



**Annual Report
for the Fiscal Year Ended June 30, 2022
Dated as of December 22, 2022**

Relating to:
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Introduction

This Annual Report (this “Report”) is being furnished by the San Diego County Regional Airport Authority (the “Authority”) for the purpose of complying with the annual bond disclosure requirements set forth in the Authority’s Continuing Disclosure Certificates identified below (collectively, the “Certificates”). In connection with the issuance by the Authority of its revenue bonds identified below (collectively, the “Bonds”), the Authority entered into the Certificates to assist the bond underwriters in compliance with Rule 15c2-12 under the Securities Exchange Act of 1934.

This Report is delivered in satisfaction of the Authority’s obligation under the Certificates to provide annual updates of certain historical financial and operating information contained in the Official Statements identified below (collectively, the “Official Statements”) that were delivered in conjunction with the Bonds. As required by the Certificates, this Report is filed for the most recently completed fiscal year, which is the Fiscal Year Ended June 30, 2022 (“FYE 2022”). All information provided in this Report is sourced to the Authority unless otherwise attributed.

Bonds	Official Statement Date	Continuing Disclosure Certificate Date*
Senior Special Facilities Revenue Bonds, Series 2014A (Tax-Exempt Non-AMT) and Series 2014B (Federally Taxable) (Consolidated Rental Car Facility Project) (“Series 2014”)	February 5, 2014	February 19, 2014
Subordinate Airport Revenue Bonds Series 2017A and Series 2017B (“Series 2017”)	July 18, 2017	August 3, 2017
Subordinate Series 2019A and 2019B (“Series 2019”)	November 14, 2019	December 11, 2019
Subordinate Airport Revenue Refunding Bonds Series 2020A, 2020B and 2020C (“Series 2020”)	March 27, 2020	April 8, 2020
Subordinate Airport Revenue Refunding Bonds Series 2021A, 2021B and 2021C (“Series 2021”)	November 17, 2021	December 8, 2021

* Individual Certificates are referred to herein as “Series [Year] Certificate”.

Reference is made to the Authority’s Financial Report and Independent Auditor’s Report for the Fiscal Year ended June 30, 2022 (the “Audited Financial Statements”), a copy of which is filed with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access (“EMMA”) website and may be obtained at www.emma.msrb.org., and is incorporated by reference as part of this Report.

Factors Affecting Capital Program

The Authority is engaged in a significant, ongoing capital development and improvement program at San Diego International Airport (“SDIA”), which is known as the “New T1” and includes, among other components, the replacement of Terminal 1 at SDIA. The Authority has entered into agreements for the construction of capital improvements, including work on the New T1, which are subject to adjustment for a variety of circumstances, including, without limitation, higher than anticipated costs of labor and materials or subcontractor bids, changes in scope, unforeseen site conditions and force majeure events. The Authority is actively managing its construction agreements for the New T1 to address the occurrence of adverse impacts that may arise as a result of various factors, including, without limitation, unanticipated levels of inflation, material and/or labor shortages and estimating errors, among other issues. There can be no assurances that significant increases in costs of the amounts projected by the Authority will not materially adversely affect the schedule, budget or overall capital development program at SDIA.

Other Matters

Pursuant to the Certificates, the Authority is obligated to provide only the historic annual financial and operating information specified therein. The tables contained and incorporated in this Report reference and update financial and operating information set out in the Official Statements. To the extent the Authority provides or incorporates information in this Report that the Authority is not obligated under the Certificates to present or update, the Authority may not be obligated to present or update such information in future annual reports.

By providing and incorporating the information in this Report, the Authority does not imply or represent (a) that all information provided and incorporated in this Report is material to investors’ decisions regarding investment in the Bonds, (b) the completeness or accuracy of any financial, operational or other information not included or incorporated in this Report or in the Official Statements, (c) that no changes, circumstances or events have occurred since the end of FYE 2022, or (d) that no other information exists which may have a bearing on the Authority’s financial condition, the security for the Bonds or an investor’s decision to buy, sell or hold the Bonds.

No statement contained or incorporated in this Report should be construed as a prediction or representation about future financial performance of the Authority. Historical results presented and incorporated in this Report, including the historical financial and enplanement figures contained in this Report, may not be indicative of future operating results.

Annual Report – Updated Tables

The following are updated tables provided pursuant to the Certificates.

As of June 30, 2022, the Authority had outstanding the following principal amounts of the Subordinate Obligations and Senior Special Facility Bonds.

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
 OUTSTANDING PRINCIPAL AMOUNTS OF THE
 SUBORDINATE OBLIGATIONS AND SENIOR SPECIAL FACILITY BONDS
 AS OF JUNE 30, 2022
 (000's)**

	Outstanding Principal Amount
Outstanding Subordinate Obligations	
Series 2017 Bonds	\$ 271,915
Series 2019 Bonds	459,025
Series 2020 Bonds	226,995
Series 2021 Bonds	1,941,745
Subtotal	\$ 2,899,680
Outstanding Senior Special Facility Bonds	
Series 2014 Bonds	\$ 282,005
Subtotal	\$ 282,005
TOTAL	\$ 3,181,685

As of June 30, 2022, the Authority estimated future rental commitments under the Authority’s lease arrangements to be as follows.

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
FUTURE RENTAL COMMITMENTS
AS OF JUNE 30, 2022**

Fiscal Year Ending June 30,	Rental Payments
2023	\$ 12,103,977
2024	12,103,977
2025	12,103,977
2026	11,200,856
2027	10,929,162
2028-2032	53,026,037
2033-2037	52,830,360
2038-2042	52,522,763
2043-2047	50,883,300
2048-2052	50,883,300
2053-2057	50,883,300
2058-2062	50,883,300
2063-2067	50,883,300
2068-2072	15,264,990
Total	\$ 486,502,599

The following table sets out the Air Carriers Serving San Diego International Airport as of November 30, 2022.

**SAN DIEGO INTERNATIONAL AIRPORT
AIR CARRIERS SERVING
SAN DIEGO INTERNATIONAL AIRPORT
(AS OF NOVEMBER 30, 2022)**

Scheduled U.S. Carriers	Foreign Flag Carriers	All-Cargo Carriers
Alaska Airlines ¹	Air Canada ⁵	Ameriflight
Allegiant	British Airways	ABX Air
American Airlines ²	Japan Airlines	Atlas Air
Delta Air Lines ³	Lufthansa	FedEx ⁶
Frontier Airlines	WestJet Airlines	Swift Air ⁷
Hawaiian Airlines		United Parcel Service
JetBlue Airways		
Southwest Airlines		
Spirit Airlines		
Sun Country Airlines		
United Airlines ⁴		

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

² Operated by American Airlines and regional affiliate, SkyWest Airlines.

³ Operated by Delta Air Lines and regional affiliate, SkyWest Airlines.

⁴ Operated by United Airlines and regional affiliate, SkyWest Airlines.

⁵ Operated by affiliates, Air Canada Jazz and Air Canada Jazz Rouge.

⁶ Operated by FedEx and its affiliate West Air.

⁷ Swift Air provides service for DHL.

The following table sets forth the total domestic and international enplanements at the Airport for the last five Fiscal Years and the total enplanements and deplanements at the Airport for the last five Fiscal Years.

**SAN DIEGO INTERNATIONAL AIRPORT
TOTAL ENPLANEMENTS**

Fiscal Year	Enplanements					Deplanements				
	Domestic Enplanements	Percent of Total	International Enplanements	Percent of Total	Total Enplanements	Percent Change	Total Deplanements	Percent Change	Total Enplanements and Deplanements	Percent Change
2018	11,257,939	96.0	473,894	4.04	11,731,833	10.71	11,702,560	10.99	23,434,393	10.85
2019	11,832,512	95.8	523,774	4.24	12,356,286	5.32	12,335,387	5.41	24,691,673	5.37
2020	8,865,028	96.0	370,431	4.01	9,235,459	(25.26)	9,215,140	(25.30)	18,450,599	(25.28)
2021	4,809,965	99.0	50,966	1.05	4,860,931	(47.37)	4,841,626	(47.46)	9,702,557	(47.41)
2022	9,736,802	97.8	216,360	2.17	9,953,162	104.76	9,878,485	104.03	19,831,647	104.40

The following table sets forth information concerning cargo traffic (enplaned and deplaned cargo) over the last five Fiscal Years.

**SAN DIEGO INTERNATIONAL AIRPORT
AIR TRAFFIC DATA
FISCAL YEARS 2018-2022**

Fiscal Year	Total Operations	Operations Growth
2018	218,671	8.8%
2019	228,093	4.3
2020	190,746	(16.4)
2021	130,017	(31.8)
2022	190,485	46.5

The following table sets forth information concerning cargo traffic (enplaned and deplaned cargo) over the last five Fiscal Years.

**SAN DIEGO INTERNATIONAL AIRPORT
HISTORICAL ENPLANED AND DEPLANED
FREIGHT AND U.S. MAIL CARGO
(IN TONS)
FISCAL YEARS 2018-2022**

Fiscal Year	Freight	Annual Percentage Change	U.S. Mail	Annual Percentage Change	Total	Annual Percentage Change
2018	167,357	0.5%	23,991	8.3%	191,348	1.5%
2019	162,231 ¹	(3.1)	24,238	1.0	186,469	(2.5)
2020	146,030	(10.0)	8,350 ²	(65.5)	154,380	(17.2)
2021	147,140	0.8	7,365 ²	(11.8)	154,505	0.1
2022	143,313	(2.6)	n/a ³		n/a	

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

² In accordance with new rules imposed by the U.S. Postal Service, as of August 2019, FedEx ceased reporting U.S. Mail tonnage. Over the last several years, FedEx carried approximately two-thirds of all U.S. Mail out of the Airport.

³ U.S. Postal Service reporting rules limit the availability of reported data about U.S. Mail freight. Because of these reporting limitations, the Authority will no longer be reporting U.S. Mail totals.

The following table presents total enplanements for each air carrier serving the Airport for the last five Fiscal Years. For those airlines that (i) were a party to a completed merger or acquisition, (ii) have received a single FAA certificate, and (iii) have completed operational integration, only the surviving entity is presented and the activity for the airlines that are now a part of the surviving airlines are included in the information presented.

**SAN DIEGO INTERNATIONAL AIRPORT
ENPLANEMENTS BY AIR CARRIERS
(RANKED ON 2022 RESULTS)¹**

Air Carrier	2018		2019		2020		2021		2022	
	Fiscal Year 2018	Percent Share	Fiscal Year 2019	Percent Share	Fiscal Year 2020	Percent Share	Fiscal Year 2021	Percent Share	Fiscal Year 2022	Percent Share
Southwest Airlines	4,457,984	38.0%	4,656,029	37.7%	3,474,860	37.6%	1,627,594	33.5%	3,393,713	34.1%
Alaska Airlines ²	1,578,470	13.5	1,702,289	13.8	1,325,147	14.3	806,949	16.6	1,740,532	17.5
American Airlines ³	1,492,627	12.7	1,467,899	11.9	1,128,443	12.2	767,833	15.8	1,307,253	13.1
United Airlines ⁴	1,501,572	12.8	1,593,244	12.9	1,105,820	12.0	600,216	12.3	1,238,336	12.4
Delta Airlines ⁵	1,362,135	11.6	1,504,544	12.2	1,168,462	12.7	567,589	11.7	1,237,530	12.4
Frontier Airlines	254,760	2.2	277,320	2.2	201,280	2.2	180,181	3.7	272,802	2.7
JetBlue Airways	248,325	2.1	230,909	1.9	195,279	2.1	90,332	1.9	249,217	2.5
Spirit Airlines	318,201	2.7	323,623	2.6	225,279	2.4	111,604	2.3	168,192	1.7
Hawaiian Airlines	108,971	0.9	149,744	1.2	102,759	1.1	61,754	1.3	133,525	1.3
Allegiant Air	44,934	0.4	30,750	0.2	13,162	0.1	22,391	0.5	49,355	0.5
Air Canada ⁶	110,684	0.9	130,404	1.1	90,425	1.0	0	0.0 ⁸	43,376	0.4
British Airways	82,543	0.7	83,492	0.7	57,998	0.6	0	0.0 ⁸	41,417	0.4
Sun Country Airlines	41,466	0.4	40,167	0.3	37,073	0.4	23,461	0.5	35,962	0.4
Lufthansa	13,037	0.1	49,974	0.4	34,654	0.4	0	0.0 ⁸	13,695	0.1
Japan Airlines	62,034	0.5	66,688	0.5	43,596	0.5	1,027	0.0 ⁸	12,784	0.1
WestJet	39,285	0.3	42,939	0.3	28,905	0.3	0	0.0 ⁸	11,836	0.1
Swoop Inc.	-	-	-	-	-	-	-	-	3,637	0.0
Others ⁷	14,805	0.2	6,271	0.1	2,317	0.0	0	0.0	0	0.0
Total Enplanements	11,731,833	100.0%	12,356,286	100.0%	9,235,459	100.0%	4,860,931	100.0%	9,953,162	100.0%

¹ Totals may not add due to rounding.

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

³ Enplanements are for American and its regional carrier service provided by Compass and SkyWest. Compass ceased operating in April 2020.

⁴ Enplanements are for United and its regional carrier service provided by SkyWest.

⁵ Enplanements are for Delta and its regional carrier service provided by Compass and SkyWest. Compass ceased operating in April 2020.

⁶ Enplanements are for Air Canada Rouge and Jazz Aviation, both affiliates for Air Canada.

⁷ "Others" includes airlines that ceased operating at the Airport during the period shown in the table.

⁸ As a result of the COVID-19 pandemic and the resulting travel restrictions to foreign countries, Air Canada, British Airways, Lufthansa, and WestJet did not operate from the Airport in Fiscal Year 2021. Air Canada resumed service from the Airport in August 2021, and British Airways and WestJet resumed service from the Airport in October 2021, and Lufthansa resumed service in April 2022.

The following table sets forth the total revenue landed weight for the 15 largest air and cargo carriers serving the Airport for the last five Fiscal Years, ranked on Fiscal Year 2022 results.

**SAN DIEGO INTERNATIONAL AIRPORT
TOTAL REVENUE LANDED WEIGHT¹
FISCAL YEARS 2018-2022
(RANKED ON FISCAL YEAR 2022 RESULTS)
(IN THOUSANDS OF LBS.)²**

Airline/Cargo Carrier	FY2018	FY2019	FY2020	FY2021	FY2022	%
Southwest Airlines	4,924,451	5,180,064	4,422,096	2,277,011	3,688,292	31.4%
Alaska Airlines ³	1,828,522	1,995,130	1,672,207	1,342,664	1,981,230	16.8
Delta Airlines ⁴	1,484,342	1,616,827	1,373,938	1,049,374	1,527,982	13.0
United Airlines ⁵	1,611,065	1,701,559	1,285,393	770,742	1,321,399	11.2
American Airlines ⁶	1,627,081	1,566,041	1,298,505	917,691	1,238,945	10.5
FedEx Express	396,143	382,879	401,386	466,734	476,195	4.1
JetBlue Airways	293,160	281,715	260,940	171,957	292,311	2.5
Frontier Airlines	232,794	247,145	204,924	199,836	264,830	2.3
Hawaiian Airlines	161,486	237,560	155,345	122,574	211,844	1.8
Spirit Airlines	328,424	331,366	230,911	125,589	165,464	1.4
UPS Airlines	143,678	138,860	146,624	138,926	138,064	1.2
Japan Airlines	138,745	138,700	104,500	32,680	119,120	1.0
British Airways	208,926	210,432	141,615	0	98,141	0.8
Air Canada ⁷	116,381	138,417	100,851	0	54,699	0.5
Allegiant Air	47,516	31,927	19,387	38,889	53,883	0.5
Subtotal	13,542,714	14,198,622	11,818,622	7,654,666	11,632,398	99.0
Others ⁸	220,388	275,878	227,780	124,862	131,684	1.0
Total	13,763,102	14,474,500	12,046,402	7,779,528	11,764,083	100.0%
Annual % Change	9.1%	5.2%	(16.8)%	(35.5)%	51.2%	

¹ Totals may not add due to rounding.

² Landed weight is the maximum gross certificated landed weight in one-thousand-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.

³ In December 2016, Alaska Air Group acquired Virgin America Inc. Alaska and Virgin received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. Landed weight is for Alaska, Virgin America and Alaska's regional carrier service provided by Horizon and SkyWest.

⁴ Landed weight is for Delta and its regional carrier service provided by Compass and SkyWest. Compass Air ceased operating in April 2020.

⁵ Landed weight is for United and its regional carrier service provided by SkyWest.

⁶ Landed weight is both American and American's regional carrier service provided by Compass and Sky West. Compass Air ceased operating in April 2020.

⁷ Landed weight is for Air Canada Rouge and Jazz Aviation, both affiliates for Air Canada.

⁸ "Others" includes airlines/cargo carriers that ceased operating at SDIA during the period shown in the table, and airlines/cargo carriers with a Fiscal Year 2022 market share of less than 1.0%.

The following table sets forth a summary of the Authority's investments as of June 30, 2022.

