

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Members

C. April Boling
Chairman

Catherine Blakespear
Greg Cox
Mark Kersey
Robert T. Lloyd
Paul McNamara
Paul Robinson
Johanna Schiavoni
Mark B. West

AUDIT COMMITTEE and SPECIAL BOARD MEETING *

AGENDA

Monday, November 16, 2020
10:00 A.M.

San Diego International Airport
SDCRAA Administration Building -- Third Floor
Board Room
3225 N. Harbor Drive
San Diego, CA 92101

Ex-Officio Board Members

Gustavo Dallarda
Col. Charles B. Dockery
Gayle Miller

President / CEO

Kimberly J. Becker

This meeting of the Audit Committee of the San Diego County Regional Airport Authority Board will be conducted pursuant to the provisions of California Executive Order N-29-20 which suspends certain requirements of the Ralph M. Brown Act. During the current State of Emergency and in the interest of public health, all Board members will be participating in the meeting electronically. In accordance with the Executive Order, there will be no members of the public in attendance at the Board Meeting. We are providing alternatives to in-person attendance for viewing and participating in the meeting. In lieu of in-person attendance, members of the public may submit their comments in the following manner.

Comment on Non-Agenda Items

Public comments on non-agenda items must be submitted to the Authority Clerk at clerk@san.org, no later than 4:00 p.m. the day prior to the posted meeting in order to be eligible to be read into the record. The Authority Clerk will read the first 30 comments received by 4:00 p.m. the day prior to the meeting into the record; each of these comments will be read for up to three minutes or for the time determined by the Chair. The maximum number of comments to be read into the record on a single issue will be 16. All other comments submitted, including those received after 4:00 p.m. the day prior and before 8:00 a.m. the day of the meeting, will be provided to the Authority Board and submitted into the written record for the meeting.

Comment on Agenda Items

Public comment on agenda items may be submitted to the Authority clerk at clerk@san.org. Comments received no later than 8:00 a.m. on the day of the meeting will be distributed to the Board and included in the record.

If you'd like to speak to the Board live during the meeting, please follow these steps to request to speak:

- **Step 1:** Fill out the online [Request to Speak Form](#) to speak during the meeting via teleconference. The form must be submitted by 4 p.m. the day before the meeting or by 4:00 p.m. the Friday before a Monday meeting. After completing the form, you'll get instructions on how to call in to the meeting.
- **Step 2:** Watch the meeting via the Webcast located at the following link, <https://www.san.org/Airport-Authority/Meetings-Agendas/Audit-Committee?EntryId=13388>
- **Step 3:** When the Board begins to discuss the agenda item you want to comment on, call in to the conference line, you will be placed in a waiting area. ***Please do not call until the item you want to comment on is being discussed.***
- **Step 4:** When it is time for public comments on the item you want to comment on, Authority Clerk staff will invite you into the meeting and unmute your phone. Staff will then ask you to state your name and begin your comments.

How to Watch the Meeting

You may also view the meeting online at the following link: <https://www.san.org/Airport-Authority/Meetings-Agendas/Audit-Committee?EntryId=13388>

REQUESTS FOR ACCESSIBILITY MODIFICATIONS OR ACCOMMODATIONS

As required by the Americans with Disabilities Act (ADA), requests for agenda information to be made available in alternative formats, and any requests for disability-related modifications or accommodations required to facilitate meeting participation, including requests for alternatives to observing meetings and offering public comment as noted above, may be made by contacting the Authority Clerk at (619) 400-2550 or <mailto:clerk@san.org>. The Authority is committed to resolving accessibility requests swiftly in order to maximize accessibility

This Agenda contains a brief general description of each item to be considered. The indication of a recommended action does not indicate what action (if any) may be taken. ***Please note that agenda items may be taken out of order.*** If comments are made to the Board without prior notice or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law.

Staff Reports and documentation relating to each item of business on the Agenda are on file in Board Services and are available for public inspection.

NOTE: Pursuant to Authority Code Section 2.15, all Lobbyists shall register as an Authority Lobbyist with the Authority Clerk within ten (10) days of qualifying as a lobbyist. A qualifying lobbyist is any individual who receives \$100 or more in any calendar month to lobby any Board Member or employee of the Authority for the purpose of influencing any action of the Authority. To obtain Lobbyist Registration Statement Forms, contact the Board Services/Authority Clerk Department.

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

Committee Members: Blakespear, Kersey (Chair), McNamara (Vice Chair),
Van Sambeek, Vann, West, Wong Nickerson

NON-AGENDA PUBLIC COMMENT:

Non-Agenda Public Comment is reserved for members of the public wishing to address the Committee on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Committee. Please submit a completed speaker slip to the Authority Clerk. ***Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

Note: Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Committee.

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the September 10, 2020, special meeting.

2. EXTERNAL AUDITOR'S REPORTS FOR THE FISCAL YEAR(S) ENDED JUNE 30, 2020: A) AUDITED FINANCIAL STATEMENTS, B) SINGLE AUDIT REPORTS, C) PASSENGER FACILITY CHARGES COMPLIANCE REPORT, D) CUSTOMER FACILITY CHARGE COMPLIANCE REPORT, AND E) LETTER TO THE BOARD:

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance. ***(Requires five (5) affirmative votes of the Audit Committee.)***

(Presented by: Scott Brickner, Vice President/Chief Financial Officer; Danny Martinez, CPA, CGFM, Managing Director, BKD, LLP)

3. REVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2020:

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance.

(Presented by: Scott Brickner, Vice President/Chief Financial Officer)

4. FISCAL YEAR 2021 FIRST QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance.

(Presented by: Lee Parravano, Chief Auditor)

5. REVISION TO THE FISCAL YEAR 2021 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee accept the revised audit plan and forward it to the Board with a recommendation for approval. ***(Requires five (5) affirmative votes of the Audit Committee.)***
(Presented by: Lee Parravano, Chief Auditor)

CLOSED SESSION:

6. THREAT TO PUBLIC SERVICES OR FACILITIES:

Consultation with: Clint Welch, Director Aviation Security and Public Safety;
Jessica Bishop, Director Information Technology Services; John Thomes, Cyber Security Specialist

REPORT ON CLOSED SESSION:

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

Policy for Public Participation in Board, Airport Land Use Commission (ALUC), and Committee Meetings (Public Comment)

- 1) Persons wishing to address the Board, ALUC, and Committees shall complete a "Request to Speak" form prior to the initiation of the portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to complete a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment Section at the beginning of the agenda is reserved for persons wishing to address the Board, ALUC, and Committees on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board.
- 3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees.
- 4) If many persons have indicated a desire to address the Board, ALUC and Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.
- 6) After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

Additional Meeting Information

NOTE: This information is available in alternative formats upon request. To request an Agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device (ALD) for the meeting, please telephone the Authority Clerk's Office at (619) 400-2400 at least three (3) working days prior to the meeting to ensure availability.

For your convenience, the agenda is also available to you on our website at www.san.org.

For those planning to attend the Board meeting, parking is available in the public parking lot located directly in front of the Administration Building. Bring your ticket to the third floor receptionist for validation.

You may also reach the SDCRAA Building by using public transit via the San Diego Metropolitan Transit System, Route 992. For route and fare information, please call the San Diego MTS at (619) 233-3004 or 511.

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SPECIAL AUDIT COMMITTEE
MINUTES
THURSDAY, SEPTEMBER 10, 2020
BOARD ROOM

CALL TO ORDER: Chair Kersey called the Audit Committee Meeting to order at 10:05 a.m., on Thursday, September 10, 2020, electronically and via teleconference, pursuant to Executive Order N-29-20, at the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

ROLL CALL:

Present: Committee Members: Blakespear, Kersey (Chair), McNamara,
Wong Nickerson, Van Sambeek, Vann, West

Board Members: Robinson

Absent: Committee Members: None

Also Present: Kimberly J. Becker, President/CEO; Amy Gonzalez, General Counsel;
Tony R. Russell, Director, Board Services/Authority Clerk; Dustin Heick,
Assistant Authority Clerk I

NON-AGENDA PUBLIC COMMENT: None

Chairman Kersey welcomed public member Agnes Wong Nickerson to the Audit Committee.

NEW BUSINESS:

1. Approval of Minutes:

RECOMMENDATION: Approve the minutes of the May 14, 2020, special meeting.

ACTION: Moved by Board Member West and seconded by Committee Member Vann to approve staff's recommendation. Motion carried, noting Committee Member Wong Nickerson's ABSTENTION.

2. FISCAL YEAR 2020 ANNUAL REPORT FROM THE AUDIT COMMITTEE:

Chair Kersey provided an overview of the report.

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board for information.

ACTION: Moved by Board Member West and seconded by Committee Member Van Sambeek to approve staff's recommendation. Motion carried unanimously.

3. FISCAL YEAR 2020 ANNUAL REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation titled Fiscal Year 2020 Annual Report from the Office of the Chief Auditor that included Fiscal Year 2020 Performance Measures, Percentages of Audits & Consulting Engagements Completed, Audits Completed, Number of Recommendations, Auditor Utilization, Budgets, General Audit Activity – Recommendations, General Audit Activity – Ethics Hotline, General Audit Activity – Construction, General Audit Activity – Data Analytics, General Audit Activity – Quality Assurance and Improvement Program, QAIP Ongoing Monitoring Results, Annual Required Disclosures, and Audit Spotlight – Ace Parking Management – Expenses.

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance.

ACTION: Moved by Committee Member Van Sambeek and seconded by Board Member West to approve staff's recommendation. Motion carried unanimously.

4. ANNUAL REVIEW OF THE CHARTER OF THE AUDIT COMMITTEE:

Lee Parravano, Chief Auditor, provided a presentation titled Annual Review of the Charter of the Audit Committee that included Background & Purpose for Review and Purpose for Amending.

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance.

ACTION: Moved by Board Member West and seconded by Committee Member Van Sambeek to approve staff's recommendation. Motion carried unanimously.

5. ANNUAL REVIEW OF THE CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation titled Annual Review of the Charter for the Office of the Chief Auditor that included Background & Purpose for Review and Main Purpose for Amending.

RECOMMENDATION: Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance.

ACTION: Moved by Board Member West and seconded by Committee Member Vann to approve staff's recommendation. Motion carried unanimously.

6. REVISION TO THE FISCAL YEAR 2021 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation titled Revision to the Fiscal Year 2021 Audit Plan of the Office of the Chief Auditor that included Reasons for

Revision, Add Hours to Finish FY20 Audit Engagements, Add Hours for Two Consulting Engagements, and Reduce Discretionary Hours.

RECOMMENDATION: Staff recommends that the Audit Committee accept the revised audit plan and forward it to the Board with a recommendation for approval.

ACTION: Moved by Board Member McNamara and seconded by Board Member West to approve staff's recommendation. Motion carried unanimously.

COMMITTEE MEMBER COMMENTS: None.

ADJOURNMENT: The meeting adjourned at 10:55 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY THIS 16th DAY OF NOVEMBER, 2020.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

AUDIT COMMITTEE

Meeting Date: **NOVEMBER 16, 2020**

Subject:

External Auditor Reports for the Fiscal Year(s) Ended June 30, 2020: A) Audited Financial Statements, B) Single Audit Reports, C) Passenger Facility Charges Compliance Report, D) Customer Facility Charge Compliance Report, and E) Letter to the Board

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance. ***(Requires five (5) affirmative votes of the Audit Committee.)***

Background/Justification:

Government auditing standards and generally accepted auditing standards require that, annually, an independent external auditor perform an audit of the San Diego County Regional Airport Authority (Authority) financial statements.

As per Section 170018 (f) (5) of the *Public Utilities Code*, the Audit Committee is responsible for overseeing the Authority's annual audit by the external auditor and for any internal audits performed.

The Charter of the Audit Committee directs the Audit Committee to review the Comprehensive Annual Financial Report (CAFR) and other external annual reports, and forward them to the San Diego County Regional Airport Authority Board for approval. The Charter of the Audit Committee encompasses the compliance and regulatory oversight responsibilities of the Audit Committee regarding the engagement of the Authority's external auditor and the disclosure of financial matters.

On April 4, 2019, the Board adopted Resolution No. 2019-0035, approving and authorizing the President/CEO to execute an agreement with BKD, LLP, as the Authority's external auditor for a three year term with an option for two (2) one year extensions.

On November 16, 2020, the Authority's external auditor, BKD, LLP, will present the fiscal year ended June 30, 2020, audited financial statements and reports (Attachments A through E) to the Audit Committee for their review and acceptance.

Fiscal Impact:

Adequate funding for the audit conducted by BKD, LLP, is included in the adopted Fiscal Year 2021 and conceptually approved Fiscal Year 2022 Operating Expense Budgets within the Accounting Department, Services – Auditing line item.

Authority Strategies/Focus Areas:

This item supports one or more of the following (*select at least one under each area*):

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

- Advance the Airport Development Plan Transform the Customer Journey Optimize Ongoing Business

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

SCOTT BRICKNER, VICE-PRESIDENT/CHIEF FINANCIAL OFFICER

San Diego County Regional Airport Authority

Financial Statements
For the Fiscal Years Ended
June 30, 2020 and 2019

San Diego County Regional Airport Authority

June 30, 2020 and 2019

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the San Diego County Regional Airport Authority (Airport Authority) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

BKD, LLP

Dallas, Texas
October 20, 2020

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

For The Years Ended June 30, 2020 and 2019

INTRODUCTION

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

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

SAN DIEGO INTERNATIONAL AIRPORT

History of Ownership

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

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

Legislative Background

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

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

1. Operation of SDIA;
2. Planning and operation of any future airport that could be developed as a supplement or replacement to SDIA;
3. Development of comprehensive airport land use plans for the airports in the county;

4. Serving as the region's Airport Land Use Commission; and
5. In accordance with SB 10, preparing a Regional Aviation Strategic Plan (completed in fiscal year 2011).

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

Airport Activities Highlights (2018 – 2020)

After experiencing strong growth the prior two fiscal years, the Airport Authority experienced a decline in activities in fiscal year 2020 as did most commercial airports across the country due to the downturn in the economy caused by the COVID-19 pandemic that hit in March 2020.

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

	FY 2018	FY 2019	FY 2020
Enplaned passengers	11,731,559	12,356,286	9,235,459
% change from prior year	10.7%	5.3%	-25.3%
Total passengers	23,433,018	24,691,673	18,450,599
% change from prior year	10.8%	5.4%	-25.3%
Aircraft operations	218,671	228,092	190,746
% change from prior year	8.8%	4.3%	-16.4%
Freight and mail (in tons)	191,347	186,469	154,380
% change from prior year	1.5%	-2.5%	-17.2%
Landed weight (in thousands)	13,770	14,481	12,053
% change from prior year	9.1%	5.2%	-16.8%

SDIA is an origin and destination airport and is not a hub for any airlines. Further, there is a balanced mixture of leisure and business travelers at SDIA. These factors generally add to the stability of SDIA enplanements in comparison to most airports. However, SDIA realized a 25.3 percent enplanement reduction in fiscal year 2020 compared to 2019 as the global pandemic forced many travelers to stay home. Prior to the pandemic, SDIA showed healthy growth of 10.8 percent and 5.4 percent in passenger enplanements in fiscal year 2018 and 2019, respectively. Fiscal Year 2020 enplanement growth was also strong until the pandemic drastically reduced activity in March 2020. Initially, passenger enplanements fell over 96 percent from Fiscal Year 2019 levels with slight recovery to approximately 82 percent of prior year levels in June 2020.

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

The metric 'Changes in Net Position' is an indicator of whether the Airport Authority's overall financial condition has improved or deteriorated during the fiscal year. Net position increased 3.40 percent in 2018, 5.40 percent in 2019, followed by a solid increase of 3.7 percent in 2020 despite the negative effects on operating revenues due to the pandemic. The following is a summary of the statements of revenues, expenses, and changes in net position (in thousands):

	FY 2018	FY 2019	FY 2020
Operating revenues	\$ 266,079	\$ 293,679	\$ 263,036
Operating expenses	(274,651)	(301,548)	(293,837)
Nonoperating revenues, net	21,528	43,033	58,493
Capital contributions and grants	13,079	8,213	4,072
Increase in net position	26,035	43,377	31,764
Net position, beginning of year	783,173	809,925	853,302
Prior-period adjustment GASB 75	717	-	-
Net position, end of year	\$ 809,925	\$ 853,302	\$ 885,066

Detailed descriptions of the components of operating revenues and expenses, and nonoperating revenues and expenses are described in the sections that follow. The implementation of GASB 75 caused prior-period adjustments in fiscal year 2018. The cumulative changes in accounting for post-retirement benefits liabilities are reflected in these adjustments.

FINANCIAL HIGHLIGHTS

Operating Revenues (in thousands)

	FY 2019	FY 2020	From 2019 to 2020	
			Increase (Decrease)	% Change
Airline revenue:				
Landing fees	\$ 24,816	\$ 33,242	\$ 8,426	34.0%
Aircraft parking fees	3,471	8,354	4,883	140.7%
Building rentals	70,912	82,453	11,541	16.3%
Security surcharge	33,559	-	(33,559)	(100.0%)
Other aviation revenue	1,597	7,789	6,192	387.7%
Total airline revenue	134,355	131,838	(2,517)	(1.9%)
Concession revenue	71,256	57,243	(14,013)	(19.7%)
Parking and ground transportation revenue	62,818	50,751	(12,067)	(19.2%)
Ground rentals	22,810	21,386	(1,424)	(6.2%)
Other operating revenue	2,440	1,818	(622)	(25.5%)
Total operating revenue	\$ 293,679	\$ 263,036	\$ (30,643)	(10.4%)

	FY 2018	FY 2019	From 2018 to 2019	
			Increase (Decrease)	% Change
Airline revenue:				
Landing fees	\$ 23,900	\$ 24,816	\$ 916	3.8%
Aircraft parking fees	3,236	3,471	235	7.3%
Building rentals	62,241	70,912	8,671	13.9%
Security surcharge	32,303	33,559	1,256	3.9%
Other aviation revenue	1,477	1,597	120	8.1%
Total airline revenue	123,157	134,355	11,198	9.1%
Concession revenue	65,610	71,256	5,646	8.6%
Parking and ground transportation revenue	53,254	62,818	9,564	18.0%
Ground rentals	22,109	22,810	701	3.2%
Other operating revenue	1,949	2,440	491	25.2%
Total operating revenue	\$ 266,079	\$ 293,679	\$ 27,600	10.4%

Fiscal year 2020 compared to 2019: Total airline revenues decreased by \$2.5 million, or 1.90 percent, primarily due to the global economic downturn that started in March 2020 which resulted in lower cost recovery from airline tenants. Recoverable expenses were reduced due to activation of the Airport Authority's Financial Resilience Plan which implemented a hiring freeze and limited expenses to essential spending only. In addition, the Airport Authority received a \$91.2 million CARES Act stimulus grant award and used a portion of the proceeds to pay for certain expenses charged to airline cost centers.

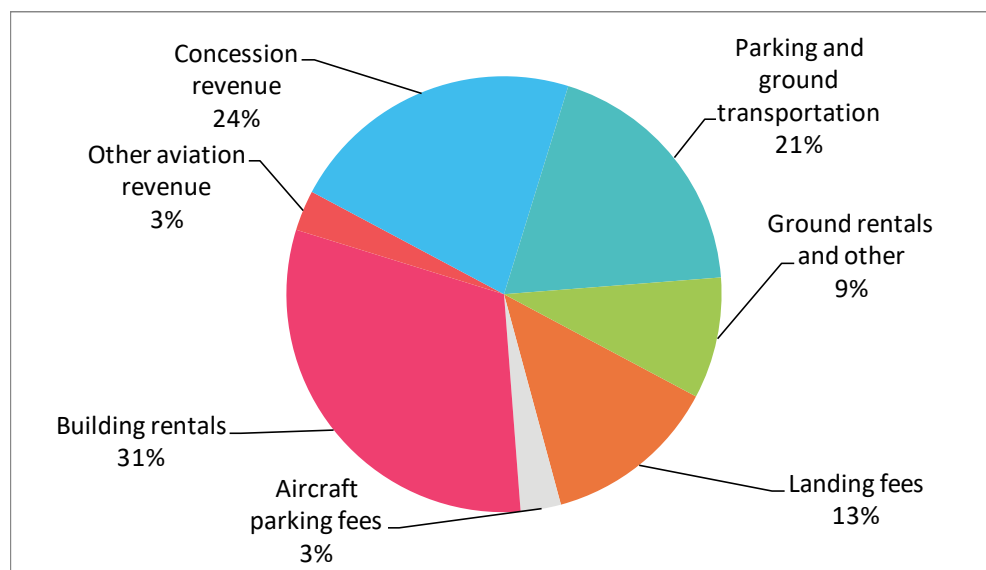
The Airport Authority has entered into Airline Operating and Lease Agreements (AOLAs) with passenger airlines and cargo carriers operating at SAN. The AOLAs cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SAN. The term commenced on July 1, 2019 and terminates on June 30, 2029. Pursuant to the AOLA, the landing fees at SAN are calculated based on a residual rate-setting methodology and the terminal rental rates are calculated based on a compensatory rate-setting methodology. The AOLA includes signatory and non-signatory rate structures. Air Carriers that signed non-signatory agreement are charged a 120 percent premium on all signatory rates, fees and charges, except for the FIS fee. The agreement has no provisions that grant the airlines direct approval rights over capital projects, with the limited exception of certain transportation projects that exceed a \$350 million threshold, as defined in the AOLA. It also allows flexibility to meet the demands of changing airline activity and to accommodate new entrant carriers. Terms of the new agreement financially support execution of the ADP.

Landing fees increased by \$8.4 million or 34.0 percent due to airfield security costs being recovered under landing fees pursuant to the new AOLA. Aircraft parking fees increased by \$4.9 million or 140.7 percent. Building rentals increased by \$11.5 million or 16.30 percent due to terminal security costs being recovered under building rentals pursuant the new AOLA. Security surcharges decreased by \$33.6 million or 100 percent, reflecting the new AOLA classification of security expenses in landing fees and building rental categories. Other aviation revenue increased by \$6.2 million or 388.0 percent, due to the recovery of common use space costs under the new AOLA.

Concession and rental car revenue decreased by \$14.0 million or 19.70 percent, reflecting decreased concessionaire sales for March through June and fee abatements granted due to the decline in passenger traffic caused by the pandemic. Parking and ground transportation decreased by \$12.1 million or 19.20 percent, also due to lower enplanements reflecting an impact of the pandemic. Ground and non-airline terminal rentals decreased by \$1.4 million or 6.20 percent. This is primarily due to transferring cargo carriers' apron rent to landing fees based on the terms of the new AOLA and the completion of cost recovery for the Fuel Farm. This decrease was partially offset by scheduled CPI rent increases. Other operating revenue decreased by \$623 thousand or 25.5 percent, primarily due to a decrease in curfew violations and service charges.

Fiscal year 2019 compared to 2018: Total airline revenues increased by \$11.2 million, or 9.10 percent, primarily due to increased cost recovery from the airlines in fiscal year 2019. Landing fees increased by \$916 thousand or 3.8 percent due to higher airfield-related costs. Aircraft parking fees increased by \$235 thousand or 7.3 percent due to additional overnight aircraft parking positions. Building rentals increased by \$8.7 million or 13.9 percent due to increased cost recovery from airline rents, higher exclusive use square footage, and higher employee shuttle services expenses. Security surcharge increased by \$1.3 million or 3.9 percent, primarily due to increased terminal security charges. Other aviation revenue increased by \$119 thousand or 8.1 percent, mostly due to the recovery of higher common use cost charges. Concession revenue increased by \$5.6 million or 8.6 percent, reflecting increased enplanements. Parking and ground transportation increased by \$9.6 million or 18 percent, due to higher enplanements, a full year of our new Terminal 2 Parking Plaza and higher trip fees from transportation network companies. Ground and non-airline terminal rentals increased by \$701 thousand or 3.2 percent. This increase was primarily due to scheduled CPI rent increases. Other operating revenue increased by \$492 thousand or 25.2 percent, primarily due to two new revenue sources; telecom services offered to terminal tenants and revenue generated by the Innovation Lab.

**San Diego County Regional Airport Authority
Fiscal Year Ended June 30, 2020
Operating Revenues**



Operating Expenses (in thousands)

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

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

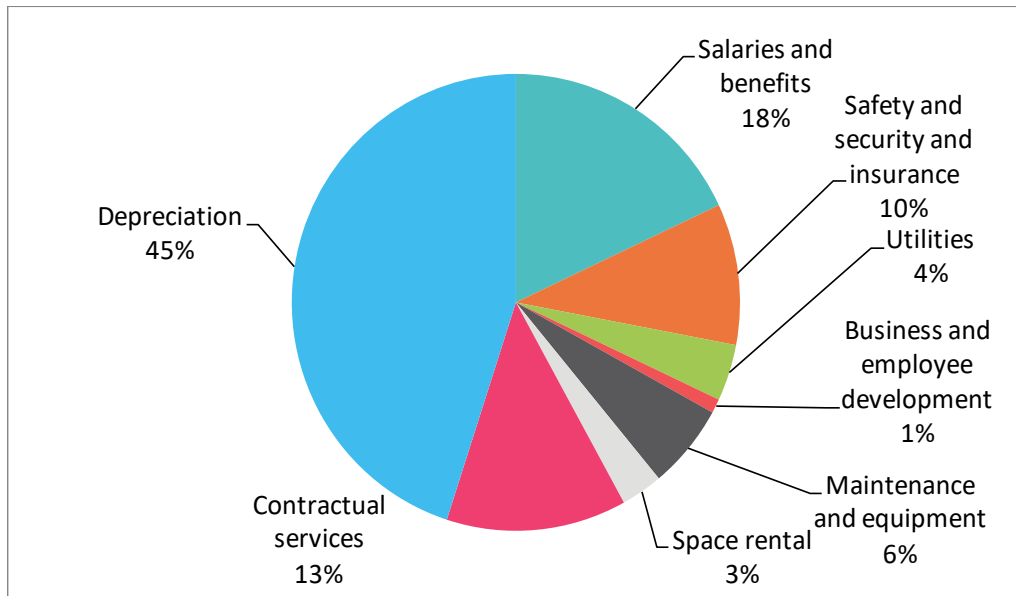
Fiscal year 2020 compared to 2019: Total fiscal year 2020 operating expenses decreased by \$7.7 million or 2.6 percent. In March 2020, the Airport Authority took action to implement its Financial Resilience Plan, eliminating, delaying, or reducing non-essential operating and capital expenditures.

