



SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FISCAL YEARS ENDED
JUNE 30, 2015 & 2014

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2015 & 2014

PREPARED BY

Finance Division of the
San Diego County
Regional Airport Authority

San Diego, CA

Scott Brickner
Vice President,
CFO/Treasurer Finance and Asset Management

Kathryn J. Kiefer
Sr. Director, Finance and Asset Management



TABLE OF CONTENTS

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 & 2014**

INTRODUCTORY SECTION (UNAUDITED)

Authority Overview	v
Letter of Transmittal	vi-xiii
GFOA Certificate of Achievement For Excellence in Financial Reporting	xv
Authority Board Members and Executive Staff	xvi
Authority Organization Chart	xvii

FINANCIAL SECTION

Independent Auditor's Report	2-3
Management's Discussion and Analysis (Unaudited)	5-16
Basic Financial Statements: Statements of Net Position	18-23
Statements of Revenues, Expenses and Changes in Net Position	21-22
Statements of Cash Flows	23-24
Notes to Financial Statements	25-61
Required Supplementary Information (Unaudited)	62-64

STATISTICAL SECTION (UNAUDITED)

Authority Operating Revenues and Expenses	68
Authority Net Position by Component	68
Authority Change in Net Position	69
Authority Largest Sources of Revenues	70-71
Authority Landing Fee Rate	70
Terminal Rates Billed to Airlines	71
Airline Cost per Enplaned Passenger	72
Authority Employee Headcount	73
Aircraft Operations	74
Aircraft Landed Weights	75
Aircraft Landed Weights by Airline	76-77
Passenger Enplanements	78
Enplanement Market Share by Airline by Fiscal Year	80-81
Growth in Enplaned Passengers, SDIA vs. US	82
Capital Assets	83
Population and Per Capita Personal Income - San Diego County	84
Principal Employers in San Diego County	85
San Diego County Employment by Industry Sector	86
Labor Force, Employment and Unemployment Rates	87
Debt Service Coverage	88-89
Debt Service Coverage - Series 2014 CFC Bonds	90
Debt Per Enplaned Passenger	91

INTRODUCTORY SECTION

AUTHORITY OVERVIEW

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

AUTHORITY BOARD MEMBERS AND EXECUTIVE STAFF

AUTHORITY ORGANIZATION CHART



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.



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

P.O. BOX 82776, SAN DIEGO, CA 92138-2776
619.400.2400 WWW.SAN.ORG

To the Public:

November 4, 2015

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, 2015 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, 2015, 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 0.9 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 2015, the County's unemployment rate dropped to 5.0 percent compared to June 2014, at 6.1 percent. This compares with an unemployment rate of 6.2 percent in 2015 and 7.4 percent in 2014 for California, and 5.3 percent as of June 2015 compared to 6.1 percent for the nation as of June 2014. The region's economy is diversified and provides an attractive mix of leisure, business, and governmental sectors. The County is home to more than 120 publicly traded companies.

Enplaned passengers grew 6.9 percent in fiscal year 2015, reflecting continuing economic improvement. Total enplaned passengers were 9.71 million, compared to 9.08 million in fiscal year 2014. 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:

NEW FIXED BASED OPERATOR (FBO) FACILITY GOES INTO OPERATION AT SAN

Landmark Aviation partnered with the Airport Authority on a new general aviation facility at 3300 Admiral Boland Way. This FBO campus, which will achieve LEED Platinum certification, features a 19,000 square foot terminal, a 250,000 square foot ramp and five hangars on 12.4 acres.

Its amenities include office space, a snooze room, VIP lounge, fitness center, viewing deck, gourmet café, and an executive conference room. Landmark began operating out of its new home on August 1, 2014.

NORTH SIDE DEVELOPMENT CONTINUES

Construction continues at SAN with improvements on the north side of the airport. Major ongoing projects include the construction of the Rental Car Center (RCC), the RCC's shuttle bus operations and storage facility, and the final phase of the Admiral Boland Way roadway improvements. These projects will help maximize the airport's efficiency and make the most of the airport's 661-acre footprint.

In late 2013, construction began in earnest on the RCC, which will house 10 rental car companies representing 16 brands in a single building, including the leading national brands, as well as local, independent and small business rental car companies. This will dramatically reduce the number of shuttle buses circulating around the airport, from over 80 buses down to just 16. The new RCC shuttles will operate on alternative fuel. The RCC is being constructed by Austin | Sundt Joint Venture and is scheduled to open in January 2016.

Details are as follows:

- Admiral Boland Way street dedication ceremony was held on June 3, 2015. Admiral Boland Way is an on-airport public access roadway serving the north side development and providing a shuttle bus-only connection from the north side to Harbor Drive.
- The RCC "topping out" ceremony was held on June 16, 2015. All concrete and structural steel work has been completed and all exterior precast architectural panels have been placed.
- A robust small business outreach program is under way for the RCC project. To date, \$206 million in contracts have been awarded to local businesses, with \$69 million going to small businesses.

In total, the Airport Authority's North Side Development Program is expected to create approximately 6,000 jobs during construction and award more than \$470 million in contracts.



SAN DIEGO INTERNATIONAL AIRPORT SERVES RECORD NUMBER OF PASSENGERS IN CALENDAR YEAR 2014

In January 2015, San Diego International Airport (SAN) announced that it had served a record 18.8 million passengers in calendar year 2014, an increase of 5.9 percent over 2013's total of 17.7 million. The previous record was set in 2007, when SAN served 18.3 million passengers.

SAN also set new records for international passengers and total departing passengers in 2014. SAN served 672,972 international passengers that year, a 7.2 percent increase over 2013, and the third consecutive year SAN had a record-breaking increase in this category.

In another important category, SAN set a record for total enplanements, or departing passengers, in 2014 with 9,383,793; a 2.3 percent increase over the previous record set in 2007.

The record number of passengers is attributed to a number of factors, including:

- Increase in the number of nonstop flights,
- New routes and destinations,
- Enhancements of Airport and airline capacity,
- Steady improvement in the economy.



MAJOR INITIATIVES, AWARDS AND ACCOMPLISHMENTS:

SAN WINS RECYCLER OF THE YEAR AWARD

On April 23, 2015, the Airport Authority received a Recycler of the Year award from the City of San Diego's Environmental Services Department. The event was the 23rd Annual Waste Reduction and Recycling Awards Ceremony, recognizing local businesses and organizations that have implemented or expanded innovative and successful waste reduction, recycling and recycled product purchasing programs.

This was the eleventh time that San Diego International Airport (SAN) was honored by the City of San Diego with a Recycler of the Year award, having received the award every year since 2003, except for 2005 and 2006. The Airport Authority received this year's award for continuing to improve the waste reduction and recycling program at

SAN in an effort to model best practices for airports across the country and other organizations locally.

The Airport Authority's award-winning waste diversion practices in 2014 focused on four major enhancements: 1) the enlargement of the food composting program to include every food and beverage concession area at the airport, 2) the Green Build Terminal Expansion officially receiving LEED Platinum Certification from the U.S. Green Building Council, 3) the recovery and recycling of air conditioning condensate water, and 4) the maturation of the Integrated Pest Management (IPM) Program.

SAN LAUDED FOR SUSTAINABILITY EFFORTS

In recognition of its comprehensive efforts in the areas of energy efficiency, water conservation, environmental protection and waste management, the San Diego County Regional Airport Authority was named "Sustainability Champion of the Year" by the North San Diego Business Chamber.

The Airport Authority received the honor at a ceremony on June 13. The award honors "an individual or business that has shown a commitment to sustainable, green living in one of the following areas: promoting education and training; advocating green lawmaking and policies at the legislative level; engaging in green practices within their own organization; creating, sustaining, or promoting programs in response to environmental issues; developing, implementing or sponsoring green events to get the community involved," according to the chamber.

Here are some examples of the Airport Authority's sustainability efforts at San Diego International Airport (SAN):

- **Airside Lighting** – SAN is one of the first airports to use long-lasting, energy-saving LED lighting for all of its airfield guidance signs, taxiway edge lights and runway guard lights.

- **Photovoltaics** – Installation of a 3.3-megawatt photovoltaic (PV) solar system on the rooftop of Terminal 2 West and in a section of the Terminal 2 parking lot, due to be completed by the end of the year, will provide the airport with 5.3 million kilowatt-hours of electricity – enough power to offset a projected 10-13% of the energy needs for Terminals 1 and 2.
- **AC condensate collection** – Collection of condensate – water created by condensation – from air conditioning units installed under passenger boarding bridges began in 2014. The new collection system recovered and reused more than 5,225 gallons of AC condensate last year. In 2015, the first full year of the program, SAN hopes to collect between 420,000 and 840,000 gallons of condensate, about equal to the amount of water used by five typical households in a year, according to the U.S. EPA.
- **NTC landfill remediation** – The Airport Authority performed an innovative clean closure of a former military landfill. The \$45 million remediation project removed 42 tons of waste from the site and surpassed all federal environmental standards, providing the additional acreage to build a much-needed aircraft parking area.

COMMUTER TERMINAL AIRLINE OPERATIONS MOVE TO TERMINALS 1 AND 2

On June 4, 2015, all Commuter Terminal aircraft operations were successfully relocated to gates in Terminals 1 and 2. Airlines that provide service to Los Angeles from the Commuter Terminal are replacing smaller aircraft with larger, more efficient planes. To better accommodate these larger aircraft and streamline the passenger experience, all flights were relocated to the main terminals where passengers on flights that previously used the Commuter Terminal now have the opportunity to

experience all of the new dining and shopping options, and other amenities offered at Terminals 1 and 2.

The Commuter Terminal will continue to serve as the administrative offices for the San Diego County Regional Airport Authority. Future plans for the building will be determined as part of the Airport Authority's Airport Development Plan, which is currently being formulated.

SAN UNVEILS LARGEST-EVER PUBLIC ART EXHIBITION CELEBRATING BALBOA PARK CENTENNIAL

San Diego International Airport in March unveiled Balboa Park & the City: Celebrating San Diego's Panama-California Exposition; the largest and most ambitious year-long exhibition offered by the airport's Art Program.

Intended to support and enhance the City of San Diego's year-long Balboa Park Centennial celebration, the airport-wide exhibition includes original artwork and historic images, collectibles, and artifacts that bring the 1915 Panama-California Exposition to life.

The exhibition includes historic items, replicas and images from seven local institutions and collectors, including: City

of San Diego, Parks & Recreation Department; San Diego History Center; the Committee of 100; David Marshall, AIA; and Sandor W. Shapery, Shapery Enterprises.

In addition to temporary installations and rotating exhibitions, the Airport Art Program includes public art and performing arts components, aimed at engaging travelers and creating an ambiance unique to San Diego. For more information about the Airport Art Program, visit www.san.org/Airport-Art.



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, 2015 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, 2014. This was the twelfth 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 tenth 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 designated to recognize organizational excellence within Procurement. The continuously evolving criteria measures innovation, ethics, electronic commerce, leadership, trends and best practices. The Airport Authority was one of 28 special districts in the United States and Canada to receive the award. The team also received special recognition for innovation. This is the sixth year that the Authority has received this award.

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 2015 with operating income (before depreciation and amortization) of \$70.3 million. Fiscal year 2015 also grew as compared to fiscal year 2014, with enplanements increasing 6.9 percent, total passengers increasing 7.0 percent, and freight and mail tons increasing 8.3 percent. The accompanying Management’s Discussion and Analysis provides a detailed narrative overview.

BUDGET PROCESS AND FINANCIAL PLAN

Annually, the Airport Authority prepares three budgets. The three budgets are, a five year capital improvement program budget, operating budget for the fiscal year and conceptual budget for the next year. The budget process begins in the fall with senior management collaborating with the Board to update, review and formulate the strategies and initiatives that drive business performance. The management team engages in cross-functional discussions to arrive at key decisions and agreements. The effort is designed to align divisional requirements with the Airport Authority's overall strategies and initiatives.

The capital improvement program provides critical improvements and asset preservation. The security, environmental remediation, terminal upgrades and development are the main focus of the capital improvement program.

To ensure that the budget and the financial plan is funded adequately and to maintain the Airport Authority's strong financial condition, the Financial Management team prepares a revenue budget that incorporates budget expenditure requests into the rate setting formula to determine projected rates, fees and charges to the airlines and other tenants.

The financial plan includes the operating budget, the next year conceptual operating budget and the capital improvement program. Other major factors affecting the Airport Authority's financial plan include the airline operating agreement, master and subordinate bond indentures, Memorandum of Understanding with the California Attorney General, and various levels of federal funding.

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, 2015. Its report on the financial statements is presented in the Financial Section of this report.

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 Finance & Asset Management | Treasurer





LET THERE BE **LIGHT**

LAST FISCAL YEAR, SAN LAUNCHED AN AMBITIOUS PLAN TO REDUCE ITS CARBON FOOTPRINT BY INSTALLING PHOTOVOLTAIC PANELS CAPABLE OF GENERATING MORE THAN 5 MEGAWATTS OF SOLAR ENERGY. THESE UNITS ARE PROJECTED TO OFFSET ABOUT 10 PERCENT OF ANNUAL ELECTRICITY CONSUMPTION.

**GFOA CERTIFICATE
OF ACHIEVEMENT**

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, 2014. This is the twelfth 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 efficient-

ly 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, 2014

A handwritten signature in black ink, reading 'Jeffrey R. Emer'.

Executive Director/CEO

AUTHORITY BOARD MEMBERS & EXECUTIVE STAFF

As of June 30, 2015

AIRPORT AUTHORITY BOARD

EXECUTIVE COMMITTEE MEMBERS

ROBERT H. GLEASON, CHAIR
PAUL ROBINSON, VICE CHAIR
LLOYD B. HUBBS

GENERAL MEMBERS

DAVID ALVAREZ
C. APRIL BOLING
GREG COX
JIM DESMOND
JIM JANNEY
MARY SESSOM

EX-OFFICIO MEMBERS

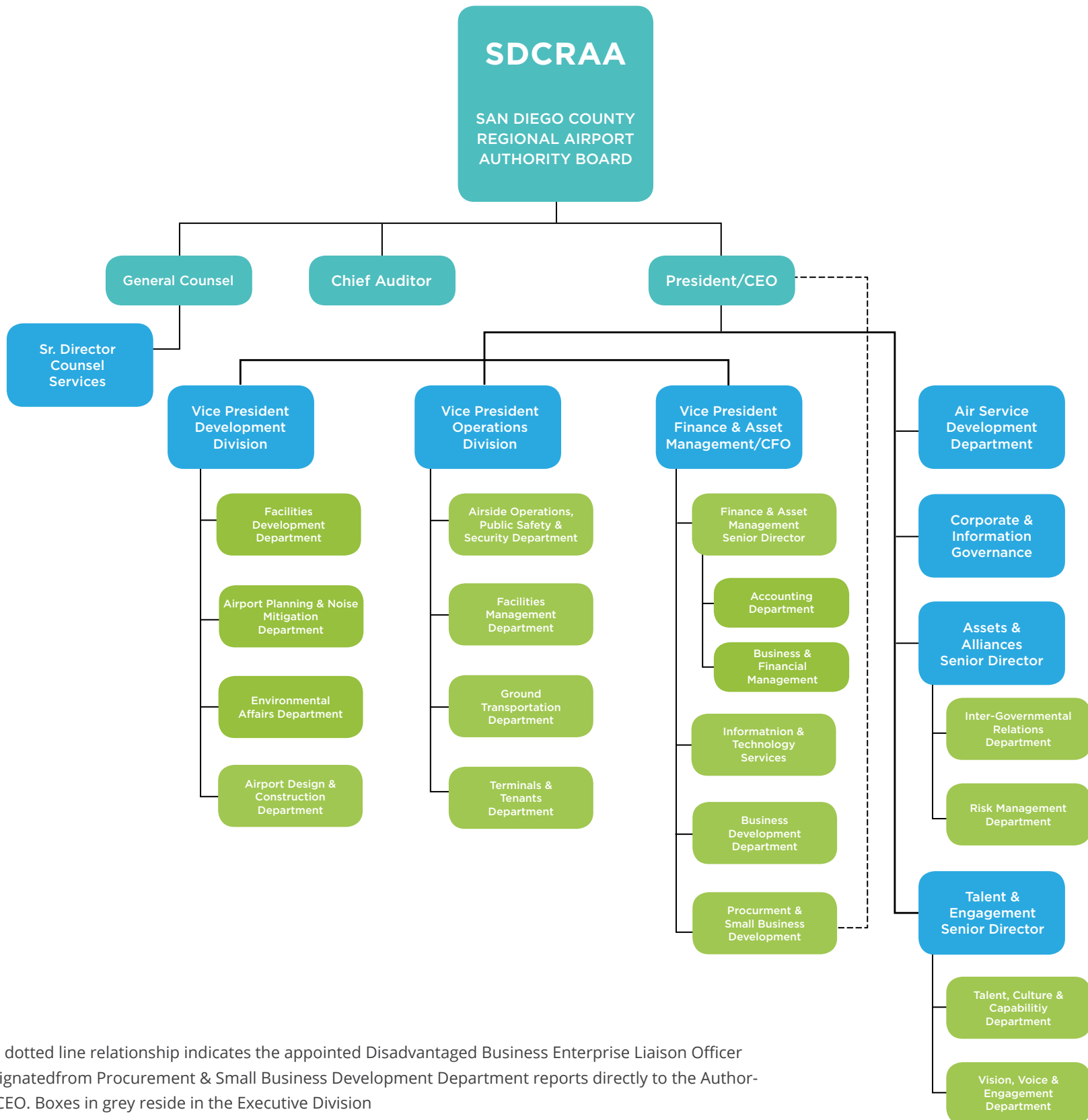
LAURIE BERMAN
COLONEL JOHN FARNAM
ERAINA ORTEGA

EXECUTIVE STAFF

THELLA F. BOWENS | PRESIDENT/CHIEF EXECUTIVE OFFICER
SCOTT BRICKNER | VICE PRESIDENT, CFO/TREASURER, FINANCE AND ASSET MANAGEMENT
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



ORGANIZATIONAL CHART





FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

BASIC FINANCIAL STATEMENTS:

- STATEMENTS OF NET POSITION
- STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
- STATEMENTS OF CASH FLOWS
- NOTES TO FINANCIAL STATEMENTS
- REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the San Diego County Regional Airport Authority (Airport Authority), which are comprised of a statement of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

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.

INDEPENDENT AUDITOR'S REPORT
(CONT.)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of June 30, 2015 and 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2015, the Airport Authority changed its method of accounting for pensions with the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended. Our opinion is not modified with respect to this matter.

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
November 4, 2015



NUEVO DESTINATIONS

IN FISCAL YEAR 2015, SAN DIEGO
INTERNATIONAL AIRPORT OPENED
SERVICE TO BAJA CALIFORNIA, WITH
COMMERCIAL AIRLINE SERVICE FROM
THE UNITED STATES TO SAN FELIPE
VIA SEAPORT AIRLINES.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

For the period July 1, 2014 to June 30, 2015

INTRODUCTION

The San Diego County Regional Airport Authority (Airport Authority) was established on January 1, 2002, as an independent agency. On January 1, 2003, the operations and assets of San Diego International Airport (SDIA) transferred from the San Diego Unified Port District (District) to the Airport Authority.

The Airport Authority is a self-sustaining entity receiving most of its revenues through user fees and rents from airline and non-airline business partners operating at SDIA. Since the Airport Authority is not funded by tax revenues, accounts are maintained in an enterprise fund on the accrual basis of accounting. Under accrual accounting, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows. Users of SDIA's facilities provide most of the revenues to operate, maintain, and acquire necessary services and facilities.

