOPMENT OFFICER

**ANGELA SHAFER-PAYNE,** VICE PRESIDENT/CHIEF OPERATING OFFICER



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to San Diego County Regional Airport Authority for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2019. This was the seventeenth consecutive year that the Airport Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Airport Authority submitted an application for the Certificate of Achievement Award for its Annual Report for the fiscal year ended June 30, 2020. Due the pandemic, the certification process has been delayed. We plan to submit the June 30, 2021 Annual Report to the GFOA to determine eligibility for another certificate.

GFOA CERTIFICATE OF ACHIEVEMENT

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**San Diego County Regional Airport Authority California**

For its Comprehensive Annual Financial Report For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO


# FINANCIAL SECTION

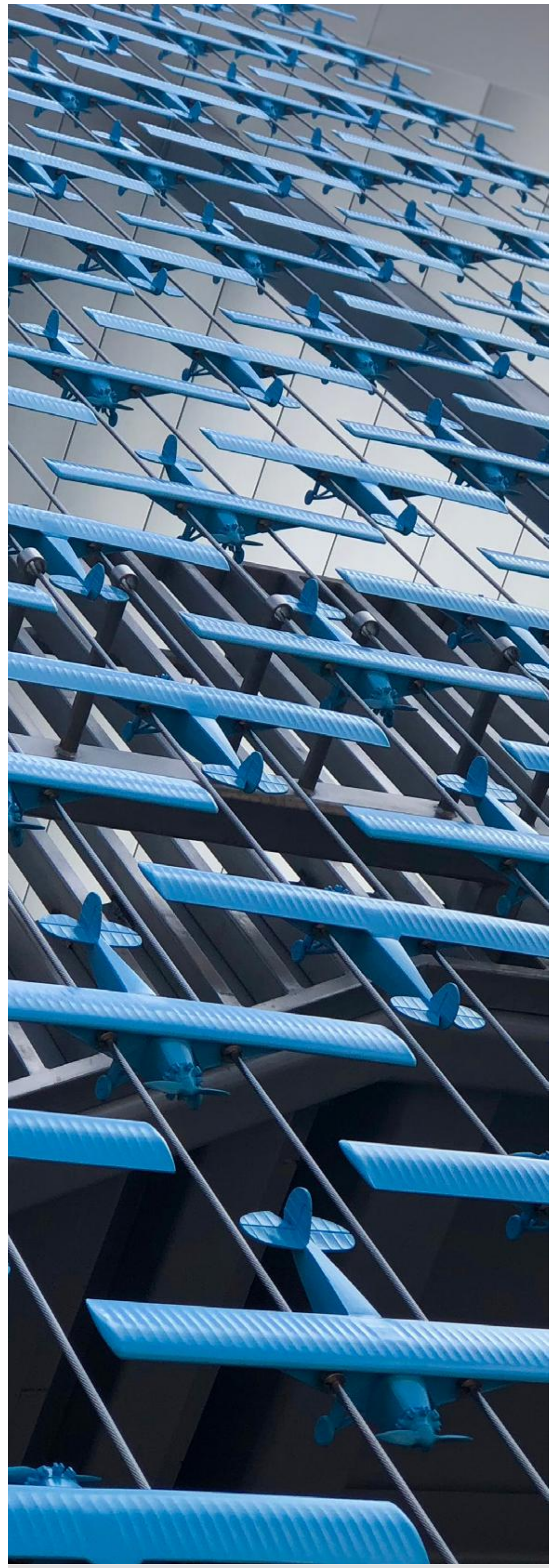
**INDEPENDENT AUDITOR'S REPORT**

**MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)**

**BASIC FINANCIAL STATEMENTS:**

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to Financial Statements

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**



BKD
CPAs & Advisors

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972.702.8262 | Fax 972.702.0673 | bkd.com

## Independent Auditor's Report

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

### Report on the Financial Statements

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, 2021 and 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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





We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2021 and 2020, 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*

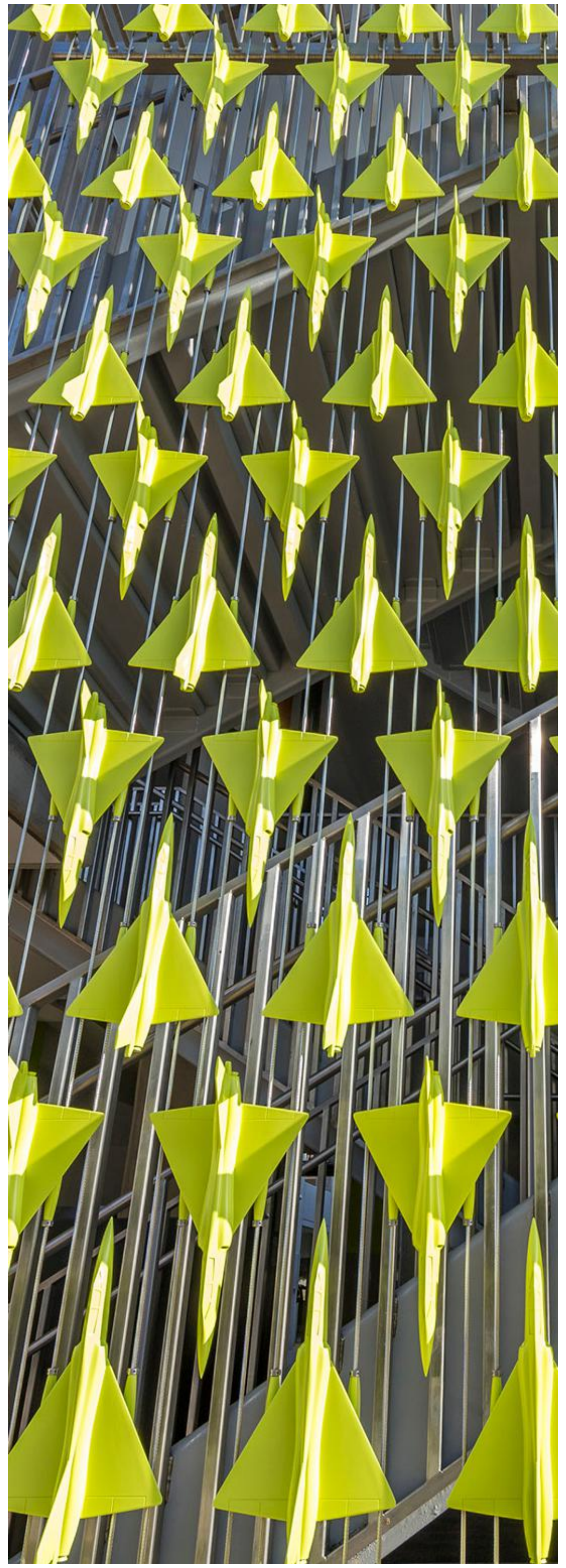
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although 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.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021, on our consideration of the Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
October 22, 2021








# MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Years Ended June 30, 2021 and 2020

## 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 AB 93 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 (2019 – 2021)

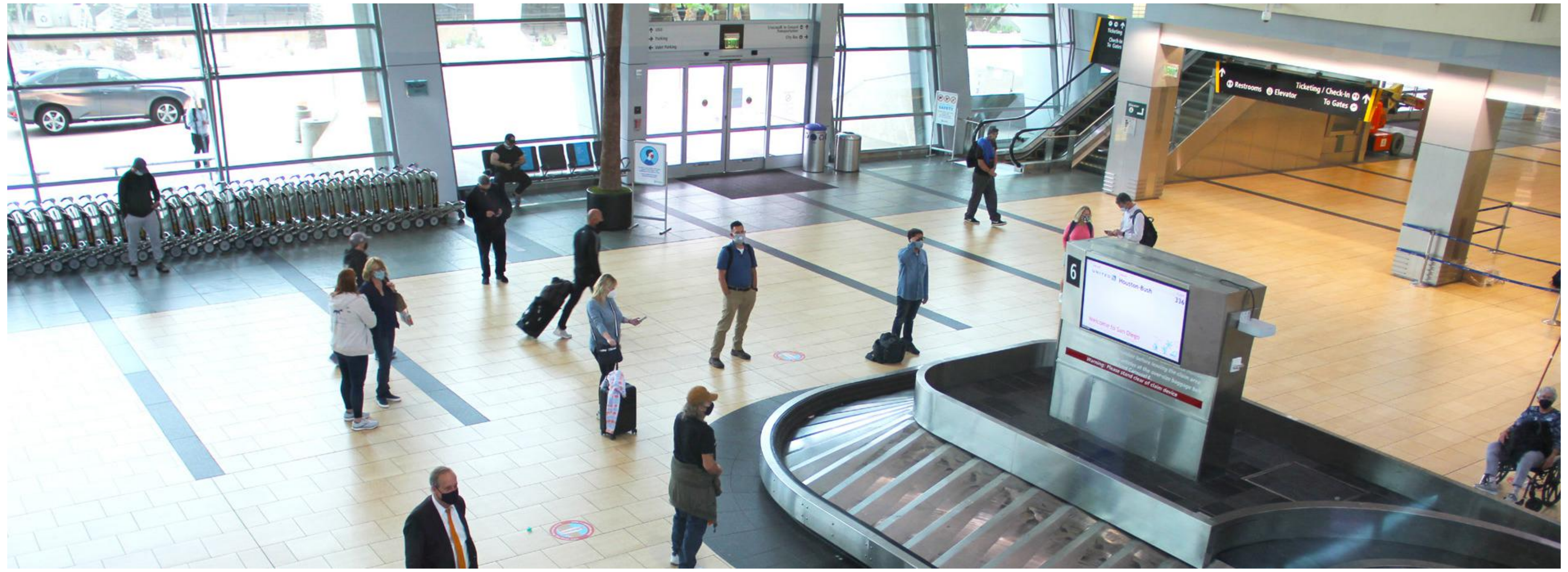
**AIRPORT ACTIVITIES HIGHLIGHTS (2019 – 2021)**

The Airport Authority continued to be impacted by the COVID-19 pandemic through the current fiscal year. This followed the trend seen at most commercial airports across the country.

The changes in the SDIA's major activities for the three years are as follows:

| | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|
| Enplaned passengers | 12,356,286 | 9,235,459 | **4,860,931** |
| % change from prior year | 5.3% | -25.3% | **-47.4%** |
| Total passengers | 24,691,673 | 18,450,599 | **9,701,311** |
| % change from prior year | 5.4% | -25.3% | **-47.4%** |
| Aircraft operations | 228,093 | 190,746 | **130,017** |
| % change from prior year | 4.3% | -16.4% | **-31.8%** |
| Freight and mail (in tons) | 186,469 | 154,380 | **151,327** |
| % change from prior year | -2.5% | -17.2% | **-2.0%** |
| Landed weight (in millions pounds) | 14,481 | 12,053 | **7,780** |
| % change from prior year | 5.2% | -16.8% | **-35.5%** |

Following the sharp decline beginning in March 2020 caused by the COVID-19 pandemic, enplaned passenger traffic levels have improved each month; ultimately though, fiscal year 2021 ended lower than fiscal year 2020 by 47.4 percent. Looking ahead, it is expected SDIA's major activities will slowly recover as the U.S. economy reopens. This is due in part because SDIA is an origin and destination airport and is not a hub for any airlines. Further, there is a balanced mixture of leisure and business travelers at SDIA. These factors generally add to the stability of SDIA enplanements in comparison to most airports.



## OPERATING REVENUES (IN THOUSANDS)

**STATEMENTS 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 5.4 percent in 2019, followed by an additional increase of 3.7 percent in 2020. Despite the negative effects of the pandemic, the Airport Authority was able to manage a modest decrease of only 0.7 percent in 2021, due to the significant dollars received from federal relief grants. The following is a summary of the statements of revenues, expenses and changes in net position (in thousands):

| | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|
| Operating revenues | $ 293,679 | $ 263,036 | **$ 215,944** |
| Operating expenses | (301,548) | (293,837) | **(283,349)** |
| Nonoperating revenues, net | 43,033 | 58,493 | **47,254** |
| Capital contributions and grants | 8,213 | 4,072 | **13,932** |
| Increase (Decrease) in net position | 43,377 | 31,764 | **(6,219)** |
| Net position, beginning of year | 809,925 | 853,302 | **885,066** |
| Net position, end of year | $ 853,302 | $ 885,066 | **$ 878,847** |

## OPERATING REVENUES (IN THOUSANDS)

| | FY 2020 | FY 2021 | From 2020 to 2021 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Airline revenue: | | | | |
| Landing fees | $ 33,242 | **$ 34,046** | $ 804 | 2.4% |
| Aircraft parking fees | 8,354 | **8,542** | 188 | 2.3% |
| Building rentals | 82,453 | **83,090** | 637 | 0.8% |
| Other aviation revenue | 7,789 | **8,192** | 403 | 5.2% |
| Total airline revenue | 131,838 | **133,870** | 2,032 | 1.5% |
| Concession revenue | 57,243 | **31,097** | (26,146) | (45.7%) |
| Parking and ground transportation revenue | 50,751 | **27,446** | (23,305) | (45.9%) |
| Ground rentals | 21,386 | **21,849** | 463 | 2.2% |
| Other operating revenue | 1,818 | **1,682** | (136) | (7.5%) |
| Total operating revenue | $ 263,036 | **$ 215,944** | $ (47,092) | (17.9%) |

| | FY 2019 | FY 2020 | From 2019 to 2020 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Airline revenue: | | | | |
| Landing fees | $ 24,816 | $ 33,242 | $ 8,426 | 34.0% |
| Aircraft parking fees | 3,471 | 8,354 | 4,883 | 140.7% |
| Building rentals | 70,912 | 82,453 | 11,541 | 16.3% |
| Security surcharge | 33,559 | - | (33,559) | (100.0%) |
| Other aviation revenue | 1,596 | 7,789 | 6,193 | 388.0% |
| Total airline revenue | 134,354 | 131,838 | (2,516) | (1.9%) |
| Concession revenue | 71,256 | 57,243 | (14,013) | (19.7%) |
| Parking and ground transportation revenue | 62,818 | 50,751 | (12,067) | (19.2%) |
| Ground rentals | 22,810 | 21,386 | (1,424) | (6.2%) |
| Other operating revenue | 2,441 | 1,818 | (623) | (25.5%) |
| Total operating revenue | $ 293,679 | $ 263,036 | $ (30,643) | (10.4%) |

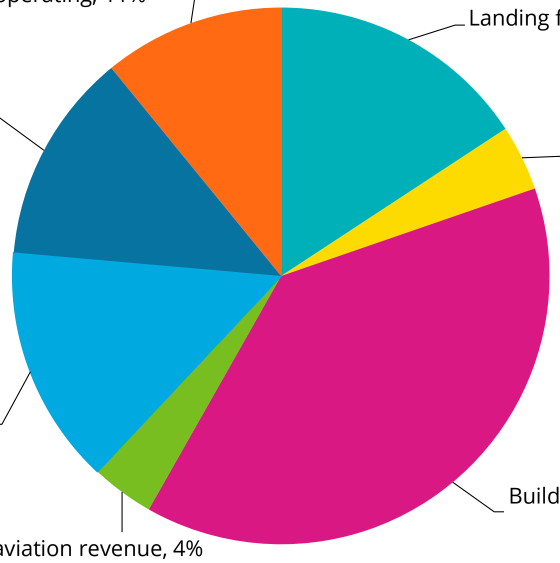
**FISCAL YEAR 2021 COMPARED TO 2020:**
Total airline revenues increased by $2.0 million, or 1.5 percent, primarily due to increased cost recovery from the airlines in fiscal year 2021, which was a result of higher debt service and lower federal relief grants applied towards airlines cost centers, offset by a decrease in recoverable operating expenses. Landing fees increased $804 thousand or 2.4 percent. Aircraft parking fees increased $188 thousand or 2.3 percent. Building rentals increased by $637 thousand or 0.8 percent. Other aviation revenue increased by $403 thousand or 5.2 percent, primarily due to the Signatory air carriers not meeting the minimum guarantee in the Airline Operating and Lease Agreement.

On July 1, 2019, the Airport Authority entered into ten-year Airline Operating and Lease Agreements (AOLAs) with passenger airlines and cargo carriers operating at SAN. The AOLAs cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SAN. Under the terms of the AOLA, landing fees and aircraft parking fees are calculated based on a residual rate-setting methodology, in which all costs of the facility and services are recovered from the airlines, and the airlines assume the financial risk. Terminal rental rates are based on a compensatory rate-setting methodology, in which the airlines each pay for only the actual cost of facilities and services they use; financial risk and control is assumed by the airport.

The AOLA also includes signatory and non-signatory rate structures. Air Carriers that signed a non-signatory agreement are charged a 120 percent premium on all signatory rates, fees and charges, except for the Federal Inspection Services fee, which all airlines pay the same rate for use of the immigration and customs facilities. The agreement has no provisions that grant the airlines direct approval rights over capital projects, with the limited exception of certain transportation projects that exceed a $350 million threshold, as defined in the AOLA. It also allows flexibility to meet the demands of changing airline activity and to accommodate new entrant carriers. Terms of the new agreement financially support execution of the New T1, formerly referred to as the Airport Development Program.

Concession revenue (terminal and rental car) decreased by $26.1 million or 45.7 percent. This is due to the Airport Authority's Rent Forbearance and Abatement Program, which is available to qualifying non-airline tenants because of the continued impact of the COVID-19 pandemic. This Board approved program primarily provides short-term abatement of monthly minimum annual guaranteed payments for tenants that satisfy the terms and conditions during the program. Parking and ground transportation revenue decreased by $23.3 million or 45.9 percent, primarily due to lower enplanements. Ground rentals increased by $463 thousand or 2.2 percent, primarily due to scheduled CPI rent increases and revenue recognized from reimbursements related to Hydrant Fueling projects under the fuel lease with SAN Fuel Company, LLC.

## OPERATING REVENUES (CONTINUED)




**FISCAL YEAR 2020 COMPARED TO 2019:**
Total airline revenues decreased by $2.5 million, or 1.9 percent, primarily due to the global economic downturn that started in March 2020 which resulted in lower cost recovery from airline tenants. Recoverable expenses were reduced due to activation of the Airport Authority's Financial Resilience Plan which implemented a hiring freeze and limited expenses to essential spending only. In addition, the Airport Authority received a $91.2 million CARES Act relief grant award and used a portion of the proceeds to pay for certain expenses charged to airline cost centers.

Landing fees increased by $8.4 million or 34.0 percent due to airfield security costs being recovered under landing fees pursuant to the new AOLA. Aircraft parking fees increased by $4.9 million or 140.7 percent. Building rentals increased by $11.5 million or 16.3 percent due to terminal security costs being recovered under building rentals pursuant the new AOLA. Security surcharges decreased by $33.6 million or 100 percent, reflecting the new AOLA classification of security expenses in landing fees and building rental categories. Other aviation revenue increased by $6.2 million or 388.0 percent, due to the recovery of common use space costs under the new AOLA.

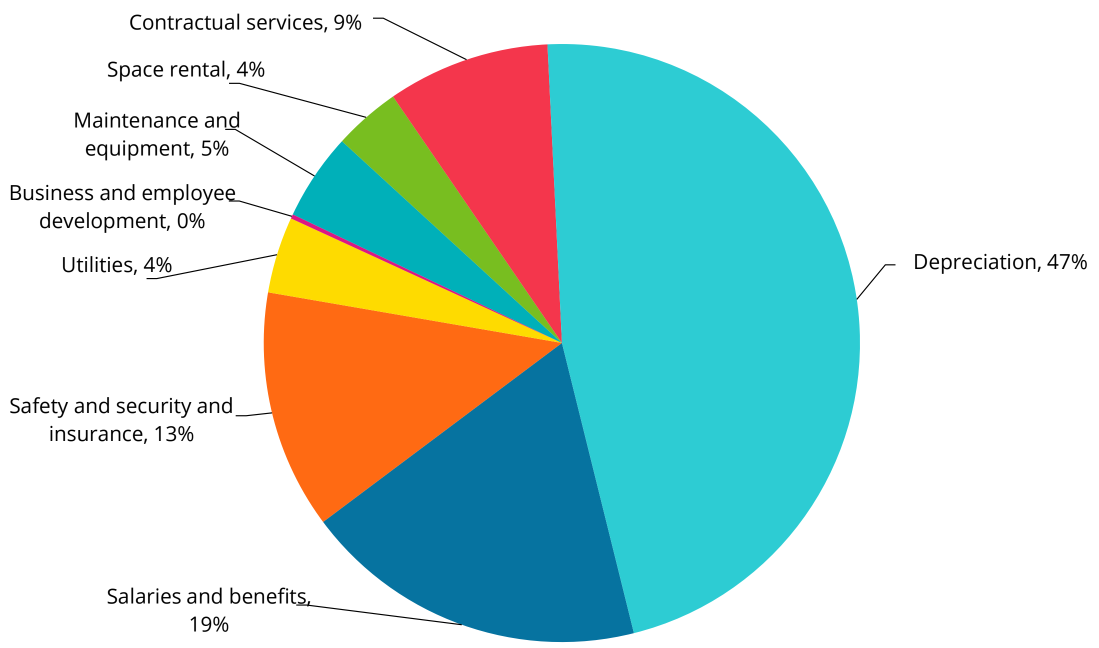
Concession and rental car revenue decreased by $14.0 million or 19.7 percent, reflecting decreased concessionaire sales for March through June and fee abatements granted due to the decline in passenger traffic caused by the pandemic. Parking and ground transportation decreased by $12.1 million or 19.2 percent, also due to lower enplanements reflecting an impact of the pandemic. Ground and non-airline terminal rentals decreased by $1.4 million or 6.2 percent. This is primarily due to transferring cargo carriers' apron rent to landing fees based on the terms of the new AOLA and the completion of cost recovery for the Fuel Farm. This decrease was partially offset by scheduled CPI rent increases. Other operating revenue decreased by $623 thousand or 25.5 percent, primarily due to a decrease in curfew violations and service charges.

## OPERATING EXPENSES (IN THOUSANDS)

| | FY 2020 | FY 2021 | From 2020 to 2021 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Salaries and benefits | $ 51,667 | **$ 52,922** | $ 1,255 | 2.4% |
| Contractual services | 37,694 | **24,977** | (12,717) | (33.7%) |
| Safety and security | 29,457 | **35,086** | 5,629 | 19.1% |
| Space rental | 10,207 | **10,267** | 60 | 0.6% |
| Utilities | 12,748 | **11,730** | (1,018) | (8.0%) |
| Maintenance | 11,584 | **9,111** | (2,473) | (21.3%) |
| Equipment and systems | 336 | **424** | 88 | 26.2% |
| Materials and supplies | 651 | **450** | (201) | (30.9%) |
| Insurance | 1,308 | **1,518** | 210 | 16.1% |
| Employee development and support | 967 | **441** | (526) | (54.4%) |
| Business development | 2,033 | **209** | (1,824) | (89.7%) |
| Equipment rentals and repairs | 3,598 | **3,380** | (218) | (6.1%) |
| Total operating expenses before depreciation | 162,250 | **150,515** | (11,735) | (7.2%) |
| Depreciation | 131,587 | **132,834** | 1,247 | 0.9% |
| Total operating expense | **$ 293,837** | **$ 283,349** | $ (10,488) | (3.6%) |

| | FY 2019 | FY 2020 | From 2019 to 2020 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Salaries and benefits | $ 49,578 | $ 51,667 | $ 2,089 | 4.2% |
| Contractual services | 49,903 | 37,694 | (12,209) | (24.5%) |
| Safety and security | 31,397 | 29,457 | (1,940) | (6.2%) |
| Space rental | 10,191 | 10,207 | 16 | 0.2% |
| Utilities | 13,194 | 12,748 | (446) | (3.4%) |
| Maintenance | 13,436 | 11,584 | (1,852) | (13.8%) |
| Equipment and systems | 375 | 336 | (39) | (10.4%) |
| Materials and supplies | 656 | 651 | (5) | (0.8%) |
| Insurance | 1,200 | 1,308 | 108 | 9.0% |
| Employee development and support | 1,045 | 967 | (78) | (7.5%) |
| Business development | 2,630 | 2,033 | (597) | (22.7%) |
| Equipment rentals and repairs | 3,614 | 3,598 | (16) | (0.4%) |
| Total operating expenses before depreciation | 177,219 | 162,250 | (14,969) | (8.4%) |
| Depreciation | 124,329 | 131,587 | 7,258 | 5.8% |
| Total operating expense | $ 301,548 | $ 293,837 | $ (7,711) | (2.6%) |

## OPERATING EXSPENSES (CONTINUED)




**FISCAL YEAR 2021 COMPARED TO 2020:**
Total fiscal year 2021 operating expenses decreased by $10.5 million or 3.6 percent. The Airport Authority continued to operate under its Financial Resilience Plan that was activated in March 2020 and eliminated, delayed, or reduced non-essential operating and capital expenditures.

Contractual services decreased by $12.7 million or 33.7 percent, mainly due to lower expenses in shuttle services, planning & environmental services, terminal operation services, legal services and IT services. Utilities decreased by $1.0 million or 8.0 percent due to decreased gas & electric usage. Maintenance expenses decreased by $2.5 million, or 21.3 percent, due to a decrease in annual and major maintenance. Business Development decreased by $1.8 million or 89.7 percent due to a decrease in Airport Authority marketing and promotional activity expenses.

Partially offsetting the decrease in operating expenses described above, salaries and benefits increased by $1.3 million or 2.4 percent, due to additional pension expense. In addition, safety and security increased by $5.6 million or 19.1 percent due to an increase in expenses for law enforcement, aircraft rescue and firefighting and emergency medical services.

**FISCAL YEAR 2020 COMPARED TO 2019:**
Total fiscal year 2020 operating expenses decreased by $7.7 million or 2.6 percent. In March 2020, the Airport Authority took action to implement its Financial Resilience Plan, eliminating, delaying, or reducing non-essential operating and capital expenditures.

Contractual services decreased by $12.2 million or 24.5 percent, mainly due to lower expenses in shuttle services, planning & environmental services, terminal operation services, legal services and IT services. Safety and security decreased by $1.9 million or 6.2 percent due to decreased rates and overhead for law enforcement and emergency services. Maintenance expenses decreased by $1.9 million, or 13.8 percent, due to a decrease in annual and major maintenance.

Partially offsetting the decrease in operating expenses described above were increases in salaries and benefits, increasing by $2.1 million or 4.2 percent, due to additional pension expense. Depreciation also increased by $7.3 million or 5.8 percent, due to additional depreciation for capital projects placed in service in fiscal years 2020 and 2019.

## NONOPERATING REVENUES (EXPENSES) (IN THOUSANDS)

| | FY 2020 | FY 2021 | From 2020 to 2021 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Passenger facility charges | $ 34,393 | **$ 22,110** | $ (12,283) | (35.7%) |
| Customer facility charges | 30,240 | **15,755** | (14,485) | (47.9%) |
| Federal Relief Grants | 36,895 | **77,219** | 40,324 | 109.3% |
| Quieter Home Program, net | (3,295) | **(3,233)** | 62 | 1.9% |
| Investment income | 32,430 | **4,175** | (28,255) | (87.1%) |
| Interest expense, net | (73,612) | **(68,067)** | 5,545 | 7.5% |
| Other nonoperating income (expenses) | 1,442 | **(705)** | (2,147) | 148.9% |
| Nonoperating revenues, net | $ 58,493 | **$ 47,254** | $ (11,239) | (19.2%) |

| | FY 2019 | FY 2020 | From 2019 to 2020 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Passenger facility charges | $ 49,198 | $ 34,393 | $ (14,805) | (30.1%) |
| Customer facility charges | 41,918 | 30,240 | (11,678) | (27.9%) |
| Federal Relief Grants | - | 36,895 | 36,895 | - |
| Quieter Home Program, net | (3,192) | (3,295) | (103) | (3.2%) |
| Joint studies program | (99) | - | 99 | 100.0% |
| Investment income | 25,533 | 32,430 | 6,897 | 27.0% |
| Interest expense, net | (69,815) | (73,612) | (3,797) | (5.4%) |
| Other nonoperating income (expenses | $ (510) | $ 1,442 | $ 1,952 | 382.7% |
| Nonoperating revenues, net | $ 43,033 | $ 58,493 | $ 15,460 | 35.9% |

**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, contribute to the Airport Authority's noise mitigation (Quieter Home Program), or to repay debt service issued to build eligible capital 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 1939 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 operate the related ground transportation system. The rental car agencies remit to the Airport Authority collection of the fee monthly. The current CFC fee is $9.00 per day, up to five days for rental car transactions that originate at the Rental Car Center. For car rental transactions of non-RCC tenants, the CFC rate is $3.41 per day, up to five days for rental car transactions.

