SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY San Diego, California

# COMPREHENSIVE ANNUAL FINANCIAL Report

FISCAL YEARS ENDED JUNE 30, 2014 & 2013


Increased use of natural light was integrated throughout The Green Build Terminal 2 expansion, creating a more pleasant indoor environment and saving on energy costs.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY San Diego, California

# COMPREHENSIVE ANNUAL FINANCIAL Report

## FISCAL YEARS ENDED JUNE 30, 2014 & 2013


PREPARED BY
Finance Division of the
SAN DIEGO COUNTY REGIONAL
AIRPORT AUTHORITY
San Diego, California

Scott Brickner
Vice President, CFO/Treasurer, Finance and Asset Management
Kathryn J. Kiefer
Sr. Director, Finance and Asset Management


Power and air for airplanes parked at the gates used to come from the airplanes themselves, forcing them to run their engines while parked. Power and air is now provided to parked aircraft from the gates, reducing greenhouse gas emissions.


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COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the fiscal years ended June 30, 2014 & 2013

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## FINANCIAL SECTION



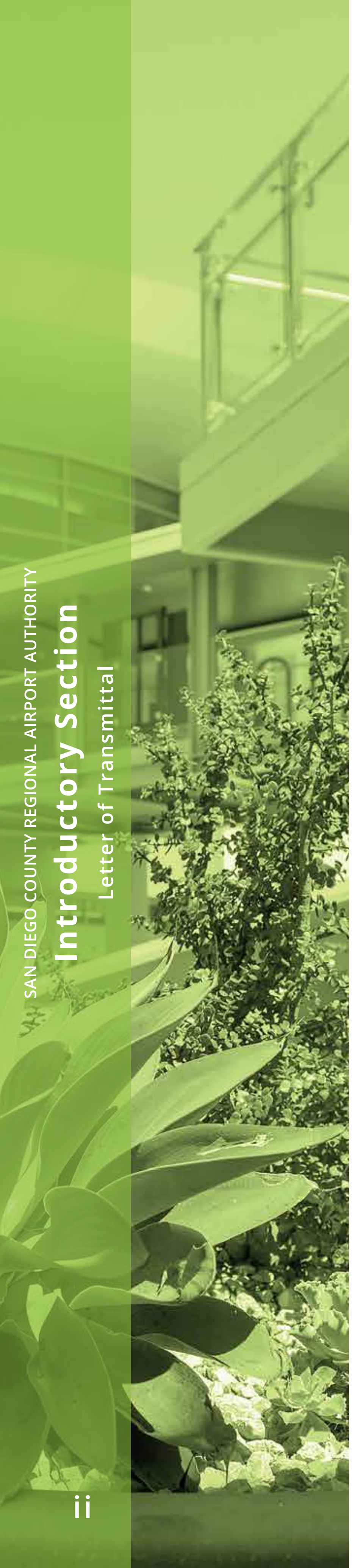
## STATISTICAL SECTION (UNAUDITED)

# INTRODUCTORY Section


# Authority OVERVIEW

The San Diego County Regional Airport Authority was established by state law in 2002 to operate San Diego International Airport and address the region's long-term air transportation needs. A 12-member appointed Board representing all areas of the County governs the Airport Authority.

Terminal parking offers free and convenient Charge Point Stations for visitors who drive electric and hybrid-electric vehicles. This service rewards those that drive sustainable vehicles with a great parking location while also promoting clean-fuel vehicles and enhancing the airport's customer service.



SAN DIEGO INTERNATIONAL AIRPORT

**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY**
P.O. BOX 82776, SAN DIEGO, CA 92138-2776
619.400.2400 WWW.SAN.ORG

October 24, 2014

To the Public:

The Comprehensive Annual Financial Report (the "CAFR") of the San Diego County Regional Airport Authority ("SDCRAA" or the "Airport Authority") for the fiscal year ended June 30, 2014 is submitted herewith. The Airport Authority's Accounting Department prepared this report. Responsibility for the accuracy, completeness and fairness of the presented data, including all disclosures, rests with the Airport Authority. To the best of our knowledge and belief, this report fairly presents and fully discloses the Airport Authority's financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America (referred to as "GAAP").

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

## PROFILE OF AIRPORT AUTHORITY AND ORGANIZATIONAL STRUCTURE

The Airport Authority was established pursuant to California State Act AB 93 (the "Act"), which was signed into California State law in October 2001. The Act established the Airport Authority, effective January 1, 2002, as a local agency of regional government with jurisdiction throughout the County of San Diego (the "County"). The Airport Authority is vested with five principal responsibilities: (1) the operation of San Diego International Airport ("SDIA" or the "Airport"), (2) the planning and operation of any future airport that could be developed as a supplement to or replacement for SDIA, (3) the development of a comprehensive land use plan for the entire County, (4) to serve as the region's Airport Land Use Commission, and (5) to prepare a RegionaL Aviation Strategic Plan.

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

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

## ECONOMIC CONDITION

The Air Trade Area for the airport includes the County and portions of neighboring Orange and Riverside Counties and Baja California del Norte, Mexico. The California Department of Finance estimates that as of January 1, 2014, San Diego County is the second most populous county in California, just behind Los Angeles County, and the fifth largest county in the United States, with a population of 3.2 million. The County's population has grown at an average rate of 0.7 percent in the past five years. The majority of the County's population is concentrated in the western portion. The largest cities in the County are San Diego (42 percent), Chula Vista (8 percent), Oceanside (5 percent), Escondido (5 percent), Carlsbad (3 percent), El Cajon (3 percent), Vista (3 percent), San Marcos (3 percent) and Encinitas (2 percent). The combined San Diego/Tijuana metropolitan population exceeds five million inhabitants.

Typically, San Diego County has enjoyed a stable economic climate, with unemployment rates lower than the State of California's. The economy continues to improve as seen in decreased unemployment. In June 2014, the County's unemployment rate dropped to 6.1 percent compared to June 2013, at 7.8 percent. This compares with an unemployment rate of 7.4 percent in 2014 and 8.5 percent in 2013 for California and 6.1 percent in 2014 compared to 7.6 percent for the nation as of June 2013. The region's economy is diversified and provides an attractive mix of leisure, business, and governmental sectors. The County is home to more than 150 publicly traded companies.

Enplaned passengers grew 3.9 percent in fiscal year 2014, reflecting the gradual economic improvement totaling 9.08 million, compared to 8.73 million in fiscal year 2013. See the Management's Discussion and Analysis section of the Financial Section of this report for further discussion of the current year activity.

## MAJOR INITIATIVES, AWARDS, AND ACCOMPLISHMENTS

*SDIA Earns the World's First LEED Platinum Certified Commercial Airport Terminal* – In April 2014, SDIA was awarded Leadership in Energy and Environmental Design (LEED) Platinum certification for the Green Build terminal expansion from the U.S. Green Building Council (USGBC). LEED certification is considered the industry standard in defining and measuring "green," sustainable construction, with LEED Platinum being the highest certification attainable. The award makes SDIA the first LEED Platinum certified commercial airport terminal in the world.

LEED Platinum was awarded for the terminal portion of the Green Build, including the 460,000 square-foot expansion of Terminal 2 West and 1.3 million square feet of new aircraft apron and taxiway areas. The design/build contractor for the project was Turner/PCL/Flatiron.

Sustainable elements of the terminal and airside improvements include solar energy, water conservation, energy conservation, storm water pollution prevention and air quality.

Materials for the project were sourced, whenever possible, from within 500 miles of the airport, minimizing fuel usage and emissions in materials delivery. More than 95 percent of construction material waste was diverted from landfills by reuse on site or recycling. Construction teams used alternative fuel equipment as part of the construction process, reducing on site fuel usage and emissions.

*Green Build Gives Back to Small and Local Businesses with Millions in Contract Awards* – With the grand opening of San Diego International Airport's (SDIA) Green Build Terminal 2 West improvement program, the $1 billion project upheld its commitment to provide business opportunities to local and small businesses, including women and minority owned and disabled veteran businesses. Local businesses won a total of $415 million in contracts, and small businesses were awarded contracts totaling $118 million. In addition, nearly 8,000 workers had a role in the project, and at the peak construction, there were 1,000 construction workers on site.

The Airport Authority received awards from the San Diego Chapter of the American Subcontracting Association, Airport Minority Advisory Council, San Diego Hispanic Chamber of Commerce and Federal Aviation Administration for its small business outreach efforts.

*ACI-North America Honors San Diego County Regional Airport Authority (SDIA), with Inaugural Inclusion Champion Awards* – On September 25, 2013, the Airport Authority was awarded Airports Council International North America's (ACI-NA) first Inclusion Champion Award, which recognized exceptional achievement in promotion and sustaining diversity throughout the airport industry's workforce.

The Airport Authority makes diversity a cornerstone of its success, actively recruiting a diverse workforce which mirrors the demographics of the greater San Diego area: 43 percent of employees identify as an ethnicity other than Caucasian, with 20 percent identifying as Hispanic, 12 percent as African American, 8 percent as Asian and 3 percent as Native Hawaiian/Pacific Islander. The Airport Authority made a strong commitment to ensuring a diverse future through Project LIFT, a partnership between the Airport Authority, San Diego City College and the Airport Minority Advisory Council (AMAC) which introduces students to aviation careers. Additionally, the Airport Authority has tailored its contracting process, such as that for its recently completed Green Build construction project, to improve participation by small, minority and women owned businesses.

*Airport Authority Wins Two Orchid Awards for Green Build Public Art and Interior Architecture* – The 2013 Orchids & Onions Awards Ceremony awarded the Airport Authority two Orchids for the public art and interior architecture of the Green Build. The annual event was held by the San Diego Architectural Foundation. The Orchids & Onions jury called the Green Build "breathtaking from a distance, up close, outside and inside," and said it "creates a sense of place, provides an awesome esthetic journey, and combines the very best of form and function."

The Orchids & Onions jury described The Green Build's interior architecture as "open, airy and light," adding that "extensive use of glass takes advantage of natural light for energy efficiency." Regarding the public art in The Green Build, the jury said it "adds a dimension of beauty that elevates the experience."

Construction Begins for the Rental Car Center at SDIA - Groundbreaking took place in October 2013 for the new Rental Car Center at SDIA. The facility will house a number of rental car companies, including the leading national brands, as well as local, independent and small business rental car companies. The Rental Car Center is being constructed by joint venture Austin/Sundt, with Dematteí Wong Architecture leading the design effort Building on the airport's ongoing commitment to sustainability, the Rental Car Center will be designed to achieve LEED certification, incorporating "green" design principles such as use of alternative energy sources, recycled materials, renewable resources and water saving fixtures. The design and construction of the Rental Car Center will be funded by customer facility charges. The estimated cost for the center is $316 million.

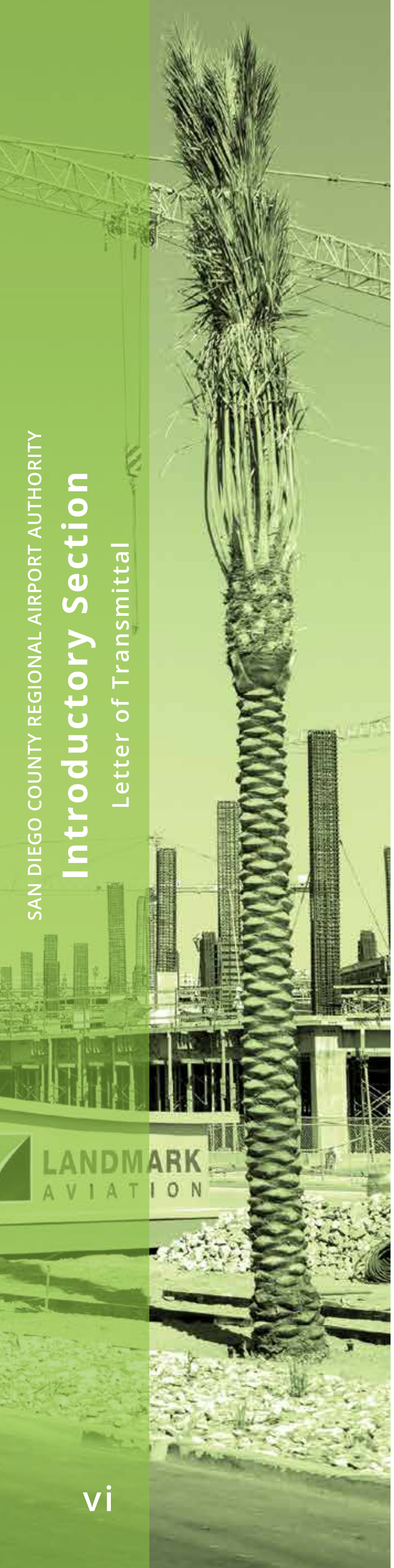
*Major Bond Sale Completed with Favorable Terms for Future Rental Car Center at SDIA* – In February 2014, the Airport Authority completed a major bond sale to fund the construction of a Rental Car Center and related improvements on the north side of SDIA. The bonds are secured by future Customer Facility Charge (CFC) revenue from customers who will use the Rental Car Center, which is scheduled to open in January 2016.

The Rental Car Center bond sale was the largest stand-alone CFC-backed bond deal to date and the first issued in California. The Airport Authority scheduled pricing for the bond sale in early February to take advantage of favorable market flows and lower rates, resulting in the bond offering being extremely well received. The All-in True Interest Cost for the entire transaction was 5.49 percent.

The bond sale's favorable circumstances were due to several factors, including the Airport Authority's careful timing of market entry for the sale, pricing during a time when rates were more attractive, and strong credit ratings for the bonds. Moody's Investors Services and Standard & Poor's Ratings Services rated the bonds A3 (Stable) and A- (Stable), respectively.

The bond sale was comprised of $305.3 million in Senior Special Facility Revenue Bonds, sold on February 5, 2014. The Rental Car Center will serve as a central location for rental car customers, with consolidated shuttle service for all rental car companies, versus the many brand-specific shuttles that have historically served the airport. This will dramatically reduce our carbon footprint with reduced emissions, rental car traffic and the number of shuttle buses circulating around the airport.

*San Diego County Regional Airport Authority Wins Major Route Service Award* – In October 2013, SDIA was given a World Routes award for its air service development efforts. It is the first time the airport has won the award in a global competition. The annual World Routes Awards are considered the most prestigious awards in the industry as they are voted for and judged by the airline network planning community. The awards recognize airports that provide the best overall air service marketing to airlines, including establishing new or developing existing routes, delivering




results and providing data. SDIA won the Routes Americas 2013 award, and was also named Overall Regional Winner for the Americas. SDIA went on to represent North, Central and South America in the World Routes contest.

SDIA was recognized for its work with four separate airlines to increase route service from San Diego. In 2012, the Airport Authority inaugurated service to Tokyo, Orlando and Reagan National Airport in Washington, DC, and expanded service to Hawaii and Mexico. In all, through its partner airlines, the SDIA added 10 new routes in 2012.

*Landmark Aviation Holds a Groundbreaking at SDIA* – Landmark Aviation held a groundbreaking ceremony on October 17, 2013 to design, build and operate a new, state of the art fixed base operator campus, with a 20,000 square-foot terminal, a 250,000 square-foot ramp and five hangars on 12.4 acres of airfield. The new facility is committed to achieve LEED Platinum certification from the USGBC. Landmark Aviation is investing approximately $40 million for this project.

This facility will enhance the SDIA community and provide general aviation customers a comfortable, spacious terminal with many new amenities than previously offered.  The grand opening is scheduled for early August 2014.

## FINANCIAL INFORMATION

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

The Airport Authority completed fiscal year 2014 with operating income (before depreciation and amortization) of $58.9 million. Fiscal year 2014 also grew as compared to fiscal year 2013, with enplanements increasing 3.9 percent, total passengers increasing 4 percent and freight and mail tons increasing 5.1 percent. The accompanying Management’s Discussion and Analysis provides a detailed narrative overview.

## INDEPENDENT AUDIT

The financial records of the Airport Authority are audited annually by independent public accountants. BKD, LLP performed the audit for the current fiscal year ended June 30, 2014. Its report on the financial statements is presented in the Financial Section of this report.

Power and air for airplanes parked at the gates used to come from the airplanes themselves, forcing them to run their engines while parked. Power and air is now provided to parked aircraft from the gates, reducing greenhouse gas emissions.

## ADDITIONAL AWARDS AND ACKNOWLEDGEMENTS

The Airport Authority has been the recipient of numerous awards. A few of the recognitions presented during the fiscal year ended June 30, 2014 were as follows:

*The Government Finance Officers Association of the United States and Canada ("GFOA") Certificate of Achievement for Excellence in Financial Reporting* – This recognition is for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the eleventh year in a row that the Airport Authority received this award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

*The GFOA Distinguished Budget Presentation Award* – The achievement of this award is based on a governmental entity's preparation and issuance of budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's recommended practices on budgeting. This was the ninth year in a row that the Airport Authority received this award.

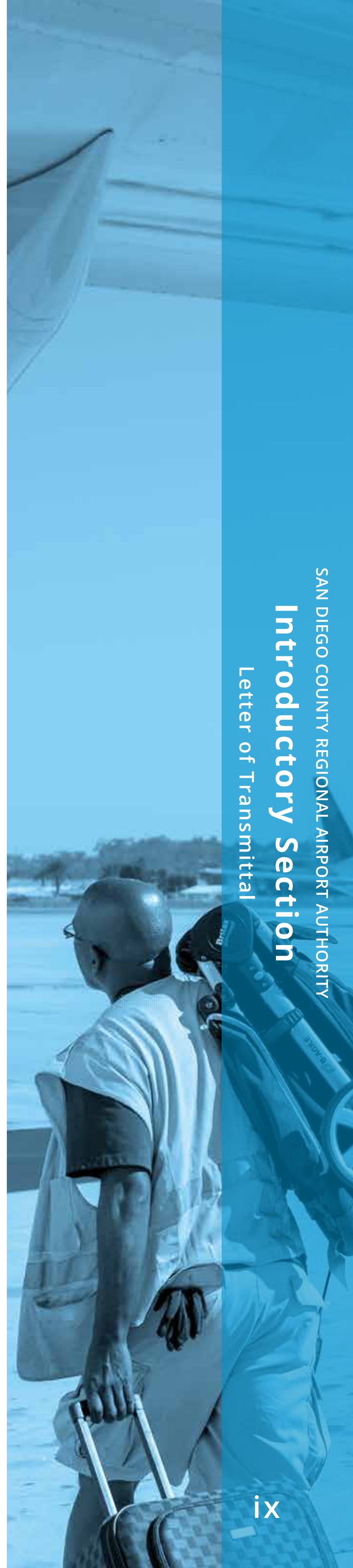
*Airport Authority Receives Achievement of Excellence in Procurement Award* – The Achievement of Excellence in Procurement Award is designed to recognize organizational excellence in procurement. Elements measured for this award include innovation, ethics, electronic commerce, productivity and leadership. The Airport Authority scored in the top 20 percent of all winners and is one of only 36 government agencies in California to win this prestigious award. This is the fourth year in a row that the Airport Authority received this award.

The preparation of the CAFR was made possible by the dedicated service and efforts of the Airport Authority's Accounting Department. We sincerely appreciate everyone's efforts in preparing this report.

Respectfully submitted,

Thella F. Bowens
President/Chief Executive Officer

Scott Brickner, CPA
Vice President, CFO/Treasurer, Finance & Asset Mgmt.



# GFOA CERTIFICATE OF ACHIEVEMENT IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the San Diego County Regional Airport Authority (California) for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This is the eleventh consecutive year that the Airport Authority has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**San Diego County Regional Airport Authority California**

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

**June 30, 2013**

Jeffrey R. Emer

Executive Director/CEO

# AUTHORITY BOARD MEMBERS & EXECUTIVE STAFF

As of June 30, 2014

## Airport Authority Board

### Executive Committee

Robert H. Gleason, Chair

Paul Robinson, Vice Chair

Tom Smisek

### General Members

David Alvarez

Bruce R. Boland *

Greg Cox

Jim Desmond

Lloyd B. Hubbs

Mary Sessom

### Ex-Officio Members

Laurie Berman

Colonel John Farnam

Eraina Ortega

## Executive Staff

**Thella F. Bowens,** President/Chief Executive Officer

**Scott Brickner,** Vice President, CFO/Treasurer, Finance and Asset Mgmt.

**Angela Shafer-Payne,** Vice President, Operations Division

**Jeffrey Woodson,** Vice President, Development Division

**Mark Burchyett,** Chief Auditor

**Breton K. Lobner,** General Counsel

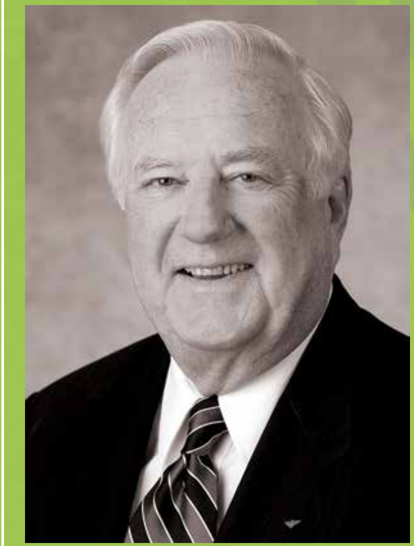
**Hampton Brown,** Director, Air Service Development

**Matt Harris,** Senior Director, Assets and Alliances

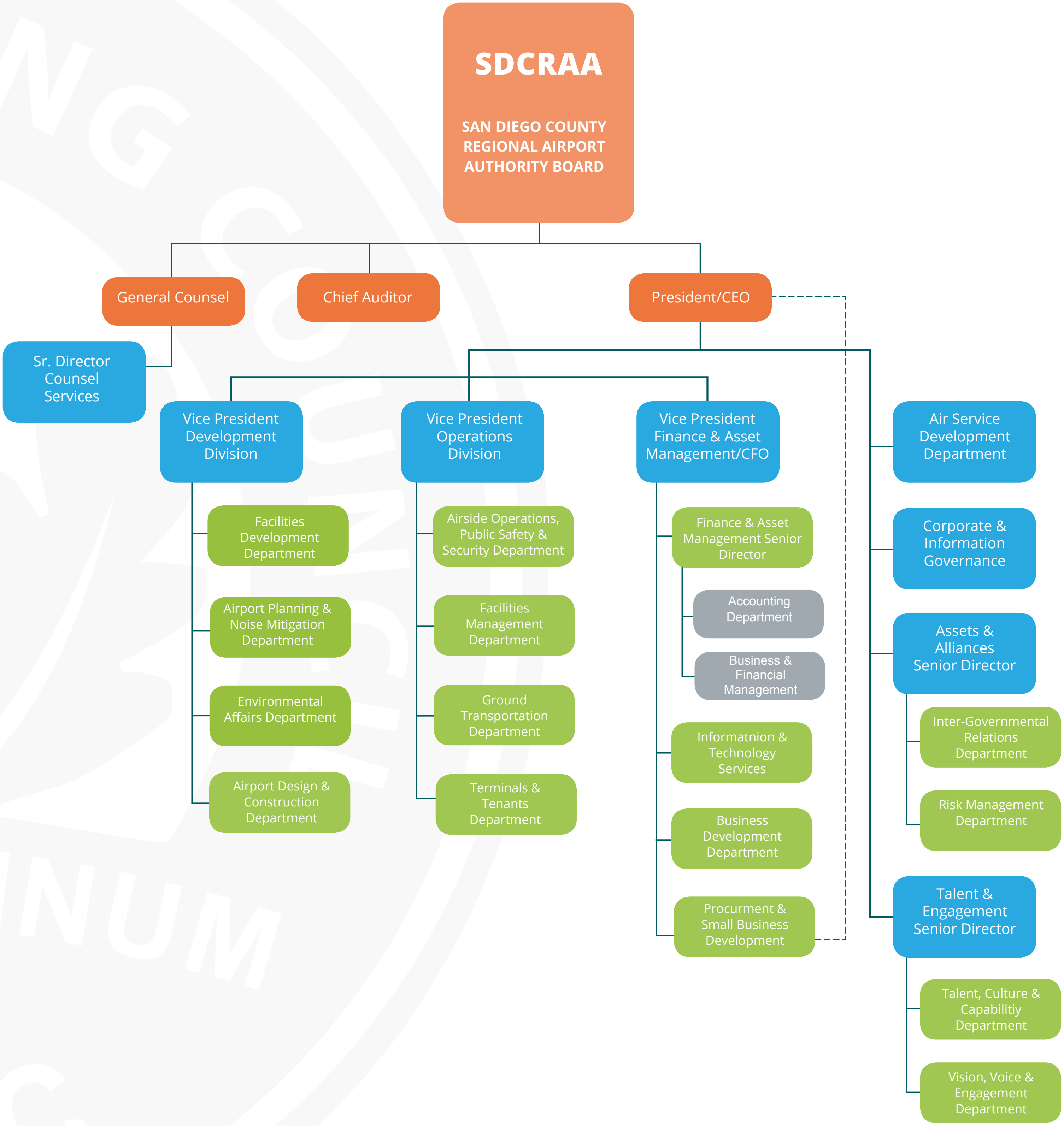
**Jeffrey Lindeman,** Senior Director, Organizational Performance & Development

**Diana Lucero,** Director, Vision, Voice, and Engagement

**Tony Russell,** Director/Authority Clerk, Corporate and Information Governance



* Ret. Rear Admiral Bruce Boland passed away on August 19, 2014. Bruce Boland served on the Airport Authority Board from 2006 until his passing. He was instrumental in the success of numerous major initiatives at the airport, including The Green Build Terminal 2 expansion and the largest airport USO in the nation, completed in August 2013. A military hero, he was a proud and tireless advocate for the military, veterans, San Diego International Airport and the San Diego region. He is greatly missed.


SDCRAA
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD
General Counsel
Chief Auditor
President/CEO
Sr. Director Counsel Services
Vice President Development Division
Vice President Operations Division
Vice President Finance & Asset Management/CFO
Air Service Development Department
Corporate & Information Governance
Assets & Alliances Senior Director
Talent & Engagement Senior Director
Facilities Development Department
Airport Planning & Noise Mitigation Department
Environmental Affairs Department
Airport Design & Construction Department
Airside Operations, Public Safety & Security Department
Facilities Management Department
Ground Transportation Department
Terminals & Tenants Department
Finance & Asset Management Senior Director
Accounting Department
Business & Financial Management
Informatnion & Technology Services
Business Development Department
Procurment & Small Business Development
Inter-Governmental Relations Department
Risk Management Department
Talent, Culture & Capabilitiy Department
Vision, Voice & Engagement Department


Drought-tolerant landscaping, satellite-controlled irrigation, and recycling stations are just a few of the airport's many sustainability initiatives.

# FINANCIAL SECTION (Unaudited)

Independent Auditor's Report

Management's Discussion and Analysis (Unaudited)

Basic Financial Statements:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to Financial Statements
- Required Supplementary Information (Unaudited)

BKD LLP
CPAs & Advisors
14241 Dallas Parkway, Suite 1100 // Dallas, TX 75254-2961
972.702.8262 // fax 972.702.0673 // bkd.com

## Independent Auditor's Report

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

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of the San Diego County Regional Airport Authority (Airport Authority) which are comprised of a statement of net position as of June 30, 2014, and statements of revenues, expenses and changes in net position and of cash flows for the year then ended and the related notes to the financial statements, as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of June 30, 2014, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Members of the Board
San Diego County Regional Airport Authority
Page 2

***Prior Year Audited by Other Auditors***

The 2013 financial statements were audited by other auditors and their report thereon, dated October 18, 2013, expressed an unmodified opinion.