SAN DIEGO INTERNATIONAL AIRPORT HISTORY OF OWNERSHIP

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

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

LEGISLATIVE BACKGROUND

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

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

- (1) Operation of SDIA;
- (2) Planning and operation of any future airport that could be developed as a supplement or replacement to SDIA;
- (3) Development of comprehensive airport land use plans for the airports in the county;
- (4) Serving as the region's Airport Land Use Commission; and
- (5) In accordance with SB 10, preparing a Regional Aviation Strategic Plan (completed in fiscal year 2011).

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

AIRPORT ACTIVITIES HIGHLIGHTS (2013 - 2015)

The Airport Authority experienced 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 2013	FY 2014	FY 2015
Enplaned passengers	8,737,617	9,082,244	9,713,066
% increase	1.9%	3.9%	6.9%
Total passengers	17,440,968	18,145,130	19,409,683
% increase	1.8%	4.0%	7.0%
Aircraft operations	188,304	187,790	195,268
% increase	0.0%	(0.3%)	4.0%
Freight and mail (in tons)	157,025	164,966	178,615
% increase	18.5%	5.1%	8.3%
Landed weight (in thousands)	11,016	11,187	11,535
% increase	1.8%	1.6%	3.1%

Overall, the improving economy is having a positive effect on aircraft operations at SDIA. There was a significant increase in enplaned passengers in fiscal year 2015 with a 6.9 percent increase in enplanements. Also, total

passengers increased by 7.0 percent and freight and mail tons increased 8.3 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 by 10.0 percent in 2013 and decreased

slightly in 2014, followed by 2.2 percent increase in 2015. Following is a summary of the statements of revenues, expenses and changes in net position (in thousands):

	FY 2013	FY 2014	FY 2015
Operating revenues	\$ 177,498	\$ 195,737	\$ 210,505
Operating expenses	(168,420)	(214,026)	(217,808)
Nonoperating revenues, net	41,020	14,318	20,255
Capital contributions and grants	16,077	3,924	10,765
Increase (decrease) in net position	66,175	(47)	23,717
Net position, beginning of year	660,889	727,064	727,017
Prior-period adjustment GASB 68	-	-	(7,993)
Net position, end of year	\$ 727,064	\$ 727,017	\$ 742,741

Detailed descriptions of the components of operating revenues and expenses, and nonoperating revenues and expenses are described in the sections that follow. See Note 7 for further explanation of the GASB 68 implementation and prior-period adjustment.

FINANCIAL HIGHLIGHTS

Operating Revenues (in thousands)

	FY 2014	FY 2015	From 2014 to 2015	
			Increase (Decrease)	% Change
Airline revenue:				
Landing fees	\$ 19,107	\$ 21,390	\$ 2,283	11.9%
Aircraft parking fees	2,503	2,716	213	8.5%
Building rentals	46,001	48,153	2,152	4.7%
Security surcharge	25,777	25,180	(597)	(2.3%)
Other aviation revenue	4,488	4,893	405	9.0%
Total airline revenue	97,876	102,332	4,456	4.6%
Non-airline terminal rent	1,158	1,505	347	30.0%
Concession revenue	47,770	52,496	4,726	9.9%
Parking and ground transportation revenue	38,959	41,633	2,674	6.9%
Ground rentals	8,445	11,568	3,123	37.0%
Other operating revenue	1,529	971	(558)	(36.5%)
Total operating revenue	\$ 195,737	\$ 210,505	\$ 14,768	7.5%

	FY 2013	FY 2014	From 2013 to 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%



**OPERATING REVENUES
(CONTINUED)**

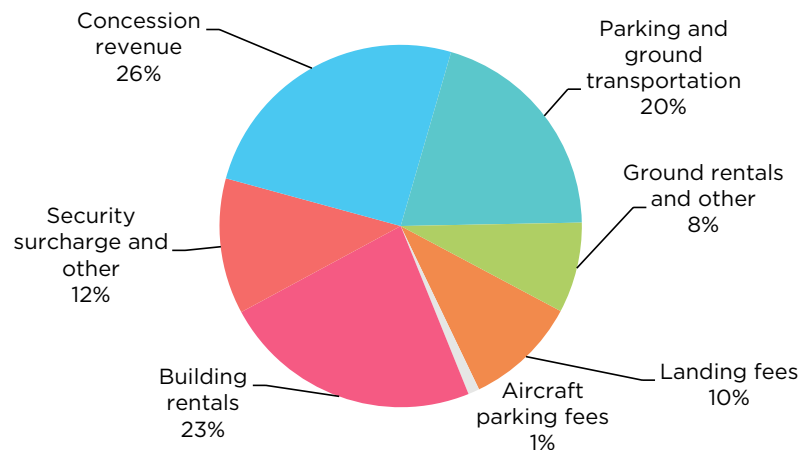
Fiscal year 2015 compared to 2014:

Total airline revenues increased by \$4.5 million or 4.6 percent, primarily reflecting an increased cost recovery for the airlines which was higher in fiscal year 2015, compared to 2014. Landing fees increased by \$2.3 million or 11.9 percent and aircraft parking fees increased by \$213 thousand or 8.5 percent, both due to increased airfield costs. Building rentals increased by \$2.2 million or 4.7 percent reflecting a recovery of higher service debt, maintenance, and operating costs for the new and existing facility. The increase in other aviation revenue of \$405 thousand reflects an increased volume in fuel delivered by the Fixed Base Operator. Offsetting the airline revenue was a decrease in the security surcharge of \$597 thousand, primarily reflecting a decrease of airline security charges. Concession revenue increased by \$4.7 million or 9.9 percent, mainly due to a full year of the expanded concession development program. Parking and ground transportation revenue increased by \$2.7 million or 6.9 percent, primarily due to a full year of expanded parking capacity after the Green Build completion and increased enplanements. Ground rentals revenue increased \$3.1 million or 37 percent, primarily due to rent from the new Fixed Base Operator facility which opened in the summer of 2014. Non-airline terminal rent increased by \$347 thousand, due to renewed leases with a higher rental rate. Offsetting the non-airline revenue was a decrease in other operating revenue of \$558 thousand, primarily due to lower miscellaneous one-time charges.

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.

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FISCAL YEAR ENDED JUNE 30, 2015
OPERATING REVENUES**



OPERATING EXPENSES
(IN THOUSANDS)

	FY 2014	FY 2015	From 2014 to 2015	
			Increase (Decrease)	% Change
Salaries and benefits	\$ 39,135	\$ 39,212	\$ 77	0.2%
Contractual services	31,559	32,422	863	2.7%
Safety and security	24,151	23,466	(685)	(2.8%)
Space rental	10,478	10,433	(45)	(0.4%)
Utilities	8,680	10,152	1,472	17.0%
Maintenance	13,982	14,516	534	3.8%
Equipment and systems	643	1,805	1,162	180.7%
Materials and supplies	440	519	79	18.0%
Insurance	988	1,145	157	15.9%
Employee development and support	1,171	1,136	(35)	(3.0%)
Business development	2,661	2,493	(168)	(6.3%)
Equipment rentals and repairs	2,932	2,951	19	0.6%
Total operating expenses before depreciation and amortization	136,820	140,250	3,430	2.5%
Depreciation and amortization	77,205	77,559	354	0.5%
Total operating expense	\$ 214,025	\$ 217,809	3,784	1.8%

	FY 2013	FY 2014	From 2013 to 2014	
			Increase (Decrease)	% Change
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%

Fiscal year 2015 compared to 2014:

Total fiscal year 2015 operating expenses increased by \$3.8 million or 1.8 percent. Salaries and benefits had a slight increase of \$77 thousand or 0.2 percent, mostly due to planned wage and benefit increases. Contractual services increased by \$863 thousand or 2.7 percent, resulting from increased cleaning costs of the new terminal facilities and increased aviation planning costs. Utilities increased by \$1.5 million or 17.0 percent, reflecting a full year of the Green Build expansion. Maintenance increased by \$534 thousand or 3.8 percent, reflecting increased operating and maintenance costs of new facilities. Equipment and systems increased by \$1.2 million or 180.7 percent, reflecting increased purchases of non-capital equipment. Materials and supplies increased

by \$79 thousand or 18.0 percent, reflecting additional safety equipment and operating supplies. Insurance increased by \$157 thousand or 15.9 percent, largely due to higher property insurance premiums and equipment rentals and repairs had a slight increase.

Offsetting this increase in operating expenses were the following decreases: safety and security of \$685 thousand, due to lower City of San Diego Aircraft Rescue Fire Fighting (AARF) costs; space rental of \$45 thousand due to a lease cancellation; a minor reduction in employee development and support: business development of \$168 thousand or 6.3 percent, reflecting a reduction of international and domestic air services marketing costs.

**OPERATING EXPENSES
(CONTINUED)**

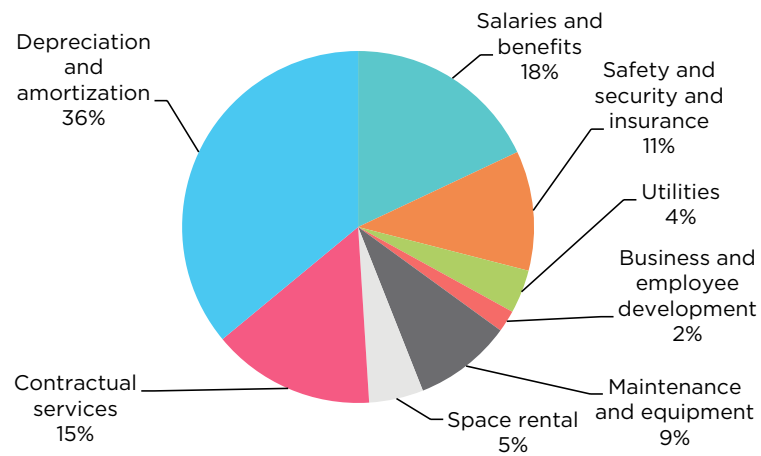
Fiscal year 2014 compared to 2013:

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.

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FISCAL YEAR ENDED JUNE 30, 2015
OPERATING EXPENSES**



NON-OPERATING
REVENUES & EXPENSES
(IN THOUSANDS)

	FY 2014	FY 2015	From 2014 to 2015	
			Increase (Decrease)	% Change
Passenger facility charges	\$ 35,770	\$ 38,517	\$ 2,747	7.7%
Customer facility charges	27,545	32,465	4,920	17.9%
Quieter Home Program, net	(2,750)	(2,811)	(61)	2.2%
Joint studies program	(152)	(145)	7	(4.6%)
Interest income	5,211	5,747	536	10.3%
Interest expense, net	(51,740)	(54,885)	(3,145)	(6.1%)
Other nonoperating income (expenses)	434	1,367	933	(215.0%)
Nonoperating revenues, net	\$ 14,318	\$ 20,255	\$ 5,937	41.5%

	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%)

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 \$6.00 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 2015, the Airport Authority has spent \$177.8 million and received reimbursement for \$144.8 million.

NON-OPERATING REVENUES & EXPENSES (IN THOUSANDS)

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, the Revolving Line of Credit Series A, B and C, 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, 2015 and 2014 was \$9.0 million and \$7.0 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 31.96 percent of the interest payable. During 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, 2015 and 2014 was \$4.6 million and \$4.6 million, respectively.

OTHER NONOPERATING INCOME (EXPENSE)

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

Fiscal year 2015 compared to 2014: Nonoperating revenues (net) increased by \$5.9 million or 41.5 percent. Passenger facility charges increased by \$2.7 million or 7.7 percent, due to a 6.9 percent increase in enplaned passengers. Customer facility charges increased by \$4.9 million or 17.9 percent, due to a full year at the higher CFC collection rate. Interest income increased by \$536 thousand or 10.3 percent, primarily due to higher investment interest income. Other nonoperating income increased by \$933 thousand or 215.0 percent, primarily due to

unrealized gains on sale of investments. There was also a slight decrease in Joint Studies Program program expense as well.

Offsetting the nonoperating income was a slightly higher net expense in the Quieter Home Program, reflecting increased program activity. An increase in net interest expense increase of \$3.1 million or 6.1 percent was primarily due to a full year of interest expense paid on the 2014 Series bond.

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 Series 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 \$6.00 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.

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, 2013, 2014 and 2015 is as follows:

	FY 2013	FY 2014	FY 2015
Assets			
Current assets	\$ 224,303	\$ 214,853	\$ 204,491
Capital assets, net	1,178,144	1,310,973	1,486,710
Noncurrent assets	528,336	695,698	540,472
Total assets	1,930,783	2,221,524	2,231,673
Deferred outflows of resources	4,397	758	5,853
Total assets and deferred outflows of resources	\$ 1,935,180	\$ 2,222,282	\$ 2,237,526
Liabilities			
Current liabilities	\$ 121,384	\$ 119,088	\$ 131,457
Long-term liabilities	1,086,732	1,376,177	1,355,160
Total liabilities	1,208,116	1,495,265	1,486,617
Deferred inflows of resources	-	-	8,168
Total liabilities and deferred inflows of resources	\$ 1,208,116	\$ 1,495,265	\$ 1,494,785
Net Position			
Net investment in capital assets	\$ 359,640	\$ 312,780	\$ 316,251
Restricted	167,384	204,643	215,968
Unrestricted	200,040	209,594	210,522
Total net position	727,064	727,017	742,741
Total liabilities and net position	\$ 1,935,180	\$ 2,222,282	\$ 2,237,526

As of June 30, 2015, the Airport Authority's assets and deferred outflows of resources exceeded liabilities by \$742.7 million. This reflects a \$23.9 million increase in net position from June 30, 2014 and a prior period adjustment of \$8.0 million due to GASB 68. 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 \$210.5 million as of June 30, 2015, \$209.6 million in 2014, and \$200.0 million as of 2013 may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2015, 2014 and 2013, management has designated unrestricted funds in the amount of \$22.6 million, \$17.1 million and \$9.5 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance and operating contingency.

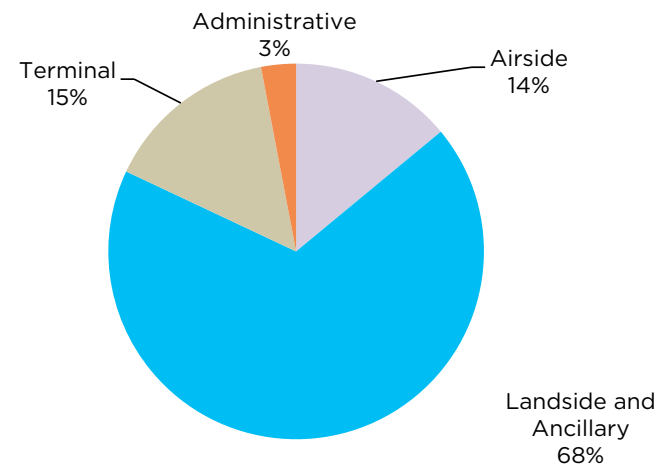
CAPITAL ASSET & CAPITAL IMPROVEMENT PROGRAM

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.

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 2020, consists of \$117.4 million for airside projects, \$552.0 million for landside projects, \$124.0 million for terminal projects, and \$21.9 million for administrative projects. The current SDIA CIP does not include noise reduction and related projects.

CAPITAL IMPROVEMENT PROGRAM (CIP) PROJECTS BY TYPE



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

CAPITAL FINANCING AND DEBT MANAGEMENT

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

fund the subordinate bond reserve fund and pay the costs of issuance of the Subordinate Series 2010 Bonds.

The Series 2010 A and B bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years 2012 to 2041. The Series 2010 C Bonds were issued as Build America Bonds and include a cash subsidy payment from the U. S. Treasury; currently, 32.45 percent of interest payable. The interest rate on the Series 2010 C Bonds,

CAPITAL FINANCING AND DEBT MANAGEMENT (CONTINUED)

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 \$19.2 million annually for fiscal years 2014 through 2016. As of June 30, 2015, the principal balance on the subordinate Series 2010 Bonds was \$564.1 million.

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

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of \$55.9 million, which is being amortized over the life of the bonds. Interest on the Senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal year ended June 30, 2015 amounted to \$18.5 million, including accrued interest of \$9.2 million. The principal balance on the Series 2013 Bonds as of June 30, 2015 was \$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, the rolling coverage fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent.

The Series 2014 Bonds are special limited obligations of the Airport Authority, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, Customer Facility Charges collected from the rental car companies operating at the Airport and remitted to the Trustee. No revenues of the Airport Authority other than the Customer Facility Charges and the Bond Funding Supplemental Consideration (as defined in the Indenture), are pledged to the payment of the Series 2014 Bonds.

On September 5, 2014, the Airport Authority replaced the commercial paper program with a \$125,000,000 revolving line of credit, issued by US Bank, which was used to refund the outstanding Series B and Series C commercial paper balances. The revolving line of credit is a three year facility. As of June 30, 2015, the Airport Authority's outstanding

CAPITAL FINANCING AND DEBT MANAGEMENT (CONTINUED)

debt under this agreement consists of \$17.9 million of Series B (AMT) and \$20.8 million Series C (taxable).

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

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

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

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately \$17.9 million in grant awards for the federal fiscal year ended September 30, 2015, as compared to \$18.0 million for 2014. 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.

RECORD ENPLANEMENTS

SAN DIEGO INTERNATIONAL AIRPORT
(SAN) SERVED A RECORD 18.8 MILLION
PASSENGERS IN CALENDAR YEAR 2014.

THAT'S AN AVERAGE OF MORE THAN
51,000 A DAY.



BASIC FINANCIAL STATEMENTS

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

Statements of Net Position June 30, 2015 and 2014

Assets and Deferred Outflows of Resources	2015	2014
Current Assets		
Unrestricted:		
Cash and cash equivalents (Note 2)	\$ 7,873,038	\$ 26,510,543
Investments (Note 2)	76,065,212	70,752,557
Tenant lease receivables, net	9,162,322	9,112,683
Grants receivable	10,909,798	5,937,346
Note receivable, current portion (Note 3)	1,608,986	1,528,512
Other current assets	3,954,115	4,265,960
Total unrestricted current assets	109,573,471	118,107,601
Restricted cash, cash equivalents and investments with trustees (Notes 2 and 5)	94,917,215	96,745,172
Total current assets	204,490,686	214,852,773
Noncurrent Assets		
Restricted assets (Notes 2 and 5):		
Restricted cash, cash equivalents and investments not with trustees	166,050,576	161,369,744
Restricted investments with trustees	219,382,771	406,579,651
Passenger facility charges receivable (Note 1)	6,303,994	4,066,248
Customer facility charges receivable (Note 1)	3,851,910	3,394,812
Other restricted assets	4,273,584	4,908,711
Total restricted assets	399,862,835	580,319,166
Other noncurrent assets:		
Investments, noncurrent (Note 2)	77,419,978	52,455,753
Note receivable, long-term portion (Note 3)	36,749,270	38,358,256
Cash and cash equivalents designated for specific capital projects and other commitments (Notes 2 and 12)	22,588,383	17,144,996
Net pension asset (Notes 6)*	-	6,919,775
Net pension asset (Notes 7)**	3,351,341	-
Workers' compensation security deposits	500,367	500,367
Total other noncurrent assets	140,609,339	115,379,147
Capital assets (Note 4):		
Land, land improvements and nondepreciable assets	72,563,518	71,081,846
Buildings and structures	1,115,452,539	1,026,068,015
Machinery and equipment	53,700,294	51,618,837
Runways, roads and parking lots	590,459,084	568,935,877
Construction in progress	387,054,944	250,103,154
	2,219,230,379	1,967,807,729
Less accumulated depreciation	(732,520,841)	(656,835,195)
Capital assets, net	1,486,709,538	1,310,972,534
Total noncurrent assets	2,027,181,712	2,006,670,847
Total assets	2,231,672,398	2,221,523,620
Deferred outflows of resources		
Deferred loss on debt refunding	-	758,047
Deferred pension contributions	5,852,753	-
Total assets and deferred outflows of resources	\$ 2,237,525,151	\$ 2,222,281,667

*As calculated under GASB Statement No. 27

**As calculated under GASB Statement No. 68

See Notes to Financial Statements.