**Federal Relief Grants** include Coronavirus Aid, Relief, and Economic Security Act (CARES Act) grants and Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) funds received from the federal government. CARES Act was approved by the United States Congress and signed into law by the President on March 27, 2020. It was a legislative action to address the crisis created by the COVID-19 pandemic and included direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Airport Authority was awarded $91.2 million in CARES Act grant funds. The Airport Authority drew $54.3 million in fiscal year 2021 and $36.9 million in fiscal year 2020.

CRRSAA was signed into law on December 27, 2020 and included nearly $2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease pandemic. To distribute these funds, the FAA established the Airport Coronavirus Response Grant Program (ACRGP) to make grants to all airports that are part of the national airport system, including all commercial service airports, all reliever airports, and some public-owned general aviation airports. The Airport Authority was awarded $22.9 million on March 26, 2021. As of June 30, 2021, $20.2 million of the award had been received and $2.7 million was recorded as grants receivable.

**Quieter Home Program** includes sound attenuation construction improvements at all eligible single-family and multi-family dwellings located in the Year 2020 65 dB Community Noise Equivalent Level contour. The project is eligible for the FAA's Airport Improvement Program (AIP) which awards grants for certain eligible Airport Authority expenditures. The $3.2 million of expenses represents the authority's cost, net of the grant funds utilized in FY21. From inception through the end of fiscal year 2021, the Airport Authority has spent $244.9 million and received reimbursement for $195.4 million.

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

**Interest expense** includes interest paid and accrued on the Bonds, Variable Debt, and Lease Interest. As of June 30, 2021, and 2020 interest expense was $68.1 million and $75.7 million, respectively. The 2010 Series C Bonds were issued as Build America Bonds and, as such, the Airport Authority received a cash subsidy from the U.S. Treasury equal to 32.7 percent of the interest payable. The Build America Bonds were defeased in December 2019. The interest subsidy for the fiscal year ended 2020 was $2.1 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 2021 compared to 2020:** Nonoperating revenues (net) decreased by $11.2 million or 19.2 percent. The increase in Federal Relief Grant income in fiscal year 2021 was $40.3 million or 109.3 percent. The increase in federal relief grant income was partially offset by decreases in PFCs and CFCs due to reduced enplaned passengers caused by the pandemic. PFCs decreased by $12.3 million or 35.7 percent, and CFCs decreased by $14.5 million or 47.9 percent. Investment income decreased by $28.3 million or 87.1 percent. This was caused by a combination of lower yields on investments which resulted in a $6.2 million decrease in interest income and $22.1 million reversal of prior years' unrealized gains due to market fluctuations. Other nonoperating income (expenses) decreased by $2.1 million or 148.9 percent, primarily due to the swing in legal settlement income received in fiscal year 2020 as opposed to non-operating expense recognized in fiscal year 2021.27.9 percent..

**Fiscal year 2020 compared to 2019**: Nonoperating revenues (net) increased by $15.5 million or 35.9 percent. Federal Relief Grant income in fiscal year 2020 was $36.9 million. Investment income increased by $6.9 million or 27.0 percent, due to higher investment returns. Other nonoperating income (expenses) increased by $1.9 million or 382.7 percent, primarily due to legal settlement income.

The increases noted above were partially offset by decreases in PFCs and CFCs due to reduced enplaned passengers caused by the pandemic. PFCs decreased by $14.8 million or 30.1 percent, and CFCs decreased by $11.7 million or 27.9 percent.

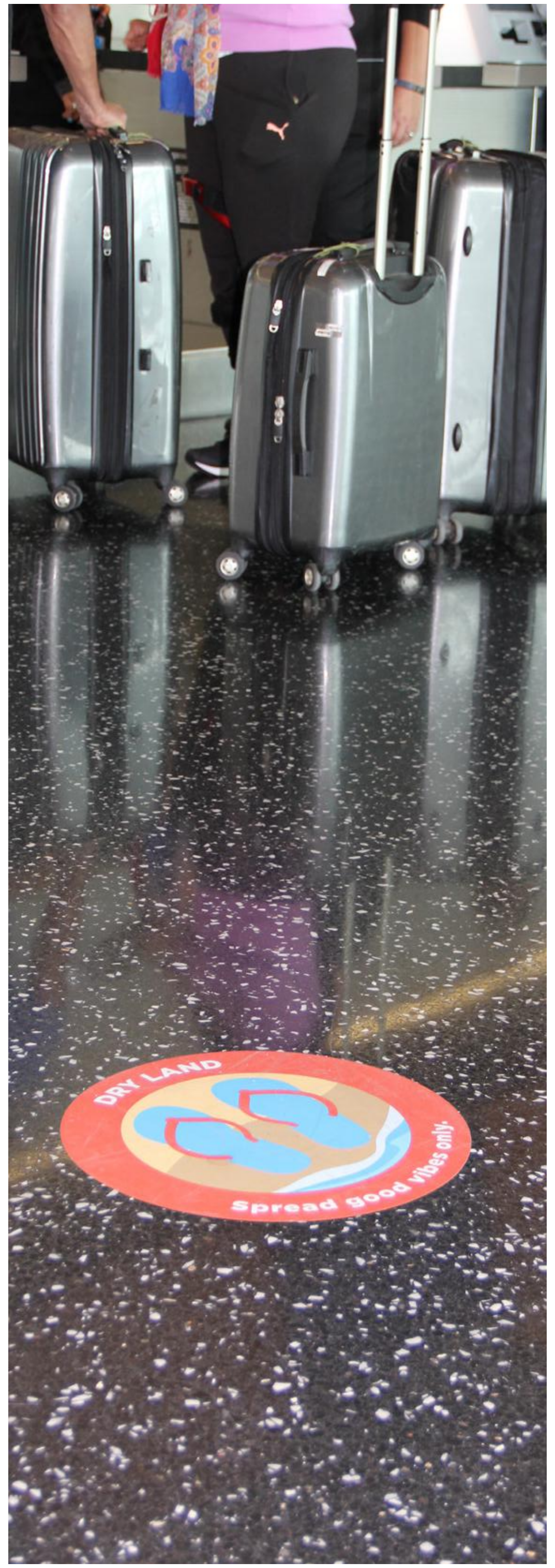
## FEDERAL GRANT CONTRIBUTIONS (IN THOUSANDS)

| | FY 2020 | FY 2021 | From 2020 to 2021 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Federal grants | $ 4,072 | **$ 13,932** | $ 9,860 | 242.1% |

| | FY 2019 | FY 2020 | From 2019 to 2020 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Federal grants | $ 8,213 | $ 4,072 | $ (4,141) | (50.4%) |

**Federal 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 2021 federal grant contributions increased by $9.9 million, or 242.1 percent compared to fiscal year 2020. This was primarily due to a delay from fiscal year 2020 to fiscal year 2021 of a grant funded Cross-Taxiway project. In fiscal year 2020, federal grant contributions decreased by $4.1 million, or 50.4 percent compared to fiscal year 2019.

## 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, 2019, 2020 and 2021, is as follows:

| | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|
| Assets and Deferred Outflows of Resources | | | |
| Current assets | $ 244,592 | $ 349,617 | **$ 248,973** |
| Capital assets, net | 1,722,150 | 1,788,601 | **1,829,708** |
| Noncurrent assets | 598,156 | 773,751 | **775,038** |
| Total assets | 2,564,898 | 2,911,969 | **2,853,719** |
| Deferred outflows of resources | 26,681 | 22,761 | **33,472** |
| Total assets and deferred outflows of resources | 2,591,579 | 2,934,730 | **2,887,191** |
| Liabilities and Deferred Inflows of Resources | | | |
| Current liabilities | 131,085 | 162,269 | **153,248** |
| Long-term liabilities | 1,600,230 | 1,875,514 | **1,848,070** |
| Total liabilities | 1,731,315 | 2,037,783 | **2,001,318** |
| Deferred inflows of resources | 6,961 | 11,881 | **7,026** |
| Total liabilities and deferred inflows of resources | 1,738,276 | 2,049,664 | **2,008,344** |
| Net Position | | | |
| Net investment in capital assets | 281,491 | 266,213 | **327,216** |
| Restricted | 246,508 | 211,329 | **192,484** |
| Unrestricted | 325,303 | 407,524 | **359,147** |
| Total net position | $ 853,302 | $ 885,066 | **$ 878,847** |

As of June 30, 2021, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $879 million. This reflects a $6.2 million or .7 percent decrease in net position from June 30, 2020. The Airport Authority uses 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, the funds required to repay this debt must be provided annually from operations. The unrestricted net position of $359.1 million as of June 30, 2021 may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2021, 2020 and 2019, management has designated unrestricted funds in the amount of $22.5 million, $43.4 million, and $26.2 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance and operating contingency.

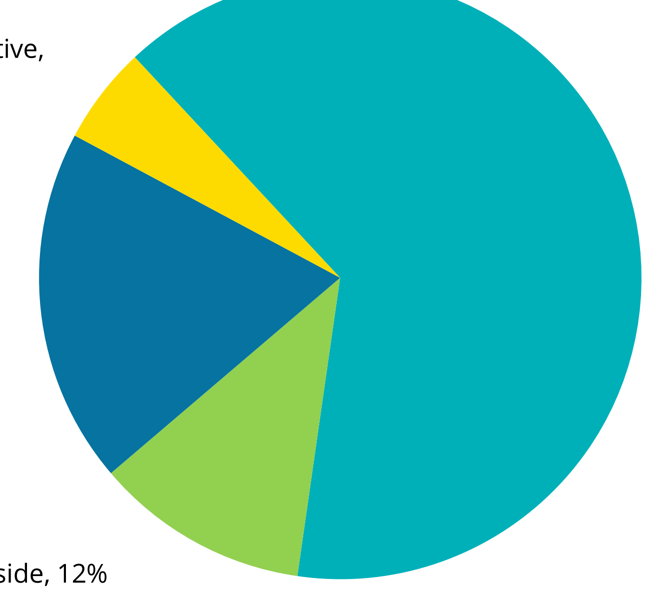
## CAPITAL PROGRAM

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 2026, consists of $422 million for airside projects, $683 million for landside and ancillary projects, $2.4 billion for terminal projects, which includes the replacement of Terminal 1, and $192 million for administrative projects.

Additional information of the Airport Authority's capital assets can be found in Note 4 to the financial statements.

**Capital Program Budget by Type**
**FY 2022 - 2026**




## CAPITAL FINANCING AND DEBT MANAGEMENT

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 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, 2021, amounted to $17.69 million, including accrued interest of $8.84 million. The principal balance on the Series 2013 Bonds as of June 30, 2021 was $360.8 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

## CAPITAL FINANCING AND DEBT MANAGEMENT (CONTINUED)

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.

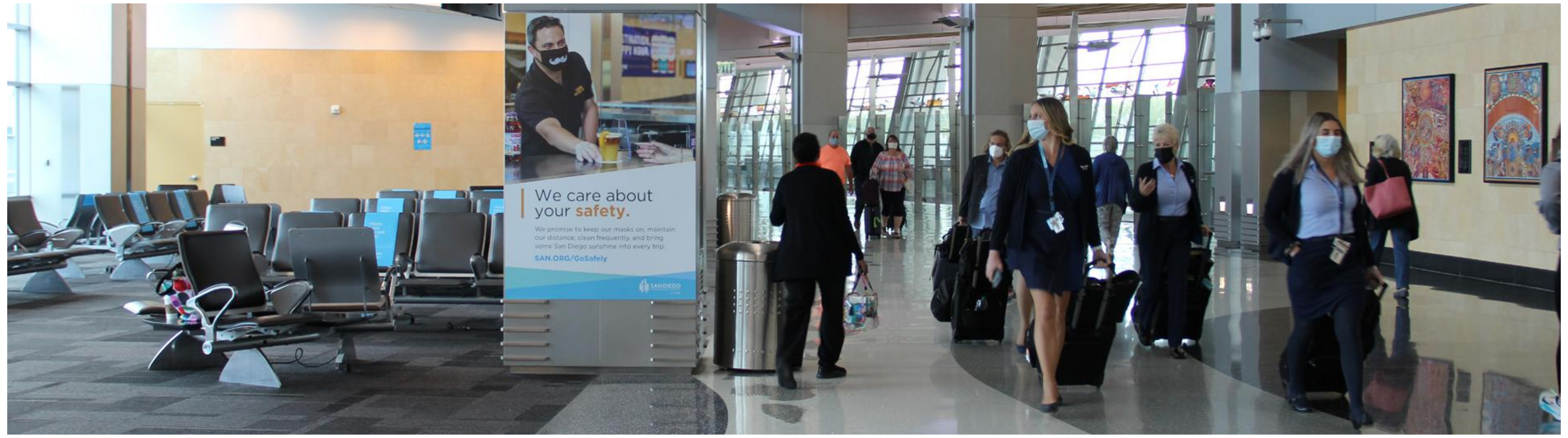
On February 19, 2014, the Airport Authority issued $305.3 million of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements 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, 2021, amounted to $15.8 million, including accrued interest of $7.9 million. As of June 30, 2021, the principal balance on the Series 2014 Bonds was $288.0 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 $291.2 million 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 $32.6 million of the Airport Authority's outstanding variable rate debt, which was issued during 2017, and 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 $48.4 million, 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, 2021, amounted to $13.9 million, including accrued interest of $6.92 million. As of June 30, 2021, the principal balance on the Series 2017 was $276.9 million.

On December 11, 2019, the Airport Authority issued $338.8 million of Series A Subordinate Airport Revenue and Revenue Refunding Bonds and $124.9 million of Series B Subordinate Airport Revenue Bonds (Series 2019 Bonds). The Subordinate Series 2019 Bonds were issued to finance certain capital improvements at SDIA including a new facilities maintenance building and storm water capture and reuse projects, fund a portion of the interest accruing on the subordinate Series 2019 Bonds, refund $34.3 million of the Airport Authority's outstanding variable rate debt, fund the Series 2010C Escrow account, to refund the 2010C bonds, fund the subordinate reserve fund, and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2019 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 2021 to 2050. The bonds were issued at a premium of $96.9 million, which is being amortized over the life of the bonds. Interest on the Series 2019 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal year ended June 30, 2021, amounted to $22.3 million, including accrued interest of $11.1 million. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2021, was $462.4 million.




The Airport Authority issued $241.6 million of Series A, B and C Subordinate Airport Revenue Refunding Bonds (Series 2020 Bonds). The Authority entered into a Forward Delivery Purchase Contract on December 11, 2019 and delivered the 2020 Bonds Proceeds on April 8, 2020. Proceeds from the sale of the 2020 Bonds were used to fund the Series 2010 A and B Bonds escrow accounts to refund the 2010 A/B Bonds and pay the costs of issuance of the subordinate Series 2020 Bonds. The Series 2020 Bonds are structured as serial bonds that bear interest rates of 5.00 percent and mature in fiscal years 2021 to 2041. The bonds were issued at a premium of $49.4 million, which is being amortized over the life of the bonds. Interest on the Series 2020 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal year ended June 30, 2021, amounted to $12.0 million, including accrued interest of $6.0 million. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2020, was $240.8 million.

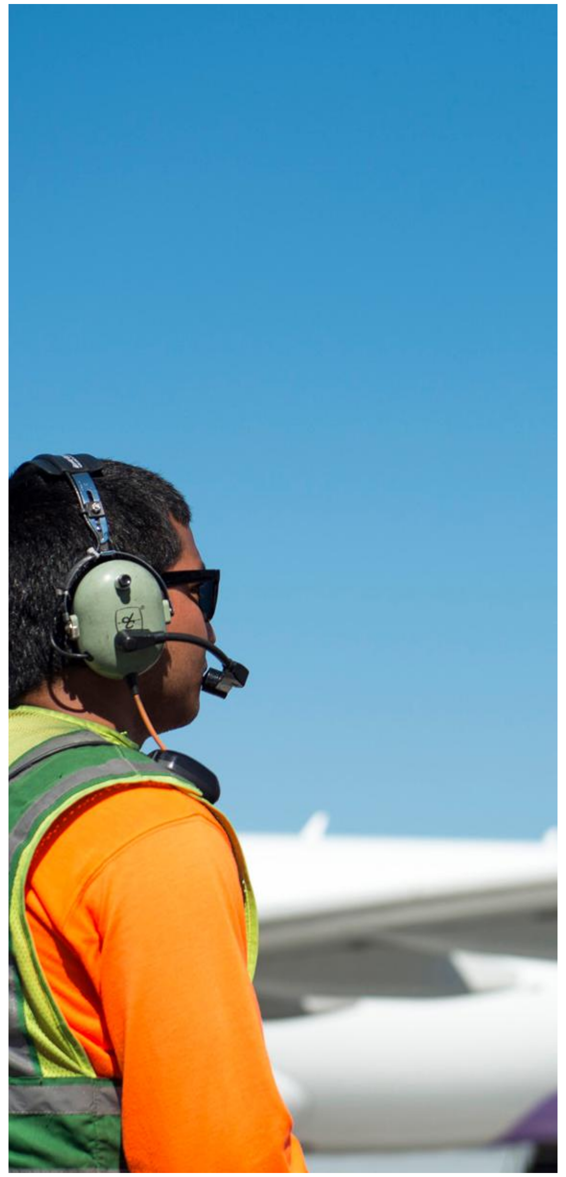
Interest expense on the Series 2010, 2013, 2014 2017, 2019 and 2020 Bonds for fiscal years ended June 30, 2021 and June 30, 2020 was $81.7 million and $81.3 million, respectively, was offset by bond premium amortization of $14.1 million in fiscal year 2021 and $9.6 million in fiscal year 2020.

As of June 30, 2021 the Airport Authority did not maintain a short-term debt program. Subsequent to fiscal year 2021 on July 19, 2021 the Airport Authority entered into an agreement with Bank of America N.A. to establish a Revolving Line of Credit for $200,000,000. The agreement is for a term of three years and is a subordinate obligation of the Authority.

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 May 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 $131.6 million in grant awards for the federal fiscal year ended September 30, 2021, as compared to $119.9 million for 2020. 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) 400-2822. A copy of the financial report is available at www.san.org

## STATEMENTS OF NET POSITION
## JUNE 30, 2021 AND 2020


| **Assets and Deferred Outflows of Resources** | **2021** | **2020** |
|---|---|---|
| Current Assets | | |
| Unrestricted: | | |
| Cash and cash equivalents (*Note 2*) | $ 40,910,032 | $ 36,935,136 |
| Investments (*Notes 2 and 11*) | 241,485,681 | 159,562,631 |
| Tenant lease receivables, net | 23,041,393 | 22,826,211 |
| Grants receivable | 7,665,691 | 25,467,263 |
| Note receivable, current portion (*Note 3*) | 2,243,644 | 2,123,843 |
| Other current assets | 8,280,970 | 9,216,212 |
| **Total unrestricted current assets** | 323,627,411 | 256,131,296 |
| Restricted cash, cash equivalents and investments with trustees (*Notes 2 and 5*) | 93,190,368 | 93,486,053 |
| **Total current assets** | 416,817,779 | 349,617,349 |
| Noncurrent Assets | | |
| Restricted assets (*Notes 2 and 5*): | | |
| Restricted cash, cash equivalents and investments not with trustees | 142,401,039 | 174,924,058 |
| Restricted cash, cash equivalents and investments with trustees | 338,135,700 | 360,941,845 |
| Passenger facility charges receivable (*Note 1*) | 5,762,062 | 428,687 |
| Customer facility charges receivable (*Note 1*) | 2,384,282 | 1,135,327 |
| Other restricted assets | 5,075,109 | 5,519,914 |
| **Total restricted assets** | 493,758,192 | 542,949,831 |
| Other noncurrent assets: | | |
| Investments, noncurrent (*Note 2*) | 39,904,555 | 137,429,307 |
| Note receivable, long-term portion (*Note 3*) | 24,965,223 | 27,208,867 |
| Cash and cash equivalents designated for specific capital projects and other commitments (*Notes 2 and 11*) | 46,916,337 | 64,026,034 |
| Net OPEB asset (*Note 9*) | 1,649,215 | 2,136,494 |
| **Total other noncurrent assets** | 113,435,330 | 230,800,702 |
| Capital assets (*Note 4*): | | |
| Land, land improvements and nondepreciable assets | 186,378,344 | 136,757,114 |
| Buildings and structures | 1,885,767,510 | 1,747,847,784 |
| Machinery and equipment | 122,982,559 | 135,435,875 |
| Runways, roads and parking lots | 719,974,821 | 708,999,286 |
| Construction in progress | 248,535,465 | 288,353,299 |
| | 3,163,638,699 | 3,017,393,358 |
| Less accumulated depreciation | (1,333,930,303) | (1,228,792,352) |
| Capital assets, net | 1,829,708,396 | 1,788,601,006 |
| **Total noncurrent assets** | 2,436,901,918 | 2,562,351,539 |
| **Total assets** | 2,853,719,697 | 2,911,968,888 |
| Deferred outflows of resources: | | |
| Deferred pension outflows (*Note 6 and 7*) | 31,657,453 | 21,647,509 |
| Deferred OPEB outflows (*Note 9*) | 1,813,895 | 1,113,811 |
| **Total deferred outflows of resources** | 33,471,348 | 22,761,320 |
| **Total assets and deferred outflows of resources** | $ 2,887,191,045 | $ 2,934,730,208 |

(continued)

See Notes to Financial Statements.






## STATEMENTS OF NET POSITION (CONTINUED)
## JUNE 30, 2021 AND 2020

| **Liabilities, Deferred Inflows of Resources and Net Position** | **2021** | **2020** |
|---|---|---|
| Current Liabilities | | |
| Payable from unrestricted assets: | | |
| Accounts payable | $ 6,671,722 | $ 11,144,310 |
| Accrued liabilities | 44,766,955 | 31,209,234 |
| Compensated absences, current portion (*Note 5*) | 2,538,532 | 2,847,306 |
| Other current liabilities | 5,757,420 | 23,312,345 |
| Long-term debt, current portion (*Note 5*) | 323,293 | 269,427 |
| **Total payable from unrestricted assets** | 60,057,922 | 68,782,622 |
| Payable from restricted assets: | | |
| Accounts payable | 11,726,364 | 6,595,678 |
| Accrued liabilities | 4,096,308 | 15,618,238 |
| Long-term debt, current portion (*Note 5*) | 36,720,000 | 31,560,000 |
| Accrued interest on variable rate debt and bonds (*Note 5*) | 40,847,696 | 39,712,137 |
| **Total payable from restricted assets** | 93,390,368 | 93,486,053 |
| **Total current liabilities** | 153,448,290 | 162,268,675 |
| Long-Term Liabilities | | |
| Compensated absences, net of current portion (*Note 5*) | 2,223,411 | 1,241,278 |
| Other noncurrent liabilities | 4,426,248 | 668,290 |
| Long-term debt, net of current portion (*Note 5*) | 1,804,756,564 | 1,855,876,151 |
| Net pension liability (*Note 6 and 7*) | 36,464,210 | 17,728,734 |
| **Total long-term liabilities** | 1,847,870,433 | 1,875,514,453 |
| **Total liabilities** | 2,001,318,723 | 2,037,783,128 |
| Deferred inflows of resources | | |
| Deferred pension inflows (*Note 6 and 7)* | 2,266,382 | 6,409,312 |
| Deferred OPEB inflows (*Note 9)* | 890,973 | 1,400,369 |
| Deferred gain on refunding | 3,868,146 | 4,071,732 |
| **Total deferred inflows of resources** | 7,025,501 | 11,881,413 |
| **Total liabilities and deferred inflows of resources** | $ 2,008,344,224 | $ 2,049,664,541 |
| Net Position | | |
| Net investment in capital assets | 327,215,879 | 266,212,751 |
| Restricted: | | |
| Debt Service | 83,213,762 | 75,586,323 |
| Construction | 86,078,848 | 109,650,020 |
| OPEB | 1,649,215 | 2,136,494 |
| Operation and maintenance expenses | 14,245,003 | 14,436,251 |
| Small business bond guarantee | 2,222,300 | 4,000,000 |
| OCIP loss reserve | 5,075,108 | 5,519,913 |
| Total restricted net position | 192,484,236 | 211,329,001 |
| Unrestricted net position | 359,146,706 | 407,523,915 |
| **Total net position** | $ 878,846,821 | $ 885,065,667 |

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, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| Operating revenues: | | |
| Airline revenue: | | |
| Landing fees | $ 34,046,303 | $ 33,241,410 |
| Aircraft parking fees | 8,541,663 | 8,354,052 |
| Building rentals (*Note 12* ) | 83,090,210 | 82,453,273 |
| Other aviation revenue | 8,191,525 | 7,788,791 |
| Concession revenue | 31,096,870 | 57,243,328 |
| Parking and ground transportation revenue | 27,446,678 | 50,750,966 |
| Ground and non-airlilne terminal rentals (*Note 12* ) | 21,848,936 | 21,386,342 |
| Other operating revenue | 1,682,151 | 1,817,810 |
| **Total operating revenues** | 215,944,336 | 263,035,972 |
| Operating expenses: | | |
| Salaries and benefits (*Notes 6, 7, 8 and 9* ) | 52,922,356 | 51,666,850 |
| Contractual services (*Note 14* ) | 24,976,596 | 37,693,633 |
| Safety and security | 35,085,809 | 29,456,872 |
| Space rental (*Note 13* ) | 10,266,657 | 10,207,066 |
| Utilities | 11,729,710 | 12,747,899 |
| Maintenance | 9,110,601 | 11,584,303 |
| Equipment and systems | 424,500 | 336,469 |
| Materials and supplies | 449,999 | 650,975 |
| Insurance | 1,518,538 | 1,308,471 |
| Employee development and support | 441,883 | 966,575 |
| Business development | 208,731 | 2,033,120 |
| Equipment rentals and repairs | 3,380,121 | 3,598,348 |
| **Total operating expenses before depreciation** | 150,515,501 | 162,250,581 |
| **Income from operations before depreciation** | 65,428,835 | 100,785,391 |
| Depreciation expense | 132,833,789 | 131,587,039 |
| **Operating loss** | $ (67,404,954) | $ (30,801,648) |

(continued)

See Notes to Financial Statements.

## SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

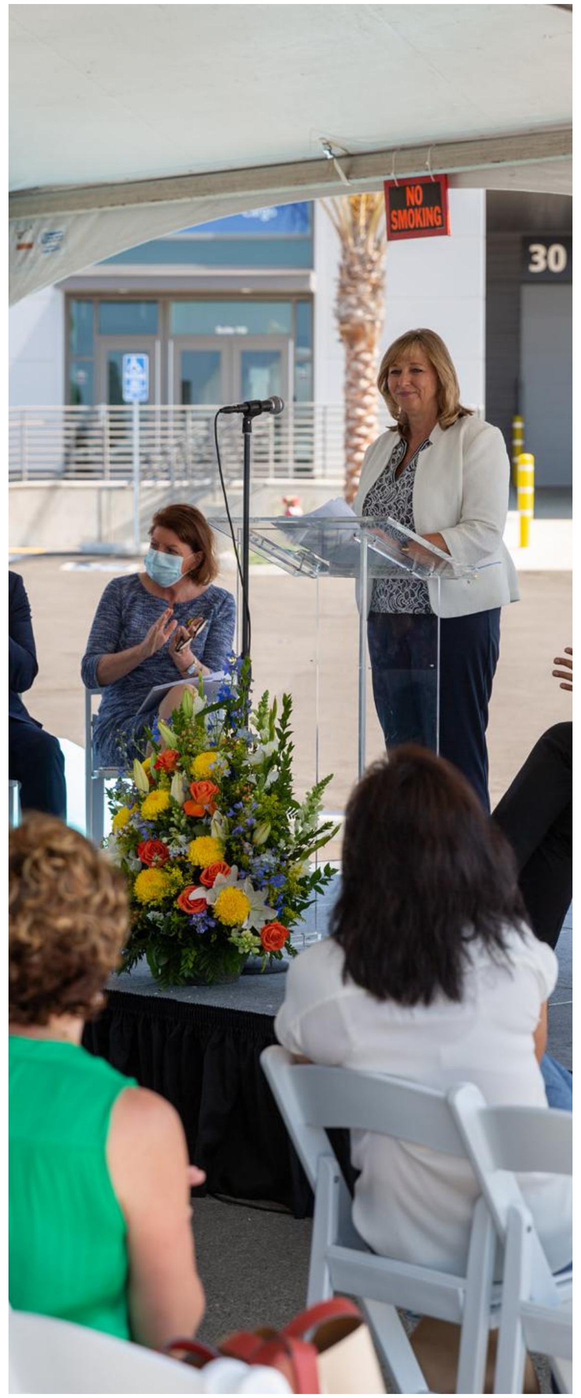
### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED) FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| Nonoperating revenues (expenses): | | |
| Passenger facility charges | $ 22,109,906 | $ 34,392,981 |
| Customer facility charges | 15,755,254 | 30,239,698 |
| Federal relief grants | 77,218,785 | 36,895,488 |
| Quieter Home Program grant revenue (*Note 1* ) | 12,292,767 | 12,155,776 |
| Quieter Home Program expenses (*Note 1* ) | (15,525,646) | (15,450,983) |
| Investment income | 4,175,353 | 32,429,489 |
| Interest expense (*Note 5* ) | (68,067,154) | (75,700,970) |
| Build America Bonds subsidy (*Note 5* ) | - | 2,089,397 |
| Other revenues (expenses), net | (704,894) | 1,442,102 |
| Nonoperating revenue, net | 47,254,371 | 58,492,978 |
| Income before federal grants | (20,150,583) | 27,691,330 |
| Federal grants (*Note 1* ) | 13,931,737 | 4,071,980 |
| Change in net position | (6,218,846) | 31,763,310 |
| Net position, beginning of year | 885,065,667 | 853,302,357 |
| Net position, end of year | $ 878,846,821 | $ 885,065,667 |

See Notes to Financial Statements.

## SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

### STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020




| | 2021 | 2020 |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Receipts from customers | $ 200,250,036 | $ 265,194,930 |
| Payments to suppliers | (86,798,975) | (103,828,307) |
| Payments to employees | (48,665,421) | (52,578,787) |
| Other receipts | 1,683,852 | 1,699,331 |
| **Net cash provided by operating activities** | 66,469,492 | 110,487,167 |
| Cash Flows From Noncapital Financing Activities | | |
| Settlement receipts (payments) | (704,894) | 1,442,102 |
| Quieter Home Program grant receipts | 16,387,129 | 7,252,520 |
| Quieter Home Program payments | (15,525,646) | (15,450,983) |
| **Net cash provided by (used in) noncapital financing activities** | 156,589 | (6,756,361) |
| Cash Flows From Capital and Related Financing Activities | | |
| Capital outlay | (180,332,423) | (197,716,114) |
| Proceeds on Build America Bonds subsidy | - | 2,089,397 |
| Proceeds from variable rate debt | - | 34,040,000 |
| Payment of variable rate debt | - | (47,759,000) |
| Federal grants received (excluding Quieter Home Program) | 104,857,732 | 24,552,219 |
| Proceeds from passenger facility charges | 16,776,531 | 40,924,276 |
| Proceeds from customer facility charges | 14,506,299 | 33,443,563 |
| Payment of principal on bonds | (31,560,000) | (528,735,000) |
| Proceeds from issuance of Series 2019 Bonds | - | 610,021,863 |
| Proceeds from issuance of Series 2020 Bonds | - | 241,640,000 |
| Payment of capital lease | (295,134) | (323,243) |
| Interest and debt fees paid | (81,239,634) | (94,444,671) |
| **Net cash provided by (used in) capital and related financing activities** | (157,286,629) | 117,733,290 |
| Cash Flows From Investing Activities | | |
| Sales and maturities of investments | 359,672,049 | 407,557,391 |
| Purchases of investments | (312,867,581) | (599,747,577) |
| Interest received on investments and note receivable | 4,175,353 | 33,186,340 |
| Principal payments received on notes receivable | 2,123,843 | 2,006,052 |
| **Net cash provided by (used in) investing activities** | 53,103,664 | (156,997,794) |
| **Net increase (decrease) in cash and cash equivalents** | (37,556,884) | 64,466,302 |
| Cash and cash equivalents, beginning of year | 100,961,170 | 36,494,868 |
| Cash and cash equivalents, end of year | $ 63,404,286 | $ 100,961,170 |

(continued)

See Notes to Financial Statements.





SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

### STATEMENTS OF CASH FLOWS, (CONTINUED) FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| Reconciliation of Cash and Cash Equivalents to the Statements of Net Position | | |
| Unrestricted cash and cash equivalents | $ 40,910,032 | $ 36,935,136 |
| Cash and cash equivalents designated for specific capital projects and other commitments | 22,494,254 | 64,026,034 |
| Total cash and cash equivalents | $ 63,404,286 | $ 100,961,170 |
| Reconciliation of Operating Loss to Net Cash Provided by Operating Activities | | |
| Operating loss | $ (67,404,954) | $ (30,801,648) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation expense | 132,833,789 | 131,587,039 |
| Change in pensions/OPEB liability/asset | 19,222,755 | (4,042,556) |
| Change in deferred outflows related to pensions/OPEB | (10,710,028) | 3,919,532 |
| Change in deferred inflows related to pensions/OPEB | (4,652,326) | 848,671 |
| Changes in assets and liabilities: | | |
| Tenant lease receivables | (215,182) | (10,335,110) |
| Other assets | 1,380,047 | (3,065,871) |
| Accounts payable | (4,472,588) | 5,473,307 |
| Accrued liabilities | 13,557,721 | 2,107,367 |
| Compensated absences | 673,359 | 538,373 |
| Other liabilities | (13,743,101) | 14,258,063 |
| **Net cash provided by operating activities** | $ 66,469,492 | $ 110,487,167 |
| Supplemental Disclosure of Noncash Investing, Capital and Financing Activities | | |
| Additions to capital assets included in accounts payable | $ 15,822,672 | $ 22,213,916 |

See Notes to Financial Statements.



## NOTE 1.

## NATURE OF ORGANIZATION & 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.

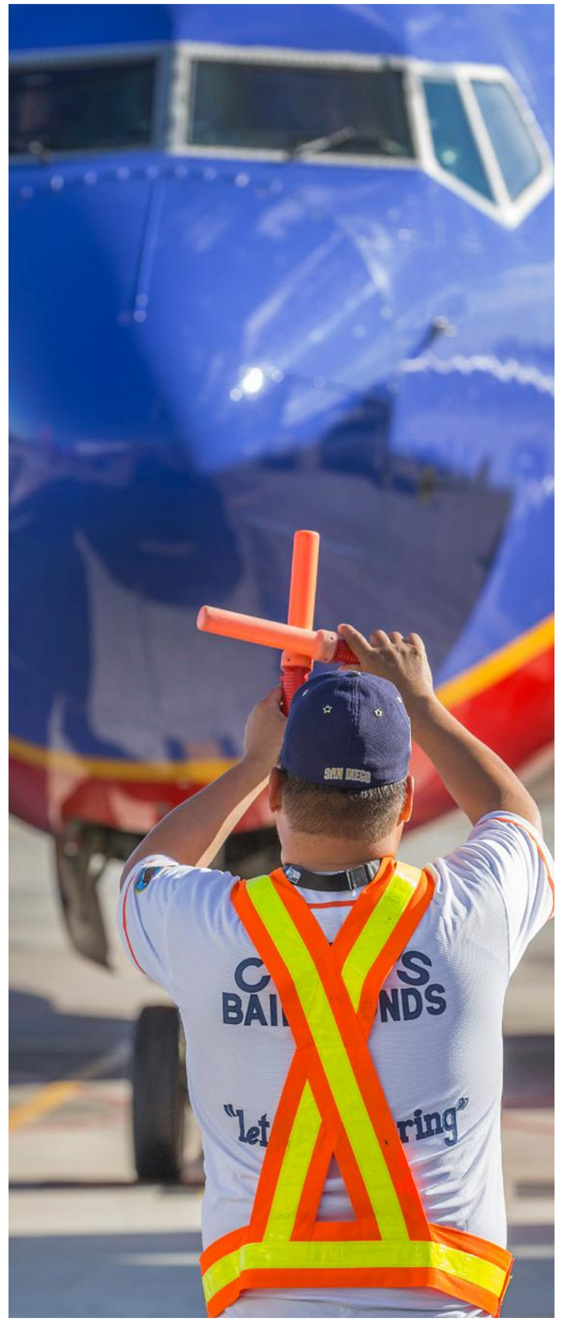
**CASH AND CASH EQUIVALENTS:**
For purposes of the statements of cash flows, cash and cash equivalents includes unrestricted (including designated) cash on hand, demand deposits, and investment securities with original maturities of three months or less from the date of acquisition.

**INVESTMENTS:**
Investments in the state and county investment pools are recorded at net asset value and money market mutual funds and non-negotiable certificates of deposit are recorded at amortized cost. 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.

## NOTE 1.

## NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)



**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, 2021 and 2020, the Airport Authority recovered $13,931,737 and $4,071,980, respectively, for approved capital projects and $12,292,767 and $12,155,776, respectively, for the Quieter Home Program.

**CARES ACT:**
The Coronavirus Aid, Relief, and Economic Security Act (CARES), was signed into law on March 27, 2020, to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. As of June 30, 2021 and 2020, the Airport Authority drew $54.3M and $36.9M, respectively.

**CRRSAA:**
The Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA), was signed into law on December 27, 2020, and includes nearly $2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease pandemic. To distribute these funds, the FAA established the Airport Coronavirus Response Grant Program (ACRGP) to make grants to all airports that are part of the national airport system, including all commercial service airports, all reliever airports, and some public-owned general aviation airports. The Airport Authority was awarded $22.9 million on March 26, 2021. As of June 30, 2021, $20.2 million of the award had been received and $2.7 million was recorded as grants receivable.

**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, contribute to the Airport Authority's noise mitigation (Quieter Home Program), or to repay debt service issued to build eligible capital projects. As of June 30, 2021 and 2020, accrued PFC receivables totaled $5,762,062 and $428,687 respectively, and there were $51,233,055 and $65,034,830 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2021 and 2020, 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 2003. Currently, there are four active applications that allow the Airport Authority to impose and use $1.2 billion in PFC revenue through April 2040.

The latest application was approved by the FAA in February 2019 (as amended in August 2020) providing collection authority with a charge effective date through April 2040. 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.

**Customer facility charges (CFC):**
The Airport Authority received approval in May 2009 from the State of California under Section 1939 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 and operate the related ground transportation system. The current CFC rate, which has been in effect since January 1, 2017, is $9.00 per day for a maximum of five days. As of June 30, 2021 and 2020, accrued CFC receivables totaled $2,384,282 and $1,135,327, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2021 and 2020, were $26,299,449, and $43,051,177, 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 1st – June 30th) 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.
- Debt Refunding - These amounts represent the gain or loss from the refunding of debt. These differences are deferred and recognized as interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. 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.

NOTE 1.

NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NOTE 1.

NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is computed by use of the straight-line method over the following estimated useful lives:

| Asset Category | Useful Life (Years) |
|---|---|
| **Land improvements** | 30-40 |
| **Runways, roadways and parking lots** | |
| Lighting, security and minor improvements | 3-10 |
| Airfield and parking lots and improvements | 12-25 |
| Drainage systems, gas lines, pedestrian bridges | 30 |
| Roadways, bridges and infrastructure | 40-50 |
| **Buildings and structures** | |
| Passenger loading bridges, security systems, general upgrades and remodels | 3-10 |
| Baggage handling systems, HVAC, structural improvements, fuel and storage facility | 12-20 |
| Buildings and smart curb improvements | 25-50 |
| **Machinery and equipment** | |
| Vehicles and emergency vehicles | 3-15 |
| Office furniture and equipment | 3-10 |
| Communication and electronic systems | 3-20 |
| **Works of art** | 15-30 |

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are expensed as incurred. Major outlays for capital assets and improvements are capitalized as construction in progress as projects are constructed. The Airport Authority no longer capitalizes interest due to the adoption of GASB No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period that eliminated the requirement to capitalize interest.

**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.

**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.

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.

Unrestricted net position as of June 30, 2021 and 2020 includes designations of net position that represent tentative management plans that are subject to change, consisting of:

| | 2021 | 2020 |
|---|---|---|
| Operating contingency | $ 2,000,000 | $ 2,000,000 |
| Insurance contingency | 12,403,950 | 11,685,954 |
| Capital projects and other commitments | 8,090,304 | 29,675,668 |
| Total designated net position | $ 22,494,254 | $ 43,361,622 |

**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.

**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:

| | 2021 | 2020 |
|---|---|---|
| Southwest Airlines | 33.5% | 37.6% |
| Alaska Airlines | 16.6% | 14.3% |
| American Airlines | 15.8% | 12.2% |
| United Airlines | 12.3% | 12.0% |
| Delta Airlines | 11.7% | 12.7% |

## NOTE 1.

## NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

Additionally. the Airport Authority has a single-employer defined benefit preservation of benefit pension 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**OTHER POSTEMPLOYMENT BENEFIT PLAN:**
The Airport Authority provides an agent multiple-employer defined benefit postemployment benefit plan (the OPEB Plan). The OPEB Plan funds are managed by California Public Employees Retirement System (CalPERS) under the California Employer's Retiree Benefit Trust (CERBT) fund. For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB 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, which had no impact on previously reported net position, during the year ended June 30, 2021:

- GASB Statement No. 84, Fiduciary Activities, 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, 2021.
- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, effective for the Airport Authority's year ending June 30, 2021.

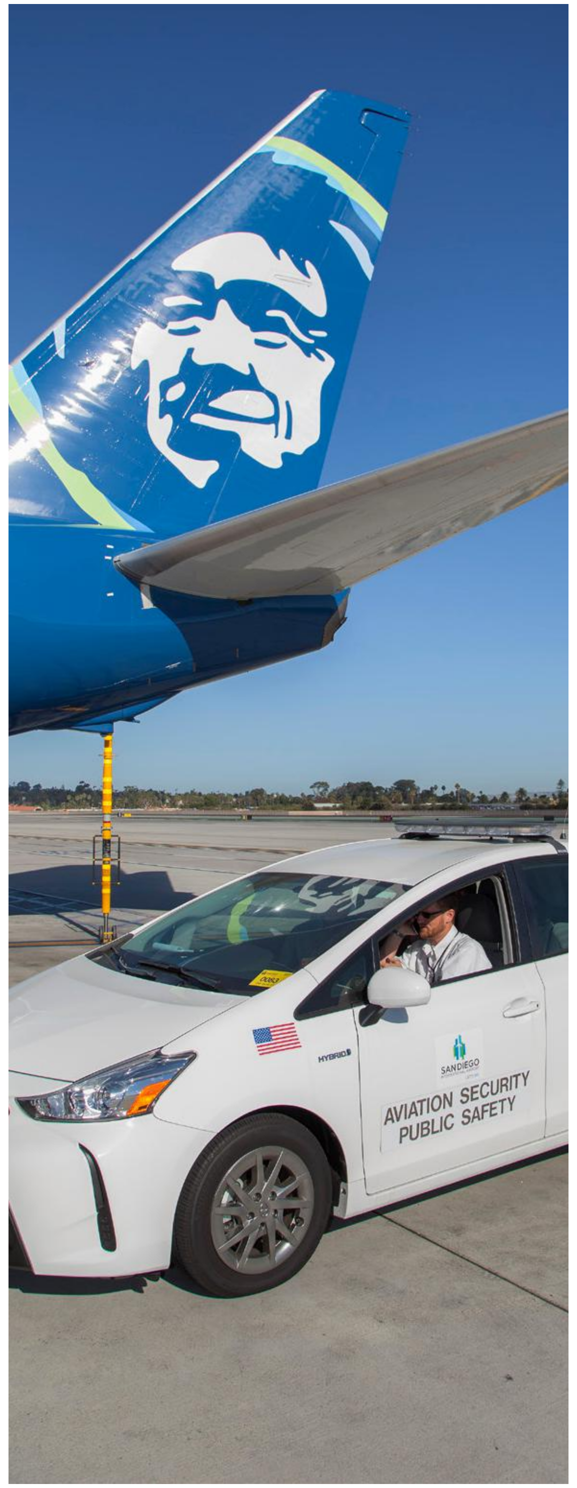
**ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED:**
GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Airport Authority:

- GASB Statement No. 87, Leases, effective for the Airport Authority's year ending June 30, 2022
- GASB Statement No. 91, Conduit Debt Obligations, effective for the Airport Authority's year ended June 30, 2023.

**RECLASSIFICATIONS:**
Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation.  The reclassifications had no effect on the changes in net position.

## NOTE 2.

## CASH, CASH EQUIVALENTS & 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:

| | 2021 | 2020 |
|---|---|---|
| Unrestricted and Undesignated: | | |
| Cash and cash equivalents | **$ 40,910,032** | $ 36,935,136 |
| Current investments | **241,485,681** | 159,562,631 |
| Noncurrent investments | **39,904,555** | 137,429,307 |
| Total unrestricted and undesignated | **322,300,268** | 333,927,074 |
| Designated for specific capital projects and other commitments: cash and cash equivalents | **46,916,337** | 64,026,034 |
| Restricted: | | |
| Current cash, cash equivalents and investments, with trustees | **93,190,368** | 93,486,053 |
| Noncurrent cash, cash equivalents and investments, not with trustees | **142,401,039** | 174,924,058 |
| Noncurrent cash, cash equivalents and investments, with trustees | **338,135,700** | 360,941,845 |
| Total restricted cash, cash equivalents and investments | **573,727,107** | 629,351,956 |
| Total cash, cash equivalents and investments | **$ 942,943,712** | $ 1,027,305,064 |

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

| | 2021 | 2020 |
|---|---|---|
| Restricted cash, cash equivalents and investments: | | |
| Bond reserves: | | |
| Operation and maintenance reserve subaccount | **$ 42,735,010** | $ 43,308,755 |
| Operation and maintenance subaccount | **14,245,003** | 14,436,251 |
| Renewal and replacement account | **5,400,000** | 5,400,000 |
| Total bonds reserves | **62,380,013** | 63,145,006 |
| Passenger facility charges unapplied | **51,233,055** | 65,034,830 |
| Customer facility charges unapplied | **26,699,449** | 43,051,177 |
| Small business development bond guarantee | **2,222,300** | 4,000,000 |
| 2010 Series debt service reserve fund | **3** | 30,146,892 |
| 2010 Series debt service account | **-** | 11,344,678 |
| 2013 Series construction fund | **87** | 87 |
| 2013 Series debt service reserve fund | **34,307,365** | 34,260,842 |
| 2013 Series debt service account | **17,157,962** | 16,981,079 |
| 2014 Series construction fund | **2,848** | 3,031 |
| 2014 Series debt service reserve fund | **22,305,314** | 22,796,477 |
| 2014 Series debt service account | **14,156,186** | 14,130,702 |
| 2014 Series rolling coverage fund | **7,170,595** | 7,133,754 |
| 2014 Series renew and replace | **9,428,461** | 7,452,635 |
| 2017 Series construction fund | **478,587** | 2,352,993 |
| 2017 Series debt service reserve fund | **12,241,130** | 12,537,440 |
| 2017 Series debt service account | **14,897,086** | 15,077,845 |
| 2019 Series construction fund | **199,855,483** | 222,216,692 |
| 2019 Series debt service account | **12,275,954** | 7,990,051 |
| 2019 Series debt service reserve fund | **29,607,535** | 29,918,507 |
| 2019 Series CAP interest fund | **6,797,251** | 16,110,292 |
| 2019 Series cost of issuance | **-** | 3,224 |
| 2020 Series cost of issuance | **-** | 57,969 |
| 2020 Series debt services | **20,095,215** | 3,605,753 |
| 2020 Service debt service reserve fund | **30,415,228** | - |
| Total restricted cash, cash equivalents and investments | **$ 573,727,107** | $ 629,351,956 |

## NOTE 2.

## CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

**INVESTMENTS AUTHORIZED IN ACCORDANCE WITH CALIFORNIA GOVERNMENT CODE SECTION 53601 AND UNDER THE PROVISIONS OF THE AIRPORT AUTHORITY'S INVESTMENT POLICY:**
The table that follows identifies the investment types that are authorized by the Airport Authority's investment policy and State Government Code. The table also identifies certain provisions of the Airport Authority's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

This table does not address investments of bond proceeds held by the bond trustee that are governed by provisions of debt agreements of the Airport Authority, in addition to the general provisions of the Airport Authority's investment policy and State Government Code.

| Authorized Investment Type | Maximum Maturity | Minimum Quality Requirements | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|---|
| U.S. Treasury obligations | 5 years | N/A | None | None |
| U.S. agency securities | 5 years | N/A | None | None |
| Supranationals | 5 years | AA | 30 percent | 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 | $75 million |
| San Diego County Investment Pool | N/A | N/A | None | $75 million |
| Local Government Investment Pool | N/A | N/A | None | $75 million |
| U.S. State and California agency | 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 |
| Asset-Backed Securities | 5 years | AA | 10 Percent | 5 percent |
| Mortgage Backed Securities | 5 years | AA | 10 Percent | 5 percent |
| Mortgage Pass-through Securities | 5 years | AA | 10 Percent | 5 percent |
| Collaterallized Mortgage Obligation | 5 years | AA | 10 Percent | 5 percent |

* Financial institution must have at least an overall satisfactory rating under the Community Reinvestment Act for meeting the credit needs of California communities in its most recent evaluation. Collateralization required per Cal. Gov. Code Section 53630 et seq.

**INVESTMENT IN STATE INVESTMENT POOLS:**
The Airport Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Airport Authority's investments in this pool are reported in the accompanying financial statements at fair value based upon the Airport Authority's pro rata share of the amortized cost basis provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of each portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

**INVESTMENT IN COUNTY INVESTMENT POOL:**
The Airport Authority is a voluntary participant in the San Diego County Investment Pool (SDCIP) that is regulated by California Government Code Section 16429 under the oversight of the County Treasurer of San Diego. The Airport Authority's investments in this pool are reported in the accompanying financial statements at fair value based upon the Airport Authority's pro rata share of the amortized cost basis provided by SDCIP for the entire SDCIP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by SDCIP.

## NOTE 2.

## CASH, CASH EQUIVALENTS & 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.

**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.

NOTE 2.

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

## NOTE 2.

## CASH, CASH EQUIVALENTS & 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:

**2021**

| Investment Type | Total | Investment Maturities (in Years) 0 - 1 | 1 - 2 | 2 - 5 | Ratings |
|---|---|---|---|---|---|
| Investments subject to credit and interest rate risk: | | | | | |
| U.S. Treasury obligations | $ 111,584,806 | $ 62,013,108 | $ 43,647,786 | $ 5,923,912 | AA+ |
| U.S. Agency securities | 129,121,554 | 32,018,617 | 28,272,388 | 68,830,549 | AA+ |
| Supranationals | 2,025,740 | 2,025,740 | - | - | AAA |
| | 5,536,955 | 5,536,955 | - | - | Not rated |
| Medium-term notes | 3,000,720 | 3,000,720 | - | - | AAA |
| | 6,270,120 | - | 6,270,120 | - | AA |
| | 12,502,610 | 3,009,030 | 7,421,280 | 2,072,300 | A+ |
| | 21,236,805 | 5,051,320 | 5,684,385 | 10,501,100 | A |
| | 2,027,160 | 2,027,160 | - | - | A- |
| | 4,047,720 | 4,047,720 | - | - | AA+ |
| Municipal Bonds | 5,194,250 | - | - | 5,194,250 | AA+ |
| Negotiable Certificates of deposit | 2,222,300 | 2,222,300 | - | - | |
| Money market mutual funds | 117,578,335 | 117,578,335 | - | - | |
| Local Agency Investment Fund | 192,705,889 | 192,705,889 | - | - | Not rated |
| San Diego County Investment Pool | 270,367,612 | 270,367,612 | - | - | AAA |
| CalTrust Fund | 16,410,450 | 16,410,450 | - | - | AAA |
| Total investments subject to credit and interest rate risk: | 901,833,026 | 718,014,956 | 91,295,959 | 92,522,111 | |
| Investments not subject to credit or interest rate risk: | | | | | |
| Nonnegotiable certificates of deposit | 16,615,890 | | | | |
| Total Investments | $ 918,448,916 | | | | |

**2020**

| Investment Type | Total | Investment Maturities (in Years) 0 - 1 | 1 - 2 | 2 - 5 | Ratings |
|---|---|---|---|---|---|
| Investments subject to credit and interest rate risk: | | | | | |
| U.S. Treasury obligations | $ 152,277,194 | $ 38,947,897 | $ 54,461,073 | $ 58,868,224 | AA+ |
| U.S. Agency securities | 147,157,246 | 22,271,155 | 32,673,767 | 92,212,324 | AA+ |
| | 6,810,765 | - | - | 6,810,765 | Not rated |
| Supranationals | 4,199,896 | 2,148,056 | 2,051,840 | - | AAA |
| | 5,610,140 | - | - | 5,610,140 | Not rated |
| Commercial Paper | 2,499,500 | 2,499,500 | - | - | A-1 |
| Medium-term notes | 3,041,070 | 3,041,070 | - | - | AAA |
| | 22,040,080 | 4,048,800 | 4,115,480 | 13,875,800 | AA |
| | 39,801,962 | 5,335,102 | 13,705,980 | 20,760,880 | A |
| Municipal Bonds | 5,176,600 | - | - | 5,176,600 | AA+ |
| Negotiable certificates of deposit | 4,028,440 | 4,028,440 | - | - | A+ |
| | 4,000,000 | 4,000,000 | | | A-1+ |
| Money market mutual funds | 110,878,565 | 110,878,565 | - | - | AAA |
| Local Agency Investment Fund | 146,314,756 | 146,314,756 | - | - | Not rated |
| San Diego County Investment Pool | 293,587,647 | 293,587,647 | - | - | AAA |
| CalTrust Fund | 16,362,863 | 16,362,863 | - | - | AA |
| Total investments subject to credit and interest rate risk: | 963,786,724 | 560,021,237 | 107,008,140 | 203,314,732 | |
| Investments not subject to credit or interest rate risk: | | | | | |
| Nonnegotiable certificates of deposit | $ 16,271,235 | | | | |
| Total Investments | $ 980,057,959 | | | | |

Ratings per Standard and Poor's



## NOTE 2.

## CASH, CASH EQUIVALENTS & 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, 2021 and 2020.

**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, 2021 and 2020, the balance of the note receivable was $27,208,867 and $29,332,710, 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 |
|---|---|
| 2022 | $ 2,243,644 |
| 2023 | 2,370,203 |
| 2024 | 2,500,653 |
| 2025 | 2,644,957 |
| 2026 | 2,794,153 |
| 2027-2031 | 14,655,257 |
| | $ 27,208,867 |