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Introductory and Statistical Sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Dallas, Texas
October 24, 2014

Customer service was enhanced with the opening of the Reflection Room in Terminal 2 West. This room offers customers a serene location to contemplate and relax. Artist – Norie Sato

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

# Management's Discussion and Analysis

For the period July 1, 2013 to June 30, 2014

***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 nonairline business partners operating at SDIA. Since the Airport Authority is not funded by tax revenues, accounts are maintained in an enterprise fund on the accrual basis of accounting. Under accrual accounting, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows. Users of SDIA's facilities provide most of the revenues to operate, maintain, and acquire necessary services and facilities.

***SAN DIEGO INTERNATIONAL AIRPORT***

***History of Ownership***

The public policy decision to transfer responsibility for SDIA from the District to the newly created Airport Authority emanated from recommendations made by the San Diego Regional Efficiency Commission (Commission). The Commission was established to evaluate regional governance in San Diego County and report recommended improvement measures to the California State Legislature.

Because of the significant regional consequences of airport development and operations, the Commission concluded that a regional decision-making process should address the future development of airport facilities in San Diego County. In October 2001, the enabling legislation, Assembly Bill 93 (AB 93) established the composition and jurisdiction of the Airport Authority's governing body in a manner that is designed to reflect the collective interests of the entire San Diego region.

***Legislative Background***

AB 93 was signed into California State law in October 2001. The Act established the Airport Authority on January 1, 2002, as a local agency of regional government with jurisdiction throughout the County of San Diego. Subsequent legislative changes to AB 93 were introduced and passed in California Senate Bill 1896 (Act). The amendment addresses several points pertaining to the transfer of aviation employees, date of transfer, property leases, property acquisition and purchase of services from the District.

On January 1, 2008, Senate Bill 10 (SB 10), the San Diego County Regional Airport Authority Reform Act, was enacted into law expanding the responsibilities of the Airport Authority. The Airport Authority is vested with five principal responsibilities:

(1) Operation of SDIA;

(2) Planning and operation of any future airport that could be developed as a supplement or replacement to SDIA;

(3) Development of comprehensive airport land use plans for the airports in the county;

(4) Serving as the region's Airport Land Use Commission; and

(5) In accordance with SB 10, preparing a Regional Aviation Strategic Plan (completed in fiscal year 2011).

In August 2013, Assembly Bill 1058 was signed into law. This bill made minor clarifying and technical changes to the Airport Authority Act.

***Airport Activities Highlights (2012 – 2014)***

The Airport Authority experienced continued growth in all areas during the current and prior two fiscal years. This followed the trend seen at many commercial airports reflecting the gradual improvements in the economy.

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

| | FY 2012 | FY 2013 | FY 2014 |
|---|---|---|---|
| Enplaned passengers | 8,575,475 | 8,737,617 | 9,082,244 |
| % increase | 1.6% | 1.9% | 3.9% |
| Total passengers | 17,138,911 | 17,440,968 | 18,145,130 |
| % increase | 1.6% | 1.8% | 4.0% |
| Aircraft operations | 188,280 | 188,304 | 187,790 |
| % increase | 1.1% | 0.0% | -0.3% |
| Freight and mail (in tons) | 132,493 | 157,025 | 164,966 |
| % increase | 1.9% | 18.5% | 5.1% |
| Landed weight (in thousands) | 10,820 | 11,016 | 11,187 |
| % increase | 2.0% | 1.8% | 1.6% |

Overall, the improving economy is having a positive effect on aircraft operations at SDIA. The most significant increase since the 2008 economic downturn occurred in fiscal year 2014 with a 3.9 percent increase in enplanements. Also, total passengers increased by 4.0 percent and freight and mail tons increased 5.1 percent. Overall, it appears the improving economy continues to have a positive effect on aircraft operations at SDIA.

***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 consistently over the past two fiscal years by 9.7 percent in 2012, and 10.0 percent in 2013 and decreased slightly in 2014. The fiscal year 2014 decrease is primarily due to an increase in interest expense of approximately $40 million and an increase in depreciation and amortization of approximately $36 million. Following is a summary of the statements of revenues, expenses and changes in net position (in thousands):

| | FY 2012 | FY 2013 | FY 2014 |
|---|---|---|---|
| Operating revenues | $ 153,550 | $ 177,498 | $ 195,737 |
| Operating expenses | (163,701) | (168,420) | (214,026) |
| Nonoperating revenues, net | 47,951 | 41,020 | 14,318 |
| Capital contributions and grants | 20,834 | 16,077 | 3,924 |
| Increase (decrease) in net position | 58,634 | 66,175 | (47) |
| Net position, beginning of year | 602,255 | 660,889 | 727,064 |
| Net position, end of year | $ 660,889 | $ 727,064 | $ 727,017 |

Detailed descriptions of the components of operating revenues and expenses, and nonoperating revenues and expenses are described in the sections that follow.

***FINANCIAL HIGHLIGHTS***

***Operating Revenues (in thousands)***

| | | | From 2013 to 2014 | |
|---|---|---|---|---|
| | FY 2013 | FY 2014 | Increase (Decrease) | % Change |
| Airline revenue: | | | | |
| Landing fees | $ 19,658 | $ 19,107 | $ (551) | (2.8%) |
| Aircraft parking fees | 3,191 | 2,503 | (688) | (21.6%) |
| Building rentals | 41,840 | 46,001 | 4,161 | 9.9% |
| Security surcharge | 23,360 | 25,777 | 2,417 | 10.3% |
| Other aviation revenue | 1,591 | 4,488 | 2,897 | 182.1% |
| Total airline revenue | 89,640 | 97,876 | 8,236 | 9.2% |
| Non-airline terminal rent | 972 | 1,158 | 186 | 19.1% |
| Concession revenue | 42,041 | 47,770 | 5,729 | 13.6% |
| Parking and ground transportation revenue | 35,750 | 38,959 | 3,209 | 9.0% |
| Ground rentals | 8,190 | 8,445 | 255 | 3.1% |
| Other operating revenue | 905 | 1,529 | 624 | 69.0% |
| Total operating revenue | $ 177,498 | $ 195,737 | $ 18,239 | 10.3% |

| | | | From 2012 to 2013 | |
|---|---|---|---|---|
| | FY 2012 | FY 2013 | Increase (Decrease) | % Change |
| Airline revenue: | | | | |
| Landing fees | $ 18,419 | $ 19,658 | $ 1,239 | 6.7% |
| Aircraft parking fees | 3,135 | 3,191 | 56 | 1.8% |
| Building rentals | 30,633 | 41,840 | 11,207 | 36.6% |
| Security surcharge | 18,649 | 23,360 | 4,711 | 25.3% |
| Other aviation revenue | 1,595 | 1,591 | (4) | (0.3%) |
| Total airline revenue | 72,431 | 89,640 | 17,209 | 23.8% |
| Non-airline terminal rent | 907 | 972 | 65 | 7.2% |
| Concession revenue | 40,427 | 42,041 | 1,614 | 4.0% |
| Parking and ground transportation revenue | 31,470 | 35,750 | 4,280 | 13.6% |
| Ground rentals | 7,136 | 8,190 | 1,054 | 14.8% |
| Other operating revenue | 1,179 | 905 | (274) | (23.2%) |
| Total operating revenue | $ 153,550 | $ 177,498 | $ 23,948 | 15.6% |

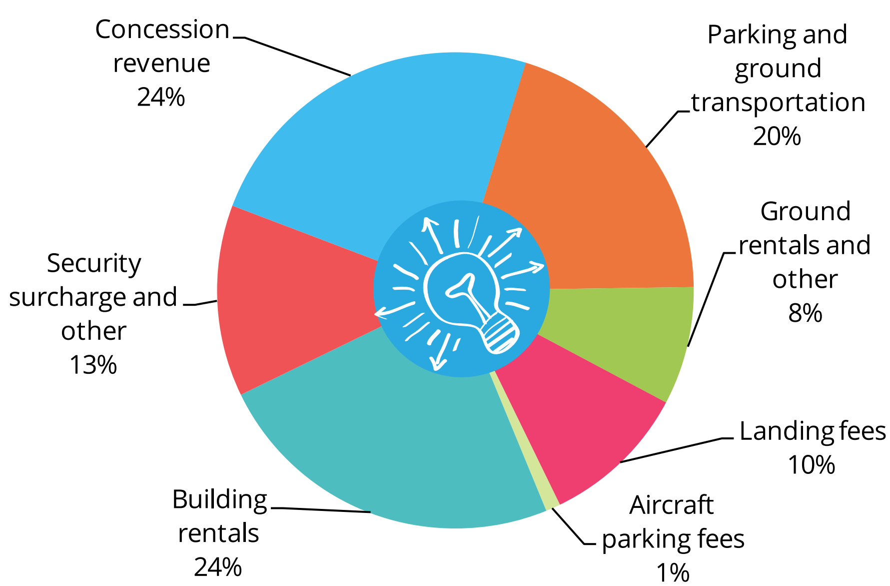


***Operating Revenues, Continued***

*Fiscal year 2014 compared to 2013:* Total airline revenues increased by $8.2 million or 9.2 percent, primarily reflecting the cost recovery system for the airlines which was higher in fiscal year 2014, compared to 2013. Building rentals increased due to the implementation of the new airline use and lease agreement and the additional costs incurred by the fiscal year 2014 grand opening of the airport expansion. Security surcharge revenue increased due to additional costs of services and expanded facilities. Combined in other aviation revenue, common use system support charges were implemented in fiscal year 2014. Offsetting the airline revenue were decreased landing fees due to lower maintenance costs and decreased aircraft parking fees due to vacant parking positions. Concession revenue increased by $5.7 million or 13.6 percent due to the new expanded concession program and the airport expansion. Parking and ground transportation revenue increased $3.2 million and 9.0 percent due to the reopening of Terminal 2 parking lot in front of the new expanded terminal and the increased enplanements.

*Fiscal year 2013 compared to 2012:* Total airline revenues increased by $17.2 million or 23.8 percent, primarily reflecting continued implementation of a progressive cost recovery system for the airlines which was higher in fiscal year 2013, compared to 2012. Building rentals saw a graduated rate increase from 60 percent to 100 percent and the security surcharge increased from 85 percent to 100 percent reflecting the cost recovery formula. Landing fees increased by $1.2 million or 6.7 percent, due to increased airfield maintenance expenses and increased landed weight. Concession revenue increased by $1.6 million or 4.0 percent, reflecting slightly higher enplanements and higher per enplanement sales. Parking revenues increased by $4.3 million or 13.6 percent, due in part to the reopening of Terminal 2 parking that was temporarily closed in fiscal year 2012 to facilitate the construction of the Green Build. Ground rentals revenue increased in 2013 by $1.1 million or 14.8 percent, due to increased rental space by FedEx, and a consumer price index rent increase to FedEx, Southwest, and UPS. The $274 thousand or 23.2 percent decrease, in other operating revenue reflects a change in utility billing practices of the new concession program beginning January 2013, which are now included as part of the base rent.

**San Diego County Regional Airport Authority Fiscal Year Ended June 30, 2014**
**Operating Revenues**



***Operating Expenses (in thousands)***

| | FY 2013 | FY 2014 | Increase (Decrease) From 2013 to 2014 | % Change From 2013 to 2014 |
|---|---|---|---|---|
| Salaries and benefits | $ 38,092 | **$ 39,135** | $ 1,043 | 2.7% |
| Contractual services | 29,284 | **31,559** | 2,275 | 7.8% |
| Safety and security | 23,994 | **24,151** | 157 | 0.7% |
| Space rental | 10,897 | **10,478** | (419) | (3.8%) |
| Utilities | 6,659 | **8,680** | 2,021 | 30.3% |
| Maintenance | 11,204 | **13,982** | 2,778 | 24.8% |
| Equipment and systems | 469 | **643** | 174 | 37.1% |
| Materials and supplies | 406 | **440** | 34 | 8.4% |
| Insurance | 795 | **988** | 193 | 24.3% |
| Employee development and support | 1,235 | **1,171** | (64) | (5.2%) |
| Business development | 2,444 | **2,661** | 217 | 8.9% |
| Equipment rentals and repairs | 1,317 | **2,932** | 1,615 | 122.6% |
| Total operating expenses before depreciation and amortization | 126,796 | **136,820** | 10,024 | 7.9% |
| Depreciation and amortization | 41,624 | **77,205** | 35,581 | 85.5% |
| Total operating expense | $ 168,420 | **$ 214,025** | 45,605 | 27.1% |

| | FY 2012 | FY 2013 | Increase (Decrease) | % Change |
|---|---|---|---|---|
| Salaries and benefits | $ 37,237 | $ 38,092 | $ 855 | 2.3% |
| Contractual services | 26,906 | 29,284 | 2,378 | 8.8% |
| Safety and security | 22,625 | 23,994 | 1,369 | 6.1% |
| Space rental | 11,415 | 10,897 | (518) | (4.5%) |
| Utilities | 6,674 | 6,659 | (15) | (0.2%) |
| Maintenance | 8,497 | 11,204 | 2,707 | 31.9% |
| Equipment and systems | 403 | 469 | 66 | 16.4% |
| Materials and supplies | 304 | 406 | 102 | 33.6% |
| Insurance | 764 | 795 | 31 | 4.1% |
| Employee development and support | 916 | 1,235 | 319 | 34.8% |
| Business development | 2,093 | 2,444 | 351 | 16.8% |
| Equipment rentals and repairs | 1,335 | 1,317 | (18) | (1.3%) |
| Total operating expenses before depreciation and amortization | 119,169 | 126,796 | 7,627 | 6.4% |
| Depreciation and amortization | 44,532 | 41,624 | (2,908) | (6.5%) |
| Total operating expense | $ 163,701 | $ 168,420 | $ 4,719 | 2.9% |

*Fiscal year 2014 compared to 2013:* Total fiscal year 2014 operating expenses increased by $45.6 million, or 27.1 percent. The primary increase was due to the full year's depreciation of the terminal expansion that was partially placed in service in fiscal year 2013 and continued to increase as the expansion was completed in fiscal year 2014, $35.6 million or 85.5 percent. Additionally contributing to the increase were the increased salaries and benefits of $1.0 million, primarily resulting from increased head count due to expansion, salary increases and higher costs for medical benefits. There were also increased contractual services of $2.2 million, primarily resulting from increased shuttles and parking contract costs; safety and security increased $157 thousand due to greater usage from the terminal expansion; utilities increased $2.0 million due to increased rates and usage; maintenance increased by $2.8 million, reflecting costs of airfield repairs, elevator and escalator repairs and runway restriping. Additional support was provided to a new common use passenger processing system, contributing to the $174 thousand increase. Insurance increased by $193 thousand, business development increased $217 thousand and equipment rental and repairs increased $1.6 million due to amortization of new system warranties on baggage handling systems and common use passenger systems.

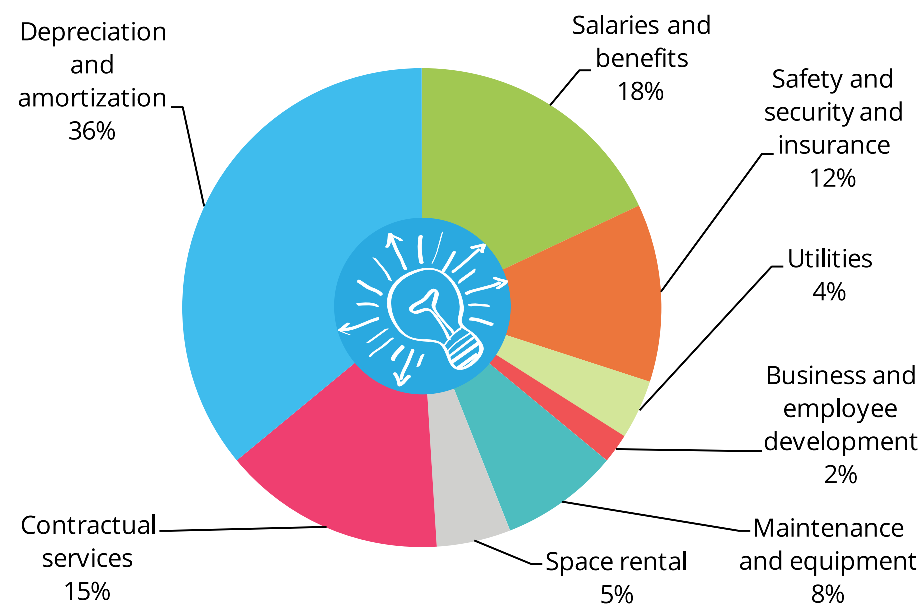
Offsetting this increase were the following decreases: space rental of $419 thousand reflecting the cancellation of an employee parking lease, and other minor reductions in employee development and support.



*Fiscal year 2013 compared to 2012:* Total fiscal year 2013 operating expenses increased by $4.7 million, or 2.9 percent. Contributing to this increase included: increased salaries and benefits of $855 thousand, primarily due to salary increases and higher costs for medical benefits; increased contractual services of $2.4 million, primarily due to the Green Build associated consulting services such as, ramp control professional services and selecting software to manage the new systems and building. Additionally, safety and security increased by $1.4 million, due to increased Harbor Police salaries and benefits expense under a new proposed agreement; maintenance increased by $2.7 million reflecting costs of sink hole repair, elevator and escalator repairs and runway restriping; employee development and support increased by $319 thousand, due to the new Green Build systems training; business development increased by $351 thousand, reflecting advertising and marketing for Japan Airlines and Green Build related promotions.

Offsetting this increase were the following decreases: space rental of $518 thousand reflecting the cancellation of an employee parking lease, and other minor reductions in utilities and equipment rentals and repairs. Depreciation expense decreased by $2.9 million, due to fully depreciated assets of approximately $113 million which included HVAC systems, parking lots, airfield rehabilitations and aircraft fuel storage.

**San Diego County Regional Airport Authority Fiscal Year Ended June 30, 2014**
**Operating Expenses**



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

| | FY 2013 | **FY 2014** | From 2013 to 2014 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Passenger facility charges | $ 35,438 | **$ 35,770** | $ 332 | 0.9% |
| Customer facility charges | 19,117 | **27,545** | 8,428 | 44.1% |
| Quieter Home Program, net | (1,589) | **(2,750)** | (1,161) | 73.1% |
| Joint studies program | (55) | **(152)** | (97) | 176.4% |
| Interest income | 4,140 | **5,211** | 1,071 | 25.9% |
| Interest expense, net | (11,752) | **(51,740)** | (39,988) | (340.3%) |
| Other nonoperating income (expenses) | (4,279) | **434** | 4,713 | 110.1% |
| Nonoperating revenues, net | $ 41,020 | **$ 14,318** | $ (26,702) | (65.1%) |

| | FY 2012 | FY 2013 | From 2012 to 2013 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Passenger facility charges | $ 34,639 | $ 35,438 | $ 799 | 2.3% |
| Customer facility charges | 11,487 | 19,117 | 7,630 | 66.4% |
| Quieter Home Program, net | (3,531) | (1,589) | 1,942 | (55.0%) |
| Joint studies program | (73) | (55) | 18 | (24.7%) |
| Interest income | 5,491 | 4,140 | (1,351) | (24.6%) |
| Interest expense, net | 2,969 | (11,752) | (14,721) | (495.8%) |
| Other nonoperating income (expenses) | (3,032) | (4,279) | (1,247) | (41.1%) |
| Nonoperating revenues, net | $ 47,950 | $ 41,020 | $ (6,930) | (14.5%) |

**Passenger Facility Charges (PFCs)** were established by Congress in 1990 as part of the Aviation Safety and Capacity Expansion Act of 1990. The Airport Authority collects a $4.50 PFC from revenue enplaned passengers to pay for the cost to design and construct eligible Airport capital projects or to repay debt service issued to build such projects. PFCs are collected by the air carriers when passengers purchase their tickets and are remitted to the Airport Authority the month following collection less a $0.11 administration fee.

**Customer Facility Charges (CFCs)** are authorized under Section 1936 of the California Civil Code and approved by legislation under Senate Bill 1510. The Airport Authority began collecting a $10 per contract CFC on rental cars in May 2009. The revenues collected are being used to plan and construct a consolidated rental car facility and related ground transportation system. The rental car agencies remit to the Airport Authority collection of the fee monthly. In November 2012, the rate of $10 per contract was changed to $6 per day up to five days. The fee was again increased in January 2014, to $7.50 per day up to five days. The fee is scheduled to increase to $9.00 per day in January 2017.

**Quieter Home Program** includes sound attenuation construction improvements at all eligible single-family and multifamily dwellings with six or fewer units located in the Year 2000 65 dB Community Noise Equivalent Level contour. The project is eligible for the Airport Improvement Program (AIP). From inception to fiscal year 2014, the Airport Authority has spent $162.9 million and received reimbursement for $132.7 million.

**Interest income** is derived from interest earned by the Airport Authority on investments, commercial paper reserves, bond reserves, and notes receivable from the District.

**Interest expense** includes interest paid and accrued on the 2010, 2013 and 2014 Series Bonds and Commercial Paper Series A, B and C. This is netted with the capitalization of bond interest to the construction in progress assets that the debt finances. The capitalized interest in fiscal years ended June 30, 2014 and 2013 was $7 million and $29.4 million, respectively. Also included in interest expense is the Series C Bonds that were issued as Build America Bonds and include a cash subsidy from the U.S. Treasury equal to 35 percent of the interest payable. During mid-fiscal year 2013 the 35 percent subsidy ended due to the federal government's sequestration measures and was replaced with a reduced rate of 31.96 percent. The interest subsidy for the fiscal years ended June 30, 2014 and 2013 was $4.6 million and $4.8 million, respectively.

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

*Fiscal year 2014 compared to 2013:* Nonoperating revenues (net) decreased by $26.7 million or 65.1 percent. This is primarily due to the $40 million increased interest expense that no longer was capitalized in fiscal year 2014 due to the completion of the Green Build assets and the additional 2014 bond debt. Additionally, there was a net $1.1 million in reduced Quieter Home Program.

Offsetting the decrease was the $8.4 million in customer facility charges due to the January 1, 2014 increase from $6 to $7.50 per day per transaction up to five days. Other nonoperating income increased by $4.7 million due to fiscal year 2013 unrealized investment losses of $2.3 million and loss on disposal of assets, $2.3 million, due to the Green Build expansion and replacement of assets.

*Fiscal year 2013 compared to 2012:* Nonoperating revenues (net) decreased by $6.9 million or 14.5 percent.  This is primarily due to the increased interest expense on the 2013 bonds. Additionally, there was reduced interest income of $1.4 million due to lower interest rates and other nonoperating income (expenses) of $1.2 million due to unrealized investment losses.

Offsetting the decrease is the $799 thousand increase in passenger facility charges reflecting increased enplanements and $7.6 million increased customer facility charges. The increased customer facility charges are due to a rate increase effective November 1, 2012, from $10 per contract to $6 per day up to five days. Additionally, the Quieter Home Program contributed $1.9 million due to higher activity.

**Capital Grant Contributions** are comprised of AIP entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. Variances relate to the amount of work completed on eligible projects during the fiscal year.

***Assets, Liabilities and Net Position***

The statements of net position present the financial position of the Airport Authority as of a period in time. The statements include all assets, deferred outflows, liabilities, deferred inflows and net position of the Airport Authority. A summary comparison of the Airport Authority's assets, liabilities and net position at June 30, 2012, 2013 and 2014 is as follows:

| | FY 2012 | FY 2013 | FY 2014 |
|---|---|---|---|
| Assets | | | |
| Current assets | $ 197,586 | $ 224,303 | $ 214,853 |
| Capital assets, net | 896,477 | 1,178,144 | 1,310,973 |
| Noncurrent assets | 333,352 | 528,336 | 695,698 |
| Total assets | 1,427,415 | 1,930,783 | 2,221,524 |
| Deferred outflows of resources | 1,855 | 4,397 | 758 |
| Total assets and deferred outflows of resources | $ 1,429,270 | $ 1,935,180 | $ 2,222,282 |
| Liabilities | | | |
| Current liabilities | $ 115,071 | $ 121,384 | $ 119,088 |
| Long-term liabilities | 653,310 | 1,086,732 | 1,376,177 |
| Total liabilities | 768,381 | 1,208,116 | 1,495,265 |
| Net Position | | | |
| Net investment in capital assets | 339,467 | 359,640 | 312,781 |
| Restricted | 172,076 | 167,384 | 204,642 |
| Unrestricted | 149,346 | 200,040 | 209,594 |
| Total net position | 660,889 | 727,064 | 727,017 |
| Total liabilities and net position | $ 1,429,270 | $ 1,935,180 | $ 2,222,282 |

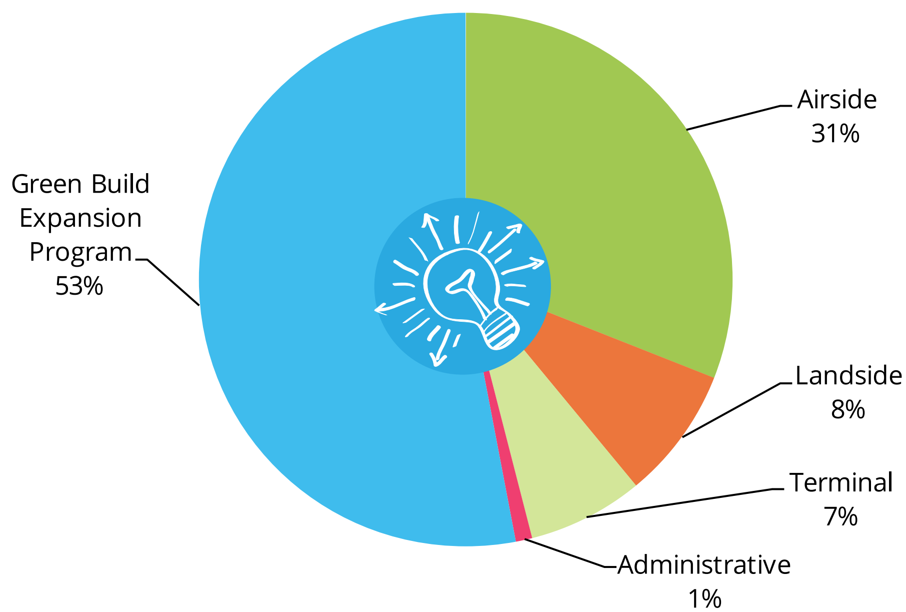
As of June 30, 2014, the Airport Authority's assets and deferred outflows of resources exceeded liabilities by $727.0 million, a $47 thousand decrease from June 30, 2013. The June 30, 2013 total net position was $66.2 million greater than June 30, 2012. The largest portion of the Airport Authority's net position represents its net investment in capital assets. The Airport Authority uses these capital assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital assets is reported net of related debt, it is noted that the funds required to repay this debt must be provided annually from operations. The unrestricted net position of $209.6 million as of June 30, 2014, $200 million as of 2013 and $149.3 million as of 2012, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2014, 2013, and 2012 management has designated unrestricted funds in the amount of $17.1 million, $9.5 million, and $9.0 million respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance, net pension asset and operating contingency.