Liabilities, Deferred Inflows of Resources and Net Position

	2015	2014
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	\$ 9,483,545	\$ 12,690,539
Accrued liabilities	23,747,096	5,365,100
Compensated absences, current portion (Note 5)	2,652,960	2,659,580
Other current liabilities	401,644	1,447,098
Long-term debt, current portion (Note 5)	254,259	180,559
Total payable from unrestricted assets	36,539,504	22,342,876
Payable from restricted assets:		
Accounts payable	19,342,618	18,451,369
Accrued liabilities	31,729,043	41,420,014
Long-term debt, current portion (Note 5)	10,695,000	5,785,000
Accrued interest on bonds and commercial paper (Note 5)	33,150,554	31,088,789
Total payable from restricted assets	94,917,215	96,745,172
Total current liabilities	131,456,719	119,088,048
Long-Term Liabilities		
Compensated absences, net of current portion (Note 5)	523,551	435,105
Other noncurrent liabilities	1,124,560	1,115,109
Long-term debt, net of current portion (Note 5)	1,353,512,025	1,374,626,959
Total long-term liabilities	1,355,160,136	1,376,177,173
Total liabilities	1,486,616,855	1,495,265,221
Deferred inflows of resources		
Deferred pension investment gains	8,167,978	-
Total liabilities and deferred inflows of resources	\$ 1,494,784,833	\$ 1,495,265,221
Net Position		
Net investment in capital assets (Note 1)	316,249,853	312,780,398
Restricted:		
Debt Service	79,488,690	73,153,425
Construction	115,338,776	110,194,470
Operation and maintenance expenses	12,866,926	12,385,784
Small business bond guarantee	4,000,000	4,000,000
OCIP loss reserve	4,273,585	4,908,711
Total restricted net position	215,967,977	204,642,390
Unrestricted net position	210,522,488	209,593,658
Total net position	\$ 742,740,318	\$ 727,016,446

*As calculated under GASB Statement No. 27

**As calculated under GASB Statement No. 68

See Notes to Financial Statements.

BASIC FINANCIAL STATEMENTS

SAN DIEGO COUNTY

REGIONAL AIRPORT AUTHORITY

**Statements of Net Position
June 30, 2015 and 2014**

**Statements of Revenues,
Expenses and Changes in Net Position**

June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Airline revenue:		
Landing fees	\$ 21,390,056	\$ 19,107,258
Aircraft parking fees	2,715,854	2,503,180
Building rentals (Note 11)	48,152,670	46,001,154
Security surcharge	25,179,679	25,776,517
Other aviation revenue	4,892,840	4,488,115
Concession revenue	52,496,390	47,769,865
Parking and ground transportation revenue	41,632,530	38,959,020
Ground and non-airline terminal rentals (Note 11)	13,074,453	9,602,842
Other operating revenue	970,775	1,528,886
Total operating revenues	210,505,247	195,736,837
Operating expenses:		
Salaries and benefits (Notes 6, 7, 8 and 9)	39,211,536	39,135,299
Contractual services (Note 13)	32,422,054	31,559,247
Safety and security	23,464,483	24,150,563
Space rental (Note 12)	10,433,251	10,478,262
Utilities	10,151,922	8,680,410
Maintenance	14,515,949	13,981,689
Equipment and systems	1,805,203	643,225
Materials and supplies	519,220	440,007
Insurance	1,145,376	988,382
Employee development and support	1,136,077	1,170,551
Business development	2,493,402	2,661,224
Equipment rentals and repairs	2,951,408	2,931,796
Total operating expenses before depreciation and amortization	140,249,881	136,820,655
Income from operations before depreciation and amortization	70,255,366	58,916,182
Depreciation and amortization	77,558,961	77,205,256
Operating loss	(7,303,595)	(18,289,074)

See Notes to Financial Statements.

(Continued)



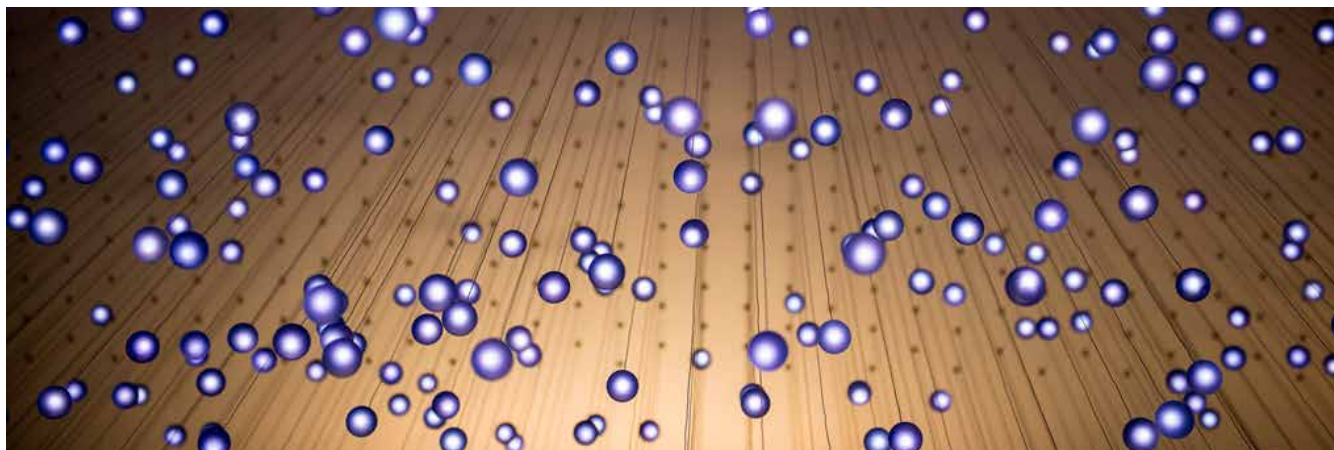
**Statements of Revenues,
Expenses and Changes in Net Position**

June 30, 2015 and 2014

	2015	2014
Nonoperating revenues (expenses):		
Passenger facility charges	\$ 38,517,355	\$ 35,769,515
Customer facility charges	32,464,843	27,545,001
Quieter Home Program grant revenue (Note 1)	12,073,809	12,373,861
Quieter Home Program expenses (Note 1)	(14,885,182)	(15,124,141)
Joint Studies Program	(144,780)	(151,855)
Interest income	5,747,325	5,210,853
Interest expense (Note 5)	(59,516,437)	(56,375,726)
Build America Bonds subsidy (Note 5)	4,631,219	4,636,215
Other revenues (expenses), net	1,367,095	434,097
Nonoperating revenue, net	20,255,247	14,317,820
Income (loss) before capital contributions and grants	12,951,652	(3,971,254)
Capital contributions and grants (Note 1)	10,764,946	3,924,332
Change in net position	23,716,598	(46,922)
Net position, as previously reported*	727,016,446	727,063,368
Prior-period adjustment	(7,992,726)	-
Net position, beginning of year	719,023,720	-
Net position, end of year	\$ 742,740,318	\$ 727,016,446

*Net position as of July 1, 2014 was restated for the effects of GASB Statement No. 68; refer to Note 1.

See Notes to Financial Statements.



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

**Statements of Cash Flows
June 30, 2015 and 2014**

	2015	2014
Cash Flows From Operating Activities		
Receipts from customers	\$ 212,946,236	\$ 193,452,612
Payments to suppliers	(92,486,794)	(90,999,011)
Payments to employees	(38,904,804)	(40,315,057)
Other receipts (payments)	3,696,188	(1,821,619)
Net cash provided by operating activities	85,250,826	60,316,925
Cash Flows From Noncapital Financing Activities		
Settlement receipts	16,075	434,097
Quieter Home Program grant receipts	10,318,509	10,265,087
Quieter Home Program payments	(14,885,182)	(15,124,141)
Joint Studies Program payments	(144,780)	(151,855)
Net cash used in noncapital financing activities	(4,695,378)	(4,576,812)
Cash Flows From Capital and Related Financing Activities		
Capital outlay	(262,033,260)	(224,557,658)
Proceeds on Build America Bonds subsidy	4,631,219	4,636,215
Proceeds from sale of capital assets	11,273	11,273
Federal grants received (excluding Quieter Home Program)	7,547,794	3,924,332
Proceeds from passenger facility charges	36,279,609	37,248,983
Proceeds from customer facility charges	32,007,745	26,451,216
Payment of principal on bonds	(11,964,000)	(7,085,000)
Proceeds from issuance of Series 2014 Bonds	-	305,879,266
Payment of capital lease	(188,356)	(341,661)
Interest and debt fees paid	(61,384,552)	(49,674,023)
Net cash provided by (used in) capital and related financing activities	(255,092,528)	96,492,943
Cash Flows From Investing Activities		
Sales and maturities of investments	317,888,179	209,856,636
Purchases of investments	(163,821,054)	(398,284,418)
Interest received on investments and note receivable	5,747,325	5,210,853
Principal payments received on notes receivable	1,528,512	1,446,896
Net cash provided by (used) in investing activities	161,342,962	(181,770,033)
Net decrease in cash and cash equivalents	(13,194,118)	(29,536,977)
Cash and cash equivalents, beginning of year	43,655,539	73,192,516
Cash and cash equivalents, end of year	\$ 30,461,421	\$ 43,655,539

See Notes to Financial Statements.

(Continued)

**Statements of Cash Flows
June 30, 2015 and 2014**

	2015	2014
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Unrestricted cash and cash equivalents	\$ 7,873,038	\$ 26,510,543
Cash and cash equivalents designated for specific capital projects and other commitments	22,588,383	17,144,996
	\$ 30,461,421	\$ 43,655,539
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (7,303,595)	\$ (18,289,074)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	77,558,961	77,321,384
Changes in assets and liabilities:		
Tenant lease receivables	(49,639)	(1,075,018)
Net pension asset	-	(271,633)
Other assets	824,274	2,641,527
Accounts payable	(3,206,994)	2,860,131
Accrued liabilities	18,381,996	(3,183,207)
Compensated absences	81,826	4,929
Other liabilities	(1,036,003)	307,886
Net cash provided by operating activities	\$ 85,250,826	\$ 60,316,925
Supplemental Disclosure of Noncash Investing, Capital and Financing Activities		
Additions to capital assets included in accounts payable	\$ 51,071,661	\$ 74,236,334
Additions to capital lease obligations	\$ 349,422	\$ -

See Notes to Financial Statements.

A woman with blonde hair and glasses, wearing a green polo shirt with a logo and a lanyard, is kneeling on the left. A man with sunglasses on his head, wearing a dark polo shirt with a logo, is kneeling on the right. A large black and brown dog is sitting in the foreground on the right. The background shows an airport terminal with other people and chairs.

READY. PET. GO.

SAN'S VOLUNTEER AIRPORT
AMBASSADOR (VAA) PROGRAM
EXPANDED DURING LAST FISCAL
YEAR TO INCLUDE A DEDICATED
TEAM OF FOUR-LEGGED CREATURES
WHO SPECIALIZE IN PUTTING
SMILES ON WEARY PASSENGERS'
FACES. LAUNCHED JUST BEFORE THE
HOLIDAYS, EACH READY, PET, GO
TEAM CONSISTS OF A THERAPY DOG
AND AN AIRPORT AMBASSADOR, WHO
FANNED OUT IN THE TERMINALS TO
PROVIDE COMFORT, STRESS RELIEF
AND HELPFUL INFORMATION.

NOTES TO FINANCIAL STATEMENTS

San Diego County Regional Airport Authority

NOTE 1.

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY:

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

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

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all organizations, agencies, boards, commissions and authorities for which the Airport Authority is financially accountable. The Airport Authority has also considered all other potential organizations for which the nature and significance of their relationships with the Airport Authority are such that exclusion would cause the Airport Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. Based on these criteria, there are no other organizations or agencies

which should be included in these basic financial statements.

The Airport Authority is governed by a nine-member, appointed Board of Directors (Board), representing all areas of San Diego County and three additional members serving as non-voting, ex-officio Board members. Three Board members are appointed by the Mayor of the City of San Diego (the City). Two Board members are appointed by the San Diego County Board of Supervisors. The remaining four Board members are each appointed by the Mayors of the following defined jurisdictions: the east county cities, south county cities, north coastal area cities and north county inland cities. The Board members serve three year terms in accordance with California SB 10.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

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

USE OF ESTIMATES:

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

CASH AND CASH EQUIVALENTS:

For purposes of the statements of cash flows, cash and cash equivalents includes unrestricted (including desig-

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

nated) 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, 2015 and 2014, the Airport Authority recovered \$10,764,946 and \$3,924,332, respectively, for approved capital projects and \$12,073,809 and \$12,373,861, respectively, for the Quieter Home Program. Related recoverable costs as of June 30, 2015 and 2014 were \$12,926,028 and \$4,633,107, respectively, for capital

projects and \$14,885,179 and \$15,124,141, 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, 2015 and 2014, accrued PFC receivables totaled \$6,303,994 and \$4,066,248, respectively, and there were \$63,361,948 and \$60,769,935 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2015 and 2014, 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.

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, 2015 and 2014, accrued CFC receivables totaled \$3,851,910 and \$3,394,812, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2015 and 2014 were \$41,820,925 and \$41,652,322, respectively.

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

DEFERRED INFLOWS OF RESOURCES:

The Airport Authority defers recognition of losses incurred on net differences on projected and actual earnings associated with its pension investments held with its pension plan and reports such losses as deferred inflows of resources in the statements of net position. Deferred gains on these investments are recognized over a five year period.

DEFERRED OUTFLOWS OF RESOURCES:

The Airport Authority defers recognition of 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.

The Airport Authority recognizes lessee-financed improvements as capital assets based upon the asset's estimated value at the time the asset reverts to the Airport Authority.

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

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, 2015 and 2014, the Airport Authority capitalized interest of \$8,964,526 and \$6,962,979, respectively.

CAPITAL ASSET IMPAIRMENT:

The Airport Authority's capital assets include property, equipment and infrastructure assets. A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The Airport Authority evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Common indicators of impairment include evidence of physical damage where restoration efforts are needed to restore service utility, enactment or approval of laws or regulations setting standards that the capital asset would not be able to meet, technological development or evidence of obsolescence, a change in the manner or expected duration of use of a capital asset or construction stoppage. The Airport Authority reports the effects of capital asset impairments in its financial

statements when they occur and accounts for insurance recoveries in the same manner. The Airport Authority's management has determined that no impairments of capital assets currently exist.

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.



NOTE 1.

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

**BOND DISCOUNTS, PREMIUMS AND
ISSUANCE COSTS:**

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

AIRPORT AUTHORITY NET POSITION:

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

Restricted net position represents amounts that are appropriated or legally segregated for a specific purpose. The Airport Authority's net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Airport Authority or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Unrestricted net position as of June 30, 2015, includes designations of net position that represent tentative management plans that are subject to change, consisting of:

	2015		2014
Operating contingency	\$ 2,000,000	\$	2,000,000
Insurance contingency	8,095,974		7,377,978
Capital projects and other commitments	12,492,409		7,767,018
Total designated net position	<u>\$ 22,588,383</u>	\$	<u>17,144,996</u>

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

REVENUE AND EXPENSE RECOGNITION:

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

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

CONCENTRATIONS:

A significant portion of the Airport Authority's earnings and revenues are directly or indirectly attributed to the activity of a number of major airlines. The Airport Authority's earnings and revenues could be materially and

adversely affected should any of these major airlines discontinue operations and should the Airport Authority be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of enplaned passengers.

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

	2015	2014
Southwest Airlines	38.5%	36.9%
United Airlines	11.5%	12.5%
Delta Airlines	10.2%	10.1%

DEFINED BENEFIT PENSION PLAN:

The Airport Authority has a single-employer defined benefit pension plan City of San Diego City Employee Retirement System (the Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED:

GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Airport Authority:

- GASB Statement No. 72, Fair Value Measurement and Application, effective for the Airport Authority's year ending June 30, 2016.
- GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for the Airport Authority's year ending June 30, 2018.

- GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for the Airport Authority's year ending June 30, 2016.

PRONOUNCEMENTS ADOPTED:

The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2015:

- GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27;
- GASB Statement No. 69, Government Combinations and Disposals of Government Operations; and
- GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68

The implementation of GASB Statements No. 69 did not impact net position or the change in net position of the Airport Authority as of or for the year ended June 30, 2015.

WE ARE THE **CHAMPIONS**

SAN WAS NAMED "SUSTAINABILITY
CHAMPION OF THE YEAR" BY THE NORTH
SAN DIEGO BUSINESS CHAMBER IN JUNE.
THE AWARD RECOGNIZED SAN'S
COMPREHENSIVE EFFORTS IN THE AREAS
OF ENERGY EFFICIENCY, WATER
CONSERVATION, ENVIRONMENTAL
PROTECTION AND WASTE MANAGEMENT.

NOTE 2. **SUMMARY OF CASH, CASH EQUIVALENTS AND INVESTMENTS:**

CASH, CASH EQUIVALENTS
AND INVESTMENTS

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

SUMMARY OF CASH, CASH
EQUIVALENTS AND INVESTMENTS:

	2015	2014
Unrestricted and undesignated:		
Cash and cash equivalents	\$ 7,873,038	\$ 26,510,543
Current investments	76,065,212	70,752,557
Noncurrent investments	77,419,978	52,455,753
Total unrestricted and undesignated	<u>161,358,228</u>	<u>149,718,853</u>
Designated for specific capital projects and other commitments: cash and cash equivalents	<u>22,588,383</u>	17,144,996
Restricted:		
Current cash, cash equivalents and investments, with trustees	94,917,215	96,745,172
Noncurrent cash, cash equivalents and investments, not with trustees	166,050,576	161,369,744
Noncurrent investments, with trustees	219,382,771	406,579,651
Total restricted cash, cash equivalents and investments	<u>480,350,562</u>	<u>664,694,567</u>
Total cash, cash equivalents and investments	<u>\$ 664,297,173</u>	<u>\$ 831,558,416</u>

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

	2015	2014
Restricted cash, cash equivalents and investments:		
Bond reserves:		
Operation and maintenance reserve subaccount	\$ 38,600,777	\$ 37,157,351
Operation and maintenance subaccount	12,866,926	12,385,784
Renewal and replacement account	5,400,000	5,400,000
Total reserves:	<u>56,867,703</u>	<u>54,943,135</u>
Passenger facility charges unapplied	63,361,948	60,769,935
Customer facility charges unapplied	41,820,925	41,652,322
Small business development bond guarantee	4,000,000	4,000,000
Commercial paper reserve	-	4,352
Commercial paper interest	-	12,906
Customer facility charges	-	311,153
2010 Series debt service reserve fund	51,191,339	50,988,876
2010 Series debt service account	24,424,169	21,640,387
2010 Series construction fund	-	2,204
2013 Series construction fund	42,856,631	100,500,234
2013 Series debt service reserve fund	33,213,393	32,993,011
2013 Series debt service account	11,063,748	8,938,429
2013 Series capitalized interest account	220,469	752,446
2014 Series construction fund	106,253,356	228,270,006
2014 Series debt service reserve fund	22,040,300	21,926,369
2014 Series capitalized interest account	16,436,026	30,432,045
2014 Series rolling coverage fund	6,600,555	6,556,757
Total restricted cash, cash equivalents and investments	<u>\$ 480,350,562</u>	<u>\$ 664,694,567</u>

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

Investments authorized in accordance with California Government Code Section 53601 and under the provisions of the Airport Authority's investment policy: The table that follows identifies the investment types that are authorized by the Airport Authority's investment policy and State Government Code. The table also identifies certain provisions of the Airport Authority's investment policy that address interest rate risk, credit risk and concentration of credit risk.