Contractual services decreased by \$12.2 million or 24.50 percent, mainly due to lower expenses in shuttle services, planning, and environmental services, terminal operation services, legal services, and IT services. Safety and security decreased by \$1.9 million or 6.20 percent due to decreased rates and overhead for law enforcement and emergency services. Maintenance expenses decreased by \$1.9 million, or 13.80 percent, due to a decrease in annual and major maintenance.

Partially offsetting the decrease in operating expenses described above were increases in salaries and benefits, increasing by \$2.1 million or 4.20 percent, due to additional pension expense. Depreciation also increased by \$7.3 million or 5.80 percent, due to additional depreciation for capital projects placed in service in fiscal years 2020 and 2019.

Fiscal year 2019 compared to 2018: Total fiscal year 2019 operating expenses increased by \$26.9 million or 9.8 percent. Salaries and benefits increased by \$1.7 million or 3.6 percent, due to planned wage and benefit increases, higher overtime and increased head count. Contractual services increased by \$4.7 million or 10.3 percent, mainly due to higher expenses in shuttle services, janitorial services, and temporary services. Depreciation increased by \$18.8 million or 17.8 percent, due to a full year of depreciation for the Parking Plaza and the international passenger arrival processing area (FIS) being placed in service.

**San Diego County Regional Airport Authority
Fiscal Year Ended June 30, 2020
Operating Expenses**



Nonoperating Revenues (Expenses) (in thousands)

	FY 2019	FY 2020	From 2019 to 2020	
			Increase (Decrease)	% Change
Passenger facility charges	\$ 49,198	\$ 34,393	\$ (14,805)	(30.1%)
Customer facility charges	41,918	30,240	(11,678)	(27.9%)
CARES Act Grant	-	36,895	36,895	0.0%
Quieter Home Program, net	(3,192)	(3,295)	(103)	(3.2%)
Joint studies program	(99)	-	99	100.0%
Investment income	25,533	32,430	6,897	27.0%
Interest expense, net	(69,815)	(73,612)	(3,797)	(5.4%)
Other nonoperating income (expenses)	(510)	1,442	1,952	382.7%
Nonoperating revenues, net	\$ 43,033	\$ 58,493	\$ 15,460	35.9%

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

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

Customer Facility Charges (CFCs) are authorized under Section 1949 of the California Civil Code and approved by legislation under Senate Bill 1510. The revenues collected have been used to plan and construct a consolidated rental car facility and operate the related ground transportation system. The rental car agencies remit to the Airport Authority collection of the fee monthly. In January 2017, the fee was increased from \$7.50 to \$9.00 per day, up to five days for rental car transactions. This fee applies to transactions that originated at the Rental Car Center. For car rental transactions of non-RCC tenants, the CFC rate was increased from \$2.42 to \$3.41 per day, up to five days for rental car transactions.

CARES Act grant is the *Coronavirus Aid, Relief, and Economic Security Act* approved by the United States Congress and signed into law by the President on March 27, 2020. It was a legislative action to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Airport Authority was awarded \$91.2 million in CARES Act grant funds. The Airport Authority drew \$36.9M of the CARES Act grant in FY 2020.

Quieter Home Program includes sound attenuation construction improvements at all eligible single-family and multi-family dwellings located in the Year 2014 65 dB Community Noise Equivalent Level contour. The project is eligible for the FAA's Airport Improvement Program (AIP) which awards grants for certain eligible Airport Authority expenditures. From inception through the end of fiscal year 2019, the Airport Authority has spent \$229.6 million and received reimbursement for \$185.9 million.

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

Interest expense includes interest paid and accrued on the Bonds, Variable Debt, and Lease Interest. As of June 30, 2020 and 2019 interest expense was \$75.7 and \$74.5 million, respectively. The 2010 Series C Bonds were issued as Build America Bonds and, as such, the Airport Authority received a cash subsidy from the U.S. Treasury equal to 32.7 percent of the interest payable. The interest subsidy for the fiscal years ended June 30, 2020 and 2019, was \$2.1 million and \$4.7 million, respectively. These Built America Bonds were defeased in December 2019.

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

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

The increase in nonoperating revenue was partially offset by decreases in PFCs and CFCs due to reduced enplaned passengers caused by the pandemic. PFCs decreased by \$14.8 million or 30.10 percent, and CFCs decreased by \$11.7 million or 27.90 percent.

Fiscal year 2019 compared to 2018: Nonoperating revenues (net) increased by \$21.5 million or 99.90 percent. PFCs increased by \$2.2 million or 4.8 percent, due to a 5.2 percent increase in enplaned passengers. Investment income increased by \$16.1 million or 170.9 percent, due to higher investment returns. Other nonoperating expense decreased by \$8.8 million or 94.5 percent, primarily due to a nonrecurring loss on disposal of capital assets related to the Terminal 2 construction projects in 2018.

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

Capital Grant Contributions (in thousands)

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

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

Capital Grant Contributions are comprised of Airport Improvement Project (AIP) entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. In fiscal year 2020 capital grant contributions decreased by \$4.1 million or 50.4 percent compared to fiscal year 2019. This was due to a delay in the Cross-Taxiway project that will push into fiscal year 2021. In fiscal year 2019, capital grant contributions decreased by \$4.9 million or 37.2 percent compared to fiscal year 2018.

Assets, Liabilities and Net Position (in thousands)

The statements of net position present the financial position of the Airport Authority as of a period in time. The statements include all assets, deferred outflows, liabilities, deferred inflows, and net position of the Airport Authority. A summary comparison of the Airport Authority's assets, liabilities, and net position at June 30, 2018, 2019 and 2020, is as follows:

	FY 2018	FY 2019	FY 2020
Assets and Deferred Outflows of Resources			
Current assets	\$ 223,610	\$ 244,592	\$ 349,617
Capital assets, net	1,704,141	1,722,150	1,788,601
Noncurrent assets	643,474	598,156	773,751
Total assets	2,571,225	2,564,898	2,911,969
Deferred outflows of resources	24,196	26,681	22,761
Total assets and deferred outflows of resources	2,595,421	2,591,579	2,934,730
Liabilities and Deferred Inflows of Resources			
Current liabilities	145,942	131,085	162,269
Long-term liabilities	1,635,326	1,600,230	1,875,514
Total liabilities	1,781,268	1,731,315	2,037,783
Deferred inflows of resources	4,228	6,961	11,881
Total liabilities and deferred inflows of resources	1,785,496	1,738,276	2,049,664
Net Position			
Net investment in capital assets	294,937	281,491	266,213
Restricted	230,954	246,508	211,329
Unrestricted	284,034	325,303	407,524
Total net position	\$ 809,925	\$ 853,302	\$ 885,066

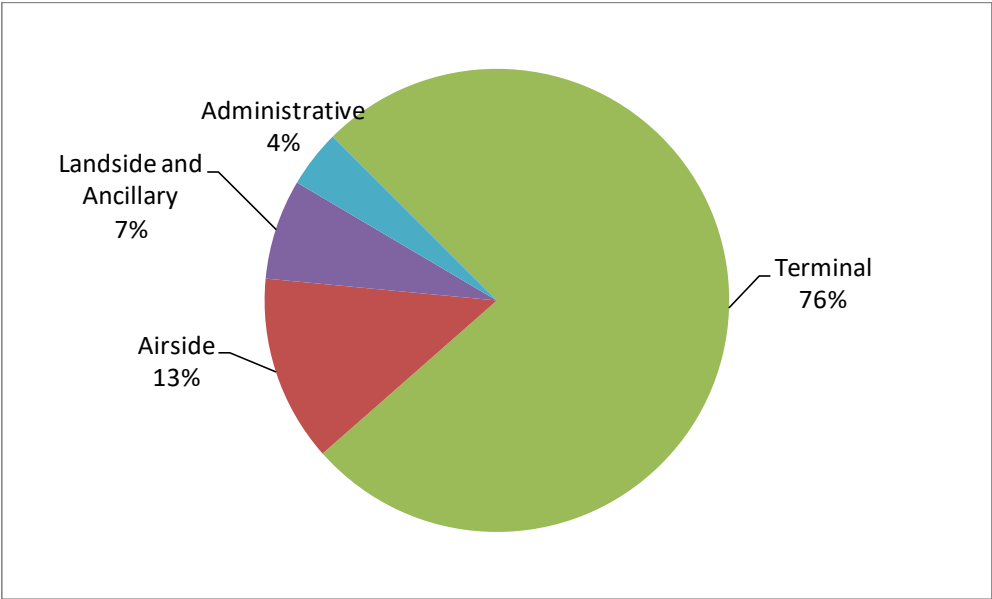
As of June 30, 2020, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$885.1 million. This reflects a \$31.8 million or 3.7 percent increase in net position from June 30, 2019. The Airport Authority uses capital assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital assets is reported net of related debt, the funds required to repay this debt must be provided annually from operations. The unrestricted net position of \$407.3 million as of June 30, 2020, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2020, 2019 and 2018, management has designated unrestricted funds in the amount of \$43.4 million, \$26.2 million, and \$39.3 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance, and operating contingency.

Capital Program

The Capital Program is a rolling five-year program that provides critical improvements and asset additions. The program includes capital projects that address federal security requirements, airfield security, environmental remediation, terminal upgrades, and development. Funding sources for the projects include the Federal Aviation Administration’s Airport Improvement Program, Transportation Security Agency grants, Passenger Facility Charges, Customer Facility Charges, airport operating revenues, airport revenue bonds, special facility bonds, and short-term borrowing using revolving lines of credit and drawdown bonds.

The current Capital Program, which includes projects through 2025, consists of \$488.9 million for airside projects, \$235 million for landside and ancillary projects, \$2.8 billion for terminal projects, and \$162 million for administrative projects.

Capital Program Projects by Type



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

Capital Financing and Debt Management

On October 5, 2010, the Airport Authority issued \$572.6 million of Subordinate Airport Revenue Bonds Series 2010 A, B and C (Series 2010 Bonds). The Subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the Subordinate Series 2010 Bonds, refund \$142.2 million of the Airport Authority’s outstanding commercial paper notes, fund the subordinate bond reserve fund and pay the costs of issuance of the Subordinate Series 2010 Bonds.

The Subordinate Series 2010 C Bonds were refunded and defeased on December 11, 2019, when the Airport Authority issued Subordinate Series 2019A Revenue Refunding Bonds. The proceeds of the Series 2019 Bonds included an amount to fund the escrow which will be used to pay the principal and interest of the Series 2010C Bonds. As of June 30, 2020, the balance of the 2010C escrow fund was \$220.5 million. Subordinate Series 2010 A and B (except series maturing July, 1 2020) were refunded and defeased on April 8, 2020, when the Airport Authority Issued Series 2020A, 2020B, and 2020C Revenue Refunding Bonds. The proceeds of the Subordinate Series 2020 Bonds included an amount to fund the escrow which will be used to pay the principal and interest of the Series 2010A and 2010B Bonds. As of June 30, 2020, the balance of the 2010A escrow fund was \$265.9 million and the balance of the 2010B escrow fund was \$32.0 million. Amount on deposit in the escrow funds will be used to pay the redemption price and interest on the Refunded Series 2010 Bonds on July 1, 2020.

Interest for the fiscal year ended June 30, 2020 amounted to \$17.9 million, including accrued interest of \$407 thousand. As of June 30, 2020, the principal balance on the subordinate Series 2010 Bonds was \$10.9 million.

On January 30, 2013, the Airport Authority issued \$379.6 million of Senior Airport Revenue Bonds Series 2013 A and B (Series 2013 Bonds). The Senior Series 2013 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accrued on the senior Series 2013 Bonds, fund the senior reserve fund, and pay the costs of issuance of the Senior Series 2013 Bonds.

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of \$55.9 million, which is being amortized over the life of the bonds. Interest on the Senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal year ended June 30, 2020, amounted to \$18.17 million, including accrued interest of \$9.04 million. The principal balance on the Series 2013 Bonds as of June 30, 2020 was \$368.8 million.

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

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

On February 19, 2014, the Airport Authority issued \$305.3 million of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest on the Series 2014 Bonds, fund deposits to the senior reserve fund, the rolling coverage fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent and mature in fiscal years 2019 to 2045. Interest expense for the fiscal year ended June 30, 2020, amounted to \$16.0 million, including accrued interest of \$8.0 million. As of June 30, 2020, the principal balance on the Series 2014 Bonds was \$294.0 million.

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

On August 3, 2017, the Airport Authority issued \$291.2 million of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds). The Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund \$32.6 million of the Airport Authority's outstanding variable rate debt, which was issued during 2017, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of \$48.4 million, which is being amortized over the life of the bonds. Interest on the senior Series 2017 Bonds is payable semiannually on January 1 and July 1, of each year. Interest expense for the fiscal year ended June 30, 2020, amounted to \$14.0 million, including accrued interest of \$7.05 million. As of June 30, 2020, the principal balance on the Series 2017 was \$281.8 million.

The Airport Authority issued \$338.8 million of Series A Subordinate Airport Revenue and Revenue Refunding Bonds and \$124.9 million of Series B Subordinate Airport Revenue Bonds on December 11, 2019 (Series 2019 Bonds). The Subordinate Series 2019 Bonds were issued to finance certain capital improvements at SDIA including a new facilities maintenance building and storm water capture and reuse projects, fund a portion of the interest accruing on the subordinate Series 2019 Bonds, refund \$34.3 million of the Airport Authority's outstanding variable rate debt, fund the Series 2010C Escrow account, fund the subordinate reserve fund, and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2019 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2021 to 2050. The bonds were issued at a premium of \$96.9 million, which is being amortized over the life of the bonds. Interest on the Series 2019 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2020, amounted to \$12.4 million, including accrued interest of \$12.4 million. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2020, was \$463.7 million.

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

Interest for the fiscal years ended June 30, 2020, amounted to \$2.8 million, including accrued interest of \$2.8 million. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2020, was \$241.6 million.

During fiscal year 2015, the Airport Authority established a \$125.0 million Revolving Line Of Credit issued by US Bank. The Revolving Line of Credit was a three-year agreement that took effect on September 5, 2014. The agreement was amended on June 29, 2017, to extend the commitment through June 29, 2020. The Airport Authority terminated the agreement on June 29, 2020.

At June 30, 2020 and 2019, the outstanding principal balances of the Series B Revolving Obligations were \$0 and \$13.7 million, respectively. The Series B Revolving Obligations bore interest at the tax-exempt rate which is based on a spread to LIBOR.

In April of 2017, the Airport Authority established a Subordinate Drawdown Bond program with RBC Municipal Products of up to \$100.0 million. On April 1, 2017, the Airport Authority and RBC Municipal Products agreed upon a Bondholders Agreement and on April 19, 2017, the Airport Authority and RBC Capital Markets LLC agreed upon a Subordinate Drawdown Bond Purchase Agreement. When issued, all Subordinate Drawdown Bonds will be purchased by the Subordinate Drawdown Bond Purchaser in accordance with the terms of the Subordinate Drawdown Bondholder's Agreement and the Subordinate Drawdown Bond Purchase Agreement. This commitment expired on April 17, 2020.

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

The SDIA's PFC program was established in 1994, and currently authorizes the imposition of a \$4.50 fee on enplaning passengers. There are currently four active applications which provide authority to impose and use PFC revenue through May 1, 2040.

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately \$119.9 million in grant awards for the federal fiscal year ended September 30, 2020, as compared to \$24.8 million for 2019. 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

San Diego County Regional Airport Authority

Statements of Net Position June 30, 2020 and 2019

Assets and Deferred Outflows of Resources	2020	2019
Current Assets		
Unrestricted:		
Cash and cash equivalents (Note 2)	\$ 36,935,136	\$ 10,286,307
Investments (Notes 2 and 11)	159,562,631	124,558,161
Tenant lease receivables, net	22,826,211	12,491,101
Grants receivable	25,467,263	4,148,758
Note receivable, current portion (Note 3)	2,123,843	2,006,052
Other current assets	9,216,212	7,111,124
Total unrestricted current assets	256,131,296	160,601,503
Restricted cash, cash equivalents and investments with trustees (Notes 2 and 5)	93,486,053	83,990,603
Total current assets	349,617,349	244,592,106
Noncurrent Assets		
Restricted assets (Notes 2 and 5):		
Restricted cash, cash equivalents, and investments not with trustees	174,924,058	205,979,093
Restricted cash, cash equivalents and investments with trustees	360,941,845	162,164,029
Passenger facility charges receivable (Note 1)	428,687	6,959,982
Customer facility charges receivable (Note 1)	1,135,327	4,339,192
Other restricted assets	5,519,914	5,315,982
Total restricted assets	542,949,831	384,758,278
Other noncurrent assets:		
Investments, noncurrent (Note 2)	137,429,307	157,461,822
Note receivable, long-term portion (Note 3)	27,208,867	29,332,710
Cash and cash equivalents designated for specific capital projects and other commitments (Notes 2 and 11)	64,026,034	26,208,561
Net OPEB asset (Note 9)	2,136,494	394,547
Total other noncurrent assets	230,800,702	213,397,640
Capital assets (Note 4):		
Land and land improvements and nondepreciable assets	136,757,114	135,850,386
Buildings and structures	1,747,847,784	1,709,304,802
Machinery and equipment	135,435,875	131,172,225
Runways, roads and parking lots	708,999,286	698,595,118
Construction in progress	288,353,299	144,432,327
	3,017,393,358	2,819,354,858
Less accumulated depreciation	(1,228,792,352)	(1,097,205,313)
Capital assets, net	1,788,601,006	1,722,149,545
Total noncurrent assets	2,562,351,539	2,320,305,463
Total assets	2,911,968,888	2,564,897,569
Deferred outflows of resources		
Deferred pension outflows (Notes 6 and 7)	21,647,509	25,602,589
Deferred OPEB outflows (Note 9)	1,113,811	1,078,263
Total deferred outflows of resources	22,761,320	26,680,852
Total assets and deferred outflows of resources	\$ 2,934,730,208	\$ 2,591,578,421

(continued)

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Net Position, Continued June 30, 2020 and 2019

Liabilities, Deferred Inflows of Resources and Net Position	2020	2019
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	\$ 11,144,310	\$ 5,671,003
Accrued liabilities	31,209,234	29,101,867
Compensated absences, current portion (Note 5)	2,847,306	2,978,157
Other current liabilities	23,312,345	9,020,385
Capital leases, current portion (Note 5)	269,427	323,242
Total payable from unrestricted assets	68,782,622	47,094,654
Payable from restricted assets:		
Accounts payable	6,595,678	7,093,105
Accrued liabilities	15,618,238	14,798,425
Long-term debt, current portion (Note 5)	31,560,000	22,865,000
Accrued interest on variable rate debt and bonds (Note 5)	39,712,137	39,234,073
Total payable from restricted assets	93,486,053	83,990,603
Total current liabilities	162,268,675	131,085,257
Long-Term Liabilities		
Compensated absences, net of current portion (Note 5)	1,241,278	572,054
Other noncurrent liabilities	668,290	648,372
Long-term debt, net of current portion (Note 5)	1,855,876,151	1,578,980,028
Net pension liability (Notes 6 and 7)	17,728,734	20,029,343
Total long-term liabilities	1,875,514,453	1,600,229,797
Total liabilities	2,037,783,128	1,731,315,054
Deferred inflows of resources		
Deferred pension inflows (Notes 6 and 7)	6,409,312	6,453,432
Deferred OPEB inflows (Note 9)	1,400,369	507,578
Deferred gain on refunding	4,071,732	-
Total deferred inflows of resources	11,881,413	6,961,010
Total liabilities and deferred inflows of resources	2,049,664,541	1,738,276,064
Net Position		
Net investment in capital assets	266,212,751	281,491,126
Restricted:		
Debt Service	75,586,323	71,952,864
Construction	109,650,020	150,466,640
OPEB	2,136,494	394,547
Operation and maintenance expenses	14,436,251	14,377,942
Small business bond guarantee	4,000,000	4,000,000
OCIP loss reserve	5,519,913	5,315,982
Total restricted net position	211,329,001	246,507,975
Unrestricted net position	407,523,915	325,303,256
Total net position	\$ 885,065,667	\$ 853,302,357

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Revenues, Expenses, and Changes in Net Position For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Airline revenue:		
Landing fees	\$ 33,241,410	\$ 24,816,308
Aircraft parking fees	8,354,052	3,471,363
Building rentals (Note 12)	82,453,273	70,911,568
Security surcharge	-	33,558,621
Other aviation revenue	7,788,791	1,596,275
Concession revenue	57,243,328	71,256,293
Parking and ground transportation revenue	50,750,966	62,817,901
Ground and non-airline terminal rentals (Note 12)	21,386,342	22,810,139
Other operating revenue	1,817,810	2,440,464
Total operating revenues	263,035,972	293,678,932
Operating expenses before depreciation:		
Salaries and benefits (Notes 6, 7 and 8)	51,666,850	49,578,048
Contractual services (Note 14)	37,693,633	49,902,811
Safety and security	29,456,872	31,397,062
Space rental (Note 13)	10,207,066	10,190,910
Utilities	12,747,899	13,194,014
Maintenance	11,584,303	13,435,562
Equipment and systems	336,469	375,089
Materials and supplies	650,975	656,501
Insurance	1,308,471	1,199,555
Employee development and support	966,575	1,045,116
Business development	2,033,120	2,630,038
Equipment rentals and repairs	3,598,348	3,614,053
Total operating expenses before depreciation	162,250,581	177,218,759
Income from operations before depreciation	100,785,391	116,460,173
Depreciation expense	131,587,039	124,328,880
Operating loss	(30,801,648)	(7,868,707)

(Continued)

San Diego County Regional Airport Authority

Statements of Revenues, Expenses, and Change in Net Position, Continued For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Nonoperating revenues (expenses):		
Passenger facility charges	\$ 34,392,981	\$ 49,197,716
Customer facility charges	30,239,698	41,918,554
CARES Act Grant	36,895,488	-
Quieter Home Program grant revenue (Note 1)	12,155,776	11,550,178
Quieter Home Program expenses (Note 1)	(15,450,983)	(14,742,390)
Joint Studies Program	-	(98,601)
Investment Income	32,429,489	25,533,268
Interest expense (Note 5)	(75,700,970)	(74,501,336)
Build America Bonds subsidy (Note 5)	2,089,397	4,686,174
Other revenues (expenses), net	1,442,102	(510,440)
Nonoperating revenue, net	58,492,978	43,033,123
Income before federal grants	27,691,330	35,164,416
Federal grants (Note 1)	4,071,980	8,213,234
Change in net position	31,763,310	43,377,650
Net position, beginning of year	853,302,357	809,924,707
Net position, end of year	\$ 885,065,667	\$ 853,302,357

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Cash Flows

For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Receipts from customers	\$ 265,194,930	\$ 286,895,333
Payments to suppliers	(103,828,307)	(107,008,045)
Payments to employees	(52,578,787)	(50,553,389)
Other receipts	1,699,331	2,555,497
Net cash provided by operating activities	110,487,167	131,889,396
Cash Flows From Noncapital Financing Activities		
Settlement receipts (payments)	1,442,102	(1,177,331)
Quieter Home Program grant receipts	7,252,520	14,204,701
Quieter Home Program payments	(15,450,983)	(14,742,390)
Joint Studies Program payments	-	(98,601)
Net cash used in noncapital financing activities	(6,756,361)	(1,813,621)
Cash Flows From Capital and Related Financing Activities		
Capital outlay	(197,716,114)	(172,486,803)
Proceeds on Build America Bonds subsidy	2,089,397	4,686,174
Proceeds from variable rate debt	34,040,000	-
Payment of variable rate debt	(47,759,000)	(6,444,000)
Federal grants received (excluding Quieter Home Program)	24,552,219	12,365,181
Proceeds from passenger facility charges	40,924,276	48,873,007
Proceeds from customer facility charges	33,443,563	41,677,119
Payment of principal on bonds	(528,735,000)	(22,650,000)
Proceeds from issuance of Series 2019 Bond	610,021,863	-
Proceeds from issuance of Series 2020 Bond	241,640,000	-
Payment of capital lease	(323,243)	(323,514)
Interest and debt fees paid	(94,444,671)	(80,694,774)
Net cash provided by (used in) capital and related financing activities	117,733,290	(174,997,610)
Cash Flows From Investing Activities		
Sales and maturities of investments	407,557,391	248,392,203
Purchases of investments	(599,747,577)	(240,504,726)
Interest received on investments and note receivable	33,186,340	25,088,046
Principal payments received on notes receivable	2,006,052	1,903,323
Net cash provided by (used in) investing activities	(156,997,794)	34,878,846
Net increase (decrease) in cash and cash equivalents	64,466,302	(10,042,989)
Cash and cash equivalents, beginning of year	36,494,868	46,537,857
Cash and cash equivalents, end of year	\$ 100,961,170	\$ 36,494,868

(Continued)

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Cash Flows, Continued For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Unrestricted cash and cash equivalents	\$ 36,935,136	\$ 10,286,307
Cash and cash equivalents designated for specific capital projects and other commitments	64,026,034	26,208,561
Total cash and cash equivalents	\$ 100,961,170	\$ 36,494,868
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (30,801,648)	\$ (7,868,707)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	131,587,039	124,328,880
Change in pensions/OPEB liability/asset	(4,042,556)	(490,244)
Change in deferred outflows related to pensions/OPEB	3,919,532	(2,484,789)
Change in deferred inflows related to pensions/OPEB	848,671	2,733,503
Changes in assets and liabilities:		
Tenant lease receivables	(10,335,110)	(1,653,402)
Other assets	(3,065,871)	657,335
Accounts payable	5,473,307	18,489,317
Accrued liabilities	2,107,367	593,613
Compensated absences	538,373	273,623
Other liabilities	14,258,063	(2,689,733)
Net cash provided by operating activities	\$ 110,487,167	\$ 131,889,396
Supplemental Disclosure of Noncash Investing, Capital and Financing Activities		
Additions to capital assets included in accounts payable	\$ 22,213,916	\$ 21,891,530

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 1. Nature of Organization and Summary of Significant Accounting Policies

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

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

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

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

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

Use of estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

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

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

Investments: Investments in the state and county investment pools are recorded net asset value and money market mutual funds and non-negotiable certificates of deposit are recorded at amortized cost. All other investments are stated at fair value based on quoted market prices.

In May 2020, the Airport Authority approved a three-month deferral of airline revenue to provide airlines relief in response to the COVID-19 pandemic. As of June 30, 2020, the balance due on airline deferred revenues was approximately \$8.3 million. Any remaining outstanding balances will be included in the fiscal year 2020 airline rates and charges reconciliation and settlement in November 2020.

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.

In May 2020, the Airport Authority approved a three-month deferral of airline revenue to provide airlines relief in response to the COVID-19 pandemic. As of June 30, 2020, airline deferred revenues were approximately \$8.3 million. Any remaining outstanding balances will be included in the fiscal year 2020 airline rates and charges reconciliation and settlement in November 2020.