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
INVESTMENTS
(AS OF JUNE 30, 2022)**

Security Type	Market Value as of June 30, 2022	Percentage of Portfolio
U.S. Treasuries	\$ 232,049,244	38.7%
U.S. Agency Securities	97,770,243	16.3
Medium Term Notes	82,896,858	13.8
Local Area Investment Fund (LAIF)	63,515,202	10.6
San Diego County Investment Pool	58,832,173	9.8
Cal Trust	32,389,680	5.4
Collateralized Bank Demand Deposits	21,928,037	3.7
Supranationals	5,209,166	0.9
Municipal Bonds	4,946,267	0.8
Money Market Fund	132,934	0.0
Total	\$ 599,669,804	100.0%

The table on the following page summarizes the financial results from operations for the Authority for the last five Fiscal Years (derived from audited financial statements).

SAN DIEGO INTERNATIONAL AIRPORT
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
(DOLLARS IN THOUSANDS)¹
FISCAL YEARS 2018-2022

	2018 ²	2019	2020	2021 ³	2022
Operating revenues:					
Airline revenue:					
Landing fees	\$ 23,900	\$ 24,816	\$ 33,242	\$ 34,046	\$ 35,354
Aircraft parking fees	3,236	3,471	8,354	8,542	8,856
Building rentals	62,241	70,912	82,453	83,090	97,047
Security surcharge	32,303	33,559	-	-	-
Other aviation revenue	1,477	1,596	7,789	8,192	6,518
Concession revenue	65,610	71,256	57,243	41,801	88,138
Parking and ground transportation revenue	53,254	62,818	50,751	27,447	57,076
Ground rentals	22,109	22,810	21,386	19,177	23,265
Other operating revenue	1,949	2,441	1,818	1,680	2,999
Total operating revenues	<u>266,079</u>	<u>293,679</u>	<u>263,036</u>	<u>223,975</u>	<u>319,253</u>
Operating expenses before depreciation and amortization:					
Salaries and benefits	47,866	49,578	51,667	52,922	46,373
Contractual services	45,249	49,903	37,694	24,977	34,491
Safety and security	30,733	31,397	29,457	35,086	34,191
Space rental	10,190	10,191	10,207	64	839
Utilities	12,509	13,194	12,748	11,730	14,193
Maintenance	12,603	13,436	11,584	9,111	10,747
Equipment and systems	598	375	336	425	340
Materials and supplies	655	656	651	450	496
Insurance	1,098	1,200	1,308	1,519	1,741
Employee development and support	1,248	1,045	967	442	537
Business development	3,246	2,630	2,033	209	1,781
Equipment rentals and repairs	3,124	3,614	3,598	3,380	3,585
Total operating expenses before depreciation and amortization	<u>169,119</u>	<u>177,219</u>	<u>162,250</u>	<u>140,315</u>	<u>149,314</u>
Income from operations before depreciation and amortization	96,960	116,460	100,786	83,660	169,939
Depreciation and amortization expense	105,532	124,329	131,587	137,496	141,919
Operating income (loss)	<u>(8,572)</u>	<u>(7,869)</u>	<u>(30,801)</u>	<u>(53,836)</u>	<u>28,020</u>
Nonoperating revenues (expenses):					
Passenger facility charges	46,953	49,198	34,393	22,110	40,394
Customer facility charges	41,036	41,918	30,240	15,755	30,333
CARES Act/ACRGP Act Grants	-	-	36,895	77,219	78,922
Quieter Home Program, net	(2,747)	(3,192)	(3,295)	(3,233)	(2,541)
Joint Studies Program	(114)	(99)	-	-	-
Other interest income	-	-	-	6,748	7,263
Investment income	9,426	25,533	32,430	2,495	(48,884)
Interest expense	(68,411)	(74,501)	(73,612)	(76,628)	(109,675)
Build America Bonds Rebate	4,666	4,686	-	-	-
Other revenues (expenses), net	(9,281)	(510)	1,442	(705)	(13,316)
Nonoperating revenue, net	<u>21,528</u>	<u>43,033</u>	<u>58,493</u>	<u>43,761</u>	<u>(17,503)</u>
Income before capital grant contributions	12,956	35,164	27,692	(10,075)	10,518
Capital grant contributions	13,079	8,213	4,072	13,932	12,958
Change in net position	26,035	43,377	31,764	3,857	23,476
Prior Period Adjustment	717	-	-	-	-
Net position, beginning of year	783,173	809,925	853,302	885,066	888,925
Net position, end of year	<u>\$ 809,925</u>	<u>\$ 853,302</u>	<u>\$ 885,066</u>	<u>\$ 888,923</u>	<u>\$ 912,401</u>

¹ Totals may not add due to rounding.

² Amounts for 2018 were restated as per GASB 75.

³ Amounts for 2021 were restated as per GASB 87.

The following table sets forth the top ten operating revenue providers at the Airport for Fiscal Year 2022.

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
TOP TEN OPERATING REVENUE PROVIDERS
FISCAL YEAR 2022**

	<u>Revenue Provider</u>	<u>Revenues</u>
1.	Southwest Airlines	\$ 46,676,116
2.	Alaska Airlines	25,229,826
3.	Delta Airlines	23,051,398
4.	United Airlines	19,809,053
5.	American Airlines	19,653,281
6.	Avis Rent-A-Car	14,247,125
7.	Enterprise Rent-A-Car	12,725,271
8.	Hertz Rent-A-Car	11,065,293
9.	Uber Technologies, Inc	6,805,565
10.	Signature Flight Support	6,759,992

The following table sets forth the top ten Revenue Sources at the Airport for Fiscal Year 2022.

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
TOP TEN OPERATING REVENUE SOURCES
FISCAL YEAR 2022**

	<u>Source</u>	<u>Revenue</u>	<u>Percent of Total Operating Revenue</u>
1.	Building Rentals	\$ 97,046,860	30.4%
2.	Parking Revenue	44,181,378	13.8
3.	Terminal Concessions	43,165,058	13.5
4.	Rental Car License Fees ¹	36,534,187	11.4
5.	Landing Fees	35,354,215	11.1
6.	Ground Rentals	20,698,592	6.5
7.	Ground Transportation Permits and Citations	12,894,251	4.0
8.	Aircraft Parking Fees	8,855,947	2.8
9.	Common Use System Support Charges	8,231,111	2.6
10.	License Fees - Other	6,325,839	2.0

¹ Excludes CFC revenues, of which the Authority recorded the receipt of \$30,240,000 in Fiscal Year 2022.

The following table shows historical debt service coverage for the last five Fiscal Years.

**SAN DIEGO INTERNATIONAL AIRPORT
HISTORICAL SENIOR AND SUBORDINATE DEBT SERVICE COVERAGE
FISCAL YEARS 2018-2022**

	2018	2019	2020	2021	2022
Senior Bonds					
Revenues ¹	\$ 276,983,726	\$ 306,683,097	\$ 280,572,989	\$ 227,573,518	\$ 324,096,640
Operating and Maintenance Expenses	(157,246,523)	(165,925,555)	(136,297,647)	(88,039,540)	(96,134,968)
Net Revenues ²	<u>\$ 119,737,204</u>	<u>\$ 140,757,542</u>	<u>\$ 144,275,342</u>	<u>\$ 139,533,978</u>	<u>\$ 227,961,672</u>
Senior Bond Debt Service³					
Principal	\$ 2,240,000	\$ 2,320,000	\$ 7,925,000	\$ 8,315,000	\$ 3,635,598
Interest	18,263,750	18,174,150	18,081,350	17,685,100	7,195,563
PFCs used to pay debt service	(9,547,482)	(9,544,261)	(11,260,741)	(11,172,249)	(4,691,941)
CARES Act used to pay debt service			(6,501,585)	(3,406,934)	(1,539,286)
Total Debt Service for the Senior Bond	<u>\$ 10,956,268</u>	<u>\$ 10,949,889</u>	<u>\$ 8,244,024</u>	<u>\$ 11,420,917</u>	<u>\$ 4,599,934</u>
Senior Bonds Debt Service Coverage	10.93	12.85	17.50	12.22	49.56
Subordinate Debt					
Subordinate Net Revenues ²	\$ 108,780,936	\$ 129,807,653	\$ 136,031,318	\$ 128,113,061	\$ 223,361,738
Subordinate Annual Debt Service ⁴					
Principal	\$ 14,830,000	\$ 15,895,000	\$ 17,745,000	\$ 22,315,000	\$ 34,040,000
Interest	37,197,656	37,917,500	39,404,449	41,720,733	48,876,516
Variable Rate Debt ⁵	7,335,123	7,497,649	1,894,813	-	-
PFCs used to pay debt service	(20,457,851)	(20,461,072)	(18,744,592)	(8,833,085)	(25,313,393)
CARES Act used to pay debt service			(14,313,843)	(22,593,066)	(16,460,714)
Total Subordinate Annual Debt Service	<u>\$ 38,904,928</u>	<u>\$ 40,849,077</u>	<u>\$ 25,985,827</u>	<u>\$ 32,609,582</u>	<u>\$ 41,142,409</u>
Subordinate Obligations Debt Service Coverage	2.80	3.18	5.23	3.93	5.43
Aggregate Debt					
Aggregate Net Revenues	\$ 119,737,204	\$ 140,757,542	\$ 144,275,342	\$ 139,533,978	\$ 227,961,672
Aggregate Annual Debt Service					-
Principal	17,070,000	18,215,000	25,670,000	30,630,000	37,675,598
Interest	55,461,406	56,091,650	57,485,799	59,405,833	56,072,079
Variable Rate Debt ⁵	7,335,123	7,497,649	1,894,813	-	-
PFC Funds Applied to Debt Service	(30,005,333)	(30,005,333)	(30,005,333)	(20,005,334)	(30,005,334)
CARES Act used to pay debt service			(20,815,428)	(26,000,000)	(18,000,000)
Total Annual Debt Service	<u>\$ 49,861,196</u>	<u>\$ 51,798,966</u>	<u>\$ 34,229,851</u>	<u>\$ 44,030,499</u>	<u>\$ 45,742,343</u>
Aggregate Obligations Debt Service Coverage	2.40	2.72	4.21	3.17	4.98

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.

The following table presents the historical airline costs (landing fees, terminal building rentals and airport police/security reimbursement fees) of operating at the Airport for the past five Fiscal Years.

**SAN DIEGO INTERNATIONAL AIRPORT
AIRLINE DERIVED REVENUE PER PASSENGER**

Airline Revenues	2018	2019	2020	2021	2022
Joint Use Fees ¹	\$ 0	\$ 0	\$ 49,426,560	\$ 55,229,873	\$ 62,362,974
Landing Fees ²	24,001,147	24,973,853	31,605,811	30,942,421	33,343,343
Terminal Rentals ^{2,3}	59,578,125	65,819,807	28,107,630	25,372,323	30,773,369
Common Use Charges	1,292,569	1,407,707	3,261,820	7,369,019	8,230,945
Aircraft Parking Fees ⁴	3,235,788	3,471,363	6,800,018	6,859,419	6,885,847
FIS Use Charges	997,616	3,532,491	7,627,629	984,860	2,201,290
Security Surcharge ⁵	32,303,267	33,558,621	-	-	-
Incentive Program				(62,080)	(2,078,912)
Total Airline Revenue	\$121,410,530	\$132,763,842	\$126,829,468	\$126,695,834	\$141,718,856
Enplaned Passengers Airline Derived	11,728,880	12,356,286	9,235,459	4,860,931	9,953,162
Revenue Per Passenger	\$ 10.35	\$ 10.74	\$ 13.73	\$ 26.06	\$ 14.24

¹ Joint Use Fees became effective with the commencement of the current Airline Lease Agreement on July 1, 2019. The Joint Use Fees include charges for terminal premises used jointly with other tenants and the use by the airlines of passenger loading bridges, baggage handling systems, flight information displays, gate information displays, baggage information displays, paging, and Airport Authority provided staffing, contractual services, facilities, equipment and other support systems that provide security and other resources supporting passenger carrier operations.

² Excludes rebates.

³ Excludes Executive Lounge rent of approximate \$1.7 million in Fiscal Year 2018, \$1.8 million in Fiscal Year 2019, \$1.7 million on Fiscal Year 2020, \$1.5 million on Fiscal Year 2021 and \$1.8 million on Fiscal Year 2022.

⁴ Amount excludes general aviation remote overnight parking.

⁵ Beginning on July 1, 2019 (the commencement date of the current Airline Lease Agreement), the Security Surcharge is included in the Joint Use Fees and the Landing Fees.

The following table sets forth a summary of the Authority’s approved PFC applications through June 30, 2022.

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
APPROVED PFC APPLICATIONS**

PFC Applications	Approval Date	Amended Approval Amount^{1, 2}
1-5, 7 and 11 ^{3, 4}	Various	\$ 357,703,762
8	2010	1,118,567,229
10 ⁵	2012	29,227,174
12	2016	43,795,768
13	2019	51,100,000
Total		\$ 1,600,393,933

- ¹ Includes the amount of PFCs the FAA has authorized the Authority to collect and use at the Airport.
- ² Authorization to collect PFCs under all of the applications and amendments expires on April 30, 2040, however, such authorization to collect PFCs could expire earlier if the total authorized amount is collected prior to April 30, 2040.
- ³ The Authority withdrew PFC Application #6.
- ⁴ The Authority has closed PFC Applications 1-5, 7 and 11; these applications having been fully funded and the projects they financed having been completed.
- ⁵ PFC Application #9 was skipped due to internal FAA system processing.

The following table sets forth a summary of the Authority’s Annual Receipt of PFCs for the past five Fiscal Years ended June 30.

**SAN DIEGO COUNTY REGIONAL
AIRPORT AUTHORITY
ANNUAL RECEIPT OF PFCs¹**

Fiscal Year	PFCs Collected
2018	\$ 46,952,755
2019	49,197,716
2020	34,392,981
2021	22,109,906
2022	40,394,092

¹ The information in this table is presented on an accrual basis. Does not include interest earnings.

The following table sets forth the market share of the rental car companies operating at the Airport for Fiscal Year 2022.

**SAN DIEGO INTERNATIONAL AIRPORT
MARKET SHARE OF RENTAL CAR BRANDS
FISCAL YEAR 2021**

Corporate Entity	Rental Car Brands	Fiscal Year 2022 Share by Gross Revenues
Avis Budget Group, Inc.	Avis, Budget, Payless ¹ and Zipcar ¹	38.1%
Enterprise Holdings, Inc.	Enterprise, Alamo and National	29.3
Hertz Global Holdings, Inc.	Hertz, Dollar and Thrifty	24.5
Others	FastTrack (NuCar), Fox, Mex/Ace, Inc., Sixt, and Gitibin & Assoc (Go Rentals)	8.1

¹ Operated as a franchise at the Airport.

The following table sets forth the historical debt service coverage on the Series 2014 Bonds for Fiscal Years 2018 through 2022.

**SAN DIEGO INTERNATIONAL AIRPORT
HISTORICAL DEBT SERVICE COVERAGE ON THE SERIES 2014 BONDS**

Fiscal Year	CFC Rate	CFCs Collected	Interest Earnings¹	Transfers from CFC Surplus Account	Total CFCs Available	Balance in Rolling Coverage Fund²	Series 2014 Debt Service Requirements³	Total Debt Service Coverage⁴
2018	\$9.00	\$41,036,526	\$ 919,740	\$ 0	41,956,266	6,576,363	21,921,210	2.21x
2019	\$9.00	41,918,554	1,544,474	0	43,463,028	6,575,894	21,919,646	2.28
2020	\$9.00	30,239,698	1,502,382	3,563,874	35,305,954	6,575,637	21,918,789	1.91
2021	\$9.00	15,755,254	855,813	9,540,452	26,151,519	6,575,382	21,917,940	1.49
2022	\$9.00	30,333,350	324,938	14,357	30,672,645	6,576,235	21,930,783	1.70

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 each Fiscal Year.
³ Includes debt service on the Series 2014 Bonds.
⁴ Calculated by dividing (a) the sum Total CFCs Collected and Interest Earnings and Balance in Rolling Coverage Fund by (b) Series 2014 Debt Service Requirements.

Further Information

For additional information about the Authority, please see the Official Statements for the Bonds available from EMMA. For further information regarding this Report, you may contact:

Mr. Scott Brickner, Vice President, CFO
 San Diego County Regional Airport Authority
 3225 North Harbor Drive
 San Diego, California 92101

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2022 AND 2021**

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2022 AND 2021**

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of the San Diego County Regional Airport Authority (Airport Authority), as of and for the years ended June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority, as of June 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Airport Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in *Note 13* to the financial statements, in fiscal year 2022 the Airport Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Additionally, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Airport Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

FORVIS, LLP

Dallas, Texas
November 1, 2022

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2022 and 2021

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. SDIA's users 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.