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

Investments authorized under the provisions of the Airport Authority's investment policy

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

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

INVESTMENT IN STATE INVESTMENT POOLS:

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

INVESTMENT IN COUNTY INVESTMENT POOL:

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

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

INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS:

Investments held by the bond trustee are governed by the provisions of the debt agreement, in addition to the general provisions of the California Government Code and the Airport Authority's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee, according to the

Master Trust Indenture. In the event of a conflict between the Airport Authority's investment policy and permitted investments associated with any Airport Authority debt issuance, the debt agreement shall control. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Quality Requirements	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	None	N/A	None	None
U.S. agency securities	None	N/A	None	None
State obligations	None	AAA/Aaa	None	None
Commercial paper	None	A-1; P-1; F-1	None	None
Negotiable certificates of deposit	None	AAA/Aaa	None	None
Long-term and medium-term notes	None	Two highest ratings	None	None
Money market mutual funds	None	Two highest ratings	None	None
Municipal bonds	None	Two highest ratings	None	None
Repurchase agreements	None	BBB*	None	None
Investment agreements	None	N/A	None	None
Local Agency Investment Fund	None	N/A	None	None
San Diego County Investment Pool	None	N/A	None	None
Deposit accounts	None	N/A	None	None

Any other investment which is a permitted investment of the Authority in accordance with the laws of the state.

*Investment requires collateralization

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

INVESTMENTS HELD BY TRUSTEE:

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

DISCLOSURES RELATED TO INTEREST RATE RISK:

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

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

CUSTODIAL CREDIT RISK (DEPOSITS):

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

Insurance through the Federal Deposit Insurance Corporation (FDIC) may be applicable to the first \$250,000 of institutional deposit accounts, with any balance above this amount covered by the collateralization requirement.

Certificates of deposit held by the Airport Authority's third-party custodians are fully insured by the FDIC, as the individual amounts do not exceed the FDIC-insured limits, or are collateralized in accordance with the California Government Code.

CUSTODIAL CREDIT RISK (INVESTMENTS):

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

DISCLOSURES RELATED TO CREDIT RISK:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. California Government Code Section 53601 (as referenced previously in this note) limits the types of investment instruments that may be purchased by the Airport Authority.



NOTE 2.

CASH, CASH EQUIVALENTS
AND INVESTMENTS
(CONTINUED)

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

Investment Type	2015				Ratings
	Total	Investment Maturities (in Years)			
		0 - 1	1 - 2	2 - 5	
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	\$ 70,189,787	\$ -	\$ 22,525,974	\$ 47,663,813	AAA (1)
U.S. agency securities	46,898,857	4,999,650	22,358,342	19,540,865	AAA (1)
Commercial paper	3,999,800	3,999,800	-	-	A-1+/P-1
Negotiable certificates of deposit	8,000,000	4,000,000	4,000,000	-	A-1+/P-1
	17,000,280	-	13,002,520	3,997,760	AA
	9,000,000	-	9,000,000	-	A
Medium-term notes	19,801,690	5,014,900	800,680	13,986,110	AA
	4,827,981	4,827,981	-	-	A
Money market mutual funds	35,593,542	35,593,542	-	-	AAA
Local Agency Investment Fund	98,381,500	98,381,500	-	-	Unrated
San Diego County Investment Pool	241,042,718	241,042,718	-	-	AAA (1)
CalTrust Fund	15,074,776	15,074,776	-	-	AAA (1)
Total investments subject to credit and interest rate risk:	569,810,931	412,934,867	71,687,516	85,188,548	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	25,313,449				
Total Investments	\$ 595,124,380				

Investment Type	2014				Ratings
	Total	Investment Maturities (in Years)			
		0 - 1	1 - 2	2 - 5	
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	\$ 64,082,562	\$ -	\$ 36,552,992	\$ 27,529,570	AAA(1)
U.S. agency securities	38,442,680	-	17,972,890	20,469,790	AAA(1)
Commercial paper	15,494,684	15,494,684	-	-	A-1+/P-1
Medium-term notes	17,011,542	-	16,212,270	799,272	AA
	5,007,100	-	5,007,100	-	A
Money market mutual funds	28,013,480	28,013,480	-	-	AAA(1)
Local Agency Investment Fund	183,293,665	183,293,665	-	-	Unrated
San Diego County Investment Pool	336,285,168	336,285,168	-	-	AAA(1)
CalTrust Fund	15,027,791	15,027,791	-	-	AAA(1)
Total investments subject to credit and interest rate risk:	702,658,672	578,114,788	75,745,252	48,798,632	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	35,808,518				
Total Investments	\$ 738,467,190				

Ratings per Standard and Poor's, Moody's and Fitch.

(1) Includes investments that have split ratings between S&P (AA+), Moody's (AAA) and Fitch (AAA)

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

CONCENTRATION OF CREDIT RISK:

The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated in the table provided earlier in this note. The Airport Authority requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity,

issuer or class of securities. The Airport Authority had no concentrations of credit risk at June 30, 2015 and 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, 2015 and 2014, the balance of the note receivable was \$38,358,256 and \$39,886,768, 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
2016	\$ 1,609,000
2017	1,705,000
2018	1,802,000
2019	1,903,000
2020	2,006,000
2021-2025	11,884,000
2026-2030	15,637,000
2031	1,812,000
	<u>\$ 38,358,000</u>



NOTE 4. Capital asset activity for the years ended June 30, 2015 and 2014 are as follows:

CAPITAL ASSETS

	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015
Nondepreciable assets:				
Land	\$ 22,415,850	\$ -	\$ -	\$ 22,415,850
Construction in progress	250,103,154	257,367,772	(120,415,982)	387,054,944
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets	272,959,004	257,367,772	(120,415,982)	409,910,794
Depreciable assets:				
Land improvements	48,665,996	1,481,672	-	50,147,668
Buildings and structures (1)	1,025,628,015	94,821,353	(5,436,829)	1,115,012,539
Machinery and equipment (2)	51,618,837	3,000,209	(918,752)	53,700,294
Runways, roads and parking lots	568,935,877	21,523,207	-	590,459,084
Total capital assets being depreciated	1,694,848,725	120,826,441	(6,355,581)	1,809,319,585
Less accumulated depreciation for:				
Land improvements	(4,114,899)	(2,134,763)	-	(6,249,662)
Building and structures	(393,898,118)	(53,054,000)	5,329,179	(441,622,939)
Machinery and equipment	(42,041,579)	(3,532,848)	872,440	(44,701,987)
Runways, roads and parking lots	(216,780,599)	(23,165,654)	-	(239,946,253)
Total accumulated depreciation	(656,835,195)	(81,887,265)	6,201,619	(732,520,841)
Total capital assets being depreciated, net	1,038,013,530	38,939,176	(153,962)	1,076,798,744
Capital assets, net	\$ 1,310,972,534	\$ 296,306,948	\$ (120,569,944)	\$ 1,486,709,538

(1) Includes capitalized lease of building with net present value of future lease payments of \$7,629,138

(2) Includes capitalized leases of office equipment with net present value of future lease payments of \$342,855

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



NOTE 4.

CAPITAL ASSETS
(CONTINUED)

	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
Nondepreciable assets:				
Land	\$ 22,415,850	\$ -	\$ -	\$ 22,415,850
Construction in progress	401,825,140	214,293,229	(366,015,215)	250,103,154
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets	424,680,990	214,293,229	(366,015,215)	272,959,004
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	653,746,359	(9,557,341)	1,038,013,530
Capital assets, net	\$ 1,178,143,808	\$ 1,082,332,817	\$ (741,587,771)	\$ 1,310,972,534

(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. The following is a summary of changes in the long-term liability activity for the years ended June 30, 2015 and 2014:

LONG TERM LIABILITIES

	Principal Balance at June 30, 2014	Additions/ New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2015	Due Within One Year
Debt obligations					
Commercial paper	\$ 44,884,000	\$ -	\$ (44,884,000)	\$ -	\$ -
Line of credit Series B tax-exempt	-	18,929,000	(1,020,000)	17,909,000	-
Line of credit Series C taxable	-	25,955,000	(5,159,000)	20,796,000	-
Total line of credit	44,884,000	44,884,000	(51,063,000)	38,705,000	-
Bonds payable:					
Series 2010 Bonds	569,870,000	-	(5,785,000)	564,085,000	8,665,000
Series 2013 Bonds	379,585,000	-	-	379,585,000	2,030,000
Series 2014 Bonds	305,285,000	-	-	305,285,000	-
Bond premiums	73,157,591	-	(4,328,300)	68,829,291	-
Total bonds payable	1,327,897,591	-	(10,113,300)	1,317,784,291	10,695,000
Capital Leases	7,810,927	349,422	(188,356)	7,971,993	254,259
Total debt obligations	1,380,592,518	45,233,422	(61,364,656)	1,364,461,284	10,949,259
Compensated absences	3,094,685	2,734,786	(2,652,960)	3,176,511	2,652,960
Total long-term liabilities	\$ 1,383,687,203	\$ 47,968,208	\$ (64,017,616)	\$ 1,367,637,795	\$ 13,602,219

	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
Capital Leases	8,152,588	-	(341,661)	7,810,927	180,559
Total debt obligations	1,086,532,776	305,879,266	(11,819,524)	1,380,592,518	5,965,559
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



NOTE 5.
LONG TERM LIABILITIES
(CONTINUED)

SENIOR LIEN AIRPORT REVENUE BONDS, SERIES 2005 AND REFUNDED SERIES 1995:

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

On December 21, 2012, the Airport Authority defeased all of its outstanding Series 2005 Bonds, by depositing proceeds of Subordinate CP Notes and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2005 Bonds until their final maturity date of July 1, 2020. As of June 30, 2015 and 2014, the amount held in escrow by the trustee was \$30,735,483 and \$35,775,109, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was \$27,130,000 and \$30,920,000, respectively.

COMMERCIAL PAPER SERIES A, B AND C (CP NOTES):

On September 6, 2007, the Board authorized issuance of subordinate CP Notes with up to \$250,000,000 of principal outstanding at any time. The CP Notes were issued from time to time and proceeds from the issuance of the CP Notes were used, among other things, to finance improvements to SDIA. The CP Notes were obligations secured by a pledge of airport revenues subordinated to the pledge of net airport revenues securing payment of the senior lien Series 2013 and Series 2014 Bonds and on parity to the subordinate Series 2010 Bonds. Each commercial paper note matured at the end of a period not to exceed 270 days. The matured

commercial paper was 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 commercial paper program was replaced by a revolving line of credit.

REVOLVING LINE OF CREDIT PROGRAM IN FISCAL YEAR 2015:

During fiscal year 2015, the Airport Authority replaced its commercial paper program with a \$125,000,000 revolving line of credit issued by US Bank. The revolving line of credit was used to refund the outstanding Series B and Series C CP Note balances. The revolving line of credit is a three-year agreement and took effect on September 5, 2014.

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

NOTE 5.
LONG TERM LIABILITIES
(CONTINUED)

SUBORDINATE LIEN SERIES 2010 BONDS:

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

The Series 2010 A and 2010 B Bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years 2012 to 2041. The Series 2010 C Bonds were issued as taxable Build America Bonds (BAB), which benefit from periodic cash subsidy payments from the U.S. Treasury, originally equal to 35 percent of interest payable on such bonds. As a result of the automatic spending cuts imposed under the Budget Control Act of 2011, the Airport Authority's BAB subsidies were reduced 7.2 percent (the BAB Sequester) from October 2013 through September 2014. Due to the extension of the BAB Sequester, BAB subsidies for the remainder of fiscal year 2015 were reduced by 7.3 percent and such reduction will remain in place through September 2015. Unless further Congressional action is taken, the new sequesterian reduction rate will continue through September 2024. The BAB interest subsidies received by the Airport Authority for fiscal years ended June 30, 2015 and 2014, amounted to \$4,631,219 and \$4,636,215, respectively. The interest rate on the Series 2010 C Bonds, net of the subsidy, is 4.48 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, 2015 and 2014 amounted to \$31,484,399 and \$31,705,498, respectively, including accrued interest of \$15,742,199 and \$15,852,749, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2015 and 2014, was \$564,085,000 and \$569,870,000, respectively.

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

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, 2015 and 2014, the amount held by the trustee was \$75,615,508 and \$72,631,467, respectively, which included the July 1 payment, unspent project fund proceeds and a debt service reserve fund.

NOTE 5.
LONG TERM LIABILITIES
(CONTINUED)

The public ratings of the Series 2010 Bonds as of June 30, 2015 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
2016	\$ 8,665,000	\$ 31,318,098	\$ 39,983,098
2017	9,000,000	30,934,023	39,934,023
2018	9,430,000	30,487,998	39,917,998
2019	9,890,000	30,020,298	39,910,298
2020	10,365,000	29,529,823	39,894,823
2021-2025	59,970,000	139,283,710	199,253,710
2026-2030	76,400,000	122,446,679	198,846,679
2031-2035	143,425,000	94,538,155	237,963,155
2036-2040	192,925,000	43,567,408	236,492,408
2041	44,015,000	1,331,692	45,346,692
	<u>\$ 564,085,000</u>	<u>\$ 553,457,884</u>	<u>\$ 1,117,542,884</u>

**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, 2015 and 2014 was \$18,475,500 and \$18,475,501, respectively, including accrued interest of \$9,237,750 each year. The principal balance on the Series 2013 Bonds as of June 30, 2015 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

NOTE 5.
LONG TERM LIABILITIES
(CONTINUED)

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's books, as shown previously in the notes. For the fiscal years ended June 30, 2015 and 2014, the amount held by the trustee was \$87,354,241

and \$143,184,120, respectively, 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 2015 and 2014 was \$56,867,703 and \$54,943,135, respectively. The public ratings of the Series 2013 Bonds as of June 30, 2015 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
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	2,320,000	18,127,750	20,447,750
2021-2025	43,760,000	85,149,500	128,909,500
2026-2030	55,740,000	72,904,350	128,644,350
2031-2035	32,225,000	61,481,750	93,706,750
2036-2040	41,165,000	53,463,625	94,628,625
2041-2044	195,860,000	23,077,000	218,937,000
	<u>\$ 379,585,000</u>	<u>\$ 387,557,100</u>	<u>\$ 767,142,100</u>

**SENIOR LIEN AIRPORT REVENUE BONDS,
SERIES 2014**

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

The Series 2014 A Bonds were structured as tax-exempt and non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent. The bonds were issued at a premium of \$594,226, which is amortized over the life of the bonds. Interest on the Series 2014 Bonds is payable semiannual on January 1 and July 1 of each year. Interest for fiscal years ended June 30, 2015 and 2014, was \$16,341,210 and \$5,991,777, respectively, including accrued interest of \$8,170,605 and \$5,991,777. The principal balance on the Series 2014 Bonds as of June 30, 2015 was \$305,285,000.

NOTE 5.
LONG TERM LIABILITIES
(CONTINUED)

The Series 2014 Bonds are special limited obligations of the Airport Authority, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, customer facility charges collected from the rental car companies operating at the Airport and remitted to the Trustee. No revenues of the Airport Authority other than the customer facility charges and the Bond Funding Supplemental Consideration (as defined in the bond indenture), are pledged to the payment of the Series 2014 Bonds. The Series 2014 Bonds require

the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's books, as show previously in the notes. For the fiscal years ended June 30, 2015 and 2014, the amount held by the trustee was \$151,330,237 and \$287,185,177, respectively, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund, capitalized interest funds and the rolling coverage fund.

The required debt service payments for the Series 2014 Bonds for the fiscal years ending June 30 are as follows:

Years Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 16,341,210	\$ 16,341,210
2017	-	16,341,210	16,341,210
2018	-	16,341,210	16,341,210
2019	5,580,000	16,270,428	21,850,428
2020	5,720,000	16,114,217	21,834,217
2021-2025	32,015,000	76,804,495	108,819,495
2026-2030	41,600,000	66,835,495	108,435,495
2031-2035	54,610,000	53,459,401	108,069,401
2036-2040	71,690,000	35,900,395	107,590,395
2041-2045	94,070,000	12,987,626	107,057,626
	<u>\$ 305,285,000</u>	<u>\$ 327,395,687</u>	<u>\$ 632,680,687</u>

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 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, 2015, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

CAPITAL LEASES

OFFICE EQUIPMENT LEASES:

The Airport Authority has entered into five year capital lease agreements for office equipment that require monthly lease payments of \$6,849.

RECEIVING DISTRIBUTION CENTER LEASE:

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

NOTE 5.
LONG TERM LIABILITIES
(CONTINUED)

The following is a schedule of future lease payments applicable to the RDC installment purchase agreement, the office equipment capital leases, and the net present value of the future lease payments at June 30, 2015:

Years Ending June 30,	Amount
2016	\$ 959,486
2017	959,486
2018	959,486
2019	959,486
2020	932,090
2021-2025	4,386,489
2026-2030	4,386,489
2031-2032	2,120,137
Total lease payments	<u>15,663,149</u>
Less amount representing interest	<u>(7,691,156)</u>
Present value of future lease payments	<u><u>\$ 7,971,993</u></u>





ADDING TO THE MENU

THE AIRPORT'S 2 ½ YEAR CONCESSION DEVELOPMENT PROGRAM MADE HUGE STRIDES IN THE LAST FISCAL YEAR, OPENING ITS 84TH STORE – **PRADO AT THE AIRPORT** IN THE TERMINAL 2 EAST FOOD COURT – IN FEBRUARY. WHETHER YOU NEEDED A NOSH, A NEWSPAPER OR A NECK PILLOW, SAN'S CONCESSION DEVELOPMENT PROGRAM DELIVERED.

NOTE 6.

DEFINED BENEFIT PLAN, GASB STATEMENTS NO. 27 AND 50 DISCLOSURES

The net pension asset as of June 30, 2014 was determined under the measurement principles of GASB Statement No. 27 using an actuarial valuation dated June 30, 2014.

PLAN DESCRIPTION:

The Airport Authority's defined benefit pension plan is separately administered by the City of San Diego's City Employees' Retirement System (SDCERS). SDCERS is governed by a 13-member Board, responsible for the administration of retirement benefits for the City, the District, and the Airport Authority and for overseeing the investment portfolio of the retirement system's trust fund. The Board is comprised of seven appointed members, four active members, one retired member and one ex-officio member.

SDCERS administers three separate single-employer defined benefit pension plans for the City, the District and Airport Authority, and SDCERS provides service retirement, disability retirement, death and survivor benefits to its participants.

From January 1, 2003 through June 30, 2007, SDCERS administered a qualified employer defined benefit plan for the City, the District and Airport Authority. However, as of July 1, 2007, the City, the District and the Airport

Authority plans were separated into independent, qualified, single-employer governmental defined benefit plans and trusts. The assets of the three separate plans and trusts were pooled in the SDCERS Group Trust, which was established as of July 1, 2007. SDCERS invests and administers the Group Trust as a common investment fund and accounts separately for the proportional interest of each plan and trust that participates in the Group Trust.

SDCERS acts as a common, independent investment and administrative agent for the City, the District and the Airport Authority, whose plans cover all eligible employees. In a defined benefit plan, pension benefits are actuarially determined by a member's age at retirement, number of years of service credit and final compensation, typically based on the highest salary earned over a one-year or three-year period. Airport Authority safety members who are participants under the California Public Employees' Pension Reform Act (PEPRA) are subject to pensionable compensation caps.



NOTE 6.
DEFINED BENEFIT PLAN
STATEMENTS NO. 27 AND 50
DISCLOSURES (CONTINUED)

The San Diego City Charter Section 144 and San Diego Municipal Code Sections 24.0100 et seq. assign the authority to establish and amend the benefit provisions of the plans that participate in SDCERS to the SDCERS Board. The Airport Authority contributes to the Federal Social Security Program. The SDCERS Board issues a publicly available financial report that includes financial statements and required supplementary information for SDCERS. The financial report may be obtained by writing to the San Diego City Employees' Retirement System, 401 B Street, Suite 400, San Diego, California 92101.

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 14.13 percent for 2014, 10.47 percent for 2013, and 15.11 percent for 2012, and is expressed as a percentage of covered payroll.