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, 2020 and 2019, the Airport Authority recovered \$4,071,980 and \$8,213,234, respectively, for approved capital projects and \$12,155,776 and \$11,550,178, respectively, for the Quieter Home Program.

CARES Act: CARES Act grant is the *Coronavirus Aid, Relief, and Economic Security Act* approved by the United States Congress and signed into law by the President on March 27, 2020. It was a legislative action to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Airport Authority was awarded \$91.2 million in CARES Act grant funds. The Airport Authority drew \$36.9M of the CARES Act grant in FY 2020.

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.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

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

In accordance with the program, PFC revenue must be used to pay allowable costs for approved capital projects contribute to the Airport Authority's noise mitigation (Quieter Home Program) or repay debt service issued to build eligible capital projects. As of June 30, 2020 and 2019, accrued PFC receivables totaled \$428,687 and \$6,959,982 respectively, and there were \$65,034,830 and \$96,034,369 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2020 and 2019, respectively.

On May 20, 2003, the FAA approved an increase in the Airport Authority's PFC charge per enplaned passenger from \$3.00 to \$4.50, beginning August 1, 2003. Currently, there are four active applications that allow the Airport Authority to impose and use \$1.2 billion in PFC revenue through November 1, 2037. The Airport Authority has formally closed five previously approved applications and withdrawn one pending application which has been integrated into a ninth application to impose and use approximately \$32 million in PFC revenue. The latest application was approved by the FAA in October 2016 providing collection authority with a charge effective date through November 2037. In accordance with the *Aviation Investment Reform Act* (AIR-21), airports imposing a \$4.50 collection level are required to reduce AIP Passenger Entitlement Apportionment to 75 percent.

Customer facility charges (CFC): The Airport Authority received approval in May 2009 from the State of California under Section 1936 of the California Civil Code to impose a \$10.00 CFC per contract on rental cars at SDIA.

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects and operate the related ground transportation system. Effective January 1, 2017, the CFC rate increased from \$7.50 to \$9.00 per day for a maximum of five days. As of June 30, 2020 and 2019, accrued CFC receivables totaled \$1,135,327 and \$4,339,192, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2020 and 2019, were \$43,051,177 and \$43,133,096 respectively.

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

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

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

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

- Assumption changes – Pensions and OPEB – These amounts represent the difference resulting from a change in assumptions used to measure the underlying net pension/OPEB liability/asset. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.
- Debt Refunding - These amounts represent the gain or loss from the refunding of debt. These differences are deferred and recognized as interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.

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

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

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

Asset Category	Useful Life (Years)
Land improvements	30-40
Runways, roadways and parking lots	
Lighting, security, and minor improvements	3-10
Airfield and parking lots and improvements	12-25
Drainage systems, gas lines, and 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

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

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. The Airport Authority no longer capitalizes interest due to the adoption of GASB No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* that eliminated the requirement to capitalize interest.

Capital asset impairment: The Airport Authority's capital assets include property, equipment, and infrastructure assets. A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The Airport Authority evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Common indicators of impairment include evidence of physical damage where restoration efforts are needed to restore service utility, enactment or approval of laws or regulations setting standards that the capital asset would not be able to meet, technological development or evidence of obsolescence, a change in the manner or expected duration of use of a capital asset, or construction stoppage. The Airport Authority reports the effects of capital asset impairments in its financial statements when they occur and accounts for insurance recoveries in the same manner. The Airport Authority's management has determined that no impairments of capital assets currently exist.

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

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

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

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

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

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

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

Unrestricted net position as of June 30, 2020 and 2019, includes designations of net position that represent tentative management plans that are subject to change, consisting of:

	2020	2019
Operating contingency	\$ 2,000,000	\$ 2,000,000
Insurance contingency	11,685,954	10,967,958
Capital projects and other commitments	29,675,668	13,240,603
Total designated net position	\$ 43,361,622	\$ 26,208,561

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

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

Concentrations: A significant portion of the Airport Authority's earnings and revenues are directly or indirectly attributed to the activity of a number of major airlines. The Airport Authority's earnings and revenues could be materially and adversely affected should any of these major airlines discontinue operations and should the Airport Authority be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of enplaned passengers.

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

	2020	2019
Southwest Airlines	37.6%	37.7%
Alaska	14.3%	13.8%
United Airlines	12.7%	12.9%
Delta	12.2%	12.2%
American Airlines	12.0%	11.9%

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

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

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

Other Postemployment Benefit Plan: The Airport Authority provides an agent multiple-employer defined benefit postemployment benefit plan (the OPEB Plan). The OPEB Plan funds are managed by California Public Employees Retirement System (CalPERS) under the California Employer's Retiree Benefit Trust (CERBT) fund. For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accounting pronouncements adopted: The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2020:

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the Airport Authority's year ending June 30, 2020.

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

- GASB Statement No. 84, *Fiduciary Activities*, effective for the Airport Authority's year ending June 30, 2021
- GASB Statement No. 87, *Leases*, effective for the Airport Authority's year ending June 30, 2022
- GASB Statement No. 90, *Majority Equity Interests*, an amendment of GASB Statements No. 14 and No. 61, effective for the Airport Authority's year ended June 30, 2021.
- GASB Statement No. 91, *Conduit Debt Obligations*, effective for the Airport Authority's year ended June 30, 2023.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 2. Cash, Cash Equivalents, and Investments

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

	2020	2019
Unrestricted and undesignated:		
Cash and cash equivalents	\$ 36,935,136	\$ 10,286,307
Current investments	159,562,631	124,558,161
Noncurrent investments	137,429,307	157,461,822
Total unrestricted and undesignated	333,927,074	292,306,290
Designated for specific capital projects and other commitments: cash and cash equivalents	64,026,034	26,208,561
Restricted:		
Current cash, cash equivalents, and investments, with trustees	93,486,053	83,990,603
Noncurrent cash, cash equivalents, and investments, not with trustees	174,924,058	205,979,093
Noncurrent cash, cash equivalents and investments, with trustees	360,941,845	162,164,029
Total restricted cash, cash equivalents, and investments	629,351,956	452,133,725
Total cash, cash equivalents and investments	\$ 1,027,305,064	\$ 770,648,576

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

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

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

	2020	2019
Restricted cash, cash equivalents, and investments:		
Bond reserves:		
Operation and maintenance reserve subaccount	\$ 43,308,755	\$ 43,133,828
Operation and maintenance subaccount	14,436,251	14,377,942
Renewal and replacement account	5,400,000	5,400,000
Total reserves	<u>63,145,006</u>	<u>62,911,770</u>
Passenger facility charges unapplied	65,034,830	96,034,369
Customer facility charges unapplied	43,051,177	43,133,096
Small business development bond guarantee	4,000,000	4,000,000
2010 Series debt service reserve fund	30,146,892	52,163,004
2010 Series debt service account	11,344,678	25,493,536
2013 Series construction fund	87	2,397
2013 Series debt service reserve fund	34,260,842	34,246,502
2013 Series debt service account	16,981,079	11,575,069
2014 Series construction fund	3,031	1,941
2014 Series debt service reserve fund	22,796,477	22,368,760
2014 Series debt service account	14,130,702	13,853,720
2014 Series rolling coverage fund	7,133,754	6,905,072
2014 Series renew and replace	7,452,635	5,431,585
2017 Series construction fund	2,352,993	47,288,403
2017 Series debt service reserve fund	12,537,440	14,993,717
2017 Series debt service account	15,077,845	11,730,784
2019 Series construction fund	222,216,692	-
2019 Series debt service account	7,990,051	-
2019 Series debt service reserve fund	29,918,507	-
2019 Series CAP interest fund	16,110,292	-
2019 Series cost of issuance	3,224	-
2020 Series cost of issuance	57,969	-
2020 Series debt services	3,605,753	-
Total restricted cash, cash equivalents and investments	<u>\$ 629,351,956</u>	<u>\$ 452,133,725</u>

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

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

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

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

Authorized Investment Type	Maximum Maturity	Minimum Quality Requirements	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	N/A	None	None
U.S. agency securities	5 years	N/A	None	None
Supranationals	5 years	AA	30 percent	10 percent
Bankers' acceptances	180 days	AAA/Aaa	40 percent	5 percent
Commercial paper	270 days	A-1; P-1; F-1	25 percent	5 percent
Negotiable certificates of deposit	5 years	A	30 percent	5 percent
Medium-term notes	5 years	A	20 percent	5 percent
Money market mutual funds	N/A	AAA/Aaa	20 percent	5 percent
Repurchase agreements	1 year	A	None	None
Local Agency Investment Fund	N/A	N/A	None	\$75 million
San Diego County Investment Pool	N/A	N/A	None	\$75 million
Local Government Investment Pool	N/A	N/A	None	\$75 million
U.S. State and California agency indebtedness	5 years	A	20 percent	5 percent
Placement service certificates of deposits	3 years	N/A	30 percent	5 percent
Time certificates of deposit	3 years	*	20 percent	5 percent
Bank deposits	N/A	*	None	None

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

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

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

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

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

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

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

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

*Investment requires collateralization

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

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

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

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

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

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

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

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

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

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

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	2020				Ratings
	Total	Investment Maturities (in Years)			
		0 - 1	1 - 2	2 - 5	
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	\$ 152,277,193	\$ 38,947,897	\$ 54,461,073	\$ 58,868,224	N/A
U.S. agency securities	147,157,246	22,271,155	32,673,767	92,212,324	AA+
	6,810,765	-	-	6,810,765	Not rated
Supranationals	4,199,896	2,148,056	2,051,840	-	AAA
	5,610,140	-	-	5,610,140	Not rated
Commercial Paper	2,499,500	2,499,500	-	-	A-1
Negotiable certificates of deposit	4,028,440	4,028,440	-	-	A+
	4,000,000	4,000,000	-	-	A-1+
Medium-term notes	3,041,070	3,041,070	-	-	AAA
	22,040,080	4,048,800	4,115,480	13,875,800	AA
	39,801,962	5,335,102	13,705,980	20,760,880	A
Municipal Bonds	5,176,600	-	-	5,176,600	AA+
Money market mutual funds	17,435,951	17,435,951	-	-	AAA
Local Agency Investment Fund	146,314,756	146,314,756	-	-	Not rated
San Diego County Investment Pool	293,587,647	293,587,647	-	-	Not rated ⁽¹⁾
CalTrust Fund	16,362,863	16,362,863	-	-	AA
Total investments subject to credit and interest rate risk:	<u>870,344,109</u>	<u>\$ 560,021,237</u>	<u>\$ 107,008,140</u>	<u>\$ 203,314,732</u>	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	<u>16,271,235</u>	<u>16,271,235</u>			
Total Investments	<u>\$ 886,615,344</u>				

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

Ratings per Standard and Poor's

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

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, 2020 and 2019.

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, 2020 and 2019, the balance of the note receivable was \$29,332,710 and \$31,338,762, respectively.

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

Years Ending June 30,	Amount
2021	\$ 2,123,843
2022	2,243,644
2023	2,370,203
2024	2,500,653
2025	2,644,957
2026-2030	15,636,626
2031	1,812,784
	<u>\$ 29,332,710</u>

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

Note 4. Capital Assets

Capital asset activity for the years ended June 30, 2020 and 2019, are as follows:

	Balance at June 30, 2019	Increases	Decreases	Balance at June 30, 2020
Nondepreciable assets:				
Land	\$ 22,167,594	\$ -	\$ -	\$ 22,167,594
Construction in progress	144,432,325	197,072,893	(53,151,919)	288,353,299
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets	167,039,919	197,072,893	(53,151,919)	310,960,893
Depreciable assets:				
Land improvements	113,682,793	906,727	-	114,589,520
Buildings and structures (1)	1,708,864,802	38,542,982	-	1,747,407,784
Machinery and equipment	131,172,226	4,263,649	-	135,435,875
Runways, roads and parking lots	698,595,118	10,297,728	106,440	708,999,286
Total capital assets being depreciated	2,652,314,939	54,011,086	106,440	2,706,432,465
Less accumulated depreciation for:				
Land improvements	(28,301,823)	(7,639,888)	-	(35,941,711)
Building and structures	(670,750,529)	(81,974,091)	-	(752,724,620)
Machinery and equipment	(72,553,452)	(12,252,350)	-	(84,805,802)
Runways, roads and parking lots	(325,599,509)	(29,720,710)	-	(355,320,219)
Total accumulated depreciation	(1,097,205,313)	(131,587,039)	-	(1,228,792,352)
Total capital assets being depreciated, net	1,555,109,626	(77,575,953)	106,440	1,477,640,113
Capital assets, net	\$ 1,722,149,545	\$ 119,496,940	\$ (53,045,479)	\$ 1,788,601,006

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

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

Note 4. Capital Assets (Continued)

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

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

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

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

Note 5. Long-Term Liabilities

The following is a summary of changes in the long-term liability activity for the years ended June 30, 2020 and 2019:

	Principal Balance at June 30, 2019	Additions/ New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2020	Due Within One Year
Variable Rate Debt					
Series B tax-exempt	\$ 13,719,000	\$ -	\$ (13,719,000)	\$ -	\$ -
Series C taxable	-	34,040,000	(34,040,000)	-	-
Total variable rate debt	13,719,000	34,040,000	(47,759,000)	-	-
Bonds payable:					
Series 2010 Bonds	527,100,000	-	(516,235,000)	10,865,000	10,865,000
Series 2013 Bonds	371,070,000	-	(2,320,000)	368,750,000	7,925,000
Series 2014 Bonds	299,705,000	-	(5,720,000)	293,985,000	5,890,000
Series 2017 Bonds	286,270,000	-	(4,460,000)	281,810,000	4,825,000
Series 2019 Bonds	-	463,680,000	-	463,680,000	1,235,000
Series 2020 Bonds	-	241,640,000	-	241,640,000	820,000
Bond premiums	97,483,919	146,341,863	(23,347,312)	220,478,470	-
Total bonds payable	1,581,628,919	851,661,863	(552,082,312)	1,881,208,470	31,560,000
Capital Leases	6,820,351	-	(323,243)	6,497,108	269,427
Total debt obligations	1,602,168,270	885,701,863	(600,164,555)	1,887,705,578	31,829,427
Compensated absences	3,550,211	3,385,678	(2,847,305)	4,088,584	2,847,306
Total long-term liabilities	\$ 1,605,718,481	\$ 889,087,541	\$ (603,011,860)	\$ 1,891,794,162	\$ 34,676,733
	Principal Balance at June 30, 2018	Additions/ New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2019	Due Within One Year
Variable Rate Debt					
Series B tax-exempt	\$ 14,794,000	\$ -	\$ (1,075,000)	\$ 13,719,000	\$ -
Series C taxable	5,369,000	-	(5,369,000)	-	-
Total variable rate debt	20,163,000	-	(6,444,000)	13,719,000	-
Bonds payable:					
Series 2010 Bonds	536,990,000	-	(9,890,000)	527,100,000	10,365,000
Series 2013 Bonds	373,310,000	-	(2,240,000)	371,070,000	2,320,000
Series 2014 Bonds	305,285,000	-	(5,580,000)	299,705,000	5,720,000
Series 2017 Bonds	291,210,000	-	(4,940,000)	286,270,000	4,460,000
Bond premiums	103,165,697	-	(5,681,778)	97,483,919	-
Total bonds payable	1,609,960,697	-	(28,331,778)	1,581,628,919	22,865,000
Capital Leases	7,143,865	-	(323,514)	6,820,351	323,242
Total debt obligations	1,637,267,562	-	(35,099,292)	1,602,168,270	23,188,242
Compensated absences	3,276,588	3,251,781	(2,978,158)	3,550,211	2,978,157
Total long-term liabilities	\$ 1,640,544,150	\$ 3,251,781	\$ (38,077,450)	\$ 1,605,718,481	\$ 26,166,399

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 5. Long-Term Liabilities (Continued)

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

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

On December 21, 2012, the Airport Authority defeased all of its outstanding Series 2005 Bonds, by depositing proceeds of Subordinate CP Notes and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2005 Bonds until their final maturity date of July 1, 2020. As of June 30, 2020 and 2019, the amount held in escrow by the trustee was \$5,226,683 and \$10,396,042, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was \$5,125,000 and \$9,990,000, respectively.

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

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of \$55,934,101, which is being amortized over the life of the bonds. Interest on the senior Series 2013 Bonds is payable semiannually on January 1 and July 1, of each year. Interest for the fiscal years ended June 30, 2020 and 2019, was \$18,174,150 and \$18,081,350, respectively, including accrued interest of \$9,040,675 and \$9,087,075 for fiscal years ending June 30, 2020 and 2019, respectively. The principal balance on the Series 2013 Bonds as of June 30, 2020 and 2019, was \$368,750,000 and \$371,070,000, respectively.

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

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019, the amount held by the trustee was \$51,242,009 and \$45,823,968, respectively, which included the July 1 payment and the debt service reserve fund. The total additional amounts held by the Airport Authority for Operating and Maintenance, and Renewal and Replacements reserves for fiscal years 2020 and 2019 was \$63,145,006 and \$62,911,770, respectively. The public ratings of the Series 2013 Bonds as of June 30, 2020, are A+/A1/AA- by Standard & Poor's, Moody's Investors Service and Fitch Ratings. After June 30, 2020, Standard & Poor's decreased the rating on the Senior Debt to A.

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
2021	\$ 7,925,000	\$ 17,883,225	\$ 25,808,225
2022	8,315,000	17,477,225	25,792,225
2023	8,725,000	17,051,225	25,776,225
2024	9,170,000	16,603,850	25,773,850
2025	9,625,000	16,133,975	25,758,975
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>\$ 368,750,000</u>	<u>\$ 296,076,225</u>	<u>\$ 664,826,225</u>

Subordinate Lien Series 2010, 2017, 2019 and 2020 Bonds: On October 5, 2010, the Airport Authority issued \$572,565,000 of Series A, B and C Subordinate Airport Revenue Bonds (Series 2010 Bonds). The subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the subordinate Series 2010 Bonds through and including January 1, 2013, refund \$142,176,000 of the Airport Authority's then outstanding commercial paper notes, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2010 Bonds.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 5. Long-Term Liabilities (Continued)

The Subordinate Series 2010 C Bonds were refunded and defeased on December 11, 2019, when the Airport Authority issued Subordinate Series 2019A Revenue Refunding Bonds. The proceeds of the Series 2019 Bonds included an amount to fund the escrow which will be used to pay the principal and interest of the Series 2010C Bonds. As of June 30, 2020, the balance of the 2010C escrow fund was \$220,576,269. Subordinate Series 2010 A and B (except series maturing July 1, 2020) were refunded and defeased on April 8, 2020 when the Airport Authority Issued Series 2020A, 2020B, and 2020C Revenue Refunding Bonds. The proceeds of the Subordinate Series 2020 Bonds included an amount to fund the escrow which will be used to pay the principal and interest of the Series 2010A and 2010B Bonds. As of June 30, 2020, the balance of the 2010A escrow fund was \$265,874,750 and the balance of the 2010B escrow fund was \$31,965,994. Amount on deposit in the escrow funds will be used to pay the redemption price and interest on the Refunded Series 2010 Bonds on July 1, 2020.

Interest for the fiscal years ended June 30, 2020 and 2019, amounted to \$17,869,205 and \$29,780,849, respectively, including accrued interest of \$407,438, and \$14,890,425, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2020 and 2019, was \$10,865,000 and \$527,100,000, respectively.

As a result of the refunding, the Airport Authority reduced its total debt services requirements by \$142.7 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$100.0 million.

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
2021	\$ 10,865,000	\$ 407,438	\$ 11,272,438
	\$ 10,865,000	\$ 407,438	\$ 11,272,438

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

Interest for the fiscal years ended June 30, 2020 and 2019, amounted to \$14,090,500 and \$14,313,501, respectively, including accrued interest of \$7,045,250 and \$7,156,750, respectively. The principal balance on the subordinate Series 2017 Bonds as of June 30, 2020 and 2019, was \$281,810,000 and \$286,270,000, respectively.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 5. Long-Term Liabilities (Continued)

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

Years Ending June 30,	Principal	Interest	Total
2021	\$ 4,825,000	\$ 13,969,875	\$ 18,794,875
2022	5,070,000	13,722,500	18,792,500
2023	5,320,000	13,462,750	18,782,750
2024	5,585,000	13,190,125	18,775,125
2025	5,865,000	12,903,875	18,768,875
2026-2030	34,025,000	59,669,375	93,694,375
2031-2035	43,430,000	54,201,375	97,631,375
2036-2040	55,425,000	43,045,875	98,470,875
2041-2045	70,755,000	28,808,750	99,563,750
2045-2048	51,510,000	10,635,875	62,145,875
	<u>\$ 281,810,000</u>	<u>\$ 263,610,375</u>	<u>\$ 545,420,375</u>

The Airport Authority issued \$338,775,000 of Series A Subordinate Airport Revenue and Revenue Refunding Bonds and \$124,905,000 of Series B Subordinate Airport Revenue Bonds on December 11, 2019 (Series 2019 Bonds). The Subordinate Series 2019 Bonds were issued to finance certain capital improvements at SDIA including a new facilities maintenance building and storm water capture and reuse projects, fund a portion of the interest accruing on the subordinate Series 2019 Bonds, refund \$34,321,000 of the Airport Authority's outstanding variable rate debt, fund the Series 2010C Escrow account, fund the subordinate reserve fund, and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2019 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2021 to 2050. The bonds were issued at a premium of \$96,927,688, which is being amortized over the life of the bonds. Interest on the Series 2019 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2020, amounted to \$12,418,806, including accrued interest of \$12,418,806. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2020, was \$463,680,000.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 5. Long-Term Liabilities (Continued)

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

Years Ending June 30,	Principal	Interest	Total
2021	\$ 1,235,000	\$ 12,418,806	\$ 13,653,806
2022	3,420,000	22,292,100	25,712,100
2023	4,440,000	22,121,100	26,561,100
2024	6,095,000	21,899,100	27,994,100
2025	6,400,000	21,594,350	27,994,350
2026-2030	31,030,000	103,420,000	134,450,000
2031-2035	87,365,000	91,611,250	178,976,250
2036-2040	156,590,000	62,613,300	219,203,300
2041-2045	87,365,000	30,044,300	117,409,300
2046-2050	79,740,000	12,349,500	92,089,500
	<u>\$ 463,680,000</u>	<u>\$ 400,363,806</u>	<u>\$ 864,043,806</u>

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

Interest for the fiscal years ended June 30, 2020, amounted to \$2,785,572, including accrued interest of \$2,785,572. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2020, was \$241,640,000.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 5. Long-Term Liabilities (Continued)

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

Years Ending June 30,	Principal	Interest	Total
2021	\$ 820,000	\$ 2,785,572	\$ 3,605,572
2022	13,825,000	12,041,000	25,866,000
2023	14,520,000	11,349,750	25,869,750
2024	15,240,000	10,623,750	25,863,750
2025	16,005,000	9,861,750	25,866,750
2026-2030	62,285,000	39,383,000	101,668,000
2031-2035	64,075,000	23,085,000	87,160,000
2036-2040	44,565,000	9,478,500	54,043,500
2041	10,305,000	515,250	10,820,250
	<u>\$ 241,640,000</u>	<u>\$ 119,123,572</u>	<u>\$ 360,763,572</u>

The subordinate Series Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate trustee under the subordinate indenture. The subordinate Series Bonds were issued with a pledge of and lien on subordinate net revenues.

As subordinate lien bonds, the Series 2010, 2017, 2019 and 2020 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2020 and 2019, the amount held by the trustee was \$351,833,334 and \$151,669,446, respectively, which included the July 1 payment, a debt service reserve fund, construction fund, and a capitalized interest fund. The public ratings of the Subordinate Series 2010, 2017, 2019 and 2020 Bonds as of June 30, 2020, are A/A2/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings. After June 30, 2020, Standard & Poor's reduced the rating on subordinate debt to A-.

Subordinate Variable Rate Debt Program: During fiscal year 2015, the Airport Authority established a \$125,000,000 Revolving Line of Credit issued by US Bank. The Revolving Line of Credit was a three-year agreement that took effect on September 5, 2014. The agreement was amended on June 29, 2017, to extend the commitment through June 29, 2020. The Airport Authority terminated the agreement on June 29, 2020.

At June 30, 2020 and 2019, the outstanding principal balances of the Series B Revolving Obligations were \$0 and \$13,719,000, respectively. The Series B Revolving Obligations bore interest at the tax-exempt rate which is based on a spread to LIBOR.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 5. Long-Term Liabilities (Continued)

In April of 2017, the Airport Authority established a Subordinate Drawdown Bond program with RBC Municipal Products of up to \$100,000,000. On April 1, 2017, the Airport Authority and RBC Municipal Products agreed upon a Bondholders Agreement and on April 19, 2017, the Airport Authority and RBC Capital Markets LLC agreed upon a Subordinate Drawdown Bond Purchase Agreement. When issued, all Subordinate Drawdown Bonds will be purchased by the Subordinate Drawdown Bond Purchaser in accordance with the terms of the Subordinate Drawdown Bondholder's Agreement and the Subordinate Drawdown Bond Purchase Agreement. This commitment expired on April 17, 2020.

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

Senior Lien Special Facilities Revenue Bonds, Series 2014: On February 19, 2014, the Airport Authority issued \$305,285,000 of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest accruing on the Series 2014 Bonds, fund deposits to the senior reserve fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt and non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent. The bonds were issued at a premium of \$594,226, which is amortized over the life of the bonds. Interest on the Series 2014 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for fiscal years ended June 30, 2020 and 2019, was \$16,028,789 and \$16,199,645, respectively, including accrued interest of \$8,014,395 and \$8,099,823, respectively. The principal balance on the Series 2014 Bonds for fiscal years ended June 30, 2020 and 2019 was \$293,985,000 and \$299,705,000, respectively.

The Series 2014 Bonds are special limited obligations of the Airport Authority, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, customer facility charges collected from the rental car companies operating at the Airport and remitted to the Trustee. No revenues of the Airport Authority other than the customer facility charges and the Bond Funding Supplemental Consideration (as defined in the bond indenture), are pledged to the payment of the Series 2014 Bonds. The Series 2014 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's net position, as shown previously in the notes. For the fiscal years ended June 30, 2020 and 2019, the amount held by the trustee was \$51,516,600 and \$48,561,078, respectively, which included the July 1 payment, the debt service reserve fund, and the rolling coverage fund.