San Diego County Regional Airport Authority

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 (2020-2022)

The Airport Authority continued to be impacted by the COVID-19 pandemic through the current fiscal year, although increased demand for air travel has resulted in improved major activities. 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 2022	FY 2021	FY 2020
Enplaned passengers	9,953,162	4,860,931	9,235,459
% change from prior year	104.8%	-47.4%	-25.3%
Total passengers	19,830,645	9,701,311	18,450,599
% change from prior year	104.4%	-47.4%	-25.3%
Aircraft operations	190,491	130,017	190,746
% change from prior year	46.5%	-31.8%	-16.4%
Freight and mail (in tons)	151,160	151,327	154,380
% change from prior year	-0.1%	-2.0%	-17.2%
Landed weight (in millions pounds)	11,764	7,780	12,053
% change from prior year	51.2%	-35.5%	-16.8%

Enplaned passenger traffic has continued to improve each month from the low in fiscal year 2020 caused by the COVID-19 pandemic, resulting in fiscal year 2022 ending higher than fiscal year 2021 by 104.8 percent. Looking ahead, it is expected SDIA’s major activities will continue to recover. 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.

FINANCIAL HIGHLIGHTS

For the fiscal year ended June 30, 2022, the Airport Authority adopted GASB Statement No. 87, *Leases* (GASB 87). Fiscal year 2021 has been restated for the adoption of GASB 87. See Note 14 of the basic financial statements. Fiscal year 2020 has not been restated because it is not presented in the basic financial statements.

Statement of Revenues, Expenses and Changes in Net Position (in thousands)

The metric ‘Changes in Net Position’ is an indicator of whether the Airport Authority’s overall financial condition has improved or deteriorated during the fiscal year. Net position increased 3.7 percent in fiscal year 2020. Despite the negative effects of the pandemic, the Airport Authority was able to manage a modest increase of 0.4 percent in fiscal year 2021, due to the significant dollars received from federal relief grants and implementation of GASB 87. As traffic recovery from the pandemic progressed, net position in fiscal year 2022 increased 2.6 percent. The following is a summary of the statements of revenues, expenses, and changes in net position (in thousands):

	FY 2022	FY 2021	FY 2020
Operating revenues	\$ 319,254	\$ 223,974	\$ 263,036
Operating expenses	(291,233)	(277,808)	(293,837)
Nonoperating revenues (expenses), net	(17,503)	43,762	58,493
Capital contributions and grants	12,958	13,932	4,072
Increase in net position	23,476	3,859	31,764
Net position, beginning of year	888,925	885,066	853,302
Net position, end of year	\$ 912,401	\$ 888,925	\$ 885,066

Note: Fiscal year 2021 amounts have been restated for GASB 87

Operating Revenues (in thousands)

	FY 2022	FY 2021	From 2021 to 2022	
			Increase (Decrease)	% Change
Airline revenue:				
Landing fees	\$ 35,354	\$ 34,046	\$ 1,308	3.8%
Aircraft parking fees	8,856	8,542	314	3.7%
Building rentals	97,047	83,090	13,957	16.8%
Other aviation revenue	6,518	8,192	(1,674)	(20.4%)
Total airline revenue	147,775	133,870	13,905	10.4%
Concession revenue	88,138	41,801	46,337	110.9%
Parking and ground transportation revenue	57,076	27,447	29,629	107.9%
Ground rentals	23,265	19,177	4,088	21.3%
Other operating revenue	2,999	1,680	1,319	78.5%
Total operating revenue	\$ 319,253	\$ 223,975	\$ 95,278	42.5%

Note: Fiscal year 2021 amounts have been restated for GASB 87

San Diego County Regional Airport Authority

	FY 2021	FY 2020	From 2020 to 2021	
			Increase (Decrease)	% Change
Airline revenue:				
Landing fees	\$ 34,046	\$ 33,242	\$ 804	2.4%
Aircraft parking fees	8,542	8,354	188	2.3%
Building rentals	83,090	82,453	637	0.8%
Other aviation revenue	8,192	7,789	403	5.2%
Total airline revenue	133,870	131,838	2,032	1.5%
Concession revenue	41,801	57,243	(15,442)	(27.0%)
Parking and ground transportation revenue	27,447	50,751	(23,304)	(45.9%)
Ground rentals	19,177	21,386	(2,209)	(10.3%)
Other operating revenue	1,680	1,818	(138)	(7.6%)
Total operating revenue	\$ 223,975	\$ 263,036	\$ (39,061)	(14.9%)

Note: Fiscal year 2021 amounts have been restated for GASB 87

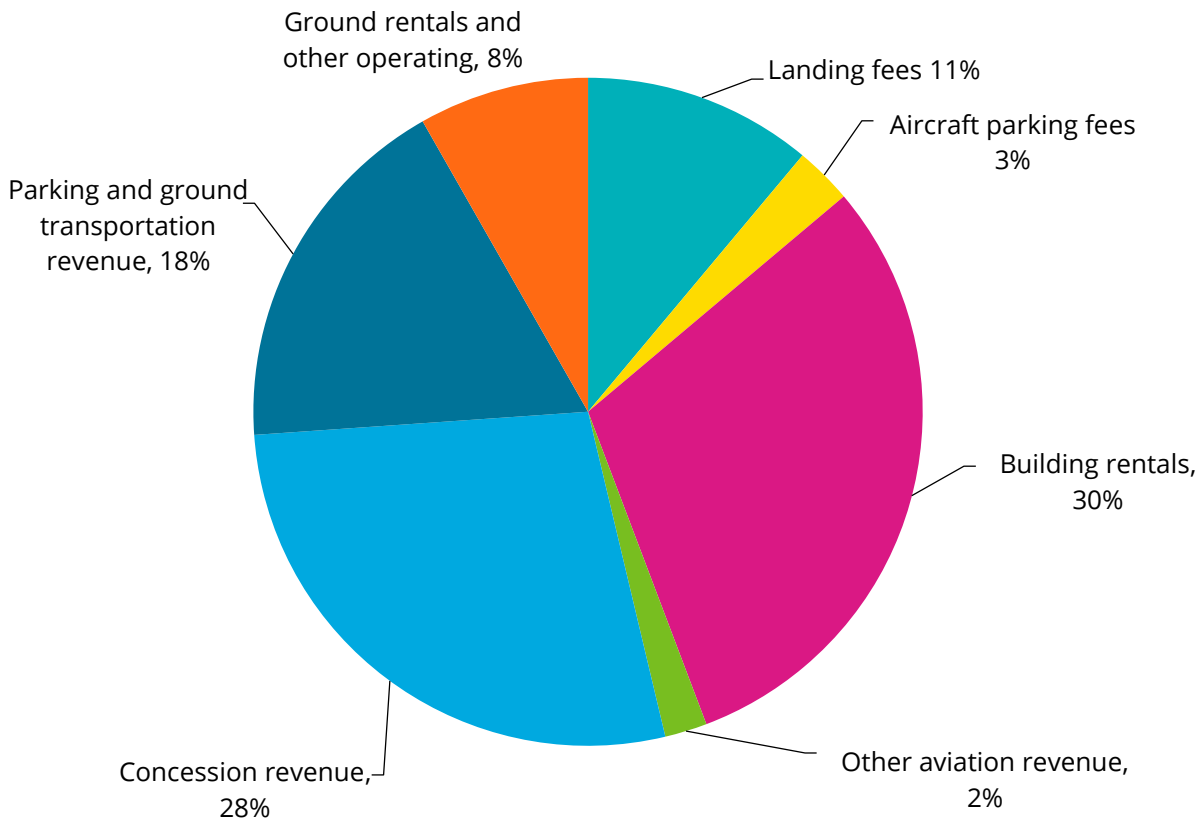
Fiscal Year 2022 compared to 2021: Total airline revenues increased \$13.9 million, or 10.4 percent, reflecting the cost recovery system for the airlines which was higher in fiscal year 2022, compared to 2021. Airline building rentals were the main driver, increasing \$14.0 million, or 16.8 percent.

Concession revenue (terminal and rental car) increased by \$46.3 million, or 110.9 percent, due to increased passenger flow throughout the terminals. Parking and ground transportation revenue increased \$29.6 million, or 107.9 percent, due to the increased enplanements. Ground rentals revenue also saw an increase of \$4.1 million, or 21.3 percent, driven by scheduled Consumer Price Index (CPI) rent increases, revenue recognized from reimbursements related to Hydrant Fueling projects under the fuel lease with SAN Fuel Company, LLC, and new cost recovery fees on the Airline Support Building (ASB) and Air Fuel Operations (AFO) facilities. Lastly, other operating revenue also increased \$1.3 million, or 78.5 percent.

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 paying the minimum guarantee required in the Airline Operating and Lease Agreement.

San Diego County Regional Airport Authority

Concession revenue (terminal and rental car) decreased by \$15.4 million or 27.0 percent. This is due to the Airport Authority's Rent Forbearance and Abatement Program, which was available to qualifying non-airline tenants because of the continued impact of the COVID-19 pandemic. This Board approved program primarily provided short-term abatement of monthly minimum annual guaranteed payments for tenants that satisfy the terms and conditions during the program. Decreases in concessions revenue were partially offset by the recognition of lease revenue as per GASB 87. Parking and ground transportation revenue decreased by \$23.3 million or 45.9 percent, primarily due to lower enplanements. Ground rentals decreased by \$2.2 million or 10.3 percent, primarily due to implementation of GASB 87. This was partially offset by scheduled CPI rent increases and revenue recognized from reimbursements related to Hydrant Fueling projects under the fuel lease with SAN Fuel Company, LLC.



Operating Expenses (in thousands)

	FY 2022	FY 2021	From 2021 to 2022	
			Increase (Decrease)	% Change
Salaries and benefits	\$ 46,373	\$ 52,922	\$ (6,549)	(12.4%)
Contractual services	34,491	24,977	9,514	38.1%
Safety and security	34,191	35,086	(895)	(2.6%)
Space rental	839	64	775	1,210.9%
Utilities	14,193	11,730	2,463	21.0%
Maintenance	10,747	9,111	1,636	18.0%
Equipment and systems	340	425	(85)	(20.0%)
Materials and supplies	496	450	46	10.2%
Insurance	1,741	1,519	222	14.6%
Employee development and support	537	442	95	21.5%
Business development	1,781	209	1,572	752.2%
Equipment rentals and repairs	3,585	3,380	205	6.1%
Total operating expenses before depreciation and amortization	149,314	140,315	8,999	6.4%
Depreciation and amortization	141,919	137,496	4,423	3.2%
Total operating expense	\$ 291,233	\$ 277,811	\$ 13,422	4.8%

Note: Fiscal year 2021 amounts have been restated for GASB 87

	FY 2021	FY 2020	From 2020 to 2021	
			Increase (Decrease)	% Change
Salaries and benefits	\$ 52,922	\$ 51,667	\$ 1,255	2.4%
Contractual services	24,977	37,694	(12,717)	(33.7%)
Safety and security	35,086	29,457	5,629	19.1%
Space rental	64	10,207	(10,143)	(99.4%)
Utilities	11,730	12,748	(1,018)	(8.0%)
Maintenance	9,111	11,584	(2,473)	(21.3%)
Equipment and systems	425	336	89	26.5%
Materials and supplies	450	651	(201)	(30.9%)
Insurance	1,519	1,308	211	16.1%
Employee development and support	442	967	(525)	(54.3%)
Business development	209	2,033	(1,824)	(89.7%)
Equipment rentals and repairs	3,380	3,598	(218)	(6.1%)
Total operating expenses before depreciation and amortization	140,315	162,250	(21,935)	(13.5%)
Depreciation and amortization	137,496	131,587	5,909	4.5%
Total operating expense	\$ 277,811	\$ 293,837	\$ (16,026)	(5.5%)

Note: Fiscal year 2021 amounts have been restated for GASB 87

Fiscal Year 2022 compared to 2021: Total fiscal year 2022 operating expenses increased by \$13.4 million or 4.8 percent.

San Diego County Regional Airport Authority

Contractual services increased by \$9.5 million or 38.1 percent, primarily due to an increase in parking and shuttle operations and Rental Car Center (RCC) buses expenses due to increase in enplanements. Utilities increased by \$2.4 million or 21 percent due to increased gas & electric usage and rates. Maintenance expenses increased by \$1.6 million, or 18 percent, due to an increase in annual and major maintenance. Business Development increased by \$1.5 million or 752.2 percent due to an increase in marketing and advertising costs.

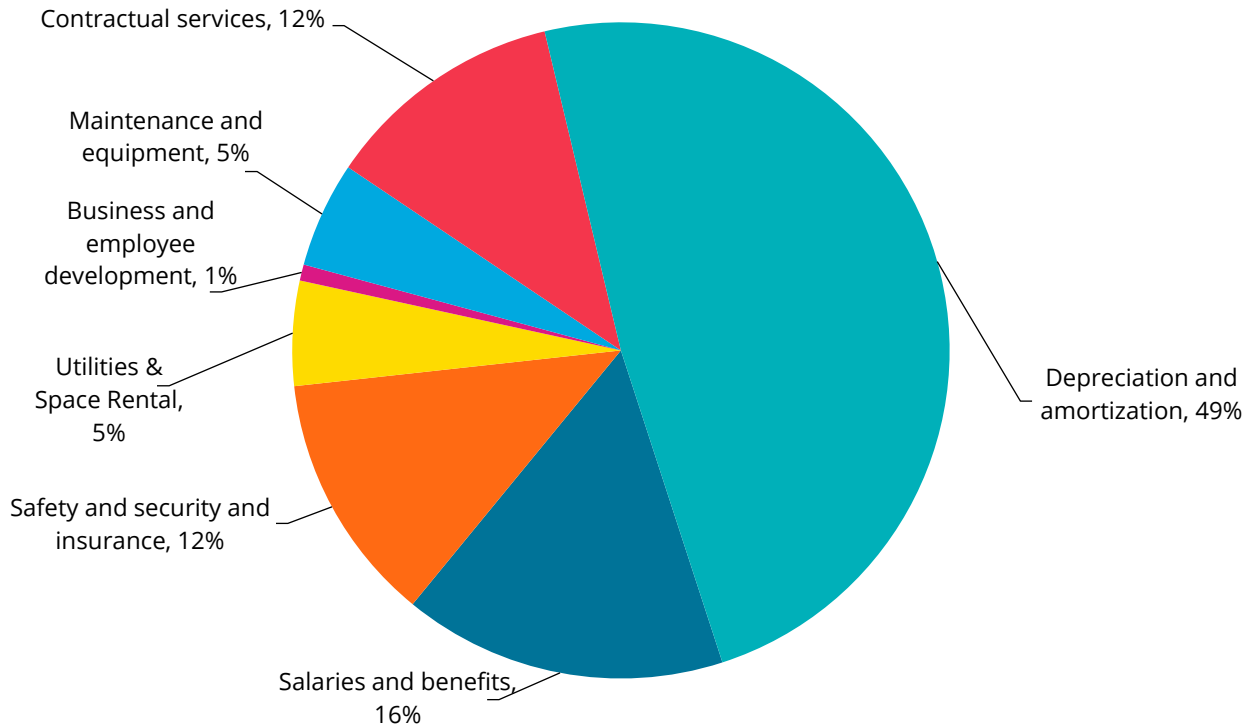
Partially offsetting the increase in operating expenses described above, salaries and benefits, decreased by \$6.5 million or 12.4 percent, primarily due to a \$5.1 million decrease in retirement expense caused by investment gains on the pension and OPEB plan assets.

Fiscal Year 2021 compared to 2020: Total fiscal year 2021 operating expenses decreased by \$16.0 million or 5.5 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 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. Space Rental decreased by \$10.1 million or 99.4 percent due to implementation of GASB 87. 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.

San Diego County Regional Airport Authority



Nonoperating Revenues (Expenses) (in thousands)

	FY 2022	FY 2021	From 2021 to 2022	
			Increase (Decrease)	% Change
Passenger facility charges	\$ 40,394	\$ 22,110	\$ 18,284	82.7%
Customer facility charges	30,333	15,755	14,578	92.5%
Federal Relief Grants	78,922	77,219	1,703	2.2%
Quieter Home Program, net	(2,541)	(3,233)	692	21.4%
Other interest income	7,263	6,748	515	7.6%
Investment income (loss)	(48,884)	2,495	(51,379)	(2,059.3%)
Interest expense, net	(109,675)	(76,628)	(33,047)	(43.1%)
Other nonoperating income (expenses)	(13,316)	(705)	(12,611)	(1,788.8%)
Nonoperating revenues (expenses), net	\$ (17,504)	\$ 43,761	\$ (61,265)	(140.0%)

Note: Fiscal year 2021 amounts have been restated for GASB 87

San Diego County Regional Airport Authority

	FY 2021	FY 2020	From 2020 to 2021	
			Increase (Decrease)	% Change
Passenger facility charges	\$ 22,110	\$ 34,393	\$ (12,283)	(35.7%)
Customer facility charges	15,755	30,240	(14,485)	(47.9%)
Federal Relief Grants	77,219	36,895	40,324	109.3%
Quieter Home Program, net	(3,233)	(3,295)	62	1.9%
Other interest income	6,748	1,675	5,073	302.9%
Investment income (loss)	2,495	30,755	(28,260)	(91.9%)
Interest expense, net	(76,628)	(73,612)	(3,016)	(4.1%)
Other nonoperating income (expenses)	\$ (705)	\$ 1,442	(2,147)	(148.9%)
Nonoperating revenues (expenses), net	\$ 43,761	\$ 58,493	\$ (14,732)	(25.2%)

Note: Fiscal year 2021 amounts have been restated for GASB 87

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 1949 of the California Civil Code and approved by legislation under Senate Bill 1510. The revenues collected have been used to plan and construct a consolidated rental car facility and operate the related ground transportation system. The rental car agencies utilizing the consolidated rental car facility 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, *Coronavirus Response and Relief Supplemental Appropriation Act* (CRRSAA) and *American Rescue Plan Act* (ARPA) funds received from the federal government.