***Capital Asset and Capital Improvement Program***

The capital program at SDIA consists of the Capital Improvement Program (CIP) and the Green Build. The CIP is a rolling five-year program that provides critical improvements and asset preservation. The program includes capital improvement projects that address federal security requirements, airfield security, environmental remediation, terminal upgrades and development. Funding sources for the projects include the Federal Aviation Administration's Airport Improvement Program, Transportation Security Agency grants, Passenger Facility Charges, Customer Facility Charges, airport operating revenues, airport revenue bonds, special facility bonds and short-term borrowing using commercial paper/revolving line of credit. The capital program includes funding for the Green Build to expand Terminal 2 with 10 additional passenger gates, a dual-level roadway at Terminal 2 and additional overnight parking areas. The Green Build is substantially complete and closeout tasks are currently underway. The total budget for the Green Build is $820 million.

In February 2014, $305 million of Senior Special Facilities Revenue Bonds were issued to be used for the rental car center scheduled for completion January 2016. The current CIP, which includes projects through 2019, consists of $193.3 million for airside projects, $814.4 million for landside projects, $639.3 million for terminal projects, and $19.7 million for administrative projects. The current SDIA CIP does not include noise reduction, and related projects.

**Capital Improvement Program (CIP) Projects by Type**




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

***Capital Financing and Debt Management***

On October 5, 2010, the Airport Authority issued $572.6 million of Subordinate Airport Revenue Bonds Series 2010 A, B and C (Series 2010 Bonds). The bonds are rated A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch ratings, respectively. The Subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the Subordinate Series 2010 Bonds through and including January 1, 2013, refund $142.2 million of the Airport Authority's outstanding commercial paper notes, fund the subordinate bond reserve fund and pay the costs of issuance of the Subordinate Series 2010 Bonds.

The Series 2010 A and B bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years 2012 to 2041. The Series 2010 C Bonds were issued as Build America Bonds and include a cash subsidy payment from the U. S. Treasury; currently, 31.96 percent of interest payable. The interest rate on the Series 2010 C Bonds, net of subsidy, is 4.48 percent and the bonds mature in fiscal year 2041.

The Subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate trustee under the subordinate indenture. The Subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues on parity with the Airport Authority's subordinate commercial paper notes. In addition, the Airport Authority has irrevocably committed a portion of the PFCs; it has received and expects to receive through 2016. The amounts of irrevocably committed PFCs are $19 million annually for fiscal years 2014 through 2016. As of June 30, 2014, the principal balance on the subordinate Series 2010 Bonds was $569.9 million.

On January 30 2013, the Airport Authority issued $379.6 million of Senior Airport Revenue Bonds Series 2013 A and B (Series 2013 Bonds). The Series 2013 Bonds are rated A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. The Senior Series 2013 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the senior Series 2013 Bonds through and including July 1, 2015, fund the senior reserve fund and pay the costs of issuance of the Senior Series 2013 Bonds.

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of $55.9 million, which is being amortized over the life of the bonds. Interest on the Senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal year ended June 30, 2014 amounted to $18.48 million, including accrued interest of $9.2 million. The principal balance on the Series 2013 Bonds as of June 30, 2014 was $379.6 million.

The Senior Series 2013 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system (b) certain funds and accounts held by the senior trustee under the senior indenture.

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a reserve account with the bond trustee and to reserve certain amounts in the Airport Authority's books, as shown in Note 2.

On February 1, 2014 the Airport Authority issued $305,285,000 of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest accruing on the Series 2014 Bonds through January 1, 2016, fund deposits to the senior reserve fund, and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bond was structured as tax-exempt and non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bond was structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 3.73 percent.

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.

As of June 30, 2014, $44.9 million in commercial paper was outstanding. The commercial paper program was established in 1997 to fund the then-approved CIP and related Terminal 2 expansion projects. The Airport Authority's outstanding commercial paper, Series A (non-AMT), Series B (AMT) and Series C (taxable) is secured by a pledge of airport revenues, subordinated to the pledge of net airport revenues securing the payment of the Series 2005 Bonds. The authorized program provides for borrowings up to $250 million through September 1, 2027. Each commercial paper note matures at the end of a period not to exceed 270 days and can be continually rolled into another issuance until the earlier of September 10, 2014, or five days prior to the letter of credit expiration date. The letter of credit is currently securing the commercial paper notes. At the expiration date, the total outstanding principal becomes due. The commercial paper notes require that the charges for services be set each year at rates sufficient to produce pledged revenues of at least 1.10 times the debt service on subordinate obligations, including the commercial paper notes, for that year.

Each series of notes are additionally secured by an irrevocable letter of credit issued by Lloyds TSB Bank plc and is rated A-1 by Standard & Poor's and P-1 by Moody's Investors Service. The letter of credit expires on September 10, 2014. Interest on the notes is paid at a rate based on the market for similar commercial paper notes.

The Airport Authority will replace the commercial paper program with a $125,000,000 revolving line of credit, issued by US Bank, which will be used to refund the outstanding Series B and Series C commercial paper balances. The revolving line of credit is a three year facility and will take effect on September 5, 2014.

The revolving line of credit is payable solely from and secured by a pledge of subordinate net revenues. Subordinate net revenues are generally defined as all revenues and other cash receipts of the Airport Authority's airport operations remaining after Senior Lien payments have been deposited by the Trustee in accordance with the Senior Lien Trust Indenture.

Additional information of the Airport Authority's long-term debt can be found in Note 5 to the financial statements.

The SDIA's PFC program was established in 1994, and currently authorizes the imposition of a $4.50 fee on enplaning passengers. There are currently three active applications which provide collection authority through November 1, 2037.

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately $18 million in grant awards for the federal fiscal year ended September 30, 2014, as compared to $22.3 million for 2013. Grant awards are recognized as nonoperating revenue or capital contributions as eligible expenses are incurred.

***REQUEST FOR INFORMATION***

This financial report is designed to provide a general overview of the Airport Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Accounting Department, P.O. Box 82776, San Diego, CA 92138. The Accounting Department can also be reached at (619) 400-2807. A copy of the financial report is available at www.san.org.

The Volunteer Airport Ambassador Program is the largest program in any U.S. airport, providing assistance to travelers and visitors in the terminals as well as service members and their families in the airport's USO facility.


# Basic Financial Statements:

## San Diego County Regional Airport Authority

Statements of Net Position
June 30, 2014 and 2013

| **Assets and Deferred Outflows of Resources** | **2014** | 2013 |
|---|---|---|
| Current Assets | | |
| Unrestricted: | | |
| Cash and cash equivalents (Note 2) | **$ 26,510,543** | $ 63,626,765 |
| Investments (Note 2) | **70,752,557** | 42,223,353 |
| Tenant lease receivables, net | **9,112,683** | 8,037,665 |
| Grants receivable | **5,937,346** | 3,828,572 |
| Note receivable, current portion (Note 3) | **1,528,512** | 1,446,896 |
| Other current assets | **4,265,960** | 6,279,146 |
| **Total unrestricted current assets** | **118,107,601** | 125,442,397 |
| | | |
| Restricted cash, cash equivalents and investments with trustees (Notes 2 and 5) | **96,745,172** | 98,860,395 |
| **Total current assets** | **214,852,773** | 224,302,792 |
| | | |
| Noncurrent Assets | | |
| Restricted assets (Notes 2 and 5): | | |
| Restricted cash, cash equivalents and investments not with trustees | **161,369,744** | 150,891,087 |
| Restricted investments with trustees | **406,579,651** | 265,568,939 |
| Passenger facility charges receivable (Note 1) | **4,066,248** | 5,545,716 |
| Customer facility charges receivable (Note 1) | **3,394,812** | 2,301,027 |
| Other restricted assets | **4,908,711** | 5,380,813 |
| **Total restricted assets** | **580,319,166** | 429,687,582 |
| | | |
| Other noncurrent assets: | | |
| Investments, noncurrent (Note 2) | **52,455,753** | 41,931,321 |
| Note receivable, long-term portion (Note 3) | **38,358,256** | 39,886,768 |
| Cash and cash equivalents designated for specific capital projects and other commitments (Notes 2 and 12) | **17,144,996** | 9,565,751 |
| Net OPEB asset (Notes 8) | **6,919,775** | 6,648,142 |
| Workers' compensation security deposits | **500,367** | 616,495 |
| **Total other noncurrent assets** | **115,379,147** | 98,648,477 |
| | | |
| Capital assets (Note 4): | | |
| Land, land improvements and nondepreciable assets | **71,081,846** | 65,865,787 |
| Buildings and structures | **1,026,068,015** | 715,421,387 |
| Machinery and equipment | **51,618,837** | 50,717,389 |
| Runways, roads and parking lots | **568,935,877** | 526,061,707 |
| Construction in progress | **250,103,154** | 401,825,140 |
| | **1,967,807,729** | 1,759,891,410 |
| Less accumulated depreciation | **(656,835,195)** | (581,747,601) |
| Capital assets, net | **1,310,972,534** | 1,178,143,809 |
| | | |
| **Total noncurrent assets** | **2,006,670,847** | 1,706,479,868 |
| **Total assets** | **2,221,523,620** | 1,930,782,660 |
| | | |
| Deferred outflows of resources | | |
| Deferred loss on debt refunding | **758,047** | 4,396,671 |
| | | |
| **Total assets and deferred outflows of resources** | **$ 2,222,281,667** | $ 1,935,179,331 |

See Notes to Financial Statements.

| Liabilities and Net position | 2014 | 2013 |
|---|---|---|
| Current Liabilities | | |
| Payable from unrestricted assets: | | |
| Accounts payable | $ 12,690,539 | $ 9,830,408 |
| Accrued liabilities | 5,365,100 | 8,548,307 |
| Compensated absences, current portion (Note 5) | 2,659,580 | 2,357,925 |
| Other current liabilities | 1,447,098 | 1,458,891 |
| Leases payable, current portion (Note 5) | 180,559 | 328,012 |
| **Total payable from unrestricted assets** | 22,342,876 | 22,523,543 |
| Payable from restricted assets: | | |
| Accounts payable | 18,451,369 | 22,491,968 |
| Accrued liabilities | 41,420,014 | 51,744,366 |
| Bonds and commercial paper notes payable, current portion (Note 5) | 5,785,000 | 1,000,000 |
| Accrued interest on bonds and commercial paper (Note 5) | 31,088,789 | 23,624,061 |
| **Total payable from restricted assets** | 96,745,172 | 98,860,395 |
| **Total current liabilities** | 119,088,048 | 121,383,938 |
| Long-Term Liabilities | | |
| Compensated absences, net of current portion (Note 5) | 435,105 | 731,831 |
| Other noncurrent liabilities | 1,115,109 | 795,430 |
| Commercial paper notes payable (Note 5) | 44,884,000 | 50,969,000 |
| Bonds payable and capital leases | 1,329,742,959 | 1,034,235,764 |
| **Total long-term liabilities** | 1,376,177,173 | 1,086,732,025 |
| **Total liabilities** | 1,495,265,221 | 1,208,115,963 |
| Net Position | | |
| Net investment in capital assets (Note 1) | 312,780,398 | 359,639,832 |
| Restricted: | | |
| Debt Service | 73,153,425 | 43,638,543 |
| Construction | 110,194,470 | 102,712,335 |
| Operation and maintenance expenses | 12,385,784 | 11,651,772 |
| Small business bond guarantee | 4,000,000 | 4,000,000 |
| OCIP loss reserve | 4,908,711 | 5,380,813 |
| Total restricted net position | 204,642,390 | 167,383,463 |
| Unrestricted net position | 209,593,658 | 200,040,073 |
| **Total net position** | $ 727,016,446 | $ 727,063,368 |

**San Diego County Regional Airport Authority**

**Statements of Revenues, Expenses and Changes in Net Position**
**June 30, 2014 and 2013**

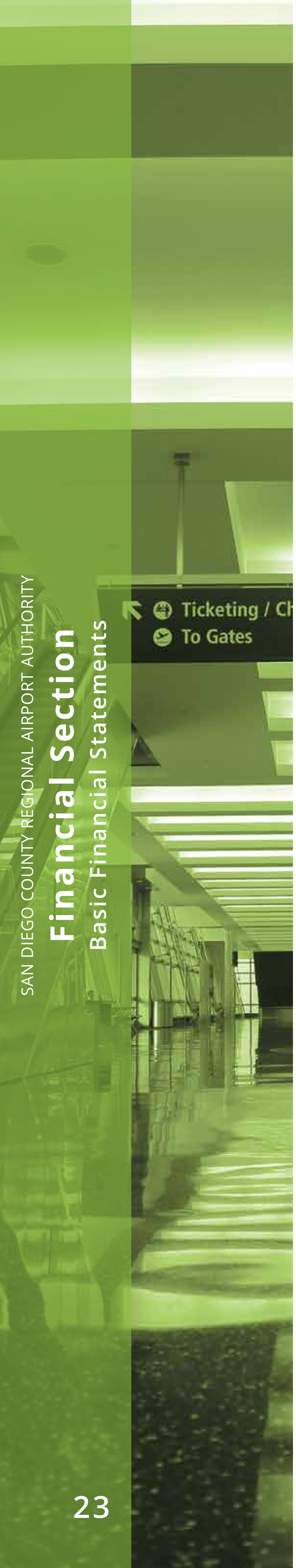
| | 2014 | 2013 |
|---|---|---|
| Operating revenues: | | |
| Airline revenue: | | |
| Landing fees | **$ 19,107,258** | $ 19,658,173 |
| Aircraft parking fees | **2,503,180** | 3,190,928 |
| Building rentals (Note 10) | **46,001,154** | 41,839,619 |
| Security surcharge | **25,776,517** | 23,359,938 |
| Other aviation revenue | **4,488,115** | 1,591,266 |
| Concession revenue | **47,769,865** | 42,040,742 |
| Parking and ground transportation revenue | **38,959,020** | 35,750,484 |
| Ground and non-airlilne terminal rentals (Note 10) | **9,602,842** | 9,161,514 |
| Other operating revenue | **1,528,886** | 905,150 |
| **Total operating revenues** | **195,736,837** | 177,497,814 |
| | | |
| Operating expenses: | | |
| Salaries and benefits (Notes 6, 7 and 8) | **39,135,299** | 38,092,464 |
| Contractual services (Note 12) | **31,559,247** | 29,283,526 |
| Safety and security | **24,150,563** | 23,994,020 |
| Space rental (Note 11) | **10,478,262** | 10,897,338 |
| Utilities | **8,680,410** | 6,659,333 |
| Maintenance | **13,981,689** | 11,204,465 |
| Equipment and systems | **643,225** | 468,699 |
| Materials and supplies | **440,007** | 405,863 |
| Insurance | **988,382** | 794,984 |
| Employee development and support | **1,170,551** | 1,234,757 |
| Business development | **2,661,224** | 2,444,407 |
| Equipment rentals and repairs | **2,931,796** | 1,316,543 |
| **Total operating expenses before depreciation and amortization** | **136,820,655** | 126,796,399 |
| **Income from operations before depreciation and amortization** | **58,916,182** | 50,701,415 |
| | | |
| Depreciation and amortization | **77,205,256** | 41,623,629 |
| **Operating income (loss)** | **(18,289,074)** | 9,077,786 |

(Continued)

See Notes to Financial Statements.

| | 2014 | 2013 |
|---|---|---|
| Nonoperating revenues (expenses): | | |
| Passenger facility charges | **$ 35,769,515** | $ 35,437,453 |
| Customer facility charges | **27,545,001** | 19,117,217 |
| Quieter Home Program grant revenue (Note 1) | **12,373,861** | 13,241,658 |
| Quieter Home Program expenses (Note 1) | **(15,124,141)** | (14,830,457) |
| Joint Studies Program | **(151,855)** | (55,254) |
| Interest income | **5,210,853** | 4,140,068 |
| Interest expense (Note 5) | **(56,375,726)** | (16,530,425) |
| Build America Bonds subsidy (Note 5) | **4,636,215** | 4,778,599 |
| Other revenues (expenses), net | **434,097** | (4,279,123) |
| Nonoperating revenue, net | **14,317,820** | 41,019,736 |
| Income (loss) before capital grant contributions | **(3,971,254)** | 50,097,522 |
| Capital grant contributions (Note 1) | **3,924,332** | 16,077,280 |
| Change in net position | **(46,922)** | 66,174,802 |
| Net position, beginning of year | **727,063,368** | 660,888,566 |
| Net position, end of year | **$ 727,016,446** | $ 727,063,368 |

See Notes to Financial Statements.






## San Diego County Regional Airport Authority

## Statements of Cash Flows
## June 30, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Receipts from customers | $ 193,452,612 | $ 174,459,266 |
| Payments to suppliers | (90,999,011) | (81,174,308) |
| Payments to employees | (40,315,057) | (37,008,283) |
| Other receipts (payments) | (1,821,619) | (149,956) |
| **Net cash provided by operating activities** | 60,316,925 | 56,126,719 |
| Cash Flows From Noncapital Financing Activities | | |
| Settlement receipts (payments) | 434,097 | 4,756 |
| Quieter Home Program grant receipts | 10,265,087 | 13,264,899 |
| Quieter Home Program payments | (15,124,141) | (14,832,460) |
| Joint Studies Program payments | (151,855) | (53,251) |
| **Net cash used in noncapital financing activities** | (4,576,812) | (1,616,056) |
| Cash Flows From Capital and Related Financing Activities | | |
| Capital outlay | (224,557,658) | (325,984,231) |
| Proceeds on Build America Bonds subsidy | 4,636,215 | 4,778,599 |
| Proceeds from sale of capital assets | 11,273 | 694,150 |
| Federal grants received (excluding Quieter Home Program) | 3,924,332 | 16,093,276 |
| Proceeds from passenger facility charges | 37,248,983 | 34,304,024 |
| Proceeds from customer facility charge | 26,451,216 | 17,905,417 |
| Proceeds from issuance of commercial paper | - | 31,045,000 |
| Payment of principal on bonds and commercial paper | (7,085,000) | (39,745,000) |
| Proceeds from issuance of Series 2013 Bond | - | 435,519,101 |
| Proceeds from issuance of Series 2014 Bond | 305,879,266 | - |
| Payment of capital lease | (341,661) | - |
| Interest and debt fees paid | (49,674,023) | (4,215,620) |
| **Net cash provided by capital and related financing activities** | 96,492,943 | 170,394,716 |
| Cash Flows From Investing Activities | | |
| Sales and maturities of investments | 209,856,636 | 127,453,246 |
| Purchases of investments | (398,284,418) | (363,755,197) |
| Interest received on investments and note receivable | 5,210,853 | 5,122,356 |
| Principal payments received on notes receivable | 1,446,896 | 1,580,698 |
| **Net cash used in investing activities** | (181,770,033) | (229,598,897) |
| **Net decrease in cash and cash equivalents** | (29,536,977) | (4,693,518) |
| Cash and cash equivalents, beginning of year | 73,192,516 | 77,886,034 |
| Cash and cash equivalents, end of year | $ 43,655,539 | $ 73,192,516 |

(Continued)

See Notes to Financial Statements.

| | 2014 | 2013 |
|---|---|---|
| Reconciliation of Cash and Cash Equivalents to the Statements of Net Position | | |
| Unrestricted cash and cash equivalents | $ 26,510,543 | $ 63,626,765 |
| Cash and cash equivalents designated for specific capital | | |
| projects and other commitments | 17,144,996 | 9,565,751 |
| | $ 43,655,539 | $ 73,192,516 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by | | |
| Operating Activities | | |
| Operating income (loss) | $ (18,289,074) | $ 9,077,786 |
| Adjustments to reconcile operating income (loss) to net cash provided | | |
| by operating activities: | | |
| Depreciation and amortization expense | 77,321,384 | 41,623,629 |
| Bad debt expense (recapture) | | 4,565 |
| Changes in assets and liabilities: | | |
| Tenant lease receivables | (1,075,018) | (1,386,723) |
| OPEB asset | (271,633) | 578,664 |
| Other assets | 2,641,527 | (892,748) |
| Accounts payable | 2,860,131 | (1,440,698) |
| Accrued liabilities | (3,183,207) | 8,437,880 |
| Compensated absences | 4,929 | 156,771 |
| Other liabilities | 307,886 | (32,407) |
| **Net cash provided by operating activities** | $ 60,316,925 | $ 56,126,719 |
| Supplemental Disclosure of Noncash Investing, Capital and | | |
| Financing Activities | | |
| Additions to capital assets included in accounts payable | $ 59,871,383 | $ 74,236,334 |
| Additions to capital lease obligations | $ - | $ 7,955,912 |

See Notes to Financial Statements.


Specialized seating in Terminal 2 West offers customers with disabilities a comfortable place to rest while traveling.

## 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 as a result of legislation, Assembly Bill 93 (2001), as modified by Senate Bill 1896 (2002), which together comprise the San Diego County Regional Airport Authority Act (the Act). The Act required, among other things, the transfer of the assets and operations of the San Diego International Airport (SDIA) from the San Diego Unified Port District (the District) to the Airport Authority. Effective January 1, 2003 (inception), the District transferred all airport operations and certain related assets and liabilities to the Airport Authority, pursuant to the Act and the Memorandum of Understanding (MOU) dated as of December 31, 2002, between the Airport Authority and the District, which implemented the Act.

Senate Bill 10 (SB 10), the San Diego County Regional Airport Authority Reform Act, was effective January 1, 2008. Responsibilities of the Airport Authority include, among other things, the operation, maintenance, development, management and regulation of SDIA and its facilities. In addition, the Airport Authority has the responsibility to plan or to expand the existing SDIA. Under one of the requirements of SB 10, the Airport Authority completed a Regional Aviation Strategic Plan and the Airport Authority prepared and adopted an Airport Multimodal Accessibility Plan. In addition, the Airport Authority acts as the Airport Land Use Commission within San Diego County.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements 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. Two Board members are appointed by the San Diego County Board of Supervisors. The remaining four Board members are each appointed by the Mayors of the following defined jurisdictions: the east county cities, south county cities, north coastal area cities and north county inland cities. The Board members serve three year terms in accordance with California SB 10.

**Measurement focus and basis of accounting:** The accounting policies of the Airport Authority conform to accounting principles generally accepted in the United States of America applicable to state and local government agencies, and as such, the Airport Authority is accounted for as a proprietary fund. The basic financial statements presented are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This measurement focus emphasizes the determination of the change in Airport Authority net position.

**Use of estimates:** The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources and liabilities and 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.

## Notes to Financial Statements

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

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

**Investments:** Investments in the state and county investment pools are recorded at fair value based upon the Airport Authority's pro rata share of the fair value provided by the state and county investment pools for the entire respective pool. Guaranteed investment contracts are recorded at contract value. All other investments are stated at fair market value based on quoted market prices.

**Tenant lease receivables:** Tenant lease receivables are carried at the original invoice amount for fixed-rent tenants and at estimated invoice amount for concession (variable) tenants, less an estimate made for doubtful receivables for both fixed-rent and concession tenants. Management determines the allowance for doubtful accounts by evaluating individual tenant receivables and considering a tenant's financial condition and credit history and current economic conditions. Tenant lease receivables are written off when deemed uncollectible. Recoveries of tenant lease receivables previously written off are recorded when received.

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

**Airport Improvement Program (AIP):** AIP grants are authorized and disbursed by the FAA under the Airway Improvement Act of 1982, as amended, which provides funding for airport planning and development projects at airports included in the National Plan of Integrated Airport Systems. As such, the AIP grants must be used to pay for the allowable costs of approved projects. As of June 30, 2014 and 2013, the Airport Authority recovered $3,924,332 and $16,077,280, respectively, for approved capital projects and $12,373,861 and $13,241,658, respectively, for the Quieter Home Program. Related recoverable costs as of June 30, 2014 and 2013 were $4,633,107 and $20,096,600, respectively, for capital projects and $15,124,141 and $14,830,457, respectively, for the Quieter Home Program.

**Passenger facility charges (PFC):** The PFC program is authorized by the Aviation Safety and Capacity Expansion Act of 1990 (the Expansion Act). In accordance with the Expansion Act, the Airport Authority's AIP Passenger Entitlement Apportionment is reduced by certain percentages, dependent upon the level of PFC received by the Airport Authority.

In accordance with the program, PFC revenue must be used to pay allowable costs for approved capital projects. As of June 30, 2014 and 2013, accrued PFC receivables totaled $4,066,248 and $5,545,716, respectively, and there were $60,769,935 and $53,856,259 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2014 and 2013, respectively.

On May 20, 2003, the FAA approved an increase in the Airport Authority's PFC charge per enplaned passenger from $3.00 to $4.50, beginning August 1, 2003. Currently, the Airport Authority's impose and use authority of $1.2 billion from three active applications allows collection through November 1, 2037. The Airport Authority has formally closed five previously approved applications and withdrawn one pending application which has been integrated in a ninth application to impose and use approximately $32 million in PFC revenue. The latest application was approved by the FAA in July 2012. 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.

## Notes to Financial Statements

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

**Customer facility charges (CFC):** The Airport Authority received approval in May 2009 from the State of California under Section 1936 of the California Civil Code to impose a $10 CFC per contract on rental cars at SDIA.

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects. Effective January 1, 2014, the CFC rate went from $6.00 to $7.50 per day for a maximum of five days. As of June 30, 2014 and 2013, accrued CFC receivables totaled $3,394,812 and $2,301,027, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2014 and 2013 were $41,652,322 and $41,009,333, respectively.

**Net pension asset:** The Airport Authority funds additional contributions to the defined pension plan in excess of the annual required contribution (ARC) to strive for a 95 percent funding ratio. The difference between the Airport Authority's actual contributions and its ARCs results in a net pension asset.

**Net other postemployment benefit (OPEB) asset:** Annually, the Airport Authority funds 100 percent of the actuarially calculated ARC for its OPEB. In previous years, the Airport Authority has made contributions above the annual ARC which has resulted in a net OPEB asset.

**Deferred outflows of resources:** The Airport Authority defers recognition of losses incurred on debt refundings and reports such losses as deferred outflows of resources in the statements of net position. Deferred losses on debt refundings are amortized using the effective interest method over the lesser of the remaining life of the original bonds or the life of the new bonds.

**Capital assets:** Capital assets are recorded at cost, except for property contributed by third parties, which is recorded at fair market value at the date of contribution, less an allowance for accumulated depreciation. The Airport Authority capitalizes incremental overhead costs and interest cost associated with the construction of capital assets. Capital assets are defined by the Airport Authority as assets with an initial, individual cost of more than $5,000 and an initial useful life of one year or greater.

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

| Asset Category | (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 |

## Notes to Financial Statements

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are expensed as incurred. Major outlays for capital assets and improvements are capitalized as construction in progress as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For the fiscal years ended June 30, 2014 and 2013, the Airport Authority capitalized interest of $6,962,979 and $29,438,080, respectively.

**Evaluation of long-lived assets:** The Airport Authority accounts for long-lived assets under GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The Airport Authority's capital assets include property, equipment and infrastructure assets. A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The Airport Authority is required to evaluate 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. This statement requires the Airport Authority to report the effects of capital asset impairments in its financial statements when they occur and to account for insurance recoveries in the same manner. The Airport Authority's management has determined that no impairment of capital assets currently exists.