The public ratings of the Senior Series Special Facility 2014 Bonds as of June 30, 2019, are A/A3 by Standard & Poor's and Moody's Investors Service. After June 30, 2020 Standard & Poor's reduced the rating to BBB+.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 5. Long-Term Liabilities (Continued)

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
2021	\$ 5,890,000	\$ 15,928,365	\$ 21,818,365
2022	6,090,000	15,714,362	21,804,362
2023	6,320,000	15,424,013	21,744,013
2024	6,670,000	15,060,682	21,730,682
2025	7,045,000	14,874,122	21,919,122
2026-2030	41,600,000	69,100,925	110,700,925
2031-2035	54,610,000	56,433,452	111,043,452
2036-2040	71,690,000	39,804,447	111,494,447
2041-2045	94,070,000	12,987,625	107,057,625
	<u>\$ 293,985,000</u>	<u>\$ 255,327,993</u>	<u>\$ 549,312,993</u>

Line of credit: In fiscal year 2020, the Airport Authority maintained a \$4,000,000 line of credit held with US Bank, which is collateralized with a bank certificate of deposit. This line is utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2020, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

The Airport Authority had the following used and unused balances in line of credit type debt instruments as of June 30, 2020 and 2019:

	June 30, 2020		June 30, 2019	
	Used	Unused	Used	Unused
Revolving line of credit	\$ -	\$ -	\$ 13,719,000	\$ 111,281,000
Drawdown bonds	-	-	-	100,000,000
Line of Credit	-	4,000,000	-	4,000,000
	<u>\$ -</u>	<u>\$ 4,000,000</u>	<u>\$ 13,719,000</u>	<u>\$ 215,281,000</u>

Event of Default: In the event of default of all general airport revenue bonds issued by the Airport Authority, acceleration is not a remedy. For the Letter of Credit and Reimbursement Agreement, an event of default could result in either an acceleration or an interest rate increase of 3.00-7.00 percent in addition to the base rate. Other than this, there are no significant finance-related consequences in the event of default on other debt instruments. The Airport Authority's Letter of Credit and Reimbursement Agreement is collateralized with a \$4,000,000 negotiable certificate of deposit held with US Bank. Excluding general airport revenue bonds, special facility bonds, and capital leases, no other assets have been pledged or collateralized for any other debt instruments. General Airport revenue bonds are secured by a pledge of Net Revenues which are generally defined as all revenues and other cash receipts of the Airport Authority's operations less amounts required to pay for operations and maintenance expenses of the airport (net revenues do not include cash received from PFC's, CFC's or Federal Grants). The special facility bonds are secured by a pledge of the Trust Estate.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 5. Long-Term Liabilities (Continued)

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. These leases were paid off in 2020.

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

The following is a schedule of future lease payments applicable to the RDC installment purchase agreement, the office equipment capital leases, and the net present value of the future lease payments at June 30, 2020:

<u>Years Ending June 30,</u>	<u>Amount</u>
2021	\$ 877,298
2022	877,298
2023	877,298
2024	877,298
2025	877,298
2026-2030	4,386,489
2031-2033	<u>2,120,136</u>
Total Lease Payments	10,893,115
Less amount representing interest	<u>(4,396,007)</u>
Present value of future lease payments	<u>\$ 6,497,108</u>

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

Note 6. Defined Benefit Plan

Introduction: The Airport Authority has two defined benefit pension plans which cumulatively represent the net pension liability and related deferred inflows and deferred outflows of resource balances as reported on the statement of net position. The below schedule represents aggregating information as of June 30, 2020 and 2019:

	Defined Benefit Plan (GASB 68)	Preservation of Benefits Trust Plan (GASB No. 73)	Total
Balances as of June 30, 2019			
Pension Expense	\$ 9,905,772	\$ 314,006	\$ 10,219,778
Net pension liability	15,961,502	1,767,232	17,728,734
Deferred outflows of resources	21,105,307	542,202	21,647,509
Deferred inflows of resources	6,190,685	218,627	6,409,312
Balances as of June 30, 2018			
Pension Expense	\$ 7,774,562	\$ 347,712	\$ 8,122,274
Net pension liability	18,373,281	1,656,062	20,029,343
Deferred outflows of resources	25,046,571	556,018	25,602,589
Deferred inflows of resources	6,235,495	217,937	6,453,432

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

From January 1, 2003 through June 30, 2007, SDCERS administered a qualified employer defined benefit plan for the City, the District and Airport Authority. However, as of July 1, 2007, the City, the District and the Airport Authority plans were separated into independent, qualified, single-employer governmental defined benefit plans, and trusts. The assets of the three separate plans and trusts were pooled in the SDCERS Group Trust, which was established as of July 1, 2007. SDCERS invests and administers the Group Trust as a common investment fund and accounts separately for the proportional interest of each plan and trust that participates in the Group Trust.

SDCERS is governed by a 13-member Board, responsible for the administration of retirement benefits for the City, the District, and the Airport Authority and for overseeing the investment portfolio of the retirement system's trust fund. The Board is comprised of seven appointed members, four active members, one retired member, and one ex-officio member.

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

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 6. Defined Benefit Plan (Continued)

The San Diego City Charter Section 144 and San Diego Municipal Code Sections 24.0100 et seq. assign the authority to establish and amend the benefit provisions of the plans that participate in SDCERS to the SDCERS Board. The Airport Authority contributes to the Federal Social Security Program. The SDCERS Board issues a publicly available financial report that includes financial statements and required supplementary information for SDCERS. The financial report may be found on the San Diego City Employees' Retirement System website at www.sdcers.org.

Benefits provided: The Airport Authority provides retirement, disability, and death benefits.

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

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

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

The Airport Authority provides monthly payments for the life of the member, with 50 percent continuance to the eligible spouse, or registered-domestic partner upon the member's death. If there is no eligible spouse, the member may receive either a lump sum payment equal to the accumulated surviving spouse contributions or an actuarially equivalent annuity. Members may also choose to receive a reduced lifetime monthly benefit and, upon death, leave more than 50 percent to their spouse or registered domestic partner, or to provide a continuance to a non-spouse.

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

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

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

Note 6. Defined Benefit Plan (Continued)

As of the measurement dates June 30, 2019 and June 30, 2018, Plan membership was as follows:

	2019	2018
Active employees	407	405
Inactive employees entitled to but not yet receiving benefits	143	139
Inactive employees or beneficiaries currently receiving benefits	117	101
Total	667	645

Contributions: SDCERS uses actuarial developed methods and assumptions to determine what level of contributions are required to achieve and maintain an appropriate funded status for the Plan. The actuarial process uses a funding method that attempts to create a pattern of contributions that is both stable and predictable. The actual employer and member contribution rates in effect each year are based upon actuarial valuations performed by an independent actuary and adopted by the SDCERS Board annually.

The actuarial valuation is completed as of June 30, of each year. Once accepted by the SDCERS Board, the approved rates for Airport Authority apply to the fiscal year beginning 12 months after the valuation date. For June 30, 2020, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2018, actuarial valuation.

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

For the years ended June 30, 2020 and 2019, employees contributed \$3,285,722 and \$3,178,464 respectively, and the Airport Authority contributed \$8,423,955 and \$7,848,712, respectively, to the Plan. Under the Plan, the Airport Authority pays a portion of the classic participant's contribution, referred to as the "off-set". The off-set is equal to 7.00 percent or 8.50 percent of the general classic members' base compensation and 9.55 percent of the executive classic members' base compensation. These contributions are included in the employee contribution. There is no off-set for PEPRAs participants.

Net Pension Liability: The Airport Authority's net pension liability as of June 30, 2020, is measured as the total pension liability, less the pension plan's fiduciary net position. The total pension liability as of June 30, 2020, is measured as of June 30, 2019. The annual valuation used is as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability follow.

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

Note 6. Defined Benefit Plan (Continued)

Actuarial Assumptions: The total pension liability in the June 30, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2019	June 30, 2018
Valuation date	June 30, 2018	June 30, 2017
Measurement date	June 30, 2019	June 30, 2018
Actuarial cost method	Entry-age normal funding method	Entry-age normal funding method
Asset valuation method	Expected value with smoothing	Expected value with smoothing
Actuarial assumptions:		
Investment rate of return ⁽¹⁾	6.50%	6.50%
Projected salary increase ⁽²⁾	3.05%	3.05%
Cost-of-living adjustment	1.9% per annum, compounded	1.9% per annum, compounded
Termination rate ⁽³⁾	3.0% - 11.0%	3.0% - 11.0%
Disability rate ⁽⁴⁾	0.01% - 0.30%	0.01% - 0.30%
Mortality ⁽⁵⁾	0.02% - 13.54%	0.02% - 13.54%

⁽¹⁾ Net of investment expense

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

⁽³⁾ Based on years of service

⁽⁴⁾ Based on age

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

Discount Rate: For the June 30, 2019 and 2018 actuarial valuations, the discount rates used to measure the total pension liability were 6.50 percent and 6.50 percent, respectively. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability (asset).

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 6. Defined Benefit Plan (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rates of Return	Long-term Expected Nominal Rates of Return
Domestic equity	18.0%	4.3%	6.7%
International equity	15.0%	5.5%	7.9%
Global equity	8.0%	5.1%	7.5%
Domestic fixed income	22.0%	1.2%	3.5%
Emerging market debt	5.0%	3.7%	6.1%
Real estate	11.0%	3.5%	5.9%
Private equity and infrastructure	13.0%	6.3%	8.8%
Opportunity fund	8.0%	4.5%	6.9%
	100.0%		

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

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 6/30/19	\$ 204,875,919	\$ 186,502,638	\$ 18,373,281
Changes for the year:			
Service cost	7,632,696	-	7,632,696
Interest on total pension liability	13,355,418	-	13,355,418
Difference between expected and actual experience	(645,462)	-	(645,462)
Changes in assumptions	-	-	-
Employer contributions	-	7,848,712	(7,848,712)
Member contributions	-	3,178,464	(3,178,464)
Net investment income	-	12,086,349	(12,086,349)
Benefit payments	(6,429,660)	(6,429,660)	-
Administrative expense	-	(359,094)	359,094
Net changes	13,912,992	16,324,771	(2,411,779)
Balances as of 6/30/20	\$ 218,788,911	\$ 202,827,409	\$ 15,961,502

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 6. Defined Benefit Plan (Continued)

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

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

Sensitivity of the Net Pension Liability to Discount Rate Changes: The following presents the resulting net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal years ended June 30, 2020:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Total pension liability	\$ 249,327,648	\$ 218,788,911	\$ 193,677,125
Plan fiduciary net position	202,827,408	202,827,409	202,827,408
Net pension liability (asset)	\$ 46,500,240	\$ 15,961,502	\$ (9,150,283)
Plan fiduciary net position as a percentage of the total pension liability (asset)	81.3%	92.7%	104.7%

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

Note 6. Defined Benefit Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Plan: For the years ended June 30, 2020 and 2019, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$9,905,772 and \$7,774,562, respectively. At June 30, 2019 and 2018, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

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

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

The deferred outflows of resources, at June 30, 2020 and 2019, related to pensions resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net pension liability at June 30, 2021 and 2020, respectively.

Other amounts reported as deferred outflows/inflows of resources related to the plan at June 30, 2020, will be recognized in pension expense as follows:

Fiscal Year-end	
2021	\$ 3,039,794
2022	1,248,666
2023	1,709,191
2024	<u>561,087</u>
	<u>\$ 6,558,738</u>

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

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

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

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

Benefits provided: The Airport Authority provides retirement benefits.

Retirement benefits are provided to POB members with retirement benefits in excess of Code Section 415(b) who have participated in in the Plan since establishment of the POB. Participation ends for a portion of a plan year in which the retirement benefit of a retiree or beneficiary is not limited by Code Section 415(b) or when all benefit obligations to the retiree or beneficiary have been satisfied. Benefit payments are equal to the amount of retirement income that would have been payable, less the amount payable by the Plan. Benefit payments for the years ended June 30, 2020 and 2019, were \$47,081 and \$31,329, respectively. The POB is unfunded and provides benefits on an annual basis as determined by SDCERS.

As of the measurement dates of June 30, 2019 and 2018, Plan membership was as follows:

	2019	2018
Inactive employees or beneficiaries currently receiving benefits	2	1
Active employees	2	2
	<u>4</u>	<u>3</u>

Total Pension Liability: The Airport Authority's total pension liability as of June 30, 2020 and 2019, was \$1,767,232 and \$1,656,062, respectively. The pension liability as of June 30, 2020, is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability follow.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

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

Actuarial Assumptions: The total pension liability in the June 30, 2019 and 2018, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Valuation date	June 30, 2018	June 30, 2017
Measurement date	June 30, 2019	June 30, 2018
Actuarial cost method	Entry-age normal	Entry-age normal
Actuarial assumptions:		
Discount rate	3.50%	3.87%
Inflation rate	3.05%	3.05%
Interest credited to member contributions	6.50%	6.50%
Projected salary increases	3.05%	3.05%

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

	<u>Total Pension Liability</u>
Balances as of 6/30/19	\$ 1,656,062
Changes for the year:	
Service cost	49,343
Interest on total pension liability	64,133
Difference between expected and actual experience	(64,295)
Changes in assumptions	109,070
Benefit payments	<u>(47,081)</u>
Net changes	111,170
Balances as of 6/30/20	<u>\$ 1,767,232</u>

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

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

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

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

Sensitivity of the Total Pension Liability to Discount Rate Changes: The following presents the resulting total pension liability calculated using the discount rate of 3.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal year ended June 30, 2020:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total Pension Liability	\$ 2,114,822	\$ 1,767,232	\$ 1,492,635

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the POB: For the year ended June 30, 2020 and 2019, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 73, of \$314,006 and \$347,712. At June 30, 2020 and 2019, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2020		
Differences between expected & actual experience	\$ 322,838	\$ 51,436
Change of assumptions	178,115	167,191
Employer contributions subsequent to June 30, 2019 measurement date	41,249	-
Total	<u>\$ 542,202</u>	<u>\$ 218,627</u>
June 30, 2019		
Differences between expected & actual experience	\$ 419,729	\$ -
Change of assumptions	136,289	217,937
Total	<u>\$ 556,018</u>	<u>\$ 217,937</u>

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

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

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

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

<u>Years Ending June 30</u>	<u>Amount</u>
2021	\$ 100,530
2022	100,529
2023	55,096
2024	<u>26,171</u>
	<u>\$ 282,326</u>

Note 8. Employees' Deferred Compensation Plan

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

The plan is administered by the Airport Authority and contracted to an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are held in trust for employees.

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

Note 9. Other Postemployment Benefits

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

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 9. Other Postemployment Benefits (Continue)

Plan description: As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for approximately 2 million California public employees, retirees, and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States, managing more than \$370 billion in assets for more than 2,890 California employers. In 1988 and 2007, enabling statutes and regulations were enacted which permitted CalPERS to form the CERBT fund, an irrevocable Section 115 Trust, for the purpose of receiving employer contributions that will prefund health and other postemployment benefit costs for retirees and their beneficiaries. Financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding policy: CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the actuarially determined contributions (ADCs). As of May 9, 2009, the agreement with CERBT was approved. The retirees' contribution rate was raised from 5 percent to 10 percent of plan costs for single coverage and the entire cost of vision benefits, lowering the OPEB liabilities of the Airport Authority. Annually, the Airport Authority's goal is to fund 100 percent of the actuarially calculated ADC for its OPEB. During the fiscal years ended June 30, 2020 and 2019, the Airport Authority's contributions were \$784,845 and \$339,003, respectively.

A measurement date of June 30, 2019 and 2018, was used for the June 30, 2020 and June 2019, OPEB assets and expenses. The information that follows was determined as of a valuation date of June 30, 2019 and July 1, 2018, respectively. Assumptions used in the July 1, 2018, valuation were rolled forward from the July 1, 2017 valuation.

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

	2019	2018
Active employees	151	161
Inactive employees or beneficiaries currently receiving benefits	79	69
Total	230	230

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

Note 9. Other Postemployment Benefits (Continued)

Actuarial Assumptions: The total OPEB liability in the July 1, 2019 and 2018, actuarial valuations was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	2.75%
Projected salary increase	3.00%
Investment rate of return	6.75% at June 30, 2019; 7.28% at June 30, 2018; Expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust
Actuarial cost method	Entry Age Normal, with amortization of 7/1/2017 unfunded liability over the period ending 6/30/2037 and amortization of subsequent unanticipated changes in liability over 15-year periods.
Asset valuation method	5 year asset smoothing
Retirement age	Rates used are the same as used in the June 30, 2016, San Diego City Employees' Retirements System actuarial valuation.
Mortality	CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4% in 2076; Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
Healthcare Participation of Future Retirees	90%
Spousal Assumption for Future Retirees	Currently covered - 2-party coverage if currently have 2 party or family coverage; Currently waived - 80% cover spouses at retirement

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 9. Other Postemployment Benefits (Continued)

The long-term expected rate of return on the OPEB Plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations, and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

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

Discount Rate: The discount rate used to measure the total OPEB liability (asset) at June 30, 2019 and June 30, 2018, was 6.75 percent and 7.28 percent, respectively. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balances as of 6/30/19	\$ 25,804,494	\$ 26,199,041	\$ (394,547)
Changes for the year:			
Service cost	449,596	-	449,596
Interest on total OPEB liability	1,883,080	-	1,883,080
Difference between expected and actual experience	(169,582)	-	(169,582)
Changes in assumptions	(1,531,369)	-	(1,531,369)
Employer contributions	-	775,225	(775,225)
Member contributions	-	-	-
Net investment income	-	1,604,058	(1,604,058)
Benefit payments	(775,225)	(775,225)	-
Administrative expense	-	(5,611)	5,611
Net changes	(143,500)	1,598,447	(1,741,947)
Balances as of 6/30/20	\$ 25,660,994	\$ 27,797,488	\$ (2,136,494)

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 9. Other Postemployment Benefits (Continued)

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

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

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Health Care Cost Trend Rates: The net OPEB liability (asset) of the Airport Authority has been calculated using a discount rate of 6.75 percent. The following presents the net OPEB liability (asset) using a discount rate 1.00 percent higher and 1.00 percent lower than the current discount rate.

	1% Decrease 7.75%	Current Rate 6.75%	1% Increase 7.75%
Net OPEB liability (asset)	\$ 1,580,429	\$ (2,136,494)	\$ (5,195,525)

The net OPEB liability (asset) of the Airport Authority has been calculated using health care cost trend rates of 7.25 percent decreasing to 4.00 percent in 2076 and thereafter for non-Medicare and 6.30 percent decreasing to 4.00 percent in 2076 for Medicare. The following presents the net OPEB liability (asset) using health care cost trend rates 1.00 percent higher and 1.00 percent lower than the current health care cost trend rates.

	1% Decrease	Trend Rate	1% Increase
Net OPEB liability (asset)	\$ (5,355,870)	\$ (2,136,494)	\$ 1,787,127

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 9. Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB: For the years ended June 30, 2020 and 2019, the Airport Authority recognized OPEB expense, as measured in accordance with GASB Statement No. 75, of \$71,854 and \$436,990, respectively, and reported deferred inflows of resources and deferred outflows of resources related to the OPEB from the following sources:

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

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

The deferred outflows of resources at June 30, 2020 related to OPEB resulting from Airport Authority contributions subsequent the measurement date and prior to year-end will be recognized as an addition to the net OPEB asset at June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2020, related to the OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	Amount
2021	\$ (359,347)
2022	(359,348)
2023	(331,808)
2024	(20,391)
Total	<u>\$ (1,070,894)</u>

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 10. Risk Management

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

Commercially issued insurance:

- The Airport Authority maintains a minimum of \$500 million in limits for general liability insurance.
- The Airport Authority maintains a property insurance policy with minimum limits of \$750 million providing all risk and flood coverage for physical assets.
- The Airport Authority also maintains policies for workers' compensation, commercial auto, fiduciary liability, privacy and network security, crime, and public entity and employment practices liability, among others.

Self-insurance: Due to the exorbitant cost of earthquake insurance, the Airport Authority self-insures for losses due to earthquake damage. Effective July 1, 2007, the Airport Authority removed the purchase of commercial earthquake insurance from the Risk Management Program and increased reliance on the laws designed to assist public entities through the Federal Emergency Management Agency and the *California Disaster Assistance Act*. As of June 30, 2020 and 2019, the Airport Authority has designated \$11,685,954 and \$10,967,958, respectively, from its net position, as an insurance contingency.

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

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

During fiscal year 2020, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

Note 11. Disclosures About Fair Value of Assets

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

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

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at the fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2020				
Investments by fair value level				
U.S. Treasury obligations	\$ 152,277,193	\$ 152,277,193	\$ -	\$ -
U.S. agency securities	153,968,011	-	153,968,011	-
Non-U.S. Securities	9,810,036	9,810,036	-	-
Commercial paper	2,499,500	-	2,499,500	-
Negotiable certificates of deposit	8,028,440	-	8,028,440	-
Municipal bonds	5,176,600	-	5,176,600	-
Medium-term notes	64,883,112	-	64,883,112	-
Total investments by fair value level	<u>396,642,892</u>	<u>\$ 162,087,229</u>	<u>\$ 234,555,663</u>	<u>\$ -</u>
Investments measured at amortized cost				
Money market mutual funds	17,435,951			
Non-negotiable certificate of deposit	16,271,235			
Investment measured at net asset value				
CalTrust Fund	16,362,863			
Local Agency Investment Fund	146,314,756			
San Diego County Investment Pool	<u>293,587,647</u>			
Total investments	<u>\$ 886,615,344</u>			
June 30, 2019				
Investments by fair value level				
U.S. Treasury obligations	\$ 115,560,531	\$ 115,560,531	\$ -	\$ -
U.S. agency securities	134,911,223	-	134,911,223	-
Non-U.S. Securities	12,613,036	12,613,036	-	-
Commercial paper	-	-	-	-
Negotiable certificates of deposit	18,751,263	-	18,751,263	-
Medium-term notes	66,605,516	-	66,605,516	-
Total investments by fair value level	<u>348,441,569</u>	<u>\$ 128,173,567</u>	<u>\$ 220,268,002</u>	<u>\$ -</u>
Investment measured at amortized cost				
Money market mutual funds	81,861			
Non-negotiable certificate of deposit	15,920,692			
Investment measured at net asset value				
CalTrust Fund	15,952,044			
Local Agency Investment Fund	50,140,691			
San Diego County Investment Pool	<u>211,235,432</u>			
Total investments	<u>\$ 641,772,289</u>			

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 12. Lease Revenues

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

Certain capital assets, such as loading bridges, airfield, and building space, are leased to signatory and non-signatory airlines under the Airline Operating Lease Agreement (AOLA). The Airport Authority's AOLA is governed by a policy statement issued by the Federal Aviation Administration and as such rates are determined each year based upon a combination of residual and compensatory rate setting methodologies, which do not exceed actual costs of operating the airport. Such costs are allocated to each signatory airline based upon factors such as landed weights, enplanements, square footage, acres, etc. Costs are offset by payments from non-signatory airlines for the usage of those assets.

The Airport Authority finalized a new ten year AOLA effective July 1, 2019 through June 30, 2029. This new agreement is substantially similar to the expired agreement.

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

In April 2020, as enplanements dropped to 96 percent below prior year numbers, many shops and restaurants were forced to temporarily closed. The Airport Authority received numerous requests for rate relief from concessionaires and rental car companies. In response, in May 2020, the Board approved and authorized the President/CEO to execute agreements to provide abatement of certain rents and fees to qualifying concessionaires and rental car companies, for a period beginning April 1, 2020 and ending September 30, 2020. The waivers will total an estimated \$13 million for terminal concessions and passenger services, and approximately \$9 million for rental car companies. As of June 30, 2020, enplanements had recovered to 82 percent below April 2019, and there were 24 terminal food service and retail concession locations open.

The Airport Authority's CFC revenues and Bonds funded construction of the Rental Car Center facility (RCC), which was completed and placed in service on January 20, 2016. The RCC facility sits on 24.85 acres of land and houses all the major and many small operator rental car tenants. The land rent leases for the RCC commenced on the opening date of the facility and are non-cancellable. Once the Bonds are repaid or defeased, in addition to Land Rent, the rental care operators will also pay Facility Rent.

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

Note 12. Lease Revenues (Continued)

The minimum future lease payments to be received under the Airport Authority's non-cancelable lease agreements, including known minimum escalations, as of June 30, 2020, are as follows:

Years Ending June 30,	Amount
2021	\$ 32,439,999
2022	31,081,274
2023	28,198,218
2024	24,918,494
2025	18,230,922
2026-2030	79,542,914
2031-2035	86,379,616
2036-2040	94,499,472
2041-2045	104,143,316
2046-2050	68,946,492
2051-2055	724,440
2056-2060	724,440
2061-2065	724,440
2066-2070	507,108
	<u>\$ 571,061,145</u>

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

Note 13. Lease Commitments

Operating Leases

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

SDIA lease: The Airport Authority is leasing from the District 480 acres of land on North Harbor Drive for an annual rent of \$1 per year under a lease that expires December 31, 2068.

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

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.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 13. Lease Commitments (Continued)

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

Years Ending June 30,	Amount
2021	\$ 10,176,660
2022	10,176,660
2023	10,176,660
2024	10,176,660
2025	10,176,660
2026-2030	50,883,300
2031-2035	50,883,300
2036-2040	50,883,300
2041-2045	50,883,300
2046-2050	50,883,300
2051-2055	50,883,300
2056-2060	50,883,300
2061-2065	50,883,300
2066-2068	35,618,310
	<u>\$ 493,568,010</u>

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

	2020	2019
Rental payments made	<u>\$ 10,207,066</u>	<u>\$ 10,190,910</u>

Note 14. Commitments and Contingencies

Commitments: As of June 30, 2020 and 2019, 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 non-current assets, primarily for the unpaid contractual portion of capital projects that are currently in progress and will not be funded by grants or additional debt but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. At June 30, 2020 and 2019, these funds totaled approximately \$ 29.7 million and \$13.2 million, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Note 14. 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, 2020 and 2019, the Airport Authority expensed \$19,435,429 and \$19,291,981 respectively for these services.
- iii. In fiscal year 2019, the Board approved two new contracts with Ace Parking Management Inc., for parking management services in the amount of \$38 million and airport shuttle services in the amount of \$45 million. As of June 30, 2020, \$11.2 million has been spent for parking management services and \$11.8 million for shuttle services.
- iv. In fiscal year 2015, the Board approved a \$29.2 million contract with SP Plus Corporation to transport rental car companies' customers between the Rental Car Center facility and the terminals. The contract scope also includes the operation, management and maintenance of the shuttle vehicles. In fiscal year 2016, the Board approved an additional \$1.2 million. In fiscal year 2019 the Board approved an additional \$14.6 million. As of June 30, 2020, \$37 million had been spent and the contract is due to be completed in fiscal year 2021.
- v. In fiscal year 2019, the Board approved a \$19.5 million contract with AECOM Technical Services, Inc. for on call program management, staffing support and consulting services. In fiscal year 2020, the board approved an additional \$134.8 million. As of June 30, 2020, \$14.5 million has been spent and the contract is due to be completed in fiscal year 2024.
- vi. In fiscal year 2017, the Board approved a \$186.6 million contract with Turner-PCL, A Joint Venture for Terminal 2 West Federal Inspection Station build out. In fiscal year 2018 and 2019, the Board approved an additional \$1.6 million and \$5.3 million respectively. As of June 30, 2020, \$186 million had been spent and the contract was completed in fiscal year 2020.
- vii. In fiscal year 2019, the Board approved a \$40.9 million contract with Granite Construction Company to provide a new hydrant fueling infrastructure on the north side of the runway. As of June 30, 2020, \$29.5 million had been spent and is due to be completed in fiscal year 2021.
- viii. In fiscal year 2019, the Board approved a \$152.9 million contract with Sundt Construction, Inc. for the design and construction of Airport Support Facilities. As of June 30, 2020, \$103.1 million had been spent and the contract is scheduled for completion in early fiscal year 2021.
- ix. In fiscal year 2019, the Board approved a \$11.7 million contract with Pacific Rim Mechanical for HVAC repair and maintenance services. As of June 30, 2020, \$4.1 million had been spent and the contract is due to be completed in fiscal year 2021.