CARES Act was approved by the United States Congress and signed into law on March 27, 2020, 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 and 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. The Airport Authority was awarded \$22.9 million on March 26, 2021, and drew \$2.7 million in fiscal year 2022 and \$20.2 million in fiscal year 2021.

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ARPA was signed into law on March 11, 2021, and included \$8 billion in funds to be awarded as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the coronavirus disease pandemic. On August 10, 2021, the Airport Authority was awarded a \$78.8 million ARPA grant, which was fully utilized in fiscal year 2022.

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 \$2.5 million of expenses represents the authority's cost, net of the grant funds utilized in FY22. From inception through the end of fiscal year 2022, the Airport Authority has spent \$261.5 million and received reimbursement for \$209.8 million.

Other Interest Income includes interest earned on lease receivables and notes receivable. For June 30, 2022 and 2021 other interest income was \$7.3 million and \$6.7 million, respectively.

Investment income (loss) is derived from interest earned by the Airport Authority on investments and includes unrealized gain (loss) on investments. For June 30, 2022 and 2021 Investment income (loss) was (\$48.9) million and \$2.5 million, respectively.

Interest expense includes interest paid and accrued on bonds, variable debt, and leases. For June 30, 2022 and 2021 interest expense was \$109.7 million and \$76.6 million, respectively. The increase is due to 2021 bonds that were issued in December 2021 to fund construction of the New Terminal 1.

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 2022 compared to 2021: Nonoperating revenues (net) decreased by \$61.3 million or 140.0 percent. The increases in PFCs and CFCs are due to an increase in enplaned passengers. PFCs increased by \$18.3 million or 82.7 percent, and CFCs increased by \$14.6 million or 92.5 percent. Investment income (loss) decreased by \$51.4 million or 2,059.3 percent. The decrease is due to unrealized loss on investments of \$61.3 million as market yields increased significantly decreasing the market value of fixed rate securities held by the Authority. The unrealized loss was offset partially by increased interest earnings due to higher yields and larger investment balances. Other nonoperating income (expenses) decreased by \$12.6 million or 1,788.8 percent, due to the loss on fixed asset disposals, caused by the demolition of various fixed asset necessary for the construction of the New Terminal 1.

Fiscal year 2021 compared to 2020: Nonoperating revenues (net) decreased by \$14.7 million or 25.2 percent. The increase in Federal Relief Grant 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. Other interest income increased by \$5,073 or 302.9 percent due to the adoption of GASB 87 which requires lessors to recognize interest income. Investment income decreased by \$28.3 million or 91.5 percent, this was caused by a combination of lower yields on investments that 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 legal settlement income received in fiscal year 2020.

Federal Grant Contributions (in thousands)

			From 2021 to 2022	
			Increase	
	FY 2022	FY 2021	(Decrease)	% Change
Federal grants	\$ 12,958	\$ 13,932	\$ (974)	(7.0%)

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

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, due to an increase in federally funded project costs.

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 and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2020, 2021 and 2022, is as follows:

	FY 2022	FY 2021	FY 2020
Assets and Deferred Outflows of Resources			
Current assets	\$ 477,126	\$ 423,942	\$ 349,617
Capital and lease assets, net	2,283,739	2,063,223	1,788,601
Noncurrent assets	2,593,804	782,615	773,751
Total assets	5,354,669	3,269,780	2,911,969
Deferred outflows of resources	22,390	33,471	22,761
Total assets and deferred outflows of resources	5,377,059	3,303,251	2,934,730
Liabilities and Deferred Inflows of Resources			
Current liabilities	252,815	157,363	162,269
Long-term liabilities	4,001,676	2,080,490	1,875,514
Total liabilities	4,254,491	2,237,853	2,037,783
Deferred inflows of resources	210,167	176,474	11,881
Total liabilities and deferred inflows of resources	4,464,658	2,414,327	2,049,665
Net Position			
Net investment in capital assets	418,349	324,926	266,213
Restricted	176,638	192,484	211,329
Unrestricted	317,414	371,514	407,524
Total net position	\$ 912,401	\$ 888,924	\$ 885,066

Note: Fiscal year 2021 amounts have been restated for GASB 87

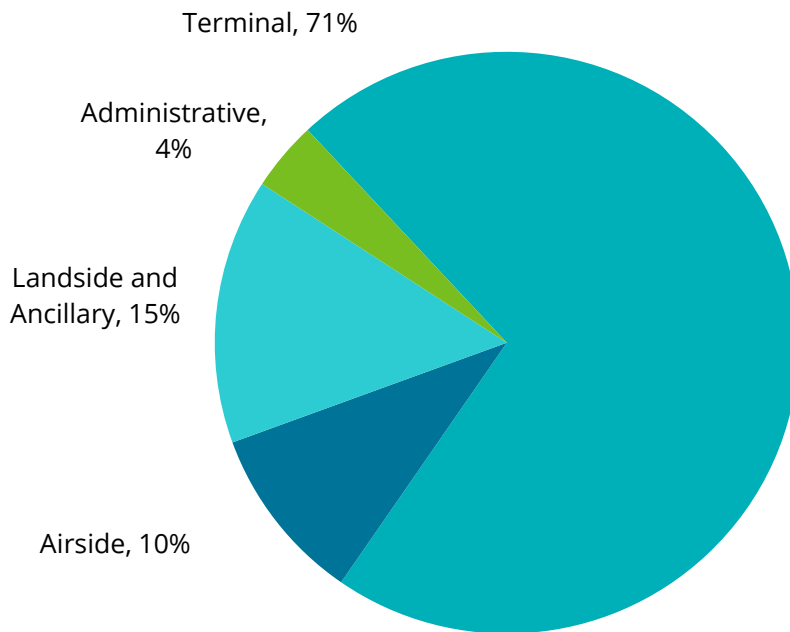
As of June 30, 2022, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$912.4 million. This reflects a \$23.5 million or 2.6 percent increase in net position from June 30, 2021. The Airport Authority uses capital and lease assets 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 and lease 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 \$317.4 million as of June 30, 2022, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2022, 2021 and 2020, management has designated unrestricted funds in the amount of \$16.2 million, \$22.5 million, and \$43.4 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake self-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 2027, consists of \$382 million for airside projects, \$558 million for landside and ancillary projects, \$2.8 billion for terminal projects, which includes the replacement of Terminal 1, and \$150 million for administrative projects.

Capital Program Projects by Type



Additional information of the Airport Authority’s capital and lease assets can be found in Note 5 of the financial statements.

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.

San Diego County Regional Airport Authority

The Senior Series 2013 Bonds were refunded and defeased on December 8, 2021, upon the issuance of the Subordinate Series C 2021 bonds. As of June 30, 2022, the Airport Authority does not have any outstanding Series 2013 Bonds.

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, 2022, amounted to \$15.6 million, including accrued interest of \$7.8 million. As of June 30, 2022, the principal balance on the Series 2014 Bonds was \$282.0 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, 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, 2022, amounted to \$13.6 million, including accrued interest of \$6.8 million. As of June 30, 2022, the principal balance on the Series 2017 was \$271.9 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, 2022, amounted to \$22.1 million, including accrued interest of \$11.1 million. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2022, was \$459 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, 2022, amounted to \$11.5 million, including accrued interest of \$5.8 million. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2022, was \$227 million.

On December 8, 2021, the Airport Authority issued \$1,941.7M of Series A, B and C Subordinate Airport Revenue Bonds (Series 2021 Bonds). The Subordinate Series 2021 Bonds were issued to finance The New Terminal 1 development at SDIA, fund a portion of the interest accruing on the subordinate Series 2021 Bonds, fund the subordinate reserve fund, pay the costs of issuance of the subordinate Series 2021 Bonds and to refund the 2013 Series A and B bonds. The Series 2021 A and B Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2027 to 2057 and were issued at a premium of \$332.4 million, which is being amortized over the life of the bonds. The Series 2021 C Bonds are federally Taxable Bonds and are structured as serial and term bonds that bear interest at rates ranging from .45 percent to 3.1 percent and mature in fiscal years 2023 to 2037. Interest on the Subordinate Series 2021 Bonds is payable semiannually on January 1 and July 1, of each year. Interest for the fiscal year ended June 30, 2022, amounted to \$46.3 million, including accrued interest of \$46.3 million. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2022, was \$1,941.7 million.

Interest expense on the Series 2013, 2014, 2017, 2019, 2020 and 2021 Bonds for fiscal years ended June 30, 2022, and June 30, 2021, of \$116.3 million and \$81.7 million, respectively, was offset by bond premium amortization of \$21.6 million in fiscal year 2022 and \$14.1 million in fiscal year 2021.

The Airport Authority leases properties from various third parties and use that space to conduct its operations, the terms of which expire 2022 through 2072. The measurement of the lease payable is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee. Incremental Borrowing Rates of 1.068 percent to 3.826 percent were used by The Airport Authority to measure lease payables. Liabilities recorded under lease contracts during the years ended June 30, 2022, and 2021, were \$232.4 million and \$235.8 million, respectively, which includes both principal and interest.

On July 19, 2021, The Airport Authority and Bank of America agreed to a Revolving Credit Agreement. The Airport Authority is authorized to issue up to \$200.0 million in Subordinate Revolving Obligations. The revolving credit agreement is for a term of three (3) years. At the end of FY 2022, the Airport Authority had \$80.1 million in aggregate principal of Subordinate Revolving Obligations outstanding. These obligations were used to finance the New T1. Obligations incurred under the Revolving Credit Agreement are payable solely from and secured by a pledge of "Subordinate Net Revenues." Subordinate Net Revenues are generally defined as all revenues and other cash receipts of the Airport Authority's Airport operations remaining after Senior Lien payments have been deposited by the Trustee in accordance with the Senior Lien Trust Indenture

Additional information of the Airport Authority's long-term debt can be found in Note 6 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 \$83.4 million in grant awards for the federal fiscal year ended September 30, 2022, as compared to \$131.6 million for 2021. 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) 400-2806. A copy of the financial report is available at www.san.org

Financial Statements

Statements of Net Position

June 30, 2022 and 2021

Assets and Deferred Outflows of Resources	2022	2021 as restated
Current Assets		
Unrestricted:		
Cash and cash equivalents (Note 2)	\$ 10,560,677	\$ 40,910,033
Investments (Note 2)	238,734,707	241,485,681
Tenant receivables, net	12,087,092	23,041,393
Grants receivable	25,461,356	7,665,691
Lease receivables, current portion (Note 3)	25,256,727	6,285,853
Note receivable, current portion (Note 4)	4,766,887	2,243,644
Other current assets	9,909,877	9,119,154
Total unrestricted current assets	326,777,323	330,751,449
Restricted cash, cash equivalents and investments with trustees (Notes 2 and 6)	150,348,859	93,190,368
Total current assets	477,126,182	423,941,817
Noncurrent Assets		
Restricted assets (Notes 2 and 6):		
Restricted cash, cash equivalents and investments not with trustees	154,568,287	142,401,039
Restricted cash, cash equivalents and investments with trustees (Note 2)	2,025,521,963	338,135,700
Passenger facility charges receivable (Note 1)	4,185,454	5,762,062
Customer facility charges receivable (Note 1)	2,884,858	2,384,282
Other restricted assets	3,999,762	5,075,108
Total restricted assets	2,191,160,324	493,758,191
Other noncurrent assets:		
Investments, noncurrent (Note 2)	141,423,628	39,904,555
Lease receivables, long-term portion (Note 3)	168,039,778	175,421,407
Note receivable, long-term portion (Note 4)	29,378,094	24,965,223
Cash and cash equivalents designated for specific capital projects and other commitments (Note 2)	50,449,426	46,916,337
Net pension asset (Note 7)	8,995,046	-
Net OPEB asset (Note 10)	4,357,476	1,649,215
Total other noncurrent assets	402,643,448	288,856,737
Capital and lease assets (Note 5):		
Land, land improvements and nondepreciable assets/leases	182,279,198	185,938,344
Buildings and structures	1,823,469,725	1,886,207,510
Lease assets	238,303,897	238,303,897
Machinery and equipment	124,708,399	122,982,559
Runways, roads and parking lots	637,019,738	719,974,821
Construction in progress	578,124,720	248,538,868
	3,583,905,677	3,401,945,999
Less accumulated depreciation and amortization	(1,300,166,545)	(1,338,722,967)
Capital and lease assets, net	2,283,739,132	2,063,223,032
Total noncurrent assets	4,877,542,904	2,845,837,960
Total assets	5,354,669,086	3,269,779,777
Deferred outflows of resources:		
Pensions (Note 7 and 8)	18,137,274	31,657,453
OPEB (Note 10)	4,252,768	1,813,895
Total deferred outflows of resources	22,390,042	33,471,348
Total assets and deferred outflows of resources	5,377,059,128	3,303,251,125

See Notes to Financial Statements.

(Continued)

Statements of Net Position (continued)

June 30, 2022 and 2021

Liabilities, Deferred Inflows of Resources and Net Position	2022	2021 as restated
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	7,326,129	6,671,722
Accrued liabilities	45,972,090	44,766,956
Compensated absences, current portion (Note 6)	3,264,966	2,538,532
Other current liabilities	17,029,533	6,487,256
Lease liabilities, current portion (Note 6)	3,471,838	3,384,956
Long-term debt, current portion (Note 6)	354,139	323,293
Total payable from unrestricted assets	77,418,695	64,172,715
Payable from restricted assets:		
Accounts payable	17,466,214	11,726,364
Accrued liabilities	39,743,912	4,096,308
Long-term debt, current portion (Note 6)	40,360,000	36,720,000
Accrued interest on variable rate debt and bonds (Note 6)	77,826,260	40,847,696
Total payable from restricted assets	175,396,386	93,390,368
Total current liabilities	252,815,081	157,563,083
Long-Term Liabilities		
Compensated absences, net of current portion (Note 6)	1,789,112	2,223,411
Other noncurrent liabilities	55,458,074	4,426,245
Lease liabilities, long-term portion (Note 6)	228,947,243	232,419,082
Long-term debt, net of current portion (Note 6)	3,713,108,235	1,804,756,565
Net pension liability (Note 7 and 8)	2,373,440	36,464,210
Total long-term liabilities	4,001,676,104	2,080,289,513
Total liabilities	4,254,491,185	2,237,852,596
Deferred inflows of resources		
Pensions (Note 7 and 8)	27,258,294	2,266,382
OPEB (Note 10)	4,901,161	890,973
Gain on refunding	9,943,477	3,868,146
Leases (Note 3)	168,064,374	169,448,031
Total deferred inflows of resources	210,167,306	176,473,532
Total liabilities and deferred inflows of resources	4,464,658,491	2,414,326,128
Net Position		
Net investment in capital assets	418,348,504	324,926,477
Restricted:		
Debt Service	48,292,097	83,213,762
Construction	93,634,418	86,078,848
Pension	8,995,046	-
OPEB	4,357,476	1,649,215
Operation and maintenance expenses	15,136,888	14,245,003
Small business bond guarantee	2,222,300	2,222,300
OCIP loss reserve	3,999,762	5,075,108
Total restricted net position	176,637,987	192,484,236
Unrestricted net position	317,414,146	371,514,284
Total net position	\$ 912,400,637	\$ 888,924,997

See Notes to Financial Statements.

Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2022 and 2021

	2022	2021 as restated
Operating revenues:		
Airline revenue:		
Landing fees	\$ 35,354,215	\$ 34,046,302
Aircraft parking fees	8,855,947	8,541,663
Building rentals	97,046,860	83,090,211
Other aviation revenue	6,518,253	8,191,525
Concession revenue	88,138,271	41,801,386
Parking and ground transportation revenue	57,075,628	27,446,678
Ground and non-airline terminal rentals	23,265,430	19,176,623
Other operating revenue	2,999,290	1,679,512
Total operating revenues	319,253,894	223,973,900
Operating expenses before depreciation and amortization:		
Salaries and benefits (Notes 6, 7, 8 and 9)	46,373,068	52,922,357
Contractual services (Note 13)	34,490,679	24,976,596
Safety and security	34,190,686	35,085,809
Space rental	839,337	63,790
Utilities	14,193,387	11,729,710
Maintenance	10,746,604	9,110,600
Equipment and systems	339,942	424,501
Materials and supplies	496,452	449,999
Insurance	1,740,603	1,518,538
Employee development and support	537,388	441,883
Business development	1,781,323	208,729
Equipment rentals and repairs	3,584,990	3,380,120
Total operating expenses before depreciation and amortization	149,314,459	140,312,632
Income from operations before depreciation and amortization	169,939,435	83,661,268
Depreciation and amortization expense	141,918,773	137,495,515
Operating income (loss)	\$ 28,020,662	\$ (53,834,247)

See Notes to Financial Statements.