**Retentions payable:** The Airport Authority enters into construction contracts that may include retention provisions such that a certain percentage of the contract amount is held for payment until completion of the contract and acceptance by the Airport Authority. The Airport Authority's policy is to record the retention payable only after completion of the work and acceptance of the contractor invoices have occurred. Retentions payable on completed contracts are included with accounts payable on the accompanying statements of net position. Amounts related to unpaid retentions on uncompleted contracts are included in accrued liabilities.

**Compensated absences:** All employees of the Airport Authority earn annual leave that is paid upon termination or retirement. Annual leave is accrued at current rates of compensation and based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

**Bond discounts, premiums and issuance costs:** Bond discounts and premiums are deferred and amortized over the term of the respective bonds using the effective interest method. Bond issuance costs are expensed as incurred.

**Airport Authority net position:** Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.

Restricted net position represents amounts that are appropriated or legally segregated for a specific purpose. Airport Authority 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.

## Notes to Financial Statements

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

Unrestricted net position as of June 30, 2014, includes designations of net position that represent tentative management plans that are subject to change, consisting of:

| | 2014 | 2013 |
|---|---|---|
| Operating contingency | **$ 2,000,000** | $ 2,000,000 |
| Insurance contingency (Note 9) | **7,377,978** | 6,659,982 |
| Capital projects and other commitments (Note 12) | **7,767,018** | 905,769 |
| Total designated net position | **$ 17,144,996** | $ 9,565,751 |

**Revenue classifications:** Revenue is recognized when earned. The Airport Authority will classify revenues as operating or nonoperating based on the following criteria:

Operating revenues are from the revenue sources that constitute the principal ongoing activities of the Airport Authority's operations. The major components of the Airport Authority's operating revenue sources consist of landing fees and terminal building and ground rentals, concession and parking fees, and other miscellaneous fees and charges. Landing fees and terminal building rates are charged on the basis of recovery of actual costs for operating and maintaining the SDIA airfield and terminal areas. Ground rentals consist mainly of rent received for leased cargo facilities. Concession fees are determined as a percentage of gross monthly revenues generated by each concession lessee's monthly operations. Parking fees are generated from the airport parking lots.

Nonoperating revenues are from revenue sources related to financing activities and other activities, which do not constitute the principal ongoing activities of the Airport Authority's operations. The major components of the nonoperating revenue sources are interest income from cash and investments, PFCs, CFCs and grant revenue related to the Quieter Home Program.

**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 three largest airlines in terms of enplaned passengers are as follows:

| | 2014 | 2013 |
|---|---|---|
| Southwest Airlines | **36.9%** | 37.2% |
| United Airlines | **12.5%** | 13.5% |
| Delta Airlines | **10.1%** | 10.4% |

**Expense classifications:** The Airport Authority will classify expenses as operating or nonoperating based on the following criteria:

Operating expenses relate to the principal ongoing activities of the Airport Authority's operations. The major components of the Airport Authority's operating expense sources consist of salaries and benefits, contractual services, space rental, utilities, maintenance, equipment and systems, materials and supplies, insurance, employee development and support, business development, and equipment rentals and repairs.

## Notes to Financial Statements

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

Nonoperating expenses relate to financing, investing and other activities that do not constitute the principal ongoing activities of the Airport Authority's operations. The major components of nonoperating expenses sources are expenditures for the Quieter Home Program, interest expense and other nonoperating expenses such as legal settlements and unrealized loss on investments.

**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. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* effective for the Airport Authority's year ending June 30, 2015;
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,* effective for the Airport Authority's year ending June 30, 2015; and
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* effective for the Airport Authority's year ending June 30, 2015.

**Pronouncements adopted:** The Airport Authority has adopted and implemented the following GASB Statements during the year ended June 30, 2014:

- GASB Statement No. 66, *Technical Corrections—2012—and amendment of GASB Statements No. 10 and No. 62*; and
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

The implementation of GASB Statements No. 66 and No. 70 did not impact net position or the change in net position of the Airport Authority as of or for the year ended June 30, 2014.

**Reclassifications:** Certain reclassifications have been made to the 2013 financial information in order to conform to the 2014 presentation. These reclassifications had no impact on the Airport Authority's net position or change in net position.

Projects on the north side of the airfield are being designed to achieve LEED Certification from the United States Green Building Council.



## Notes to Financial Statements

### 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:

| | **2014** | 2013 |
|---|---|---|
| Unrestricted and undesignated: | | |
| Cash and cash equivalents | **$ 26,510,543** | $ 63,626,765 |
| Current investments | **70,752,557** | 42,223,353 |
| Noncurrent investments | **52,455,753** | 41,931,321 |
| Total unrestricted and undesignated | **149,718,853** | 147,781,439 |
| Designated for specific capital projects and other commitments: cash and cash equivalents | **17,144,996** | 9,565,751 |
| Restricted cash, cash equivalents and investments: | | |
| Bond reserves | | |
| Operation and maintenance reserve subaccount | **37,157,351** | 34,955,315 |
| Operation and maintenance subaccount | **12,385,784** | 11,651,772 |
| Renewal and replacement reserve | **5,400,000** | 5,400,000 |
| | **54,943,135** | 52,007,087 |
| Passenger facility charges unapplied | **60,769,935** | 53,856,259 |
| Customer facility charges unapplied | **41,652,322** | 41,009,333 |
| Small business development bond guarantee | **4,000,000** | 4,000,000 |
| Commercial paper reserve | **4,352** | 18,408 |
| Total restricted | **161,369,744** | 150,891,087 |
| Total cash, cash equivalents and investments not with trustees | **328,233,593** | 308,238,277 |
| Cash, cash equivalents and investments with trustees: | | |
| Commercial paper interest | **12,906** | 12,906 |
| Customer facility charges | **311,153** | - |
| 2010 Series debt service account | **21,640,387** | 16,869,731 |
| 2010 Series construction fund | **2,204** | 2,728,626 |
| 2010 Series debt service reserve fund | **50,988,876** | 51,108,152 |
| 2013 Series debt service account | **8,938,429** | 1,648,415 |
| 2013 Series capitalized interest account | **752,446** | 8,357,832 |
| 2013 Series construction fund | **100,500,234** | 250,974,607 |
| 2013 Series debt service reserve fund | **32,993,011** | 32,729,065 |
| 2014 Series rolling coverage fund | **6,556,757** | - |
| 2014 Series capitalized interest account | **30,432,045** | - |
| 2014 Series construction fund | **228,270,006** | - |
| 2014 Series debt service reserve fund | **21,926,369** | - |
| Total cash, cash equivalents and investments with trustees | **503,324,823** | 364,429,334 |
| Total cash, cash equivalents and investments | **$ 831,558,416** | $ 672,667,611 |

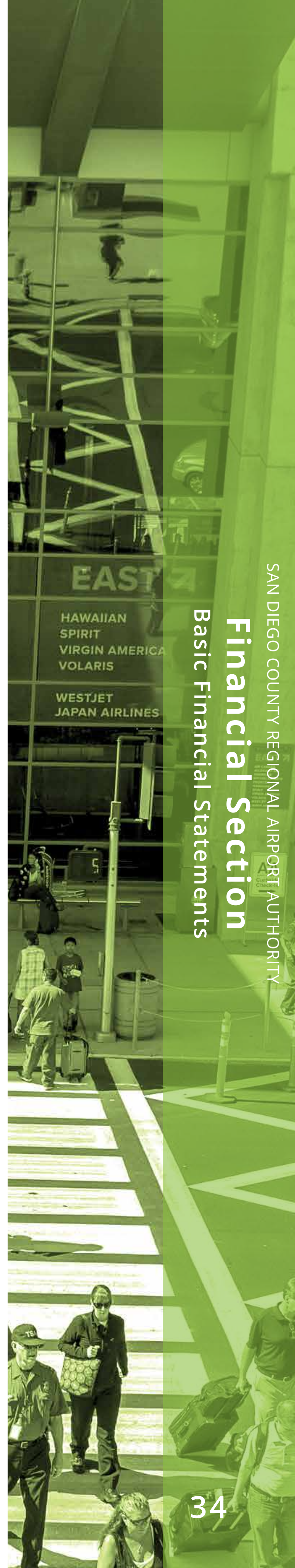
## Notes to Financial Statements

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

Components of cash, cash equivalents and investments at June 30 are summarized below:

| | 2014 | 2013 |
|---|---|---|
| Unrestricted cash on deposit: | | |
| Cash on hand | **$ 51,976** | $ 51,976 |
| Cash in banks | **21,224,402** | 5,043,576 |
| Total unrestricted cash on deposit | **21,276,378** | 5,095,552 |
| Unrestricted and restricted cash equivalents: | | |
| Money market accounts | **40,630,745** | 62,559,806 |
| Money market mutual funds | **56,013** | 537,158 |
| Total unrestricted and restricted cash equivalents | **40,686,758** | 63,096,964 |
| Unrestricted and restricted investments: | | |
| Certificates of deposit | **15,192,964** | 10,117,110 |
| CalTrust Fund | **15,027,791** | 5,000,000 |
| Local Agency Investment Fund (LAIF) | **47,535,117** | 47,416,828 |
| San Diego County Investment Pool (SDCIP) | **48,476,017** | 48,088,210 |
| Commercial paper | **15,494,684** | 35,485,205 |
| Medium-term notes | **22,018,642** | 8,126,320 |
| U.S. Treasury notes | **64,082,562** | 11,759,303 |
| U.S. agency securities | **38,442,680** | 74,052,785 |
| Total unrestricted and restricted investments | **266,270,457** | 240,045,761 |
| Total cash, cash equivalents and investments not with trustees | **328,233,593** | 308,238,277 |
| Cash, cash equivalents, and investments with trustees: | | |
| Money market accounts | **31,184,103** | 16,124,492 |
| Money market mutual funds | **27,957,467** | 24,620,178 |
| Certificates of deposit | **20,615,554** | 20,461,517 |
| San Diego County Investment Pool (SDCIP) | **287,809,151** | 207,199,007 |
| Local Agency Investment Fund (LAIF) | **135,758,548** | 96,024,140 |
| Total cash, cash equivalents and investments with trustees | **503,324,823** | 364,429,334 |
| Total cash, cash equivalents and investments | **$ 831,558,416** | **$ 672,667,611** |

**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.



## Notes to Financial Statements

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

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

| Authorized Investment Type | Maximum Maturity | Minimum Quality Requirements | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|---|
| U.S. Treasury obligations | 5 years | N/A | None | None |
| U.S. agency securities | 5 years | N/A | None | None |
| Bankers' acceptances | 180 days | AAA/Aaa | 40 percent | 10 percent |
| Commercial paper | 270 days | A-1; P-1; F-1 | 25 percent | 10 percent |
| Negotiable certificates of deposit | < 25 months | A | 30 percent | 10 percent |
| | 25-36 months | AA | 30 percent | 10 percent |
| Medium-term notes | < 25 months | A | 15 percent | 10 percent |
| | 25-36 months | AA | 15 percent | 10 percent |
| Repurchase agreements | 1 year | A | None | None |
| Local Agency Investment Fund | N/A | N/A | None | $50 million |
| San Diego County Investment Pool | N/A | N/A | None | $50 million |
| Local Government Investment Pool | N/A | N/A | None | $50 million |
| Money market mutual funds | N/A | AAA/Aaa | 20 percent | 10 percent |
| U.S. State and California agency indebtedness | 5 years | A | 20 percent | 5 percent |
| Placement service certificates of deposits | 3 years | N/A | 30 percent | 10 percent |
| Bank deposits | N/A | * | None | None |
| Time certificates of deposit | 3 years | * | 20 percent | 10 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.

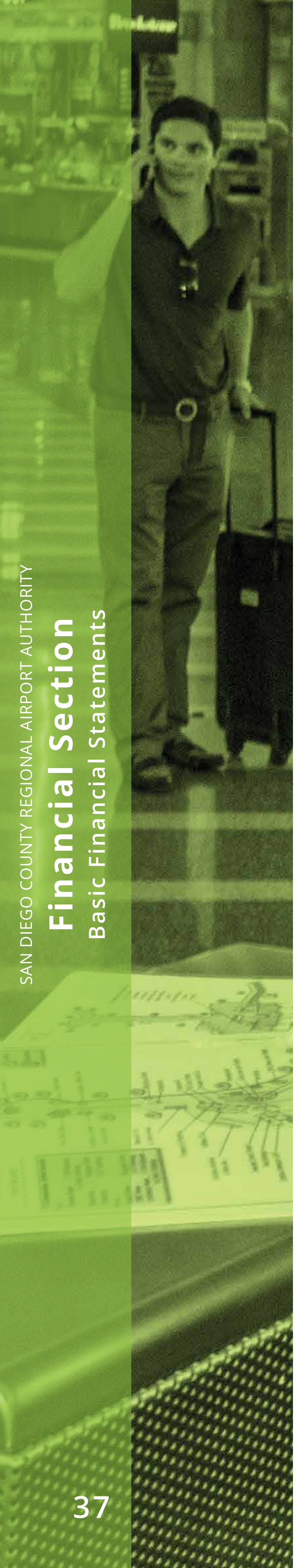
**Note 2. Cash, Cash Equivalents and Investments (Continued)**

**Investments authorized by debt agreements:** Investments held by the bond trustee are governed by the provisions of the debt agreement, in addition to the general provisions of the California Government Code and the Airport Authority's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee, according to the Master Trust Indenture. In the event of a conflict between the Airport Authority's investment policy and permitted investments associated with any Airport Authority debt issuance, the debt agreement shall control. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

| Authorized Investment Type | Maximum Maturity | Minimum Quality Requirements | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|---|
| U.S. Treasury obligations | None | N/A | None | None |
| U.S. agency securities | None | N/A | None | None |
| Bankers' acceptances | 360 days | AAA/Aaa | None | None |
| Commercial paper | 270 days | A-1; P-1; F-1 | None | None |
| Repurchase agreements | None | N/A | None | None |
| Money market portfolio | None | Two highest ratings | None | None |
| Cash | None | N/A | None | None |
| Deposit accounts | None | N/A | None | None |
| Municipal bonds | None | Two highest ratings | None | None |
| Local Agency Investment Fund | None | N/A | None | None |
| San Diego County Investment Pool | None | N/A | None | None |
| Certificates of deposit | None | Two highest ratings | None | None |
| Investment agreements | None | N/A | None | None |

The primary objective of the Airport Authority's investment policy is to invest public funds in a manner that will provide the highest security of the funds under management while meeting the daily cash flow demands of the Airport Authority. Assets of the Airport Authority that are not bond proceeds, which are invested in securities as permitted in the bond indenture, are described in the preceding table. In addition, there are various credit criteria as defined in the Airport Authority's investment policy as depicted in the previous section entitled "Investments authorizes in accordance with California Government Code Section 53601 and under the provisions of the Airport Authority's investment policy."

**Investments held by Trustee:** The Airport Authority has monies held by trustees pledged for the security and payment of certain debt instruments, the payment of bond interest during construction and the payment of capital project costs.





## Notes to Financial Statements

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

**Disclosures related to interest rate risk:** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, investments with longer maturities have greater fair value sensitivity to changes in market interest rates. One of the ways the Airport Authority manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities. These staggered maturities also provide consistent cash flow and fulfill liquidity needs for operations. The Airport Authority monitors interest rate risk inherent in its portfolio by measuring the segmented time distribution of its portfolio. The Airport Authority has no specific limitations with respect to this metric.

Information about the sensitivity of the fair values of the Airport Authority's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following tables, which shows the distribution of the entity's investments by maturity as of June 30:

| | 2014 | | | | |
|---|---|---|---|---|---|
| Investment Type | Total | 12 Months or Less | 13 to 24 Months | 25 to 60 Months | More Than 60 Months |
| Investments subject to interest rate risk: | | | | | |
| CalTrust | $ 15,027,791 | $ 15,027,791 | $ - | $ - | $ - |
| LAIF | 183,293,665 | 183,293,665 | - | - | - |
| SDCIP | 336,285,168 | 336,285,168 | - | - | - |
| Commercial paper | 15,494,684 | 15,494,684 | - | - | - |
| Medium-term notes | 22,018,642 | - | 21,219,370 | 799,272 | - |
| Money market mutual funds | 28,013,480 | 28,013,480 | - | - | - |
| U.S. Treasury notes | 64,082,562 | - | 36,552,992 | 27,529,570 | - |
| U.S. agency securities | 38,442,680 | - | 17,972,890 | 20,469,790 | - |
| Total investments subject to interest rate risk: | $ 702,658,672 | $ 578,114,788 | $ 75,745,252 | $ 48,798,632 | $ - |
| Investments not subject to interest rate risk: | | | | | |
| Certificates of deposit | 35,808,518 | | | | |
| | $ 738,467,190 | | | | |

| | 2013 | | | | |
|---|---|---|---|---|---|
| Investment Type | Total | 12 Months or Less | 13 to 24 Months | 25 to 60 Months | More Than 60 Months |
| Investments subject to interest rate risk: | | | | | |
| CalTrust | $ 5,000,000 | $ - | $ 5,000,000 | $ - | $ - |
| LAIF | 143,440,968 | 143,440,968 | - | - | - |
| SDCIP | 255,287,217 | 255,287,217 | - | - | - |
| Commercial paper | 35,485,205 | 35,485,205 | - | - | - |
| Medium-term notes | 8,126,320 | - | - | 8,126,320 | - |
| Money market mutual funds | 25,157,336 | 25,157,336 | - | - | - |
| U.S. Treasury notes | 11,759,303 | - | - | 11,759,303 | - |
| U.S. agency securities | 74,052,785 | - | 4,992,950 | 69,059,835 | - |
| Total investments subject to interest rate risk: | $ 558,309,134 | $ 459,370,726 | $ 9,992,950 | $ 88,945,458 | $ - |
| Investments not subject to interest rate risk: | | | | | |
| Certificates of deposit | 30,578,627 | | | | |
| | $ 588,887,761 | | | | |



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

**Custodial credit risk (deposits):** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Airport Authority maintains deposits at several institutions in order to minimize custodial credit risk. These deposits are collateralized by various instruments such as U.S. government securities (guaranteed) or U.S. agency securities (government sponsored). California Government Code requires that a financial institution secure deposits made by a state or local government by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Airport Authority deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured deposits.

Insurance through the Federal Deposit Insurance Corporation (FDIC) may be applicable to the first $250,000 of institutional deposit accounts, with any balance above this amount covered by the collateralization requirement. Certificates of deposit held by the Airport Authority's third-party custodians are fully insured by the FDIC, as the individual amounts do not exceed the FDIC-insured limits, or are collateralized in accordance with the California Government Code.

**Custodial credit risk (investments):** Custodial credit risk for investments is the risk that the Airport Authority will not be able to recover the value of its investments in the event of a counterparty failure. The Airport Authority uses third-party banks' custody and safekeeping services for its registered investment securities. Securities are held in custody at third-party banks registered in the name of the Airport Authority and are segregated from securities owned by those institutions or held in custody by those institutions.

**Disclosures related to credit risk:** Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. California Government Code Section 53601 (as referenced previously in this note) limits the types of investment instruments that may be purchased by the Airport Authority. Presented below is the actual rating for each investment type held by the Airport Authority as of June 30, 2014 and 2013:

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| Investment Type | Total | Unrated[1] | AAA/Aaa[1] | AA/ Aa[1] | A[1] | A-1+/P-1[1] |
| Investments subject to credit rate risk: | | | | | | |
| CalTrust | $ 15,027,791 | $ - | $ 15,027,791 | $ - | $ - | $ - |
| LAIF | 183,293,665 | 183,293,665 | - | - | - | - |
| SDCIP | 336,285,168 | - | 336,285,168 | - | - | - |
| Commercial paper | 15,494,684 | - | - | - | - | 15,494,684 |
| Medium-term notes | 22,018,642 | - | - | 17,011,542 | 5,007,100 | - |
| Money market mutual funds | 28,013,480 | - | 28,013,480 | - | - | - |
| U.S. Treasury notes | 64,082,562 | - | 64,082,562 | - | | - |
| U.S. agency securities | 38,442,680 | - | 38,442,680 | - | | - |
| Total investments subject to credit risk: | $ 702,658,672 | $ 183,293,665 | $ 481,851,681 | $ 17,011,542 | $ 5,007,100 | $ 15,494,684 |
| Investments not subject to credit risk: | | | | | | |
| Certificates of deposit | 35,808,518 | | | | | |
| | $ 738,467,190 | | | | | |

[1] *Source: Standard and Poor's, Moodys and Fitch*

## Notes to Financial Statements

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

| | 2013 | | | | |
|---|---|---|---|---|---|
| Investment Type | Total | Unrated[1] | AAA/Aaa[1] | AA/ Aa[1] | A-1+/P-1[1] |
| Investments subject to credit rate risk: | | | | | |
| CalTrust | $ 5,000,000 | $ - | $ 5,000,000 | $ - | $ - |
| LAIF | 143,440,968 | 143,440,968 | - | - | - |
| SDCIP | 255,287,217 | - | 255,287,217 | - | - |
| Commercial paper | 35,485,205 | - | - | - | 35,485,205 |
| Medium-term notes | 8,126,320 | - | - | 8,126,320 | - |
| Money market mutual funds | 25,157,336 | - | 25,157,336 | - | - |
| U.S. Treasury notes | 11,759,303 | - | 11,759,303 | - | - |
| U.S. agency securities | 74,052,785 | - | 74,052,785 | - | - |
| Total investments subject to credit risk: | $ 558,309,134 | $ 143,440,968 | $ 371,256,641 | $ 8,126,320 | $ 35,485,205 |
| Investments not subject to credit risk: | | | | | |
| Certificates of deposit | 30,578,627 | | | | |
| | $ 588,887,761 | | | | |

[1] *Source: Standard and Poor's, Moodys and Fitch*

**Concentration of credit risk:** The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated in the table provided earlier in this note. The Airport Authority requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity, issuer or class of securities. The Airport Authority had no concentrations of credit risk at June 30, 2014.

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

### Note 3. Note Receivable

As part of the transfer of airport operations from the District to the Airport Authority, and pursuant to the associated MOU, the District issued a $50,000,000 unsecured promissory note to the Airport Authority. According to an agreement with the District that commenced on January 1, 2006, the note will be amortized over 25 years, maturing on December 31, 2030. The note is subordinate to all bond indebtedness of the District and carries a fixed interest rate of 5.5 percent per annum. At June 30, 2014 and 2013, the balance of the note receivable was $39,886,768 and $41,333,664, respectively.

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

| Years Ending June 30, | Amount |
|---|---|
| 2015 | $ 1,529,000 |
| 2016 | 1,609,000 |
| 2017 | 1,705,000 |
| 2018 | 1,802,000 |
| 2019 | 1,903,000 |
| 2020-2024 | 11,244,000 |
| 2025-2029 | 14,802,000 |
| 2030-2034 | 5,293,000 |
| | $ 39,887,000 |

## Note 4. Capital Assets

Capital asset activity for the years ended June 30, 2014 and 2013 are as follows:

| | Balance at June 30, 2013 | Increases | Decreases | Balance at June 30, 2014 |
|---|---|---|---|---|
| Nondepreciable assets: | | | | |
| Land | $ 22,415,851 | $ - | $ - | **$ 22,415,851** |
| Construction in progress | 401,825,140 | 214,293,229 | (366,015,215) | **250,103,154** |
| Intangible asset | 440,000 | - | - | **440,000** |
| Total nondepreciable assets | 424,680,991 | 214,293,229 | (366,015,215) | **272,959,005** |
| Depreciable assets: | | | | |
| Land improvements | 43,009,936 | 5,656,060 | - | **48,665,996** |
| Buildings and structures (1) | 715,421,387 | 317,174,867 | (6,968,239) | **1,025,628,015** |
| Machinery and equipment (2) | 50,717,389 | 1,573,410 | (671,962) | **51,618,837** |
| Runways, roads and parking lots | 526,061,707 | 43,041,675 | (167,505) | **568,935,877** |
| Total capital assets being depreciated | 1,335,210,419 | 367,446,012 | (7,807,706) | **1,694,848,725** |
| Less accumulated depreciation for: | | | | |
| Land improvements | (2,298,540) | (1,816,359) | - | **(4,114,899)** |
| Building and structures | (346,153,840) | (52,962,879) | 5,218,601 | **(393,898,118)** |
| Machinery and equipment | (38,920,696) | (3,792,848) | 671,965 | **(42,041,579)** |
| Runways, roads and parking lots | (194,374,525) | (22,573,579) | 167,505 | **(216,780,599)** |
| Total accumulated depreciation | (581,747,601) | (81,145,665) | 6,058,071 | **(656,835,195)** |
| Total capital assets being depreciated, net | 753,462,818 | 286,300,347 | (1,749,635) | **1,038,013,530** |
| Capital assets, net | $ 1,178,143,809 | $ 500,593,576 | $ (367,764,850) | **$1,310,972,535** |

(1) Includes capitalized lease of building with initial net present value of future lease payments of $8,040,531

(2) Includes capitalized leases of office equipment with initial net present value of future lease payments of $760,332

Construction in progress contains projects such as the Green Build, upgrading certain major equipment, and improvements to the runway, parking lots and terminals. Current contracts with the Airport Authority related to these projects are discussed later in these notes.