## NOTE 4.

## CAPITAL ASSETS

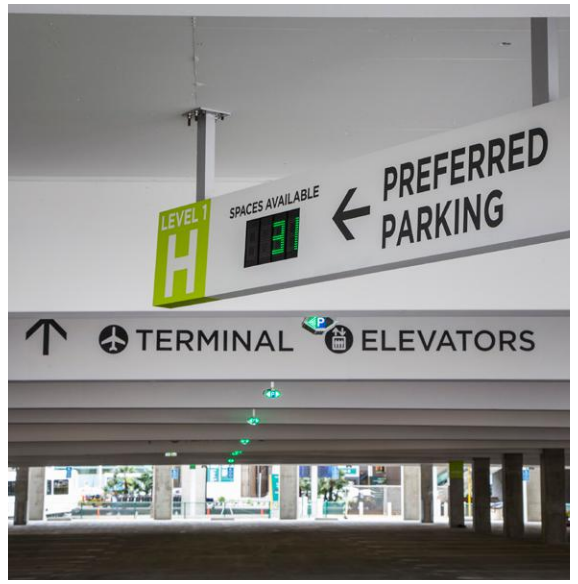
Capital asset activity for the years ended June 30, 2021 and 2020, are as follows:

| | Balance at June 30, 2020 | Increases | Decreases | **Balance at June 30, 2021** |
|---|---|---|---|---|
| Nondepreciable assets: | | | | |
| Land | $ 22,167,594 | $ - | $ - | **$ 22,167,594** |
| Construction in progress | 288,353,299 | 173,459,061 | (213,276,895) | **248,535,465** |
| Intangible asset | 440,000 | - | - | **440,000** |
| Total nondepreciable assets | 310,960,893 | 173,459,061 | (213,276,895) | **271,143,059** |
| Depreciable assets: | | | | |
| Land improvements | 114,589,520 | 49,181,230 | - | **163,770,750** |
| Buildings and structures (1) | 1,747,407,784 | 148,946,010 | (10,586,284) | **1,885,767,510** |
| Machinery and equipment | 135,435,875 | 3,324,571 | (15,777,887) | **122,982,559** |
| Runways, roads and parking lots | 708,999,286 | 12,709,855 | (1,734,320) | **719,974,821** |
| Total capital assets being depreciated | 2,706,432,465 | 214,161,666 | (28,098,491) | **2,892,495,640** |
| Less accumulated depreciation for: | | | | |
| Land improvements | (35,941,711) | (9,533,871) | - | **(45,475,582)** |
| Building and structures | (752,724,619) | (81,869,287) | 10,586,287 | **(824,007,618)** |
| Machinery and equipment | (84,805,802) | (11,671,187) | 15,540,927 | **(80,936,062)** |
| Runways, roads and parking lots | (355,320,220) | (29,759,445) | 1,568,624 | **(383,511,041)** |
| Total accumulated depreciation | (1,228,792,352) | (132,833,789) | 27,695,839 | **(1,333,930,303)** |
| Total capital assets being depreciated, net | 1,477,640,113 | 81,327,877 | (402,653) | **1,558,565,337** |
| Capital assets, net | $ 1,788,601,006 | $ 254,786,938 | $ (213,679,548) | **$ 1,829,708,396** |

(1) Includes capitalized lease of building with a net present value of future lease payments of $6,201,975

| | Balance at June 30, 2019 | Increases | Decreases | Balance at June 30, 2020 |
|---|---|---|---|---|
| Nondepreciable assets: | | | | |
| Land | $ 22,167,594 | $ - | $ - | $ 22,167,594 |
| Construction in progress | 144,432,325 | 197,072,893 | (53,151,919) | 288,353,299 |
| Intangible asset | 440,000 | - | - | 440,000 |
| Total nondepreciable assets | 167,039,919 | 197,072,893 | (53,151,919) | 310,960,893 |
| Depreciable assets: | | | | |
| Land improvements | 113,682,793 | 906,727 | - | 114,589,520 |
| Buildings and structures (1) | 1,708,864,802 | 38,542,982 | - | 1,747,407,784 |
| Machinery and equipment | 131,172,226 | 4,263,649 | - | 135,435,875 |
| Runways, roads and parking lots | 698,595,118 | 10,297,728 | 106,440 | 708,999,286 |
| Total capital assets being depreciated | 2,652,314,939 | 54,011,086 | 106,440 | 2,706,432,465 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (28,301,823) | (7,639,888) | - | (35,941,711) |
| Building and structures | (670,750,529) | (81,974,090) | - | (752,724,619) |
| Machinery and equipment | (72,553,452) | (12,252,350) | - | (84,805,802) |
| Runways, roads and parking lots | (325,599,509) | (29,720,711) | - | (355,320,220) |
| Total accumulated depreciation | (1,097,205,313) | (131,587,039) | - | (1,228,792,352) |
| Total capital assets being depreciated, net | 1,555,109,626 | (77,575,953) | 106,440 | 1,477,640,113 |
| Capital assets, net | $ 1,722,149,545 | $ 119,496,940 | $ (53,045,479) | $ 1,788,601,006 |

(1) Includes capitalized lease of building with a net present value of future lease payments of $6,497,109



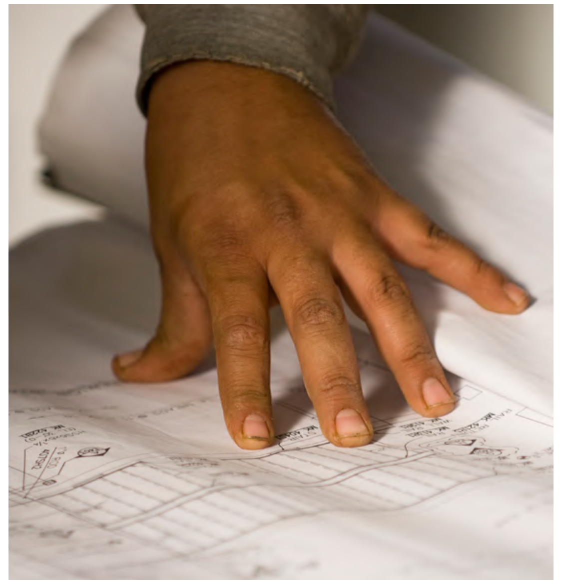

## NOTE 5.

## LONG-TERM LIABILITIES

The following is a summary of changes in the long-term liability activity for the years ended June 30, 2021 and 2020:

| | Principal Balance at June 30, 2020 | Additions /New Issuances | Reductions/ Repayments | **Principal Balance at June 30, 2021** | Due Within One Year |
|---|---|---|---|---|---|
| Bonds payable: | | | | | |
| Series 2010 Bonds | $ 10,865,000 | $ - | $ (10,865,000) | **$ -** | $ - |
| Series 2013 Bonds | 368,750,000 | - | (7,925,000) | **360,825,000** | 8,315,000 |
| Series 2014 Bonds | 293,985,000 | - | (5,890,000) | **288,095,000** | 6,090,000 |
| Series 2017 Bonds | 281,810,000 | - | (4,825,000) | **276,985,000** | 5,070,000 |
| Series 2019 Bonds | 463,680,000 | - | (1,235,000) | **462,445,000** | 3,420,000 |
| Series 2020 Bonds | 241,640,000 | - | (820,000) | **240,820,000** | 13,825,000 |
| Bond premiums | 220,478,470 | - | (14,050,587) | **206,427,883** | - |
| Total bonds payable | 1,881,208,470 | - | (45,610,587) | **1,835,597,883** | 36,720,000 |
| Capital leases | 6,497,108 | - | (295,134) | **6,201,974** | 323,293 |
| Total debt obligations | 1,887,705,578 | - | (45,905,721) | **1,841,799,857** | 37,043,293 |
| Compensated absences | 4,088,584 | 3,211,891 | (2,538,532) | **4,761,943** | 2,538,532 |
| Total long-term liabilities | $ 1,891,794,162 | $ 3,211,891 | $ (48,444,253) | **$ 1,846,561,800** | $ 39,581,825 |

| | Principal Balance at June 30, 2019 | Additions /New Issuances | Reductions/ Repayments | Principal Balance at June 30, 2020 | Due Within One Year |
|---|---|---|---|---|---|
| Variable Rate Debt | | | | | |
| Series B tax-exempt | $ 13,719,000 | $ - | $ (13,719,000) | $ - | $ - |
| Revolv LOC | - | 34,040,000 | (34,040,000) | - | - |
| Total variable rate debt | 13,719,000 | 34,040,000 | (47,759,000) | - | - |
| Bonds payable: | | | | | |
| Series 2010 Bonds | 527,100,000 | - | (516,235,000) | 10,865,000 | 10,865,000 |
| Series 2013 Bonds | 371,070,000 | - | (2,320,000) | 368,750,000 | 7,925,000 |
| Series 2014 Bonds | 299,705,000 | - | (5,720,000) | 293,985,000 | 5,890,000 |
| Series 2017 Bonds | 286,270,000 | - | (4,460,000) | 281,810,000 | 4,825,000 |
| Series 2019 Bonds | - | 463,680,000 | - | 463,680,000 | 1,235,000 |
| Series 2020 Bonds | - | 241,640,000 | - | 241,640,000 | 820,000 |
| Bond premiums | 97,483,919 | 146,341,863 | (23,347,312) | 220,478,470 | - |
| Total bonds payable | 1,581,628,919 | 851,661,863 | (552,082,312) | 1,881,208,470 | 31,560,000 |
| Capital leases | 6,820,351 | - | (323,243) | 6,497,108 | 269,427 |
| Total debt obligations | 1,602,168,270 | 885,701,863 | (600,164,555) | 1,887,705,578 | 31,829,427 |
| Compensated absences | 3,550,211 | 3,385,678 | (2,847,305) | 4,088,584 | 2,847,306 |
| Total long-term liabilities | $ 1,605,718,481 | $ 889,087,541 | $(603,011,860) | $ 1,891,794,162 | $ 34,676,733 |



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 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, 2021 and 2020, the amount held in escrow by the trustee was $0 and $5,226,683, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was $0 and $5,125,000, 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, 2021 and 2020, was $17,685,100 and $18,081,350, respectively, including accrued interest of $8,842,550 and $9,040,675 for fiscal years ending June 30, 2021 and 2020, respectively. The principal balance on the Series 2013 Bonds as of June 30, 2021 and 2020, was $360,825,000 and $368,750,000, 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 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 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, 2021 and 2020, the amount held by the trustee was $51,465,414 and $51,242,009, 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 2021 and 2020 was $62,380,013 and $63,145,006, respectively. The public ratings of the Series 2013 Bonds as of June 30, 2021, are A/A1/AA- by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

The required debt service payments for the Series 2013 Bonds for the fiscal years ending June 30 are as follows:

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 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 | 9,625,000 | 16,133,975 | 25,758,975 |
| 2026 | 10,105,000 | 15,640,725 | 25,745,725 |
| 2027-2031 | 58,435,000 | 70,163,750 | 128,598,750 |
| 2032-2036 | 25,815,000 | 60,048,125 | 85,863,125 |
| 2037-2041 | 46,130,000 | 51,281,250 | 97,411,250 |
| 2042-2044 | 184,505,000 | 13,792,875 | 198,297,875 |
| | $ 360,825,000 | $ 278,193,000 | $ 639,018,000 |

**SUBORDINATE LIEN SERIES 2010, 2017, 2019 AND 2020 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 Subordinate Series 2010C Bonds were refunded and defeased on December 11, 2019, when the Airport Authority issued Subordinate Series 2019A Revenue Refunding Bonds. The proceeds of the Series 2019 Bonds included an amount to fund the escrow which was used to pay the principal and interest of the Series 2010C Bonds. As of June 30, 2021, the balance of the 2010C escrow fund was $0. Subordinate Series 2010 A and B (except series maturing July 1, 2020) were refunded and defeased on April 8, 2020 when the Airport Authority Issued Series 2020A, 2020B, and 2020C Revenue Refunding Bonds. The proceeds of the Subordinate Series 2020 Bonds included an amount to fund the escrow which was used to pay the principal and interest of the Series 2010A and 2010B Bonds. As of June 30, 2021 the balance of the 2010A escrow fund was $0 and the balance of the 2010B escrow fund was $0. Amount on deposit in the escrow funds was used to pay the redemption price and interest on the Refunded Series 2010 Bonds on July 1, 2020.

As a result of the refunding, the Airport Authority reduced its total debt service requirements by $142.8 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $100.0 million.

Interest for the fiscal years ended June 30, 2021 and 2020, amounted to $407,438 and $17,869,205, respectively, including accrued interest of $0, and $407,438, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2021 and 2020, was $0 and $10,865,000, respectively.

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, 2021 and 2020, amounted to $13,849,250 and $14,090,500, respectively, including accrued interest of $6,924,625 and $7,045,250, respectively. The principal balance on the subordinate Series 2017 Bonds as of June 30, 2021 and 2020, was $276,985,000 and $281,810,000, respectively.

## NOTE 5.

## LONG-TERM LIABILITIES (CONTINUED)

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 |
|---|---|---|---|
| 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 | 5,865,000 | 12,903,875 | 18,768,875 |
| 2026 | 6,155,000 | 12,603,375 | 18,758,375 |
| 2027-2031 | 35,730,000 | 57,955,500 | 93,685,500 |
| 2032-2036 | 45,600,000 | 47,836,750 | 93,436,750 |
| 2037-2041 | 58,200,000 | 34,923,500 | 93,123,500 |
| 2042-2046 | 74,290,000 | 18,440,500 | 92,730,500 |
| 2047-2048 | 35,170,000 | 1,780,000 | 36,950,000 |
| | $ 276,985,000 | $ 226,818,875 | $ 503,803,875 |

The Airport Authority issued $338,775,000 of Series A Subordinate Airport Revenue and Revenue Refunding Bonds and $124,905,000 of Series B Subordinate Airport Revenue Bonds on December 11, 2019 (Series 2019 Bonds). The Subordinate Series 2019 Bonds were issued to finance certain capital improvements at SDIA including a new facilities maintenance building and storm water capture and reuse projects, fund a portion of the interest accruing on the subordinate Series 2019 Bonds, refund $34,321,000 of the Airport Authority's outstanding variable rate debt, fund the Series 2010C Escrow account, fund the subordinate reserve fund, and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2019 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 2021 to 2050. The bonds were issued at a premium of $96,927,688, which is being amortized over the life of the bonds. Interest on the Series 2019 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2021 and 2020, amounted to $22,292,100 and $12,418,806, respectively, including accrued interest of $11,146,051 and $12,418,806, respectively. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2021 and 2020, was $462,445,000 and $463,680,000, respectively.





The required debt service payments for the Series 2019 Bonds for the fiscal years ending June 30 are as follows:

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2022 | $ 3,420,000 | $ 22,292,100 | $ 25,712,100 |
| 2023 | 4,440,000 | 22,121,100 | 26,561,100 |
| 2024 | 6,095,000 | 21,899,100 | 27,994,100 |
| 2025 | 6,400,000 | 21,594,350 | 27,994,350 |
| 2026 | 5,615,000 | 21,274,350 | 26,889,350 |
| 2027-2031 | 32,580,000 | 101,868,500 | 134,448,500 |
| 2032-2036 | 108,750,000 | 87,243,000 | 195,993,000 |
| 2037-2041 | 163,700,000 | 55,332,800 | 219,032,800 |
| 2042-2046 | 66,135,000 | 25,957,200 | 92,092,200 |
| 2047-2051 | 65,310,000 | 8,362,500 | 73,672,500 |
| | $ 462,445,000 | $ 387,945,000 | $ 850,390,000 |

The Airport Authority issued $241,640,000 of Series A, B and C Subordinate Airport Revenue Refunding Bonds (Series 2020 Bonds). The Airport Authority entered into a Forward Delivery Purchase Contract on December 11, 2019 and delivered the 2020 Bonds Proceeds on April 8, 2020. Proceeds from the sale of the 2020 Bonds were used to fund the Series 2010 A and B bonds escrow accounts and pay the costs of issuance of the subordinate Series 2020 Bonds. The Series 2020 Bonds are structured as serial bonds that bear interest rates of 5.00 percent and mature in fiscal years 2021 to 2041. The bonds were issued at a premium of $49,414,175, which is being amortized over the life of the bonds. Interest on the Series 2020 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2021 and 2020, amounted to $12,041,000 and $2,785,572, respectively, including accrued interest of $6,020,500 and $2,785,572, respectively. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2021 and 2020, was $240,820,000 and $241,640,000, respectively.

The required debt service payments for the Series 2020 Bonds for the fiscal years ending June 30 are as follows:

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2022 | $ 13,825,000 | $ 12,041,000 | $ 25,866,000 |
| 2023 | 14,520,000 | 11,349,750 | 25,869,750 |
| 2024 | 15,240,000 | 10,623,750 | 25,863,750 |
| 2025 | 16,005,000 | 9,861,750 | 25,866,750 |
| 2026 | 11,275,000 | 9,061,500 | 20,336,500 |
| 2027-2031 | 65,395,000 | 36,268,750 | 101,663,750 |
| 2032-2036 | 57,755,000 | 19,881,250 | 77,636,250 |
| 2037-2041 | 46,805,000 | 7,250,250 | 54,055,250 |
| | $ 240,820,000 | $ 116,338,000 | $ 357,158,000 |

NOTE 5.

LONG-TERM LIABILITIES (CONTINUED)

## 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 2017, 2019 and 2020 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, 2021 and 2020, the amount held by the trustee was $326,663,469 and $351,362,336, 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, 2017, 2019 and 2020 Bonds as of June 30, 2020, are A-/A2/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

**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.

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, 2021 and 2020, was $15,827,940 and $16,028,789, respectively, including accrued interest of $7,913,970 and $8,014,395, respectively. The principal balance on the Series 2014 Bonds for fiscal years ended June 30, 2021 and 2020 was $288,095,000 and $293,985,000, 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, 2021 and 2020, the amount held by the trustee was $53,063,404 and $51,516,600, 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 BBB+/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:

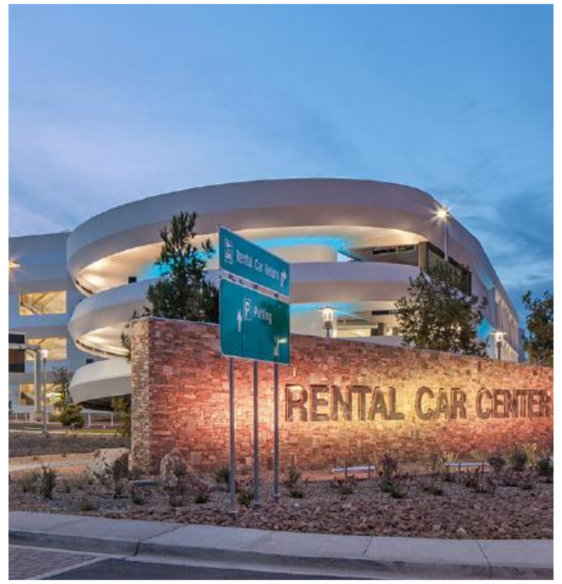
| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2022 | $ 6,090,000 | $ 15,714,362 | $ 21,804,362 |
| 2023 | 6,320,000 | 15,424,013 | 21,744,013 |
| 2024 | 6,670,000 | 15,060,682 | 21,730,682 |
| 2025 | 7,045,000 | 14,677,074 | 21,722,074 |
| 2026 | 7,440,000 | 14,271,928 | 21,711,928 |
| 2027-2031 | 43,925,000 | 64,443,360 | 108,368,360 |
| 2032-2036 | 57,665,000 | 50,319,070 | 107,984,070 |
| 2037-2041 | 75,700,000 | 31,777,897 | 107,477,897 |
| 2042-2045 | 77,240,000 | 8,370,662 | 85,610,662 |
| | $ 288,095,000 | $ 230,059,047 | $ 518,154,047 |

Interest expense on the Series 2010, 2013, 2014 2017, 2019 and 2020 Bonds for fiscal years ended June 30, 2021 and June 30, 2020 of $81.7 million and $81.3 million, respectively, was offset by bond premium amortization of $14.1 million in fiscal year 2021 and $9.6 million in fiscal year 2020.

**Line of credit:**
In fiscal year 2021, the Airport Authority maintained a $2,000,000 line of credit held with US Bank, which is collateralized with a Treasury bond. 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, 2021, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

The Airport Authority had the following used and unused balances in line of credit type debt instruments as of June 30, 2021 and 2020:

| | June 30, 2021 | | June 30, 2020 | |
|---|---|---|---|---|
| | Used | Unused | Used | Unused |
| Line of credit | $ - | 2,000,000 | $ - | 4,000,000 |
| | $ - | $ 2,000,000 | $ - | $ 4,000,000 |



# NOTE 5.

# LONG-TERM LIABILITIES (CONTINUED)

**Subordinate Short-Term Debt Program:**
As at June 30, 2021 the Authority did not maintain a short-term debt program. Subsequent to fiscal year 2021 on July 19, 2021 the Authority entered into an agreement with Bank of America N.A. to establish a Revolving Line of Credit for $200,000,000.

**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 the Letter of Credit and Reimbursement Agreement, an event of default could result in either an acceleration or an interest rate increase of 3.00 – 7.00 percent 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 Airport Authority's Letter of Credit and Reimbursement Agreement is collateralized with a $2,222,000 Treasury bond. Excluding general airport revenue bonds, special facility bonds, and capital leases, no other assets have been pledged or collateralized for any other debt instruments. General Airport revenue bonds 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**
**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 and the net present value of the future lease payments at June 30, 2021:

| Total Years Ending June 30, | | Amount |
|---|---|---|
| 2022 | $ | 877,298 |
| 2023 | | 877,298 |
| 2024 | | 877,298 |
| 2025 | | 877,298 |
| 2026 | | 877,298 |
| 2027-2031 | | 4,386,489 |
| 2032-2033 | | 1,242,839 |
| Total Lease Payments | | 10,015,817 |
| Less amount representing interest | | (3,813,843) |
| Present value of future lease payments | $ | 6,201,974 |

# 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, 2021 and 2020:

| | Defined Benefit Plan (GASB No. 68) | Preservation of Benefits Trust Plan (GASB No. 73) | Total |
|---|---|---|---|
| Balances as of 6/30/2021 | | | |
| Pension expense | $ 12,879,899 | $ 338,696 | $ 13,218,595 |
| Net pension liability | 34,018,795 | 2,445,415 | 36,464,210 |
| Deferred outflows of resources | 30,748,781 | 908,672 | 31,657,453 |
| Deferred inflows of resources | 2,065,506 | 200,876 | 2,266,382 |
| Balances as of 6/30/2020 | | | |
| Pension expense | $ 9,905,772 | $ 214,006 | $ 10,219,778 |
| Net pension liability | 15,961,502 | 1,767,232 | 17,728,734 |
| Deferred outflows of resources | 21,105,307 | 542,202 | 21,647,509 |
| Deferred inflows of resources | 6,190,685 | 218,627 | 6,409,312 |

**PLAN DESCRIPTION:**
The Airport Authority's single-employer defined benefit pension plan (Plan), administered by SDCERS, provides service retirement, disability benefits, death benefits 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.

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.sdcers.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

## NOTE 6.

## DEFINED BENEFIT PLAN (CONTINUED)

PEPRA participants begins at age 52 with five years of service.

The Airport Authority provides monthly payments for the life of the member, with 50 percent continuance to the eligible spouse or registered-domestic partner 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. Members may also choose to receive a reduced lifetime monthly benefit and, upon death, leave more than 50 percent to their spouse or registered domestic partner, or to provide a continuance to a non-spouse.

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, 2020 and June 30, 2019, Plan membership was as follows:

| | 2020 | 2019 |
|---|---|---|
| Active employees | 414 | 407 |
| Inactive employees entitled to but not yet receiving benefits | 149 | 143 |
| Inactive employees or beneficiaries currently receiving benefits | 132 | 117 |
| Total | 695 | 667 |

**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, 2021, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2019, 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, 2021 and 2020, employees contributed $3,123,119 and $3,321,661 respectively, and the Airport Authority contributed $8,522,311 and $8,355,880, 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.





## NOTE 6.

## DEFINED BENEFIT PLAN (CONTINUED)

**NET PENSION LIABILITY:**

The Airport Authority's net pension liability as of June 30, 2021, is measured as the total pension liability, less the pension plan's fiduciary net position. The total pension liability as of June 30, 2021, is measured as of June 30, 2020. The annual valuation used is as of June 30, 2019, rolled forward to June 30, 2020, 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, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | June 30, 2020 | June 30, 2019 |
|---|---|---|
| Valuation date | June 30, 2019 | June 30, 2018 |
| Measurement date | June 30, 2020 | June 30, 2019 |
| Actarial 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 (1) | 6.50% | 6.50% |
| Inflation Rate | 3.05% | 3.05% |
| Interest Credited to Member Contributions | 6.50% | 6.50% |
| Projected salary increase (2) | 3.05% | 3.05% |
| Cost-of-living adjustment | 1.9% per annum, compounded | 1.9% per annum, compounded |
| Termination rate (3) | 2.0% - 16.0% | 3.0% - 11.0% |
| Disability rate (4) | 0.01% - 0.20% | 0.01% - 0.30% |
| Mortality (5) | 0.02% - 13.54% | 0.02% - 13.54% |

(1) Net of investment expense

(2) Net plus merit component based on employee classification and years of service

(3) Based on years of service

(4) Based on age

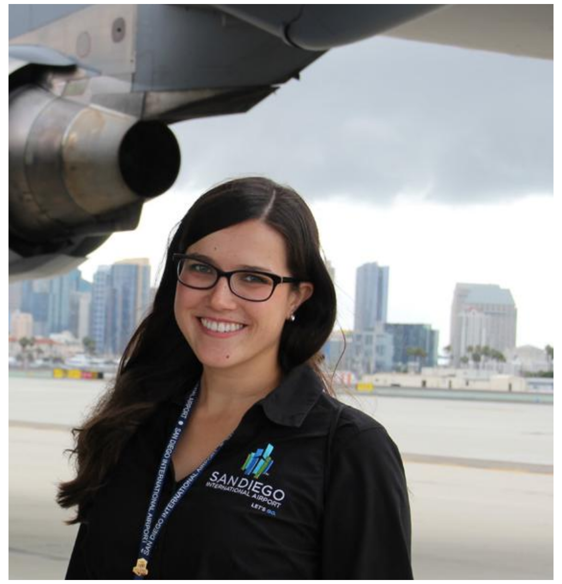
(5) All active and retired healthy members: CalPERS Mortality Tables from the CalPERS January 2014 Experience Study

Further details about the actuarial assumptions can be found in the SDCERS June 30, 2020 and June 30, 2019 actuarial reports.

**DISCOUNT RATE:**

For the June 30, 2020 and 2019 actuarial valuations, the discount rate used to measure the total pension liability was 6.50.  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



NOTE 6.