(Continued)

Statements of Revenues, Expenses and Changes in Net Position (Continued)
 For the Fiscal Years Ended June 30, 2022 and 2021

	2022	2021 as restated
Nonoperating revenues (expenses):		
Passenger facility charges	\$ 40,394,092	\$ 22,109,906
Customer facility charges	30,333,350	15,755,254
Federal relief grants	78,922,308	77,218,785
Quieter Home Program grant revenue (Note 1)	14,392,766	12,292,767
Quieter Home Program expenses (Note 1)	(16,934,242)	(15,525,647)
Other Interest Income	7,263,175	6,748,239
Investment income (loss)	(48,883,996)	2,494,962
Interest expense (Note 6)	(109,675,241)	(76,627,532)
Other revenues (expenses), net	(13,315,574)	(704,896)
Nonoperating revenues (expenses), net	(17,503,362)	43,761,838
Income (loss) before federal grants	10,517,300	(10,072,409)
Federal grants (Note 1)	12,958,340	13,931,737
Change in net position	23,475,640	3,859,328
Net position, beginning of year	888,924,997	885,065,669
Net position, end of year	\$ 912,400,637	\$ 888,924,997

See Notes to Financial Statements.

Statements of Cash Flows

For the Fiscal Years Ended June 30, 2022 and 2021

	2022	2021 as restated
Cash Flows From Operating Activities		
Receipts from customers	\$ 324,778,280	\$ 207,566,897
Payments to suppliers	(107,183,225)	(77,488,153)
Payments to employees	(48,787,730)	(48,665,422)
Other receipts (payments)	2,996,459	1,681,213
Net cash provided by operating activities	171,803,785	83,094,535
Cash Flows From Noncapital Financing Activities		
Misc nonoperating receipts (payments)	163,686	(704,896)
Quieter Home Program grant receipts	11,723,416	16,387,129
Quieter Home Program payments	(16,934,242)	(15,525,647)
Net cash provided by (used in) noncapital financing activities	(5,047,139)	156,586
Cash Flows From Capital and Related Financing Activities		
Capital outlay	(283,494,854)	(193,518,799)
Proceeds from variable debt	80,100,000	-
Other interest income	7,263,176	6,748,240
Federal grants received (excluding Quieter Home Program)	76,754,333	104,857,732
Proceeds from passenger facility charges	41,970,700	16,776,532
Proceeds from customer facility charges	29,832,774	14,506,299
Payment of principal on bonds and commercial paper	(389,230,000)	(31,560,000)
Proceeds from issuance of Series 2020 Bonds	2,274,125,831	-
Payment on note payable	(323,293)	(295,134)
Interest and debt fees paid	(119,271,369)	(89,746,146)
Net cash provided by (used in) capital and related financing activities	1,717,727,297	(172,231,276)
Cash Flows From Investing Activities		
Sales and maturities of investments	2,703,087,078	359,672,049
Purchases of investments	(4,619,871,044)	(297,741,464)
Interest received on investments and note receivable	12,419,871	11,790,929
Principal payments received on notes receivable	(6,936,114)	2,123,843
Net cash provided by (used in) investing activities	(1,911,300,209)	75,845,357
Net decrease in cash and cash equivalents	(26,816,267)	(13,134,799)
Cash and cash equivalents, beginning of year	87,826,370	100,961,169
Cash and cash equivalents, end of year	\$ 61,010,103	\$ 87,826,370

See Notes to Financial Statements.

(Continued)

Statements of Cash Flows (Continued)
For the Fiscal Years Ended June 30, 2022 and 2021

	2022	2021 as restated
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Unrestricted cash and cash equivalents	\$ 10,560,677	\$ 40,910,033
Cash and cash equivalents designated for specific capital projects and other commitments	50,449,426	46,916,337
Total cash and cash equivalents	\$ 61,010,103	\$ 87,826,370
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 28,020,662	\$ (53,834,247)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	141,918,773	137,495,515
Change in pensions/OPEB liability/asset	(45,794,077)	19,222,755
Change in deferred outflows related to pensions/OPEB	11,081,306	(10,710,028)
Change in deferred inflows related to pensions/OPEB	29,002,100	(4,652,326)
Changes in assets and liabilities:		
Receivables, net	10,954,300	(215,182)
Other assets	284,624	541,863
Accounts payable	654,407	(4,472,588)
Accrued liabilities	1,205,133	13,557,722
Compensated absences	292,136	673,359
Lease receivables	(11,589,245)	4,067,252
Other liabilities	5,773,665	(18,579,561)
Net cash provided by operating activities	\$ 171,803,785	\$ 83,094,534
Noncash investing, Capital and Financing Activities		
Additions to capital assets included in accounts payable	\$ 17,466,214	\$ 11,726,364
Unrealized gain (loss) on investments	(61,303,866)	9,295,969

See Notes to Financial Statements.

Notes to Financial Statements

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity: The San Diego County Regional Airport Authority (the Airport Authority), an autonomous public agency, was established in accordance with, Assembly Bill 93 (2001), as modified by Senate Bill 1896 (2002), which together comprise the *San Diego County Regional Airport Authority Act* (the Act). The Act required, among other things, the transfer of the assets and operations of the San Diego International Airport (SDIA) from the San Diego Unified Port District (the District) to the Airport Authority. Effective January 1, 2003 (inception), the District transferred all airport operations and certain related assets and liabilities to the Airport Authority, pursuant to the Act and the Memorandum of Understanding (MOU) dated as of January 1, 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.

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 receivables: Tenant 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 receivables are written off when deemed uncollectible. Recoveries of tenant receivables previously written off are recorded when received.

Federal grants: Outlays for airport capital improvements and certain airport nonoperating expenses, primarily those relating to the Airport Authority's Quieter Home Program, are subject to reimbursement from federal grant programs. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

Airport Improvement Program (AIP) 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, 2022 and 2021, the Airport Authority recovered \$13.0 million and \$14.0 million, respectively, for approved capital projects; and \$14.4 million and \$12.3 million, 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. For the fiscal year ended June 30, 2021, the Airport Authority drew \$54.3 million.

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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. For the fiscal year ended June 30, 2021, the Airport Authority drew \$22.9 million.

ARPA: The *American Rescue Plan Act of 2021 (ARPA)* was signed into law on March 11, 2021 and includes \$8 billion in funds to be awarded as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the coronavirus disease pandemic. To distribute these funds, the FAA has established the *Airport Rescue Grants* 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 \$78.8 million on August 10, 2021. For the fiscal year ended June 30, 2022, the Airport Authority drew \$78.8 million.

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, 2022 and 2021, accrued PFC receivables totaled \$4.2 million and \$5.8 million respectively, and there were \$61.4 million and \$51.2 million PFC amounts collected but not yet applied for approved capital projects as of June 30, 2022 and 2021, 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 1936 of the California Civil Code to impose a \$10.00 CFC per contract on rental cars at SDIA.

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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, 2022 and 2021, accrued CFC receivables totaled \$2.9 million and \$2.4 million, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2022 and 2021, were \$25.2 million, and \$26.3 million, 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. Deferred outflows of resources represent a consumption of net assets that applies to future periods and deferred inflows of resources represent an acquisition of net assets that applies to future periods, 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.
- Leases – Represents the initial value of lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease.

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

The Airport Authority capitalizes incremental overhead costs 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.

Lease assets are initially recorded as the sum of 1) the amount of the initial measurement of the lease liability, 2) lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, 3) initial direct costs that are ancillary charges necessary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying asset.

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.

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 89, Accounting for Interest Cost Incurred before the End of a Construction Period that eliminated the requirement to capitalized interest.

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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.

Other noncurrent liabilities: The Airport Authority's other noncurrent liabilities consists primarily of unearned revenue. In June 2020, the Airport Authority entered into an agreement with San Fuel Company, LLC, whereby SAN Fuel would pay the Airport Authority for the construction of portions of the new hydrant fueling system. These payments have been determined to represent advanced lease payments (deferred revenue) that will be recognized over the 30-year term of the lease agreement.

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 and lease assets, net of accumulated depreciation and amortization, 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.

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

The Airport Authority's net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Airport Authority or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Unrestricted net position as of June 30, 2022 and 2021 includes designations of net position that represent tentative management plans that are subject to change, consisting of:

	2022	2021
Operating contingency	\$ 2,000,000	\$ 2,000,000
Insurance contingency	13,121,946	12,403,950
Capital projects and other commitments	1,068,502	8,090,304
Total designated net position	<u>\$ 16,190,448</u>	<u>\$ 22,494,254</u>

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

Revenue and expense recognition: Revenues from airlines, concessionaires, lessees, and parking are reported as operating revenues. Operating expenses include the cost of administering the airport system, including depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions and grants.

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:

	2022	2021
Southwest Airlines	34.1%	33.5%
Alaska Airlines	17.5%	16.6%
United Airlines	13.1%	12.3%
American Airlines	12.4%	15.8%
Delta Airlines	12.4%	11.7%

Defined Benefit Pension Plan: The Airport Authority has a single-employer defined benefit pension plan (Plan) administered through 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.

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Additionally, the Airport Authority has a single-employer defined benefit preservation of benefit pension plan administered through 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 during the year ended June 30, 2022:

GASB Statement No. 87, *Leases*, effective for the Airport Authority's year ended June 30, 2022.

GASB Statement No. 92, *Omnibus 2020*, effective for the Airport Authority's year ended June 30, 2022.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the Airport Authority's year ended June 30, 2022.

Implementation of Statement No. 87 resulted in a restatement of the financial statements for the fiscal year ended June 30, 2021. Details of the restated balances are provided in Note 13.

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. 91, *Conduit Debt Obligations*, effective for the Airport Authority's year ending June 30, 2023.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Arrangements*, effective for the Airport Authority's year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the Airport Authority's year ending June 30, 2023.

**NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

GASB Statement No. 99, *Omnibus 2022*, effective for the Airport Authority's years ending June 30, 2023, and June 30, 2024.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, effective for the Airport Authority's year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*, effective for the Airport Authority's year ending June 30, 2025.

Reclassifications: Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation. The reclassifications had no effect on the changes in net position.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Summary of Cash, Cash Equivalents, and Investments: Cash, cash equivalents and investments are reported in the accompanying statements of net position as follows at June 30:

	2022	2021
Unrestricted and Undesignated:		
Cash and cash equivalents	\$ 10,560,677	\$ 40,910,032
Current investments	238,734,707	241,485,681
Noncurrent investments	141,423,628	39,904,555
Total unrestricted and undesignated	390,719,012	322,300,268
Designated for specific capital projects and other commitments: cash and cash equivalents	50,449,426	46,916,337
Restricted:		
Current cash, cash equivalents and investments, with trustees	150,348,859	93,190,368
Noncurrent cash, cash equivalents and investments, not with trustees	154,568,287	142,401,039
Noncurrent cash, cash equivalents and investments, with trustees	2,025,521,963	338,135,700
Total restricted cash, cash equivalents and investments	2,330,439,108	573,727,107
Total cash, cash equivalents and investments	\$ 2,771,607,546	\$ 942,943,712

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

	2022	2021
Restricted cash, cash equivalents and investments:		
Bond reserves:		
Operation and maintenance reserve subaccount	\$ 45,410,666	\$ 42,735,010
Operation and maintenance subaccount	15,136,888	14,245,003
Renewal and replacement account	5,400,000	5,400,000
Total bonds reserves	65,947,554	62,380,013
Passenger facility charges unapplied	61,379,099	51,233,055
Customer facility charges unapplied	25,185,007	26,699,449
Small business development bond guarantee	2,222,300	2,222,300
2010 Series debt service reserve fund	-	3
2013 Series construction fund	-	88
2013 Series debt service account	163	17,157,962
2013 Series debt service reserve fund	38,018	34,307,365
2014 Renew and Replace	11,674,803	9,428,461
2014 Rolling coverage fund	7,217,003	7,170,595
2014 Series construction fund	-	2,849
2014 Series debt service account	14,065,605	14,156,186
2014 Series debt service reserve fund	22,143,752	22,305,313
2017 Series construction fund	-	478,586
2017 Series debt service account	12,125,293	12,241,130
2017 Series debt service reserve fund	14,759,099	14,897,086
2019 Series CAP Interest Fund	2,164,375	6,797,250
2019 Series Construction Fund	87,809,097	199,855,484
2019 Series Debt Services Account	13,318,441	12,275,954
2019 Series Debt Services Reserve Fund	29,230,025	29,607,536
2020 Series Debt Services	20,206,542	20,095,216
2020 Series Debt Services Reserve Fund	30,032,139	30,415,228
2021 Series CAP Interest Fund	241,585,184	-
2021 Series Construction Fund	1,544,293,820	-
2021 Series Cost of Issuance	21,961	-
2021 Series Debt Services Reserve Fund	108,528,789	-
2021 Series Revolving Construction Fund	993,764	-
2021 Series Debt Services Account	15,497,275	-
Total restricted cash, cash equivalents and investments	\$ 2,330,439,108	\$ 573,727,107

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.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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
Non-U.S. Securities	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 indebtedness	5 years	A	20 percent	5 percent
Placement service certificates of deposits	3 years	N/A	30 percent	5 percent
Time certificates of deposit	3 years	*	20 percent	5 percent
Bank deposits	N/A	*	None	None
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
Collateralized 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 AND INVESTMENTS (CONTINUED)

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.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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 AND INVESTMENTS (CONTINUED)

The maturity ranges and credit ratings for the Airport Authority's investment securities as of June 30 are presented in the following tables:

Investment Type	2022				Ratings
	Total	Investment Maturities (in Years)			
		0-1	1-2	2-5	
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	\$ 231,211,065	57,730,410	27,133,119	146,347,536	AA+
U.S. Agency securities	97,162,627	27,422,110	51,463,229	18,277,289	AA+
Non-U.S. Securities	5,197,610	-	-	5,197,610	AAA
Non-U.S. Securities	9,139,850	-	-	9,139,850	A
Medium-term notes	11,629,780	3,894,940	4,754,000	2,980,840	AA
Medium-term notes	17,067,595	4,982,730	3,997,440	8,087,425	A+
Medium-term notes	30,961,940	5,498,750	10,962,010	14,501,180	A
Medium-term notes	1,878,420	-	-	1,878,420	A-
Medium-term notes	5,988,440	1,988,440	-	4,000,000	AA+
Medium-term notes	5,682,140	-	-	5,682,140	AA-
Municipal Bonds	4,908,300	-	4,908,300	-	AA+
Negotiable Certificates of deposit	2,222,300	2,222,300	-	-	Not rated
Money market mutual funds	150,481,793	150,481,793	-	-	Not rated
Local Agency Investment Fund	349,923,926	349,923,926	-	-	Not rated
San Diego County Investment Pool	423,896,690	423,896,690	-	-	AAA
San Diego County Investment Pool-Treasury	1,373,116,904	1,373,116,904	-	-	AAA
CalTrust Fund	16,298,735	16,298,735	-	-	AA
CalTrust Fund	16,090,945	16,090,945	-	-	A+
Total investments subject to credit and interest rate risk:	2,752,859,060	2,433,548,673	103,218,097	216,092,290	
Total Investments	<u>\$ 2,752,859,060</u>				

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investment Type	2021				Ratings
	Total	Investment Maturities (in Years)			
		0-1	1-2	2-5	
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+
Non-U.S. Securities	2,025,740	2,025,740	-	-	AAA
Non-U.S. Securities	5,536,955	5,536,955	-	-	Not rated
Medium-term notes	3,000,720	3,000,720	-	-	AAA
Medium-term notes	6,270,120	-	6,270,120	-	AA
Medium-term notes	12,502,610	3,009,030	7,421,280	2,072,300	A+
Medium-term notes	21,236,805	5,051,320	5,684,385	10,501,100	A
Medium-term notes	2,027,160	2,027,160	-	-	A-
Medium-term notes	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	-	-	Not rated
Money market mutual funds	117,578,335	117,578,335	-	-	Not rated
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				

Ratings per Standard and Poor's

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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, 2022 and 2021.

Foreign currency risk: The Airport Authority's investment policy does not allow investments in foreign securities.

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.

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, 2022 and 2021:

June 30, 2022	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	\$ 231,211,065	\$ 231,211,065	\$ -	\$ -
U.S. agency securities	97,162,627	-	97,162,627	-
Non-U.S. Securities	14,337,460	14,337,460	-	-
Negotiable certificates of deposit	2,222,300	-	2,222,300	-
Municipal Bonds	4,908,300	-	4,908,300	-
Medium-term notes	73,208,315	-	73,208,315	-
Total investments by fair value level	423,050,067	<u>\$ 245,548,525</u>	<u>\$ 177,501,542</u>	<u>\$ -</u>
Investments measured at amortized cost				
Money Market Mutual funds	150,481,793			
Investments measured at net asset value				
Caltrust	32,389,680			
Local Agency Investment Fund	349,923,926			
San Diego County Investment Pool	423,896,690			
San Diego County Investment Pool Treasury	1,373,116,904			
Total investments	<u>\$ 2,752,859,060</u>			

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

June 30, 2021	Fair Value	Quoted Prices in	Significant Other	Significant
		Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	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			

NOTE 3. LEASES**Lease Receivable**

The Airport Authority leases a portion of its property to various third parties who use the space to conduct their operations on the Airport grounds, the terms of which expire 2022 through 2046. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee. A number of leases have a maximum possible term of 12 months (or less), including options to extend, regardless of their probability of being exercised. Those payments are recognized as inflows of resources based on the payment provisions of the lease contracts and are therefore excluded from the schedule in this section.