## Notes to Financial Statements

### Note 4. Capital Assets (Continued)

| | Balance at June 30, 2012 | Increases | Decreases | Balance at June 30, 2013 |
|---|---|---|---|---|
| Nondepreciable assets: | | | | |
| Land | $ 22,415,851 | $ - | $ - | $ 22,415,851 |
| Construction in progress | 632,390,868 | 320,205,929 | (550,771,657) | 401,825,140 |
| Intangible asset | 440,000 | - | - | 440,000 |
| Total nondepreciable assets | 655,246,719 | 320,205,929 | (550,771,657) | 424,680,991 |
| Depreciable assets: | | | | |
| Land improvements | 2,071,198 | 40,938,738 | - | 43,009,936 |
| Buildings and structures (1) | 463,735,113 | 252,587,679 | (901,405) | 715,421,387 |
| Machinery and equipment (2) | 47,676,803 | 3,336,199 | (295,613) | 50,717,389 |
| Runways, roads and parking lots | 269,535,431 | 262,222,156 | (5,695,880) | 526,061,707 |
| Total capital assets being depreciated | 783,018,545 | 559,084,772 | (6,892,898) | 1,335,210,419 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (1,190,389) | (1,108,151) | - | (2,298,540) |
| Building and structures | (320,299,753) | (26,459,140) | 605,053 | (346,153,840) |
| Machinery and equipment | (35,344,261) | (3,870,881) | 294,446 | (38,920,696) |
| Runways, roads and parking lots | (184,953,993) | (12,950,700) | 3,530,168 | (194,374,525) |
| Total accumulated depreciation | (541,788,396) | (44,388,872) | 4,429,667 | (581,747,601) |
| Total capital assets being depreciated, net | 241,230,149 | 514,695,900 | (2,463,231) | 753,462,818 |
| Capital assets, net | $ 896,476,868 | $ 834,901,829 | $ (553,234,888) | $ 1,178,143,809 |

(1) Includes capitalized lease of building with initial net present value of future lease payments of $8,040,531

(2) Includes capitalized leases of office equipment with initial net present value of future lease payments of $760,332


## Note 5. Long-Term Liabilities

The following is a summary of changes in the long-term liability activity for the years ended June 30, 2014 and 2013:

| | Principal Balance at June 30, 2013 | Additions/ New Issuances | Reductions/ Repayments | **Principal Balance at June 30, 2014** | Due Within One Year |
|---|---|---|---|---|---|
| Debt obligations: | | | | | |
| Commercial paper | $ 50,969,000 | $ - | $ (6,085,000) | **$ 44,884,000** | $ - |
| Bonds payable: | | | | | |
| Series 2010 Bonds | 570,870,000 | - | (1,000,000) | **569,870,000** | 5,785,000 |
| Series 2013 Bonds | 379,585,000 | - | - | **379,585,000** | - |
| Series 2014 Bonds | - | 305,285,000 | - | **305,285,000** | - |
| Bond premiums | 76,956,188 | 594,266 | (4,392,863) | **73,157,591** | - |
| Total bonds payable | 1,027,411,188 | 305,879,266 | (5,392,863) | **1,327,897,591** | 5,785,000 |
| Total debt obligations | 1,078,380,188 | 305,879,266 | (11,477,863) | **1,372,781,591** | 5,785,000 |
| Capital Leases | 8,152,588 | - | (341,661) | **7,810,927** | 180,559 |
| Compensated absences | 3,089,756 | 2,664,509 | (2,659,580) | **3,094,685** | 2,659,580 |
| Total long-term liabilities | $ 1,089,622,532 | $308,543,775 | $ (14,479,104) | **$ 1,383,687,203** | $ 8,625,139 |

| | Principal Balance at June 30, 2012 (as restated) | Additions/ New Issuances | Reductions/ Repayments | Principal Balance at June 30, 2013 | Due Within One Year |
|---|---|---|---|---|---|
| Debt obligations: | | | | | |
| Commercial paper | $ 20,729,000 | $ 31,045,000 | $ (805,000) | $ 50,969,000 | $ - |
| Bonds payable: | | | | | |
| Series 2005 Bonds | 37,960,000 | - | (37,960,000) | - | - |
| Series 2010 Bonds | 571,850,000 | - | (980,000) | 570,870,000 | 1,000,000 |
| Series 2013 Bonds | - | 379,585,000 | - | 379,585,000 | - |
| Bond premiums | 25,497,968 | 55,934,101 | (4,475,881) | 76,956,188 | - |
| Total bonds payable | 635,307,968 | 435,519,101 | (43,415,881) | 1,027,411,188 | 1,000,000 |
| Total debt obligations | 656,036,968 | 466,564,101 | (44,220,881) | 1,078,380,188 | 1,000,000 |
| Capital Leases | 361,641 | 8,040,531 | (249,584) | 8,152,588 | 328,012 |
| Compensated absences | 2,932,985 | 2,514,696 | (2,357,925) | 3,089,756 | 2,357,925 |
| Total long-term liabilities | $ 659,331,594 | $477,119,328 | $ (46,828,390) | $ 1,089,622,532 | $ 3,685,937 |

## Notes to Financial Statements

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

**Senior Lien Airport Revenue Bonds, Series 2005 and Refunded Series 1995:** The California Maritime Infrastructure Authority issued $76,690,000 of Airport Revenue Bonds (Series 1995 Bonds) for the District, pursuant to a trust agreement dated December 1, 1995. The proceeds of the Series 1995 Bonds, together with investment income thereon, were used solely to pay a portion of the construction and installation of the West Terminal Expansion at SDIA, fund a Reserve Account and pay certain expenses in connection with the issuance of the Series 1995 Bonds. In conjunction with the transfer of airport operations to the Airport Authority on January 1, 2003, these bond obligations were assumed by the Airport Authority.

On November 9, 2005, the Airport Authority issued $56,270,000 of senior lien Series 2005 Bonds to refund all of the then-outstanding Series 1995 Bonds, fund a debt service reserve account and to pay cost of issuance. The Series 2005 Bonds were structured as serial bonds that bear interest at rates ranging from 4.5 percent to 5.25 percent and mature in fiscal years 2007 to 2021.

On December 21, 2012, the Airport Authority defeased all of its outstanding Series 2005 Bonds, by depositing proceeds of Subordinate CP Notes and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2005 Bonds until their final maturity date of July 1, 2020. As of June 30, 2014 and 2013, the amount held in escrow by the trustee was $35,775,109 and $36,489,675, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was $30,920,000 and $34,530,000, respectively.

**Commercial Paper Series A, B and C (CP Notes):** On September 6, 2007, the Board authorized issuance of subordinate CP Notes with up to $250,000,000 of principal outstanding at any time. The CP Notes may be issued from time to time and proceeds from the issuance of the CP Notes are to be used, among other things, to finance improvements to SDIA. The CP Notes are obligations secured by a pledge of airport revenues subordinated to the pledge of net airport revenues securing payment of the senior lien Series 2013 and Series 2014 Bonds and on parity to the subordinate Series 2010 Bonds. Each commercial paper note matures at the end of a period not to exceed 270 days. The matured commercial paper can be continually rolled into another issuance until the earlier of September 10, 2014, or five days prior to the irrevocable letter of credit expiration date.

The CP Notes are secured by an irrevocable letter of credit provided by Lloyds TSB Bank that expires no later than September 10, 2014. There were no unreimbursed draws by the Airport Authority on this letter of credit during the year ended June 30, 2014, nor were there any amounts outstanding under this letter of credit agreement at June 30, 2014.

On October 6 and 13, 2010, the Airport Authority refinanced $115,776,000 and $26,400,000, respectively, of Series A, B and C commercial paper with proceeds from the sale of subordinated Series 2010 Bonds.

At June 30, 2014, the aggregate principal amount outstanding of the CP Notes was $44,884,000, carrying a weighted-average interest rate of 0.17 percent. At June 30, 2013, the principal amount of CP Notes outstanding was $50,969,000, carrying a weighted-average interest rate of 0.19 percent. Commercial paper interest expense for the years ended June 30, 2014 and 2013 amounted to $85,142 and $87,683 respectively, including accrued interest of $6,513 and $6,867, respectively.

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

As subordinate obligations, the CP Notes require that the charges for services be set each year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the commercial paper notes require the Airport Authority to maintain an interest reserve account with the note trustee and to reserve a certain amount in the Airport Authority's books. At June 30, 2014 and 2013, the amount held by the trustee was $12,906 for both years and the amount reserved by the Airport Authority was $4,352 and $18,408, respectively.

**Revolving Line of Credit program in Fiscal Year 2015:** Subsequent to June 30, 2014, the Airport Authority replaced its commercial paper program with a $125,000,000 revolving line of credit issued by US Bank. The revolving line of credit will be used to refund the outstanding Series B and Series C CP Note balances. The revolving line of credit is a three-year agreement and will take effect on September 5, 2014.

The revolving line of credit is payable solely from and secured by a pledge of "Subordinate Net Revenues." Subordinate Net Revenues are generally defined as all revenues and other cash receipts of the Airport Authority's airport operations remaining after senior lien payments have been deposited by the Trustee in accordance with the Senior Lien Trust Indenture.

The existing balance of the Series B CP Notes of $18,929,000 will be reconstituted as the Series B Revolving Line of Credit and will bear interest at the tax-exempt LIBOR rate. The existing balance of the Series C CP Notes of $25,955,000 will be reconstituted as the Series C revolving line of credit and will bear interest at the taxable LIBOR rate.

**Subordinate Lien Series 2010 Bonds:** On October 5, 2010, the Airport Authority issued $572,565,000 of Series A, B, and C Subordinate Airport Revenue Bonds (Series 2010 Bonds). The subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the subordinate Series 2010 Bonds through and including January 1, 2013, refund $142,176,000 of the Airport Authority's outstanding commercial paper notes, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2010 Bonds.

The Series 2010 A and 2010 B Bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years 2012 to 2041. The Series 2010 C Bonds were issued as taxable Build America Bonds, which benefit from periodic cash subsidy payments from the U.S. Treasury equal to 35 percent of interest payable. However, in fiscal year ended June 30, 2013, due to the impact of the federal government's sequestration measures, subsidy payments were reduced by 4.3 percent. The Build America Bonds interest subsidy for the fiscal years ended June 30, 2014 and 2013 was $4,636,215 and $4,778,599, respectively. The interest rate on the Series 2010 C Bonds, net of the subsidy, is 4.31 percent and the bonds mature in fiscal year 2041. The bonds were issued at a premium of $26,154,344, which is being amortized over the life of the bonds. Interest on the subordinate Series 2010 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal years ended June 30, 2014 and 2013 amounted to $31,705,498 and $31,735,498, respectively, including accrued interest of $15,852,749 and $15,867,749, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2014 and 2013 was $569,870,000 and $570,870,000, respectively.




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

The subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate trustee under the subordinate indenture. The subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues on parity with the Airport Authority's subordinate commercial paper notes. In addition, the Airport Authority has irrevocably committed a portion of the PFCs it has received and expects to receive through 2016. The irrevocably committed PFC amount of $19,208,838 was fully utilized in fiscal year 2014. The irrevocably committed PFC amounts for fiscal years ended June 30, 2015 and 2016 are $19,206,113 and $19,209,388 respectively.

As subordinate lien bonds, the Series 2010 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Series 2010 Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2014 and 2013, the amount held by the trustee was $72,631,467 and $70,706,509, respectively, which included the July 1 payment, unspent project fund proceeds and a debt service reserve fund.

The public ratings of the Series 2010 Bonds as of June 30, 2014 are A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

The required debt service payments for the Series 2010 Bonds for the fiscal years ending June 30 are as follows:

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 5,785,000 | $ 31,594,948.00 | $ 37,379,948 |
| 2016 | 8,665,000 | 31,318,098.00 | 39,983,098 |
| 2017 | 9,000,000 | 30,934,023.00 | 39,934,023 |
| 2018 | 9,430,000 | 30,487,998.00 | 39,917,998 |
| 2019 | 9,890,000 | 30,020,298.00 | 39,910,298 |
| 2020-2024 | 57,155,000 | 142,174,548.00 | 199,329,548 |
| 2025-2029 | 72,780,000 | 126,152,054.00 | 198,932,054 |
| 2030-2034 | 126,555,000 | 102,133,609.00 | 228,688,609 |
| 2035-2039 | 184,500,000 | 54,968,046.00 | 239,468,046 |
| 2040-2041 | 86,110,000 | 5,269,210.00 | 91,379,210 |
| | $ 569,870,000 | $ 585,052,832 | $ 1,154,922,832 |

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

**Senior Lien Airport Revenue Bonds, Series 2013:** On January 30, 2013, the Airport Authority issued $379,585,000 of Series A and B Senior Airport Revenue Bonds (Series 2013 Bonds). The Series 2013 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the Series 2013 Bonds through and including July 1, 2015, fund the senior reserve fund and pay the costs of issuance of the Series 2013 Bonds.

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of $55,934,101, which is being amortized over the life of the bonds. Interest on the senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal years ended June 30, 2014 and 2013 was $18,475,501 and $7,749,446, respectively, including accrued interest of $9,237,750 and $7,749,446. The principal balance on the Series 2013 Bonds as of June 30, 2014 and 2013 was $379,585,000.

The senior Series 2013 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system (b) certain funds and accounts held by the senior trustee under the senior indenture.

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a reserve account with the bond trustee and to reserve certain amounts in the Airport Authority's books, as shown previously in the notes. For the fiscal years ended June 30, 2014 and 2013, the amount held by the trustee was $143,184,120 and $293,709,919, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund, and capitalized interest funds. The total amount reserved by the Airport Authority for fiscal years 2014 and 2013 was $54,943,135 and $52,007,087, respectively. The public ratings of the Series 2013 Bonds as of June 30, 2014 are A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

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

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ - | $ 18,475,500 | $ 18,475,500 |
| 2016 | 2,030,000 | 18,445,050 | 20,475,050 |
| 2017 | 2,090,000 | 18,382,275 | 20,472,275 |
| 2018 | 2,155,000 | 18,306,850 | 20,461,850 |
| 2019 | 2,240,000 | 18,218,950 | 20,458,950 |
| 2020-2024 | 36,455,000 | 87,143,275 | 123,598,275 |
| 2025-2029 | 53,155,000 | 75,547,025 | 128,702,025 |
| 2030-2034 | 38,740,000 | 63,204,425 | 101,944,425 |
| 2035-2039 | 36,645,000 | 55,408,875 | 92,053,875 |
| 2040-2044 | 206,075,000 | 32,900,375 | 238,975,375 |
| | $ 379,585,000 | $ 406,032,600 | $ 785,617,600 |

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

**Senior Lien Airport Revenue Bonds, Series 2014:** On February 1, 2014, the Airport Authority issued $305,285,000 of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest accruing on the Series 2014 Bonds through January 1, 2016, fund deposits to the senior reserve fund, and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt and non-AMT term bonds that bear interest at 5.00 percent. The Series 2014B Bond were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 3.73 percent.

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 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 |
|---|---|---|---|
| 2015 | $ - | $ 16,341,210 | $ 16,341,210 |
| 2016 | - | 16,341,210 | 16,341,210 |
| 2017 | - | 16,341,210 | 16,341,210 |
| 2018 | 5,580,000 | 16,341,210 | 21,921,210 |
| 2019 | 5,720,000 | 16,199,646 | 21,919,646 |
| 2020-2024 | 32,015,000 | 77,578,877 | 109,593,877 |
| 2025-2029 | 41,600,000 | 67,999,047 | 109,599,047 |
| 2030-2034 | 54,610,000 | 54,986,842 | 109,596,842 |
| 2035-2039 | 71,690,000 | 37,905,564 | 109,595,564 |
| 2040-2044 | 94,070,000 | 15,531,476 | 109,601,476 |
| | $ 305,285,000 | $ 335,566,292 | $ 640,851,292 |

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

**Line of credit:** In fiscal year 2013, the Airport Authority established a $4,000,000 line of credit with Wells Fargo, which is collateralized with a certificate of deposit. This line of credit replaced a line maintained with Union Bank. 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, 2014, nothing had been drawn on the line of credit and one issued letter of credit was outstanding, totaling $687,320 for projects in progress. The letter of credit is due to expire June 16, 2015.

**Capital Leases**

**Office equipment leases:** The Airport Authority entered into capital lease agreements for office equipment that require monthly lease payments of $14,806.

**Receiving distribution center lease:** The Airport Authority entered into an installment purchase agreement for a receiving and distribution center (RDC) in fiscal year 2013. This agreement has been determined to be a capital lease and requires monthly lease payments of $73,108. The Airport Authority will become the owner of the RDC at the conclusion of the 20 year installment purchase agreement.

The following is a schedule of future lease payments applicable to the RDC installment purchase agreement, the office equipment capital leases, and the net present value of the future lease payments at June 30, 2014:

| Years Ending June 30, | Amount |
|---|---|
| 2015 | $ 829,321 |
| 2016 | 877,298 |
| 2017 | 877,298 |
| 2018 | 877,298 |
| 2019 | 877,298 |
| 2020-2024 | 4,386,489 |
| 2025-2029 | 4,386,489 |
| 2030-2032 | 2,997,434 |
| Total Lease Payments | 16,108,925 |
| Less amount representing interest | (8,297,998) |
| Present value of future lease payments | $ 7,810,927 |


## Notes to Financial Statements

**Note 6. Defined Benefit Plan**

**Plan description:** The Airport Authority's defined benefit pension plan is separately administered by the City of San Diego's City Employees' Retirement System (CERS). The San Diego County Regional Airport Authority Retirement Plan and Trust provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. CERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the City of San Diego, the District and the Airport Authority, administered by the Retirement Board of Administration (the CERS Board). 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 CERS to the CERS Board. The Airport Authority contributes to the Federal Social Security Program. The CERS Board issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The financial report may be obtained by writing to the San Diego City Employees' Retirement System, 401 B Street, Suite 400, San Diego, California 92101.

**Funding policy:** The City of San Diego municipal code requires member contributions to be actuarially determined to provide a specific level of benefit. Member contribution rates, as a percentage of salary, vary according to age at entry, benefit tier level and certain negotiated contracts, which provide for the Airport Authority to pay a portion of the employees' contributions. The Airport Authority contribution rate, as determined through actuarial valuation, was 11.9 percent for 2014, 10.9 percent for 2013, and 14.5 percent for 2012, and is expressed as a percentage of covered payroll.

**Annual pension cost:** For the years ended June 30, 2014, 2013 and 2012, the annual pension cost included in salaries and benefits was $4,882,000, $4,582,000 and $4,356,000, respectively, for the CERS pension. Comparing the June 30, 2013 actuarial valuation to the June 30, 2012 actuarial valuation, total membership increased by 3.0 percent. The increase was attributable to both the growth in active membership, terminated vested, disabled, retirees and beneficiaries. Active member payroll increased by 1.8 percent. Additionally, active member total payroll increased by 6.2 percent, and the average pay per active member increased by 4.4 percent. The actuarial liability increased by 18.5 percent but the actuarial value of assets increased by 12.3 percent. The funding ratio decreased from 98.5 percent as of June 30, 2012 to 93.4 percent as of June 30, 2013. CERS employs a commonly used actuarial smoothing method on the market value that dampens market volatility, so the actuarial value of assets did not decrease as much as the market value (94.6 percent).

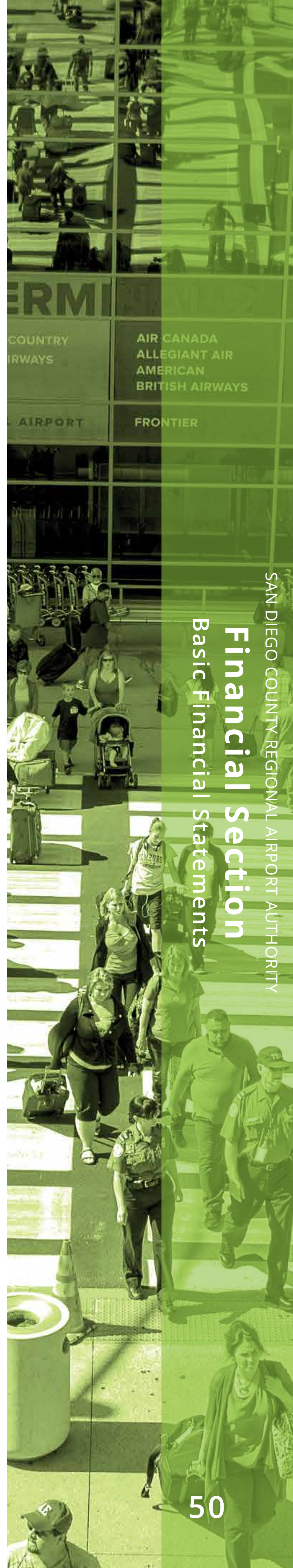
**Valuation basis:** Effective January 1, 2013, new Airport Authority employees who are deemed to be "New Members" under the California Public Employees' Pension Reform Act (PEPRA) are subject to a number of plan provisions, including reduced benefit accrual factors, a cap on pensionable salary, three-year averaging for final salary, and mandatory exclusion of certain items from pensionable salary. PEPRA also requires New Members to pay at least 50 percent of the normal cost, with more than 50 percent allowed subject to collective bargaining. There are less significant changes for current employees and retirees.

There are a few New Members in the current valuation. In calculating the fiscal year 2015 annual required contribution (ARC), the valuation reflects an estimate of PEPRA's impact on the normal cost. There is no impact on the unfunded actuarial liability. As experience for New Members emerges in the June 30, 2014 and subsequent valuations, the actual cost implications will vary and further study may be required.

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

As of the latest actuarial valuation dated June 30, 2013, significant actuarial assumptions are as follows:

- The rates of retirement were based on age and service as opposed to just the service of a member.
- The percent married assumption was 55 percent for females and 80 percent for males, and the assumed age difference between husbands and wives was three years.
- The reciprocity assumption was 10 percent.
- Rates of termination were based on service as opposed to the age of a member.
- Disability rates were modified to reflect actual experience through June 30, 2010 and include a projection to 2013.
- Mortality rates for active Airport Authority members were modified to reflect actual experience through June 30, 2010 and include a projection to 2013.
- Mortality rates for retired Airport Authority members were modified to reflect actual experience through June 30, 2010. No modifications have been made to project future mortality improvements.
- The investment return assumption was 7.25 percent.
- The inflation assumption was 3.0 percent
- Cost of living adjustment was assumed 2 percent.
- Actuarial funding method is entry age normal
- Amortization method is level percent closed
- Asset valuation method is expected value method
- Equivalent single amortization period is 13.539 years. This consists of 9 years for the outstanding balance of the 2007 UAL, 15 years for experience gains and losses, 30 years for changes in methods and assumptions, 20 years for benefit changes.
- The rate of employer contributions to CERS is composed of the normal cost and an amortization of the unfunded actuarial liability. The normal cost is a level percent of payroll cost which, along with the member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial liability.



## Notes to Financial Statements

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

On September 16, 2004, the Airport Authority made a contribution payment in the amount of $3,900,000, in addition to the ARC, to reflect a desired funded ratio of 90 percent. On June 21, 2005, the Airport Authority made an additional contribution of $1,000,000. During the year ended June 30, 2006, the Airport Authority made an additional contribution of $513,627. On June 30, 2010, the Airport Authority made a contribution of $4,600,000 to increase the funded rate reported in the January 2010 CERS 2009 actuarial calculation from 86.9 percent to the desired funded ratio of 90 percent. In April 2014, the Airport Authority again made a contribution of $827,945 to increase the funded ratio to 94 percent. At June 30, 2014, the total contribution of $10,841,572 less amortization of $3,921,797 is recorded as a net pension asset of $6,919,775. At June 30, 2013 and 2012, the total contribution of $10,013,627 less amortization of $3,365,485 and $2,809,172, respectively, is recorded as a net pension asset of $6,648,142, and $7,204,455, respectively. The contributions are being amortized over an 18-year period.

The Airport Authority's contribution for fiscal year 2015 measured as a percentage of membership payroll increased from 11.9 percent to 14.29 percent. The required beginning of year contribution, paid July 1 2014, increased by $918,149. The following is a schedule of the annual pension cost and net pension asset for CERS (dollars in thousands):

| Fiscal Year Ended | Annual Pension Cost (APC) | Airport Cost Funded | % of APC Contributed | ARC | Net Pension Asset (NPA) Balance | Increase (Decrease) NPA | Amortization of NPA | Interest on the NPA at 7.50%/7.25% |
|---|---|---|---|---|---|---|---|---|
| 6/30/12 | $ 4,356 | $ 3,800 | 87% | $ 3,800 | $ 7,204 | $ (556) | $ (256) | $ 751 |
| 6/30/13 | 4,582 | 2,600 | 57% | 2,600 | 6,648 | (556) | 556 | 751 |
| 6/30/14 | 4,882 | 2,904 | 59% | 2,904 | 6,920 | 272 | 556 | 786 |

Schedule of funding progress for CERS (dollars in thousands):

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded AAL/Asset UAAL/(Asset) | Funded Ratio | Annual Covered Payroll | UAAL/(Asset) as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 6/30/13 | $ 107,616 | $ 115,200 | $ 7,584 | 93.4% | $ 26,380 | 28.7% |

**Note 7. Employees' Deferred Compensation Plan**

The Airport Authority offers its employees a deferred compensation plan, which was created in accordance with Internal Revenue Code (IRC) Section 457. The plan, which is available to all full-time Airport Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, total disability, death or unforeseeable emergency.

**Note 7. Employees' Deferred Compensation Plan (Continued)**

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.

As such, 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. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—a rescission of GASB Statement No. 2 and an amendment of GASB Statement No. 31*, employee assets are not reflected in the Airport Authority's financial statements.

**Note 8. Other Postemployment Benefits**

The Airport Authority provides a single-employer postemployment benefit plan (OPEB). The plan provides postretirement medical, dental, vision and life insurance benefits for nonunion employees hired prior to May 1, 2006 and union employees hired prior to October 1, 2008. The employees are eligible for these benefits if they retire from active employment after age 55 with 20 years of service or age 62 with five years of service.

**Plan description:** As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for approximately 1.5 million California public employees, retirees and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States, managing more than $250 billion in assets for more than 2,500 California employers. In 1988 and 2007, enabling statutes and regulations were enacted which permitted CalPERS to form the CERBT fund, an irrevocable Section 115 Trust, for the purpose of receiving employer contributions that will prefund health and other postemployment benefit costs for retirees and their beneficiaries. Financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

**Funding policy:** CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the ARCs. As of May 9, 2009, the agreement with CERBT was approved. Retirees contribute 5 percent of plan costs for single coverage and the entire cost of vision benefits.

**Annual OPEB cost and actuarial methods and assumptions:** The Airport Authority's annual OPEB cost is calculated based on the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The Airport Authority has elected to perform an actuarial valuation of the OPEB on a biennial basis, the most recent of which is dated as of July 1, 2013. According to the July 1, 2013 actuarial valuation, the ARC was $2,328,000 for both fiscal year 2014 and 2013. The ARC was determined using the entry age normal cost method with amortization of the unfunded accrued liability occurring over a 30-year period ending June 30, 2037.

## Notes to Financial Statements

**Note 8. Other Postemployment Benefits (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations. The actuarial assumptions used by CERBT include (a) a 7.36 percent investment rate of return, (7.61 percent was used in the prior valuations), net of administrative expenses, and (b) projected salary increases of 3.00 percent. The annual health care cost trend rate ranged from 5.0 to 9.5 percent for medical and assumes a 5.0 percent rate for dental and 3.0 percent rate for vision. In establishing the discount rate, an inflation rate of 2.75% was used.

The entry age normal cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the entry age normal cost method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The actuarial accrued liability is the cumulative value, on the valuation date, of prior service costs. For retirees, the actuarial accrued liability is the present value of all projected benefits.

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

Development of the net OPEB obligation (NOO/Asset) and annual OPEB cost for the past three years is as follows (dollars in thousands):

| Actuarial Valuation Date | Fiscal Year | ARCs | Employer Contribution | NOO/(Asset) End of Year | Interest on NOO/(Asset) | Adjustment to the ARC | Annual OPEB Cost |
|---|---|---|---|---|---|---|---|
| 7/1/11 | 11/12 | $ 2,165 | $ 2,164 | $ (60) | $ (5) | $ 4 | $ 2,164 |
| 7/1/12 | 12/13 | 2,238 | 2,236 | (59) | - | 4 | 2,238 |
| 7/1/13 | 13/14 | 2,328 | 2,328 | (59) | (4) | 4 | 2,328 |

The Airport Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014, 2013 and 2012 were as follows (dollars in thousands):

| Fiscal Year Ended | Annual OPEB Costs | Employer Contribution | Percentage of OPEB Cost Contributed | NOO/ (Asset) |
|---|---|---|---|---|
| 6/30/12 | $ 2,164 | $ 2,164 | 100.0% | $ (60) |
| 6/30/13 | 2,238 | 2,236 | 99.9% | (59) |
| 6/30/14 | 2,328 | 2,328 | 100.0% | (59) |

### Note 8. Other Postemployment Benefits (Continued)

**Funded status and funding progress:** The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the accompanying notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The funded status of the plan based on the most recent biennial actuarial valuation for the plan, dated as of July 1, 2013, was as follows (dollars in thousands):

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percent of Covered Payroll | Interest Rate | Salary Scale |
|---|---|---|---|---|---|---|---|---|
| 7/1/13 | $ 12,667 | $ 31,553 | $ 18,886 | 40.1% | $ 17,567 | 107.5% | 7.4% | 3.0% |

### Note 9. Risk Management

The Airport Authority has a comprehensive Risk Management Program comprising commercial insurance, self-insurance, loss prevention, loss control and claims administration. The Airport Authority's coverage includes a variety of retentions or deductibles.