DEFINED BENEFIT PLAN (CONTINUED)

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 | 17.2% | 4.7% | 6.9% |
| International equity | 14.2% | 5.7% | 7.9% |
| Global equity | 8.0% | 5.3% | 7.5% |
| Domestic fixed income | 21.6% | -0.3% | 1.8% |
| Emerging market debt | 5.0% | 2.5% | 4.6% |
| Real estate | 11.0% | 4.3% | 6.5% |
| Private equity and infrastructure | 13.0% | 7.6% | 9.9% |
| Opportunity fund | 10.0% | 4.3% | 6.5% |
| | 100.0% | | |

**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, 2021, were as follows:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a) - (b) |
| Balances as of June 30, 2020 | $ 218,788,911 | $ 202,827,408 | $ 15,961,503 |
| Changes for the year: | | | |
| Service cost | 7,857,035 | - | 7,857,035 |
| Interest on total pension liability | 14,257,205 | - | 14,257,205 |
| Difference between expected and actual experience | 925,862 | - | 925,862 |
| Changes in assumptions | 6,767,001 | - | 6,767,001 |
| Employer contributions | - | 8,424,834 | (8,424,834) |
| Member contributions | - | 3,321,661 | (3,321,661) |
| Net investment income | - | 390,013 | (390,013) |
| Benefit payments | (6,733,942) | (6,733,942) | - |
| Administrative expense | - | (386,697) | 386,697 |
| Net changes | 23,073,161 | 5,015,869 | 18,057,292 |
| Balances as of June 30, 2021 | $ 241,862,072 | $ 207,843,277 | $ 34,018,795 |

Changes in the total pension liability, plan fiduciary net position and the net pension liability through the year ended June 30, 2020, were as follows:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a) - (b) |
| Balances as of June 30, 2019 | $ 204,875,918 | $ 186,502,637 | $ 18,373,281 |
| Changes for the year: | | | |
| Service cost | 7,632,696 | - | 7,632,696 |
| Interest on total pension liability | 13,355,418 | - | 13,355,418 |
| Difference between expected and actual experience | (645,462) | - | (645,462) |
| Changes in assumptions | - | - | - |
| Employer contributions | - | 7,848,712 | (7,848,712) |
| Member contributions | - | 3,178,464 | (3,178,464) |
| Net investment income | - | 12,086,349 | (12,086,349) |
| Benefit payments | (6,429,659) | (6,429,659) | - |
| Administrative expense | - | (359,095) | 359,095 |
| Net changes | 13,912,993 | 16,324,771 | (2,411,778) |
| Balances as of June 30, 2020 | $ 218,788,911 | $ 202,827,408 | $ 15,961,503 |

**SENSITIVITY OF THE NET PENSION LIABILITY TO DISCOUNT RATE CHANGES:**

The following presents the resulting net pension liability calculated using the discount rate of 6.50 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 years ended June 30, 2021:

| | 1% Decrease 5.50% | Current 6.50% | 1% Increase 7.50% |
|---|---|---|---|
| Total pension liability | $ 276,438,379 | $ 241,862,072 | $ 213,625,853 |
| Plan fiduciary net position | 207,843,276 | 207,843,277 | 207,843,276 |
| Net pension liability | $ 68,595,103 | $ 34,018,795 | $ 5,782,577 |
| Plan fiduciary net position as a percentage of the total pension liability | 75.2% | 85.9% | 97.3% |

## NOTE 6.

## DEFINED BENEFIT PLAN (CONTINUED)

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO THE PLAN:**
For the years ended June 30, 2021 and 2020, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 68, of $12,879,899 and $9,905,772, respectively. At June 30, 2021 and 2020, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

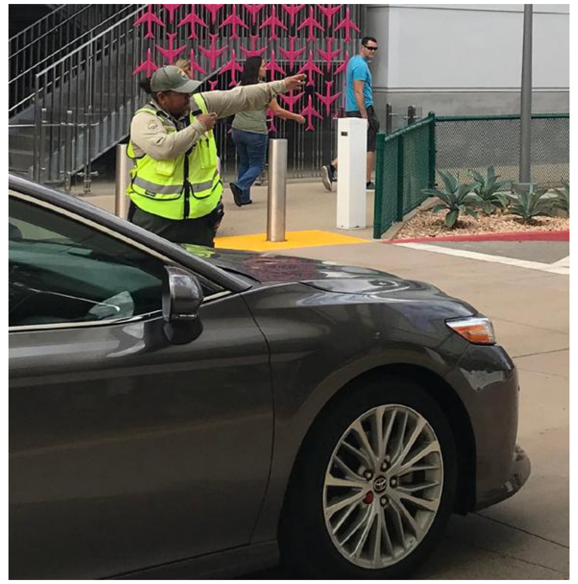
| For June 30, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 2,065,699 | $ 2,065,506 |
| Net difference between projected and actual earnings | 7,836,405 | - |
| Changes in assumptions | 12,324,366 | - |
| Employer contributions made subsequent to June 30, 2020 measurement date | 8,522,311 | - |
| Total | $ 30,748,781 | $ 2,065,506 |

| For June 30, 2020 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 2,045,125 | $ 2,996,068 |
| Net difference between projected and actual earnings | - | 3,194,617 |
| Changes in assumptions | 10,704,298 | - |
| Employer contributions made subsequent to June 30, 2019 measurement date | 8,355,884 | - |
| Total | $ 21,105,307 | $ 6,190,685 |

The deferred outflows of resources, at June 30, 2021 and 2020, resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end will be recognized as a reduction of the net pension liability at June 30, 2022 and 2021, respectively.

Other amounts reported as deferred outflows/inflows of resources related to the plan at June 30, 2021, will be recognized in pension expense as follows:

| Years ended June 30, | |
|---|---|
| 2022 | $ 5,409,170 |
| 2023 | 5,869,695 |
| 2024 | 4,721,590 |
| 2025 | 4,160,509 |
| | $ 20,160,964 |



## NOTE 7.

## PRESERVATION OF BENEFITS TRUST PLAN (GASB NO. 73)

**PRESERVATION OF BENEFITS TRUST PLAN (POB) DESCRIPTION:**
**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:**
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, 2021 and 2020, were $43,301 and $47,081, respectively. The POB is unfunded and provides benefits on an annual basis as determined by SDCERS.as determined by SDCERS.

As of the measurement dates of June 30, 2020 and 2019, Plan membership was as follows:

| | 2020 | 2019 |
|---|---|---|
| Active employees | 2 | 2 |
| Inactive employees or beneficiaries currently receiving benefits | 2 | 2 |
| Total | 4 | 4 |

**TOTAL PENSION LIABILITY:**
The Airport Authority's total pension liability as of June 30, 2021 and 2020, was $2,445,415 and $1,767,232, respectively. The pension liability as of June 30, 2021, is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, 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, 2020 and 2019, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | June 30, 2020 | June 30, 2019 |
|---|---|---|
| Valuation date | June 30, 2019 | June 30, 2018 |
| Measurement date | June 30, 2020 | June 30, 2019 |
| Actuarial cost method | Entry-age normal | Entry-age normal |
| Actuarial assumptions: | | |
| Discount rate | 2.21% | 3.50% |
| Inflation rate | 3.05% | 3.05% |
| Interest credited to member contributions | 6.50% | 6.50% |
| Projected salary increases | 3.05% | 3.05% |

## NOTE 7.

## PRESERVATION OF BENEFITS TRUST PLAN (GASB NO. 73) (CONTINUED)

**CHANGES IN THE TOTAL PENSION LIABILITY:**

Changes in the total pension liability through the year ended June 30, 2021, was as follows:

| | Total Pension Liability |
|---|---|
| Balances as of June 30, 2020 | $ 1,767,232 |
| Changes for the year: | |
| Service cost | 55,276 |
| Interest on total pension liability | 62,061 |
| Difference between expected and actual experience | (57,318) |
| Changes in assumptions | 661,465 |
| Benefit payments | (43,301) |
| Net changes | 678,183 |
| Balances as of June 30, 2021 | $ 2,445,415 |

Changes in the total pension liability through the year ended June 30, 2020, was as follows

| | Total Pension Liability |
|---|---|
| Balances as of June 30, 2019 | $ 1,656,062 |
| Changes for the year: | |
| Service cost | 49,343 |
| Interest on total pension liability | 64,133 |
| Difference between expected and actual experience | (64,295) |
| Changes in assumptions | 109,070 |
| Benefit payments | (47,081) |
| Net changes | 111,170 |
| Balances as of June 30, 2020 | $ 1,767,232 |

**SENSITIVITY OF THE TOTAL PENSION LIABILITY TO DISCOUNT RATE CHANGES:**

The following presents the resulting total pension liability calculated using the discount rate of 2.21 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, 2021:

| | 1% Decrease 1.21% | Current Rate 2.21% | 1% Increase 3.21% |
|---|---|---|---|
| Total pension liability | $ 2,984,375 | $ 2,445,415 | $ 1,492,635 |

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO THE POB:**

For the year ended June 30, 2021 and 2020, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 73, of $338,696 and $214,006. At June 30, 2021 and 2020, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

| For June 30, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 225,947 | $ 84,431 |
| Changes in assumptions | 640,043 | 116,445 |
| Employer contributions subsequent to June 30, 2020 measurement date | 42,682 | - |
| Total | $ 908,672 | $ 200,876 |

| For June 30, 2020 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 322,838 | $ 51,436 |
| Changes in assumptions | 178,115 | 167,191 |
| Employer contributions subsequent to June 30, 2019 measurement date | 41,249 | - |
| Total | $ 542,202 | $ 218,627 |

The deferred outflows of resources, at June 30, 2021, resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end will be recognized as a reduction of the net pension liability at June 30, 2022.

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

| Years ended June 30, | |
|---|---|
| 2022 | $ 175,925 |
| 2023 | 147,000 |
| 2024 | 120,831 |
| | $ 443,756 |

## 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.

## NOTE 9.

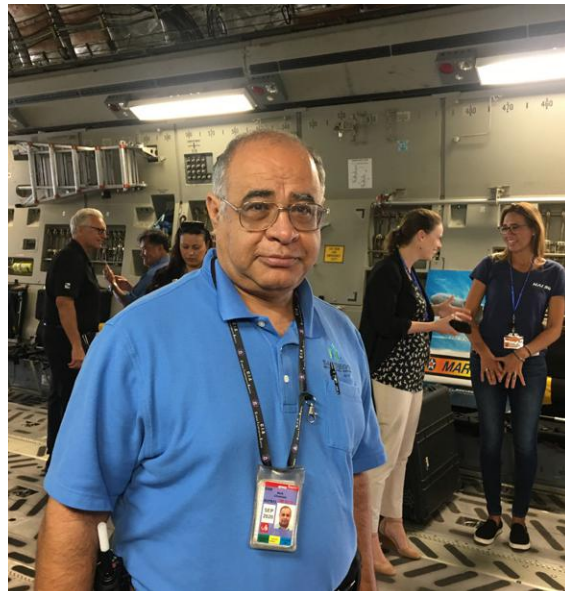
## OTHER POSTEMPLOYMENT BENEFITS

The Airport Authority provides an agent multiple-employer defined benefit postemployment benefit plan (the OPEB Plan). The OPEB Plan provides post-retirement 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 2 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 $392 billion in assets for more than 2,890 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 actuarially determined contributions (ADCs). 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 ADC for its OPEB. In previous years, the Airport Authority has made contributions above the annual ADC which has resulted in a net OPEB asset. During the fiscal years ended June 30, 2021 and 2020, the Airport Authority's contributions were $919,462 and $784,845, respectively.

A measurement date of June 30, 2020 and 2019, was used for the June 30, 2021 and June 2020, OPEB assets and expenses. The information that follows was determined as of a valuation date of June 30, 2020 and June 30, 2019, respectively. Assumptions used in the June 30, 2020 valuation were rolled forward from the June 30, 2019 valuation.



Membership in the OPEB by membership class at June 30, 2020 and 2019, is as follows:

| | 2020 | 2019 |
|---|---|---|
| Active employees | 141 | 151 |
| Inactive employees entitles to but not receiving benefits | 1 | - |
| Inactive employees or beneficiaries currently receiving benefits | 86 | 79 |
| Total | 228 | 230 |

## NOTE 9.

## OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**ACTUARIAL ASSUMPTIONS:**
The total OPEB liability in the June 30, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions, applied to all period included in the measurement:

| | |
|---|---|
| Actuarial Valuation Date | June 30, 2019 |
| Contribution Policy | Authority contributes at least the full ADC |
| Inflation | 2.75% |
| Projected salary increase | 3.00% |
| Investment rate of return | 6.75%; Expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust |
| Actuarial cost method | Entry Age Normal Level Percent of Pay |
| Asset valuation method | 5 year asset smoothing |
| Retirement age | SDCERS 2010-2015 Experience Study |
| Mortality | CalPERS 1997-2015 Experience Study |
| Mortality Improvement | Mortality projected fully generational with Scale MP-2019 |
| Medical Trend | Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4% in 2076; Medicare - 6.3% for 2021, decreasing to an ultimate rate of |
| Healthcare Participation of Future Retirees | 90% |
| Spousal Assumption for Future Retirees | Currently covered - 2-party coverage if currently have 2 party or family coverage; Currently waived - 80% cover spouses at retirement |

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:

| Asset Class | Target Allocation | Long-term Expected Real Rates of Return |
|---|---|---|
| Global Equity | 59% | 4.82% |
| Fixed Income | 25% | 1.47% |
| REITs | 8% | 3.76% |
| TIPS | 5% | 1.29% |
| Commodities | 3% | 0.84% |
| | 100% | |

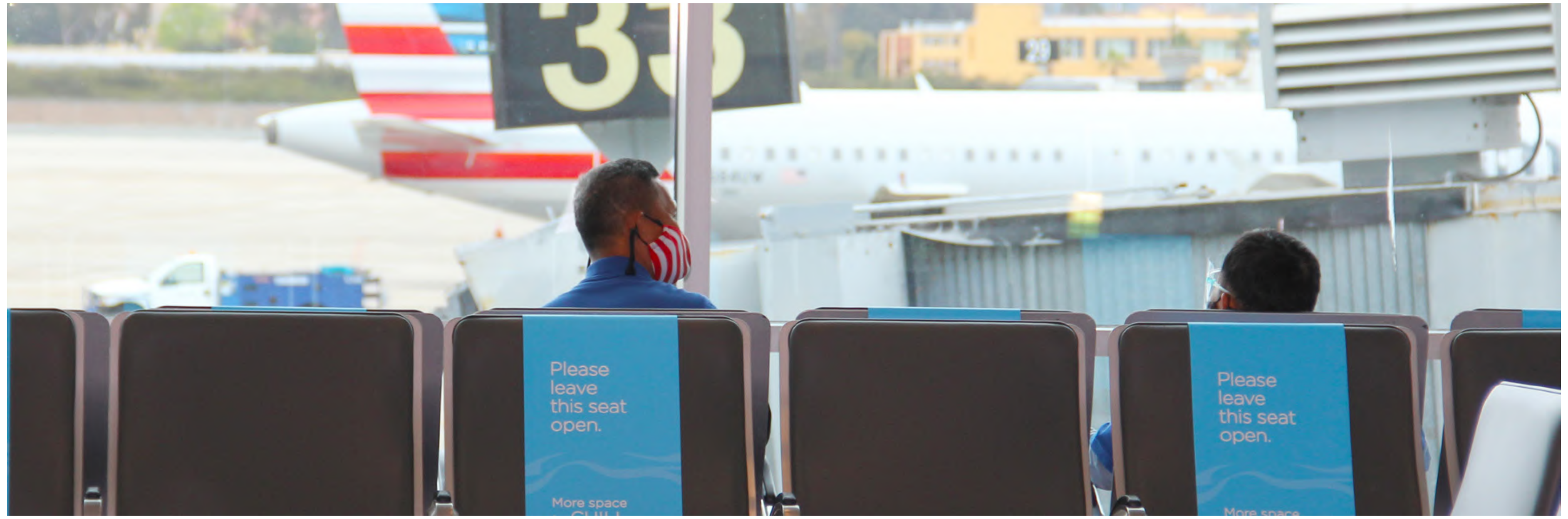
NOTE 9.

## OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**DISCOUNT RATE:**
The discount rate used to measure the net OPEB liability (asset) at June 30, 2021 and June 30, 2020 was 6.75%. 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 net OPEB liability.

**CHANGES IN THE NET OPEB LIABILITY (ASSET):**
Changes in the total OBEP liability, plan fiduciary net position, and the net OPEB asset through the year ended June 30, 2021 were as follows:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability | Fiduciary Net Position | Net OPEB Liability/ (Asset) |
| Balances as of June 30, 2020 | $ 25,660,994 | $ 27,797,488 | $ (2,136,494) |
| Changes for the year: | | | |
| Service cost | 501,198 | - | 501,198 |
| Interest on total OPEB liability | 1,739,459 | - | 1,739,459 |
| Difference between expected and actual experience | - | - | - |
| Changes in assumptions | - | - | - |
| Employer contributions | - | 784,845 | (784,845) |
| Member contributions | - | - | - |
| Net investment income | - | 982,113 | (982,113) |
| Benefit payments | (784,845) | (784,845) | - |
| Administrative expense | - | (13,580) | 13,580 |
| Net changes | 1,455,812 | 968,533 | 487,279 |
| Balances as of June 30, 2021 | $ 27,116,806 | $ 28,766,021 | $ (1,649,215) |




Changes in the total OBEP liability, plan fiduciary net position and the net OPEB liability (asset) through the year ended June 30, 2020, were as follows:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability | Fiduciary Net Position | Net OPEB Liability/ (Asset) |
| Balances as of June 30, 2019 | $ 25,804,494 | $ 26,199,041 | $ (394,547) |
| Changes for the year: | | | |
| Service cost | 449,596 | - | 449,596 |
| Interest on total OPEB liability | 1,883,080 | - | 1,883,080 |
| Difference between expected and actual experience | (169,582) | - | (169,582) |
| Changes in assumptions | (1,531,369) | - | (1,531,369) |
| Employer contributions | - | 775,225 | (775,225) |
| Member contributions | - | - | - |
| Net investment income | - | 1,604,058 | (1,604,058) |
| Benefit payments | (775,225) | (775,225) | - |
| Administrative expense | - | (5,611) | 5,611 |
| Net changes | (143,500) | 1,598,447 | (1,741,947) |
| Balances as of June 30, 2020 | $ 25,660,994 | $ 27,797,488 | $ (2,136,494) |

**SENSITIVITY OF THE NET OPEB LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE AND HEALTH CARE COST TREND RATES:**
The net OPEB liability (asset) of the Authority has been calculated using a discount rate of 6.75%. The following presents the net OPEB liability (asset) using a discount rate 1% higher and 1% lower than the current discount rate.

| | 1% Decrease 5.75% | Current Rate 6.75% | 1% Increase 7.75% |
|---|---|---|---|
| Net OPEB liability (asset) | $ 2,174,982 | $ (1,649,215) | $ (4,804,196) |

The net OPEB liability (asset) of the Authority has been calculated using health care cost trend rates of 7.25% decreasing to 4.0% in 2076 and thereafter for non-Medicare and 6.3% decreasing to 4.0% in 2076 for Medicare. 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 |
|---|---|---|---|
| Net OPEB liability (asset) | $ (5,163,937) | $ (1,649,215) | $ 2,636,278 |

## 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, 2021 and 2020, the Airport Authority recognized OPEB expense, as measured in accordance with GASB Statement No. 75, of $197,770 and $71,854, respectively, and reported deferred inflows of resources and deferred outflows of resources related to the OPEB from the following sources:

| For June 30, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual earnings | $ 710,743 | $ - |
| Net difference between expected and actual experience | - | 88,828 |
| Changes in assumptions | 183,690 | 802,145 |
| Employer contributions made subsequent to June 30, 2020 measurement date | 919,462 | - |
| Total | $ 1,813,895 | $ 890,973 |

| For June 30, 2020 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual earnings | $ - | $ 104,407 |
| Net difference between expected and actual experience | - | 129,205 |
| Changes in assumptions | 329,475 | 1,166,757 |
| Employer contributions made subsequent to June 30, 2019 measurement date | 784,336 | - |
| Total | $ 1,113,811 | $ 1,400,369 |

The deferred outflows of resources at June 30, 2021 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, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2021, related to the OPEB will be recognized in OPEB expense as follows:

| Years ended June 30, | | |
|---|---|---|
| 2022 | $ | (180,596) |
| 2023 | | (153,056) |
| 2024 | | 158,361 |
| 2025 | | 178,751 |
| | $ | 3,460 |

## 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 $750 million 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, 2021 and 2020, the Airport Authority has designated $12,403,950 and $11,685,954, 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 2021, 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.

## DISCLOSURE ABOUT FAIR VALUE OF ASSETS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

**Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

## NOTE 11.

## DISCLOSURES ABOUT FAIR VALUE OF ASSETS

**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, 2021 and 2020:

| June 30, 2021 | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Investments by fair value level | | | | |
| U.S. Treasury obligations | $ 111,584,806 | $ 111,584,806 | $ - | $ - |
| U.S. agency securities | 129,121,554 | - | 129,121,554 | - |
| Non-U.S Securities | 7,562,695 | 7,562,695 | - | - |
| Negotiable certificates of deposit | 2,222,300 | - | 2,222,300 | - |
| Municipal Bonds | 5,194,250 | - | 5,194,250 | - |
| Medium-term notes | 49,085,135 | - | 49,085,135 | - |
| Total investments by fair value level | 304,770,740 | $ 119,147,501 | $ 185,623,239 | $ - |
| Investments measured at amortized cost | | | | |
| Money Market Mutual funds | 117,578,335 | | | |
| Non-negotiable certificate of deposit | 16,615,890 | | | |
| Investments measured at net asset value | | | | |
| Caltrust | 16,410,450 | | | |
| Local Agency Investment Fund | 192,705,889 | | | |
| San Diego County Investment Pool | 270,367,612 | | | |
| Total investments | $ 918,448,916 | | | |

| June 30, 2020 | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Investments by fair value level | | | | |
| U.S. Treasury obligations | $ 152,277,194 | $ 152,277,194 | $ - | $ - |
| U.S. agency securities | 153,968,011 | - | 153,968,011 | - |
| Non-U.S Securities | 9,810,036 | 9,810,036 | - | - |
| Commercial Paper | 2,499,500 | - | 2,499,500 | - |
| Negotiable certificates of deposit | 8,028,440 | - | 8,028,440 | - |
| Municipal Bonds | 5,176,600 | - | 5,176,600 | - |
| Medium-term notes | 64,883,112 | - | 64,883,112 | - |
| Total investments by fair value level | 396,642,893 | $ 162,087,230 | $ 234,555,663 | $ - |
| Investments measured at amortized cost | | | | |
| Money Market Mutual funds | 110,878,565 | | | |
| Non-negotiable certificate of deposit | 16,271,235 | | | |
| Investments measured at net asset value | | | | |
| Caltrust | 16,362,863 | | | |
| Local Agency Investment Fund | 146,314,756 | | | |
| San Diego County Investment Pool | 293,587,647 | | | |
| Total investments | $ 980,057,959 | | | |

## 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 and non-signatory airlines. A policy statement issued by the Federal Aviation Administration governs the Airport Authority's Airline Operating Lease Agreement (AOLA) of these assets 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. Costs are offset by payments from non-signatory airlines for the usage of those assets. The Airport Authority's current AOLA is effective July 1, 2019 through June 30, 2029.

Other capital assets are leased to terminal and rental car concessionaires. Concession lease payments for space within the terminals are typically based on the greater of a percentage of tenant sales or an agreed upon minimum guarantee. Prior to the start of the economic downturn brought on by the COVID-19 pandemic, the Airport Authority had 85 retail and dining concessions open, all designed to provide a world class shopping and dining experience for the millions of passengers who use SDIA. Many locations closed temporarily due to the effects of the pandemic.

Over the year, enplanements have continued to increase month over month and many of the shops and restaurants that temporarily closed have since reopened. As of June 30, 2021, there are 54 terminal food service and retail concession locations open. However, total enplanements for the year are 47.4 percent lower than the previous year. Therefore, in October 2020, January 2021, and April 2021 the Board approved three-month extensions of the Rent Forbearance and Abatement Program. This program, and its extensions, have provided abatement of certain rents and fees to qualifying concessionaires and rental car companies, for a period beginning April 1, 2020 through June 30, 2021. The Airport Authority will continue to evaluate the possibility of additional extensions as the economy recovers.

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 many small operator rental car tenants. The land rent leases for the RCC commenced on the opening date of the facility and are non-cancellable. Once the Bonds are repaid or defeased, in addition to Land Rent, the rental car operators will also pay Facility Rent.

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, 2021, are as follows:

| Years Ending June 30, | Amount |
|---|---|
| 2022 | $ 32,077,713 |
| 2023 | 28,854,700 |
| 2024 | 25,576,029 |
| 2025 | 18,889,541 |
| 2026 | 16,037,534 |
| 2027-2031 | 83,924,750 |
| 2032-2036 | 91,000,736 |
| 2037-2041 | 99,404,788 |
| 2042-2046 | 109,386,165 |
| 2047-2051 | 48,382,433 |
| 2052-2056 | 724,440 |
| 2057-2061 | 724,440 |
| 2062-2066 | 724,440 |
| 2067-2071 | 362,220 |
| | **$ 556,069,929** |

Airline regulated lease payments, amounts exceeding the minimum guarantee, and the lease abatements mentioned in the preceding paragraphs are not reflected in this schedule.

# 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.

**SDUPD North Harbor Drive lease:**
The Airport Authority is leasing from the District approximately 135,521 square feet of land area located at 3032 North Harbor Drive under a lease that commenced on June 1, 2021 and expires May 31, 2026 for an annual rent of $406,563.

**SDUPD Harbor Island Drive lease:**
The Airport Authority is leasing from the District approximately 60,958 square feet of land area located on the east side of Harbor Island Drive near North Harbor Drive and 277,456 square feet of land are located north easterly of the neck of Harbor Island Drive and adjacent easterly to 1380 Harbor Island Drive under a lease that commenced on June 1, 2021 and expires August 30, 2025 for an annual rent of $966,264.

**SDUPD Pacific Highway lease:**
The Airport Authority is leasing property from the District located at 2535 Pacific under a lease that commenced on June 1, 2021 and expires May 31, 2041 for an annual rent of $314,490.

**California Street Lease Assumption:**
The Airport Authority is leasing property located at 2554 California Street under a lease that commenced on January 25, 2021 and expires December 31, 2022 for an annual rent of $114,732.

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 |
|---|---|
| 2022 | $ 11,978,709 |
| 2023 | 11,921,343 |
| 2024 | 11,863,977 |
| 2025 | 11,863,977 |
| 2026 | 11,024,877 |
| 2027-2031 | 52,447,014 |
| 2032-2036 | 52,447,014 |
| 2037-2041 | 52,447,014 |
| 2042-2046 | 50,883,300 |
| 2047-2051 | 50,883,300 |
| 2052-2056 | 50,883,300 |
| 2057-2061 | 50,883,300 |
| 2061-2066 | 50,883,300 |
| 2067-2068 | 15,264,990 |
| | $ 485,675,415 |

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

| | 2021 | 2020 |
|---|---|---|
| Rental payments made | $ 10,266,658 | $ 10,207,066 |





# NOTE 14.

## COMMITMENTS AND CONTINGENCIES

**COMMITMENTS:**
As of June 30, 2021 and 2020, 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 noncurrent 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, 2021 and 2020, these funds totaled approximately $8.1 million and $29.7 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, 2021 and 2020, the Airport Authority expensed $22,242,854 and $16,723,815 respectively for these services.

iii. In fiscal year 2019, the Board approved $38 million contract with Ace Parking Management Inc., for parking management services. As of June 30, 2021, $13.6 million has been spent and the contract is scheduled for completion in fiscal year 2023.

iv. In fiscal year 2019, the Board approved $45 million contract with Ace Parking Management Inc., for airport shuttle services. As of June 30, 2021, $13.8 million has been spent for shuttle services and the contract is scheduled for completion in fiscal year 2022.

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 years 2016, 2019, and 2021, the Board approved an additional $1.2 million, $14.6 million and $1.3 million. As of June 30, 2021, $44 million had been spent and the contract is scheduled for completion in fiscal year 2022.

vi. 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. In fiscal year 2020, the board approved additional $134.8 million. As of June 30, 2021, $31.9 million has been spent and the contract is scheduled for completion in fiscal year 2024.

vii. 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, 2021,

## NOTE 14.

## COMMITMENTS AND CONTINGENCIES (CONTINUED)

$39.5 million had been spent and the contract was completed in fiscal year 2021.

viii. In fiscal year 2021, the Board approved a $16.2 million contract with Granite Construction Company to provide a Construction of the West Refueler Loading Facility and the West Solid Waste Facility. As of June 30, 2021, $640K had been spent and the contract is scheduled for completion in fiscal year 2022.