Concession lease receivables for space within the terminals are typically based on the minimum annual guarantee plus a minimum 3 percent annual escalation, less rent holidays. 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 because of the pandemic. Enplanements have continued to increase and many of the shops and restaurants that temporarily closed have since reopened. As of June 30, 2022, there are 62 terminal food services and retail concession locations open. The Board approved a Rent Forbearance and Abatement Program, which has provided abatement of certain rents and fees to qualifying concessionaires from April 1, 2020, through June 30, 2022.

NOTE 3. LEASES (CONTINUED)

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.

Various other leasing arrangements are in place for Airport Authority owned buildings, ground, and support spaces. Payments for these leases are generally based on total square footage being leased and an established rate, with periodic increases based on the Consumer Price Index.

Short-term lease payments are recognized as inflows of resources based on the payment provisions of the lease contract and are therefore not included in the lease receivable balances below

The Airport Authority is party to a lease-leaseback transaction with the Port of San Diego. The lessor and lessee transactions have been netted in accordance with GASB 87, therefore the resulting balance is not included in the lease receivable figure below.

The Airport Authority reports leases receivable with a carrying amount of \$193,296,505 and \$181,707,260 as of June 30, 2022 and 2021, respectively, and a deferred inflow of resources in the amount of \$168,064,374 and \$169,448,031 as of June 30, 2022 and 2021, respectively, related to this agreement. The deferred inflow of resources will be recognized as revenue over the term of the agreement.

Revenue recognized under lease contracts during the years ended June 30, 2022 and 2021, was \$23,742,030 and \$22,725,501, respectively, which includes both lease revenue and interest. The Airport recognized lease revenue of \$13,410,253 and \$7,802,199, for the years ended June 30, 2022 and 2021, respectively, for variable payments not previously included in the measurement of the lease receivable.

The following is a schedule by year of minimum payments to be received under the Airport Authority's leases that are included in the measurement of the lease receivable as of June 30, 2022:

Years Ending June 30,	Principal	Interest	Total
2023	\$ 25,256,727	\$ 5,644,037	\$ 30,900,764
2024	21,579,230	4,940,854	26,520,084
2025	12,684,623	4,406,985	17,091,608
2026	11,804,674	4,167,455	15,972,129
2027	10,934,570	3,931,931	14,866,501
2028 - 2032	31,637,510	17,105,062	48,742,572
2033 - 2037	25,303,904	12,675,346	37,979,250
2038 - 2042	27,747,935	7,822,981	35,570,916
2043 - 2046	26,347,332	2,109,400	28,456,732
Total	<u>\$ 193,296,505</u>	<u>\$ 62,804,051</u>	<u>\$ 256,100,556</u>

NOTE 3. LEASES (CONTINUED)

Regulated Leases

The Airport Authority leases a portion of its property to air carriers and other aeronautical users, whose leases meet the definition of a regulated lease as defined in GASB 87, and therefore are only subject to the disclosure requirements. The terms of the regulated leases expire 2022 through 2050.

Certain capital assets, such as loading bridges, airfield, and building space are leased to airlines as part of the Airport Authority's Airline Operating Lease Agreement (AOLA). On July 1, 2019, the Airport Authority entered into the current ten-year AOLA with passenger airlines and cargo carriers operating at SDIA. The AOLAs cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SDIA. 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. Signatory carriers are required to pay a minimum amount each year (\$500,000 for passenger carriers, and \$250,000 for cargo carriers). 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 Terminal 1, formerly referred to as the Airport Development Program. The Airport Authority does provide for preferential or exclusive use of certain assets to air carriers. As of June 30, 2022, 45 of the 60 terminal and cargo aircraft parking positions were subject to preferential use and 97,350 square feet of the 443,071 square feet of airline designated space was subject to exclusive use. As of June 30, 2021, 45 of the 60 terminal and cargo aircraft parking positions were subject to preferential use and 97,004 square feet of the 437,725 square feet of airline designated space was subject to exclusive use.

Signature Flight Support is the exclusive lessee of the Fixed Base Operator (FBO) leasehold at SDIA, with their lease expiring April 30, 2049. Ground rent at the FBO increases annually based on the Consumer Price Index (CPI) but cannot drop below the base rent escalation. Substantially all buildings and improvements in this lease are for exclusive use of this tenant.

The Airline Support Building (ASB) is an Airport Authority facility leased by carriers to process belly cargo. A portion of the lease payments increase annually based on CPI. Substantially all buildings and improvements in these leases are for the exclusive use of the four airline tenants.

NOTE 3. LEASES (CONTINUED)

The Airport Authority leases out the fuel farm to SAN Fuel Company, LLC to maintain and operate fuel operations at SDIA. Payments for this lease increase every five years, starting in 2025, based on CPI. Substantially all buildings and improvements in this lease are for the exclusive use of this tenant.

Variable lease revenue not previously included in the future minimum payments under its regulated leases were \$141,033,844 and \$124,443,763, for the years ended June 30, 2022 and 2021, respectively.

The following is a schedule by year of expected future minimum payments to be received under the Airports regulated leases as of June 30, 2022:

Years Ending June 30,	Total Future
2023	\$ 18,377,776
2024	18,373,055
2025	18,368,144
2026	18,363,035
2027	18,357,719
2028 - 2032	66,141,596
2033 - 2037	39,413,626
2038 - 2042	39,413,626
2043 - 2047	39,413,626
2048 - 2050	16,325,333
Total	<u>\$ 292,547,536</u>

NOTE 4. 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 carried a rate of 5.5 percent per annum through October 31, 2021. An amendment to that agreement reduced the rate to 3.63 percent per annum, effective November 1, 2021, reducing the monthly payment. At June 30, 2022 and 2021, the balance of the note receivable was \$24,836,615 and \$27,208,867, respectively.

As part of the contracts to lease space in the Airline Support Building (ASB), tenants were given the option to issue a note receivable to the Airport Authority in order to fund tenant improvements to their space. Four airlines and one non-airline tenant exercised this option and issued notes for a combined total of \$13,366,889 commencing July 1, 2021, for a period of 5 years carrying the estimated thirty-year revenue bond index rate of 2.5 percent per annum through June 30, 2026. At June 30, 2022, the balance of the notes receivable was \$9,308,366.

NOTE 4. NOTE RECEIVABLE (CONTINUED)

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

Years Ending June 30,	ASB	District	Total
2023	\$ 2,226,196	\$ 2,540,692	\$ 4,766,888
2024	2,292,350	2,634,469	4,926,819
2025	2,360,158	2,731,707	5,091,865
2026	2,429,662	2,832,535	5,262,197
2027		2,937,084	2,937,084
2028-2031		11,160,128	11,160,128
	<u>\$ 9,308,366</u>	<u>\$ 24,836,615</u>	<u>\$ 34,144,981</u>

NOTE 5. CAPITAL ASSETS AND LEASES

	Balance at July 1, 2021	Increases	Decreases	Balance at June 30, 2022
Nondepreciable assets and leases:				
Land	\$ 22,167,594	\$ -	\$ -	\$ 22,167,594
Land - right-to-use lease asset	224,989,986	-	-	224,989,986
Construction in progress	248,538,868	377,043,444	(47,457,592)	578,124,720
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets and leases	<u>496,136,448</u>	<u>377,043,444</u>	<u>(47,457,592)</u>	<u>825,722,300</u>
Depreciable assets and leases:				
Land improvements	163,770,750	-	(3,659,146)	160,111,604
Land improvements - right-to-use lease assets	13,313,911	-	-	13,313,911
Buildings and structures	1,885,767,510	19,693,720	(82,431,505)	1,823,029,725
Machinery and equipment	122,982,559	6,130,853	(4,405,013)	124,708,399
Runways, roads and parking lots	719,974,821	18,769,256	(101,724,339)	637,019,738
Total capital and lease assets being depreciated/amortized	<u>2,905,809,551</u>	<u>44,593,829</u>	<u>(192,220,003)</u>	<u>2,758,183,377</u>
Less accumulated depreciation and amortization for:				
Land improvements	(45,475,582)	(10,384,845)	5,152,634	(50,707,793)
Building and structures	(824,007,618)	(83,738,691)	75,628,246	(832,118,063)
Right-to-use lease assets	(4,792,663)	(6,483,298)	-	(11,275,961)
Machinery and equipment	(80,936,062)	(11,309,899)	4,347,581	(87,898,380)
Runways, roads and parking lots	(383,511,041)	(31,577,753)	96,922,445	(318,166,349)
Total accumulated depreciation and amortization	<u>(1,338,722,966)</u>	<u>(143,494,486)</u>	<u>182,050,906</u>	<u>(1,300,166,546)</u>
Total capital and lease assets being depreciated/amortized, net	<u>1,567,086,585</u>	<u>(98,900,657)</u>	<u>(10,169,097)</u>	<u>1,458,016,831</u>
Capital and lease assets, net	<u>\$ 2,063,223,033</u>	<u>\$ 278,142,787</u>	<u>\$ (57,626,689)</u>	<u>\$ 2,283,739,131</u>

San Diego County Regional Airport Authority

NOTE 5. CAPITAL ASSETS AND LEASES (CONTINUED)

	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021
Nondepreciable assets and leases:				
Land	\$ 22,167,594	\$ -	\$ -	\$ 22,167,594
Land - right-to-use lease asset	224,989,986	-	-	224,989,986
Construction in progress	288,353,299	173,462,464	(213,276,895)	248,538,868
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets and leases	<u>535,950,879</u>	<u>173,462,464</u>	<u>(213,276,895)</u>	<u>496,136,448</u>
Depreciable assets and leases:				
Land improvements	114,589,520	49,181,230	-	163,770,750
Land improvements - right-to-use lease assets	-	13,313,911	-	13,313,911
Buildings and structures	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 and lease assets being depreciated/amortized	<u>2,706,432,465</u>	<u>227,475,577</u>	<u>(28,098,491)</u>	<u>2,905,809,551</u>
Less accumulated depreciation and amortization for:				
Land improvements	(35,941,711)	(9,533,871)	-	(45,475,582)
Building and structures	(752,724,619)	(81,869,286)	10,586,287	(824,007,618)
Right-to-use lease assets	-	(4,792,663)	-	(4,792,663)
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 and amortization	<u>(1,228,792,352)</u>	<u>(137,626,453)</u>	<u>27,695,839</u>	<u>(1,338,722,966)</u>
Total capital and lease assets being depreciated/amortized, net	<u>1,477,640,113</u>	<u>89,849,125</u>	<u>(402,653)</u>	<u>1,567,086,585</u>
Capital and lease assets, net	<u>\$ 2,013,590,992</u>	<u>\$ 263,311,589</u>	<u>\$ (213,679,548)</u>	<u>\$ 2,063,223,033</u>

Note: Fiscal year 2021 amounts have been restated for GASB 87

NOTE 6. LONG-TERM LIABILITIES

The following is a summary of changes in the long-term liability activity for the years ended June 30, 2022 and 2021:

	Principal Balance at July 1, 2021	Additions /New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2022	Due Within One Year
Variable Rate Debt					
Revolving LOC	\$ -	\$ 80,100,000	\$ -	\$ 80,100,000	\$ -
Total variable rate debt	-	80,100,000	-	80,100,000	-
Bonds payable:					
Series 2013 Bonds	360,825,000	-	(360,825,000)	-	-
Series 2014 Bonds	288,095,000	-	(6,090,000)	282,005,000	6,320,000
Series 2017 Bonds	276,985,000	-	(5,070,000)	271,915,000	5,320,000
Series 2019 Bonds	462,445,000	-	(3,420,000)	459,025,000	4,440,000
Series 2020 Bonds	240,820,000	-	(13,825,000)	226,995,000	14,520,000
Series 2021 Bonds	-	1,941,745,000	-	1,941,745,000	9,760,000
Bond premiums	206,427,883	332,380,831	(52,650,023)	486,158,691	-
Total bonds payable	1,835,597,883	2,274,125,831	(441,880,023)	3,667,843,691	40,360,000
Lease Liabilities	235,804,038	-	(3,384,956)	232,419,082	3,471,838
Note Payable - CRDC	6,201,974	-	(323,293)	5,878,682	354,139
Total debt obligations	1,841,799,857	2,354,225,831	(442,203,316)	3,753,822,373	40,714,139
Compensated absences	4,761,943	292,135	-	5,054,078	3,264,966
Total long-term liabilities	\$ 1,846,561,800	\$ 2,354,517,966	\$ (442,203,316)	\$ 3,758,876,451	\$ 43,979,105

	Principal Balance at July 1, 2020	Additions /New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2021	Due Within One Year
Variable Rate Debt					
Revolving LOC	\$ -	\$ -	\$ -	\$ -	\$ -
Total variable rate debt	-	-	-	-	-
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
Lease Liabilities	241,688,854	-	(5,884,816)	235,804,038	3,384,956
Note Payable - CRDC	6,497,108	-	(295,134)	6,201,974	323,293
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

Note: Fiscal year 2021 amounts have been restated for GASB 87

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.

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2013 Bonds until their call date of July 1, 2023. As of June 30, 2022, the amount held in escrow by the trustee was \$367.8 million, and the amount of the defeased Series 2013 Bonds still outstanding was \$352.5 million. Interest for the fiscal years ended June 30, 2022 (interest before the refunding and defeasement) and 2021, was \$7,195,563 and \$17,685,100, respectively, including accrued interest of \$0 and \$8,842,550 for fiscal years ending June 30, 2022 and 2021, respectively.

As a result of the refunding, the Airport Authority reduced its total debt service requirements by \$84.4 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 \$52.7 million.

Subordinate Lien Series 2017, 2019, 2020 and 2021 Bonds: 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 4.0 percent to 5.0 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, 2022 and 2021, amounted to \$13,595,750 and \$13,849,250, respectively, including accrued interest of \$6,797,875 and \$6,924,625, respectively. The principal balance on the subordinate Series 2017 Bonds as of June 30, 2022 and 2021, was \$271,915,000 and \$276,985,000, respectively.

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

Years Ending June 30,	Principal	Interest	Total
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	6,465,000	12,287,875	18,752,875
2028-2032	37,520,000	56,124,250	93,644,250
2033-2037	47,880,000	45,499,750	93,379,750
2038-2042	61,110,000	31,940,750	93,050,750
2043-2047	78,000,000	14,633,250	92,633,250
2048	18,015,000	450,375	18,465,375
	<u>\$ 271,915,000</u>	<u>\$ 213,096,375</u>	<u>\$ 485,011,375</u>

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

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, 2022 and 2021, amounted to \$22,121,100 and \$22,292,100, respectively, including accrued interest of \$11,060,550 and \$11,146,051, respectively. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2022 and 2021, was \$459,025,000 and \$462,445,000, 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
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	5,895,000	20,993,600	26,888,600
2028-2032	44,040,000	100,239,500	144,279,500
2033-2037	121,345,000	81,805,500	203,150,500
2038-2042	145,830,000	47,748,700	193,578,700
2043-2047	69,210,000	22,879,700	92,089,700
2048-2051	50,155,000	5,097,000	55,252,000
	<u>\$ 459,025,000</u>	<u>\$ 365,652,900</u>	<u>\$ 824,677,900</u>

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.

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

Interest for the fiscal years ended June 30, 2022 and 2021, amounted to \$11,480,563 and \$12,041,000, respectively, including accrued interest of \$5,805,688 and \$6,020,500, respectively. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2022 and 2021, was \$226,995,000 and \$240,820,000, 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
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	11,830,000	8,497,750	20,327,750
2028-2032	66,345,000	32,999,000	99,344,000
2033-2037	53,440,000	16,993,500	70,433,500
2038-2041	38,340,000	4,910,000	43,250,000
	<u>\$ 226,995,000</u>	<u>\$ 104,297,000</u>	<u>\$ 331,292,000</u>

The Airport Authority issued \$1,941,745,000 of Series A, B and C Subordinate Airport Revenue and Revenue Refunding Bonds (Series 2021 Bonds). The Subordinate Series 2021 Bonds were issued to finance certain capital improvements at SDIA including construction of the New T1, fund a portion of the interest accruing on the subordinate Series 2021 Bonds, fund the Series 2013 Escrow account, fund the subordinate reserve fund, and pay the costs of issuance of the subordinate Series 2021 Bonds. The Series 2021A and B Bonds are structured as serial bonds that bear interest rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2027 to 2057. The Series A and B bonds were issued at a premium of \$332,380,831, which is being amortized over the life of the bonds. The Series 2021 C Bonds are federally Taxable Bonds and are structured as serial and term bonds that bear interest at rates ranging from 0.5 percent to 3.1 percent and mature in fiscal years 2023 to 2037. Interest on the Series 2021ABC Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal year ended June 30, 2022, amounted to \$46,267,384 including accrued interest of \$46,267,384. The principal balance on the subordinate Series 2021 Bonds as of June 30, 2022, was \$1,941,745,000.