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

Note 14. Commitments and Contingencies (Continued)

- x. In fiscal years 2012 thru 2018, the Board had approved a total of \$9.4 million with Leighfisher for a SDIA development plan consultant. In fiscal year 2019 and 2020 the Board approved an additional \$2.3 million and \$800k. As of June 30, 2020, \$11 million had been spent and the contract is due to be completed in fiscal year 2021.
- xi. In fiscal year 2020, the Board approved a \$35 million contract with Jacobs Engineering Group, Inc. to provide Airside-Landside Engineering consulting services. As of June 30, 2020, \$1.5 million had been spent and the contract is due to be completed in fiscal year 2025.
- xii. In fiscal year 2020, the Board approved a \$2.45 million contract with Velocity Technology Solutions, Inc. to provide Oracle JD Edwards Enterpriseone hosting and management consulting services. As of June 30, 2020, \$176 thousand has been spent and the contract is due to be completed in fiscal year 2023.

Contingencies: As of June 30, 2020, the Airport Authority is subject to contingencies arising from matters as described below:

The Airport Authority has leases and operating agreements with various tenants. These agreements typically include provisions requiring the tenants/operators to indemnify the Airport Authority for any damage to property or losses to the Airport Authority as a result of the tenant's operations. Also, the leases and operating agreements typically require the Airport Authority to be named as an additional insured under certain insurance policies of the tenants/operators. The Airport Authority also tenders these claims to its own insurers once they become asserted claims. When these types of claims are asserted against the Airport Authority, the Airport Authority not only vigorously opposes them but also vigorously seeks contribution and/or indemnity from all tenants/operators involved, from the tenants'/operators' insurers and from its own insurers. The Airport Authority's legal counsel cannot predict the net exposure to the Airport Authority with respect to these matters, or the probability or remoteness of any outcome.

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

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

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

Note 15. Subsequent Events

For the first quarter of fiscal year 2021, enplanements levels were 72 percent lower compared to the first quarter of fiscal year 2020. The profound decline in enplanements resulted in continued severe decline in sales for all Non-Airline Tenants, whose gross revenues continue to be 70 percent to 90 percent below prior year levels. To address the continued impact and provide significant relief of rents and fees, on October 26, 2020, Airport Authority management will forward the recommendation for Board approval to extend rent forbearance and abatement agreements mentioned in *Note 12*, as modified, to qualifying non-airline tenants for an additional three month period beginning October 1, 2020 and ending December 31, 2020. The Airport Authority intends to use funds from the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) to reimburse certain operating expenses and debt service in order to offset the financial impact.

On July 22, 2020, the Airport Authority filed a "Voluntary Statement Regarding Impacts of COVID-19" (Statement) relating to the Airport Authority Senior Revenue Bonds, Subordinate Revenue Bonds, and Special Facilities Revenue Bonds with the Municipal Securities Rule Making Board. The document describes some of the impacts that the COVID-19 pandemic has had, and will continue to have, on passenger traffic at San Diego International Airport and the Airport Authority's finances, and to describe some of the actions that the Airport Authority has taken, and is taking, in response to the pandemic.

San Diego County Regional Airport Authority

Notes to Financial Statements June 30, 2020 and 2019

Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2020

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

Defined Benefit Plan

	2020	2019	2018	2017	2016	2015
Total Pension Liability:						
Service cost	\$ 7,632,696	\$ 7,390,428	\$ 6,996,180	\$ 6,205,263	\$ 6,154,579	\$ 6,099,481
Interest (includes interest on service cost)	13,355,418	12,621,226	11,416,679	10,277,610	9,327,538	8,465,485
Differences between expected and actual experience	(645,462)	(2,630,285)	3,975,029	(2,178,527)	345,661	-
Effect of changes of assumptions	-	6,416,088	5,871,218	10,473,890	-	-
Benefit payments, including refunds of member contributions	(6,429,659)	(4,462,751)	(4,669,787)	(3,023,391)	(2,482,523)	(2,913,221)
Net change in total pension liability	13,912,993	19,334,706	23,589,319	21,754,845	13,345,255	11,651,745
Total pension liability - beginning	204,875,918	185,541,212	161,951,893	140,197,048	126,851,793	115,200,048
Total pension liability - ending	\$ 218,788,911	\$ 204,875,918	\$ 185,541,212	\$ 161,951,893	\$ 140,197,048	\$ 126,851,793
Plan Fiduciary Net Position:						
Contributions - employer	\$ 7,848,712	\$ 7,318,546	\$ 5,480,984	\$ 4,047,780	\$ 3,897,545	\$ 3,924,988
Contributions - employee	3,178,464	3,162,781	2,990,317	2,967,269	2,840,236	2,765,079
Net investment income	12,086,349	14,036,710	19,480,875	1,651,283	4,390,185	18,302,683
Benefit payments, including refunds of member contributions	(6,429,659)	(4,462,751)	(4,669,786)	(3,023,391)	(2,482,523)	(2,913,221)
Administrative expense	(359,094)	(350,408)	(325,042)	(318,817)	(332,290)	(332,645)
Net change in plan fiduciary net position	16,324,772	19,704,878	22,957,348	5,324,124	8,313,153	21,746,884
Plan fiduciary net position - beginning	186,502,637	166,797,759	143,840,411	138,516,287	130,203,134	108,456,250
Plan fiduciary net position - ending	\$ 202,827,409	\$ 186,502,637	\$ 166,797,759	\$ 143,840,411	\$ 138,516,287	\$ 130,203,134
Net pension liability (asset) - ending	\$ 15,961,502	\$ 18,373,281	\$ 18,743,453	\$ 18,111,482	\$ 1,680,761	\$ (3,351,341)
Plan fiduciary net position as a percentage of the total pension liability	92.70%	91.03%	89.90%	88.82%	98.80%	102.64%
Covered payroll	\$ 31,584,841	\$ 31,628,301	\$ 31,131,795	\$ 29,189,357	\$ 27,955,455	\$ 26,380,323
Net pension liability as a percentage of covered payroll	50.54%	58.09%	60.21%	62.05%	6.01%	(12.70%)

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

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2020

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

Defined Benefit Plan

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 6,159	\$ 5,740	\$ 5,416	\$ 3,765	\$ 3,666
Contributions in relation to the actuarially determined contribution	8,424	7,848	7,247	5,421	3,948
Contribution deficiency (excess)	\$ (2,265)	\$ (2,108)	\$ (1,831)	\$ (1,656)	\$ (282)
Covered payroll	\$ 33,091	\$ 31,864	\$ 30,848	\$ 31,506	\$ 29,189
Contributions as a percentage of covered payroll	25.46%	24.63%	23.49%	17.21%	13.53%
	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 3,823	\$ 2,900	\$ 2,600	\$ 3,800	\$ 4,300
Contributions in relation to the actuarially determined contribution	3,823	3,728	2,600	3,800	4,300
Contribution deficiency (excess)	\$ -	\$ (828)	\$ -	\$ -	\$ -
Covered payroll	\$ 27,955	\$ 26,380	\$ 24,840	\$ 25,148	\$ 25,596
Contributions as a percentage of covered payroll	13.68%	14.13%	10.47%	15.11%	16.80%

* This schedule is presented for the fiscal year.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2020

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

Preservation of Benefits Trust Plan

	2020	2019	2018	2017
Total Pension Liability				
Service cost	\$ 49,343	\$ 51,774	\$ 60,994	\$ 29,270
Interest cost	64,133	53,311	35,323	34,173
Differences between expected and actual experience	(64,295)	193,013	388,329	-
Changes of assumptions	109,070	(89,712)	(214,765)	272,579
Benefit Payments	(47,081)	(31,329)	-	-
Net Change in Total Pension Liability	111,170	177,057	269,881	336,022
Total pension liability -beginning	1,656,062	1,479,005	1,209,124	873,102
Total pension liability - ending	\$ 1,767,232	\$ 1,656,062	\$ 1,479,005	\$ 1,209,124
Covered payroll	31,584,841	31,628,301	31,131,795	29,189,357
Total Pension Liability as a percentage of covered payroll	5.6%	5.2%	4.8%	4.1%

Note to schedule: This schedule is intended to display the most recent 10 years of data for annual changes in the total pension liability. Until such time has elapsed after implementing GASB Statement No. 73, this schedule will only present information from those years that are available.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2020

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

Preservation of Benefits Trust Plan

	2020	2019	2018
Actuarially determined contribution	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	41,249	45,353	56,513
Contribution deficiency (excess)	\$ (41,249)	\$ (45,353)	\$ (56,513)
Covered payroll	\$ 33,090,880	\$ 31,584,841	\$ 31,628,301
Contributions as a percentage of covered payroll	0.12%	0.14%	0.18%

* This schedule is presented for the fiscal year.

Note to schedule: This schedule is intended to display the most recent 10 years of data for annual pension contributions. Until such time has elapsed after implementing GASB Statement No. 73, this schedule will only present information from those years that are available.

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2020

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

Other Postemployment Benefits

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 449,596	\$ 436,501	\$ 411,052
Interest Cost	1,883,080	1,772,578	1,606,959
Difference between expected and actual experience	(169,582)	-	-
Changes of Assumptions	(1,531,369)	-	766,830
Benefit Payments	(775,225)	(622,425)	(451,189)
Net Change in Total OPEB Liability	(143,500)	1,586,654	2,333,652
Total OPEB Liability (Beginning)	25,804,494	24,217,840	21,884,188
Total OPEB Liability (Ending)	\$ 25,660,994	\$ 25,804,494	\$ 24,217,840
Plan Fiduciary Net Position			
Contributions—Employer	\$ 775,225	\$ 622,425	\$ 2,012,419
Net Investment Income	1,604,058	1,896,351	2,175,582
Benefit Payments	(775,225)	(622,425)	(451,189)
Administrative Expense	(5,611)	(12,568)	(10,578)
Net Change in Plan Fiduciary Net Position	1,598,447	1,883,783	3,726,234
Plan Fiduciary Net Position (Beginning)	26,199,041	24,315,258	20,589,024
Plan Fiduciary Net Position (Ending)	\$ 27,797,488	\$ 26,199,041	\$ 24,315,258
Net OPEB Asset	(2,136,494)	(394,547)	(97,418)
Net Position as a Percentage of OPEB Liability	108.33%	101.53%	100.40%
Covered Payroll	14,608,940	16,625,857	16,141,609
Net OPEB Liability as a Percentage of Covered Payroll	(14.62%)	(2.37%)	(0.60%)

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

San Diego County Regional Airport Authority

Notes to Financial Statements
June 30, 2020 and 2019

Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2020

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

Other Postemployment Benefits

	2020	2019	2018
Actuarially determined contribution	\$ 427	\$ 486	\$ 472
Contributions in relation to the actuarially determined contribution	785	339	462
Contribution deficiency (excess)	\$ (358)	\$ 147	\$ 10
Covered payroll	\$ 14,609	\$ 13,869	\$ 15,674
Contributions as a percentage of covered payroll	5.37%	2.44%	2.95%

* This schedule is presented for the fiscal year.

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

San Diego County Regional Airport Authority

Single Audit Reports

June 30, 2020

San Diego County Regional Airport Authority

June 30, 2020

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San Diego County Regional Airport Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Transportation - Federal Aviation Administration:</u>				
Direct Programs:				
Airport Improvement Program (AIP)	20.106		\$ -	\$ 8,276
Airport Improvement Program (AIP)	20.106		-	4,014,411
Airport Improvement Program (AIP)	20.106		-	85,148
Airport Improvement Program (AIP)	20.106		-	504,749
Airport Improvement Program (AIP)	20.106		-	6,205,027
Airport Improvement Program (AIP)	20.106		-	131,250
Airport Improvement Program (AIP)	20.106		-	3,266,327
Airport Improvement Program (AIP)	20.106		-	1,936,338
COVID-19 - Airport Improvement Program (AIP)	20.106		-	36,895,488
			<u>-\$ -</u>	<u>\$ 53,047,014</u>
Total U.S. Department of Transportation - Federal Aviation Administration			<u>\$ -</u>	<u>\$ 53,047,014</u>

Notes to Schedule:

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of San Diego County Regional Airport Authority (Airport Authority) under a program of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Airport Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Airport Authority.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Airport Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the San Diego County Regional Airport Authority (Airport Authority), which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport Authority's internal control over financial reporting (internal control) as a basis for designating audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Airport Authority's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
October 20, 2020

**Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance;
and Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

We have audited San Diego County Regional Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Airport Authority's major federal program for the year ended June 30, 2020. The Airport Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Airport Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Airport Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Airport Authority as of and for the year ended June 30, 2020, and have issued our report thereon dated October 20, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Dallas, Texas
October 20, 2020

San Diego County Regional Airport Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
- Unmodified Qualified Adverse Disclaimer
2. The independent auditor's report on internal control over financial reporting disclosed:
- Significant deficiency(ies)? Yes None reported
- Material weakness(es)? Yes No
3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal award program disclosed:
- Significant deficiency(ies)? Yes None reported
- Material weakness(es)? Yes No
5. The opinion expressed in the independent auditor's report on compliance for the major federal award program was:
- Unmodified Qualified Adverse Disclaimer
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?
- Yes No

San Diego County Regional Airport Authority
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

7. The Airport Authority's major program was:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Airport Improvement Program	20.106

8. The threshold used to distinguish between Type A and Type B programs was \$1,591,410.

9. The Organization qualified as a low-risk auditee? Yes No

San Diego County Regional Airport Authority
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
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No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
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No matters are reportable.

San Diego County Regional Airport Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

Reference Number	Summary of Finding	Status
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No matters are reportable.

San Diego County Regional Airport Authority

Passenger Facility Charge Program

Compliance Report

Year Ended June 30, 2020

(With Independent Auditor's Report Thereon)

San Diego County Regional Airport Authority

Passenger Facility Charge Program

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June 30, 2020

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San Diego County Regional Airport Authority
Passenger Facility Charge Program
Schedule of Passenger Facility Charge Collections and Expenditures
Year Ended June 30, 2020

Revenues	Date Approved	Amount Approved For Use	Cumulative Total – June 30, 2019	Quarter Ended				Year Ended June 30, 2020	Cumulative Total – June 30, 2020
				September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020		
Passenger facility charge collections			\$ 745,846,808	\$ 12,799,716	\$ 12,543,000	\$ 10,742,789	\$ 4,838,772	\$ 40,924,277	\$ 786,771,085
Interest earned			15,410,476	284,880	261,034	261,801	220,632	1,028,347	16,438,823
Total passenger facility charge revenue received			<u>\$ 761,257,284</u>	<u>\$ 13,084,596</u>	<u>\$ 12,804,034</u>	<u>\$ 11,004,590</u>	<u>\$ 5,059,404</u>	<u>\$ 41,952,624</u>	<u>\$ 803,209,908</u>
Expenditures									
Application 95-01-C-04-SAN	7/26/1995	\$ 103,804,864	\$ 103,804,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,804,864
Application 98-02-C-04-SAN	7/24/1998	45,496,665	45,496,665	-	-	-	-	-	45,496,665
Application 03-03-C-01-SAN	5/20/2003	65,058,035	65,058,035	-	-	-	-	-	65,058,035
Application 05-04-C-01-SAN	11/22/2005	44,822,518	44,822,518	-	-	-	-	-	44,822,518
Application 08-05-C-01-SAN	6/27/2008	19,031,690	19,031,690	-	-	-	-	-	19,031,690
Application 09-07-C-00-SAN	9/30/2009	85,181,950	79,489,990	-	-	-	-	-	79,489,990
Application 10-08-C-00-SAN	11/24/2010	1,118,567,229	258,912,163	7,501,335	7,501,335	7,501,335	7,501,335	30,005,340	288,917,503
Application 12-10-C-00-SAN	7/3/2012	27,835,280	25,858,133	-	-	-	-	-	25,858,133
Application 15-11-U-00-SAN	7/1/2008	1,391,894	1,391,894	-	-	-	-	-	1,391,894
Application 16-12-C-00-SAN	10/28/2016	43,795,768	21,357,630	551,032	931,137	694,922	769,570	2,946,661	24,304,291
Application 19-13-C-00-SAN	2/14/2019	40,000,000	-	37,217,303	968,524	-	1,814,173	40,000,000	40,000,000
Total passenger facility charge revenue expended		<u>\$ 1,594,985,893</u>	<u>\$ 665,223,582</u>	<u>\$ 45,269,670</u>	<u>\$ 9,400,996</u>	<u>\$ 8,196,257</u>	<u>\$ 10,085,078</u>	<u>\$ 72,952,001</u>	<u>\$ 738,175,583</u>

See Note to Schedule of Passenger Facility Charge Collections and Expenditures.

San Diego County Regional Airport Authority

Passenger Facility Charge Program

Note to Schedule of Passenger Facility Charge Collections and Expenditures

Year Ended June 30, 2020

Note 1: General

This schedule includes the Passenger Facility Charge (PFC) Program activity of the San Diego County Regional Airport Authority (Airport Authority) and is presented on the modified cash basis of accounting. Under the modified cash basis of accounting, PFC revenues are recognized when received rather than when earned and eligible expenditures are recognized when the related goods or services are provided or incurred. The information in this schedule is presented in accordance with the requirements of the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements of the Airport Authority.

PFC expenditures may consist of direct project costs, administrative costs, debt service, and bond financing costs, as applicable to active applications. The accompanying schedule of Passenger Facility Charge Collections and Expenditures includes eligible expenditures that have been applied against PFCs collected as of June 30, 2020.

**Report on Compliance for the Passenger Facility Charge Program;
Report on Internal Control Over Compliance; and Report
on Schedule of Passenger Facility Charge Collections and Expenditures**

Independent Auditor's Report

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

Report on Compliance for Passenger Facility Charge Program

We have audited San Diego County Regional Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) that could have a direct and material effect on the passenger facility charge program for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions applicable to its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Airport Authority's passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the Airport Authority's compliance.

Opinion on Passenger Facility Charge Program

In our opinion, the San Diego County Regional Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Passenger Facility Charge Collections and Expenditures

We have audited the financial statements of the Airport Authority as of and for the year ended June 30, 2020, and have issued our report thereon dated October 20, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying *Schedule of Passenger Facility Charge Collections and Expenditures* is presented for purposes of additional analysis, as specified in the Guide, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Passenger Facility Charge Collections and Expenditures* is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Dallas, Texas
October 20, 2020

San Diego County Regional Airport Authority
Passenger Facility Charge Program Audit Summary
Year Ended June 30, 2020

Summary of Auditor's Results

- | | | | |
|--|--|------------------------------------|---|
| 1. Type of report issued on PFC financial statements. | <input checked="" type="checkbox"/> Unmodified | <input type="checkbox"/> Qualified | |
| 2. Type of report on PFC compliance. | <input checked="" type="checkbox"/> Unmodified | <input type="checkbox"/> Qualified | |
| 3. Quarterly revenue and expenditures reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 4. PFC revenue and interest is accurately reported on FAA Form 5100-127. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 5. The Public Agency maintains a separate financial accounting record for each application. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 6. Funds disbursed were for PFC eligible items as identified in the FAA decision to pay only for the allowable costs of the project. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 9. Serving carriers were notified of PFC program actions/changes approved by the FAA. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 10. Quarterly reports were transmitted (or available via website) to remitting carriers. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7, and 8. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 12. Project design and implementation is carried out in accordance with Assurance 9. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 13. Program administration is carried out in accordance with Assurance 10. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 14. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence. | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input checked="" type="checkbox"/> N/A |

San Diego County Regional Airport Authority
Schedule of Passenger Facility Charge Program
Findings and Questioned Costs
Year Ended June 30, 2020

Findings Required to be Reported by the Guide

Reference Number	Finding
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No matters are reportable.

San Diego County Regional Airport Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

Reference Number	Summary of Finding	Status
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No matters are reportable.

San Diego County Regional Airport Authority

Customer Facility Charge Program

Compliance Report

Year Ended June 30, 2020

(With Independent Auditor's Report Thereon)

San Diego County Regional Airport Authority
Customer Facility Charge Program
June 30, 2020

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San Diego County Regional Airport Authority
Customer Facility Charge Program
Schedule of Customer Facility Charge Collections and Expenditures
Year Ended June 30, 2020

Description	Beginning Balance, Unapplied CFC	CFC Collections	Interest Earned	Expenditures	Ending Balance, Unapplied CFC
Collections and expenditures, quarter ended September 30, 2019	\$ 43,169,107	\$ 11,552,844	\$ 257,573	\$ 9,289,303	\$ 45,690,221
Collections and expenditures, quarter ended December 31, 2019	\$ 45,690,221	10,317,837	235,723	8,869,271	\$ 47,374,510
Collections and expenditures, quarter ended March 31, 2020	\$ 47,374,510	8,928,417	214,464	8,025,999	\$ 48,491,392
Collections and expenditures, quarter ended June 30, 2020	\$ 48,491,392	<u>2,644,467</u>	<u>116,082</u>	<u>8,443,131</u>	\$ 42,808,810
		<u>\$ 33,443,565</u>	<u>\$ 823,842</u>	<u>\$ 34,627,704</u>	

See Notes to Schedule of Customer Facility Charge Collections and Expenditures

San Diego County Regional Airport Authority
Customer Facility Charge Program
Notes to Schedule of Customer Facility Charge Collections and Expenditures
Year Ended June 30, 2020

Note 1: General

In May 2009, Assembly Bill 491 of the 2001-2002 California Legislature (codified in California Civil Code Section 1936 et seq.) authorized the San Diego County Regional Airport Authority (Airport Authority) to impose a \$10 Customer Facility Charge (CFC) per contract on rental cars at the San Diego International Airport.

On October 4, 2012, the Airport Authority Board of Directors approved an alternative CFC rate modification from the \$10 CFC rate per contract to \$6.00 per day (up to a maximum of five days) to allow for the collection of sufficient CFC funds to cover the future costs of the anticipated consolidated rental car facility and centralized bussing system. Effective January 1, 2014, the CFC fee increased from \$6.00 to \$7.50 per day up to a maximum of five days. As of June 30, 2016, a CFC forecast was examined to collect an alternative fee. This resulted in a CFC increase from \$7.50 to \$9.00 per day up to a maximum of five days, effective as of January 1, 2017.

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects and operations. The Airport Authority is utilizing CFC revenue for the development and operation of a consolidated rental car facility. The primary objectives of this project are to reduce vehicle traffic volume on terminal curb front and Harbor Drive, provide a long-term rental car facility and site for airport passengers and rental car concessionaires, and implement a common use bussing system.

Note 2: Basis of Presentation

The accompanying *Schedule of Customer Facility Charge Collections and Expenditures* includes the CFC activity of the Airport Authority and is presented on the modified cash basis of accounting. Under the modified cash basis of accounting, CFC revenues are recognized when received rather than when earned (collections) and eligible expenditures are recognized when the related goods or services are provided or incurred. The information in this schedule is presented for purposes of additional analysis, as specified in California Civil Code Section 1936.

CFC expenditures may consist of direct project costs, administrative costs, debt service, and related financing costs. The accompanying Schedule of Customer Facility Charge Collections and Expenditures includes the eligible expenditures that have been applied against CFCs collected as of June 30, 2020.

**Report on Compliance for the Customer Facility Charge Program;
Report on Internal Control Over Compliance; and Report on
Schedule of Customer Facility Charge Collections and Expenditures**

Independent Auditor's Report

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

Report on Compliance for Customer Facility Charge Program

We have audited San Diego County Regional Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the *California Civil Code Section 1949* (Code) that could have a direct and material effect on the customer facility charge program for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the requirements of state statutes, regulations, and terms and conditions applicable to its customer facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance of the Airport Authority based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Code. Those standards and the Code require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the customer facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Code. However, our audit does not provide a legal determination on the Airport Authority's compliance.

Opinion on Customer Facility Charge Program

In our opinion, the San Diego County Regional Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its customer facility charge program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the requirements that could have a direct and material effect on the customer facility charge program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Code, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the customer facility charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the customer facility charge program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the customer facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the customer facility charge program. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Customer Facility Charge Collections and Expenditures

We have audited the financial statements of the Airport Authority as of and for the year ended June 30, 2020, and have issued our report thereon, dated October 20, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Customer Facility Charge Collections and Expenditures is presented for purposes of additional analysis, as specified in the Code, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Customer Facility Charge Collections and Expenditures* is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Dallas, Texas
October 20, 2020



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

As part of our audits of the financial statements and compliance of the San Diego County Regional Airport Authority (Airport Authority) as of and for the year ended June 30, 2020, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in Government Auditing Standards Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); the Passenger Facility Charge Audit Guide for Public Agencies (Guide) Issued by the Federal Aviation Administration, and the California Civil Code Section 1949 (Code), an ordinance of the State of California

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Uniform Guidance, the Guide and the Code is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the OMB Compliance Supplement, the Guide and the Code that could have a direct and material effect on a major federal program, the passenger facility charge program or the customer facility charge program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Airport Authority's significant accounting policies are described in *Note 1* of the Comprehensive Annual Financial Report (CAFR).

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involves significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Fair market value of investments Valuation allowance for various receivables

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Cash, cash equivalents and investments
- Long-term liabilities
- Defined benefit and other postemployment benefit plans
- Disclosures about fair value of assets
- Commitments and contingencies

Audit Adjustments

No matters are reportable.