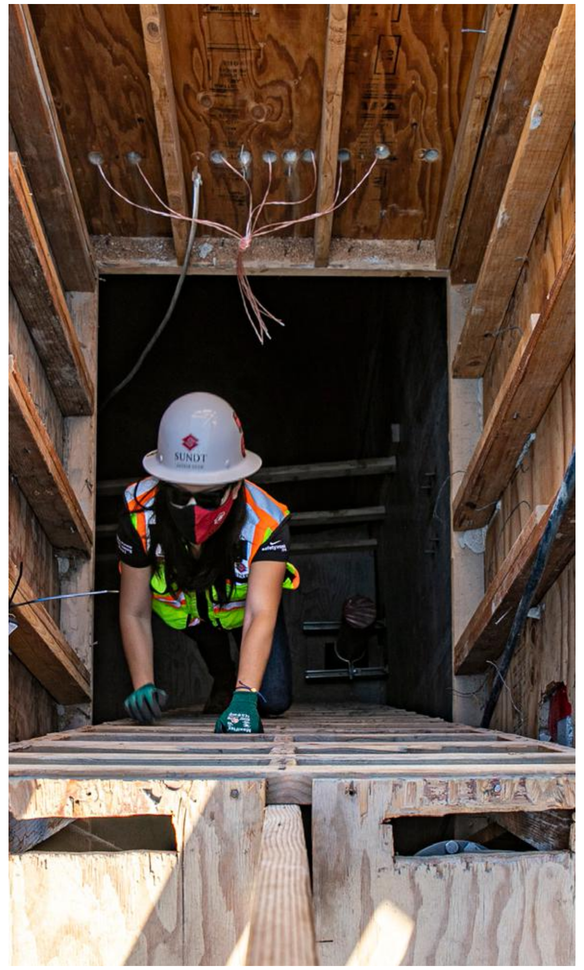
ix. In fiscal year 2019, the Board approved a $152.9 million contract with Sundt Construction, Inc. for the design and construction of Airport Support Facilities. As of June 30, 2021, $144.8 million had been spent and the contract is scheduled for completion in early fiscal year 2022.

x. In fiscal year 2021, the Board approved an $80 million contract with Turner-Flatiron, A Joint Venture for the design-build of terminal and roadways. As of June 30, 2021, $36 million had been spent and the contract is scheduled for completion in early fiscal year 2022.

xi. In fiscal year 2019, the Board approved an $11.7 million contract with Pacific Rim Mechanical for HVAC repair and maintenance services. As of June 30, 2021, $6.1 million had been spent and the contract is scheduled for completion in fiscal year 2022.

xii. In fiscal years 2012 through 2018, the Board had approved a total of $9.4 million with LeighFisher for a SDIA development plan consultant. In fiscal year 2019 and 2020 the Board approved an additional $2.3 million and $800,000. As of June 30, 2021, $11.8 million had been spent and the contract is scheduled for completion in fiscal year 2022.

xii. In fiscal year 2020, the Board approved a $35 million contract with Jacobs Engineering Group, Inc. to provide Airside-Landside Engineering consulting services. As of June 30, 2021, $19.8 million had been spent and the contract is scheduled for completion in fiscal year 2025.



**CONTINGENCIES:**
As of June 30, 2021, the Airport Authority is subject to contingencies arising from 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.

The Airport Authority invests in various investment securities. Investment securities are exposed to various risks such as interest rate risk, market risks and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of net position.

The dynamic nature of the COVID-19 pandemic is the cause of numerous uncertainties, some of which include the ultimate duration or extent of the pandemic; the duration or expansion of travel restrictions and warnings; to what extent the COVID-19 pandemic will continue to disrupt the local or global economy; the extent to which such disruption will adversely impact construction, or other operations at SAN; actions that may be taken by governmental authorities to contain the outbreak or to treat its impact; and duration or extent to which any of the foregoing may have a material adverse effect on the financial position, results of operations and cash flows of the Airport Authority, including reduction in the overall investment position and declines in passenger traffic. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

## NOTE 14.

## COMMITMENTS AND CONTINGENCIES (CONTINUED)

## NOTE 15.

## SUBSEQUENT EVENTS

On July 19, 2021 the Authority entered into an agreement with Bank of America N.A. to establish a Revolving Line of Credit for $200,000,000. The agreement is for a term of three years and is a subordinate obligation of the Authority. Tax exempt interest is calculated as a 50 basis point spread on the SIFMA index and taxable interest is calculated as a 62 basis point spread on the BSBY index. Unutilized fees are 30 basis points up to 40 percent utilization and 0 percent thereafter.

On July 1, 2021, the Authority Board approved a contract with Sundt Construction Company Inc., for a maximum contract price not to exceed $91,379,967 for the design and construction of Airport Development Program New Administration Building project.

On August 10, 2021, pursuant to the American Rescue Plan Act of 2021, the Authority was awarded a $78.8 million Federal Aviation Administration (FAA) Airport Rescue Grant. These funds provide economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the COVID-19 pandemic. Funds provided under this grant must only be used for airport operational expenses or debt service payments. An additional $10.8 million has been allocated to SAN to provide relief from rent and minimum annual guarantees to eligible in-terminal airport concessions. The award of this grant is pending development of guidance by the FAA for use of concessions relief grants.

On October 7, 2021, the Authority Board approved an amendment to the contract with TurnerFlatiron, a Joint Venture establishing a maximum contract price not to exceed $2,610,417,181 for the design and construction of Airport Development Program Terminal and Roadways project.

On October 7, 2021, the Authority Board approved a contract with Griffith Company Inc., in the amount of $251,671,315 for the Airport Development Program Airside Improvements project.

On October 15, 2021, the Airport Authority purchased real property located at 2554-2610 California Street, San Diego, California for $3,250,000.

### 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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| **Total Pension Liability:** | | | | | | | |
| Service cost | $ 7,857,035 | $ 7,632,696 | $ 7,390,428 | $ 6,996,180 | $ 6,205,263 | $ 6,154,579 | $ 6,099,481 |
| Interest (includes interest on service cost) | 14,257,205 | 13,355,418 | 12,621,226 | 11,416,679 | 10,277,610 | 9,327,538 | 8,465,485 |
| Differences between expected and actual experience | 925,862 | (645,462) | (2,630,285) | 3,975,029 | (2,178,527) | 345,661 | - |
| Effect of changes of assumptions | 6,767,001 | - | 6,416,088 | 5,871,218 | 10,473,890 | - | - |
| Benefit payments, including refunds of member contributions | (6,733,942) | (6,429,659) | (4,462,751) | (4,669,787) | (3,023,391) | (2,482,523) | (2,913,221) |
| Net change in total pension liability | 23,073,161 | 13,912,993 | 19,334,706 | 23,589,319 | 21,754,845 | 13,345,255 | 11,651,745 |
| Total pension liability - beginning | 218,788,911 | 204,875,918 | 185,541,212 | 161,951,893 | 140,197,048 | 126,851,793 | 115,200,048 |
| Total pension liability - ending | $ 241,862,072 | $ 218,788,911 | $ 204,875,918 | $ 185,541,212 | $ 161,951,893 | $ 140,197,048 | $ 126,851,793 |
| **Plan Fiduciary Net Position:** | | | | | | | |
| Contributions - employer | $ 8,424,834 | $ 7,848,712 | $ 7,318,546 | $ 5,480,984 | $ 4,047,780 | $ 3,897,545 | $ 3,924,988 |
| Contributions - employee | 3,321,661 | 3,178,464 | 3,162,781 | 2,990,317 | 2,967,269 | 2,840,236 | 2,765,079 |
| Net investment income | 390,013 | 12,086,349 | 14,036,710 | 19,480,875 | 1,651,283 | 4,390,185 | 18,302,683 |
| Benefit payments, including refunds of member contributions | (6,733,942) | (6,429,659) | (4,462,751) | (4,669,786) | (3,023,391) | (2,482,523) | (2,913,221) |
| Administrative expense | (386,697) | (359,095) | (350,408) | (325,042) | (318,817) | (332,290) | (332,645) |
| Net change in plan fiduciary net position | 5,015,869 | 16,324,771 | 19,704,878 | 22,957,348 | 5,324,124 | 8,313,153 | 21,746,884 |
| Plan fiduciary net position - beginning | 202,827,408 | 186,502,637 | 166,797,759 | 143,840,411 | 138,516,287 | 130,203,134 | 108,456,250 |
| Plan fiduciary net position - ending | $ 207,843,277 | $ 202,827,408 | $ 186,502,637 | $ 166,797,759 | $ 143,840,411 | $ 138,516,287 | $ 130,203,134 |
| Net pension liability (asset) - ending | $ 34,018,795 | $ 15,961,503 | $ 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 | 85.93% | 92.70% | 91.03% | 89.90% | 88.82% | 98.80% | 102.64% |
| Covered payroll | $ 32,828,449 | $ 31,584,841 | $ 31,628,301 | $ 31,131,795 | $ 29,189,357 | $ 27,955,455 | $ 26,380,323 |
| Net pension liability as a percentage of covered payroll | 103.63% | 50.54% | 58.17% | 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.



### SCHEDULE OF CONTRIBUTIONS (PENSIONS) LAST 10 FISCAL YEARS (DOLLARS IN THOUSANDS): DEFINED BENEFIT PLAN

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ 6,125 | $ 6,159 | $ 5,740 | $ 5,416 | $ 3,765 |
| Contributions in relation to the actuarially determined contribution | 8,522 | 8,356 | 7,783 | 7,247 | 5,421 |
| Contribution deficiency (excess) | $ (2,397) | $ (2,197) | $ (2,043) | $ (1,831) | $ (1,656) |
| Covered payroll | $ 31,296 | $ 32,828 | $ 31,585 | $ 31,628 | $ 31,506 |
| Contributions as a percentage of covered payroll | 27.23% | 25.45% | 24.64% | 22.91% | 17.21% |

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ 3,666 | $ 3,823 | $ 2,900 | $ 2,600 | $ 3,800 |
| Contributions in relation to the actuarially determined contribution | 3,948 | 3,823 | 3,728 | 2,600 | 3,800 |
| Contribution deficiency (excess) | $ (282) | $ - | $ (828) | $ - | $ - |
| Covered payroll | $ 29,189 | $ 27,955 | $ 26,380 | $ 24,840 | $ 25,148 |
| Contributions as a percentage of covered payroll | 13.53% | 13.68% | 14.13% | 10.47% | 15.11% |

* This schedule is presented for the fiscal year.

## 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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Total Pension Liability | | | | | |
| Service cost | $ 55,276 | $ 49,343 | $ 51,774 | $ 60,994 | $ 29,270 |
| Interest cost | 62,061 | 64,133 | 53,311 | 35,323 | 34,173 |
| Differences between expected and actual experience | (57,318) | (64,295) | 193,013 | 388,329 | - |
| Changes of assumptions | 661,465 | 109,070 | (89,712) | (214,765) | 272,579 |
| Benefit Payments | (43,301) | (47,081) | (31,329) | - | |
| Net Change in Total Pension Liability | 678,183 | 111,170 | 177,057 | 269,881 | 336,022 |
| Total pension liability -beginning | 1,767,232 | 1,656,062 | 1,479,005 | 1,209,124 | 873,102 |
| Total pension liability - ending | $ 2,445,415 | $ 1,767,232 | $ 1,656,062 | $ 1,479,005 | $ 1,209,124 |
| Covered payroll | $ 32,828,449 | $ 31,584,841 | $ 31,628,301 | $ 31,131,795 | $ 29,189,357 |
| Net Pension Liability as a percentage of payroll | 7.45% | 5.60% | 5.24% | 4.75% | 4.14% |

**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.

## SCHEDULE OF CONTRIBUTIONS (PENSIONS), LAST 10 FISCAL YEARS: PRESERVATION OF BENEFITS TRUST PLAN

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Actuarially determined contribution | $ - | $ - | $ - | $ - |
| Contributions in relation to the actuarially determined contribution | 42,682 | 41,249 | 45,353 | 56,513 |
| Contribution deficiency (excess) | $ (42,682) | $ (41,249) | $ (45,353) | $ (56,513) |
| Covered payroll | $ 31,295,787 | $ 32,828,449 | $ 31,584,841 | $ 31,628,301 |
| Contributions as a percentage of covered payroll | 0.14% | 0.13% | 0.14% | 0.18% |

* 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.



## 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

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| **Total OPEB Liability** | | | | |
| Service Cost | $ 501,198 | $ 449,596 | $ 436,501 | $ 411,052 |
| Interest Cost | 1,739,459 | 1,883,080 | 1,772,578 | 1,606,959 |
| Difference between expected and actual experience | - | (169,582) | - | - |
| Changes of Assumptions | - | (1,531,369) | - | 766,830 |
| Benefit Payments | (784,845) | (775,225) | (622,425) | (451,189) |
| Net Change in Total OPEB Liability | 1,455,812 | (143,500) | 1,586,654 | 2,333,652 |
| Total OPEB Liability (Beginning) | 25,660,994 | 25,804,494 | 24,217,840 | 21,884,188 |
| Total OPEB Liability (Ending) | $ 27,116,806 | $ 25,660,994 | $ 25,804,494 | $ 24,217,840 |
| **Plan Fiduciary Net Position** | | | | |
| Contributions—Employer | $ 784,845 | $ 775,225 | $ 622,425 | $ 2,012,419 |
| Net Investment Income | 982,113 | 1,604,058 | 1,896,351 | 2,175,582 |
| Benefit Payments | (784,845) | (775,225) | (622,425) | (451,189) |
| Administrative Expense | (13,580) | (5,611) | (12,568) | (10,578) |
| Net Change in Plan Fiduciary Net Position | 968,533 | 1,598,447 | 1,883,783 | 3,726,234 |
| Plan Fiduciary Net Position (Beginning) | 27,797,488 | 26,199,041 | 24,315,258 | 20,589,024 |
| Plan Fiduciary Net Position (Ending) | $ 28,766,021 | $ 27,797,488 | $ 26,199,041 | $ 24,315,258 |
| Net OPEB Asset | $ (1,649,215) | $ (2,136,494) | $ (394,547) | $ (97,418) |
| Net Position as a Percentage of OPEB Liability | 106.08% | 108.33% | 101.53% | 100.40% |
| Covered Payroll | $ 14,608,940 | $ 13,869,000 | $ 16,625,857 | $ 16,141,609 |
| Net OPEB Asset as a Percentage of Payroll | (11.29%) | (15.40%) | (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.

## SCHEDULE OF CONTRIBUTIONS (OPEB) LAST 10 FISCAL YEARS (DOLLARS IN THOUSANDS): OTHER POSTEMPLOYMENT BENEFITS

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Actuarially determined contribution | $ 365 | $ 427 | $ 486 | $ 472 |
| Contributions in relation to the actuarially determined contribution | 919 | 785 | 339 | 462 |
| Contribution deficiency (excess) | $ (554) | $ (358) | $ 147 | $ 10 |
| Covered Payroll | $ 12,786 | $ 14,609 | $ 13,869 | $ 15,674 |
| Contributions as a percentage of covered payroll | 7.19% | 5.37% | 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.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FISCAL YEAR ENDED JUNE 30, 2021
(CONTINUED)

# STATISTICAL SECTION

This part of the Airport Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

**Financial Trends Data** – These tables contain trend information to help the reader understand how the Airport Authority's financial performance and well-being have changed over time.

- Authority operating revenues and O&M expenses — Exhibit S-1
- Authority net position by component — Exhibit S-2
- Authority changes in net position — Exhibit S-3
- Authority largest sources of revenue — Exhibit S-4

**Revenue Capacity** – These tables contain information to help the reader assess the Airport Authority's most significant revenue sources.

- Authority landing fee rate — Exhibit S-5
- Terminal rates billed to airlines — Exhibit S-6
- Airline cost per enplaned passenger — Exhibit S-7

**Operating Information** – These tables are intended to provide contextual information about the Airport Authority's operations and resources in order for readers to understand and assess its economic condition.

- Authority employee head count — Exhibit S-8
- Aircraft operations — Exhibit S-9
- Aircraft landed weight — Exhibit S-10
- Aircraft landed weight by airline — Exhibit S-11
- Passenger enplanements — Exhibit S-12
- Enplanement market share by airline by fiscal year — Exhibit S-13
- Capital assets — Exhibit S-14

**Demographic and Economic Information** – These tables offer demographic and economic indicators to help the reader understand the environment within which the Airport Authority's financial activities take place.

- Population & per capita personal income – San Diego County — Exhibit S-15
- Principal employers in San Diego County — Exhibit S-16
- Labor force, employment and unemployment rates — Exhibit S-17

**Debt Capacity** – These tables present information to help the reader assess the affordability of the Airport Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

- Debt service coverage — Exhibit S-18
- Debt services coverage – Series 2014 CFC Bonds — Exhibit S-19
- Debt per enplaned passenger — Exhibit S-20

# EXHIBIT S-1
## AUTHORITY REVENUES AND O&M EXPENSES ($000)

Fiscal Years Ended June 30,

**Operating Revenues**

| | 2006 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Airline revenue | | | | | | | | | | | |
| Landing fees | $ 22,243 | $ 18,419 | $ 19,658 | $ 19,107 | $ 21,390 | $ 23,985 | $ 24,612 | $ 23,900 | $ 24,816 | $ 33,242 | $ 34,046 |
| Aircraft parking fees | - | 3,134 | 3,191 | 2,503 | 2,716 | 2,701 | 2,927 | 3,236 | 3,471 | 8,354 | 8,542 |
| Building rentals | 21,137 | 30,633 | 41,840 | 46,001 | 48,153 | 53,536 | 56,575 | 62,241 | 70,912 | 82,453 | 83,090 |
| Security surcharge | 7,759 | 18,649 | 23,360 | 25,777 | 25,180 | 29,223 | 29,468 | 32,303 | 33,559 | - | - |
| Other aviation revenue | 1,868 | 1,595 | 1,591 | 4,488 | 4,893 | 2,760 | 2,799 | 1,477 | 1,596 | 7,789 | 8,192 |
| Concession revenue | 29,362 | 40,427 | 42,041 | 47,770 | 52,496 | 29,249 | 61,256 | 65,610 | 71,256 | 57,243 | 31,097 |
| Parking and ground transportation revenue | 26,904 | 31,470 | 35,750 | 38,959 | 41,632 | 75,131 | 49,407 | 53,254 | 62,818 | 50,751 | 27,446 |
| Ground rentals | 5,505 | 8,044 | 9,162 | 9,603 | 13,074 | 16,226 | 20,053 | 22,109 | 22,810 | 21,386 | 21,849 |
| Other operating revenue | 4,717 | 1,179 | 905 | 1,529 | 971 | 1,183 | 1,750 | 1,949 | 2,441 | 1,818 | 1,682 |
| **Total Operating Revenues** | $ 119,495 | $ 153,550 | $ 177,498 | $ 195,737 | $ 210,505 | $ 233,994 | $ 248,847 | $ 266,079 | $ 293,679 | $ 263,036 | $ 215,944 |

**Operating Expenses Before Depreciation**

| | 2006 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Salaries and benefits | $ 26,847 | $ 37,237 | $ 38,092 | $ 39,135 | $ 39,211 | $ 42,025 | $ 46,874 | $ 47,866 | $ 49,578 | $ 51,667 | $ 52,922 |
| Contractual services | 31,967 | 26,906 | 29,284 | 31,559 | 32,422 | 38,215 | 44,372 | 45,249 | 49,903 | 37,694 | 24,977 |
| Safety and security | 14,777 | 22,625 | 23,994 | 24,151 | 23,464 | 28,721 | 28,422 | 30,733 | 31,397 | 29,457 | 35,086 |
| Space rental | 11,353 | 11,415 | 10,897 | 10,478 | 10,433 | 10,367 | 10,190 | 10,190 | 10,191 | 10,207 | 10,267 |
| Utilities | 5,416 | 6,674 | 6,659 | 8,680 | 10,152 | 11,480 | 10,736 | 12,509 | 13,194 | 12,748 | 11,730 |
| Maintenance | 5,390 | 8,497 | 11,204 | 13,982 | 14,516 | 14,122 | 14,270 | 12,603 | 13,436 | 11,584 | 9,111 |
| Equipment and systems | 736 | 403 | 469 | 643 | 1,805 | 708 | 506 | 598 | 375 | 336 | 424 |
| Materials and supplies | 591 | 304 | 406 | 440 | 519 | 536 | 611 | 655 | 656 | 651 | 450 |
| Insurance | 1,162 | 764 | 795 | 988 | 1,145 | 949 | 956 | 1,098 | 1,200 | 1,308 | 1,518 |
| Employee development and support | 906 | 916 | 1,235 | 1,171 | 1,136 | 1,242 | 1,347 | 1,248 | 1,045 | 967 | 441 |
| Business development | 1,329 | 2,093 | 2,444 | 2,661 | 2,493 | 2,390 | 2,347 | 3,246 | 2,630 | 2,033 | 209 |
| Equipment rentals and repairs | 882 | 1,335 | 1,317 | 2,932 | 2,951 | 2,852 | 3,095 | 3,124 | 3,614 | 3,598 | 3,380 |
| **Total Operating Expenses Before Depreciation** | $ 101,356 | $ 119,169 | $ 126,796 | $ 136,821 | $ 140,250 | $ 153,608 | $ 163,726 | $ 169,119 | $177,219 | $162,250 | $150,515 |

# EXHIBIT S-2
## AUTHORITY NET POSITION BY COMPONENT ($000)

Fiscal Years Ended June 30,

| | 2012 | 2013 | 2014 | 2015 | 2016** | 2017 | 2018*** | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net investment in capital assets | $ 339,467 | $ 359,640 | $ 312,780 | $ 316,250 | $ 310,339 | $ 263,952 | $ 294,937 | $ 281,491 | $ 266,213 | 327,216 |
| Other restricted net position | 172,076 | 167,384 | 204,642 | 215,968 | 214,533 | 225,088 | 230,954 | 246,508 | 211,329 | 192,484 |
| Unrestricted net position | 149,346 | 200,040 | 209,594 | 210,522 | 251,076 | 294,133 | 284,034 | 325,303 | 407,524 | 359,147 |
| **Total net position** | $ 660,889 | $ 727,064 | $ 727,016 | $ 742,740 | $ 775,949 | $ 783,173 | $ 809,925 | $ 853,302 | $ 885,066 | $ 878,847 |

** Amounts for 2016 were restated as per GASB 68
*** Amounts for 2018 were restated as per GASB 75
Source: San Diego County Regional Airport Authority

# EXHIBIT S-3
## AUTHORITY CHANGES IN NET POSITION ($000)

Fiscal Years Ended June 30,

| | 2012 | 2013 | 2014 | 2015 | 2016** | 2017 | 2018*** | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | | | | |
| Airline revenue: | | | | | | | | | | |
| Landing fees | $ 18,419 | $ 19,658 | $ 19,107 | $ 21,390 | $ 23,985 | $ 24,612 | $ 23,900 | $ 24,816 | $ 33,242 | $ 34,046 |
| Aircraft parking fees | 3,134 | 3,191 | 2,503 | 2,716 | 2,701 | 2,927 | 3,236 | 3,471 | 8,354 | 8,542 |
| Building rentals | 30,633 | 41,840 | 46,001 | 48,153 | 53,536 | 56,575 | 62,241 | 70,912 | 82,453 | 83,090 |
| Security surcharge | 18,649 | 23,360 | 25,777 | 25,180 | 29,223 | 29,468 | 32,303 | 33,559 | - | - |
| Other aviation revenue | 1,595 | 1,591 | 4,488 | 4,893 | 2,760 | 2,799 | 1,477 | 1,596 | 7,789 | 8,192 |
| Concession revenue | 40,427 | 42,041 | 47,770 | 52,496 | 56,274 | 61,256 | 65,610 | 71,256 | 57,243 | 31,097 |
| Parking and ground transportation | 31,470 | 35,750 | 38,959 | 41,632 | 48,106 | 49,407 | 53,254 | 62,818 | 50,751 | 27,446 |
| Ground rentals | 8,044 | 9,162 | 9,603 | 13,074 | 16,226 | 20,053 | 22,109 | 22,810 | 21,386 | 21,849 |
| Other operating revenue | 1,179 | 905 | 1,529 | 971 | 1,183 | 1,750 | 1,949 | 2,441 | 1,818 | 1,682 |
| Total operating revenues | 153,550 | 177,498 | 195,737 | 210,505 | 233,994 | 248,847 | 266,079 | 293,679 | 263,036 | 215,944 |
| Operating expenses: | | | | | | | | | | |
| Salaries and benefits | 37,237 | 38,092 | 39,135 | 39,211 | 42,025 | 46,874 | 47,866 | 49,578 | 51,667 | 52,922 |
| Contractual services | 26,906 | 29,284 | 31,559 | 32,422 | 38,215 | 44,372 | 45,249 | 49,903 | 37,694 | 24,977 |
| Safety and security | 22,625 | 23,994 | 24,151 | 23,465 | 28,721 | 28,422 | 30,733 | 31,397 | 29,457 | 35,086 |
| Space rental | 11,415 | 10,897 | 10,478 | 10,433 | 10,367 | 10,190 | 10,190 | 10,191 | 10,207 | 10,267 |
| Utilities | 6,674 | 6,659 | 8,680 | 10,152 | 11,480 | 10,736 | 12,509 | 13,194 | 12,748 | 11,730 |
| Maintenance | 8,497 | 11,204 | 13,982 | 14,516 | 14,122 | 14,270 | 12,603 | 13,436 | 11,584 | 9,111 |
| Equipment and systems | 403 | 469 | 643 | 1,805 | 708 | 506 | 598 | 375 | 336 | 424 |
| Materials and supplies | 304 | 406 | 440 | 519 | 536 | 611 | 655 | 656 | 651 | 450 |
| Insurance | 764 | 795 | 988 | 1,145 | 949 | 956 | 1,098 | 1,200 | 1,308 | 1,518 |
| Employee development and support | 916 | 1,235 | 1,171 | 1,136 | 1,242 | 1,347 | 1,248 | 1,045 | 967 | 441 |
| Business development | 2,093 | 2,444 | 2,661 | 2,493 | 2,390 | 2,347 | 3,246 | 2,630 | 2,033 | 209 |
| Equipment rentals and repairs | 1,335 | 1,317 | 2,932 | 2,951 | 2,852 | 3,095 | 3,124 | 3,614 | 3,598 | 3,380 |
| Total operating expenses before depreciation | 119,169 | 126,796 | 136,820 | 140,248 | 153,607 | 163,726 | 169,119 | 177,219 | 162,250 | 150,515 |
| Income from operations before depreciation | 34,381 | 50,702 | 58,917 | 70,257 | 80,387 | 85,121 | 96,960 | 116,460 | 100,786 | 65,429 |
| Depreciation | 46,164 | 46,100 | 81,598 | 81,887 | 87,821 | 95,229 | 105,532 | 124,329 | 131,587 | 132,834 |
| Operating income (loss) | (11,783) | 4,602 | (22,681) | (11,630) | (7,434) | (10,108) | (8,572) | (7,869) | (30,801) | (67,405) |
| Nonoperating revenues (expenses): | | | | | | | | | | |
| Passenger facility charges | 34,639 | 35,437 | 35,770 | 38,517 | 40,258 | 42,200 | 46,953 | 49,198 | 34,393 | 22,110 |
| Customer facility charges | 11,487 | 19,117 | 27,545 | 32,465 | 33,208 | 36,528 | 41,036 | 41,918 | 30,240 | 15,755 |
| CARES Act/ACRGP Act Grants | - | - | - | - | - | - | - | - | 36,895 | 77,219 |
| Quieter Home Program, net | (3,531) | (1,589) | (2,750) | (2,811) | (3,698) | (785) | (2,747) | (3,192) | (3,295) | (3,233) |
| Joint Studies Program | (73) | (55) | (152) | (145) | (101) | - | (114) | (99) | - | - |
| Investment income | 5,492 | 4,140 | 5,211 | 5,747 | 5,999 | 5,689 | 9,426 | 25,533 | 32,430 | 4,175 |
| Interest expense | (395) | (12,054) | (51,984) | (55,187) | (50,636) | (58,179) | (68,411) | (74,501) | (73,612) | (68,067) |
| Build America Bonds Rebate | 4,996 | 4,779 | 4,636 | 4,631 | 4,656 | 4,651 | 4,666 | 4,686 | - | - |
| Other revenues (expenses), net | (3,032) | (4,279) | 434 | 1,367 | 2,247 | (14,676) | (9,281) | (510) | 1,442 | (705) |
| Nonoperating revenue, net | 49,583 | 45,496 | 18,710 | 24,584 | 31,933 | 15,428 | 21,528 | 43,033 | 58,493 | 47,254 |
| Income before capital grant contributions | 37,800 | 50,098 | (3,971) | 12,954 | 24,499 | 5,320 | 12,956 | 35,164 | 27,692 | (20,151) |
| Capital grant contributions | 20,834 | 16,077 | 3,924 | 10,765 | 10,477 | 1,904 | 13,079 | 8,213 | 4,072 | 13,932 |
| Change in net position | 58,634 | 66,175 | (47) | 23,719 | 34,976 | 7,224 | 26,035 | 43,377 | 31,764 | (6,219) |
| Prior Period Adjustment | - | - | - | (7,993) | (1,767) | - | 717 | - | - | - |
| Net position, beginning of year | 602,255 | 660,889 | 727,064 | 727,016 | 742,740 | 775,949 | 783,173 | 809,925 | 853,302 | 885,066 |
| Net position, end of year | $ 660,889 | $ 727,064 | $ 727,017 | $ 742,742 | $ 775,949 | $ 783,173 | $ 809,925 | $ 853,302 | $ 885,066 | $ 878,847 |

** Amounts for 2016 were restated as per GASB 68
*** Amounts for 2018 were restated as per GASB 75
Source: San Diego County Regional Airport Authority

# EXHIBIT S-4
## AUTHORITY LARGEST SOURCES OF REVENUE ($000)

Fiscal Years Ended June 30,

| Tenant | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2021 % of Total Operating Revenue |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Southwest Airlines | $23,357,007 | $27,598,908 | $29,548,565 | $33,107,335 | $33,838,686 | $35,960,638 | $38,403,919 | $42,358,547 | $44,940,626 | $32,981,547 | 15.3% |
| Alaska Airlines** | 4,265,739 | 6,167,257 | 8,008,057 | 9,712,564 | 10,612,367 | 11,705,334 | 16,352,834 | 17,436,299 | 20,633,199 | 19,163,465 | 8.9% |
| American Airlines* | 12,585,537 | 15,173,458 | 15,785,140 | 15,888,023 | 15,321,505 | 17,075,112 | 16,581,217 | 17,073,172 | 17,150,267 | 17,009,804 | 7.9% |
| Delta Airlines | 8,911,886 | 10,898,540 | 12,005,146 | 13,560,515 | 14,418,056 | 16,123,110 | 17,007,240 | 18,367,799 | 22,063,736 | 16,637,440 | 7.7% |
| United Airlines | 10,931,601 | 15,817,886 | 15,364,094 | 15,687,045 | 14,518,119 | 16,227,363 | 17,520,412 | 18,335,068 | 20,204,377 | 16,629,587 | 7.7% |
| Enterprise Rent-A-Car | 7,290,392 | 6,934,784 | 7,162,116 | 7,998,222 | 9,451,127 | 11,188,393 | 12,285,652 | 12,779,605 | 12,238,158 | 5,913,051 | 2.7% |
| Hertz Rent-A-Car | 5,795,690 | 5,961,730 | 6,149,759 | 6,236,082 | 8,225,179 | 11,142,905 | 11,017,486 | 11,538,847 | 10,829,239 | 5,303,020 | 2.5% |
| Signature Flight Support | - | - | - | - | - | - | - | - | - | 4,919,025 | 2.3% |
| Avis Rent-A-Car*** | - | - | - | - | - | - | - | - | 8,446,736 | 4,666,097 | 2.2% |
| FedEx | - | - | - | - | - | - | - | - | - | 3,889,735 | 1.8% |

* On December 9, 2013, AMR Corporation (American Airlines) merged with US Airways Group, forming American Airlines Group. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. Data for US Airways and American Airlines have been combined in this table.
** Alaska Airlines and Virgin America received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. Data for Alaska Airlines and Virgin America have been combined in this table.
*** On February 2, 2020 Avis Budget Car Rental LLC entered into a purchase agreement with BW-Budget-SDA LLC aquiring all agreemts at SAN. Data for BW-Budget and Avis have been combined on this table

Source: San Diego County Regional Airport Authority

# EXHIBIT S-5
## AUTHORITY LANDING FEE RATE ($ PER 1,000 LBS)

Fiscal Years Ended June 30,

AUTHORITY LANDING FEE RATE


Source: San Diego County Regional Airport Authority
*Signatury Rate
**Landing Fees** are the revenues from passenger and cargo air carriers for landing aircraft at SDIA.