**Commercially issued insurance:**

- The Airport Authority maintains $500 million in limits for owners' and operators' general liability insurance with a war, hijacking and other perils endorsement in the amount of $150 million.

- The Airport Authority maintains a property insurance policy with limits of $500 million providing all risk and flood coverage on physical assets.

- The Airport Authority also maintains policies for workers' compensation, commercial auto, fiduciary liability and public official liability.

**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, 2014 and 2013, the Airport Authority has designated $7,377,978 and $6,659,982, respectively, from its net position, as an insurance contingency.



## Notes to Financial Statements

**Note 9. Risk Management (Continued)**

A $2,000,000 reserve has been established within unrestricted net position by the Airport Authority's management to respond to uninsured and underinsured catastrophic losses. This fund is maintained pursuant to Board action only; there is no requirement that it be maintained.

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

During fiscal year 2014, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

**Note 10. Lease Revenues**

The Airport Authority leases certain of its capital assets, such as loading bridges and building space, to signatory airlines and other tenants under operating leases. Substantially all capital assets are held by the Airport Authority for the purpose of rental or related use. A majority of the lease payments are determined each year based upon the actual costs of the airport. Such costs are allocated pro rata to each tenant based upon factors such as landed weights, enplanements, square footage, acres, etc. A majority of the Airport Authority's lease commitments are primarily on a month-to-month basis and accordingly are not reflected in the schedule below.

The Airport Authority's expansion of approximately 25,000 additional square feet results in the increase of the number of food service and retail concession locations from 55 to 87. The Authority has implemented a comprehensive Concessions Development Program (CDP) to provide a world class shopping and dining experience for the millions of passengers who use SDIA each year. The full program build out was completed during 2014. The CDP replaces the Airport Authority's one master concessionaire, giving way for additional 11 new tenants to conduct business with the Airport Authority. With the new program, 17 new concessions lease commitments were signed and will open 87 new stores within the Airport Authority terminals. These new lease commitments are cancellable leases and are not reflected in the schedule below.

The minimum future lease payments to be received under the above operating lease agreements as of June 30 are as follows:

| Years Ending June 30, | Amount |
|---|---|
| 2015 | $ 7,547,637 |
| 2016 | 5,342,072 |
| 2017 | 5,422,203 |
| 2018 | 5,503,536 |
| 2019 | 5,595,376 |
| 2020 | 5,735,261 |
| | $ 35,146,085 |

## Notes to Financial Statements

**Note 10. Lease Revenues (Continued)**

The Airport Authority entered into a five-year lease agreement on January 9, 2009 with the San Diego World Trade Center (World Trade Center) for office space, with a fair market value of $440,000. In lieu of rental payments, the Airport Authority received a 40 percent ownership of the World Trade Center license, which has a fair market value of $440,000. The license, an intangible asset with no expiration date, is included in non-depreciable assets in Note 4. As of June 30, 2014 and 2013, the Airport Authority recognized lease revenue of $86,996 for each year, under the World Trade Center lease.

**Note 11. Lease Commitments**

**<u>Operating Leases</u>**

**General Dynamics lease:** The Airport Authority is required, by legislation mandating the transfer of airport operations from the District, to lease from the District 89.75 acres of the former General Dynamics property on Pacific Highway adjacent to SDIA for 66 years commencing January 1, 2003. The lease agreement calls for predetermined rents through December 31, 2005, with future rents based upon a market rate established in late 2005 by an appraisal (or arbitration). The amended lease agreement calls for rent payments of $6,750,000 annually through December 31, 2068. The Airport Authority received a credit for $375,000 in reduced rent based on a previous lease agreement for the property in September 2006. The changes in terms for this lease were approved by the Airport Authority's Board on July 25, 2006. A portion of the land is leased to the District for employee parking for District administration building employees and is leased back by the District at the same fair market value rent paid by the Airport Authority.

**SDIA lease:** The Airport Authority is leasing from the District 480 acres of land on North Harbor Drive for $1 per year, for 66 years, through December 31, 2068.

**Teledyne Ryan lease:** The Airport Authority is leasing from the District 46.88 acres on North Harbor Drive referred to as the Teledyne Ryan lease that commenced on January 1, 2005 and expires December 31, 2068, with $3 million in annual rent.

**Other District leases:** The Airport Authority leases from the District two additional properties adjacent to SDIA. These properties required monthly rentals of $86,083 and $12,521. As of January 1, 2013, the lease for $86,083 was terminated with the District. In December 2013, the lease for $12,521 expired and was not renewed.

On July 24, 2006, the Airport Authority's Board approved a lease with the District for the property located at 2415 Winship Lane, known as the Sky Chef property. The term of the lease is 60 years with $350,000 in annual rent and commenced September 1, 2006.

Under current law, in the event SDIA is relocated and the District leases are no longer used by the Airport Authority for airport purposes, all District leases will terminate and use of the property will revert to the District.

**Building lease:** The Airport Authority leased modular buildings from an unrelated third-party that required monthly rental of $1,366 through the expiration date of August 2013. This lease was not renewed.

## Notes to Financial Statements

**Note 11. Lease Commitments (Continued)**

The future rental commitment under the above operating lease agreements as of June 30 are due as follows:

| Years Ending June 30 | Amount |
|---|---|
| 2015 | $ 10,167,120 |
| 2016 | 10,167,120 |
| 2017 | 10,167,120 |
| 2018 | 10,159,920 |
| 2019 | 10,159,920 |
| 2020-2024 | 50,799,600 |
| 2025-2029 | 50,799,600 |
| 2030-2034 | 50,799,600 |
| 2035-2039 | 50,799,600 |
| 2040-2044 | 50,799,600 |
| 2045-2049 | 50,799,600 |
| 2050-2054 | 50,799,600 |
| 2055-2059 | 50,799,600 |
| 2060-2064 | 50,799,600 |
| 2065-2069 | 50,799,600 |
| | $ 558,817,200 |

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

| | **2014** | 2013 |
|---|---|---|
| Rental payments made | **$ 10,478,262** | $ 10,897,338 |

**Note 12. Commitments and Contingencies**

**Commitments:** As of June 30, 2014 and 2013, the Airport Authority had significant commitments for capital expenditures and other matters as described below:

i. The Airport Authority has funds which have been classified as current assets, primarily for the unpaid contractual portion of capital projects that are currently in progress, and will not be funded by grants or additional debt, but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. At June 30, 2014 and 2013, these funds totaled approximately $7.8 million and $906 thousand, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.

**Note 12. Commitments and Contingencies (Continued)**

ii. Support services— As part of the MOU, services provided by the District Harbor Police are required to be purchased by the Airport Authority as long as SDIA continues to operate at the current location. At the time of the transfer, the Airport Authority entered into a Master Services Agreement, a Police Services Agreement and a Communications Services Agreement with the District, which described the services that the Airport Authority could purchase and the manner of calculating the payments for such services. The largest amount that became payable under any of these agreements is under the Police Services Agreement, which is for Harbor Police services. The District provides monthly billings to the Airport Authority, with payment generally due 30 days after the date of the invoice, and provision of appropriate supporting documentation. During the years ended June 30, 2014 and 2013, the Airport Authority expensed $16,577,044 and $17,289,681, respectively, for these services.

iii. In fiscal year 2012, the Board approved two contracts with Ace Parking Management Inc., one for the parking management services in the amount of $29.7 million and the second for the airport shuttle services in the amount of $28.8 million. The total amount spent as of June 30, 2014, were $6.9 million for parking management services and $9.1 million for airport shuttle services. These contracts are scheduled for completion in 2017. As of June 30, 2014, the Airport Authority's remaining commitment is approximately $17.4 million for the parking management contract and $12.6 million for the shuttle service contract.

iv. In fiscal year 2014, the Board approved a contract with Austin-Sundt JV for the design and construction of the proposed Rental Car Center in the amount of $14 million and additional approval of $10 million. As of June 30, 2014, $55.3 million had been spent and the contract is due to be completed in fiscal year 2016.

v. In fiscal year 2013, the Board approved a contract with Demattei Wong Architecture in support of the Rental Car Center project in the amount of $10 million and an additional approval of $12 million. As of June 30, 2014, $16.6 million had been spent and the contract is due to be completed in fiscal year 2016.

**Contingencies:** As of June 30, 2014, the Airport Authority is subject to contingencies arising from legal matters as described below:

The Airport Authority has leases and operating agreements with various tenants. These agreements typically include provisions requiring the tenant/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.



## San Diego County Regional Airport Authority

### Required Supplementary Information (Unaudited)
### Fiscal Year Ended June 30, 2014

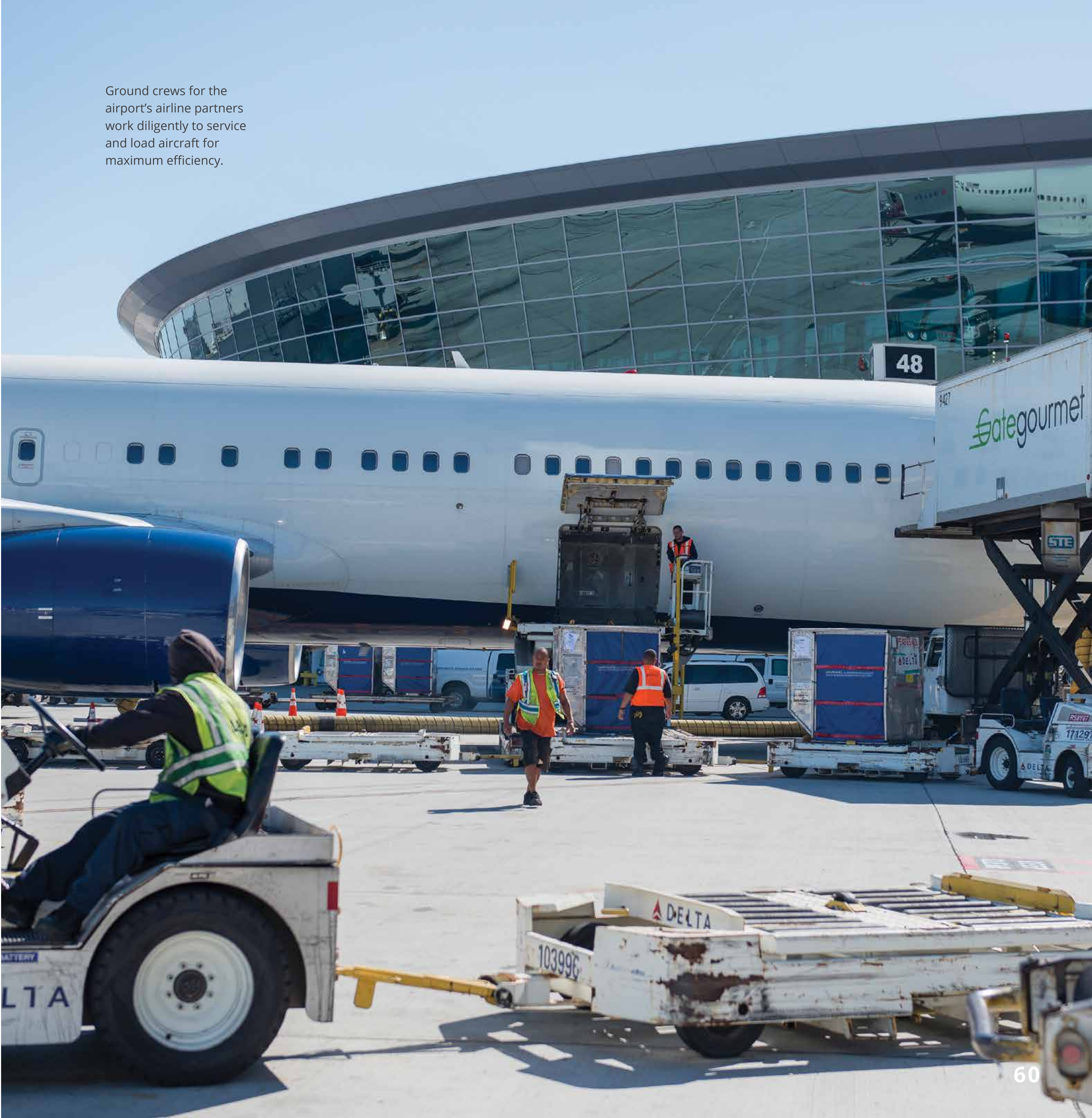
Schedule of pension funding progress for CERS is as follows (dollars in thousands):

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded AAL (UAAL)/ (Asset) | Funded Ratio | Annual Covered Payroll | UAAL/(Asset) as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 6/30/08 | $ 57,748 | $ 56,808 | $ (940) | 101.7% | $ 23,488 | (4.0%) |
| 6/30/09 | 58,981 | 67,871 | 8,890 | 86.9% | 24,693 | 36.0% |
| 6/30/10 | 73,401 | 76,447 | 3,046 | 96.0% | 25,709 | 11.8% |
| 6/30/11 | 86,309 | 84,042 | (2,267) | 102.7% | 25,148 | (9.0%) |
| 6/30/12 | 95,793 | 97,225 | 1,432 | 98.5% | 24,726 | 5.8% |
| 6/30/13 | 107,616 | 115,200 | 7,584 | 93.4% | 26,380 | 28.7% |

Schedule of OPEB funding progress is as follows (dollars in thousands):

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability AAL | Unfunded Actuarial Accrued Liability UAAL | Funded Ratio | Covered Payroll | UAAL as a Percent of Covered Payroll | Interest Rate | Salary Scale |
|---|---|---|---|---|---|---|---|---|
| 7/1/08 | $ - | $ 10,327 | $ 10,327 | 0.0% | $ 19,417 | 53.2% | 7.75% | 3.25% |
| 7/1/09 | 2,674 | 12,206 | 9,532 | 21.9% | 19,514 | 48.8% | 7.75% | 3.25% |
| 7/1/10 | 4,474 | 14,149 | 9,675 | 31.6% | 20,148 | 48.0% | 7.75% | 3.25% |
| 7/1/11* | 7,604 | 22,197 | 14,593 | 34.3% | 18,728 | 77.9% | 7.60% | 3.25% |
| 7/1/12* | 7,604 | 22,197 | 14,593 | 34.3% | 18,728 | 77.9% | 7.61% | 3.25% |
| 7/1/13 | 12,667 | 31,553 | 18,886 | 40.1% | 17,567 | 107.5% | 7.36% | 3.00% |

* In accordance with GASB Statement No. 45, the Airport Authority has an actuarial valuation completed biennially.




Ground crews for the airport's airline partners work diligently to service and load aircraft for maximum efficiency.

Projects on the north side of the airfield are being designed to achieve LEED Certification from the United States Green Building Council.

# STATISTICAL SECTION (Unaudited)

The Statistical Section is divided into five areas: financial trend data; revenue capacity data; operating information; demographic and economic information, and debt capacity data.

**Financial Trends Data** which shows changes in the Authority's financial position since inception:

- Authority operating revenues and expenses
- Authority net position by component
- Authority change in net position
- Authority largest sources of revenue

**Revenue Capacity Data** which shows the Authority's major revenue sources and changes in key rates and charges:

- Authority landing rate fee
- Terminal rates billed to airlines
- Airline cost per enplaned passenger

**Operating Information** shows how the airport is performing on an annual basis and within the airport market sector:

- Authority employee headcount
- Aircraft operations
- Aircraft landed weights
- Aircraft landed weights by airline
- Passenger enplanements
- Enplanement market share by airline by fiscal year
- Growth in enplaned passengers, SDIA vs. US
- Capital assets

**Economic Information** shows the major drivers of usage and how the airport service area is performing compared to the region and the nation:

- Population and per capita personal income - San Diego County
- Principal employers in San Diego County
- San Diego County employment by industry sector
- Labor force, employment, and unemployment rates

**Debt Information** shows how the Authority is performing meeting its debt obligations and the relative level of debt:

- Debt service coverage
- Debt service coverage - Series 2014 CFC Bonds
- Debt per enplaned passenger

## Exhibit S-1

### Authority Revenues and O&M Expenses ($000)

Fiscal Years Ended June 30,

**Operating Revenues**

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Airline revenue | | | | | | | | | | |
| Landing fees | $ 22,607 | $ 22,243 | $ 24,006 | $ 24,763 | $ 18,689 | $ 18,672 | $ 18,579 | $ 18,419 | $ 19,658 | $ 19,107 |
| Aircraft parking fees | - | - | - | - | 3,221 | 3,406 | 2,921 | 3,134 | 3,191 | 2,503 |
| Building rentals | 18,041 | 21,137 | 22,495 | 24,265 | 23,057 | 23,835 | 26,980 | 30,633 | 41,840 | 46,001 |
| Security surcharge | 7,800 | 7,759 | 8,441 | 8,619 | 10,204 | 11,900 | 14,886 | 18,649 | 23,360 | 25,777 |
| Other aviation revenue | 1,757 | 1,868 | 1,757 | 1,808 | 1,565 | 1,585 | 1,597 | 1,595 | 1,591 | 4,488 |
| Concession revenue | 26,552 | 29,362 | 34,201 | 38,785 | 36,280 | 36,249 | 37,103 | 40,427 | 42,041 | 47,770 |
| Parking and ground transportation | 23,723 | 26,904 | 28,392 | 31,038 | 31,492 | 30,296 | 31,645 | 31,470 | 35,750 | 38,959 |
| Ground rentals | 5,294 | 5,505 | 4,994 | 5,207 | 5,776 | 5,923 | 8,656 | 8,044 | 9,162 | 9,603 |
| Other operating revenue | 2,349 | 4,717 | 1,081 | 1,197 | 693 | 1,829 | 1,640 | 1,179 | 905 | 1,529 |
| **Total Operating Revenues** | $ 108,123 | $ 119,495 | $ 125,367 | $135,682 | $ 130,977 | $ 133,695 | $ 144,007 | $ 153,550 | $ 177,498 | $ 195,737 |

**Operating Expenses Before Depreciation**

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Salaries and benefits | $ 23,623 | $ 26,847 | $ 28,333 | $ 32,912 | $ 34,741 | $ 35,386 | $ 38,267 | $ 37,237 | $ 38,092 | $ 39,135 |
| Contractual services | 25,210 | 31,967 | 26,391 | 27,378 | 27,464 | 27,999 | 26,113 | 26,906 | 29,284 | 31,559 |
| Safety and security | 16,191 | 14,777 | 15,946 | 19,110 | 19,930 | 20,131 | 21,344 | 22,625 | 23,994 | 24,151 |
| Space rental | 10,174 | 11,353 | 10,842 | 10,901 | 10,888 | 10,906 | 10,906 | 11,415 | 10,897 | 10,478 |
| Utilities | 5,121 | 5,416 | 6,421 | 6,430 | 6,912 | 6,871 | 6,413 | 6,674 | 6,659 | 8680 |
| Maintenance | 4,050 | 5,390 | 8,393 | 8,735 | 8,002 | 9,231 | 8,174 | 8,497 | 11,204 | 13,982 |
| Equipment and systems | 710 | 736 | 980 | 1,333 | 678 | 891 | 570 | 403 | 469 | 643 |
| Materials and supplies | 461 | 591 | 762 | 795 | 641 | 413 | 345 | 304 | 406 | 440 |
| Insurance | 2,425 | 1,162 | 1,999 | 1,227 | 1,096 | 1,166 | 1,066 | 764 | 795 | 988 |
| Employee development and support | 1,050 | 906 | 909 | 1,035 | 1,030 | 990 | 1,041 | 916 | 1,235 | 1,171 |
| Business development | 1,646 | 1,329 | 2,096 | 2,733 | 2,509 | 2,033 | 2,275 | 2,093 | 2,444 | 2,661 |
| Equipment rentals and repairs | 708 | 882 | 1,479 | 1,396 | 1,387 | 1,271 | 1,327 | 1,335 | 1,317 | 2,932 |
| **Total Operating Expenses Before Depreciation** | $ 91,369 | $ 101,356 | $ 104,551 | $113,985 | $ 115,278 | $ 117,288 | $ 117,841 | $ 119,169 | $ 126,796 | $ 136,820 |

Source: San Diego County Regional Airport Authority

## Exhibit S-2

### Authority Net Position by Component ($000)

Fiscal years Ended June 30,

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010* | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net investment in capital assets | $ 209,714 | $ 219,218 | $ 236,762 | $ 238,144 | $ 249,498 | $ 274,769 | $ 352,276 | $ 339,467 | $ 359,640 | $ 312,781 |
| Other restricted net position | 83,854 | 96,633 | 103,787 | 136,548 | 167,827 | 139,672 | 147,513 | 172,076 | 167,384 | 204,642 |
| Unrestricted net position | 102,652 | 117,940 | 124,984 | 120,429 | 95,858 | 145,224 | 102,466 | 149,346 | 200,040 | 209,594 |
| **Total net position** | $ 396,220 | $ 433,791 | $ 465,533 | $ 495,121 | $ 513,183 | $ 559,664 | $ 602,255 | $ 660,889 | $ 727,064 | $ 727,017 |

* Amounts for 2010 and after were restated as per GASB 65

Source: San Diego County Regional Airport Authority

# Exhibit S-3

## Authority Change in Net Position ($000)

Fiscal Years Ended June 30,

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010* | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | | | | |
| Airline revenue: | | | | | | | | | | |
| Landing fees | $ 22,607 | $ 22,243 | $ 24,006 | $ 24,763 | $ 18,689 | $ 18,672 | $ 18,579 | $ 18,419 | $ 19,658 | $ 19,107 |
| Aircraft parking fees | - | - | - | - | 3,221 | 3,406 | 2,921 | 3,134 | 3,191 | 2,503 |
| Building rentals | 18,041 | 21,137 | 22,495 | 24,265 | 23,057 | 23,835 | 26,980 | 30,633 | 41,840 | 46,001 |
| Security surcharge | 7,800 | 7,759 | 8,441 | 8,619 | 10,204 | 11,900 | 14,886 | 18,649 | 23,360 | 25,777 |
| Other aviation revenue | 1,757 | 1,868 | 1,757 | 1,808 | 1,565 | 1,584 | 1,597 | 1,595 | 1,591 | 4,488 |
| Concession revenue | 26,552 | 29,362 | 34,201 | 38,785 | 36,280 | 36,249 | 37,103 | 40,427 | 42,041 | 47,770 |
| Parking and ground transportation revenue | 23,723 | 26,904 | 28,392 | 31,038 | 31,492 | 30,296 | 31,645 | 31,470 | 35,750 | 38,959 |
| Ground rentals | 5,294 | 5,505 | 4,994 | 5,207 | 5,776 | 5,923 | 8,656 | 8,044 | 9,162 | 9,603 |
| Other operating revenue | 2,349 | 4,717 | 1,081 | 1,197 | 693 | 1,829 | 1,640 | 1,179 | 905 | 1,529 |
| Total operating revenues | 108,123 | 119,495 | 125,367 | 135,682 | 130,977 | 133,695 | 144,007 | 153,550 | 177,498 | 195,737 |
| Operating expenses: | | | | | | | | | | |
| Salaries and benefits | 23,623 | 26,847 | 28,333 | 32,912 | 34,741 | $ 35,386 | $ 38,267 | $ 37,237 | $ 38,092 | $ 39,135 |
| Contractual services | 25,210 | 31,967 | 26,391 | 27,378 | 27,464 | 27,999 | 26,113 | 26,906 | 29,284 | 31,559 |
| Safety and security | 16,191 | 14,777 | 15,946 | 19,110 | 19,930 | 20,131 | 21,344 | 22,625 | 23,994 | 24,151 |
| Space rental | 10,174 | 11,353 | 10,842 | 10,901 | 10,888 | 10,906 | 10,906 | 11,415 | 10,897 | 10,478 |
| Utilities | 5,121 | 5,416 | 6,421 | 6,430 | 6,912 | 6,871 | 6,413 | 6,674 | 6,659 | 8,680 |
| Maintenance | 4,050 | 5,390 | 8,393 | 8,735 | 8,002 | 9,231 | 8,174 | 8,497 | 11,204 | 13,982 |
| Equipment and systems | 710 | 736 | 980 | 1,333 | 678 | 891 | 570 | 403 | 469 | 643 |
| Materials and supplies | 461 | 591 | 762 | 795 | 641 | 413 | 345 | 304 | 406 | 440 |
| Insurance | 2,425 | 1,162 | 1,999 | 1,227 | 1,096 | 1,166 | 1,066 | 764 | 795 | 988 |
| Employee development and support | 1,050 | 906 | 909 | 1,035 | 1,030 | 990 | 1,041 | 916 | 1,235 | 1,171 |
| Business development | 1,646 | 1,329 | 2,096 | 2,733 | 2,509 | 2,033 | 2,275 | 2,093 | 2,444 | 2,661 |
| Equipment rentals and repairs | 708 | 882 | 1,479 | 1,396 | 1,387 | 1,271 | 1,327 | 1,335 | 1,317 | 2,932 |
| Total operating expenses before depreciation and amortization | 91,369 | 101,356 | 104,551 | 113,985 | 115,278 | 117,288 | 117,841 | 119,169 | 126,796 | 136,820 |
| Income from operations before depreciation and amortization | 16,754 | 18,139 | 20,816 | 21,697 | 15,699 | 16,407 | 26,166 | 34,381 | 50,702 | 58,917 |
| Depreciation and amortization | 29,699 | 31,559 | 33,468 | 36,764 | 38,196 | 42,424 | 49,138 | 44,532 | 41,624 | 77,205 |
| Operating income (loss) | (12,945) | (13,420) | (12,652) | (15,067) | (22,497) | (26,018) | (22,972) | (10,151) | 9,078 | (18,288) |
| Nonoperating revenues (expenses): | | | | | | | | | | |
| Passenger facility charges | 33,710 | 34,981 | 36,452 | 37,401 | 33,219 | 34,049 | 33,998 | 34,639 | 35,437 | 35,770 |
| Customer facility charges | - | - | - | - | 1,695 | 10,783 | 10,986 | 11,487 | 19,117 | 27,545 |
| Quieter Home Program, net | (1,582) | (908) | (3,092) | (3,990) | (5,573) | (1,629) | (3,359) | (3,531) | (1,589) | (2,751) |
| Joint Studies Program | - | (688) | (120) | (963) | (180) | (244) | (129) | (73) | (55) | (152) |
| Interest income | 6,413 | 9,306 | 11,969 | 13,431 | 9,434 | 6,667 | 6,408 | 5,492 | 4,140 | 5,211 |
| Interest expense | (4,387) | (4,809) | (4,683) | (4,086) | (2,998) | (3,472) | (12,295) | (2,027) | (16,530) | (56,376) |
| "Build America Bonds" Rebate | - | - | - | - | - | - | 3,691 | 4,996 | 4,779 | 4,636 |
| Other revenues (expenses), net | (195) | 964 | (3,282) | 12 | 316 | (1,004) | (92) | (3,032) | (4,279) | 434 |
| Nonoperating revenue, net | 33,959 | 38,846 | 37,244 | 41,805 | 35,913 | 45,149 | 39,208 | 47,951 | 41,020 | 14,317 |
| Income before capital grant contributions | 21,014 | 25,426 | 24,592 | 26,738 | 13,416 | 19,131 | 16,236 | 37,800 | 50,098 | (3,971) |
| Capital grant contributions | 7,522 | 12,145 | 7,150 | 2,850 | 4,646 | 27,350 | 26,355 | 20,834 | 16,077 | 3,924 |
| Change in net position | 28,536 | 37,571 | 31,742 | 29,588 | 18,062 | 46,482 | 42,591 | 58,634 | 66,175 | (47) |
| Net position, beginning of year | 367,684 | 396,220 | 433,791 | 465,533 | 495,121 | 513,183 | 559,664 | 602,255 | 660,889 | 727,063 |
| Net position, end of year | $ 396,220 | $ 433,791 | $ 465,533 | $ 495,121 | $ 513,183 | $ 559,664 | $ 602,255 | $ 660,889 | $ 727,063 | $ 727,016 |