Auditor's Judgments About the Quality of the Airport Authority's Accounting Principles

No matters are reportable.

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. There were no difficulties encountered during the course of our audit. Management of the Airport Authority assisted with all audit requests in a timely manner.

Other Material Communication

Listed below is a material communication between management and us related to the audit:

- Management representation letter (*attached*)

OTHER MATTERS

We observed the following matters related to ongoing standard setting by the GASB. We can discuss these matters further at your convenience and may provide assistance with implementation including initial and ongoing considerations.

GASB Statement No. 84, Fiduciary Activities

GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on: (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

GASB 84 is effective for the Authority's fiscal year ending June 30, 2021.

GASB Statement No. 87, Leases (GASB 87)

GASB 87 provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and non-lease components will need to be separated so each component is accounted for accordingly.

GASB 87 is effective for the Authority's fiscal year ending June 30, 2022. Earlier application is encouraged. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun.

This communication is intended solely for the information and use of Audit Committee, Members of the Board, and management and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

October 20, 2020



October 20, 2020

BKD, LLP

Certified Public Accountants
14241 Dallas Parkway, Suite 1100
Dallas, Texas 75254

We are providing this letter in connection with your audits of our financial statements as of and for the years ended June 30, 2020 and 2019, and your audit of our compliance with requirements applicable to our major federal awards program and passenger facility charge and customer facility charge programs as of and for the year ended June 30, 2020. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated August 30, 2020, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

5. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - (b) Additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the San Diego County Regional Airport Authority (Airport Authority) from whom you determined it necessary to obtain audit evidence.
 - (d) All minutes of meetings of the governing body held through the date of this letter.
 - (e) All significant contracts and grants.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:
 - (a) Misappropriation of assets.
 - (b) Misrepresented or misstated assets, liabilities, or net position.
8. We have no knowledge of any known or suspected:
 - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
 - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Airport Authority received in communications from employees, customers, regulators, suppliers, or others.
10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.
11. Except as reflected in the financial statements, there are no:
 - (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

- (b) Material transactions omitted or improperly recorded in the financial statements.
- (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
- (d) Events occurring subsequent to the statement of net position date through the date of this letter requiring adjustment or disclosure in the financial statements.
- (e) Agreements to purchase assets previously sold.
- (f) Restrictions on cash balances or compensating balance agreements.
- (g) Guarantees, whether written or oral, under which the Airport Authority is contingently liable.

12. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

13. We have no reason to believe the Airport Authority owes any penalties or payments under the *Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

14. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

15. Adequate provisions and allowances have been accrued for any material losses from:

- (a) Uncollectible receivables.
- (b) Sales/lease/service commitments, including those unable to be fulfilled.
- (c) Purchase commitments in excess of normal requirements or above prevailing market prices.

16. Except as disclosed in the financial statements, we have:

- (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
- (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

17. Except as already disclosed, we have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

18. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.

19. With regard to deposit and investment activities:
- (a) All deposit, and investment transactions have been made in accordance with legal and contractual requirements.
 - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - (c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
20. With respect to any nonattest services you have provided us during the year, including assisting with the preparation of the comprehensive annual financial report (CAFR) and assistance with submission of our data collection form to the Federal Audit Clearinghouse:
- (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
 - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - (d) We have evaluated the adequacy of the services performed and any findings that resulted.
21. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.
22. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
23. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
24. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
25. We have a process to track the status of audit findings and recommendations.
26. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.

27. With regard to federal awards programs, passenger facility charge and customer facility charge programs:

- (a) We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations or in any other form.
- (b) We have identified the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; matching, reporting; and special tests and provisions that are applicable to our federal awards program. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations. We have also identified all compliance requirements of the passenger facility charge and customer facility charge programs.
- (c) We are responsible for complying, and have complied, with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the *Passenger Facility Charge Audit Guide for Public Agencies*, and *California Code 1949*, as applicable to our Customer Facility Charge program.
- (d) We are responsible to understand and comply with the requirements of federal statutes, regulations and the terms and conditions of federal awards related to each of our federal awards programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance, we have disclosed to you, we believe the Airport Authority has complied with all applicable compliance requirements.
- (e) We are responsible for establishing and maintaining effective internal control over compliance to provide reasonable assurance we have administered each of our federal awards, passenger facility charge and customer facility charge programs in compliance with federal statutes, regulations and the terms and conditions of the federal awards and passenger facility charge and customer facility charge programs.
- (f) We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.
- (g) The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.

- (h) The costs charged to federal awards are in accordance with applicable cost principles.
- (i) The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency and, the applicable payment system.
- (j) Amounts claimed or used for matching were determined in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) regarding cost principles.
- (k) We have disclosed to you any communications from federal awarding agencies concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.
- (l) We have identified to you any previous compliance audits, attestation engagements and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other monitoring.
- (m) The reporting package does not contain any protected personally identifiable information.

28. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of net position date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

29. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

30. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis and pension/other post-employment benefit information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or

presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

31. With regard to supplementary information:

- (a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
- (b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
- (c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
- (d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
- (e) If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.

32. We acknowledge the current economic volatility presents difficult circumstances and challenges for the governments, which has a significant impact on the Airport Authority's operations. Airports are facing declines in the volume of business and constraints on liquidity. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts and notes receivable, etc. that could negatively impact the Airport Authority's ability to meet debt covenants or maintain sufficient liquidity. We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the Airport Authority's financial statements. Further, management and the Board are solely responsible for all aspects of managing the Airport Authority, including questioning the quality and valuation of investments, and other assets, reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.


Scott Brickner (Oct 20, 2020 18:01 PDT)

Scott Brickner, CPA,
Vice President / Chief Financial Officer



SAN DIEGO
INTERNATIONAL AIRPORT
LET'S **GO.**

Report to the Audit Committee

November 16, 2020

Annual Audit Year Ended June 30, 2020

Presented by

Danny Martinez, CPA, CGFM

David Coleman, CPA

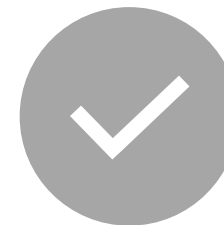
Agenda



AUDIT RESULTS



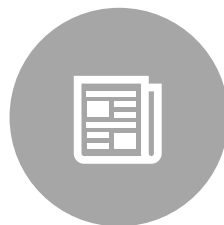
FINANCIAL HIGHLIGHTS



REQUIRED COMMUNICATIONS



FINDINGS



INDUSTRY NEWS



COVID-19

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BKD

**Audit Results
For Year Ended
June 30, 2020**





Audit Results

Report	Results
Financial Statement Opinion	Unmodified
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards	Unmodified
Independent Auditor's Report on Compliance for the Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	Unmodified
Independent Auditor's Report on Compliance for the Passenger Facility Charge Program; Report on Internal Control Over Compliance; and Report on Schedule of Passenger Facility Charge Collections and Expenditures	Unmodified
Independent Auditor's Report on Compliance for the Customer Facility Charge Program; Report on Internal Control Over Compliance; and Report on Schedule of Customer Facility Charge Collections and Expenditures	Unmodified

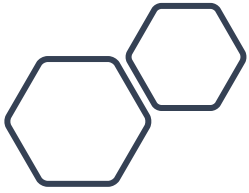
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**Areas of
Audit
Emphasis**

Audit Area	Steps Performed
All significant transaction cycles	Gained understanding of internal control design and operation (pre and during Covid)
Accounts Receivable (including tenants and grants)	Evaluated the allowance, gained and understanding and tested accounting or deferrals/waivers, verified cutoff for grants
Debt	Tested covenants for compliance, confirmed payments, tested bond issuance journal entries
Single Audit	Audited the Airport Improvement Program, including FAA CARES money spent through June 30, 2020



MindBridge Ai

Used to analyze 100% of the transactions in the Airport Authority's financial data to provide a summarized assessment of risk

Ai Auditor uses business rules, statistical methods, and machine learning to risk score each transaction

Key Control Points

› Business rules

- Suspicious keywords, sequence gaps, duplicates, reversals, cash expenditures

› Statistical methods

- High monetary value, Benford's law, unusual amount

› Machine learning

- Rate flow, outlier anomaly, expert score, flow analysis

Airport Authority's Transaction Risk

High Risk

\$1.02B

15 transactions (0.2%)
of the ledger

Medium Risk

\$6.71B

2,086 transactions
(26.3%) of the ledger

Low Risk

\$3.00B

5,816 transactions
(73.5%) of the ledger

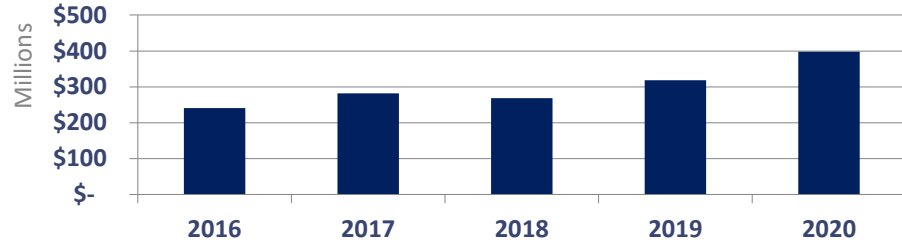
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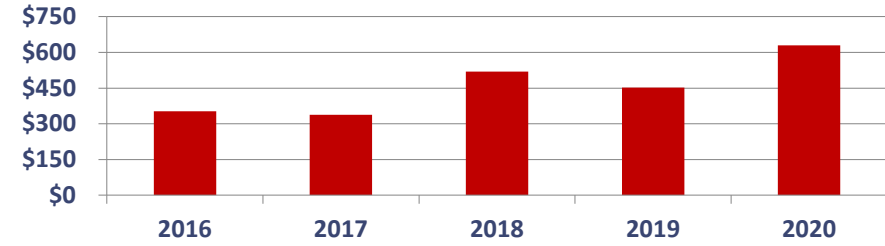
Financial Highlights



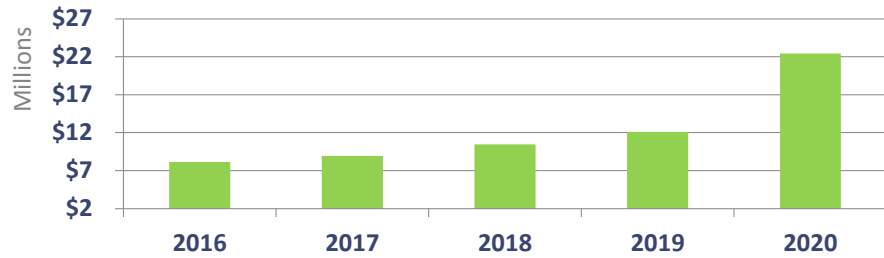
Cash, Cash Equivalents and Investments - Unrestricted



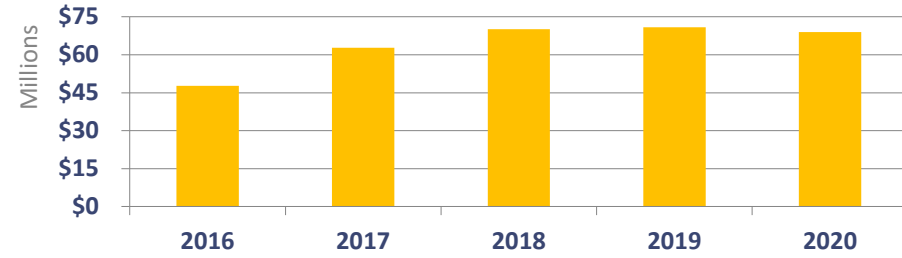
Cash, Cash Equivalents and Investments - Restricted



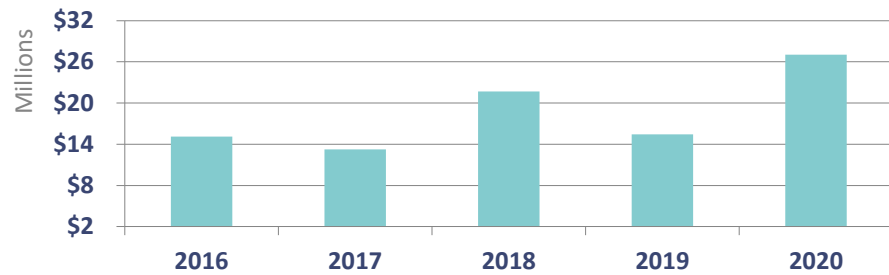
Tenant Lease Receivables



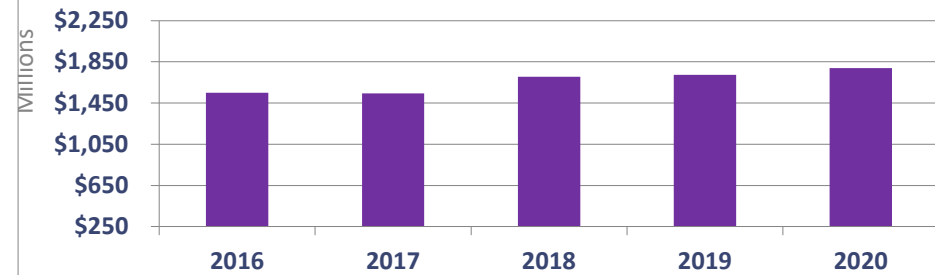
Other Assets and Deferred Outflows



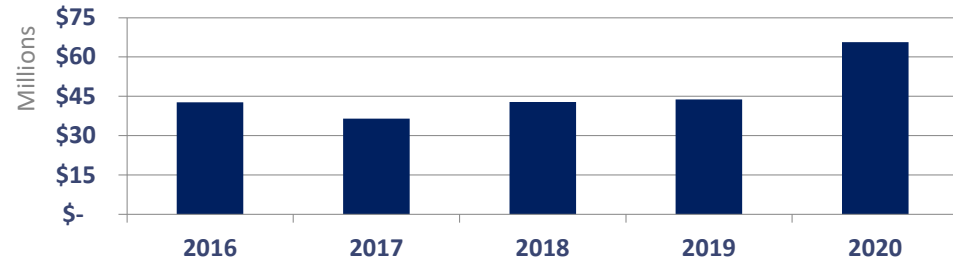
Grant, PFC & CFC Receivables



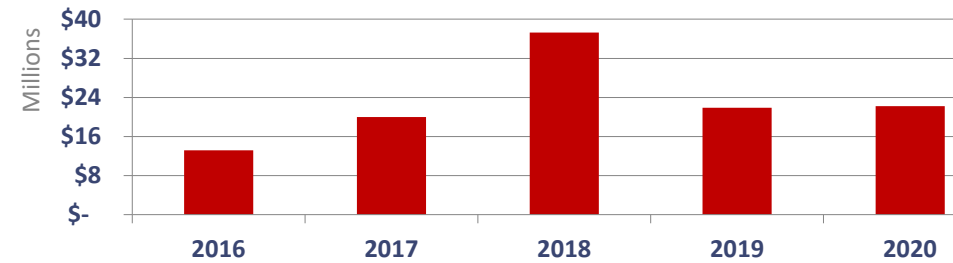
Capital Assets, Net



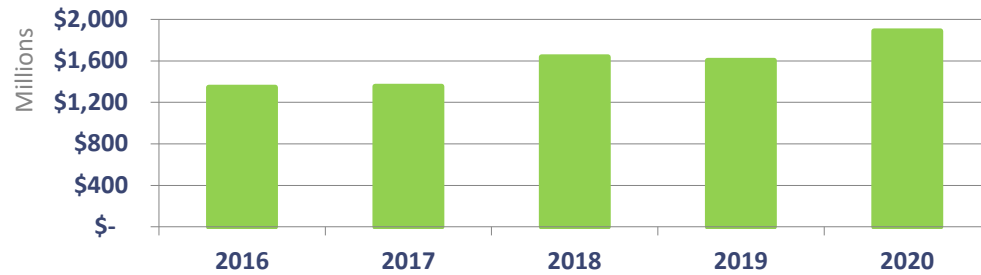
Accounts Payable and Accrued Liabilities- Unrestricted



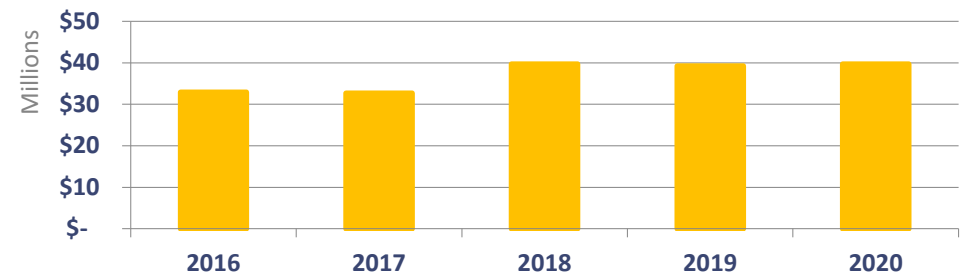
Accounts Payable and Accrued Liabilities- Restricted



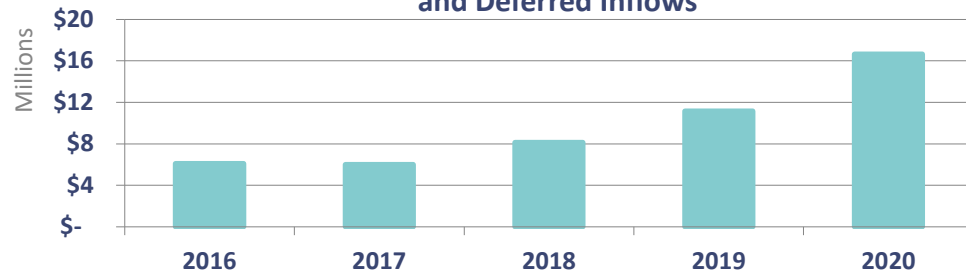
Long-Term Debt



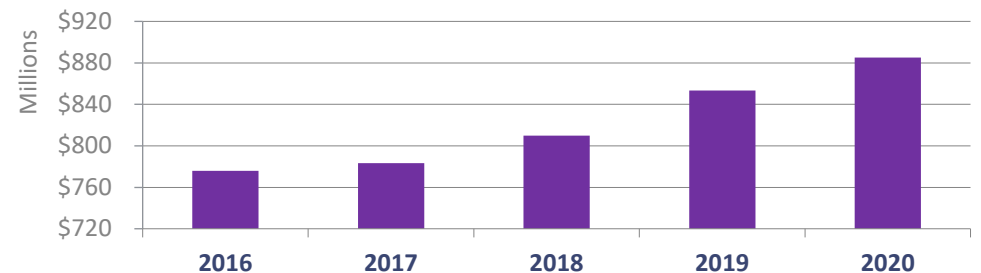
Accrued Interest on Debt



Other Liabilities Compensated Absences and Deferred Inflows



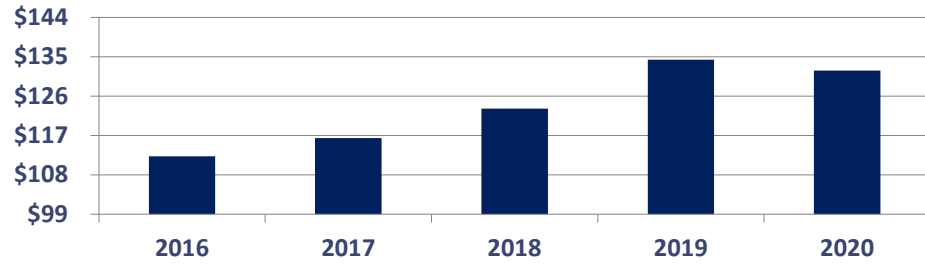
Total Net Position



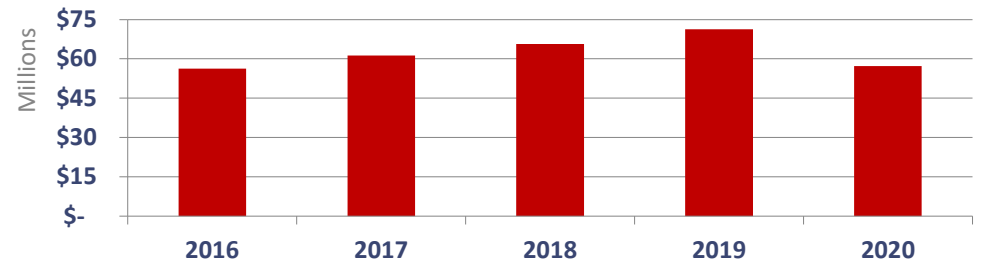
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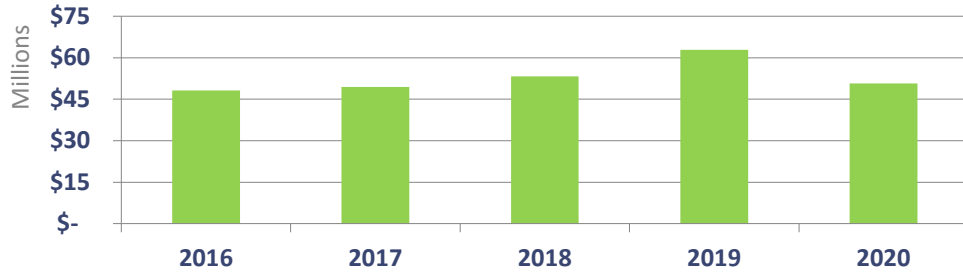
Airline Revenue



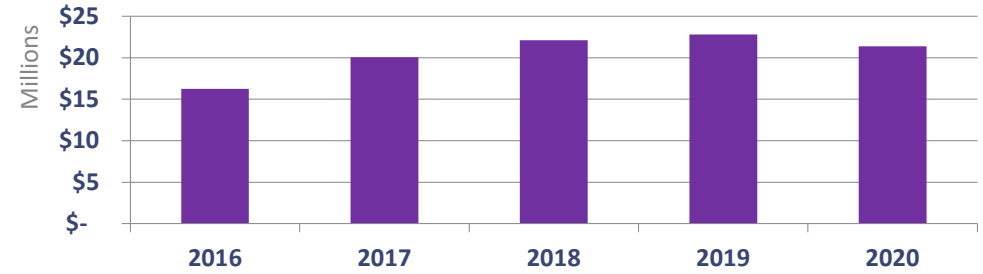
Concession Revenue



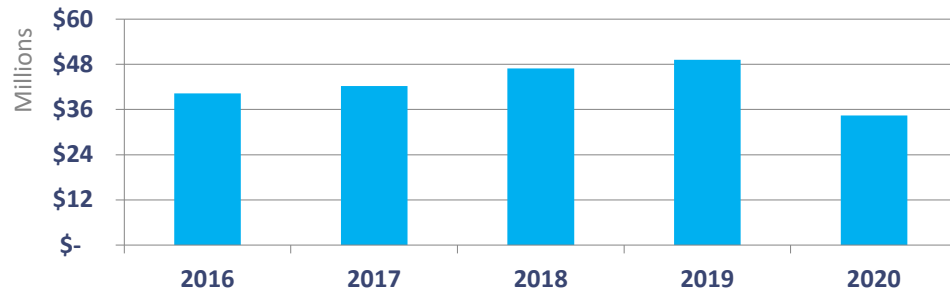
Parking and Ground Transportation Revenue



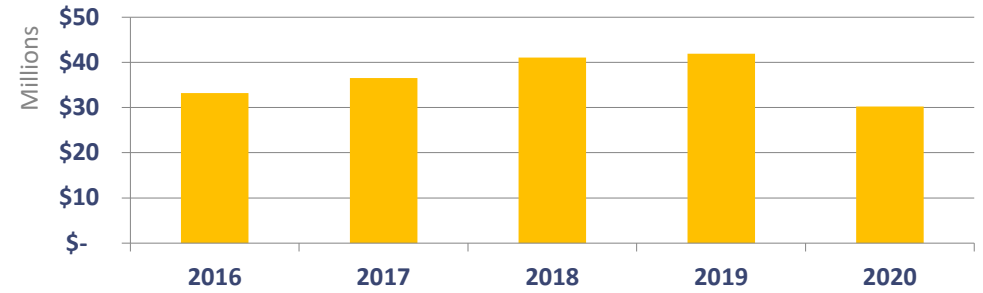
Ground and Non-Airline Terminal Rentals



Passenger Facility Charges



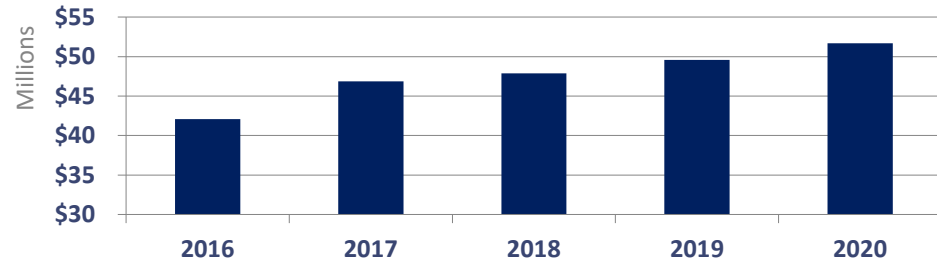
Customer Facility Charges



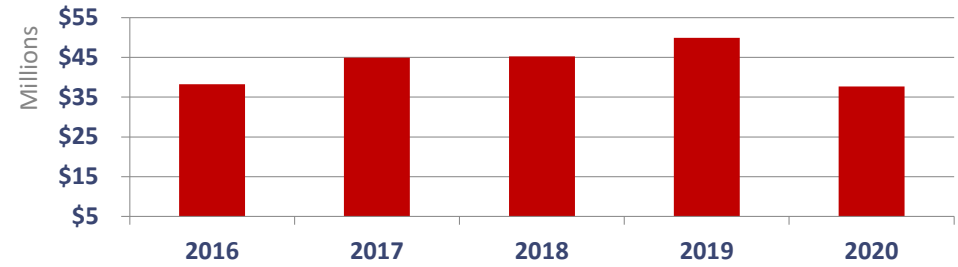
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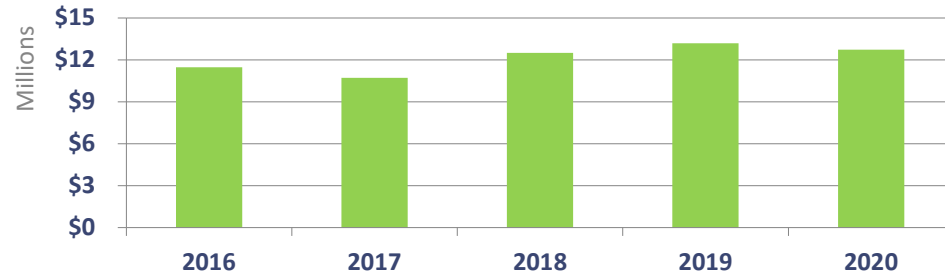
Salaries and Benefits