BENEFITS PROVIDED

The Airport Authority provides retirement, disability and death benefits.

There are two types of participants, the classic participants and the PEPRA participants. A classic participant means any member who is not a PEPRA participant. A PEPRA participant is any member hired on or after January 1, 2013, who has never been a member of a public retirement system or who had a break in service of more than six months before their Airport Authority hire date.

The classic participant retirement benefit is calculated by using monthly salary amounts based on the highest continuous 26 bi-weekly pay periods divided by 12. The eligibility of the classic participants begins at age 62 with five years of service, or age 55 with 20 years of service.

The PEPRA participant's benefit is calculated by using monthly salary amounts based on the highest 36 consecutive months divided by 36. Base salary cannot exceed 100 percent of the Social Security contribution and benefit base, indexed to the CPI-U. The eligibility of the PEPRA participants begins at age 52 with five years of service.

The Airport Authority provides monthly payments for the life of the employee, with 50 percent continuance to the eligible spouse, domestic partner, or dependent child under 21 years of age upon the member's death. If there is no eligible spouse, the member may receive either a lump sum payment equal to the accumulated surviving spouse contributions or an actuarially equivalent annuity.

Employees with ten years of continuous service are eligible to receive non-industrial disability and employees with no service requirement can receive industrial disability.

The death benefit for non-industrial death before the employee is eligible to retire is a refund of the employee contributions, with interest plus one month's salary for each completed year of service to a maximum of six months' salary. A non-industrial death benefit after the employee is eligible to retire from service is 50 percent of earned benefit payable to eligible surviving spouse, domestic partner, or dependent child under 21 years of age. The industrial death benefit is 50 percent of the final average compensation preceding death, payable to eligible surviving spouse, domestic partner or dependent child under 21 years of age.

NOTE 6.
DEFINED BENEFIT PLAN
(CONTINUED)

ANNUAL PENSION COST

For the year ended June 30, 2014, the annual pension cost for the Airport Authority, as measured under GASB Statement No. 27 was \$4,882,000. Comparing the June 30, 2014 actuarial valuation to the June 30, 2013 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.

SDCERS employed 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).

ASSUMPTIONS

As of the latest actuarial valuation determined in accordance with GASB Statement No. 27, dated June 30, 2013, significant actuarial assumptions used in the valuation included:

- 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 (RP-2000 Combined Mortality Table) 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 3.3 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



NOTE 6.
DEFINED BENEFIT PLAN
(CONTINUED)

Contributions: On September 16, 2004, the Airport Authority made a contribution payment in the amount of \$3,900,000, in addition to the annual required contribution (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 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 \$3,365,485 is recorded as a net pension asset of \$6,919,775 in accordance with GASB Statement No. 27. The contributions were being amortized over an 18-year period.

The Airport Authority's contribution for fiscal year 2014 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. Employee contributions to the plan were \$1,019,220 and \$1,044,798 for the years ending June 30, 2014 and 2015, respectively.

The following is a schedule of the annual pension cost and net pension asset for the plan, as measured in accordance with GASB Statement No. 27 (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	3,728	76%	2,904	6,920	272	556	786

Schedule of funding progress for the Plan (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.
DEFINED BENEFIT PLAN, GASB
STATEMENT NO. 68 DISCLOSURES

GASB Statement No. 68 was used to account for the June 30, 2015 net pension asset. A measurement date of June 30, 2014 was used for the June 30, 2015 pension asset and expense. The information that follows was determined as of a valuation date of June 30, 2013, updated to June 30, 2014.

Membership in the Plan by membership class at June 30, 2014 and 2013 are as follows:

	2014	2015
Inactive employees or beneficiaries currently receiving benefits	55	41
Inactive employees entitled to but not yet receiving benefits	91	80
Active employees	374	356
	<u>520</u>	<u>477</u>

ACTUARIAL ASSUMPTIONS:

Following the implementation of GASB Statement No. 68 through the June 30, 2014 actuarial report, the related assumptions therein were not changed from that of the June 30, 2013 actuarial report.

The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publically available information.

The target allocations and best estimates of rates of return for each major asset class are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. equity	21%	4.7%
Non-U.S. equity	14%	5.0%
Emerging market equity	1%	6.4%
Global equity	5%	5.0%
U.S. fixed income	22%	1.7%
Emerging market debt	5%	4.1%
Real estate	11%	4.3%
Private equity	10%	6.6%
Infrastructure	3%	5.4%
Opportunity fund	8%	4.6%
	<u>100%</u>	

DISCOUNT RATE:

The discount rate used to measure the total pension liability (asset) was 7.25 percent. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future

benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability (asset).

NOTE 7.
DEFINED BENEFIT PLAN, GASB
STATEMENT NO. 68 DISCLOSURES
(CONTINUED)

Changes in the total pension liability, plan fiduciary net position and the net pension liability (asset) through the year ended June 30, 2014 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of 6/30/13	\$ 115,200,048	\$ 108,456,250	\$ 6,743,798
Changes for the year:			
Service cost	6,099,481	-	6,099,481
Interest on total pension liability	8,465,485	-	8,465,485
Benefit payments	(2,913,221)	(2,913,221)	-
Administrative expenses	-	(332,645)	332,645
Member contributions	-	1,019,220	(1,019,220)
Employer contributions	-	5,670,847	(5,670,847)
Net investment income	-	18,302,683	(18,302,683)
Net changes	<u>11,651,745</u>	<u>21,746,884</u>	<u>(10,095,139)</u>
Balances as of 6/30/14	<u>\$ 126,851,793</u>	<u>\$ 130,203,134</u>	<u>\$ (3,351,341)</u>

SENSITIVITY TO INTEREST RATE CHANGES:

The following presents the resulting net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Total pension liability	\$ 144,844,121	\$ 126,851,793	\$ 111,951,262
Plan fiduciary net position	<u>130,203,135</u>	<u>130,203,134</u>	<u>130,203,135</u>
Net pension liability	<u>\$ 14,640,986</u>	<u>\$ (3,351,341)</u>	<u>\$ (18,251,873)</u>
Plan fiduciary net position as a percentage of the total pension liability	89.9%	102.6%	116.3%

NOTE 7.

DEFINED BENEFIT PLAN, GASB
STATEMENT NO. 68 DISCLOSURES
(CONTINUED)

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

For the year ended June 30, 2015, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$3,743,686, and reported deferred inflows of resources and deferred outflows of resources related to the plan from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	\$ (8,167,978)	\$ -
Employer contributions made subsequent to June 30, 2014 measurement date	\$ -	\$ 5,852,754

For the year ended June 30, 2015, the Airport Authority reported \$5,852,754 as deferred outflows of resources related to pensions resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end. This amount will be recognized as a reduction in the net pension liability (asset) at June 30, 2016.

Other amounts reported as deferred inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending June 30	
2016	\$ 2,041,994
2017	2,041,994
2018	2,041,994
2019	2,041,996

NOTE 8.

EMPLOYEES' DEFERRED
COMPENSATION PLAN

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

The plan is administered by the Airport Authority and contracted to an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attribut-

able to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are held in trust for employees.

Employee assets to be held in the IRC Section 457 plans are not the property of the Airport Authority and are not subject to the claims of the Airport Authority's general creditors. Accordingly, employee assets are not reflected in the Airport Authority's financial statements.

NOTE 9.
OTHER POSTEMPLOYMENT
BENEFITS

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

PLAN DESCRIPTION:

As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for approximately 1.5 million California public employees, retirees and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States, managing more than \$250 billion in assets for more than 2,500 California employers. In 1988 and 2007, enabling statutes and regulations were enacted which permitted CalPERS to form the CERBT fund, an irrevocable Section 115 Trust, for the purpose of receiving employer contributions that will pre-fund 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 pre-fund the annual required contributions (ARCs). As of May 9, 2009, the agreement with CERBT was approved. Retirees contribute 5 percent of plan costs for single coverage and the entire cost of vision benefits. Annually, the Airport Authority funds 100 percent of the actuarially calculated ARC for its OPEB. In previous years, the Airport Authority has made contributions above the annual ARC which has resulted in a net OPEB asset.

ANNUAL OPEB COST AND ACTUARIAL METHODS AND ASSUMPTIONS:

The Airport Authority's annual OPEB cost is calculated based on the ARC, an amount that is actuarially determined in accordance with the parameters of GASB State-

ment 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 \$ 2,403,000 and \$2,328,000 for fiscal year 2015 and 2014, respectively. The ARC was determined using the entry age normal cost method with amortization of the unfunded accrued liability occurring over a 30-year period ending June 30, 2037.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations. The actuarial assumptions used by CERBT include (a) a 7.36 percent investment rate of return, (7.61 percent was used in the prior valuations), net of administrative expenses, RP-2014 Mortality Tables with fully generational projection using MP-2014 scale and (b) projected salary increases of 3.00 percent. The annual healthcare 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 percent 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.

NOTE 9.
OTHER POSTEMPLOYMENT
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
7/1/12	12/13	\$ 2,238	\$ 2,236	\$ (59)	\$ -	\$ 4	\$ 2,238
7/1/13	13/14	2,328	2,328	(59)	(4)	4	2,328
7/1/14	14/15	2,403	2,403	(59)	(4)	4	2,403

The Airport Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015, 2014 and 2013 were as follows (dollars in thousands):

Fiscal Year Ended	Annual OPEB Costs	Employer Contribution	Percentage of OPEB Cost Contributed	NOO/(Asset)
6/30/13	\$ 2,238	\$ 2,236	99.9%	\$ (59)
6/30/14	2,328	2,328	100.0%	(59)
6/30/15	2,403	2,403	100.0%	(59)

FUNDED STATUS AND FUNDING PROGRESS:

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL)	Unfunded Actuarial 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 10.
RISK MANAGEMENT

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

COMMERCIALLY ISSUED INSURANCE:

- The Airport Authority maintains \$500 million in limits for owners' and operators' general liability insurance with a war, hijacking and other perils endorsement in the amount of \$150 million.
- The Airport Authority maintains a property insurance policy with limits of \$750 million providing all risk and flood coverage on physical assets.
- The Airport Authority also maintains policies for workers' compensation, commercial auto, fiduciary liability, privacy and network security, crime and public officials and employment practices liability, among others.

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, 2015 and 2014, the Airport Authority has designated \$8,095,974 and \$7,377,978, respectively, from its net position, as an insurance contingency.

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

LOSS PREVENTION:

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

During fiscal year 2015, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

NOTE 11.
LEASE REVENUES

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

The Airport Authority's recent expansion of approximately 25,000 additional square feet results in the increase of the number of food service and retail concession locations from 55 to 87. The Authority has implemented a comprehensive Concessions Development Program (CDP) to provide a world class shopping and dining experience for the millions of passengers who use SDIA each year. The full program build out was completed during fiscal year 2015. The CDP replaces the Airport Authority's one master concessionaire.

NOTE 11.
LEASE REVENUES
(CONTINUED)

The Airport Authority's CFC revenues and Bonds funded construction of the Rental Car Center Facility (RCC) is set to be completed in the first quarter of 2016. The RCC facility which sits on 24.85 acres of land will house all the major and small operator rental car tenants. The land rent leases for the RCC will commence on the opening date of the facility until the Bonds are repaid or defeased. This land rent is a non-cancellable lease and will convert to Facility Rent when bonds are repaid.

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

Years Ending June 30,	Amount
2016	\$ 10,765,367
2017	12,461,273
2018	11,781,102
2019	11,872,943
2020	<u>12,012,827</u>
	<u>\$ 58,893,512</u>

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. The Airport Authority recognized lease revenue of \$0 and \$86,996 for the years ended June 30, 2015 and 2014, under the World Trade Center lease.

NOTE 12.
LEASE COMMITMENTS

OPERATING LEASES

GENERAL DYNAMICS LEASE:

The Airport Authority is required, by legislation mandating the transfer of airport operations from the District, to lease from the District 89.75 acres of the former General Dynamics property on Pacific Highway adjacent to SDIA for 66 years commencing January 1, 2003. The lease agreement, as amended, calls for rent payments of \$6,750,000 annually through December 31, 2068. A portion of the land is leased back to the District for employee parking at the same fair market value rent paid by the Airport Authority.

SDIA LEASE:

The Airport Authority is leasing from the District 480

acres of land on North Harbor Drive for \$1 per year under a lease that expires December 31, 2068.

TELEDYNE RYAN LEASE:

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

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

NOTE 12. The future rental commitment under the above operating lease agreements as of June 30 are due as follows:

LEASE COMMITMENTS
(CONTINUED)

Years Ending June 30,	Amount
2016	\$ 10,167,120
2017	10,167,120
2018	10,159,920
2019	10,159,920
2020	10,159,920
2021-2025	50,799,600
2026-2030	50,799,600
2031-2035	50,799,600
2036-2040	50,799,600
2041-2045	50,799,600
2046-2050	50,799,600
2051-2055	50,799,600
2056-2060	50,799,600
2061-2065	50,799,600
2066-2070	35,559,720
	<u>\$ 543,570,120</u>

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

	2015	2014
Rental payments made	<u>\$ 10,433,251</u>	<u>\$ 10,478,262</u>

NOTE 13. **COMMITMENTS:**

COMMITMENTS AND
CONTINGENCIES

As of June 30, 2015 and 2014, 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 oncontractual costs of upgrading certain major equipment. At June 30, 2015 and 2014, these funds totaled approximately \$12.5 million and \$7.8 million, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.

NOTE 13.
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, 2015 and 2014, the Airport Authority expensed \$15,847,455 and \$16,577,044, respectively, for these service
- 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 amounts spent as of June 30, 2015, were \$17.3 million for parking management services and \$22.6 million for airport shuttle services. These contracts are scheduled for completion in 2017. As of June 30, 2015, the Airport Authority's remaining commitment is approximately \$12.4 million for the parking management contract and \$6.23 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 \$14.0 million and additional approval of \$10.0 million. In fiscal year 2015, the Board approved an additional \$223.9 million. As of June 30, 2015, \$189.7 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 \$10.0 million and an additional approval of \$17.0 million. In fiscal year 2015, the Board approved an additional \$5.0 million. As of June 30, 2015, \$19.2 million had been spent and the contract is due to be completed in fiscal year 2016.
- vi. In fiscal year 2015, the Board approved a \$29.2 million contract with SP Plus Corporation to transport rental car companies' customers between the Rental Car Center facility and the terminals and includes the operation, management and maintenance of the shuttle vehicles.
- vii. In fiscal year 2015, the Board approved a \$5.7 million contract with Granite Construction Company for the construction of the Northside bypass Taxiway to be completed in fiscal year 2016.
- viii. In fiscal year 2015, the Board approved a \$10.4 million contract with Orion Construction Corporation for the installation of the Northside utility storm drain trunk to provide required storm drainage infrastructure to be completed in fiscal year 2016.
- ix. In fiscal year 2015, the Board approved a \$60.0 million contract with AECOM Technical Services, Inc. for project support for the development of the Northside solar projects to be completed in fiscal year 2018.
- x. In fiscal year 2015, the Board approved a \$5.5 million contract with Granite Construction Company for the construction of the Rental Car Center bus parking facility to be completed in fiscal year 2016.

NOTE 13.
COMMITMENTS AND
CONTINGENCIES
(CONTINUED)

CONTINGENCIES:

As of June 30, 2015, the Airport Authority is subject to contingencies arising from legal matters as described below:

The Airport Authority has leases and operating agreements with various tenants. These agreements typically include provisions requiring the tenants/operators to indemnify the Airport Authority for any damage to property or losses to the Airport Authority as a result of the tenant's operations. Also, the leases and operating agreements typically require the Airport Authority to be

named as an additional insured under certain insurance policies of the tenants/operators. The Airport Authority also tenders these claims to its own insurers once they become asserted claims. When these types of claims are asserted against the Airport Authority, the Airport Authority not only vigorously opposes them but also vigorously seeks contribution and/or indemnity from all tenants/operators involved, from the tenants'/operators' insurers and from its own insurers. The Airport Authority's legal counsel cannot predict the net exposure to the Airport Authority with respect to these matters, or the probability or remoteness of any outcome.



**REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)
FISCAL YEAR ENDED
JUNE 30, 2015**

**San Diego County Regional
Airport Authority**

Schedule of pension funding progress for the Airport Authority is as follows (dollars in thousands) (GASB Statements No. 27 and 50)*:

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%

*The fiscal year ending June 30, 2014 was not restated for the effects of GASB Statement No. 68.

Schedule of OPEB funding progress for the Airport Authority is as follows (dollars in thousands)*:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability AAL	Unfunded Actuarial Accrued Liability UAAL	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
7/1/08	\$ -	\$ 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.



**REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)
FISCAL YEAR ENDED
JUNE 30, 2015
(CONTINUED)**

**San Diego County Regional
Airport Authority**

Schedule of changes in the net pension liability (asset), last 10 fiscal years (GASB Statement No. 68):

	<u>2015</u>
Total Pension Liability:	
Service cost	\$ 6,099,481
Interest (includes interest on service cost)	8,465,485
Benefit payments, including refunds of member contributions	<u>(2,913,221)</u>
Net change in total pension liability	11,651,745
 Total pension liability - June 30, 2013	 <u>115,200,048</u>
 Total pension liability - June 30, 2014	 <u>\$ 126,851,793</u>
 Plan Fiduciary Net Position:	
Contributions - employer	\$ 5,670,847
Contributions - employee	1,019,220
Net investment income	18,302,683
Benefit payments, including refunds of member contributions	(2,913,221)
Administrative expense	<u>(332,645)</u>
Net change in plan fiduciary net position	21,746,884
 Plan fiduciary net position - June 30, 2013	 <u>108,456,250</u>
 Plan fiduciary net position - June 30, 2014	 <u>\$ 130,203,134</u>
 Net pension liability (asset) - June 30, 2014	 \$ (3,351,341)
Plan fiduciary net position as a percentage of the total pension liability	102.64%
 Covered employee payroll	 \$ 26,380,323
Net pension liability as a percentage of covered employee payroll	(12.7%)

NOTE TO SCHEDULE:

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



**REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)
FISCAL YEAR ENDED
JUNE 30, 2015
(CONTINUED)**

**San Diego County Regional
Airport Authority**

Schedule of contributions, last 10 fiscal years (in thousands) (GASB Statement No. 68):

	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 2,900	\$ 2,600	\$ 3,800	\$ 4,300	\$ 3,000
Contributions in relation to the actuarially determined contribution	3,728	2,600	3,800	4,300	7,600
Contribution deficiency (excess)	<u>\$ (828)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,600)</u>
Covered-employee payroll	\$ 26,380	\$ 24,840	\$ 25,148	\$ 25,596	\$ 24,693
Contributions as a percentage of covered-payroll	14.13%	10.47%	15.11%	16.80%	30.78%

	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 3,000	\$ 2,200	\$ 2,600	\$ 2,879	\$ 2,312
Contributions in relation to the actuarially determined contribution	3,035	2,520	2,962	3,300	7,625
Contribution deficiency (excess)	<u>\$ (35)</u>	<u>\$ (320)</u>	<u>\$ (362)</u>	<u>\$ (421)</u>	<u>\$ (5,313)</u>
Covered-employee payroll	\$ 23,488	\$ 21,957	\$ 19,116	\$ 17,609	\$ 15,606
Contributions as a percentage of covered-payroll	12.92%	11.48%	15.49%	18.74%	48.86%



WE MOVE PEOPLE

IN CALENDAR YEAR 2014, SAN SERVED 18.8 MILLION PASSENGERS, BREAKING THE RECORD SET IN 2007. SAN ALSO SET NEW RECORDS FOR TOTAL PASSENGER BOARDINGS AND INTERNATIONAL PASSENGERS.

18.8 MILLION

TOTAL PASSENGERS LAST YEAR, EXCEEDING THE PREVIOUS RECORD OF 18,326,734 SET IN 2007 BY 2.3 PERCENT.