* Amounts for 2010 and after were restated as per GASB 65

Source: San Diego County Regional Airport Authority

## Exhibit S-4

### Authority Largest Sources of Revenues ($)

Fiscal Years Ended June 30,

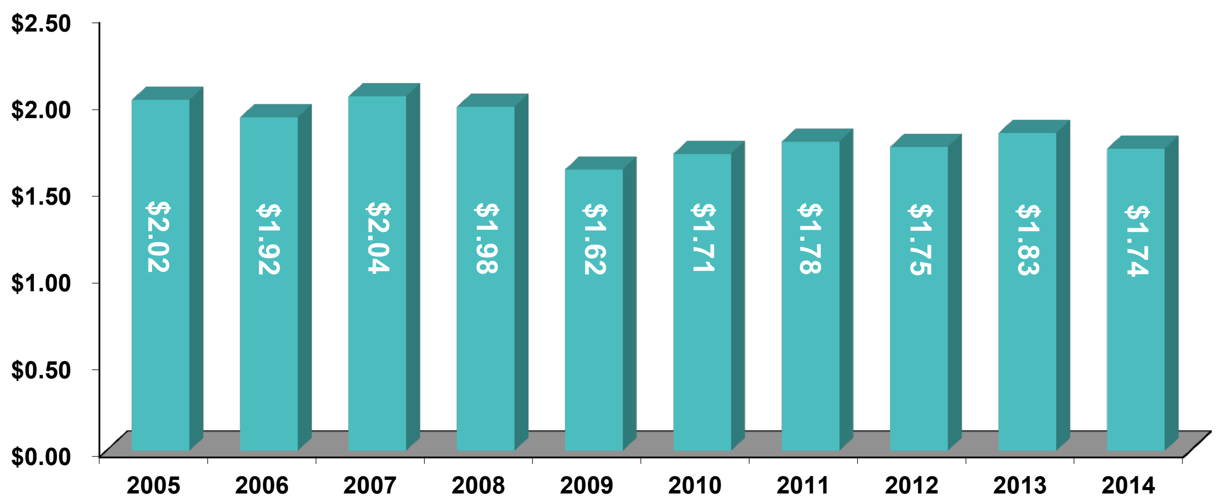
| Tenant | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2014 % of Total Operating Revenue |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Southwest Airlines | $ 12,767,378 | $ 13,464,404 | $ 15,624,767 | $ 16,920,722 | $ 17,658,629 | $ 19,428,103 | $ 21,306,108 | $ 23,357,007 | $ 27,598,908 | $ 29,548,565 | 15.1% |
| United Airlines | 5,877,927 | 5,717,234 | 6,623,373 | 6,522,426 | 6,344,127 | 7,905,284 | 9,280,812 | 10,931,601 | 15,817,886 | 15,364,094 | 7.8% |
| Delta Airlines | 1,442,700 | 4,876,095 | 5,347,415 | 5,168,634 | 4,647,333 | 6,663,671 | 8,003,895 | 8,911,886 | 10,898,540 | 12,005,146 | 6.1% |
| American Airlines | 8,472,274 | 10,191,557 | 8,303,616 | 7,750,147 | 5,543,732 | 7,693,564 | 7,611,443 | 8,197,015 | 9,765,412 | 10,030,675 | 5.1% |
| Alaska Airlines | 1,471,600 | 2,464,162 | 2,843,993 | 2,800,385 | 2,754,173 | 2,951,554 | 3,482,098 | 4,265,739 | 6,167,257 | 8,008,057 | 4.1% |
| Enterprise Rent-A-Car | 858,956 | 2,888,849 | 2,007,684 | 2,530,192 | 2,501,720 | 2,517,682 | 4,431,129 | 7,290,392 | 6,934,784 | 7,162,116 | 3.7% |
| Hertz Rent-A-Car | 4,901,573 | 5,979,512 | 6,728,751 | 6,860,949 | 5,816,230 | 5,861,737 | 5,635,151 | 5,795,690 | 5,961,730 | 6,149,759 | 3.1% |
| US Airways | 699,542 | 571,874 | 1,714,362 | 4,048,246 | 3,478,789 | 3,756,383 | 3,899,253 | 4,388,522 | 5,408,046 | 5,754,465 | 2.9% |
| Avis Budget Rent-A-Car Group | 3,103,562 | 6,002,357 | 4,465,182 | 6,193,565 | 5,505,770 | 3,378,607 | 3,842,594 | 4,507,266 | 4,697,455 | 4,822,212 | 2.5% |
| Host International | 7,106,523 | 9,147,356 | 9,808,385 | 10,875,857 | 9,883,713 | 9,907,860 | 10,360,436 | 10,793,503 | 6,960,141 | 3,262,531 | 1.7% |

Source: San Diego County Regional Airport Authority

## Exhibit S-5

### Authority Landing Fee Rate ($ per 1,000 lbs.)

Fiscal years Ended June 30,




Source: San Diego County Regional Airport Authority

**Landing Fees** are the revenues from passenger and cargo air carriers for landing aircraft at SDIA.

## Exhibit S-6

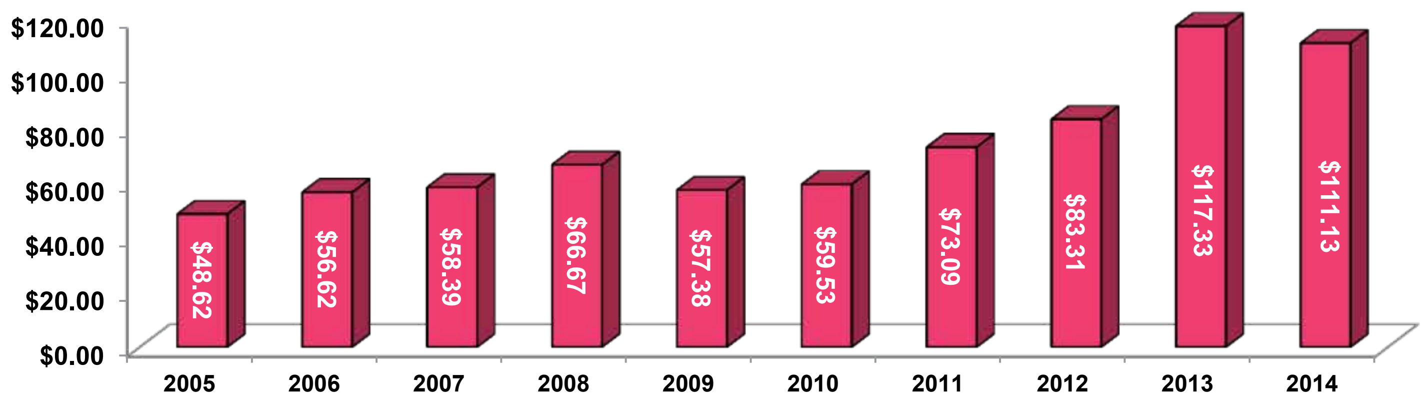
### Terminal Rates Billed to Airlines

Fiscal Years Ended June 30,

| Fiscal Year | Terminal Rates Per Square Foot* | % Change |
|---|---|---|
| 2005 | $48.62 | (12.8)% |
| 2006 | $56.62 | 16.5 % |
| 2007 | $58.39 | 3.1 % |
| 2008 | $66.67 | 14.2 % |
| 2009 | $57.38 | (13.9)% |
| 2010 | $59.53 | 3.7 % |
| 2011 | $73.09 | 22.8 % |
| 2012 | $83.31 | 14.0 % |
| 2013 | $117.33 | 40.8 % |
| 2014 | $111.13 | (5.3)% |

*Net of janitorial credit

**Terminal Rate Per Square Foot**




Source: San Diego County Regional Airport Authority

Information presented reflects those years that the Airport Authority was in operation.

Terminal Rates are rates billed to airlines for the rent of terminal space per square foot.

Beginning with FY 2005, the Security Surcharge was excluded from Terminal Rates and charged separately.

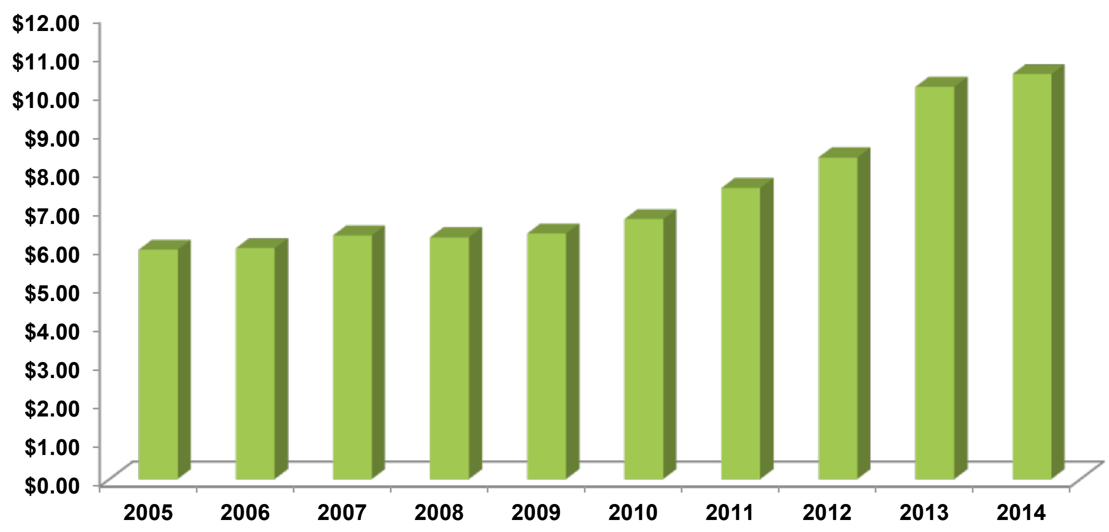
## Exhibit S-7

### Airline Cost Per Enplaned Passenger

Fiscal Years Ended June 30,

| Fiscal Year | Enplaned Passengers | Cost per Enplaned Passenger |
|---|---|---|
| 2005 | 8,449,107 | $5.94 |
| 2006 | 8,749,734 | $5.98 |
| 2007 | 8,892,069 | $6.31 |
| 2008 | 9,389,327 | $6.26 |
| 2009 | 8,535,774 | $6.36 |
| 2010 | 8,453,886 | $6.73 |
| 2011 | 8,441,120 | $7.54 |
| 2012 | 8,575,475 | $8.33 |
| 2013 | 8,737,617 | $10.16 |
| 2014 | 9,082,244 | $10.49 |

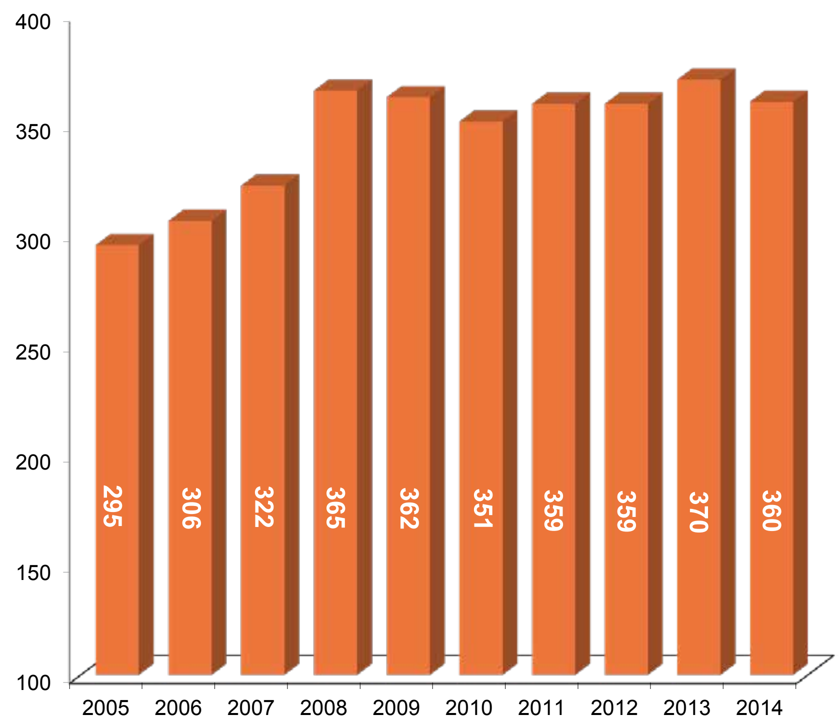
**Cost per Enplaned Passenger**




Source: San Diego County Regional Airport Authority

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

## Exhibit S-8
### Authority Employee Headcount
Fiscal Years Ended June 30,




Source: San Diego County Regional Airport Authority

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

# Exhibit S-9

## Aircraft Operations (Takeoffs and Landings)

Fiscal Years Ended June 30,

| Fiscal Year | Air Carriers | Air Taxi | General Aviation | Military | Total |
|---|---|---|---|---|---|
| 2005 | 148,975 | 51,377 | 17,069 | 1,094 | 218,525 |
| 2006 | 154,092 | 54,156 | 17,383 | 1,121 | 226,752 |
| 2007 | 157,198 | 50,068 | 17,195 | 983 | 225,444 |
| 2008 | 167,753 | 55,373 | 16,123 | 1,040 | 240,289 |
| 2009 | 155,766 | 39,122 | 12,721 | 1,174 | 208,783 |
| 2010 | 149,718 | 32,100 | 11,674 | 1,017 | 194,509 |
| 2011 | 146,215 | 28,273 | 10,938 | 755 | 186,181 |
| 2012 | 149,104 | 26,398 | 12,120 | 658 | 188,280 |
| 2013 | 154,781 | 23,370 | 9,586 | 567 | 188,304 |
| 2014 | 155,310 | 22,953 | 8,930 | 597 | 187,790 |

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


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

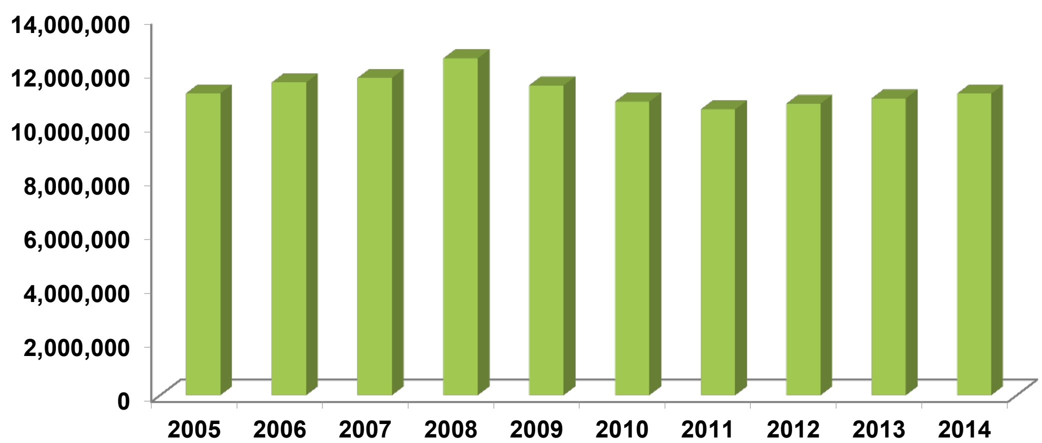
## Exhibit S-10

### Aircraft Landed Weight

Fiscal Years Ended June 30,

| Fiscal Year | Aircraft Landed Weight in 1000 lbs | % Change |
|---|---|---|
| 2005 | 11,200,204 | 4.2 % |
| 2006 | 11,604,873 | 3.6 % |
| 2007 | 11,773,957 | 1.5 % |
| 2008 | 12,501,191 | 6.2 % |
| 2009 | 11,496,758 | (8.0)% |
| 2010 | 10,892,867 | (5.3)% |
| 2011 | 10,606,160 | (2.6)% |
| 2012 | 10,819,902 | 2.0 % |
| 2013 | 11,015,716 | 1.8 % |
| 2014 | 11,186,768 | 1.6 % |

**Aircraft Landed Weights (000 lbs)**




Source: San Diego Regional Airport Authority

**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.


# Exhibit S-11

## Aircraft Landed Weights by Airline (thousand pounds)

Fiscal Years Ended June 30,

**Top 15 Ranked on Fiscal Year 2014 Results**

| Airline | 2005 | % of Total | 2006 | % of Total | 2007 | % of Total | 2008 | % of Total | 2009 | % of Total | 2010 | % of Total | 2011 | % of Total | 2012 | % of Total | 2013 | % of Total | 2014 | % of Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Southwest Airlines | 3,570,052 | 31.9% | 3,768,374 | 32.5% | 3,956,170 | 33.6% | 4,416,996 | 35.3% | 4,415,780 | 38.4% | 4,068,974 | 37.4% | 4,001,530 | 37.7% | 3,953,536 | 36.5% | 3,907,554 | 35.5% | 3,925,362 | 35.1% |
| United Airlines * | 1,732,536 | 15.5% | 1,767,394 | 15.2% | 1,803,693 | 15.3% | 1,761,692 | 14.1% | 1,670,479 | 14.5% | 1,662,541 | 15.3% | 1,583,372 | 14.9% | 1,502,203 | 13.9% | 1,387,854 | 12.6% | 1,340,736 | 12.0% |
| Delta Airlines | 927,763 | 8.3% | 850,348 | 7.3% | 798,104 | 6.8% | 839,172 | 6.7% | 713,622 | 6.2% | 893,467 | 8.2% | 1,062,254 | 10.0% | 1,047,068 | 9.7% | 1,023,608 | 9.3% | 1,016,878 | 9.1% |
| Alaska Airlines | 605,435 | 5.4% | 616,552 | 5.3% | 668,390 | 5.7% | 612,282 | 4.9% | 536,281 | 4.7% | 511,813 | 4.7% | 595,238 | 5.6% | 648,359 | 6.0% | 750,000 | 6.8% | 884,727 | 7.9% |
| American Airlines | 1,009,498 | 9.0% | 1,089,872 | 9.4% | 961,143 | 8.2% | 890,796 | 7.1% | 848,513 | 7.4% | 766,151 | 7.0% | 672,059 | 6.3% | 701,126 | 6.5% | 685,836 | 6.2% | 718,069 | 6.4% |
| US Airways | 298,983 | 2.7% | 250,303 | 2.2% | 391,358 | 3.3% | 713,030 | 5.7% | 684,354 | 6.0% | 626,510 | 5.8% | 603,439 | 5.7% | 643,014 | 5.9% | 653,915 | 5.9% | 631,485 | 5.6% |
| Federal Express | 384,702 | 3.4% | 445,744 | 3.8% | 456,152 | 3.9% | 447,636 | 3.6% | 402,665 | 3.5% | 400,303 | 3.7% | 421,239 | 4.0% | 452,453 | 4.2% | 451,797 | 4.1% | 419,127 | 3.7% |
| Skywest Airlines | 247,215 | 2.2% | 251,902 | 2.2% | 246,559 | 2.1% | 195,777 | 1.6% | 219,416 | 1.9% | 332,408 | 3.1% | 338,812 | 3.2% | 306,789 | 2.8% | 428,595 | 3.9% | 396,054 | 3.5% |
| Spirit Airlines | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 98,931 | 0.9% | 208,200 | 1.9% | 245,669 | 2.2% |
| Virgin America | - | 0.0% | - | 0.0% | - | 0.0% | 3,122 | 0.02% | 221,333 | 1.9% | 205,348 | 1.9% | 173,686 | 1.6% | 208,253 | 1.9% | 235,934 | 2.1% | 232,136 | 2.1% |
| Frontier Airlines | 194,758 | 1.7% | 246,749 | 2.1% | 283,898 | 2.4% | 287,387 | 2.3% | 237,269 | 2.1% | 227,847 | 2.1% | 249,492 | 2.4% | 208,936 | 1.9% | 196,614 | 1.8% | 192,493 | 1.7% |
| JetBlue Airlines | 123,145 | 1.1% | 174,337 | 1.5% | 175,333 | 1.5% | 288,239 | 2.3% | 297,340 | 2.6% | 201,071 | 1.8% | 167,369 | 1.6% | 166,232 | 1.5% | 168,080 | 1.5% | 189,979 | 1.7% |
| British Airways | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 13,800 | 0.1% | 167,440 | 1.5% | 163,760 | 1.5% | 166,980 | 1.5% |
| Hawaiian Airlines | 145,920 | 1.3% | 145,920 | 1.3% | 211,840 | 1.8% | 235,200 | 1.9% | 137,145 | 1.2% | 121,600 | 1.1% | 134,080 | 1.3% | 118,088 | 1.1% | 140,637 | 1.3% | 147,325 | 1.3% |
| Japan Airlines | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 47,125 | 0.4% | 138,700 | 1.2% |
| **Subtotal** | **9,240,007** | **82.5%** | **9,607,495** | **82.8%** | **9,952,639** | **84.5%** | **10,691,329** | **85.5%** | **10,384,196** | **90.3%** | **10,018,032** | **92.0%** | **10,016,370** | **94.4%** | **10,222,427** | **94.5%** | **10,449,511** | **94.9%** | **10,645,720** | **95.2%** |
| All Others | 1,960,197 | 17.5% | 1,997,378 | 17.2% | 1,821,318 | 15.5% | 1,810,162 | 14.5% | 1,112,561 | 9.7% | 874,835 | 8.0% | 589,790 | 5.6% | 597,474 | 5.5% | 566,205 | 5.1% | 541,048 | 4.8% |
| **TOTAL** | **11,200,204** | **100.0%** | **11,604,873** | **100.0%** | **11,773,957** | **100.0%** | **12,501,491** | **100.0%** | **11,496,758** | **100.0%** | **10,892,867** | **100.0%** | **10,606,160** | **100.0%** | **10,819,902** | **100.0%** | **11,015,716** | **100.0%** | **11,186,768** | **100.0%** |
| **Annual % Change** | 4.2% | | 3.6% | | 1.5% | | 6.2% | | -8.0% | | -5.3% | | -2.6% | | 2.0% | | 1.8% | | 1.6% | |

Source: San Diego County Regional Airport Authority

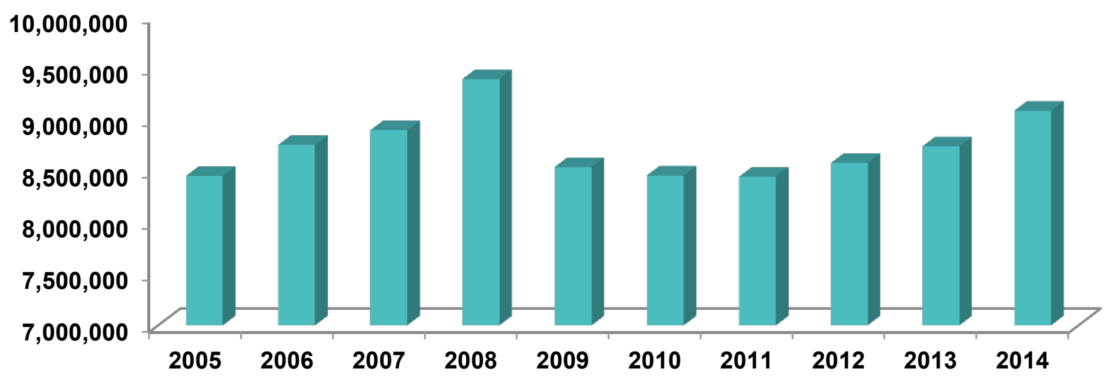
***** United and Continental completed their merger on October 1, 2010 and began operating as United on November 30, 2011. Data for United and Continental have been combined in this table.