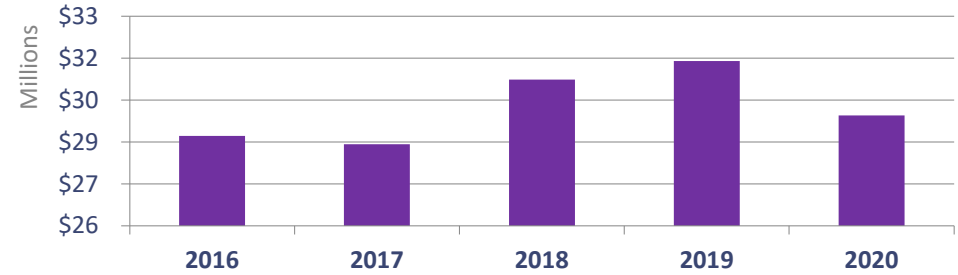
Contractual Services



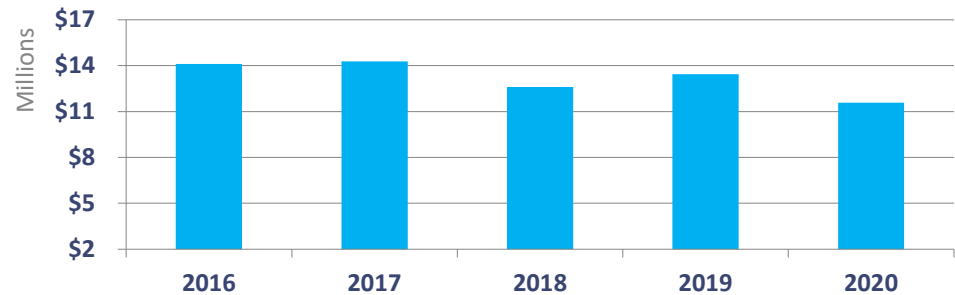
Utilities



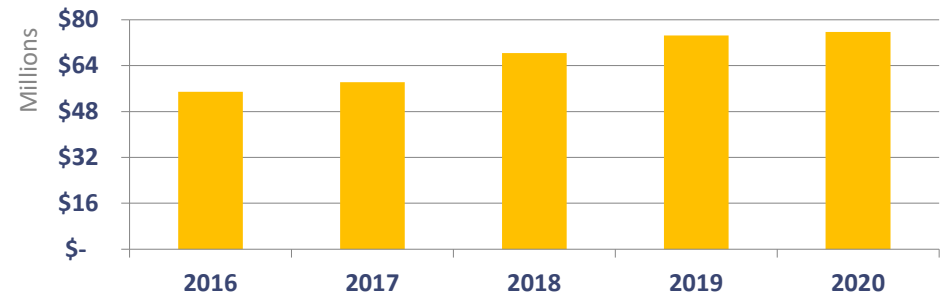
Safety and Security



Maintenance



Interest Expense



Financial Highlights - COVID



FAA CARES Act Funding

Statements of Revenues, Expenses and Change in Net Assets, Continued
June 30, 2020 and 2019

	2020	2019
Nonoperating revenues (expenses):		
Passenger facility charges	\$ 34,392,981	\$ 49,197,716
Customer facility charges	30,239,698	41,918,554
CARES Act Grant	36,895,488	-
Quieter Home Program grant revenue (Note 1)	12,155,776	11,550,178
Quieter Home Program expenses (Note 1)	(15,450,983)	(14,742,390)
Joint Studies Program	-	(98,601)
Investment income	32,429,489	25,533,268
Interest expense (Note 5)	(75,700,970)	(74,501,336)
Build America Bonds subsidy (Note 5)	2,089,397	4,686,174
Other revenues (expenses), net	1,442,102	(510,440)
Nonoperating revenue, net	58,492,978	43,033,123
Income before federal grants	27,691,330	35,164,416
Federal grants (Note 1)	4,071,980	8,213,234
Change in net position	31,763,310	43,377,650
Net position, beginning of year	853,302,357	809,924,707
Net position, end of year	\$ 885,065,667	\$ 853,302,357

See Notes to Financial Statements.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED) FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

CARES ACT:

CARES Act grant is the *Coronavirus Aid, Relief, and Economic Security Act* approved by the United States Congress and signed into law by the President on March 27, 2020. It was a legislative action to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Airport Authority was awarded \$91.2 million in

CARES Act grant funds. The Airport Authority drew \$36.9M of the CARES Act grant in FY 2020.

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Tenant Lease Receivable, Net

Statements of Net Position June 30, 2020 and 2019

Assets and Deferred Outflows of Resources	2020	2019
Current Assets		
Unrestricted:		
Cash and cash equivalents (Note 2)	\$ 36,935,136	\$ 10,286,307
Investments (Notes 2 and 11)	159,562,631	124,558,161
Tenant lease receivables, net	22,826,211	12,491,101
Grants receivable	25,467,263	4,148,758
Note receivable, current portion (Note 3)	2,123,843	2,006,052
Other current assets	9,216,212	7,111,124
Total unrestricted current assets	256,131,296	160,601,503
Restricted cash, cash equivalents and investments with trustees (Notes 2 and 5)	93,486,053	83,990,603
Total current assets	349,617,349	244,592,106

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.

In May 2020, the Airport Authority approved a three-month deferral of airline revenue to provide airlines relief in response to the COVID-19 pandemic. As of June 30, 2020, the balance due on airline deferred revenues was approximately \$8.3 million. Any remaining outstanding balances will be included in the fiscal year 2020 airline rates and charges reconciliation and settlement in November 2020.

Other Note Disclosures

Commitments and Contingencies

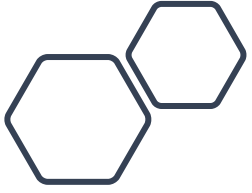
The dynamic nature of the COVID-19 pandemic is the cause of numerous uncertainties, some of which include the ultimate duration or extent of the pandemic; the duration or expansion of travel restrictions and warnings; to what extent the COVID-19 pandemic will disrupt the local or global economy; the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

Subsequent Events

For the first quarter of fiscal year 2021, enplanements levels were 72 percent lower compared to the first quarter of fiscal year 2020. The profound decline in enplanements resulted in continued severe decline in sales for all Non-Airline Tenants, whose gross revenues continue to be 70 percent to 90 percent below prior year levels. To address the continued impact and provide significant relief of rents and fees, on October 26, 2020, Airport Authority management will forward the recommendation for Board approval to extend rent forbearance and abatement agreements mentioned in Note 12, as modified, to qualifying non-airline tenants for an additional three month period beginning October 1, 2020 and ending December 31, 2020. The Airport Authority intends to use funds from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to reimburse

certain operating expenses and debt service in order to offset the financial impact.

On July 22, 2020, the Airport Authority filed a "Voluntary Statement Regarding Impacts of COVID-19" ("Statement") relating to the Airport Authority Senior Revenue Bonds, Subordinate Revenue Bonds and Special Facilities Revenue Bonds with the Municipal Securities Rule Making Board. The document describes some of the impacts that the COVID-19 pandemic has had, and will continue to have, on passenger traffic at San Diego International Airport and the Airport Authority's finances, and to describe some of the actions that the Airport Authority has taken, and is taking, in response to the pandemic.

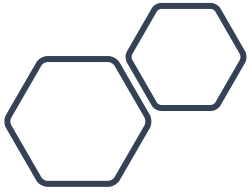


Required Communications



Required Communication	BKD's Response
Significant Estimates	<ul style="list-style-type: none"> • AR Allowance • Fair Value of Investments • Depreciable Lives
Quality of Accounting Principles	<ul style="list-style-type: none"> • Significant Accounting Policies • Alternative Accounting Treatments
Financial Statement Disclosures	<ul style="list-style-type: none"> • Disclosure about fair value of assets • Commitments and contingencies
Auditor's Judgments About the Quality of Client's Accounting Policies	None

Required Communication	BKD's Response
Disagreements with Management	None
Other Information in Documents Containing Audited Financial Statements	None
Consultations with Other Accountants	None
Significant Issues Discussed with Management	None
Difficulties or Disagreements while Performing the Audit	None
Substantial Doubt About the Entity's Ability to Continue as a Going Concern	None
Other Material Communications	None



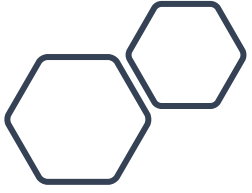
Findings



Findings Reporting in CY

- › Material Weakness/
Material Noncompliance
 - › Significant Deficiency
 - › Control Deficiency
 - › Other Noncompliance
- › None identified
 - › None identified
 - › None identified
 - › None identified

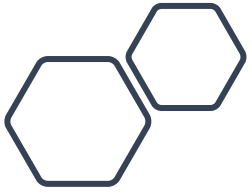




Industry Developments

Industry Developments affecting the Airport Authority

- › *GASB 87*, Leases to be implemented for FY2022
 - June 30 year ends now go first
- › ACFE Issued “Fraud in the Wake of Covid-19: Benchmarking Report”
 - 77% of respondents observed an increase in fraud from May to August 2020
 - Cyberfraud, payment fraud, and fraud by vendors and sellers in top 5
- › Preparing for additional federal government assistance related to Covid-19



COVID-19



COVID-19 Resources for Public Sector Entities

Thoughtware Resource

Mar 25, 2020

Related Industries: Public Sector, Airports, Municipal & State Governments, Public Utilities, Tribal Government

Topics: COVID-19

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AUDIT COMMITTEE

Meeting Date: **NOVEMBER 16, 2020**

Subject:

Review of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2020

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance.

Background/Justification:

A Comprehensive Annual Financial Report (CAFR) is a set of U.S. government financial statements that encompass the financial report of a state, municipal, or other governmental entity that conforms with the accounting requirements of the Governmental Accounting Standards Board (GASB).

The CAFR provides a measure of financial transparency on local and state government spending. It is a more thorough report when compared to the audited financial statements, and includes three major sections: the introductory section, which provides general information on the airport's organization structure; the financial section, which includes the Airport's audited financial statements; and the statistical section, which provides data trends.

The Charter of the Audit Committee directs the Committee to review the CAFR and other external auditor annual reports, and to forward them to the San Diego County Regional Airport Authority Board for approval.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020, is submitted as Attachment A.

Fiscal Impact:

Adequate funding for the audit conducted by BKD, LLP is included in the adapted Fiscal Year 2021 and conceptually approved Fiscal Year 2022 Operating Expense Budgets within the Accounting Department, Services – Auditing line item.

Authority Strategies/Focus Areas:

This item supports one or more of the Authority Strategies, as follows:

Strategies

- Community Strategy
- Customer Strategy
- Employee Strategy
- Financial Strategy
- Operations Strategy

Focus Areas

- Advance the Airport Development Plan
- Transform the Customer Journey
- Optimize Ongoing Business

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

SCOTT BRICKNER
VICE-PRESIDENT/CHIEF FINANCIAL OFFICER

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SAN DIEGO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2020 & 2019



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
SAN DIEGO, CALIFORNIA

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT
FISCAL YEARS ENDED JUNE 30, 2020 & 2019

PREPARED BY

ACCOUNTING DEPARTMENT OF THE
SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

Scott Brickner

Vice President/Chief Financial Officer

Elizabeth Stewart

Senior Manager, Accounting

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SAN DIEGO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 & 2019

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An aerial photograph of a city skyline, likely San Francisco, showing a dense cluster of skyscrapers and a large harbor filled with numerous white yachts. The image is overlaid with a semi-transparent teal rectangle on the right side, which contains white text. The text is arranged in a list format, starting with a large heading and followed by four smaller items.

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

AUTHORITY ORGANIZATION CHART

AUTHORITY BOARD MEMBERS AND EXECUTIVE STAFF

GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING



PROFILE OF AIRPORT AUTHORITY AND ORGANIZATIONAL STRUCTURE

October 20, 2020
To the Public:

We are pleased to present the Comprehensive Annual Financial Report of the San Diego County Regional Airport Authority (“Airport Authority”) for the fiscal years ended June 30, 2020 and 2019. The purpose of this report is to provide the Airport Authority Board, the public and other interested parties with reliable information concerning the financial condition and results of the operations of the Airport Authority. The Airport Authority’s Accounting Department prepared this report following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). Responsibility for the accuracy, completeness and fairness of the presented data, including all disclosures, rests with the Airport Authority management.

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

The Airport Authority began operations on January 1, 2003, as an independent agency to manage the operations of San Diego International Airport (SAN) and address the region’s long-term air transportation needs. The legislation that created the Airport Authority mandates three main responsibilities:

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

The Airport Authority is governed by an appointed Board of Directors of nine members representing all areas of San Diego County and three additional

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

The Airport Authority engaged the Certified Public Accounting firm BKD, LLP to perform the annual independent audit of the basic financial statements contained in this report. The auditors issued an unmodified (or clean) opinion on the Airport Authority’s financial statements for the fiscal years ended June 30, 2020 and 2019.

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.

members serving as non-voting, ex-officio Board members. Three Board members serve as the Executive Committee consisting of one Board member from each of the following “defined jurisdictions”: the City of San Diego, the County of San Diego, and one Board member from among the east county cities, south county cities, north county coastal or north county inland cities. The Board members serve three-year terms.

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

Economic and industry trends drive passenger traffic and airline operations at SAN, directly impacting our operating environment and airport finances. The worldwide outbreak of novel coronavirus SARS-CoV-2 (“COVID-19”) had an immediate and dramatic impact on both international and domestic travel and travel-related industries, including airlines, concessionaires and rental car companies serving the airport. With the rapid spread of the virus and the resulting containment measures implemented in response, by April, passenger traffic volumes had declined by more than 90 percent across the globe.

The region’s economy is diverse and benefits greatly with a strong tourism sector, a large defense industry and a bustling technology cluster. San Diego County had enjoyed a relatively stable economic climate during the past five years, however, the impact from the COVID-19 pandemic was pervasive and substantial. The U.S. Bureau of Labor Statistics notes that the county’s average unemployment rate for June 2020 was 13.8 percent compared to June 2019, at 3.3 percent. California’s unemployment rate was 13.7 percent in June 2020 and 4.2 percent in June 2019, and the

national unemployment rate was 10.5 percent as of June 2020 compared to 3.8 percent as of June 2019. See the Statistical Section for additional economic information.

The Air Trade Area for SAN includes San Diego County and portions of neighboring Orange and Riverside Counties and Baja California del Norte, Mexico. The California Department of Finance estimates the population of San Diego County to be 3.34 million as of January 1, 2020. The county is the second largest in California, in terms of population, and the City of San Diego ranks as the second largest city in the state. The majority of the county’s population is concentrated in its western portion adjacent to the ocean. The largest cities in the county are San Diego (43 percent), Chula Vista (8 percent), Oceanside (5 percent), Escondido (4 percent), Carlsbad (3 percent), El Cajon (3 percent), and Vista (3 percent). The combined San Diego/Tijuana metropolitan population is estimated to be approximately 5.4 million inhabitants.

Air traffic continues to be significantly impacted by the COVID-19 pandemic. SAN’s enplaned

ECONOMIC CONDITION

passengers declined sharply in the last quarter in fiscal year 2020. Total passengers were down 81.7% in June on a 70.5% decrease in scheduled seats. Total enplaned passengers for fiscal year 2020 were 9.2 million, compared to 12.4 million in fiscal year 2019. See the Management Discussion and Analysis section of the Financial Section of this report for further discussion of the current year activity. By the end of the fiscal year, international service resumed to certain locations in Mexico but the remaining international destinations continue to be temporarily suspended due to mandated travel restrictions.

By the end of the second quarter in 2020, US Gross Domestic Product (GDP) declined at an annual rate of 32.9%. A fairly strong rebound in consumer spending and overall economic activity is forecast in the second half of 2020, although there is growing concern of a potential second wave of COVID-19 which could potentially derail an economic recovery.



MAJOR INITIATIVES, AWARDS, AND ACCOMPLISHMENTS

SAN DIEGO INTERNATIONAL AIRPORT IMPLEMENTS COVID-19 HEALTH AND SAFETY MODIFICATIONS

During unprecedented times, San Diego International Airport (SAN) continued to adjust to the impacts of COVID-19. The airport remained open as a critical piece of the nation's transportation infrastructure, helping to move much-needed supplies and cargo, and assisting those with essential travel needs.

SAN put in place a series of modifications and protocols to help ensure the health and safety of passengers and employees, which include:

- Added plexiglas sneeze guards in certain public spaces
- Placed floor decals and seat separation signage to queue the six-foot social distancing consideration
- Increased signage throughout the terminals to serve as a reminder to practice preventive health measures
- As directed by the California Department of Public Health, required facial coverings be worn by all passengers, visitors, tenants, contractors and employees while on airport property, excluding those with a medical or mental



- health condition or developmental disability that prevents wearing a face covering.
- Continued increased cleaning of high touch points.
- Conducted public announcements throughout the terminals that remind everyone of the facial covering and social distancing requirements.
- As directed by San Diego County Health, required employees to do a personal health screening and not come to work if they have any of the listed Center for Disease Control and Prevention COVID-19 symptoms.

The health and safety of all who work and travel through San Diego International Airport is the

Airport Authority's top priority. It is in accordance with the recommendations of the Center for Disease Control and Prevention and San Diego County Health that these various modifications and protocols were implemented.

In addition, the Authority quickly implemented its Financial Resilience Plan in February 2020 to counteract anticipated negative financial impacts from the pandemic and ensure the financial stability of the Authority. Among other measures, the Authority eliminated non-essential expenses and reduced or delayed approximately \$220 million of capital expenditures.

SAN DIEGO INTERNATIONAL AIRPORT BREAKS PASSENGER TRAFFIC RECORD FOR SIXTH CONSECUTIVE YEAR

Although the COVID-19 pandemic greatly reduced passenger totals in the latter part of Fiscal Year 2020, SAN served 25 million passengers in calendar year 2019, a record-high total and a four percent increase over the previous year. Of the 25 million passengers, more than one million were international passengers - also a record for the airport.

In January 2020, the Airport had nonstop flights to 70 destinations, including 11 international destinations

with two new Canadian markets slated to begin in the summer. In March, enplanements significantly decreased as the COVID-19 pandemic and related restrictions brought both international and domestic travel to a virtual halt. Passenger airlines experienced a significant downturn in demand, causing the cancellation of numerous flights.

By end of May 2020, the Airport was down to 27 nonstop destinations. All international service was lost, as well as nonstop service to key domestic markets. As of September, service has been restored to 56 destinations including limited service to Mexico. Many state, county and city travel

restrictions as well as the presidential proclamation restricting passengers from entering the U.S. from the Schengen area has precluded SAN from restoring service to domestic and international destinations including England, Germany and Japan. This reduction in demand and capacity is expected to continue in the near term, although with modest incremental improvement. Detailed reports of SAN air traffic statistics are available at www.san.org/News/Air-Traffic-Reports.

AIRPORT AUTHORITY BOARD CERTIFIES ENVIRONMENTAL STUDY FOR TERMINAL 1 REPLACEMENT PROJECT

A little more than two months before the COVID-19 pandemic caused a nationwide shut-down, the Authority Board of Directors certified the Final Environmental Impact Report for the Airport Development Plan (ADP), the major component of which will provide the replacement of the 53-year-old Terminal 1 at SAN. The ADP will also include other airfield enhancements, major improvements to roadways serving the airport, and a designated transit station area on airport property that will allow the airport to connect to any regional transportation solution ultimately identified by our regional partners. The ADP will optimize the 661-acre airport site to accommodate demand while maintaining high levels of passenger satisfaction.

While the Airport Authority plans are to continue to advance the ADP, in light of the COVID-19

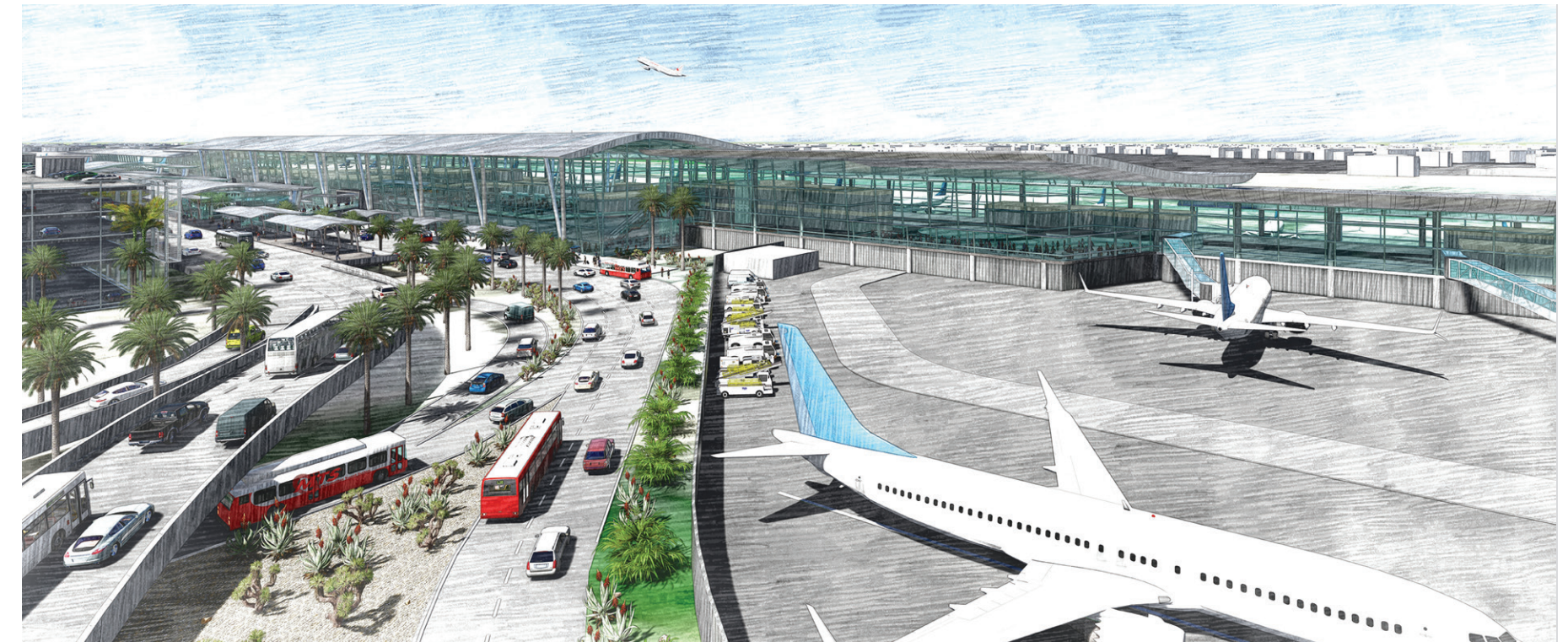
pandemic, plans will proceed in a prudent, deliberative manner. Built into the process are options to slow down, speed up, or even stop work completely so the impacts of moving forward can be carefully evaluated at multiple stages throughout the process to ensure progress is prudent and fiscally responsible.

The ADP will help to ensure the airport can accommodate expected passenger growth well into the future and ensure that travelers and their families are treated to a better airport experience than today's Terminal 1 can provide. The plan will also ensure the airport can continue to function as an economic engine for the region for decades to come. The new Terminal 1 will feature 30 gates (up from 19 in the current terminal) and represent a significant upgrade for passengers. It will offer more gate-area seating, restaurants and shops, as well as additional security checkpoints with more lanes and a host of energy-efficiency upgrades.

The ADP will also include numerous roadway and transportation improvements to make it easier

for everyone to access the airport. A proposed on-airport entry road would remove an estimated 45,000 cars per day from Harbor Drive. The plan also includes right-of-way for outbound lanes, when needed. The Airport Authority has worked co-operatively with many of the San Diego regional agencies to assist in efforts to analyze circulation around the airport, as well as to determine the best transit solution for carrying people to the airport.

The Airport Authority has set aside space between the terminals for a transit station that could accommodate any regional transit system chosen by SANDAG and other regional planning agencies. In addition, the Airport Authority will launch an all-electric shuttle fleet that will carry transit riders to and from the Old Town Transit Center. This service is currently anticipated to start in 2021. For more information about the ADP, visit www.san.org/plan.



SAN DIEGO INTERNATIONAL AIRPORT BECOMES SECOND MAJOR AIRPORT IN NORTH AMERICA TO EARN CARBON NEUTRAL RATING

Last year marked several key achievements in SAN's ongoing commitment to becoming one of the world's most sustainable airports. The crowning achievement was becoming North America's second-ever carbon neutral airport. SAN reached carbon neutral accreditation from the global agency that establishes carbon standards for airports worldwide.

SAN is certified at "Level 3+," the highest level of certification through Airports Council

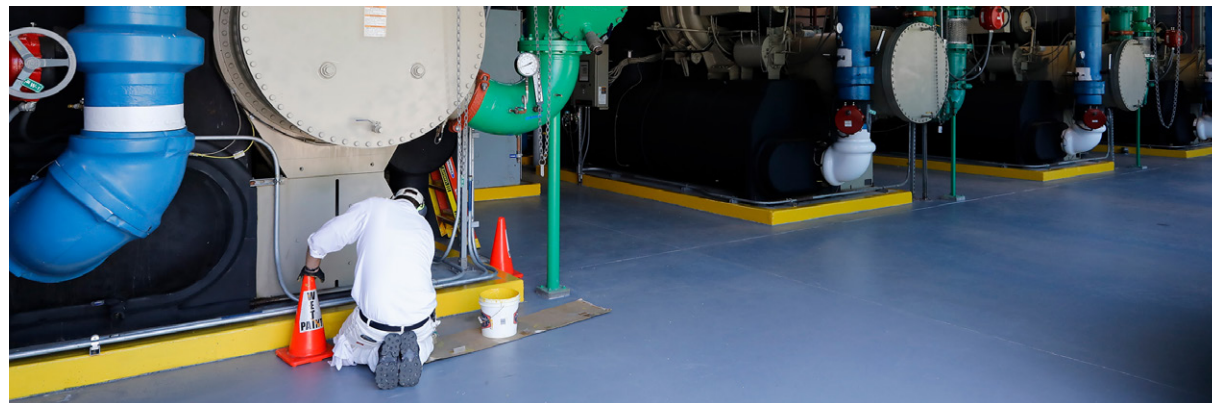
International's Airport Carbon Accreditation (ACA) program. The third-party verified program is a framework that helps airports identify, manage, and reduce their carbon emissions.