672,972

TOTAL INTERNATIONAL PASSENGERS, A 7.2 PERCENT INCREASE OVER 2013, AND THE THIRD CONSECUTIVE YEAR SAN HAD A RECORD-BREAKING INCREASE IN THIS CATEGORY.

9,383,793

IN ANOTHER IMPORTANT CATEGORY, SAN SET A RECORD FOR TOTAL ENPLANEMENTS, OR DEPARTING PASSENGERS.

STATISTICAL SECTION

AUTHORITY OPERATING REVENUES AND EXPENSES

AUTHORITY NET POSITION BY COMPONENT

AUTHORITY CHANGE IN NET POSITION

AUTHORITY LARGEST SOURCES OF REVENUES

AUTHORITY LANDING FEE RATE

TERMINAL RATES BILLED TO AIRLINES

AIRLINE COST PER ENPLANED PASSENGER

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

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 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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Airline revenue										
Landing fees	\$ 22,243	\$ 24,006	\$ 24,763	\$ 18,689	\$ 18,672	\$ 18,579	\$ 18,419	\$ 19,658	\$ 19,107	\$ 21,390
Aircraft parking fees	-	-	-	3,221	3,406	2,921	3,134	3,191	2,503	2,716
Building rentals	21,137	22,495	24,265	23,057	23,835	26,980	30,633	41,840	46,001	48,153
Security surcharge	7,759	8,441	8,619	10,204	11,900	14,886	18,649	23,360	25,777	25,180
Other aviation revenue	1,868	1,757	1,808	1,565	1,585	1,597	1,595	1,591	4,488	4,893
Concession revenue	29,362	34,201	38,785	36,280	36,249	37,103	40,427	42,041	47,770	52,496
Parking and ground transportation revenue	26,904	28,392	31,038	31,492	30,296	31,645	31,470	35,750	38,959	41,632
Ground rentals	5,505	4,994	5,207	5,776	5,923	8,656	8,044	9,162	9,603	13,074
Other operating revenue	4,717	1,081	1,197	693	1,829	1,640	1,179	905	1,529	971
Total Operating Revenues	\$ 119,495	\$ 125,367	\$ 135,682	\$ 130,977	\$ 133,695	\$ 144,007	\$ 153,550	\$ 177,498	\$ 195,737	\$ 210,505

Operating Expenses Before Depreciation

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Salaries and benefits	\$ 26,847	\$ 28,333	\$ 32,912	\$ 34,741	\$ 35,386	\$ 38,267	\$ 37,237	\$ 38,092	\$ 39,135	\$ 39,212
Contractual services	31,967	26,391	27,378	27,464	27,999	26,113	26,906	29,284	31,559	32,422
Safety and security	14,777	15,946	19,110	19,930	20,131	21,344	22,625	23,994	24,151	23,466
Space rental	11,353	10,842	10,901	10,888	10,906	10,906	11,415	10,897	10,478	10,433
Utilities	5,416	6,421	6,430	6,912	6,871	6,413	6,674	6,659	8,680	10,152
Maintenance	5,390	8,393	8,735	8,002	9,231	8,174	8,497	11,204	13,982	14,516
Equipment and systems	736	980	1,333	678	891	570	403	469	643	1,805
Materials and supplies	591	762	795	641	413	345	304	406	440	519
Insurance	1,162	1,999	1,227	1,096	1,166	1,066	764	795	988	1,145
Employee development and support	906	909	1,035	1,030	990	1,041	916	1,235	1,171	1,136
Business development	1,329	2,096	2,733	2,509	2,033	2,275	2,093	2,444	2,661	2,493
Equipment rentals and repairs	882	1,479	1,396	1,387	1,271	1,327	1,335	1,317	2,932	2,951
Total Operating Expenses Before Depreciation	\$ 101,356	\$ 104,551	\$ 113,985	\$ 115,278	\$ 117,288	\$ 117,841	\$ 119,169	\$ 126,796	\$ 136,820	\$ 140,250

Source: San Diego County Regional Airport Authority

EXHIBIT S-2

AUTHORITY NET POSITION BY COMPONENT (\$000)

Fiscal Years Ended June 30

	2006	2007	2008	2009	2010*	2011*	2012*	2013	2014	2015**
Net investment in capital assets	\$ 219,218	\$ 236,762	\$ 238,144	\$ 249,498	\$ 274,769	\$ 352,276	\$ 339,467	\$ 359,640	\$ 312,780	\$ 316,250
Other restricted net position	96,633	103,787	136,548	167,827	139,672	147,513	172,076	167,384	204,642	215,968
Unrestricted net position	117,940	124,984	120,429	95,858	145,224	102,466	149,346	200,040	209,594	210,522
Total net position	\$ 433,791	\$ 465,533	\$ 495,121	\$ 513,183	\$ 559,664	\$ 602,255	\$ 660,889	\$ 727,064	\$ 727,016	\$ 742,740

* Amounts for 2010 - 2012 were restated as per GASB 65

** Amounts for 2015 were restated as per GASB 68

Source: San Diego County Regional Airport Authority

EXHIBIT S-3

AUTHORITY CHANGE IN NET POSITION

(\$000)

Fiscal Years Ended June 30

	2006	2007	2008	2009	2010*	2011	2012	2013	2014	2015
Operating revenues:										
Airline revenue:										
Landing fees	\$ 22,243	\$ 24,006	\$ 24,763	\$ 18,689	\$ 18,672	\$ 18,579	\$ 18,419	\$ 19,658	\$ 19,107	\$ 21,390
Aircraft parking fees	-	-	-	3,221	3,406	2,921	3,134	3,191	2,503	2,716
Building rentals	21,137	22,495	24,265	23,057	23,835	26,980	30,633	41,840	46,001	48,153
Security surcharge	7,759	8,441	8,619	10,204	11,900	14,886	18,649	23,360	25,777	25,180
Other aviation revenue	1,868	1,757	1,808	1,565	1,584	1,597	1,595	1,591	4,488	4,893
Concession revenue	29,362	34,201	38,785	36,280	36,249	37,103	40,427	42,041	47,770	52,496
Parking and ground transportation revenue	26,904	28,392	31,038	31,492	30,296	31,645	31,470	35,750	38,959	41,632
Ground rentals	5,505	4,994	5,207	5,776	5,923	8,656	8,044	9,162	9,603	13,074
Other operating revenue	4,717	1,081	1,197	693	1,829	1,640	1,179	905	1,529	971
Total operating revenues	119,495	125,367	135,682	130,977	133,695	144,007	153,550	177,498	195,737	210,505
Operating expenses:										
Salaries and benefits	26,847	28,333	32,912	34,741	35,386	38,267	37,237	38,092	39,135	39,212
Contractual services	31,967	26,391	27,378	27,464	27,999	26,113	26,906	29,284	31,559	32,422
Safety and security	14,777	15,946	19,110	19,930	20,131	21,344	22,625	23,994	24,151	23,465
Space rental	11,353	10,842	10,901	10,888	10,906	10,906	11,415	10,897	10,478	10,433
Utilities	5,416	6,421	6,430	6,912	6,871	6,413	6,674	6,659	6,680	10,152
Maintenance	5,390	8,393	8,735	8,002	9,231	8,174	8,497	11,204	13,982	14,516
Equipment and systems	736	980	1,333	678	891	570	403	469	643	1,805
Materials and supplies	591	762	795	641	413	345	304	406	440	519
Insurance	1,162	1,999	1,227	1,096	1,166	1,066	764	795	988	1,145
Employee development and support	906	909	1,035	1,030	990	1,041	916	1,235	1,171	1,136
Business development	1,329	2,096	2,733	2,509	2,033	2,275	2,093	2,444	2,661	2,493
Equipment rentals and repairs	882	1,479	1,396	1,387	1,271	1,327	1,335	1,317	2,933	2,952
Total operating expenses before depreciation and amortization	101,356	104,551	113,985	115,278	117,288	117,841	119,169	126,796	136,821	140,250
Income from operations before depreciation and amortization	18,139	20,816	21,697	15,699	16,407	26,166	34,381	50,702	58,916	70,255
Depreciation and amortization	31,559	33,468	36,764	38,196	42,424	49,138	44,532	41,624	77,205	77,559
Operating income (loss)	(13,420)	(12,652)	(15,067)	(22,497)	(26,018)	(22,972)	(10,151)	9,078	(18,289)	(7,304)
Nonoperating revenues (expenses):										
Passenger facility charges	34,981	36,452	37,401	33,219	34,049	33,998	34,639	35,437	35,770	38,517
Customer facility charges	-	-	-	1,695	10,783	10,986	11,487	19,117	27,545	32,465
Quieter Home Program, net	(908)	(3,092)	(3,990)	(5,573)	(1,629)	(3,359)	(3,531)	(1,589)	(2,750)	(2,811)
Joint Studies Program	(688)	(120)	(963)	(180)	(244)	(129)	(73)	(55)	(152)	(145)
Interest income	9,306	11,969	13,431	9,434	6,667	6,408	5,492	4,140	5,211	5,747
Interest expense	(4,809)	(4,683)	(4,086)	(2,998)	(3,472)	(12,295)	(2,027)	(16,530)	(56,376)	(59,516)
"Build America Bonds" Rebate						3,691	4,996	4,779	4,636	4,631
Other revenues (expenses), net	964	(3,282)	12	316	(1,004)	(92)	(3,032)	(4,278)	434	1,367
Nonoperating revenue, net	38,846	37,244	41,805	35,913	45,149	39,208	47,951	41,021	14,318	20,255
Income before capital grant contributions	25,426	24,592	26,738	13,416	19,131	16,236	37,800	50,099	(3,971)	12,951
Capital grant contributions	12,145	7,150	2,850	4,646	27,350	26,355	20,834	16,077	3,924	10,765
Change in net position	37,571	31,742	29,588	18,062	46,482	42,591	58,634	66,176	(47)	23,716
Prior Period Adjustment as per GASB 68										(7,993)
Net position, beginning of year	396,220	433,791	465,533	495,121	513,183	559,665	602,255	660,889	727,064	727,017
Net position, end of year	\$ 433,791	\$ 465,533	\$ 495,121	\$ 513,183	\$ 559,665	\$ 602,255	\$ 660,889	\$ 727,064	\$ 727,017	\$ 742,740

* Amounts for 2010 - 2012 were restated as per GASB 65

Source: San Diego County Regional Airport Authority

EXHIBIT S-4

AUTHORITY LARGEST SOURCES OF REVENUE (\$000)

Fiscal Years Ended June 30

Tenant	2006	2007	2008	2009	2010	2011
Southwest Airlines	\$ 13,464,404	\$ 15,624,767	\$ 16,920,722	\$ 17,658,629	\$ 19,428,103	\$ 21,306,108
United Airlines	5,717,234	6,623,373	6,522,426	6,344,127	7,905,284	9,280,812
Delta Airlines	4,876,095	5,347,415	5,168,634	4,647,333	6,663,671	8,003,895
American Airlines	10,191,557	8,303,616	7,750,147	5,543,732	7,693,564	7,611,443
Alaska Airlines	2,464,162	2,843,993	2,800,385	2,754,173	2,951,554	3,482,098
Enterprise Rent-A-Car	2,888,849	2,007,684	2,530,192	2,501,720	2,517,682	4,431,129
Hertz Rent-A-Car	5,979,512	6,728,751	6,860,949	5,816,230	5,861,737	5,635,151
US Airways	571,874	1,714,362	4,048,246	3,478,789	3,756,383	3,899,253
Avis Budget Rent-A-Car Group	6,002,357	4,465,182	6,193,565	5,505,770	3,378,607	3,842,594
Landmark Aviation	-	-	-	-	-	-

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-4

AUTHORITY LARGEST SOURCES OF REVENUE (\$'000) - CONTINUED

Fiscal Years Ended June 30

Tenant	2012	2013	2014	2015	2015 % of Total Operating Revenue
Southwest Airlines	\$ 23,357,007	\$ 27,598,908	\$ 29,548,565	\$ 33,107,335	15.7%
United Airlines	10,931,601	15,817,886	15,364,094	15,687,045	7.5%
Delta Airlines	8,911,886	10,898,540	12,005,146	13,560,515	6.4%
American Airlines	8,197,015	9,765,412	10,030,675	10,453,233	5.0%
Alaska Airlines	4,265,739	6,167,257	8,008,057	9,712,564	4.6%
Enterprise Rent-A-Car	7,290,392	6,934,784	7,162,116	7,998,222	3.8%
Hertz Rent-A-Car	5,795,690	5,961,730	6,149,759	6,236,082	3.0%
US Airways	4,388,522	5,408,046	5,754,465	5,434,790	2.6%
Avis Budget Rent-A-Car Group	4,507,266	4,697,455	4,822,212	5,131,645	2.4%
Landmark Aviation	-	-	2,027,308	5,042,672	2.4%

EXHIBIT S-6

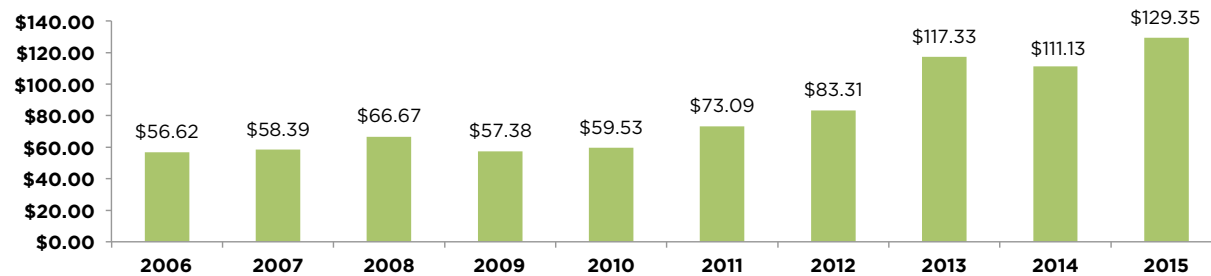
TERMINAL RATES BILLED TO AIRLINES (\$'000)

Fiscal Years Ended June 30

Fiscal Year	Terminal Rates Per Square Foot*	% Change
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)%
2015	\$129.35	16.4 %

*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.

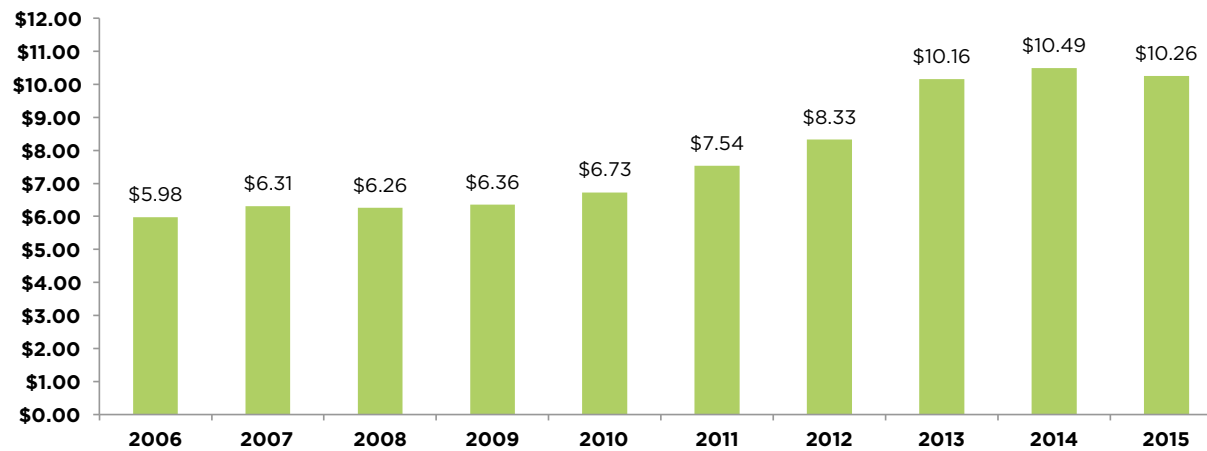
EXHIBIT S-7

AIRLINE COST PER ENPLANED PASSENGER

Fiscal Years Ended June 30

Fiscal Year	Enplaned Passengers	Cost per Enplaned Passenger
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
2015	9,713,066	\$10.26

Cost per Enplaned Passenger



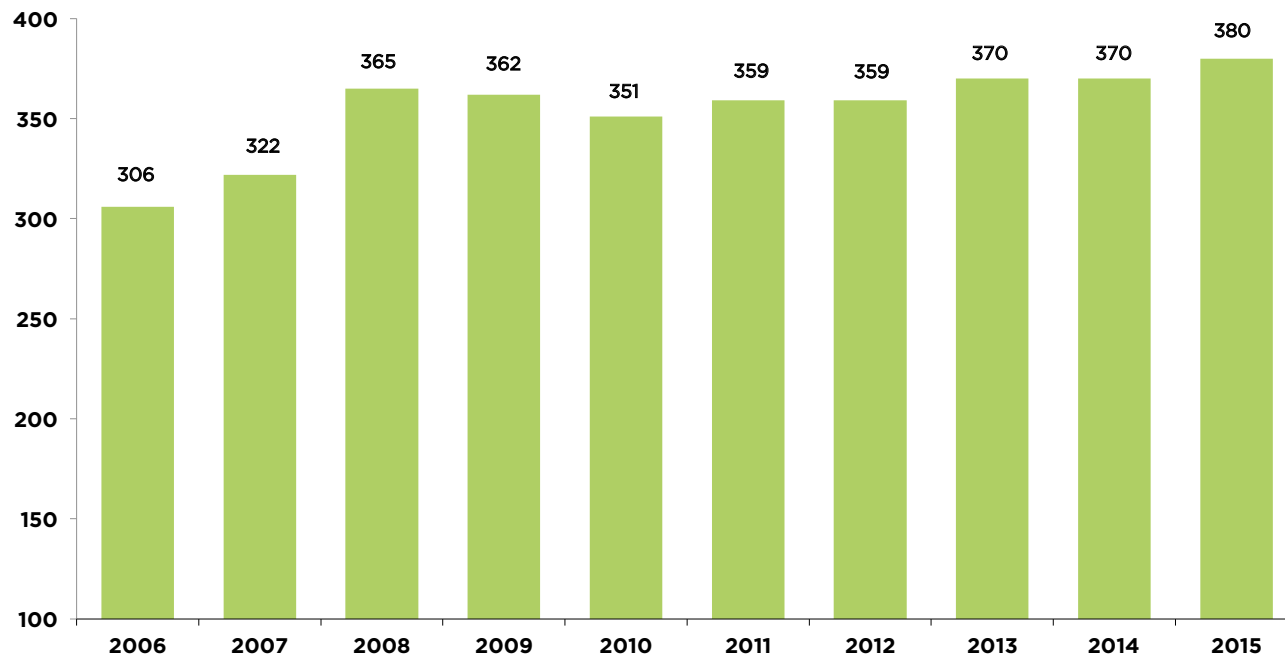
Source: San Diego County Regional Airport Authority