# Exhibit S-12

## Passenger Enplanements

Fiscal years Ended June 30,

| Fiscal Year | Passenger Enplanements | % Change |
|---|---|---|
| 2005 | 8,449,107 | 5.9% |
| 2006 | 8,749,734 | 3.6% |
| 2007 | 8,892,069 | 1.6% |
| 2008 | 9,389,327 | 5.6% |
| 2009 | 8,535,774 | (9.1%) |
| 2010 | 8,453,886 | (1.0%) |
| 2011 | 8,441,120 | (0.2%) |
| 2012 | 8,575,475 | 1.6% |
| 2013 | 8,737,617 | 1.9% |
| 2014 | 9,082,244 | 3.9% |




Source: San Diego County Regional Airport Authority

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


# Exhibit S-13

## Enplanement Market Share by Airline by Fiscal Year

Fiscal Years Ended June 30,

| Air Carrier | 2005 Enplane-ments | Share | 2006 Enplane-ments | Share | 2007 Enplane-ments | Share | 2008 Enplane-ments | Share | 2009 Enplane-ments | Share | 2010 Enplane-ments | Share | 2011 Enplane-ments | Share | 2012 Enplane-ments | Share | 2013 Enplane-ments | Share | 2014 Enplane-ments | Share |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Aeromexico | 49,488 | 0.6% | 58,969 | 0.7% | 39,518 | 0.4% | 32,223 | 0.3% | 27,772 | 0.3% | 24,335 | 0.3% | — | — | — | — | — | — | — | — |
| Air Canada | — | — | — | — | 55,398 | 0.6% | 55,031 | 0.6% | 27,255 | 0.3% | 46,959 | 0.6% | 58,539 | 0.7% | 56,470 | 0.7% | 45,058 | 0.5% | 36,636 | 0.4% |
| AirTran Airways | — | — | — | — | 7,983 | 0.1% | 97,937 | 1.0% | 66,475 | 0.8% | 37,530 | 0.4% | 17,978 | 0.2% | — | 0.0% | — | — | — | — |
| Alaska Airlines | 476,395 | 5.6% | 492,891 | 5.6% | 536,784 | 6.0% | 498,169 | 5.3% | 428,515 | 5.0% | 435,722 | 5.2% | 514,498 | 6.1% | 579,457 | 6.8% | 673,731 | 7.7% | 830,349 | 9.1% |
| Aloha Airlines | 29,051 | 0.3% | 41,882 | 0.5% | 38,418 | 0.4% | 33,620 | 0.4% | — | — | — | — | — | — | — | — | — | — | — | — |
| America West | 466,615 | 5.5% | 451,904 | 5.2% | 374,072 | 4.2% | 78,298 | 0.8% | — | — | — | — | — | — | — | — | — | — | — | — |
| American Airlines | 879,144 | 10.4% | 968,832 | 11.1% | 873,624 | 9.8% | 808,790 | 8.6% | 735,067 | 8.6% | 704,909 | 8.3% | 658,752 | 7.8% | 664,466 | 7.7% | 650,826 | 7.4% | 693,995 | 7.6% |
| British Airways | — | — | — | — | — | 0.0% | — | — | — | — | — | — | 6,912 | 0.1% | 81,437 | 0.9% | 81,534 | 0.9% | 84,600 | 0.9% |
| Continental Airlines | 401,803 | 4.8% | 454,699 | 5.2% | 503,189 | 5.7% | 520,856 | 5.5% | 503,242 | 5.9% | 507,443 | 6.0% | 496,100 | 5.9% | — | 0.0% | — | — | — | — |
| Delta Airlines | 713,872 | 8.4% | 666,101 | 7.6% | 633,772 | 7.1% | 687,104 | 7.3% | 618,127 | 7.2% | 900,510 | 10.7% | 919,323 | 10.9% | 935,777 | 10.9% | 904,734 | 10.4% | 915,907 | 10.1% |
| Frontier Airlines | 152,917 | 1.8% | 171,544 | 2.0% | 196,598 | 2.2% | 231,926 | 2.5% | 203,689 | 2.4% | 196,628 | 2.3% | 219,008 | 2.6% | 198,708 | 2.3% | 184,020 | 2.1% | 185,270 | 2.0% |
| Hawaiian Airlines | 108,798 | 1.3% | 112,410 | 1.3% | 154,932 | 1.7% | 160,939 | 1.7% | 100,626 | 1.2% | 90,874 | 1.1% | 98,887 | 1.2% | 86,211 | 1.0% | 94,283 | 1.1% | 98,667 | 1.1% |
| Japan Airlines | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 18,249 | 0.2% | 54,213 | 0.6% |
| JetBlue Airways | 118,762 | 1.4% | 161,594 | 1.8% | 151,984 | 1.7% | 224,205 | 2.4% | 235,199 | 2.8% | 167,031 | 2.0% | 141,684 | 1.7% | 147,051 | 1.7% | 152,571 | 1.7% | 173,282 | 1.9% |
| Midwest Airlines | — | — | 18,688 | 0.2% | 34,551 | 0.4% | 42,763 | 0.5% | 8,380 | 0.1% | — | — | — | — | — | — | — | — | — | — |
| Northwest Airlines | 319,790 | 3.8% | 292,393 | 3.3% | 286,952 | 3.2% | 295,724 | 3.1% | 272,684 | 3.2% | — | — | — | — | — | — | — | — | — | — |
| Southwest Airlines | 2,866,405 | 33.9% | 2,979,763 | 34.1% | 3,106,431 | 34.9% | 3,306,386 | 35.2% | 3,122,090 | 36.6% | 3,183,084 | 37.7% | 3,277,931 | 38.8% | 3,252,290 | 37.9% | 3,253,225 | 37.2% | 3,352,870 | 36.9% |
| Sun Country Airlines | 27,339 | 0.3% | 41,091 | 0.5% | 45,931 | 0.5% | 44,454 | 0.5% | 35,885 | 0.4% | 24,984 | 0.3% | 24,175 | 0.3% | 15,889 | 0.2% | 23,836 | 0.3% | 27,276 | 0.3% |
| Spirit | — | 0.0% | — | — | — | — | — | — | — | — | — | — | — | — | 77,873 | 0.9% | 164,189 | 1.9% | 201,414 | 2.2% |
| United Airlines | 982,535 | 11.6% | 989,744 | 11.3% | 990,725 | 11.1% | 978,816 | 10.4% | 927,023 | 10.9% | 920,960 | 10.9% | 878,307 | 10.4% | 1,266,007 | 14.8% | 1,175,869 | 13.5% | 1,167,661 | 12.9% |
| US Airways | 251,629 | 3.0% | 212,622 | 2.4% | 300,568 | 3.4% | 552,751 | 5.9% | 563,392 | 6.6% | 512,558 | 6.1% | 523,378 | 6.2% | 535,906 | 6.2% | 560,738 | 6.4% | 554,244 | 6.1% |
| Virgin America | — | — | — | — | — | — | 57,292 | 0.6% | 155,649 | 1.8% | 151,110 | 1.8% | 133,377 | 1.6% | 166,326 | 1.9% | 168,297 | 1.9% | 156,729 | 1.7% |
| Volaris | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 45,589 | 0.5% | 30,885 | 0.4% | 23,285 | 0.3% |
| Other | 8,439 | 0.1% | 27,329 | 0.3% | 8,128 | 0.1% | 47,257 | 0.5% | 25,457 | 0.3% | 51,541 | 0.6% | 37,776 | 0.4% | 43,634 | 0.5% | 43,212 | 0.5% | 39,664 | 0.4% |
| **Total Air Carrier** | 7,852,982 | 92.9% | 8,142,456 | 93.1% | 8,339,558 | 93.8% | 8,754,541 | 93.2% | 8,056,527 | 94.4% | 7,956,178 | 94.1% | 8,006,625 | 94.9% | 8,153,091 | 95.1% | 8,225,453 | 94.1% | 8,596,062 | 94.6% |
| **Commuter** | | | | | | | | | | | | | | | | | | | | |
| American Eagle (Envoy Airlines) | 288,843 | 3.4% | 287,136 | 3.3% | 275,087 | 3.1% | 238,147 | 2.5% | 232,289 | 2.7% | 207,272 | 2.5% | 155,421 | 1.8% | 140,574 | 1.6% | 82,377 | 0.9% | 51,126 | 0.6% |
| Compass (Delta Connection) | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 8,563 | 0.1% |
| Express Jet Airlines | — | — | — | — | 17,603 | 0.2% | 202,429 | 2.2% | 36,034 | 0.4% | — | — | — | — | — | — | — | — | — | — |
| Horizon | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 5,900 | 0.1% | 77,392 | 0.9% | 84,000 | 0.9% |
| Mesa Airlines | 114,010 | 1.3% | 117,330 | 1.3% | 42,219 | 0.5% | 17,098 | 0.2% | 7,381 | 0.1% | 18,670 | 0.2% | 6,709 | 0.1% | 12,766 | 0.1% | 206 | — | — | — |
| Seaport Airlines | — | — | — | — | — | — | — | | — | — | — | — | — | — | — | — | 196 | — | 1,128 | — |
| SkyWest Airlines | 193,272 | 2.3% | 202,812 | 2.3% | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| SkyWest Airlines - Alaska Airlines | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 8,075 | 0.1% |
| SkyWest - (American Eagle / Envoy - LAX) | — | — | — | — | — | — | — | | — | — | — | — | — | — | — | — | 62,061 | 0.7% | 84,880 | 0.9% |
| Skywest- Delta Connection | — | — | — | — | 55,646 | 0.6% | 36,610 | 0.4% | 66,783 | 0.8% | 93,380 | 1.1% | 92,818 | 1.1% | 94,644 | 1.1% | 101,456 | 1.2% | 98,808 | 1.1% |
| Skywest- United Express | — | — | — | — | 161,956 | 1.8% | 140,502 | 1.5% | 136,760 | 1.6% | 178,386 | 2.1% | 179,547 | 2.1% | 162,620 | 1.9% | 177,889 | 2.0% | 149,524 | 1.6% |
| Skywest- US Airways | — | — | — | — | — | — | — | — | — | — | — | — | — | 0.0% | 5,880 | 0.1% | 10,783 | 0.1% | 78 | — |
| **Total Commuter** | 596,125 | 7.1% | 607,278 | 6.9% | 552,511 | 6.2% | 634,786 | 6.8% | 479,247 | 5.6% | 497,708 | 5.9% | 434,495 | 5.1% | 422,384 | 4.9% | 512,164 | 5.9% | 486,182 | 5.4% |
| **Total Enplanements** | 8,449,107 | 100.0% | 8,749,734 | 100% | 8,892,069 | 100% | 9,389,327 | 100% | 8,535,774 | 100% | 8,453,886 | 100% | 8,441,120 | 100% | 8,575,475 | 100% | 8,737,617 | 100% | 9,082,244 | 100% |

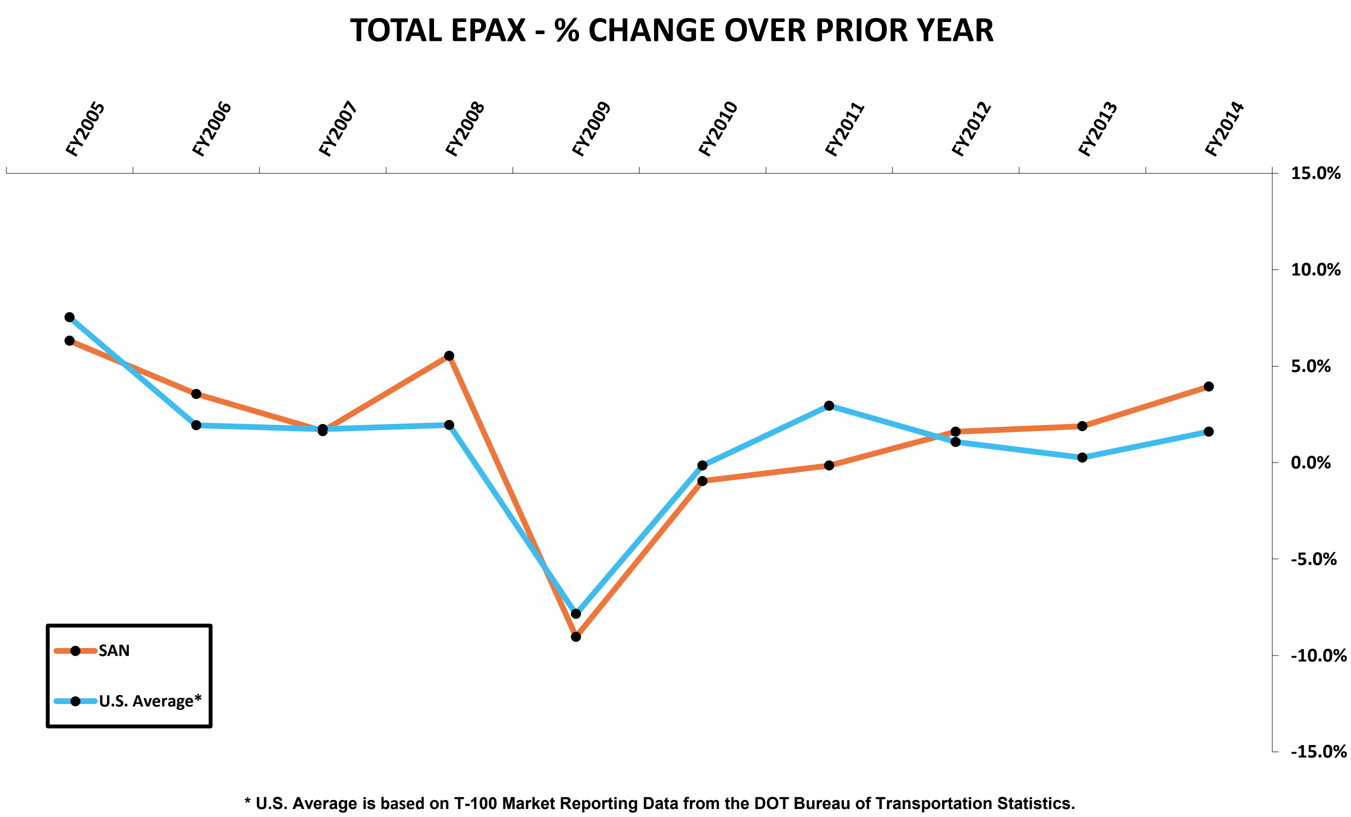
* United and Continental completed their merger on October 1, 2010 and began operating as United on November 30, 2011. Data for United and Continental have been combined in this table starting FY 2012.

* Airtran was acquired by Southwest in May 2011 and began operating as Southwest Airlines on March 1, 2012.

Source: San Diego County Regional Airport Authority

## Exhibit S-14

Year-Over-Year Percentage Growth in Passenger Enplanements, SDIA vs. US




This chart compares SDIA's year over year enplanement change compared to the US scheduled mainline service.

Source: San Diego County Regional Airport Authority and US Dept of Transportation's T-100 enplanement data.

## Exhibit S-15
### Capital Assets

| San Diego International Airport | |
|---|---|
| Number of runways | 1 |
| Length of runway (feet) | 9,401 feet |
| Number of gates | 51 |
| Commuter plane parking positions | 10 |
| Terminal Rentable Square footage | 585,452 |
| Airport Land Area | 661 acres |
| On airport parking spaces (public) | 2,053 |
| Off airport parking spaces (public) | 3,599 |

Source: San Diego County Regional Airport Authority
The parking spaces shown above are controlled and operated by the Airport Authority and reported on a weighted average basis.

The terminal rentable square footage is a weighted average figure that reflects the additional square footage constructed by the Green Build program.

## Exhibit S-16

Population & Per Capita Personal Income San Diego County
(2000-2010)

| Calendar Year | Estimated Population[1] | % Change | Per Capita Personal Income[2] | % Change | Total Personal Income[2] | % Change |
|---|---|---|---|---|---|---|
| 2005 | 3,038,074 | 0.9 % | 40,383 | 5.0 % | 122,686,542,342 | 5.9 % |
| 2006 | 3,065,077 | 0.9 % | 42,801 | 6.0 % | 131,188,360,677 | 6.9 % |
| 2007 | 3,100,132 | 1.1 % | 45,911 | 7.3 % | 142,330,160,252 | 8.5 % |
| 2008 | 3,131,552 | 1.0 % | 46,649 | 1.6 % | 146,083,769,248 | 2.6 % |
| 2009 | 3,173,407 | 1.3 % | 42,325 | (9.3)% | 134,314,451,275 | (8.1)% |
| 2010 | 3,091,579 | (2.6)% | 43,104 | 1.8 % | 133,259,421,216 | (0.8)% |
| 2011 | 3,118,876 | 0.9 % | 48,066 | 11.5 % | 149,911,893,816 | 12.5 % |
| 2012 | 3,128,734 | 0.3 % | 49,719 | 3.4 % | 155,557,525,746 | 3.8 % |
| 2013 | 3,150,178 | 0.7 % | 49,778 | 0.1 % | 156,809,560,484 | 0.8 % |
| 2014 | 3,194,362 | 1.4 % | 51,331 | 3.1 % | 163,969,795,822 | 4.6 % |

Sources:

[1] California Department of Finance,E-1 Population Estimates for Cities, Counties and the State,at January 1st of the calendar years shown.

[2] U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, Local Area Personal Income. 2013 and 2014 per capita personal income are estimates by the California Department of Transportation. Prior year's 2011 and 2012 per capita personal income has been updated.

# Exhibit S-17
## Principal Employers in San Diego County

**2014**

| Employer | Local Employees | Rank | Percentage of Total Industry Employment |
|---|---|---|---|
| U.S. Federal Government | 45,700 | 1 | 3.36% |
| State of California | 45,500 | 2 | 3.34% |
| University of California, San Diego | 42,900 | 3 | 3.15% |
| Sharp Health Care | 27,391 | 4 | 2.01% |
| County of San Diego | 15,231 | 5 | 1.12% |
| Scripps Health | 15,050 | 6 | 1.11% |
| Qualcomm Inc. | 14,603 | 7 | 1.07% |
| City of San Diego | 14,097 | 8 | 1.04% |
| Kaiser Foundation | 11,400 | 9 | 0.84% |
| General Atomics | 10,057 | 10 | 0.74% |

**2005**

| Employer | Local Employees | Rank | Percentage of Total Industry Employment |
|---|---|---|---|
| U.S. Federal Government | 40,700 | 1 | 3.10% |
| State of California | 38,800 | 2 | 2.96% |
| San Diego Unified School District | 26,700 | 3 | 2.04% |
| University of California, San Diego | 23,225 | 4 | 1.77% |
| County of San Diego | 16,810 | 5 | 1.28% |
| Sharp Healthcare | 12,945 | 6 | 0.99% |
| City of San Diego | 12,398 | 7 | 0.95% |
| US Postal Service | 11,611 | 8 | 0.89% |
| Scripps Health | 10,517 | 9 | 0.80% |
| San Diego State University | 6,512 | 10 | 0.50% |

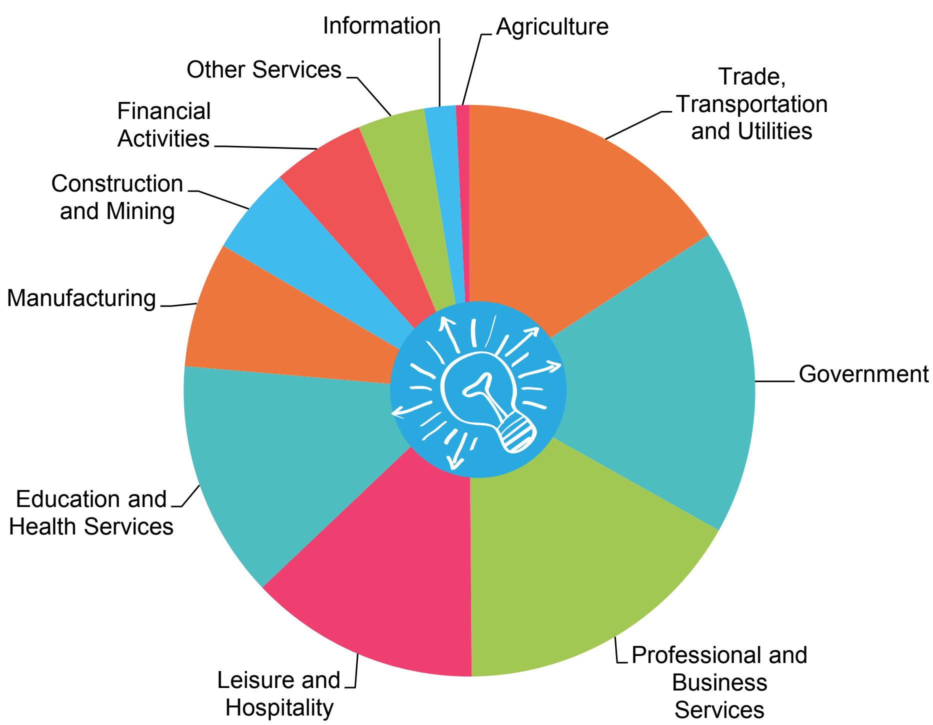
**Total Industry Employment in San Diego County (June 2005):** **1,311,300**
**Total Industry Employment in San Diego County (June 2014):** **1,360,900**

Source: Employers - San Diego Daily Transcript: 2005 & 2015 Book of Lists
Total Industry Employment - California Employment Development Dept.,
Labor Market Info June 2014 - March 2013 Benchmark

## Exhibit S-18
San Diego County Employment by Industry Sector

| Industry Sectors | June 2014 Industry Employment | % of Total |
|---|---|---|
| Trade, Transportation and Utilities | 215,100 | 15.8% |
| Government | 235,800 | 17.3% |
| Professional and Business Services | 227,900 | 16.7% |
| Leisure and Hospitality | 177,400 | 13.0% |
| Education and Health Services | 183,100 | 13.5% |
| Manufacturing | 96,600 | 7.1% |
| Construction and Mining | 67,700 | 5.0% |
| Financial Activities | 71,200 | 5.2% |
| Other Services | 51,400 | 3.8% |
| Information | 24,200 | 1.8% |
| Agriculture | 10,500 | 0.8% |
| **Total** | **1,360,900** | |

Source: California Employment Development Dept., Labor Market Info: Industry Employment & Labor Force, March 2013 Benchmark



## Exhibit S-19

### San Diego County Labor Force, Employment, and Unemployment Rates

| | | | | Unemployment Rate | |
|---|---|---|---|---|---|
| **Year** | **Labor Force** | **Employment** | **Unemployment** | **SD County** | **State** |
| 2005 | 1,505,892 | 1,442,700 | 65,100 | 4.3% | 5.4% |
| 2006 | 1,520,474 | 1,457,500 | 60,500 | 4.0% | 4.9% |
| 2007 | 1,542,445 | 1,471,600 | 70,900 | 4.6% | 5.4% |
| 2008 | 1,548,700 | 1,462,300 | 92,900 | 6.0% | 7.2% |
| 2009 | 1,554,100 | 1,406,100 | 151,300 | 9.7% | 11.4% |
| 2010 | 1,558,200 | 1,393,900 | 164,300 | 10.5% | 12.4% |
| 2011 | 1,583,700 | 1,419,400 | 164,300 | 10.4% | 10.7% |
| 2012 | 1,598,800 | 1,450,600 | 148,200 | 9.3% | 10.7% |
| 2013 | 1,596,000 | 1,470,900 | 125,100 | 7.8% | 9.2% |
| 2014 | 1,588,500 | 1,491,600 | 96,900 | 6.1% | 7.3% |

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

# Exhibit S-20
## Debt Service Coverage

| Senior Bonds | 2005 | *2006 | 2007 | 2008 | 2009 | 2010 | **2011[6] | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues [1] | $ 112,104,190 | $ 123,308,672 | $ 133,924,976 | $ 144,379,133 | $ 138,334,601 | $ 138,113,792 | $ 148,963,673 | $ 158,311,779 | $ 181,051,929 | $ 199,566,223 |
| Operating and Maintenance Expenses | (89,337,926) | (97,675,011) | (103,942,210) | (114,375,096) | (115,221,068) | (116,275,132) | (117,100,946) | (118,941,148) | (126,662,546) | (136,604,105) |
| Net Revenues [2] | 22,766,264 | 25,633,661 | 29,982,766 | 30,004,037 | 23,113,533 | 21,838,660 | 31,862,727 | 39,370,631 | 54,389,383 | 62,962,118 |
| **Senior Bond Debt Service [3]** | | | | | | | | | | |
| Principal | $ 2,355,000 | $ 5,995,000 | $ 2,670,000 | $ 2,805,000 | $ 2,950,000 | $ 3,105,000 | $ 3,265,000 | $ 3,430,000 | $ - | $ - |
| Interest | 3,197,029 | 2,949,705 | 2,665,725 | 2,532,225 | 2,391,975 | 2,244,475 | 2,089,225 | 1,925,975 | 2,478,489 | 16,645,435 |
| PFCs used to pay debt service | - | - | - | - | - | - | - | - | (714,077) | (7,140,301) |
| Total Debt Service for the Senior Bond | $ 5,552,029 | $ 8,944,705 | $ 5,335,725 | $ 5,337,225 | $ 5,341,975 | $ 5,349,475 | $ 5,354,225 | $ 5,355,975 | $ 1,764,412 | $ 9,505,134 |
| **Senior Bonds Debt Service Coverage (x)** | **4.10** | **2.87** | **5.62** | **5.62** | **4.33** | **4.08** | **5.95** | **7.35** | **30.83** | **6.62** |
| **Subordinate Debt** | | | | | | | | | | |
| Subordinate Net Revenues [2] | | | | | | | $ 26,508,500 | $ 34,014,656 | $ 52,624,971 | $ 53,456,985 |
| Subordinate Annual Debt Service [4] | | | | | | | | | | |
| Principal | | | | | | | $ 715,000 | $ 980,000 | $ 1,000,000 | $ 5,785,000 |
| Interest | | | | | | | 2,971,984 | 6,599,760 | 26,194,616 | 27,069,283 |
| Commercial Paper | | | | | | | 1,220,226 | 1,077,867 | 5,519,872 | 6,446,951 |
| PFCs used to pay debt service | | | | | | | - | - | (20,061,962) | (20,718,863) |
| Total Subordinate Annual Debt Service | | | | | | | $ 4,907,210 | $ 8,657,627 | $ 12,652,526 | $ 18,582,371 |
| **Subordinate Obligations Debt Service Coverage (x)** | | | | | | | **5.40** | **3.93** | **4.16** | **2.88** |

Source: San Diego County Regional Airport Authority

* The increase in debt service requirements in 2006 was due to principal and interest payments required on both the Airport Revenue Bonds, Series 1995 and the Airport Revenue Refunding Bonds, Series 2005.

** The increase in the 2011 debt service requirements is due to the a new bond issued October 2010.

(1) Revenues are calculated pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture.

(2) Net Revenues and Subordinate Net Revenues are calculated pursuant to the provisions of the Master Senior Indenture and Master Subordinate Indenture, as appropriate.

(3) Debt service with respect to the Senior Bonds is calculated pursuant to the provisions of the Master Senior Indenture.

(4) Subordinate Annual Debt Service is calculated pursuant to the provisions of the Master Subordinate Indenture.

(5) Includes principal and interest.

(6) Information regarding Subordinate Obligations Debt Service Coverage provided in connection with the first fiscal year for which Subordinate Annual Debt Service was due with respect to the 2010 Bonds. Subordinate Annual Debt Service for prior years consisted of debt service on the Authority's Subordinate Commercial Paper Notes and is not presented for Fiscal Years 2005-2008.

# Exhibit S-21

## Debt Service Coverage - Series 2014 CFC Bonds

| | | 2014 |
|---|---|---|
| CFC Collections | $ | 27,545,001 |
| Bond Funding Supplemental Consideration | | - |
| Transfers from CFC Stabilization Fund | | - |
| Interest Earnings[1] | | 204,194 |
| Total Amounts Available | | 27,749,195 |
| Rolling Coverage Fund Balance[2] | | - |
| Total Amounts Available, plus Rolling Coverage Fund Balance | $ | 27,749,195 |
| Series 2014 Debt Service Requirements | | - |
| Coverage excluding Rolling Coverage Fund | | N/A |
| Coverage including Rolling Coverage Fund | | N/A |

1 Includes earnings on investments in the Senior Reserve Fund, the Rolling Coverage Fund and the CFC Surplus Fund.

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

## Exhibit S-22

Debt Per Enplaned Passenger

| Fiscal Year | | Outstanding Bond Debt (1) | Outstanding Commercial Paper Debt | Capital Leases | Total Outstanding Debt | Enplaned Passengers | Debt per Enplaned Passenger |
|---|---|---|---|---|---|---|---|
| 2005 | | 60,605,000 | 51,694,000 | - | 112,299,000 | 8,449,107 | 13.29 |
| 2006 | | 59,451,787 | 51,694,000 | - | 111,145,787 | 8,749,734 | 12.70 |
| 2007 | | 55,709,517 | 51,694,000 | - | 107,403,517 | 8,892,069 | 12.08 |
| 2008 | | 52,812,246 | 49,430,000 | - | 102,242,246 | 9,389,327 | 10.89 |
| 2009 | | 49,779,975 | 84,430,000 | - | 134,209,975 | 8,535,774 | 15.72 |
| 2010 | | 46,602,704 | 164,430,000 | 377,172 | 211,409,876 | 8,453,886 | 25.01 |
| 2011 | | 640,920,314 | 21,509,000 | 519,866 | 662,949,180 | 8,441,120 | 78.54 |
| 2012 | | 635,307,968 | 20,729,000 | 361,641 | 656,398,609 | 8,575,475 | 76.54 |
| 2013 | | 1,027,411,188 | 50,969,000 | 8,152,588 | 1,086,532,776 | 8,737,617 | 124.35 |
| 2014 | (2) | 1,327,897,591 | 44,884,000 | 7,810,927 | 1,380,592,518 | 9,082,244 | 152.01 |

Source: San Diego County Regional Airport Authority

(1) Outstanding Bond Debt includes unamortized bond premium

(2) Starting in 2014, Outstanding Bond Debt includes CFC Bond issuance

Generally Accepted Accounting Standards state that debt service, as shown in the Authority's Financial Statement schedules, include net bond premium and capital lease liability


SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**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