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

Years Ending June 30,	Principal	Interest	Total
2023	\$ 9,760,000	\$ 82,006,223	\$ 91,766,223
2024	16,465,000	81,898,541	98,363,541
2025	16,570,000	81,719,420	98,289,420
2026	16,745,000	81,494,869	98,239,869
2027	10,310,000	80,979,369	91,289,369
2028-2032	72,310,000	395,793,327	468,103,327
2033-2037	160,030,000	369,134,652	529,164,652
2038-2042	247,635,000	329,258,528	576,893,528
2043-2047	358,790,000	264,949,677	623,739,677
2048-2052	385,205,000	186,627,500	571,832,500
2053-2057	647,925,000	62,706,500	710,631,500
	<u>\$ 1,941,745,000</u>	<u>\$ 2,016,568,607</u>	<u>\$ 3,958,313,607</u>

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, 2020 and 2021 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, 2022 and 2021, the amount held by the trustee was \$2,120,565,804 and \$326,663,469, 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 Bonds as of June 30, 2022, 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.

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.5 percent to 5.6 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, 2022 and 2021, was \$15,600,783 and \$15,827,940, respectively, including accrued interest of \$7,800,392 and \$7,913,970, respectively. The principal balance on the Series 2014 Bonds for fiscal years ended June 30, 2022 and 2021 was \$282,005,000 and \$288,095,000, 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, 2022 and 2021, the amount held by the trustee was \$55,101,163 and \$53,063,404, respectively, which included the July 1 payment, the debt service reserve fund, the renewal and replace fund, and the rolling coverage fund.

The public ratings of the Senior Series Special Facility 2014 Bonds as of June 30, 2022, 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
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	7,855,000	13,844,127	21,699,127
2028-2032	46,385,000	61,917,390	108,302,390
2033-2037	60,890,000	47,003,086	107,893,086
2038-2042	79,935,000	27,424,786	107,359,786
2043-2045	59,465,000	4,721,599	64,186,599
	<u>\$ 282,005,000</u>	<u>\$ 214,344,685</u>	<u>\$ 496,349,685</u>

Interest expense on the Series 2010, 2013, 2014 2017, 2019 and 2020 Bonds for fiscal years ended June 30, 2022, and June 30, 2021, of \$81.7 million and \$116.3 million, respectively, was offset by bond premium amortization of \$21.6 million in fiscal year 2022 and \$14.1 million in fiscal year 2021.

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

Subordinate Short-Term Debt Program: On July 19, 2021, The Airport Authority and Bank of America entered into a Revolving Credit Agreement. The Airport Authority is authorized to issue up to \$200.0 million in Subordinate Revolving Obligations. The revolving credit agreement is for a term of three years. At the end of fiscal year 2022, the Airport Authority had \$80.1 million in aggregate principal of Subordinate Revolving Obligations outstanding. These obligations were used to finance the New Terminal 1. Obligations incurred under the Revolving Credit Agreement are payable solely from and secured by a pledge of "Subordinate Net Revenues." Subordinate Net Revenues are generally defined as all revenues and other cash receipts of the Airport Authority's Airport operations remaining after Senior Lien payments have been deposited by the Trustee in accordance with the Senior Lien Trust Indenture.

Line of credit: In fiscal year 2022, 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, 2022, 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, 2022 and 2021:

	June 30, 2022		June 30, 2021	
	Used	Unused	Used	Unused
Revolving line of credit	\$80,100,000	\$119,900,000	\$ -	\$ -
Line of credit	\$ -	2,000,000	\$ -	2,000,000
	<u>\$ 80,100,000</u>	<u>\$ 121,900,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>

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 3.0 to 7.0 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 PFCs, CFCs or Federal Grants). The special facility bonds are secured by a pledge of the Trust Estate.

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

NOTE PAYABLE

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 note payable 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 on June 30, 2022:

Years Ending June 30,	Amount
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	9,138,519
Less amount representing interest	(3,259,838)
Present value of future lease payments	\$ 5,878,682

LEASE LIABILITIES

The Airport Authority leases properties from the District and smaller third parties and uses that space to conduct its operations, the terms of which expire 2022 through 2072. The measurement of the lease payable is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

Incremental borrowing rates of 1.1 percent to 3.8 percent were used to measure lease payables. Lease liabilities recorded under lease contracts as of June 30, 2022 and 2021, were \$232,419,082 and \$235,804,038, respectively.

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

The future principal and interest payments for lease liabilities as of June 30, 2022, are as follows:

Years Ending June 30,	Principal	Interest	Total
2023	3,471,838	8,632,139	12,103,977
2024	3,561,593	8,542,384	12,103,977
2025	3,654,325	8,449,652	12,103,977
2026	2,843,071	8,357,785	11,200,856
2027	2,659,160	8,270,002	10,929,162
2028-2032	13,061,598	39,964,439	53,026,037
2033-2037	15,484,141	37,346,219	52,830,360
2038-2042	18,353,562	34,169,201	52,522,763
2043-2047	20,341,903	30,541,397	50,883,300
2048-2052	24,622,943	26,260,357	50,883,300
2053-2057	29,804,945	21,078,355	50,883,300
2058-2062	36,077,522	14,805,778	50,883,300
2063-2067	43,670,189	7,213,111	50,883,300
2068-2072	14,812,292	452,698	15,264,990
	<u>\$ 232,419,082</u>	<u>\$ 254,083,517</u>	<u>\$ 486,502,599</u>

NOTE 7. DEFINED BENEFIT PLAN

Introduction: The Airport Authority has two defined benefit pension plans which cumulatively represent the net pension liability or asset, 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 and for the years ended June 30, 2022 and 2021:

	Defined Benefit Plan (GASB No. 68)	Preservation of Benefits Trust Plan (GASB No. 73)	Total
Balances as of and for the year ended 6/30/2022			
Pension expense	\$ 4,323,882	\$ 329,788	\$ 4,653,670
Net pension liability (asset)	(8,995,046)	2,373,440	(6,621,606)
Deferred outflows of resources	17,497,620	639,654	18,137,274
Deferred inflows of resources	26,976,052	282,242	27,258,294
Balances as of and for the year ended 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

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.

NOTE 7. DEFINED BENEFIT PLAN (CONTINUED)

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 twenty-six 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 thirty-six consecutive months divided by 36. Base salary cannot exceed 100 percent of the Social Security contribution and benefit base, indexed to the CPI-U. The eligibility of the PEPRA participants begins at age 52 with five years of service.

NOTE 7. DEFINED BENEFIT PLAN (CONTINUED)

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, 2021, and June 30, 2020, Plan membership was as follows:

	2021	2020
Active employees	385	414
Inactive employees entitled to but not yet receiving benefits	163	149
Inactive employees or beneficiaries currently receiving benefits	145	132
Total	693	695

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 the Airport Authority apply to the fiscal year beginning 12 months after the valuation date. For June 30, 2022, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2021, actuarial valuation.

The funding objective of SDCERS is to fully fund the plan's actuarially accrued liability with contributions, which over time will remain as a level percent of payroll for the Airport Authority. Under this approach, the contribution rate is based on the normal cost rate and an amortization of any unfunded actuarial liability.

NOTE 7. DEFINED BENEFIT PLAN (CONTINUED)

For the years ended June 30, 2022 and 2021, employees contributed \$2,980,889 and \$3,123,119, respectively, and the Airport Authority contributed \$9,102,165 and \$8,522,311, 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 offset is equal to 7.0 percent or 8.5 percent of the general classic members' base compensation and 9.6 percent of the executive classic members' base compensation. These contributions are included in the employee contribution. There is no offset for PEPRAs participants.

Net Pension Liability (Asset): The Airport Authority's net pension liability (asset) as of June 30, 2022, is measured as the total pension liability, less the pension plan's fiduciary net position. The total pension liability as of June 30, 2022, is measured as of June 30, 2021. The annual valuation used is as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability (asset) follow.

Actuarial Assumptions: The total pension liability in the June 30, 2021, and June 30, 2020, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2021	June 30, 2020
Valuation date	June 30, 2020	June 30, 2019
Measurement date	June 30, 2021	June 30, 2020
Actuarial cost method	Entry-age normal funding method	Entry-age normal funding method
Asset valuation method	Expected value with smoothing	Expected value with smoothing
Actuarial assumptions:		
Investment rate of return ⁽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%	2.0% - 16.0%
Disability rate ⁽⁴⁾	0.01% - 0.20%	0.01% - 0.20%
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, 2021, and June 30, 2020, actuarial valuations, the discount rates used to measure the total pension liability was 6.50 percent. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability (asset).

NOTE 7. DEFINED BENEFIT PLAN (CONTINUED)

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

Asset Class	Target Allocation	Long-term Expected Real Rates of Return	Long-term Expected Nominal Rates of Return
Domestic equity	17.2%	4.4%	6.6%
International equity	14.2%	5.3%	7.5%
Global equity	8.0%	4.9%	7.1%
Domestic fixed income	21.6%	0.5%	2.7%
Emerging market debt	5.0%	2.4%	4.5%
Real estate	11.0%	3.5%	5.7%
Private equity and infrastructure	13.0%	6.7%	8.9%
Opportunity fund	10.0%	4.2%	6.4%
	100.0%		

Changes in the Net Pension Liability (Asset): Changes in the total pension liability (asset), plan fiduciary net position and the net pension liability through the year ended June 30, 2022, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of June 30, 2021	\$ 241,862,071	\$ 207,843,276	\$ 34,018,795
Changes for the year:			
Service cost	7,970,646	-	7,970,646
Interest on total pension liability	15,693,834	-	15,693,834
Difference between expected and actual experience	(2,239,695)	-	(2,239,695)
Changes in assumptions	-	-	-
Employer contributions	-	8,596,163	(8,596,163)
Member contributions	-	3,125,138	(3,125,138)
Net investment income	-	53,140,343	(53,140,343)
Benefit payments	(8,820,959)	(8,820,959)	-
Administrative expense	-	(423,018)	423,018
Net changes	12,603,826	55,617,667	(43,013,841)
Balances as of June 30, 2022	\$ 254,465,897	\$ 263,460,943	\$ (8,995,046)

NOTE 7. DEFINED BENEFIT PLAN (CONTINUED)

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	Fiduciary Net	Net Pension
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	6,767,000	-	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	23,073,160	5,015,868	18,057,292
Balances as of June 30, 2021	\$ 241,862,071	\$ 207,843,276	\$ 34,018,795

Sensitivity of the Net Pension Liability (Asset) to Discount Rate Changes: The following presents the resulting net pension liability (asset) calculated using the discount rate of 6.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal years ended June 30, 2022:

	1% Decrease 5.50%	Current 6.50%	1% Increase 7.50%
Total pension liability	\$ 290,166,545	\$ 254,465,897	\$ 225,251,173
Plan fiduciary net position	263,460,943	263,460,943	263,460,943
Net pension liability (asset)	\$ 26,705,602	\$ (8,995,046)	\$ (38,209,770)
Plan fiduciary net position as a percentage of the total pension liability	90.8%	103.5%	117.0%

NOTE 7. 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, 2022 and June 30, 2021, the Airport Authority recognized pension expense, as measured in accordance with GASB 68, of \$4,323,882 and \$12,879,899, respectively. At June 30, 2022 and June 30, 2021, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

For June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,218,022	\$ 2,926,703
Net difference between projected and actual earnings	-	24,049,349
Changes in assumptions	7,177,433	-
Employer contributions made subsequent to June 30, 2021 measurement date	9,102,165	-
Total	<u>\$ 17,497,620</u>	<u>\$ 26,976,052</u>

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	<u>\$ 30,748,781</u>	<u>\$ 2,065,506</u>

The deferred outflows of resources, at June 30, 2022, and 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 (asset) at June 30, 2023 and 2022, respectively.

Other amounts reported as deferred outflows/inflows of resources related to the plan at June 30, 2022, will be recognized in pension expense as follows:

Years ended June 30,	
2022	\$ (2,463,403)
2023	(3,611,508)
2024	(4,172,590)
2025	(8,333,096)
	<u>\$ (18,580,597)</u>

NOTE 8. PRESERVATION OF BENEFITS TRUST PLAN

Preservation of Benefits Trust Plan (POB)description: The Airport Authority's single-employer defined benefit pension plan 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, 2022, and June 30, 2021, were \$52,398 and \$42,682, respectively. The POB is unfunded and provides benefits on an annual basis as determined by SDCERS.

As of the measurement dates of June 30, 2021, and 2020, Plan membership was as follows:

	2021	2020
Active employees	2	2
Inactive employees or beneficiaries currently receiving benefits	1	2
Total	3	4

Total Pension Liability: The Airport Authority's total pension liability as of June 30, 2022, and June 30, 2021, was \$2,373,440 and \$2,445,415, respectively. The pension liability as of June 30, 2022, is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability follow.

NOTE 8. PRESERVATION OF BENEFITS TRUST PLAN (CONTINUED)

Actuarial Assumptions: The total pension liability in the June 30, 2021, and June 30, 2020, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2021	June 30, 2020
Valuation date	June 30, 2020	June 30, 2019
Measurement date	June 30, 2021	June 30, 2020
Actuarial cost method	Entry-age normal	Entry-age normal
Actuarial assumptions:		
Discount rate	2.16%	2.21%
Inflation rate	3.05%	3.05%
Interest credited to member contributions	6.50%	6.50%
Projected salary increases	3.05%	3.05%

Changes in the Total Pension Liability: Changes in the total pension liability through the year ended June 30, 2022, was as follows:

	Total Pension
Balances as of June 30, 2021	\$ 2,445,415
Changes for the year:	
Service cost	88,557
Interest on total pension liability	54,559
Difference between expected and actual exper	(195,545)
Changes in assumptions	22,116
Benefit payments	(41,662)
Net changes	(71,975)
Balances as of June 30, 2022	\$ 2,373,440

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

	Total Pension
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 exper	(57,318)
Changes in assumptions	661,465
Benefit payments	(43,301)
Net changes	678,183
Balances as of June 30, 2021	\$ 2,445,415

NOTE 8. PRESERVATION OF BENEFITS TRUST PLAN (CONTINUED)

Sensitivity of the Total Pension Liability to Discount Rate Changes: The following presents the resulting total pension liability calculated using the discount rate of 2.16 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, 2022:

	1% Decrease 1.16%	Current Rate 2.16%	1% Increase 3.16%
Total pension liability	\$ 2,880,830	\$ 2,373,440	\$ 1,979,491

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

Related to the POB: For the year ended June 30, 2022 and 2021, the Airport Authority recognized pension expense, as measured in accordance with GASB 73, of \$329,788 and \$338,696. At June 30, 2022 and June 30, 2021, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

For June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 129,056	\$ 216,544
Changes in assumptions	458,200	65,698
Employer contributions subsequent to June 30, 2020 measurement date	52,398	-
Total	<u>\$ 639,654</u>	<u>\$ 282,242</u>

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	<u>\$ 908,672</u>	<u>\$ 200,876</u>

The deferred outflows of resources, at June 30, 2022, 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, 2023.

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	\$ 141,239
2023	112,314
2024	86,145
2025	(34,685)
	<u>\$ 305,013</u>

NOTE 9. 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 10. 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 over two million California public employees, retirees, and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States. As of June 30, 2022, CalPERS managed \$440 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, 2022 and 2021, the Airport Authority's contributions were \$951,488 and \$919,462, respectively.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A measurement date of June 30, 2021, and 2020, was used for the June 30, 2022, and June 30, 2021 OPEB assets and expenses. The information that follows was determined as of a valuation date of June 30, 2021, and June 30, 2020, respectively.

Membership in the OPEB by membership class at June 30, 2021, and 2020, is as follows:

	2021	2020
Active employees	132	141
Inactive employees entitled to but not receiving benefits	-	1
Inactive employees or beneficiaries currently receiving benefits	97	86
Total	229	228

Actuarial Assumptions: The total OPEB liability in the June 30, 2021, and 2020 actuarial valuations was determined using the following actuarial assumptions, applied to all period included in the measurement:

Actuarial Valuation Date	June 30, 2021
Contribution Policy	Authority contributes at least the full ADC
Inflation	2.50%
Projected salary increase	2.75%
Investment rate of return	5.25%; 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 2015-2019 Experience Study
Mortality	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Medical Trend	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076; Medicare - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076
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 - 50% cover spouses at retirement

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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	23%	4.56%
Long US Treasuries	11%	0.29%
Mortgage-Backed Securities	11%	0.49%
Investment Grade Corporate	9%	1.56%
High Yield	9%	3.00%
Sovereigns	11%	2.76%
TIPS	9%	-0.08%
Comodities	3%	1.22%
REITs	14%	4.06%
	100%	
Assumed Long-Term Rate of Inflation		2.50%
Expected Long-Term Net Rate of Return		5.25%

Discount Rate: The discount rate used to measure the net OPEB liability (asset) at June 30, 2022, and June 30, 2021, was 5.25 percent and 6.75 percent, respectively. 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.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability (Asset): Changes in the total OPEB liability, plan fiduciary net position, and the net OPEB asset through the year ended June 30, 2022, were as follows:

	Increase (Decrease)		
	Liability	Position	(Asset)
Balances as of June 30, 2021	\$ 27,116,806	\$ 28,766,021	\$ (1,649,215)
Changes for the year:			
Service cost	446,233	-	446,233
Interest on total OPEB liability	1,829,473	-	1,829,473
Difference between expected and actual experience	(3,669,756)	-	(3,669,756)
Changes in assumptions	4,568,725	-	4,568,725
Employer contributions	-	919,462	(919,462)
Member contributions	-	-	-
Net investment income	-	4,973,926	(4,973,926)
Benefit payments	(919,462)	(919,462)	-
Administrative expense	-	(10,452)	10,452
Net changes	2,255,213	4,963,474	(2,708,261)
Balances as of June 30, 2022	\$ 29,372,019	\$ 33,729,495	\$ (4,357,476)

Changes in the total OPEB liability, plan fiduciary net position and the net OPEB liability (asset) through the year ended June 30, 2021, were as follows:

	Increase (Decrease)		
	Liability	Position	(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)

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 5.25 percent. The following presents the net OPEB liability (asset) using a discount rate 1 percent higher and 1 percent lower than the current discount rate.