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

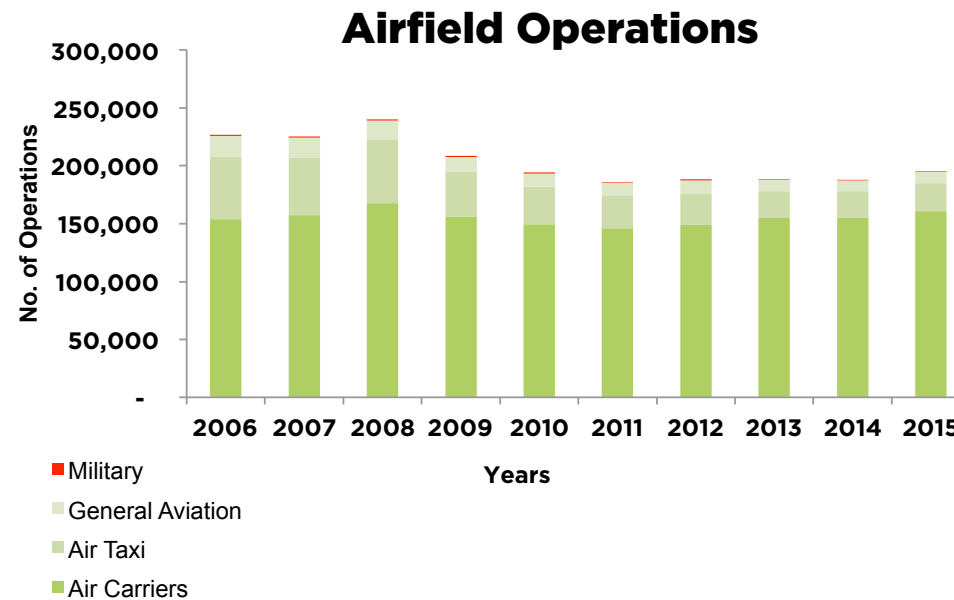
AIRCRAFT OPERATIONS

(TAKEOFFS AND LANDINGS)

Fiscal Years Ended June 30

Fiscal Year	Air Carriers	Air Taxi	General Aviation	Military	Total
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
2015	160,726	24,336	9,537	669	195,268

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

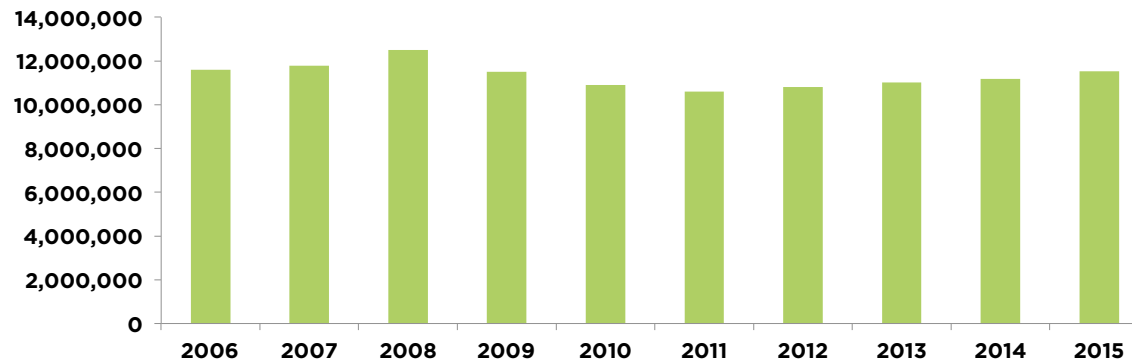
AIRCRAFT LANDED WEIGHT

(TAKEOFFS AND LANDINGS)

Fiscal Years Ended June 30

Fiscal Year	Aircraft Landed Weight in 1000 lbs	% Change
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 %
2015	11,534,880	3.1 %

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

Airline	2006	% of Total	2007	% of Total	2008	% of Total	2009	% of Total	2010	% of Total
Southwest Airlines	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%
United Airlines *	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%
Delta Airlines	850,348	7.3%	798,104	6.8%	839,172	6.7%	713,622	6.2%	893,467	8.2%
Alaska Airlines	616,552	5.3%	668,390	5.7%	612,282	4.9%	536,281	4.7%	511,813	4.7%
American Airlines	1,089,872	9.4%	961,143	8.2%	890,796	7.1%	848,513	7.4%	766,151	7.0%
US Airways	250,303	2.2%	391,358	3.3%	713,030	5.7%	684,354	6.0%	626,510	5.8%
Skywest Airlines	251,902	2.2%	246,559	2.1%	195,777	1.6%	219,416	1.9%	332,408	3.1%
Federal Express	445,744	3.8%	456,152	3.9%	447,636	3.6%	402,665	3.5%	400,303	3.7%
Spirit Airlines	-	-	-	-	-	-	-	-	-	-
Virgin America	-	-	-	-	3,122	0.0%	221,333	1.9%	205,348	1.9%
JetBlue Airlines	174,337	1.5%	175,333	1.5%	288,239	2.3%	297,340	2.6%	201,071	1.8%
British Airways	-	-	-	-	-	-	-	-	-	-
Frontier Airlines	246,749	2.1%	283,898	2.4%	287,387	2.3%	237,269	2.1%	227,847	2.1%
Hawaiian Airlines	145,920	1.3%	211,840	1.8%	235,200	1.9%	137,145	1.2%	121,600	1.1%
Japan Airlines	-	-	-	-	-	-	-	-	-	-
Subtotal	9,607,495	78.9%	9,952,639	80.7%	10,691,329	81.9%	10,512,096	87.9%	10,136,906	89.4%
All Others	1,997,378	17.2%	1,821,318	15.5%	1,810,162	14.5%	984,661	8.6%	755,961	6.9%
TOTAL	11,604,873	96.2%	11,773,957	96.1%	12,501,491	96.4%	11,496,758	96.5%	10,892,867	96.3%
Annual % Change	3.6%		1.5%		6.2%		-8.0%		-5.3%	

* 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.
Source: San Diego County Regional Airport Authority.

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

Fiscal Years Ended June 30

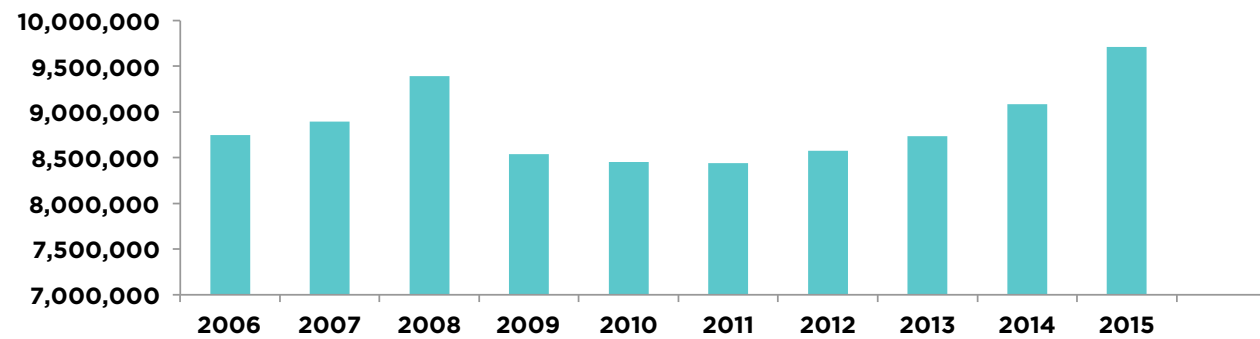
Airline	2011	% of Total	2012	% of Total	2013	% of Total	2014	% of Total	2015	% of Total
Southwest Airlines	4,001,530	37.7%	3,953,536	36.5%	3,907,554	35.5%	3,925,362	35.1%	4,214,314	36.6%
United Airlines *	1,583,372	14.9%	1,502,203	13.9%	1,387,854	12.6%	1,340,736	12.0%	1,227,974	10.7%
Delta Airlines	1,062,254	10.0%	1,047,068	9.7%	1,023,608	9.3%	1,016,878	9.1%	1,077,103	9.3%
Alaska Airlines	595,238	5.6%	648,359	6.0%	750,000	6.8%	884,727	7.9%	888,065	7.7%
American Airlines	672,059	6.3%	701,126	6.5%	685,836	6.2%	718,069	6.4%	790,055	6.9%
US Airways	603,439	5.7%	643,014	5.9%	653,915	5.9%	631,485	5.6%	569,856	4.9%
Skywest Airlines	338,812	3.2%	306,789	2.8%	428,595	3.9%	396,054	3.5%	408,608	3.5%
Federal Express	421,239	4.0%	452,453	4.2%	451,797	4.1%	419,127	3.7%	384,686	3.3%
Spirit Airlines	-	-	98,931	0.9%	208,200	1.9%	245,669	2.2%	296,925	2.6%
Virgin America	173,686	1.6%	208,253	1.9%	235,934	2.1%	232,136	2.1%	240,781	2.1%
JetBlue Airlines	167,369	1.6%	166,232	1.5%	168,080	1.5%	189,979	1.7%	193,848	1.7%
British Airways	13,800	0.1%	167,440	1.5%	163,760	1.5%	166,980	1.5%	166,980	1.4%
Frontier Airlines	249,492	2.4%	208,936	1.9%	196,614	1.8%	192,493	1.7%	153,880	1.3%
Hawaiian Airlines	134,080	1.3%	118,088	1.1%	140,637	1.3%	147,325	1.3%	146,284	1.3%
Japan Airlines	-	-	-	-	47,125	0.4%	138,700	1.2%	138,700	1.2%
Subtotal	10,136,528	91.6%	10,222,427	94.5%	10,449,511	94.9%	10,645,720	95.2%	10,898,059	94.6%
All Others	469,632	4.4%	597,474	5.5%	566,205	5.1%	541,046	4.8%	636,821	5.4%
TOTAL	10,606,160	96.0%	10,819,902	100.0%	11,015,716	100.0%	11,186,766	100.0%	11,534,880	100.0%
Annual % Change	-2.6%		2.0%		1.8%		1.6%		3.1%	

EXHIBIT S-12

PASSENGER ENPLANEMENTS

Fiscal Years Ended June 30

Fiscal Year	Passenger Enplanements	% Change
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%
2015	9,713,066	6.9%



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).



TOPPING OUT

SAN CELEBRATED A MAJOR MILESTONE IN JUNE IN THE \$316 MILLION RENTAL CAR CENTER'S CONSTRUCTION: COMPLETION OF THE 2 MILLION SQUARE-FOOT FACILITY'S INNOVATIVE CONCRETE FACADE. SCHEDULED TO OPEN IN JANUARY 2016, THE RENTAL CAR CENTER WILL HOUSE MOST OF THE RENTAL CAR COMPANIES SERVING THE AIRPORT, INCLUDING NATIONAL BRANDS, AS WELL AS LOCAL, INDEPENDENT AND SMALL BUSINESS RENTAL CAR COMPANIES, IN ONE CENTRAL LOCATION OFF PACIFIC HIGHWAY.

EXHIBIT S-13

ENPLANEMENT MARKET SHARE BY AIRLINE BY FISCAL YEAR

Fiscal Years Ended June 30

Air Carrier	2006		2007		2008		2009		2010	
	Enplane-ments	Share	Enplane-ments	Share	Enplane-ments	Share	Enplane-ments	Share	Enplane-ments	Share
Aeromexico	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%
AirTran Airways	-	-	7,983	0.1%	97,937	1.0%	66,475	0.8%	37,530	0.4%
Alaska Airlines	492,891	5.6%	536,784	6.0%	498,169	5.3%	428,515	5.0%	435,722	5.2%
Aloha Airlines	41,882	0.5%	38,418	0.4%	33,620	0.4%	-	-	-	-
America West	451,904	5.2%	374,072	4.2%	78,298	0.8%	-	-	-	-
American Airlines	968,832	11.1%	873,624	9.8%	808,790	8.6%	735,067	8.6%	704,909	8.3%
British Airways	-	-	-	-	-	-	-	-	-	-
Delta Airlines	666,101	7.6%	633,772	7.1%	687,104	7.3%	618,127	7.2%	900,510	10.7%
Frontier Airlines	171,544	2.0%	196,598	2.2%	231,926	2.5%	203,689	2.4%	196,628	2.3%
Hawaiian Airlines	112,410	1.3%	154,932	1.7%	160,939	1.7%	100,626	1.2%	90,874	1.1%
Japan Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue Airlines	161,594	1.8%	151,984	1.7%	224,205	2.4%	235,199	2.8%	167,031	2.0%
Midwest Airlines	18,688	0.2%	34,551	0.4%	42,763	0.5%	8,380	0.1%	-	-
Northwest Airlines	292,393	3.3%	286,952	3.2%	295,724	3.1%	272,684	3.2%	-	-
Southwest Airlines	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%
Spirit	-	-	-	-	-	-	-	-	-	-
Sun Country Airlines	41,091	0.5%	45,931	0.5%	44,454	0.5%	35,885	0.4%	24,984	0.3%
United Airlines *	989,744	11.3%	990,725	11.1%	978,816	10.4%	927,023	10.9%	920,960	10.9%
US Airways	212,622	2.4%	300,568	3.4%	552,751	5.9%	563,392	6.6%	512,558	6.1%
Virgin America	-	-	-	-	57,292	0.6%	155,649	1.8%	151,110	1.8%
Volaris	-	-	-	-	-	-	-	-	-	-
Other	27,329	0.3%	8,128	0.1%	47,257	0.5%	25,457	0.3%	51,541	0.6%
Total Air Carrier	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%
Commuter										
American Eagle	287,136	3.3%	275,087	3.1%	238,147	2.5%	232,289	2.7%	207,272	2.5%
Compass (Delta Connection)	-	-	-	-	-	-	-	-	-	-
Express Jet Airlines	-	-	17,603	0.2%	202,429	2.2%	36,034	7.5%	-	-
Horizon	-	-	-	-	-	-	-	-	-	-
Mesa Airlines	117,330	1.3%	42,219	0.5%	17,098	0.2%	7,381	0.1%	18,670	0.2%
Seaport Airlines	-	-	-	-	-	-	-	-	-	-
Skywest Airlines	202,812	2.3%	-	-	-	-	-	-	-	-
Total Commuter	607,278	6.9%	552,511	6.2%	634,786	6.8%	479,247	5.6%	497,708	5.9%
Total Enplanements	8,749,734	100%	8,892,069	100%	9,389,327	100%	8,535,774	100%	8,453,886	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 has been included in the United Airlines row.

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

Source: San Diego County Regional Airport Authority

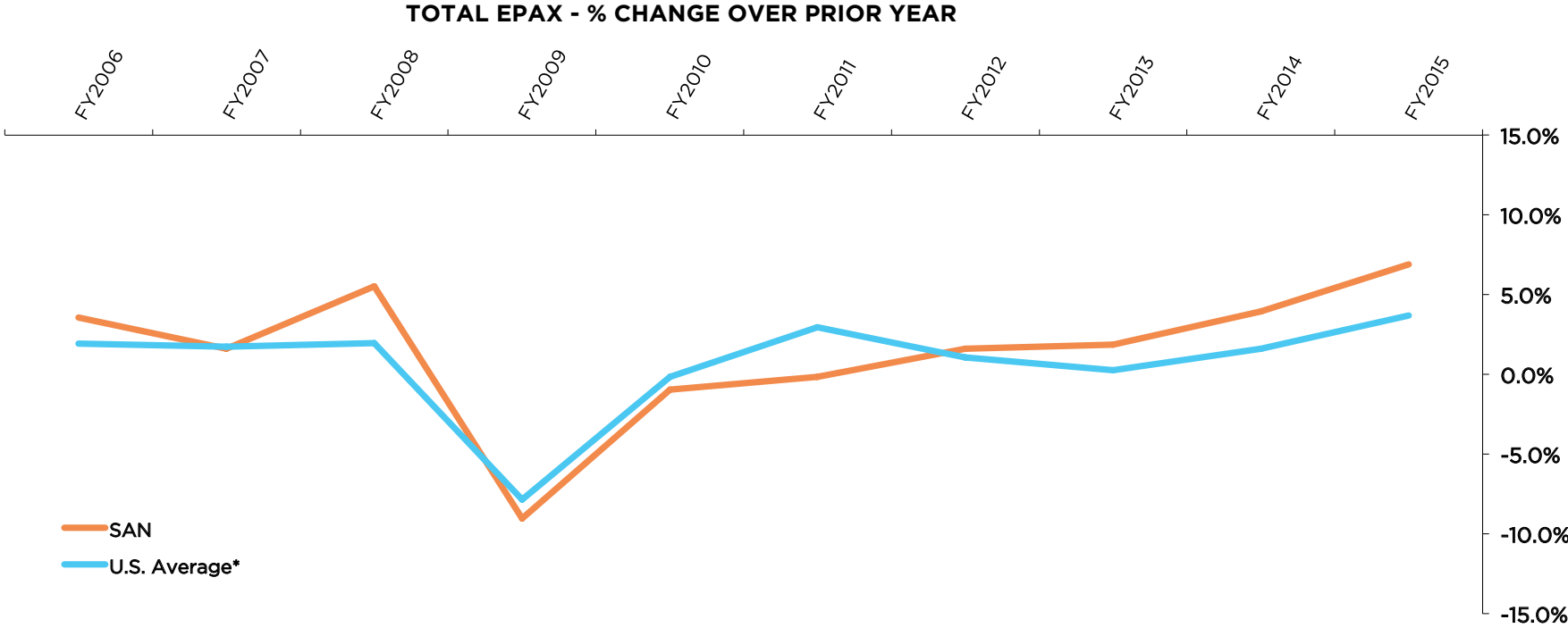
EXHIBIT S-13
ENPLANEMENT MARKET SHARE BY
AIRLINE BY FISCAL YEAR - CONTINUED

Fiscal Years Ended June 30

Air Carrier	2011 Enplane- ments	Share	2012 Enplane- ments	Share	2013 Enplane- ments	Share	2014 Enplane- ments	Share	2015 Enplane- ments	Share
Aeromexico	-	-	-	-	-	-	-	-	-	-
Air Canada	58,539	0.7%	56,470	0.7%	45,058	0.5%	36,636	0.4%	41,175	0.4%
AirTran Airways	17,978	0.2%	-	-	-	-	-	-	-	-
Alaska Airlines	514,498	6.1%	579,457	6.8%	673,731	7.7%	830,349	9.1%	871,775	9.0%
Aloha Airlines	-	-	-	-	-	-	-	-	-	-
America West	-	-	-	-	-	-	-	-	-	-
American Airlines	658,752	7.8%	664,466	7.7%	650,826	7.4%	693,995	7.6%	747,493	7.7%
British Airways	6,912	0.1%	81,437	0.9%	81,534	0.9%	84,600	0.9%	84,263	0.9%
Delta Airlines	919,323	10.9%	935,777	10.9%	904,734	10.4%	915,907	10.1%	992,498	10.2%
Frontier Airlines	219,008	2.6%	198,708	2.3%	184,020	2.1%	185,270	2.0%	150,595	1.6%
Hawaiian Airlines	98,887	1.2%	86,211	1.0%	94,283	1.1%	98,667	1.1%	96,963	1.0%
Japan Airlines	-	-	-	-	18,249	0.2%	54,213	0.6%	59,372	0.6%
JetBlue Airlines	141,684	1.7%	147,051	1.7%	152,571	1.7%	173,282	1.9%	178,590	1.8%
Midwest Airlines	-	-	-	-	-	-	-	-	-	-
Northwest Airlines	-	-	-	-	-	-	-	-	-	-
Southwest Airlines	3,277,931	38.8%	3,252,290	37.9%	3,253,225	37.2%	3,352,870	36.9%	3,736,688	38.5%
Spirit	-	-	77,873	0.9%	164,189	1.9%	201,414	2.2%	252,219	2.6%
Sun Country Airlines	24,175	0.3%	15,889	0.2%	23,836	0.3%	27,276	0.3%	28,732	0.3%
United Airlines *	878,307	10.4%	1,266,007	14.8%	1,175,869	13.5%	1,167,661	12.9%	1,113,510	11.5%
US Airways	523,378	6.2%	535,906	6.2%	560,738	6.4%	554,244	6.1%	523,034	5.4%
Virgin America	133,377	1.6%	166,326	1.9%	168,297	1.9%	156,729	1.7%	175,973	1.8%
Volaris	-	-	45,589	0.5%	30,885	0.4%	23,285	0.3%	20,004	0.2%
Other	37,776	0.4%	43,634	0.5%	43,212	0.5%	39,664	0.4%	41,129	0.4%
Total Air Carrier	8,006,625	94.9%	8,153,091	95.1%	8,225,257	94.1%	8,596,062	94.6%	9,114,013	93.8%
Commuter										
American Eagle	155,421	1.8%	140,574	1.6%	82,377	0.9%	51,126	0.6%	-	0.0%
Compass (Delta Connection)	-	-	-	-	-	-	8,563	0.1%	140,012	1.4%
Express Jet Airlines	-	-	-	-	-	-	-	-	-	-
Horizon	-	-	5,900	0.1%	77,392	0.9%	84,000	0.9%	83,764	0.9%
Mesa Airlines	6,709	0.1%	12,766	0.1%	206	0.0%	-	-	-	-
Seaport Airlines	-	-	-	-	196	0.0%	1,128	0.0%	3,298	0.0%
Skywest Airlines	-	-	-	-	352,189	4.0%	341,365	3.8%	371,979	3.8%
Total Commuter	434,495	5.1%	422,384	4.9%	512,360	5.9%	486,182	5.4%	599,053	6.2%
Total Enplanements	8,441,120	100%	8,575,475	100%	8,737,617	100%	9,082,244	100%	9,713,066	100%

EXHIBIT S-14

YEAR-OVER-YEAR PERCENTAGE GROWTH IN PASSENGER ENPLANEMENTS, SDIA VS. US



* U.S. Average is based on T-100 Market Reporting Data from the DOT Bureau of Transportation Statistics.