# EXHIBIT S-6
## TERMINAL RATES BILLED TO AIRLINES

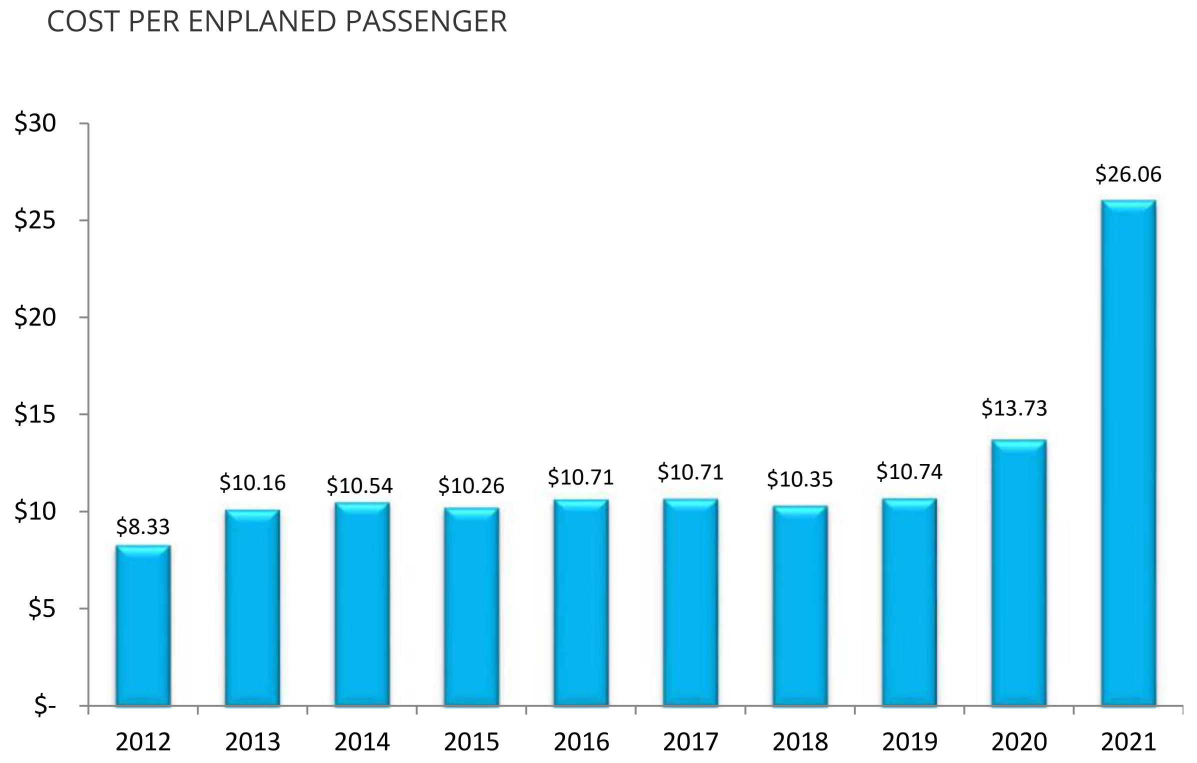
Fiscal Years Ended June 30,

TERMINAL RATE PER SQUARE FOOT


Source: San Diego County Regional Airport Authority
*Signatury Rate
**Terminal Rate** is the rate billed to the airlines for the rent of terminal space per square foot.

# EXHIBIT S-7
## AIRLINE COST PER ENPLANED PASSENGER

Fiscal Years Ended June 30,

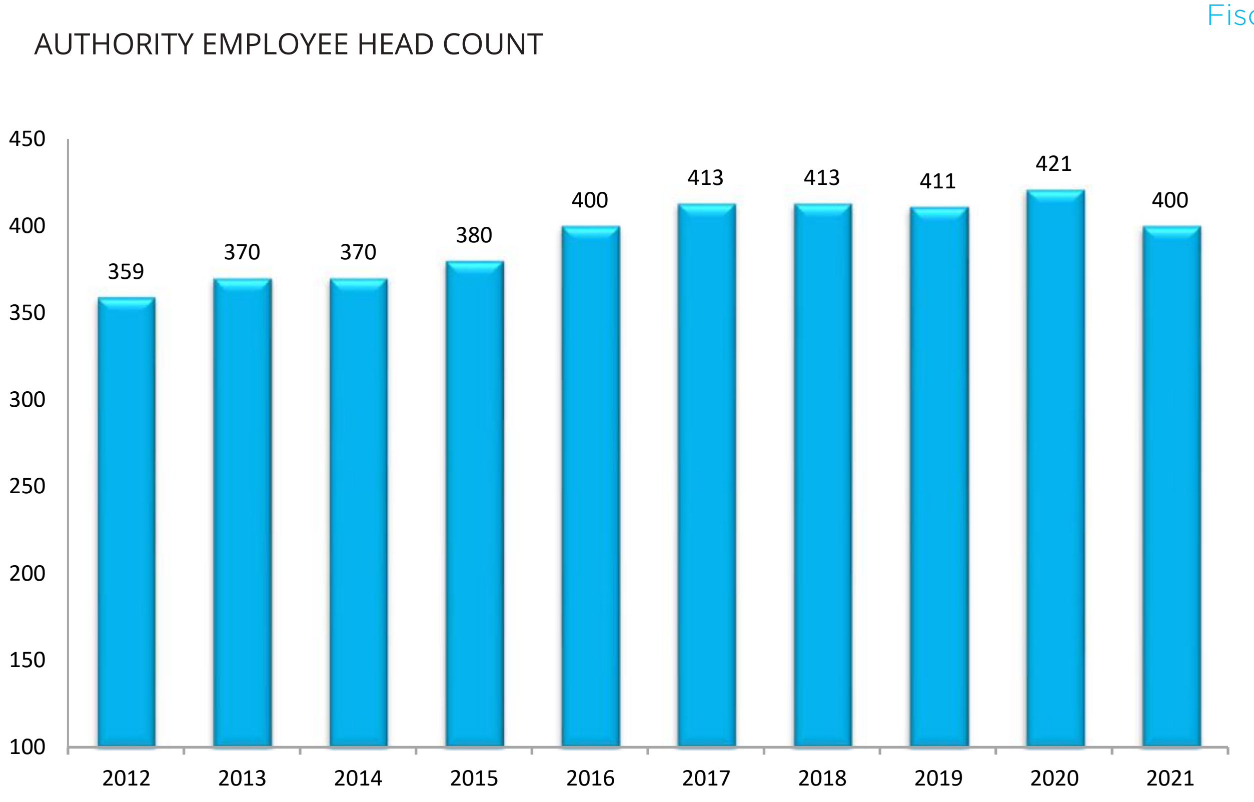



Source: San Diego County Regional Airport Authority

***Airline Cost per Enplaned Passenger*** is the total annual cost of fees and charges paid by the airlines divided by the total fiscal year enplanements.

# EXHIBIT S-8
## AUTHORITY EMPLOYEE HEAD COUNT

Fiscal Years Ended June 30,




Source: San Diego County Regional Airport Authority

The Airport Authority does not have part-time employees. This chart reflects the average number of employees for the fiscal years shown above.

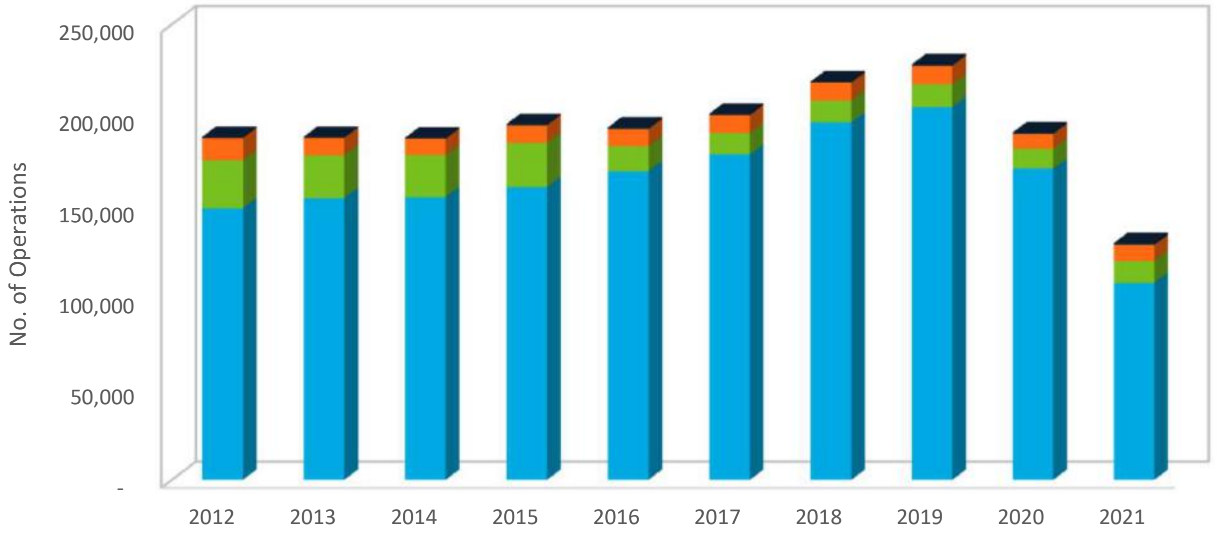
## EXHIBIT S-9
### AIRCRAFT OPERATIONS (TAKEOFFS & LANDINGS)

Fiscal Years Ended June 30,

| Fiscal Year | Air Carriers | Air Taxi | General Aviation | Military | Total |
|---|---|---|---|---|---|
| 2012 | 149,104 | 26,398 | 12,120 | 658 | 188,280 |
| 2013 | 154,781 | 23,370 | 9,586 | 567 | 188,304 |
| 2014 | 155,310 | 22,953 | 8,930 | 597 | 187,790 |
| 2015 | 160,726 | 24,336 | 9,534 | 669 | 195,265 |
| 2016 | 169,365 | 13,741 | 9,439 | 906 | 193,451 |
| 2017 | 178,579 | 11,899 | 9,719 | 814 | 201,011 |
| 2018 | 196,253 | 11,903 | 9,816 | 699 | 218,671 |
| 2019 | 204,627 | 12,539 | 10,167 | 759 | 228,092 |
| 2020 | 170,757 | 10,990 | 8,174 | 825 | 190,746 |
| 2021 | 108,240 | 11,844 | 8,835 | 1,098 | 130,017 |

Source: FAA ATADS Report: Air Operations Standard Report (itinerant only)

AIRCRAFT OPERATIONS



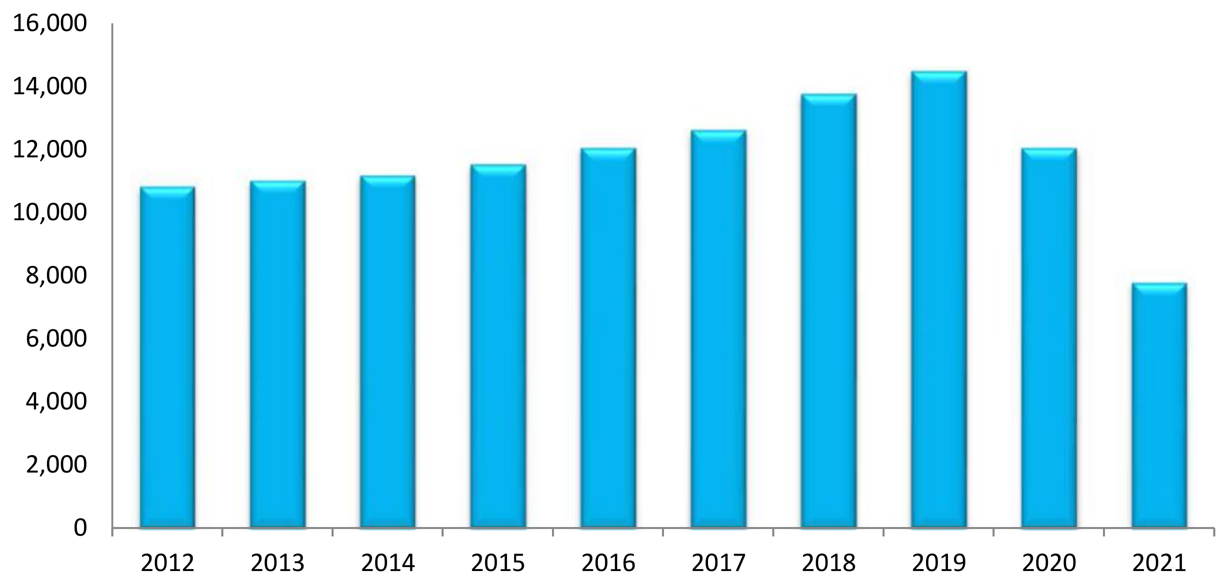

Source: San Diego County Regional Airport Authority

**Aircraft Operations** are the takeoffs and landings at SDIA.
They represent the level of demand for air service by the airlines operating at SDIA.

## EXHIBIT S-10
### AIRCRAFT LANDED WEIGHTS (IN MILLIONS LBS)

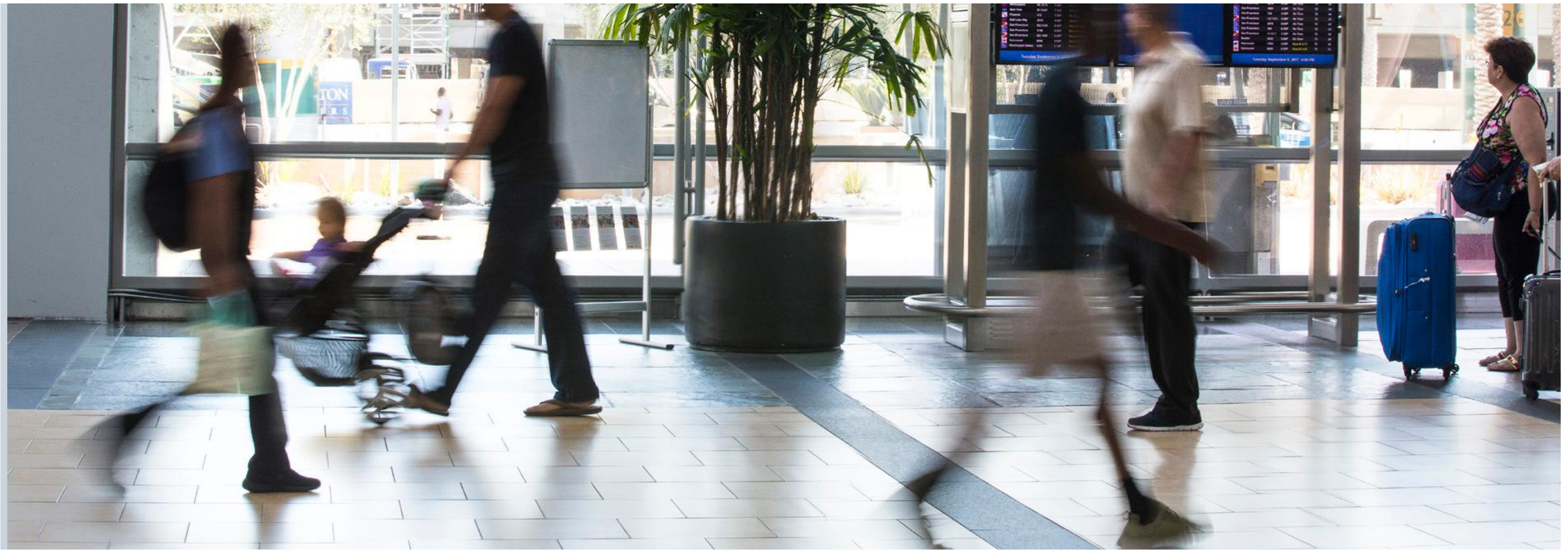
Fiscal Years Ended June 30,

AIRCRAFT LANDED WEIGHTS (IN MILLIONS LBS)




Source: San Diego County Regional Airport Authority

**Landed Weight** is the maximum gross certificated landed weight in one million pound units as stated in the airlines' flight operational manual. Landed weight is used to calculate landing fees for both airline and general aviation aircraft operated at the airport.



# EXHIBIT S-11
## AIRCRAFT LANDED WEIGHTS BY AIRLINE (THOUSAND POUNDS)

Fiscal Years Ended June 30,

| | Landed Weight (in thousands) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Airline** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| Southwest Airlines | 3,953,536 | 3,907,554 | 3,925,362 | 4,214,314 | 4,257,162 | 4,470,104 | 4,924,451 | 5,180,064 | 4,422,096 | 2,277,011 |
| Delta Airlines | 1,047,068 | 1,023,608 | 1,016,878 | 1,077,103 | 1,153,074 | 1,175,285 | 1,183,702 | 1,389,312 | 1,221,773 | 1,049,374 |
| American Airlines [2] | 1,344,140 | 1,339,751 | 1,349,554 | 1,359,911 | 1,467,922 | 1,428,538 | 1,471,318 | 1,415,134 | 1,201,659 | 917,691 |
| Alaska Airlines [3] | 648,359 | 750,000 | 884,727 | 888,065 | 924,310 | 999,875 | 1,131,807 | 1,411,255 | 1,162,582 | 769,364 |
| United Airlines [1] | 1,502,203 | 1,387,854 | 1,340,736 | 1,227,974 | 1,250,500 | 1,355,185 | 1,492,873 | 1,566,148 | 1,201,192 | 694,980 |
| Skywest Airlines | 306,789 | 428,595 | 396,054 | 408,608 | 359,197 | 465,023 | 627,038 | 637,117 | 481,705 | 504,012 |
| Federal Express | 452,453 | 451,797 | 419,127 | 384,686 | 444,038 | 390,716 | 388,782 | 375,807 | 394,288 | 466,734 |
| Frontier Airlines | 208,936 | 196,614 | 192,493 | 153,880 | 115,238 | 167,590 | 232,794 | 247,145 | 204,924 | 199,836 |
| JetBlue Airlines | 166,232 | 168,080 | 189,979 | 193,848 | 199,232 | 244,364 | 293,160 | 281,715 | 260,940 | 171,957 |
| Horizon Air- Alaska Airlines | 6,572 | 86,478 | 94,972 | 88,241 | 60,268 | 54,799 | 100,303 | 82,650 | 146,100 | 145,050 |
| United Parcel | 120,454 | 118,180 | 121,742 | 127,660 | 135,318 | 146,778 | 143,678 | 138,860 | 146,624 | 138,926 |
| Spirit Airlines | 98,931 | 208,200 | 245,669 | 296,925 | 351,977 | 286,162 | 328,424 | 331,366 | 230,911 | 125,589 |
| Hawaiian Airlines | 118,088 | 140,637 | 147,325 | 146,284 | 147,406 | 147,568 | 161,486 | 237,560 | 155,345 | 122,574 |
| ABX Air | 48,177 | 53,656 | 70,039 | 42,666 | - | - | - | - | 42,542 | 83,216 |
| Allegiant | 19,602 | 14,963 | 7,790 | 7,053 | 17,403 | 57,227 | 47,516 | 31,927 | 19,387 | 38,889 |
| **Subtotal** | **10,041,539** | **10,275,968** | **10,402,446** | **10,617,218** | **10,883,044** | **11,389,213** | **12,527,333** | **13,326,060** | **11,292,068** | **7,705,202** |
| All Others | 778,362 | 739,748 | 784,320 | 906,502 | 1,165,098 | 1,226,855 | 1,242,613 | 1,155,169 | 761,012 | 74,326 |
| **Total** | **10,819,902** | **11,015,716** | **11,186,766** | **11,523,720** | **12,048,142** | **12,616,068** | **13,769,945** | **14,481,229** | **12,053,080** | **7,779,528** |
| **Annual % Change** | 2.0% | 1.8% | 1.6% | 3.0% | 4.6% | 4.7% | 9.1% | 5.2% | -16.8% | -16.8% |

Source: San Diego County Regional Airport Authority

[1] United and Continental completed their merger on October 1, 2010 and began operating as United on November 30, 2011. The enplanements are combined for the purpose of this table.

[2] US Airways merged with American Airlines on December 9, 2013. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. The enplanements are combined for the purpose of this table.

[3] Alaska Airlines and Virgin America received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. The enplanements are combined for the purpose of this table.


EXHIBIT S-11
AIRCRAFT LANDED WEIGHTS BY AIRLINE (THOUSAND POUNDS)

Fiscal Years Ended June 30,


| | Market Share | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Airline** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| Southwest Airlines | 36.5% | 35.5% | 35.1% | 36.6% | 35.3% | 35.4% | 35.8% | 35.8% | 36.7% | 29.3% |
| Delta Airlines | 9.7% | 9.3% | 9.1% | 9.3% | 9.6% | 9.3% | 8.6% | 9.6% | 10.1% | 13.5% |
| American Airlines [2] | 12.4% | 12.2% | 12.1% | 11.8% | 12.2% | 11.3% | 10.7% | 9.8% | 10.0% | 11.8% |
| Alaska Airlines [3] | 6.0% | 6.8% | 7.9% | 7.7% | 7.7% | 7.9% | 8.2% | 9.7% | 9.6% | 9.9% |
| United Airlines [1] | 13.9% | 12.6% | 12.0% | 10.7% | 10.4% | 10.7% | 10.8% | 10.8% | 10.0% | 8.9% |
| Skywest Airlines | 2.8% | 3.9% | 3.5% | 3.5% | 3.0% | 3.7% | 4.6% | 4.4% | 4.0% | 6.5% |
| Federal Express | 4.2% | 4.1% | 3.7% | 3.3% | 3.7% | 3.1% | 2.8% | 2.6% | 3.3% | 6.0% |
| Frontier Airlines | 1.9% | 1.8% | 1.7% | 1.3% | 1.0% | 1.5% | 1.7% | 1.7% | 1.7% | 2.6% |
| JetBlue Airlines | 1.5% | 1.5% | 1.7% | 1.7% | 1.7% | 1.9% | 2.1% | 1.9% | 2.2% | 2.2% |
| Horizon Air- Alaska Airlines | 0.1% | 0.8% | 0.8% | 0.8% | 0.5% | 0.4% | 0.7% | 0.6% | 1.2% | 1.9% |
| United Parcel | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% | 1.2% | 1.0% | 1.0% | 1.2% | 1.8% |
| Spirit Airlines | 0.9% | 1.9% | 2.2% | 2.6% | 2.9% | 2.3% | 2.4% | 2.3% | 1.9% | 1.6% |
| Hawaiian Airlines | 1.1% | 1.3% | 1.3% | 1.3% | 1.2% | 1.2% | 1.2% | 1.6% | 1.3% | 1.6% |
| ABX Air | 0.4% | 0.5% | 0.6% | 0.4% | - | - | - | - | 0.4% | 1.1% |
| Allegiant | 0.2% | 0.1% | 0.1% | 0.1% | 0.2% | 0.5% | 0.3% | 0.2% | 0.2% | 0.5% |
| **Subtotal** | **92.8%** | **93.3%** | **93.0%** | **92.1%** | **90.3%** | **90.3%** | **91.0%** | **92.0%** | **93.7%** | **99.0%** |
| All Others | 7.2% | 6.7% | 7.0% | 7.9% | 9.7% | 9.7% | 9.0% | 8.0% | 6.3% | 1.0% |
| **Total** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

# EXHIBIT S-12
## PASSENGER ENPLANEMENTS

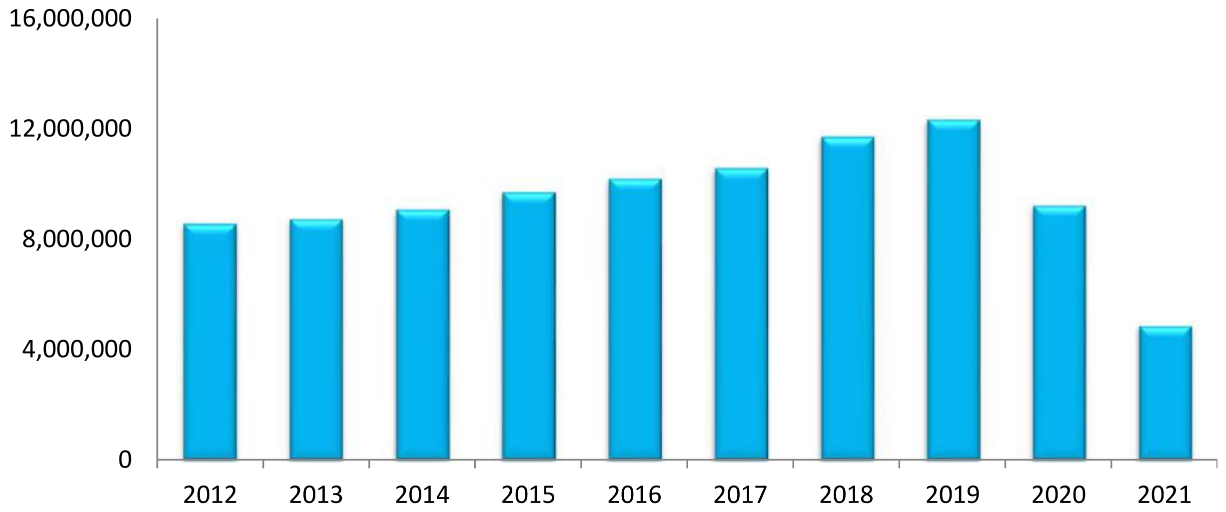
Fiscal Years Ended June 30,

| FiscalYear | Enplaned Passengers | % Change SAN | % Change US Average * |
|---|---|---|---|
| 2012 | 8,575,475 | 1.6 % | 1.7 % |
| 2013 | 8,737,617 | 1.9 % | 0.5 % |
| 2014 | 9,082,244 | 3.9 % | 2.2 % |
| 2015 | 9,713,066 | 6.9 % | 3.7 % |
| 2016 | 10,206,222 | 5.1 % | 5.4 % |
| 2017 | 10,596,483 | 3.8 % | 3.4 % |
| 2018 | 11,731,833 | 10.7 % | 4.3 % |
| 2019 | 12,356,286 | 5.3 % | 4.3 % |
| 2020 | 9,235,459 | (25.3)% | (25.9)% [1] |
| 2021 | 4,860,931 | (47.4)% | (44.4)% |

* Source: U.S. Department of Transportation T-100

[1] International data for April - June 2021 not available at time of publication.