	1% Decrease 4.25%	Current Rate 5.25%	1% Increase 6.25%
Net OPEB liability (asset)	\$ 67,366	\$ (4,357,476)	\$ (7,976,238)

The net OPEB liability (asset) of the Authority has been calculated using health care cost trend rates of 7.25 percent decreasing to 4.0 percent in 2076 and thereafter for non-Medicare and 6.3 percent decreasing to 4.0 percent in 2076 for Medicare. The following presents the net OPEB liability (asset) using health care cost trend rates 1 percent higher and 1 percent lower than the current health care cost trend rates.

	1% Decrease	Trend Rate	1% Increase
Net OPEB liability (asset)	\$ (8,129,762)	\$ (4,357,476)	\$ 236,754

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related

to the OPEB: For the years ended June 30, 2022 and 2021, the Airport Authority recognized OPEB expense (income), as measured in accordance with GASB 75, of (\$185,458) and \$197,770, respectively, and reported deferred inflows of resources and deferred outflows of resources related to the OPEB from the following sources:

For June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ -	\$ 1,793,923
Net difference between expected and actual experience	-	2,669,705
Changes in assumptions	3,301,280	437,533
Employer contributions made subsequent to June 30, 2021 measurement date	951,488	-
Total	\$ 4,252,768	\$ 4,901,161

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

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The deferred outflows of resources at June 30, 2022, 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, 2023.

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2022, related to the OPEB will be recognized in OPEB expense as follows:

Years ended June 30,	
2023	\$ (502,723)
2024	(191,306)
2025	(299,339)
2026	(606,513)
	<u>\$ (1,599,881)</u>

NOTE 11. 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, 2022 and 2021, the Airport Authority has designated \$13,121,946 and \$12,403,950, 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.

NOTE 11. RISK MANAGEMENT (CONTINUED)

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 2022, 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 12. COMMITMENTS AND CONTINGENCIES

Commitments: As of June 30, 2022 and 2021, the Airport Authority had significant commitments for capital expenditures and other matters as described below:

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. June 30, 2022 and 2021, these funds totaled \$1.1 million and \$8.1 million, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.

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, 2022 and 2021, the Airport Authority expensed \$21.9 million and \$22.2 million respectively for these services.

In fiscal year 2019, the Board approved \$38 million contract with Ace Parking Management Inc., for parking management services. As of June 30, 2022, \$18.4 million has been spent and the contract is scheduled for completion in fiscal year 2023. A new contract will be rebid and issued in fiscal year 2023.

In fiscal year 2019, the Board approved \$45 million contract with Ace Parking Management Inc., for airport shuttle services. As of June 30, 2022, \$19.5 million has been spent for shuttle services and the contract is scheduled for completion in fiscal year 2023. A new contract will be rebid and issued in fiscal year 2023

NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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- 2022, the Board approved an additional \$27.8 million. As of June 30, 2022, \$51 million had been spent and the contract is scheduled for completion in fiscal year 2023. A new contract will be rebid at that time.

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, 2022, \$51 million has been spent and the contract is scheduled for completion in fiscal year 2024.

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. In fiscal year 2022, the board approved additional \$1 million. As of June 30, 2022, \$13.8 million had been spent and the contract is scheduled for completion in early fiscal year 2023.

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. In fiscal year 2022, the Board approved additional \$2.5 billion. As of June 30, 2022, \$211 million had been spent and the contract is scheduled for completion in early fiscal year 2028.

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, 2022, \$8.2 million had been spent and the contract was completed in late fiscal year 2022. A new contract will be rebid and issued in fiscal year 2023.

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, 2022, \$23.7 million had been spent and the contract is scheduled for completion in fiscal year 2025.

In fiscal year 2022, the Board approved a \$19.4 million contract with SOLPAC Construction Inc. dba Soltek Pacific Construction to construct Solid and Liquid waste facilities. As of June 30, 2022, \$2.3 million had been spent and the contract is scheduled for completion in early fiscal year 2024.

Contingencies: As of June 30, 2022, the Airport Authority is subject to contingencies arising from matters as described below:

NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

NOTE 13. CHANGE IN ACCOUNTING PRINCIPLE AND CORRECTION OF STATEMENT OF CASH FLOWS

For the fiscal year ended June 30, 2022, the Airport Authority implemented GASB 87, Leases. As required when presenting prior period comparative statements, the financial statements of the fiscal year ended June 30, 2021, have been retrospectively restated. Additionally, the beginning of year cash included within the accompanying statement of cash flows has been corrected due to an understatement reported in the previous year. The effects of the restatement are as follows:

	As Previously Reported	2021 as restated	Effect of Change
Statement of Net Position:			
Lease receivables, current portion	\$ -	\$ 6,285,853	\$ 6,285,853
Other current assets	8,280,970	9,119,154	838,184
Lease assets	-	238,303,897	238,303,897
Construction in progress	248,535,465	248,538,868	3,403
Accumulated depreciation and amortization	(1,333,930,303)	(1,338,722,967)	(4,792,664)
Lease receivables, long-term portion	-	175,421,407	175,421,407
Unrestricted other current liabilities	5,757,420	6,487,256	(729,836)
Lease liabilities, current portion	-	3,384,956	(3,384,956)
Lease liabilities, long-term portion	-	232,419,082	(232,419,082)
Deferred lease inflows	-	169,448,031	(169,448,031)
Net investment in capital assets	327,215,879	324,926,477	2,289,402
Unrestricted net position	359,146,706	371,514,284	(12,367,578)
(continued)			

**NOTE 13. CHANGE IN ACCOUNTING PRINCIPLE AND CORRECTION OF STATEMENT OF CASH FLOWS
(CONTINUED)**

	As Previously Reported	2021 as restated	Effect of Change
Statement of Revenues, Expenses and			
Changes in Net Position:			
Ground and non-airline terminal rentals	21,848,936	19,176,623	(2,672,313)
Concession revenue	31,096,870	41,801,386	10,704,516
Other operating revenue	1,682,151	1,679,512	(2,639)
Space rental	10,266,657	63,790	10,202,867
Depreciation and amortization expense	132,833,789	137,495,515	(4,661,726)
Other Interest income	-	6,748,239	6,748,239
Investment income	4,175,353	2,494,962	(1,680,391)
Interest expense	68,067,154	76,627,532	(8,560,378)
Change in net position	(6,218,846)	3,859,328	10,078,174
	As Previously Reported	2021 as restated	Effect of Change
Statement of Cash Flows:			
Receipts from customers	\$ 200,250,036	\$ 207,566,897	\$ 7,316,861
Payments to suppliers	(86,798,975)	(77,488,153)	9,310,822
Other receipts (payments)	1,683,852	1,681,213	(2,639)
Net cash provided by operating activities	66,469,492	83,094,535	16,625,043
Capital outlay	(180,332,423)	(193,518,799)	(13,186,376)
Other interest income	-	6,748,240	6,748,240
Interest and debt fees paid	(81,239,634)	(89,746,146)	(8,506,512)
Net cash used in financing activities	(157,286,629)	(172,231,276)	(14,944,648)
Purchases of investments	(312,867,581)	(297,741,464)	15,126,117
Interest received on investments and note receivable	4,175,353	11,790,929	7,615,576
Net cash provided by (used in) investing activities	53,103,664	75,845,357	22,741,693
Net increase (decrease) in cash and cash equivalents	(37,556,884)	(13,134,799)	24,422,088
Cash and cash equivalents, end of year	63,404,285	87,826,370	24,422,085
Cash and cash equivalents designated for specific capital projects and other commitments	22,494,254	46,916,337	24,422,083
Total cash and cash equivalents	63,404,286	87,826,370	24,422,084
Operating loss	(67,404,954)	(53,834,247)	13,570,707
Depreciation and amortization expense	132,833,789	137,495,515	4,661,726
Other assets	1,380,047	541,863	(838,184)
Lease receivables	-	4,067,252	4,067,252
Other liabilities	(13,743,101)	(18,579,561)	(4,836,460)
Net cash provided by operating activities	66,469,492	83,094,534	16,625,041

Required Supplementary Information (Unaudited)

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

Last 10 fiscal years (plan year reported in subsequent fiscal year)

Defined Benefit Plan

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability:								
Service cost	\$ 7,970,646	\$ 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)	15,693,834	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	(2,239,695)	925,862	(645,462)	(2,630,285)	3,975,029	(2,178,527)	345,661	-
Effect of changes of assumptions	-	6,767,000	-	6,416,088	5,871,218	10,473,890	-	-
Benefit payments, including refunds of member contributions	(8,820,959)	(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	12,603,826	23,073,160	13,912,993	19,334,706	23,589,319	21,754,845	13,345,255	11,651,745
Total pension liability - beginning	241,862,071	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	\$ 254,465,897	\$241,862,071	\$218,788,911	\$204,875,918	\$185,541,212	\$161,951,893	\$140,197,048	\$126,851,793
Plan Fiduciary Net Position:								
Contributions - employer	\$ 8,596,163	\$ 8,424,834	\$ 7,848,712	\$ 7,318,546	\$ 5,480,984	\$ 4,047,780	\$ 3,897,545	\$ 3,924,988
Contributions - employee	3,125,138	3,321,661	3,178,464	3,162,781	2,990,317	2,967,269	2,840,236	2,765,079
Net investment income	53,140,343	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	(8,820,959)	(6,733,942)	(6,429,659)	(4,462,751)	(4,669,786)	(3,023,391)	(2,482,523)	(2,913,221)
Administrative expense	(423,018)	(386,698)	(359,095)	(350,408)	(325,042)	(318,817)	(332,290)	(332,645)
Net change in plan fiduciary net position	55,617,667	5,015,868	16,324,771	19,704,878	22,957,348	5,324,124	8,313,153	21,746,884
Plan fiduciary net position - beginning	207,843,276	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	\$ 263,460,943	\$207,843,276	\$202,827,408	\$186,502,637	\$166,797,759	\$143,840,411	\$138,516,287	\$130,203,134
Net pension liability (asset) - ending	\$ (8,995,046)	\$ 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	103.53%	85.93%	92.70%	91.03%	89.90%	88.82%	98.80%	102.64%
Covered payroll	\$ 33,328,788	\$ 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	(26.99%)	103.63%	50.54%	58.09%	60.21%	62.05%	6.01%	(12.70%)

Note to Schedule: This schedule is intended to display the most recent 10 years of data for annual changes in the net pension liability. Until such time has elapsed after implementing GASB Statement No. 68, this schedule will only present information from those years that are available.

San Diego County Regional Airport Authority

Schedule of Contributions (Pensions)

Last 10 fiscal years (dollars in thousands)

Defined Benefit Plan

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 6,570	\$ 6,125	\$ 6,159	\$ 5,740	\$ 5,416
Contributions in relation to the actuarially determined contribution	9,102	8,522	8,356	7,783	7,247
Contribution deficiency (excess)	\$ (2,533)	\$ (2,397)	\$ (2,197)	\$ (2,043)	\$ (1,831)
Covered payroll	\$ 29,987	\$ 33,329	\$ 32,828	\$ 31,585	\$ 31,628
Contributions as a percentage of covered payroll	30.35%	25.57%	25.45%	24.64%	22.91%

	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 3,765	\$ 3,666	\$ 3,823	\$ 2,900	\$ 2,600
Contributions in relation to the actuarially determined contribution	5,421	3,948	3,823	3,728	2,600
Contribution deficiency (excess)	\$ (1,656)	\$ (282)	\$ -	\$ (828)	\$ -
Covered payroll	\$ 31,506	\$ 29,189	\$ 27,955	\$ 26,380	\$ 24,840
Contributions as a percentage of covered payroll	17.21%	13.53%	13.68%	14.13%	10.47%

* 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

	2022	2021	2020	2019	2018	2017
Total Pension Liability						
Service cost	\$ 88,557	\$ 55,276	\$ 49,343	\$ 51,774	\$ 60,994	\$ 29,270
Interest cost	54,559	62,061	64,133	53,311	35,323	34,173
Differences between expected and actual experience	(195,545)	(57,318)	(64,295)	193,013	388,329	-
Changes of assumptions	22,116	661,465	109,070	(89,712)	(214,765)	272,579
Benefit Payments	(41,662)	(43,301)	(47,081)	(31,329)	-	
Net Change in Total Pension Liability	(71,975)	678,183	111,170	177,057	269,881	336,022
Total pension liability -beginning	2,445,415	1,767,232	1,656,062	1,479,005	1,209,124	873,102
Total pension liability - ending	\$ 2,373,440	\$ 2,445,415	\$ 1,767,232	\$ 1,656,062	\$ 1,479,005	\$ 1,209,124
Covered payroll	\$ 33,328,788	\$ 32,828,449	\$ 31,584,841	\$ 31,628,301	\$ 31,131,795	\$ 29,189,357
Net Pension Liability as a percentage of payroll	7.12%	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 the annual changes in the total pension liability. Until such time has elapsed after implementing GASB Statement No. 68, this schedule will only present information from the years that are available.

Schedule of Contributions (Pensions)
Last 10 fiscal years

Preservation of Benefits Trust Plan

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	52,398	42,682	41,249	45,353	56,513
Contribution deficiency (excess)	\$ (52,398)	\$ (42,682)	\$ (41,249)	\$ (45,353)	\$ (56,513)
Covered payroll	\$ 29,986,825	\$ 33,328,788	\$ 32,828,449	\$ 31,584,841	\$ 31,628,301
Contributions as a percentage of covered payroll	0.17%	0.13%	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 the annual pension contributions. Until such time has elapsed after implementing GASB Statement No. 73, this schedule will only present information from the 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

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service Cost	\$ 446,233	\$ 501,198	\$ 449,596	\$ 436,501	\$ 411,052
Interest Cost	1,829,473	1,739,459	1,883,080	1,772,578	1,606,959
Difference between expected and actual experience	(3,669,756)	-	(169,582)	-	-
Changes of Assumptions	4,568,725	-	(1,531,369)	-	766,830
Benefit Payments	(919,462)	(784,845)	(775,225)	(622,425)	(451,189)
Net Change in Total OPEB Liability	2,255,213	1,455,812	(143,500)	1,586,654	2,333,652
Total OPEB Liability (Beginning)	27,116,806	25,660,994	25,804,494	24,217,840	21,884,188
Total OPEB Liability (Ending)	\$ 29,372,019	\$ 27,116,806	\$ 25,660,994	\$ 25,804,494	\$ 24,217,840
Plan Fiduciary Net Position					
Contributions—Employer	\$ 919,462	\$ 784,845	\$ 775,225	\$ 622,425	\$ 2,012,419
Net Investment Income	4,973,926	982,113	1,604,058	1,896,351	2,175,582
Benefit Payments	(919,462)	(784,845)	(775,225)	(622,425)	(451,189)
Administrative Expense	(10,452)	(13,580)	(5,611)	(12,568)	(10,578)
Net Change in Plan Fiduciary Net Position	4,963,474	968,533	1,598,447	1,883,783	3,726,234
Plan Fiduciary Net Position (Beginning)	28,766,021	27,797,488	26,199,041	24,315,258	20,589,024
Plan Fiduciary Net Position (Ending)	\$ 33,729,495	\$ 28,766,021	\$ 27,797,488	\$ 26,199,041	\$ 24,315,258
Net OPEB Asset	\$ (4,357,476)	\$ (1,649,215)	\$ (2,136,494)	\$ (394,547)	\$ (97,418)
Net Position as a Percentage of OPEB Liability	114.84%	106.08%	108.33%	101.53%	100.40%
Covered Payroll	\$ 12,786,000	\$ 14,608,940	\$ 13,869,000	\$ 16,625,857	\$ 16,141,609
Net OPEB Asset as a Percentage of Payroll	(34.08%)	(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 the annual charges in the net OPEB liability (asset). Until such time has elapsed after implementing information GASB Statement No. 75, this schedule will only present from the years that are available.

Schedule of Contributions (OPEB)

Last 10 fiscal years (dollars in thousands)

Other Postemployment Benefits

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 326	\$ 365	\$ 427	\$ 486	\$ 472
Contributions in relation to the actuarially determined contribution	951	919	785	339	462
Contribution deficiency (excess)	\$ (625)	\$ (554)	\$ (358)	\$ 147	\$ 10
Covered payroll	\$ 10,493	\$ 12,786	\$ 14,609	\$ 13,869	\$ 15,674
Contributions as a percentage of covered payroll	9.06%	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 the annual OPEB contributions. Until such time has elapsed after implementing GASB Statement No. 75, this schedule will only present information from the years that are available.