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	606,408
Airport Land Area	661 acres
On airport parking spaces (public)	3,201
Off airport parking spaces (public)	3,181

Source: San Diego County Regional Airport Authority

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

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



EXHIBIT S-16

POPULATION & PER CAPITA PERSONAL INCOME SAN DIEGO COUNTY

Calendar Year	Estimated		Per Capita Personal		Total Personal	
	Population ^[1]	% Change	Income ^[2]	% Change	Income ^[2]	% Change
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 %	53,626	7.7 %	171,300,856,612	9.2 %
2015	3,227,496	1.0 %	55,273	3.1 %	178,393,386,408	4.1 %

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. 2014 and 2015 per capita personal income are estimates by the California Department of Transportation. Prior year's 2011 and 2013 per capita personal income has been updated.

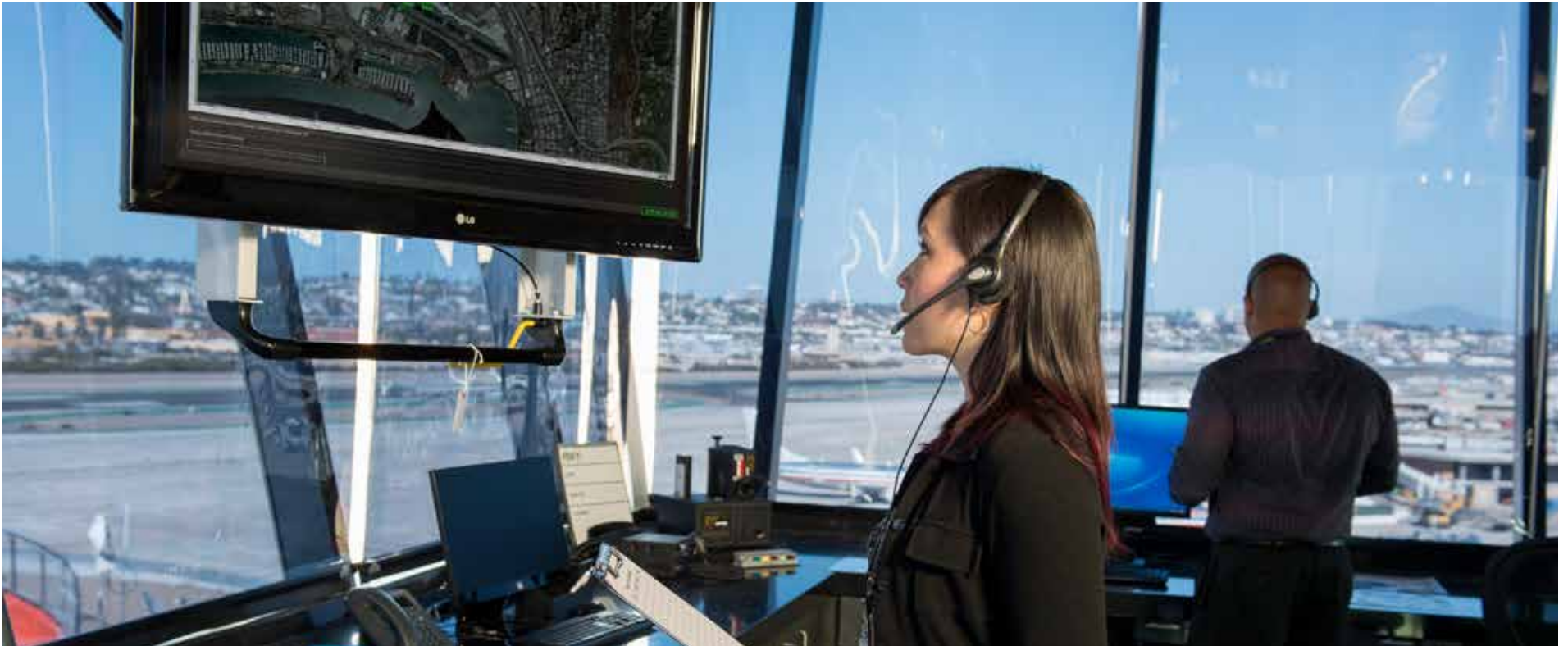


EXHIBIT S-17
PRINCIPAL EMPLOYERS IN
SAN DIEGO COUNTY

2015

Employer	Local Employees	Rank	Percentage of Total Industry Employment
U.S. Federal Government	45,700	1	2.92%
State of California	40,100	2	2.56%
UC, San Diego	28,341	3	1.81%
Sharp Health Care	16,477	4	1.05%
Scripps Health	13,717	5	0.88%
Qualcomm Inc.	13,700	6	0.87%
City of San Diego	10,584	7	0.68%
UC San Diego Health System	7,726	8	0.49%
Kaiser Foundation	7,549	9	0.48%
General Atomics	6,714	10	0.43%

Total Civilian Labor Force in San Diego County (June 2006): **1,520,474**

Total Civilian Labor Force in San Diego County (June 2015): **1,565,900**

Source: Employers - San Diego Daily Transcript Sourcebook: 2006 & 2015
 Total Industry Employment - California Employment Development Dept.,
 Labor Market Info June 2015 - March 2014 Benchmark

2006

Employer	Local Employees	Rank	Percentage of Total Industry Employment
U.S. Navy	49,000	1	3.22%
U.S. Federal Government	38,700	2	2.55%
State of California	37,100	3	2.44%
University of California, San Diego	24,790	4	1.63%
San Diego Unified School District	21,073	5	1.39%
City of San Diego	20,700	6	1.36%
County of San Diego	18,900	7	1.24%
Sharp Health Care	13,269	8	0.87%
U.S. Postal Service	11,611	9	0.76%
Scripps Health	10,313	10	0.68%

EXHIBIT S-18

SAN DIEGO COUNTY EMPLOYMENT BY INDUSTRY SECTOR

Industry Sectors	June 2015 Industry Employment	% of Total
Trade, Transportation and Utilities	217,900	15.5%
Government	238,900	17.0%
Professional and Business Services	239,400	17.1%
Leisure and Hospitality	186,100	13.3%
Education and Health Services	193,700	13.8%
Manufacturing	98,800	7.0%
Construction and Mining	67,700	4.8%
Financial Activities	72,200	5.1%
Other Services	52,100	3.7%
Information	25,200	1.8%
Agriculture	10,900	0.8%
Total	1,402,900	

Source: California Employment Development Dept., Labor Market Info: Industry Employment & Labor Force, March 2014 Benchmark

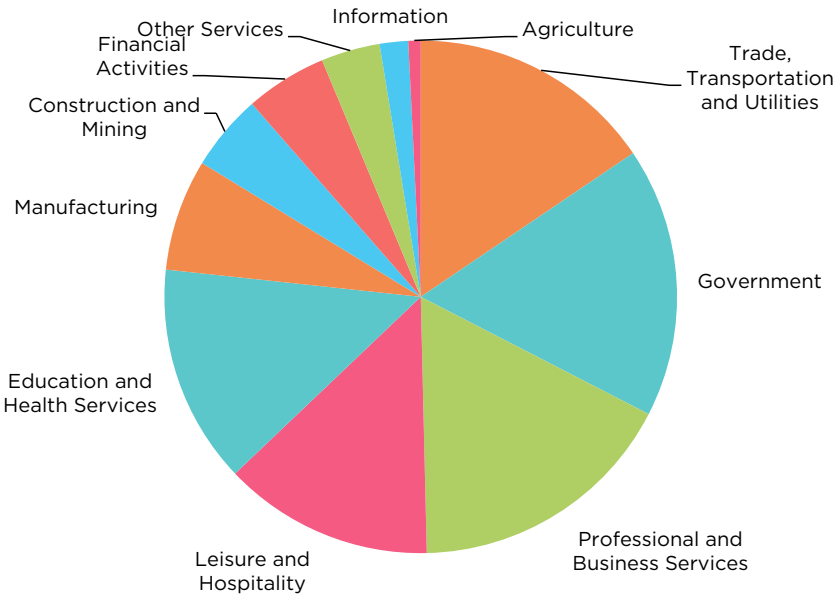


EXHIBIT S-19

SAN DIEGO COUNTY LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT RATES

Year	Labor Force	Employment	Unemployment	Unemployment Rate	
				SD County	State
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%
2015	1,565,900	1,487,900	77,900	5.0%	6.2%

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	2006	2007	2008	2009	2010
Revenues (1)	\$ 123,308,672	\$ 133,924,976	\$ 144,379,133	\$ 138,334,601	\$ 138,113,792
Operating and Maintenance Expenses	(97,675,011)	(103,942,210)	(114,375,096)	(115,221,068)	(116,275,132)
Net Revenues (2)	25,633,661	29,982,766	30,004,037	23,113,533	21,838,660
Senior Bond Debt Service (3)					
Principal	5,995,000	2,670,000	2,805,000	2,950,000	3,105,000
Interest	2,949,705	2,665,725	2,532,225	2,391,975	2,244,475
PFC Funds Applied to Senior Debt					
Total Debt Service for the Senior Bond	8,944,705	5,335,725	5,337,225	5,341,975	5,349,475
Senior Bonds Debt Service Coverage (x)	2.87	5.62	5.62	4.33	4.08
Subordinate Debt					
Subordinate Net Revenues (2)				\$ 17,771,558	\$ 16,489,185
Subordinate Annual Debt Service (4)					
Principal					
Interest					
Variable Rate Debt (5)				1,128,080	723,857
PFC Funds Applied to Debt Service					
Total Subordinate Annual Debt Service				\$ 1,128,080	\$ 723,857
Subordinate Obligations Debt Service Coverage (x)				15.75	22.78
Aggregate Debt					
Aggregate Net Revenues				\$ 23,113,533	\$ 21,838,660
Aggregate Annual Debt Service					
Principal				2,950,000	3,105,000
Interest				2,391,975	2,244,475
Variable Rate Debt (5)				1,128,080	723,857
PFC Funds Applied to Debt Service					
Total Subordinate Annual Debt Service				\$ 6,470,055	\$ 6,073,332
Aggregate Obligations Debt Service Coverage (x)				3.57	3.60

Source: San Diego County Regional Airport Authority

- (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-20
DEBT SERVICE COVERAGE - CONTINUED

	2011(6)	2012	2013	2014	2015
Senior Bonds					
Revenues (1)	\$ 148,963,671	\$ 158,311,779	\$ 181,051,929	\$ 199,834,430	\$ 214,770,544
Operating and Maintenance Expenses	(117,100,946)	(118,941,148)	(126,662,546)	(136,604,105)	(142,781,639)
Net Revenues (2)	31,862,725	39,370,631	54,389,383	63,230,326	71,988,905
Senior Bond Debt Service (3)					
Principal	3,265,000	3,430,000	-	-	2,030,000
Interest	2,089,225	1,925,975	2,478,489	16,645,435	18,034,575
PFC Funds Applied to Senior Debt			(714,077)	(7,140,301)	(8,669,966)
Total Debt Service for the Senior Bond	5,354,225	5,355,975	1,764,412	9,505,134	11,394,609
Senior Bonds Debt Service Coverage (x)	5.95	7.35	30.83	6.65	6.32
Subordinate Debt					
Subordinate Net Revenues (2)	\$ 26,508,500	\$ 34,014,656	\$ 52,624,971	\$ 53,725,192	\$ 60,594,296
Subordinate Annual Debt Service (4)					
Principal	715,000	980,000	1,000,000	5,785,000	8,665,000
Interest	2,971,984	6,599,760	26,194,616	27,069,283	26,853,179
Variable Rate Debt (5)	1,220,226	1,077,867	5,519,872	6,446,951	6,736,945
PFC Funds Applied to Debt Service			(20,061,962)	(20,718,863)	(21,554,245)
Total Subordinate Annual Debt Service	\$ 4,907,210	\$ 8,657,627	\$ 12,652,526	\$ 18,582,372	\$ 20,700,879
Subordinate Obligations Debt Service Coverage (x)	5.40	3.93	4.16	2.89	2.93
Aggregate Debt					
Aggregate Net Revenues	\$ 31,862,725	\$ 39,370,631	\$ 54,389,383	\$ 63,230,326	\$ 71,988,905
Aggregate Annual Debt Service					
Principal	3,980,000	4,410,000	1,000,000	5,785,000	10,695,000
Interest	5,061,209	8,525,735	28,673,105	43,714,718	44,887,754
Variable Rate Debt (5)	1,220,226	1,077,867	5,519,872	6,446,951	6,736,945
PFC Funds Applied to Debt Service			(20,776,039)	(27,859,164)	(30,224,211)
Total Subordinate Annual Debt Service	\$ 10,261,435	\$ 14,013,602	\$ 14,416,938	\$ 28,087,505	\$ 32,095,488
Aggregate Obligations Debt Service Coverage (x)	3.11	2.81	3.77	2.25	2.24



EXHIBIT S-21

DEBT SERVICE COVERAGE - SERIES 2014

CFC BONDS

	<u>2014</u>	<u>2015</u>
CFC Collections	\$ 27,545,001	\$ 32,464,843
Bond Funding Supplemental Consideration	-	-
Transfers from CFC Stabilization Fund	-	-
Interest Earnings ¹	204,194	295,726
Total Amounts Available	<u>27,749,195</u>	<u>32,760,569</u>
Rolling Coverage Fund Balance ²	-	-
Total Amounts Available, plus Rolling Coverage Fund Balance	<u>\$ 27,749,195</u>	<u>\$ 32,760,569</u>
Series 2014 Debt Service Requirements	-	-
Coverage excluding Rolling Coverage Fund	<u>N/A</u>	<u>N/A</u>
Coverage including Rolling Coverage Fund	<u>N/A</u>	<u>N/A</u>

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 Variable Debt	Capital Leases	Total Outstanding Debt	Enplaned Passengers	Debt per Enplaned Passenger
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
2015	1,317,784,291	38,705,000	7,971,993	1,364,461,284	9,713,066	140.48

Source: San Diego County Regional Airport Authority

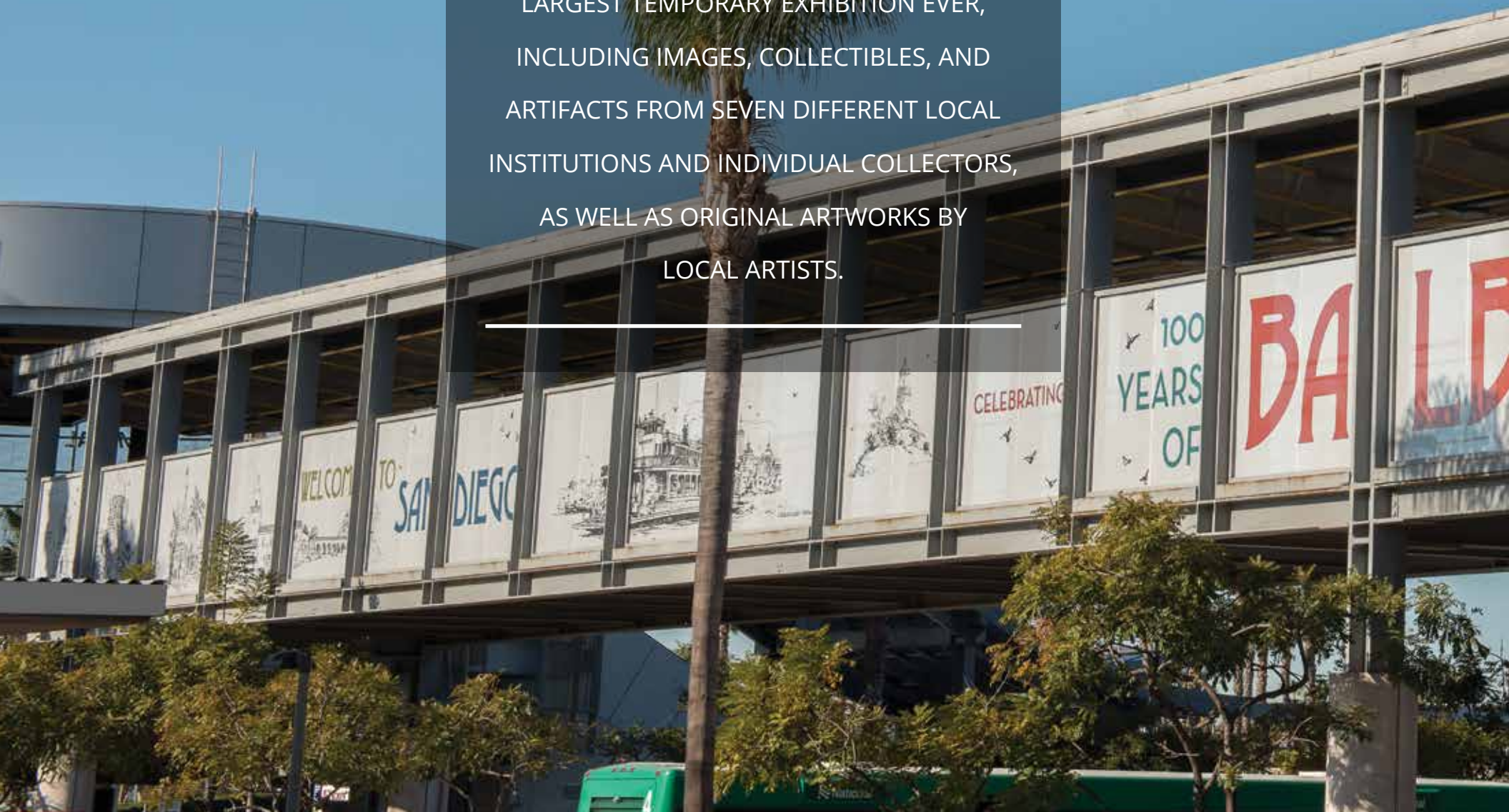
(1) Outstanding Bond Debt includes unamortized bond premium

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



CELEBRATING THE CITY'S **CROWN JEWEL**

IN MARCH, SAN UNVEILED ITS NEW YEAR-LONG TEMPORARY EXHIBITION ENTITLED "BALBOA PARK & THE CITY: CELEBRATING SAN DIEGO'S PANAMA-CALIFORNIA EXPOSITION." WITH 30 INSTALLATIONS, THIS WAS THE AIRPORT'S LARGEST TEMPORARY EXHIBITION EVER, INCLUDING IMAGES, COLLECTIBLES, AND ARTIFACTS FROM SEVEN DIFFERENT LOCAL INSTITUTIONS AND INDIVIDUAL COLLECTORS, AS WELL AS ORIGINAL ARTWORKS BY LOCAL ARTISTS.





BOA
PARK



P
ACTIVE
NO WAITING

VALET PARKING

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FISCAL YEARS ENDED
JUNE 30, 2015 & 2014