PASSENGER ENPLANEMENTS




**Enplaned Passenger** is any revenue passenger boarding at the airport, including any passenger that previously disembarked from another aircraft (i.e. connecting passenger).

# EXHIBIT S-13
## ENPLANEMENT MARKET SHARE BY AIRLINE BY FISCAL YEAR

Fiscal Years Ended June 30,

| Air Carrier | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Enplanements | | | | | | |
| Air Canada | 56,470 | 45,058 | 36,636 | 41,175 | 48,985 | 93,274 | 110,684 | 130,404 | 90,425 | - |
| Alaska Airlines [1] | 579,457 | 673,731 | 830,349 | 871,775 | 902,705 | 918,841 | 1,031,537 | 1,253,433 | 976,326 | 474,179 |
| Allegiant Airlines | 18,099 | 15,466 | 7,859 | 7,406 | 16,825 | 49,480 | 44,934 | 30,750 | 13,162 | 22,391 |
| American Airlines [2] | 664,466 | 650,826 | 693,995 | 747,493 | 1,369,003 | 1,339,489 | 1,366,634 | 1,339,334 | 1,050,613 | 767,833 |
| British Airways | 81,437 | 81,534 | 84,600 | 84,263 | 89,723 | 90,200 | 82,543 | 83,492 | 57,998 | - |
| Condor | - | - | - | - | - | 3,902 | 7,815 | - | - | - |
| Delta Air Lines | 935,777 | 904,734 | 915,907 | 992,498 | 1,061,889 | 1,088,647 | 1,126,873 | 1,336,885 | 1,058,188 | 567,589 |
| Edelweiss | - | - | - | - | - | 1,215 | 6,990 | 6,271 | 2,317 | - |
| Frontier Airlines | 198,708 | 184,020 | 185,270 | 150,595 | 118,990 | 180,235 | 254,760 | 277,320 | 201,280 | 180,181 |
| Hawaiian Airlines | 86,211 | 94,283 | 98,667 | 96,963 | 102,462 | 107,776 | 108,971 | 149,744 | 102,759 | 61,754 |
| Japan Airlines | - | 18,249 | 54,213 | 59,372 | 59,647 | 59,916 | 62,034 | 66,688 | 43,596 | 1,027 |
| JetBlue Airways | 147,051 | 152,571 | 173,282 | 178,590 | 182,605 | 224,700 | 248,325 | 230,909 | 195,279 | 90,332 |
| Lufthansa | - | - | - | - | - | - | 13,037 | 49,974 | 34,654 | - |
| Southwest Airlines | 3,252,290 | 3,253,225 | 3,352,870 | 3,736,688 | 3,840,455 | 3,967,487 | 4,457,984 | 4,656,029 | 3,474,860 | 1,627,594 |
| Spirit Airlines | 77,873 | 164,189 | 201,414 | 252,219 | 327,183 | 287,208 | 318,201 | 323,623 | 225,279 | 111,604 |
| Sun Country Airlines | 15,889 | 23,836 | 27,276 | 28,732 | 34,886 | 40,109 | 41,466 | 40,167 | 37,073 | 23,461 |
| United Airlines [3] | 1,266,007 | 1,175,869 | 1,167,661 | 1,113,510 | 1,165,565 | 1,266,055 | 1,405,663 | 1,481,166 | 1,043,393 | 552,709 |
| US Airways [2] | 535,906 | 560,738 | 554,244 | 523,034 | - | - | - | - | - | - |
| Virgin America [1] | 166,326 | 168,297 | 156,729 | 175,973 | 211,075 | 212,158 | 183,672 | - | - | - |
| Volaris | 45,589 | 30,885 | 23,285 | 20,004 | 21,343 | 3,948 | - | - | - | - |
| WestJet | 25,535 | 27,746 | 31,805 | 33,723 | 34,516 | 41,043 | 39,285 | 42,939 | 28,905 | - |
| **Total Air Carrier** | **8,153,091** | **8,225,257** | **8,596,062** | **9,114,013** | **9,587,857** | **9,975,683** | **10,911,408** | **11,499,128** | **8,636,107** | **4,480,654** |
| **Regional** | | | | | | | | | | |
| Compass | - | - | 8,563 | 140,012 | 249,723 | 195,126 | 251,066 | 296,091 | 161,113 | - |
| Horizon Air | 5,900 | 77,392 | 84,000 | 83,764 | 64,758 | 53,517 | 82,131 | 64,135 | 107,373 | 89,894 |
| Skywest Airlines | 263,144 | 352,189 | 341,365 | 371,979 | 301,592 | 372,157 | 487,228 | 496,932 | 330,866 | 290,383 |
| Other | 153,340 | 82,779 | 52,254 | 3,298 | 2,292 | - | - | - | - | - |
| **Total Regional** | **422,384** | **512,360** | **486,182** | **599,053** | **618,365** | **620,800** | **820,425** | **857,158** | **599,352** | **380,277** |
| **Total Passengers** | **8,575,475** | **8,737,617** | **9,082,244** | **9,713,066** | **10,206,222** | **10,596,483** | **11,731,833** | **12,356,286** | **9,235,459** | **4,860,931** |

Source: San Diego County Regional Airport Authority

[1] Alaska Airlines and Virgin America received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. The enplanements are combined for the purpose of this table.

[2] US Airways merged with American Airlines on December 9, 2013. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. The enplanements are combined for the purpose of this table.

[3] United and Continental completed their merger on October 1, 2010 and began operating as United on November 30, 2011. The enplanements are combined for the purpose of this table.


# EXHIBIT S-13
## ENPLANEMENT MARKET SHARE BY AIRLINE BY FISCAL YEAR

Fiscal Years Ended June 30,


| Air Carrier | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Market Share | | | | | | |
| Air Canada | 0.7% | 0.5% | 0.4% | 0.4% | 0.5% | 0.9% | 0.9% | 1.1% | 1.0% | 0.0% |
| Alaska Airlines [1] | 6.8% | 7.7% | 9.1% | 9.0% | 8.8% | 8.7% | 8.8% | 10.1% | 10.6% | 9.8% |
| Allegiant Airlines | 0.2% | 0.2% | 0.1% | 0.1% | 0.2% | 0.5% | 0.4% | 0.2% | 0.1% | 0.5% |
| American Airlines [2] | 7.7% | 7.4% | 7.6% | 7.7% | 13.4% | 12.6% | 11.6% | 10.8% | 11.4% | 15.8% |
| British Airways | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 0.7% | 0.7% | 0.6% | 0.0% |
| Condor | - | - | - | - | - | - | 0.1% | - | - | - |
| Delta Air Lines | 10.9% | 10.4% | 10.1% | 10.2% | 10.4% | 10.3% | 9.6% | 10.8% | 11.5% | 11.7% |
| Edelweiss | - | - | - | - | - | - | 0.1% | 0.1% | 0.0% | 0.0% |
| Frontier Airlines | 2.3% | 2.1% | 2.0% | 1.6% | 1.2% | 1.7% | 2.2% | 2.2% | 2.2% | 3.7% |
| Hawaiian Airlines | 1.0% | 1.1% | 1.1% | 1.0% | 1.0% | 1.0% | 0.9% | 1.2% | 1.1% | 1.3% |
| Japan Airlines | - | 0.2% | 0.6% | 0.6% | 0.6% | 0.6% | 0.5% | 0.5% | 0.5% | 0.0% |
| JetBlue Airways | 1.7% | 1.7% | 1.9% | 1.8% | 1.8% | 2.1% | 2.1% | 1.9% | 2.1% | 1.9% |
| Lufthansa | - | - | - | - | - | - | 0.1% | 0.4% | 0.4% | 0.0% |
| Southwest Airlines | 37.9% | 37.2% | 36.9% | 38.5% | 37.6% | 37.4% | 38.0% | 37.7% | 37.6% | 33.5% |
| Spirit Airlines | 0.9% | 1.9% | 2.2% | 2.6% | 3.2% | 2.7% | 2.7% | 2.6% | 2.4% | 2.3% |
| Sun Country Airlines | 0.2% | 0.3% | 0.3% | 0.3% | 0.3% | 0.4% | 0.4% | 0.3% | 0.4% | 0.5% |
| United Airlines [3] | 14.8% | 13.5% | 12.9% | 11.5% | 11.4% | 11.9% | 12.0% | 12.0% | 11.3% | 11.4% |
| US Airways [2] | 6.2% | 6.4% | 6.1% | 5.4% | - | - | - | - | - | - |
| Virgin America [1] | 1.9% | 1.9% | 1.7% | 1.8% | 2.1% | 2.0% | 1.6% | - | - | - |
| Volaris | 0.5% | 0.4% | 0.3% | 0.2% | 0.2% | - | - | - | - | - |
| WestJet | 0.3% | 0.3% | 0.4% | 0.3% | 0.3% | 0.4% | 0.3% | 0.3% | 0.3% | - |
| **Total Air Carrier** | **95.1%** | **94.1%** | **94.6%** | **93.8%** | **93.9%** | **94.1%** | **93.0%** | **93.1%** | **93.5%** | **92.2%** |
| **Regional** | | | | | | | | | | |
| Compass | - | - | 0.1% | 1.4% | 1.9% | 1.8% | 2.1% | 2.4% | 1.7% | - |
| Horizon Air | 0.1% | 0.9% | 0.9% | 0.9% | 0.6% | 0.5% | 0.7% | 0.5% | 1.2% | 1.8% |
| Skywest Airlines | 3.1% | 4.0% | 3.8% | 3.8% | 3.0% | 3.5% | 4.2% | 4.0% | 3.6% | 6.0% |
| Other | 1.8% | 0.9% | 0.6% | - | - | - | - | - | - | - |
| **Total Regional** | **4.9%** | **5.9%** | **5.4%** | **6.2%** | **6.1%** | **5.9%** | **7.0%** | **6.9%** | **6.5%** | **7.8%** |
| **Total Passengers** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |

# EXHIBIT S-14
CAPITAL ASSETS

| San Diego International Airport | |
|---|---|
| Number of runways | 1 |
| Length of runway (feet) | 9,401 feet |
| Number of gates | 48 |
| Remote aircraft parking positions | 24 |
| Terminal rentable square footage | 593,293 |
| Airport Land Area | 661 acres |
| On airport parking spaces (public) | 5,258 |
| Off airport parking spaces (public) | 1,781 |

Source: San Diego County Regional Airport Authority

The parking spaces shown above are controlled and operated by the Airport Authority and reported on a weighted average basis.

The terminal rentable square footage is a weighted average figure that reflects square footage changes due to construction or remodeling.

# EXHIBIT S-15
POPULATION & PER CAPITA PERSONAL INCOME SAN DIEGO COUNTY

| Calendar Year | Estimated Population[(1)] | % Change | Per Capita Personal Income[(1)] | % Change | Total Personal Income[(1)] (in billions) | % Change |
|---|---|---|---|---|---|---|
| 2012 | 3,174,446 | 1.2 % | $50,670 | 1.5 % | $152.7 | 4.8 % |
| 2013 | 3,208,946 | 1.1 % | $51,223 | 1.1 % | $157.8 | 3.3 % |
| 2014 | 3,248,547 | 1.2 % | $52,889 | 3.3 % | $167.1 | 5.9 % |
| 2015 | 3,275,084 | 0.8 % | $54,708 | 3.4 % | $175.9 | 5.3 % |
| 2016 | 3,300,891 | 0.8 % | $55,797 | 2.0 % | $184.2 | 4.7 % |
| 2017 | 3,327,564 | 0.8 % | $56,437 | 1.1 % | $192.5 | 4.5 % |
| 2018 | 3,352,564 | 0.8 % | $57,473 | 1.8 % | $202.8 | 5.4 % |
| 2019 | 3,357,442 | 0.1 % | $64,862 | 12.9 % | $217.8 | 7.4 % |
| 2020 | 3,362,150 | 0.1 % | $63,169 | (2.6)% | $213.8 | (1.8)% |

Source: California Department of Transportation - San Diego County

# EXHIBIT S-16
PRINCIPAL EMPLOYERS IN SAN DIEGO COUNTY

November 2020

| Employer | Local Employees | Rank | Percentage of Total Industry Employment |
|---|---|---|---|
| University of California, San Diego | 35,802 | 1 | 2.3% |
| Naval Base San Diego | 34,534 | 2 | 2.3% |
| Sharp Health Care | 19,468 | 3 | 1.3% |
| Scripps Health | 16,295 | 4 | 1.1% |
| General Atomics Aeronautical | 6,745 | 5 | 0.4% |
| San Diego State University | 6,454 | 6 | 0.4% |
| Rady's Children Hospital | 5,711 | 7 | 0.4% |
| San Diego Community College District | 5,400 | 8 | 0.4% |
| Sempra Energy | 5,063 | 9 | 0.3% |
| YMCA of San Diego | 5,057 | 10 | 0.3% |

August 2011

| Employer | Local Employees | Rank | Percentage of Total Industry Employment |
|---|---|---|---|
| U.S. Federal Government | 46,300 | 1 | 3.0% |
| State of California | 45,500 | 2 | 3.0% |
| University of California, San Diego | 27,393 | 3 | 1.8% |
| County of San Diego | 15,109 | 4 | 1.0% |
| Sharp Health Care | 14,696 | 5 | 1.0% |
| Scripps Health | 13,830 | 6 | 0.9% |
| San Diego Unified School District | 13,730 | 7 | 0.9% |
| Qualcomm Inc. | 10,509 | 8 | 0.7% |
| City of San Diego | 10,211 | 9 | 0.7% |
| Kaiser Permanente | 8,200 | 10 | 0.5% |

Source: Employers - San Diego Journal Book of Lists: 2021 & 2012
Total Industry Employment - California Employment Development Dept,. Labor Market Info.

# EXHIBIT S-17
## LABOR FORCE, EMPLOYMENT, & UNEMPLOYMENT RATES

| Year | Labor Force | Employment | Unemployment | Unemployment Rate SD County | Unemployment Rate State |
|---|---|---|---|---|---|
| 2012 | 1,544,200 | 1,397,600 | 146,600 | 9.5% | 10.6% |
| 2013 | 1,548,000 | 1,421,000 | 126,900 | 8.2% | 9.2% |
| 2014 | 1,544,600 | 1,444,000 | 100,600 | 6.5% | 7.4% |
| 2015 | 1,555,900 | 1,473,500 | 82,400 | 5.3% | 6.3% |
| 2016 | 1,569,000 | 1,491,700 | 77,300 | 4.9% | 5.6% |
| 2017 | 1,584,500 | 1,518,100 | 66,300 | 4.2% | 4.9% |
| 2018 | 1,584,000 | 1,525,500 | 58,400 | 3.7% | 4.5% |
| 2019 | 1,582,300 | 1,529,500 | 52,900 | 3.3% | 4.2% |
| 2020 | 1,584,400 | 1,365,100 | 219,300 | 13.8% | 13.7% |
| 2021 | 1,527,800 | 1,420,400 | 107,400 | 7.0% | 8.0% |

Source: California Employment Development Department Labor Market Information Division Unemployment Rate and Labor Force, not seasonally adjusted.


# EXHIBIT S-18
## DEBT SERVICE COVERAGE

Fiscal Years Ended June 30,

| **Senior Bonds** | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues [1] | $ 158,311,779 | $ 181,051,929 | $ 199,834,430 | $ 214,770,544 | $ 238,640,326 | $ 255,540,858 | $ 276,983,726 | $ 306,683,097 | $ 280,572,989 | $ 227,573,518 |
| Operating and Maintenance Expenses | (118,941,148) | (126,662,546) | (136,604,105) | (142,781,639) | (151,327,220) | (154,455,699) | (157,246,523) | (165,925,555) | (136,297,647) | (88,039,540) |
| Net Revenues [2] | $ 39,370,631 | $ 54,389,383 | $ 63,230,325 | $ 71,988,905 | $ 87,313,106 | $ 101,085,159 | $ 119,737,204 | $ 140,757,542 | $ 144,275,342 | $ 139,533,978 |
| Senior Bond Debt Service [3] | | | | | | | | | | |
| Principal | $ 3,430,000 | $ - | $ - | $ 2,030,000 | $ 2,090,000 | $ 2,155,000 | $ 2,240,000 | $ 2,320,000 | $ 7,925,000 | $ 8,315,000 |
| Interest | 1,925,975 | 2,478,489 | 16,645,435 | 18,034,575 | 18,414,600 | 18,349,950 | 18,263,750 | 18,174,150 | 18,081,350 | 17,685,100 |
| PFCs used to pay debt service | - | (714,077) | (7,140,301) | (8,669,966) | (9,490,326) | (9,548,626) | (9,547,482) | (9,544,261) | (11,260,741) | (11,172,249) |
| CARES Act used to pay debt service | - | - | - | - | - | - | - | - | (6,501,585) | (3,406,934) |
| Total Debt Service for the Senior Bond | $ 5,355,975 | $ 1,764,412 | $ 9,505,134 | $ 11,394,609 | $ 11,014,274 | $ 10,956,324 | $ 10,956,268 | $ 10,949,889 | $ 8,244,024 | $ 11,420,918 |
| **Senior Bonds Debt Service Coverage** | **7.35** | **30.83** | **6.65** | **6.32** | **7.93** | **9.23** | **10.93** | **12.85** | **17.50** | **12.22** |
| **Subordinate Debt** | | | | | | | | | | |
| Subordinate Net Revenues [2] | $ 34,014,656 | $ 52,624,971 | $ 53,725,191 | $ 60,594,296 | $ 76,298,832 | $ 90,128,835 | $ 108,780,936 | $ 129,807,653 | $ 136,031,318 | $ 128,113,061 |
| Subordinate Annual Debt Service [4] | | | | | | | | | | |
| Principal | $ 980,000 | $ 1,000,000 | $ 5,785,000 | $ 8,665,000 | $ 9,000,000 | $ 9,430,000 | $ 14,830,000 | $ 15,895,000 | $ 17,745,000 | $ 22,315,000 |
| Interest | 6,599,760 | 26,194,616 | 27,069,283 | 26,853,179 | 26,495,600 | 26,085,029 | 37,197,656 | 37,917,500 | 39,404,449 | 41,720,733 |
| Variable Rate Debt [5] | 1,077,867 | 5,519,872 | 6,446,951 | 6,736,945 | 6,760,189 | 7,000,066 | 7,335,123 | 7,497,649 | 1,894,813 | - |
| PFCs used to pay debt service | - | (20,061,962) | (20,718,863) | (21,554,245) | (20,331,674) | (20,456,707) | (20,457,851) | (20,461,072) | (18,744,592) | (8,833,085) |
| CARES Act used to pay debt service | - | - | - | - | - | - | - | - | (14,313,843) | (22,593,066) |
| Total Subordinate Annual Debt Service | $ 8,657,627 | $ 12,652,526 | $ 18,582,371 | $ 20,700,879 | $ 21,864,115 | $ 22,058,389 | $ 38,904,928 | $ 40,849,077 | $ 25,985,827 | $ 32,609,582 |
| **Subordinate Obligations Debt Service Coverage** | **3.93** | **4.16** | **2.89** | **2.93** | **3.48** | **4.09** | **2.80** | **3.18** | **5.23** | **3.93** |
| **Aggregate Debt** | | | | | | | | | | |
| Aggregate Net Revenues | $ 39,370,631 | $ 54,389,383 | $ 63,230,325 | $ 71,988,905 | $ 87,313,106 | $ 101,085,159 | $ 119,737,204 | $ 140,757,542 | $ 144,275,342 | $ 139,533,978 |
| Aggregate Annual Debt Service | | | | | | | | | | |
| Principal | 4,410,000 | 1,000,000 | 5,785,000 | 10,695,000 | 11,090,000 | 11,585,000 | 17,070,000 | 18,215,000 | 25,670,000 | 30,630,000 |
| Interest | 8,525,735 | 28,673,105 | 43,714,718 | 44,887,754 | 44,910,200 | 44,434,979 | 55,461,406 | 56,091,650 | 57,485,799 | 59,405,833 |
| Variable Rate Debt [5] | 1,077,867 | 5,519,872 | 6,446,951 | 6,736,945 | 6,760,189 | 7,000,066 | 7,335,123 | 7,497,649 | 1,894,813 | - |
| PFC Funds Applied to Debt Service | - | (20,776,039) | (27,859,164) | (30,224,211) | (29,822,000) | (30,005,333) | (30,005,333) | (30,005,333) | (30,005,333) | (20,005,333) |
| CARES Act used to pay debt service | - | - | - | - | - | - | - | - | (20,815,428) | (26,000,000) |
| Total Annual Debt Service | $ 14,013,602 | $ 14,416,938 | $ 28,087,505 | $ 32,095,488 | $ 32,938,389 | $ 33,014,712 | $ 49,861,196 | $ 51,798,966 | $ 34,229,851 | $ 44,030,500 |
| **Aggregate Obligations Debt Service Coverage** | **2.81** | **3.77** | **2.25** | **2.24** | **2.65** | **3.06** | **2.40** | **2.72** | **4.21** | **3.17** |
| Aggregate Net Revenues (Including PFC, BAB Subsidy and CARES Act Grant) | $ 44,366,552 | $ 79,944,021 | $ 95,725,704 | $ 106,844,335 | $ 121,791,304 | $ 135,721,711 | $ 154,408,727 | $ 175,449,049 | $ 197,185,501 | $ 185,539,311 |
| Total Annual Debt Service (Excluding PFC, BAB Subsidy and CARES Act Grant) | 19,009,523 | 39,971,576 | 60,582,884 | 66,950,918 | 67,416,588 | 67,651,265 | 84,532,719 | 86,490,473 | 87,140,009 | 90,035,833 |
| **Revenue Method - Debt Service Coverage on Aggregate Debt** | **2.33** | **2.00** | **1.58** | **1.60** | **1.81** | **2.01** | **1.83** | **2.03** | **2.26** | **2.06** |

(1) Revenues are calculated pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture.
(2) Net Revenues and Subordinate Net Revenues are calculated pursuant to the provisions of the Master Senior Indenture and Master Subordinate Indenture, as appropriate.
(3) Debt service with respect to the Senior Bonds is calculated pursuant to the provisions of the Master Senior Indenture.
(4) Subordinate Annual Debt Service is calculated pursuant to the provisions of the Master Subordinate Indenture.
(5) Includes principal and interest.
(6) Information regarding Subordinate Obligations Debt Service Coverage provided in connection with the first fiscal year for which Subordinate Annual Debt Service was due with respect to the 2010 Bonds. Subordinate Annual Debt Service for prior years consisted of debt service on the Authority's Subordinate Commercial Paper Notes and is not presented for Fiscal Years 2009-2010.

# EXHIBIT S-19
## DEBT SERVICE COVERAGE - SERIES 2014 CFC BONDS

Fiscal Years Ended June 30,

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|
| CFC Collections | $ 27,545,001 | $ 32,464,843 | $ 33,207,946 | $ 36,527,853 | $ 41,036,526 | $ 41,918,554 | $30,239,698 | $15,755,254 |
| Bond Funding Supplemental Consideration | - | - | - | - | - | - | - | - |
| Transfers from CFC Stabilization Fund | - | - | - | - | - | - | 3,563,874 | 9,540,452 |
| Interest Earnings[1] | 204,194 | 295,726 | 332,761 | 466,134 | 919,740 | 1,544,474 | 1,502,382 | 855,813 |
| Total Amounts Available | 27,749,195 | 32,760,569 | 33,540,707 | 36,993,987 | 41,956,266 | 43,463,028 | 35,305,954 | 26,151,519 |
| Rolling Coverage Fund Balance[2] | - | - | 2,451,182 | 4,902,363 | 6,576,363 | 6,575,894 | 6,575,637 | 6,575,382 |
| Total Amounts Available, plus Rolling Coverage Fund Balance | $ 27,749,195 | $ 27,749,195 | $ 35,991,889 | $ 41,896,350 | $ 48,532,629 | $ 50,038,922 | $41,881,591 | $32,726,901 |
| Series 2014 Debt Service Requirements | - | - | 8,170,605 | 16,341,210 | 21,921,210 | 21,919,646 | 21,918,789 | 21,917,940 |
| Coverage excluding Rolling Coverage Fund | N/A | N/A | 4.11 | 2.26 | 1.91 | 1.98 | 1.61 | 1.19 |
| Coverage including Rolling Coverage Fund | N/A | N/A | 4.41 | 2.56 | 2.21 | 2.28 | 1.91 | 1.49 |

1 Includes earnings on investments in the Senior Reserve Fund, the Rolling Coverage Fund and the CFC Surplus Fund.
2 Includes amount on deposit in the Rolling Coverage Fund at the beginning of each Fiscal Year, up to an amount not to exceed 30% of the Series 2014 Debt Service Requirements for such Fiscal Year.

# EXHIBIT S-20
## DEBT PER ENPLANED PASSENGER

Fiscal Years Ended June 30,

| Fiscal Year | Outstanding Bond Debt (1) | Outstanding Commercial Paper Debt | Capital Leases | Total Outstanding Debt | Enplaned Passengers | Debt per Enplaned Passenger |
|---|---|---|---|---|---|---|
| 2010 | 46,602,704 | 164,430,000 | 377,172 | 211,409,876 | 8,453,886 | 25.01 |
| 2011 | 640,920,314 | 21,509,000 | 519,866 | 662,949,180 | 8,441,120 | 78.54 |
| 2012 | 635,307,968 | 20,729,000 | 361,641 | 656,398,609 | 8,575,475 | 76.54 |
| 2013 | 1,027,411,188 | 50,969,000 | 8,152,588 | 1,086,532,776 | 8,737,617 | 124.35 |
| 2014 (2) | 1,327,897,591 | 44,884,000 | 7,810,927 | 1,380,592,518 | 9,082,244 | 152.01 |
| 2015 | 1,317,784,291 | 38,705,000 | 7,971,993 | 1,364,461,284 | 9,713,066 | 140.48 |
| 2016 | 1,302,846,043 | 32,581,000 | 7,717,734 | 1,343,144,777 | 10,206,222 | 131.60 |
| 2017 | 1,287,602,498 | 58,998,000 | 7,442,314 | 1,354,042,812 | 10,596,483 | 127.78 |
| 2018 | 1,609,960,696 | 20,163,000 | 7,143,865 | 1,637,267,561 | 11,731,833 | 139.56 |
| 2019 | 1,581,628,919 | 13,719,000 | 6,820,351 | 1,602,168,270 | 12,356,286 | 129.66 |
| 2020 | 1,881,208,470 | - | 6,496,837 | 1,887,705,307 | 9,235,459 | 204.40 |
| 2021 | 1,835,597,883 | - | 6,201,974 | 1,841,799,857 | 4,860,931 | 378.90 |

Source: San Diego County Regional Airport Authority
(1) Outstanding Bond Debt includes unamortized bond premium
(2) Starting in 2014, Outstanding Bond Debt includes CFC Bond issuance

SAN DIEGO
INTERNATIONAL AIRPORT