Level 3+ certification signifies that the airport is successfully:

- Completing annual carbon emission inventories (which are third-party verified)
- Continuing to reduce carbon emissions under the Airport Authority's direct control on a year-over-year basis
- Offsetting any residual emissions under the Airport Authority's direct control (namely, from fuel used in fleets and generators, purchased electricity, and staff business travel)

Effectively engaging with airlines, ground transportation operators, and other business partners to help them reduce their onsite carbon emissions.

Examples of SAN's initiatives to reach carbon neutrality include creating a novel greenhouse gas reduction program for rideshare companies such as Lyft and Uber, launching "The Good Traveler" carbon offset program that has expanded nationally to 14 partner airports, and partnering with San Diego Gas & Electric to expand airport charging infrastructure for airport employees and electric-powered airside ground service equipment.



PRESERVING A PRECIOUS RESOURCE

One of the linchpins of SAN's sustainability achievements is its water conservation efforts. In 2019, the Airport Authority Board accepted a Water Stewardship Plan that provides a framework for rethinking how to manage water resources while preparing to accommodate passenger growth, new airport developments, and a changing climate.

A chief component of the plan is storm water management. The amount of storm water captured, treated, and reused surpassed 1.8 million gallons last year, a 386% increase from the previous year. The storm water was captured from the 7.6-acre upper deck of the Terminal 2 Parking Plaza at the airport. The captured water is used to

offset the potable water use in the airport Central Utility Plant's evaporative cooling towers.

Condensate is also collected on the airport grounds. In 2109, about 100,000 gallons of condensate were collected from the 18 most heavily used jet bridges at Terminals 1 and 2. The water is used to wash sidewalks, equipment, vehicles and building exteriors in addition to being used in the Central Utility Plant's cooling towers that control the temperature in the terminals.

In 2019, the San Diego County Water Authority recognized the Airport Authority for our partnership in the "Brought to You By Water" campaign, an outreach and education program to raise awareness about the importance of safe and



reliable water supplies for the San Diego region. In support of the campaign, the airport installed water-efficient fixtures throughout the campus and implemented drought-resistant landscaping. The Airport Authority closely monitors water usage across the entire airport campus and embraces creativity in water management through innovative programs such as condensate and rainwater collection and reuse.

The Airport Authority is currently constructing a three million-gallon cistern on SAN's north side, which will significantly expand storm water infiltration and reuse opportunities. This initiative minimizes impact to San Diego Bay.



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY RECEIVES 2020 CLIMATE LEADERSHIP AWARDS

The ACA certification capped a string of achievements that helped the Airport Authority earn a 2020 Climate Leadership Award for Excellence in Greenhouse Gas Management. In addition, the Airport Authority's Director of Planning and Environmental Affairs received an individual leadership award for his efforts in environmental operations and strategies.

The Climate Leadership Conference and Awards bring together forward-thinking leaders from business, government, academia, and the non-profit community to address climate change through policy, innovation, and business solutions. Awardees are honored for exemplary corporate, organizational, and individual leadership in reducing carbon pollution and addressing climate change.

The 2020 Climate Leadership Award for Excellence in Greenhouse Gas Management was awarded to the Airport Authority for the following efforts:

- Setting a goal of reducing direct and indirect emissions 80 percent from 2015 to 2035.
- Achieving a 44 percent decrease in direct and indirect emissions by 2018.

- Developing strategies to reduce emissions pertaining to ride-share fleets at SAN by using cleaner fuels, using cars with a higher mile per gallon rating, and utilizing more carpooling/ridesharing.
- Replacing individual rental car company shuttles with Authority-owned rental car shuttles, which greatly reduced the number of vehicle-trips on Harbor Drive and also reduced emissions.
- Investing in renewable energy by installing 5.5 MW of on-site solar PV at SAN to meet 15 percent of electricity demand and planning for a 2 megawatt battery storage system in 2020.
- Committing to convert approximately 80 percent of ground support equipment to alternative fuels by 2024 and supplying adequate electric vehicle charging infrastructure to meet the forthcoming demand for electric vehicles for ground support equipment.

The Airport Authority's Director of Planning and Environmental Affairs work was highlighted for his leadership on initiatives such as:

- The Good Traveler program, which offers travelers a quick and easy way to make their air travel more sustainable by purchasing offsets that then go towards carbon reduction projects

- around the U.S.
- Assisting in the funding and development of a Climate Resilience Plan which serves as the Authority's strategy for achieving uninterrupted business continuity in future climate conditions.
- Leading the charge to build storm water systems in three large projects at the airport, ultimately giving the airport the ability to capture, store and reuse up to 39 million gallons of rain annually.
- Working with stakeholders to develop and implement a ride-share pilot program to implement emission reduction strategies pertaining to ride-share fleets by using cleaner fuels, using cars that have a higher mile per gallon rating, and utilizing more carpooling/ridesharing (trip reduction).

To view the Airport Authority's Sustainability Management plan, which includes seven overarching elements including the areas of water stewardship, strategic energy, carbon neutrality, clean transportation, zero waste, climate resilience, and biodiversity, please visit san.org/Airport-Projects/Environmental-Affairs.



AIRPORT AUTHORITY AWARDED ACHIEVEMENT OF EXCELLENCE IN PROCUREMENT

The Airport Authority was awarded the Achievement of Excellence in Procurement® (AEP) for 2020 from the National Procurement Institute, Inc. (NPI). The award recognizes organizations that demonstrate excellence in innovation, professionalism, productivity, leadership and

e-procurement. The AEP program encourages the development of excellence as well as continued organizational improvement to earn the award annually. This was the eleventh consecutive year the Airport Authority earned this award.

CREATING OPPORTUNITIES FOR SMALL, LOCAL, DISADVANTAGED AND VETERAN OWNED BUSINESSES

Creating a level playing field that attracts businesses of all sizes and provides opportunities for workers of all genders and ethnicities has been the goal of the Authority's Small Business Development (SBD) program since 2003. The SBD program works with small, local, disadvantaged and veteran owned small businesses to provide them with the resources and knowledge to apply for eligible certification and ultimately successfully compete for Authority contracts.

During the year, the Authority launched a Local Business Enterprise (LBE) certification. Businesses

certified as LBEs are given preference in awarded contracts with the Airport Authority. Additionally, SBD promoted the new LBE certification through public outreach, workshops, hosting presentations, and an educational training LBE presentation for the U.S. Veteran Business Alliance (USVBA).

The SBD program also worked to develop new methods and approaches to increase the participation of Disadvantaged Business Enterprises (DBE) to meet the overall goals on federally funded projects. SBD offered new workshops for DBEs and Airport Concession Disadvantaged Business Enterprise (ACDBE) certifications. An additional 30 OSHA workshops were offered due to high interest from contractors. The Authority also exceeded its overall ACDBE goals for both Car Rental contracts

by 8% and for Non-Car Rental concession contracts by 5 percent.

During the pandemic, the SBD program worked to keep small businesses updated and informed on relief options and provided guidance and support to contractors and concessionaires. Educational workshops pivoted to a virtual platform to ensure small, local, veteran owned small businesses and the general public have the tools needed to apply for certification as well as comply with State and Local regulations.

SAN'S AIRPORT INNOVATION LAB TESTS UNIQUE CONCEPTS

Airport-oriented solutions ranging from a smart waste bin to reusable to-go containers were tested in SAN's Airport Innovation Lab as the fourth group of innovators were welcomed into the Lab's recent 16-week program. The group was comprised of four companies largely focused on reducing waste and enhancing the passenger experience.

Due to COVID-19, the companies had to quickly pivot to a full-virtual format and held virtual workshops, sessions with subject matter experts

from the Airport Authority, and enhanced virtual networking to include a zoom background challenge and a "speed meet/greet" session to get better acquainted with their fellow cohort participants. The virtual format allowed these small early-stage businesses to be engaged in meaningful work in the midst of a pandemic. Companies work diligently throughout each 16-week program to have the opportunity to win a contract from the Airport Authority and/or gain entry to other airports and analogous businesses including other transportation hubs, convention centers, shopping malls and other large venues such as ballparks, theme parks and hotels.

The Airport Innovation Lab occupies part of the former Commuter Terminal building at SAN and provides an opportunity for companies to test their solutions in a controlled environment before they are reviewed and approved to move into a passenger facing environment. For more information, go to www.innovate.san.org.

AIRPORT AUTHORITY COMPLETES MAJOR BOND SALE

The Airport Authority in late 2019 completed a major bond sale totaling approximately \$700 million. In doing so, the Airport Authority obtained a record-low interest rate that is estimated to save more than \$100 million in financing costs over the next 20 years.

Approximately \$280 million of the bonds will pay for current and future construction projects that will help capture and store storm water runoff, provide a new facilities maintenance building, and deliver new and rehabilitated airfield pavement, among other projects. The remainder of the bond proceeds will be used to refinance existing debt that has been in place since 2010.

Demand was exceedingly strong – investors placed over \$5 billion of orders for the bonds which contributed to an Authority record-low interest cost.

SAN CONTINUES TO FOCUS ON THE PASSENGER EXPERIENCE

At San Diego International Airport, passenger satisfaction is a top priority. In fact, not only is it a prominent goal in the organization's Strategic Plan, it is also in our mission statement: "We will plan for and provide air transportation services to the region with safe, effective facilities that exceed our customer expectations."

While there are many ways to measure success in this area, the Airport Authority in 2019 looked to the ubiquitous J.D. Power Survey. In the J.D. Power Survey's 2019 results for North American Airports, SAN scored a total customer satisfaction score of 776, which is nine points higher than the average score for all Large-Hub airports. In fact, SAN has had a higher score than the average Large-hub Airport in the J.D. Power Survey for the last five years consecutively.

While we pride ourselves on providing a first-class passenger experience, we acknowledge that is not always possible in the 53-year-old Terminal 1. That's why the Airport Authority is advancing the Airport Development Plan (ADP), as previously discussed.

AIRPORT RECEIVES GFOA DISTINGUISHED BUDGET PRESENTATION AWARD FOR 15TH CONSECUTIVE YEAR

The Authority received its fifteenth consecutive Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for its annual budget for the fiscal year

beginning July 1, 2019. The GFOA established the Distinguished Budget Presentation Awards Program (Budget Awards Program) in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting, and the GFOA's best practices on budgeting and then to recognize individual

governments that succeed in achieving that goal. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. This award is valid for a period of one year only cost.

AIRPORT AUTHORITY AWARDED CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to San Diego County Regional Airport Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30,

2019. The CAFR has been judged by an impartial panel to meet the high standards of the program, which includes demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.



BUDGET PROCESS AND FINANCIAL PLAN

Annually, the Airport Authority prepares a five-year capital program budget, an operating budget for the upcoming fiscal year and a conceptual budget for the following fiscal year. The capital program provides for critical improvements and asset preservation. Security, environmental remediation, terminal upgrades and development are the main focus of the capital program.

The budget process begins in the fall with senior management collaborating with the Board to update, review and formulate the strategies and initiatives that drive business performance. The management team engages in cross-functional discussions to arrive at key decisions and agreements. The effort is designed to align divisional requirements with the Airport Authority's overall strategies and initiatives.



FINANCIAL INFORMATION



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

Non-operating revenue of the Airport Authority is comprised of interest income, Passenger Facility

Charges (PFCs), Customer Facility Charges (CFCs) and grant reimbursements (including CARES Act funding in fiscal year 2020).

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

The Airport Authority completed fiscal year 2020 with operating income (before depreciation) of \$110.8 million, a decrease of 4.9 percent compared to fiscal year 2019. Enplanements decreased 25.3 percent, and airport operations decreased 16.4 percent in fiscal year 2020 compared to fiscal year 2019. These decreases were a direct result of the COVID-19 impact on the economy. The accompanying Management's Discussion and Analysis provides a detailed narrative overview.

ACKNOWLEDGEMENTS

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

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

Respectfully submitted,

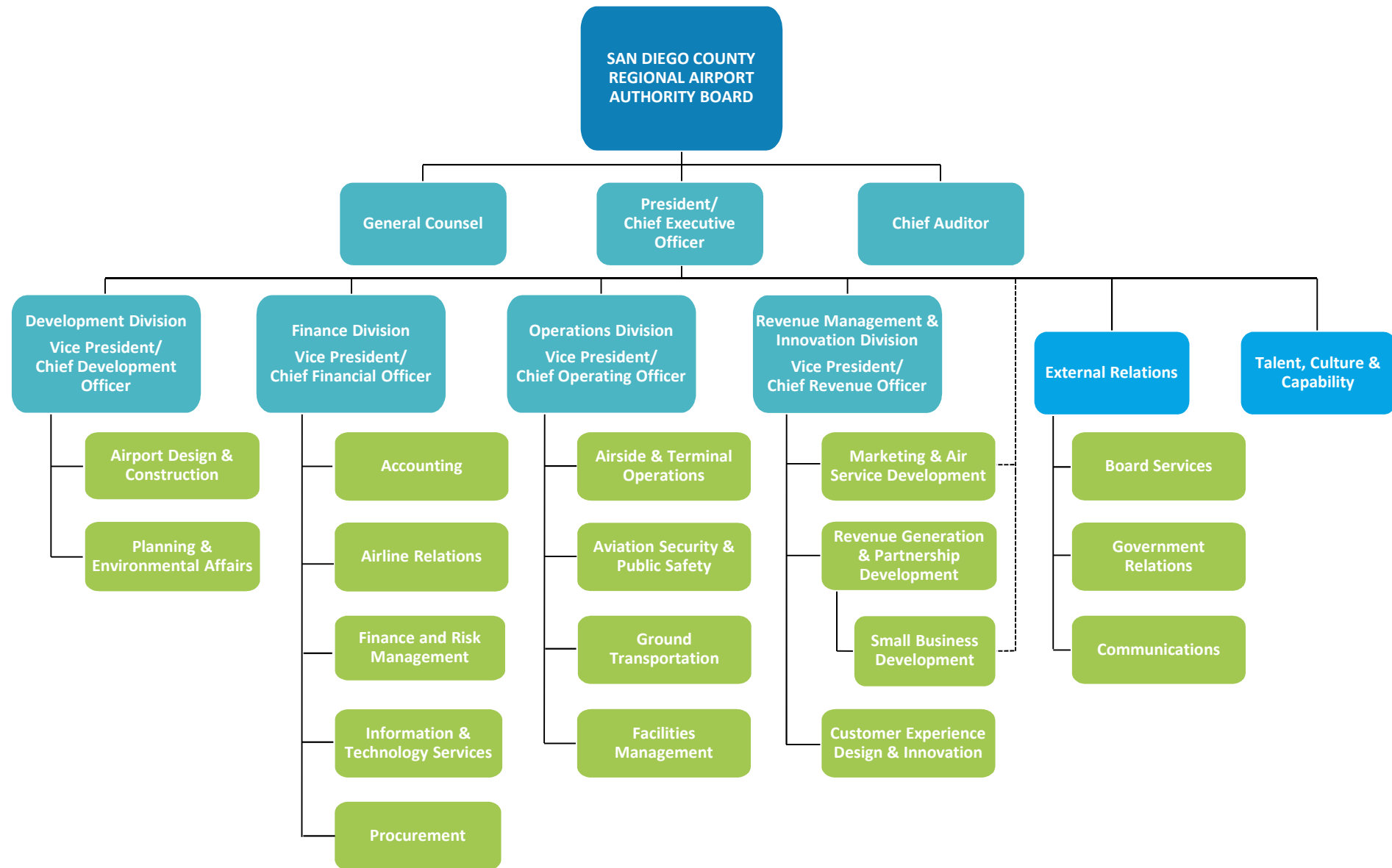


Kimberly J. Becker
President | Chief Executive Officer



Scott Brickner, CPA
Vice President | Chief Financial Officer





AS OF JUNE 30, 2020

AIRPORT AUTHORITY BOARD

EXECUTIVE COMMITTEE MEMBERS:

- C. APRIL BOLING**, BOARD CHAIRMAN
- PAUL ROBINSON**, VICE CHAIR
- ROBERT T. LLOYD**

EX-OFFICIO MEMBERS

- GUSTAVO DALLARDA**
- COL. CHARLES B. DOCKERY**
- GAYLE MILLER**

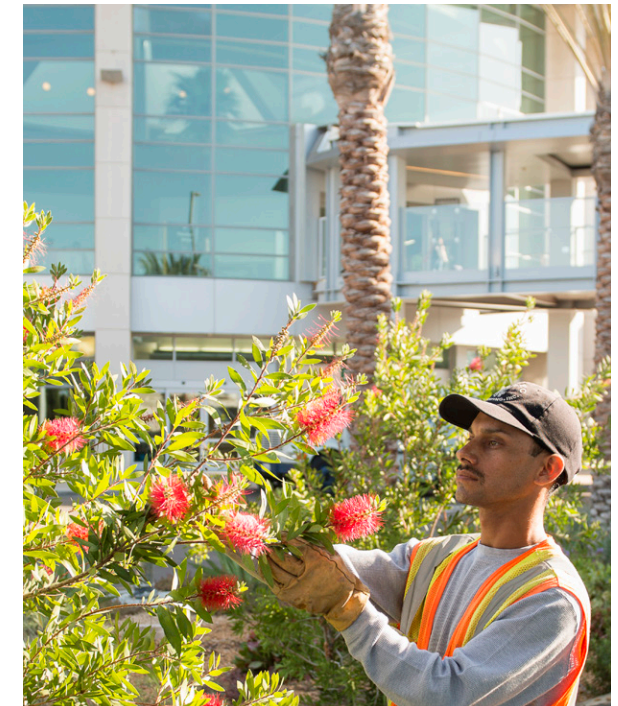
GENERAL MEMBERS:

- CATHERINE BLAKESPEAR**
- GREG COX**
- MARK KERSEY**
- PAUL MCNAMARA**
- JOHANNA SCHIAVONI**
- MARK B. WEST**



EXECUTIVE STAFF

- KIMBERLY J. BECKER**, PRESIDENT/CHIEF EXECUTIVE OFFICER
- AMY GONZALEZ**, GENERAL COUNSEL
- LEE PARRAVANO**, CHIEF AUDITOR
- SCOTT M. BRICKNER**, VICE PRESIDENT/CHIEF FINANCIAL OFFICER
- HAMPTON BROWN**, VICE PRESIDENT/CHIEF REVENUE OFFICER
- DENNIS PROBST**, VICE PRESIDENT/CHIEF DEVELOPMENT OFFICER
- ANGELA SHAFER-PAYNE**, VICE PRESIDENT/CHIEF OPERATING OFFICER





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

Christopher P. Morrell

Executive Director/CEO



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

BASIC FINANCIAL STATEMENTS:

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

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)



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Independent Auditor's Report

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

We have audited the accompanying financial statements of the San Diego County Regional Airport Authority (Airport Authority) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

BKD, LLP

Dallas, Texas
October 20, 2020



INTRODUCTION

SAN DIEGO INTERNATIONAL AIRPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Years Ended June 30, 2020 and 2019

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, and acquire necessary services and facilities.

HISTORY OF OWNERSHIP

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

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

LEGISLATIVE BACKGROUND

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

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).

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

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
(2018 - 2020)**

AIRPORT ACTIVITIES HIGHLIGHTS (2018 - 2020)

After experiencing strong growth the prior two fiscal years, the Airport Authority experienced a decline in activities in fiscal year 2020 as did most commercial airports across the country due to the downturn in the economy caused by the COVID-19 pandemic that hit in March 2020.

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

	FY 2018	FY 2019	FY 2020
Enplaned passengers	11,731,559	12,356,286	9,235,459
% change from prior year	10.7%	5.3%	-25.3%
Total passengers	23,433,018	24,691,673	18,450,599
% change from prior year	10.8%	5.4%	-25.3%
Aircraft operations	218,671	228,092	190,746
% change from prior year	8.8%	4.3%	-16.4%
Freight and mail (in tons)	191,347	186,469	154,380
% change from prior year	1.5%	-2.5%	-17.2%
Landed weight (in thousands)	13,770	14,481	12,053
% change from prior year	9.1%	5.2%	-16.8%

SDIA is an origin and destination airport and is not a hub for any airlines. Further, there is a balanced mixture of leisure and business travelers at SDIA. These factors generally add to the stability of SDIA enplanements in comparison to most airports. However SDIA realized a 25.3 percent enplanement reduction in fiscal year 2020 compared to 2019 as the global pandemic forced many travelers to stay home. Prior to the

pandemic, SDIA showed healthy growth of 10.8 percent and 5.4 percent in passenger enplanements in fiscal year 2018 and 2019, respectively. Fiscal Year 2020 enplanement growth was also strong until the pandemic drastically reduced activity in March 2020. Initially, passenger enplanements fell over 96 percent from Fiscal Year 2019 levels with slight recovery to approximately 82 percent of prior year levels in June 2020.



**OPERATING REVENUES
(IN THOUSANDS)**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(IN THOUSANDS)**

The metric 'Changes in Net Position' is an indicator of whether the Airport Authority's overall financial condition has improved or deteriorated during the fiscal year. Net position increased 3.4 percent in 2018, 5.4 percent in 2019, followed by a solid increase of 3.7 percent in 2020 despite the negative effects on operating revenues due to the pandemic. The following is a summary of the statements of revenues, expenses and changes in net position (in thousands):

	FY 2018	FY 2019	FY 2020
Operating revenues	\$ 266,079	\$ 293,679	\$ 263,036
Operating expenses	(274,651)	(301,548)	(293,837)
Nonoperating revenues, net	21,528	43,033	58,493
Capital contributions and grants	13,079	8,213	4,072
Increase in net position	26,035	43,377	31,764
Net position, beginning of year	783,173	809,925	853,302
Prior-period adjustment GASB 75	717	-	-
Net position, end of year	\$ 809,925	\$ 853,302	\$ 885,066

Detailed descriptions of the components of operating revenues and expenses, and nonoperating revenues and expenses are described in the sections that follow. The implementation of GASB 75 caused prior-period

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

OPERATING REVENUES
(IN THOUSANDS)

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

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

FISCAL YEAR 2020 COMPARED TO 2019:

Total airline revenues decreased by \$2.5 million, or 1.9 percent, primarily due to the global economic downturn that started in March 2020 which resulted in lower cost recovery from airline tenants. Recoverable expenses were reduced due to activation of the Airport Authority's Financial Resilience Plan which implemented a hiring freeze and limited expenses to essential spending only. In addition, the Airport Authority received a \$91.2

million CARES Act stimulus grant award and used a portion of the proceeds to pay for certain expenses charged to airline cost centers.

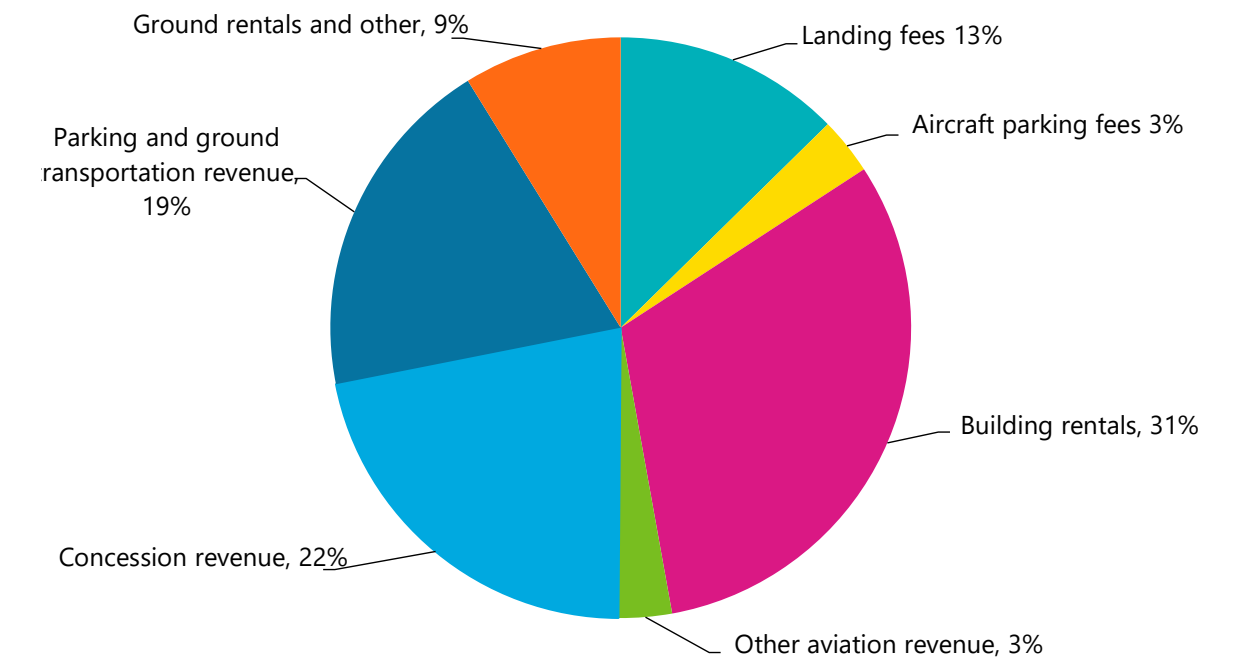
The Airport Authority has entered into Airline Operating and Lease Agreements (AOLAs) with passenger airlines and cargo carriers operating at SAN. The AOLAs cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SAN. The term commenced on July 1,

2019 and terminates on June 30, 2029. Pursuant to the AOLA, the landing fees at SAN are calculated based on a residual rate-setting methodology and the terminal rental rates are calculated based on a compensatory rate-setting methodology. The AOLA includes signatory and non-signatory rate structures. Air Carriers that signed a non-signatory agreement are charged a 120 percent premium on all signatory rates, fees and charges, except for the FIS fee. The agreement has no provisions that grant the airlines direct approval rights over capital projects, with the limited exception of certain transportation projects that exceed a \$350 million threshold, as defined in the AOLA. It also allows flexibility to meet the demands of changing airline activity and to accommodate new entrant carriers. Terms of the new agreement financially support execution of the ADP.

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

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

OPERATING REVENUES
(CONTINUED)



decrease was partially offset by scheduled CPI rent increases. Other operating revenue decreased by \$623 thousand or 25.5 percent, primarily due to a decrease in curfew violations and service charges.

FISCAL YEAR 2019 COMPARED TO 2018:

Total airline revenues increased by \$11.2 million, or 9.1 percent, primarily due to increased cost recovery from the airlines in fiscal year 2019. Landing fees increased by \$916 thousand or 3.8 percent due to higher airfield-related costs. Aircraft parking fees increased by \$235 thousand or 7.3 percent due to additional overnight aircraft parking positions. Building rentals increased by \$8.7 million or 13.9 percent due to increased cost recovery from airline rents, higher exclusive use square footage and higher employee shuttle services expenses. Security surcharge increased by \$1.3 million or 3.9 percent,

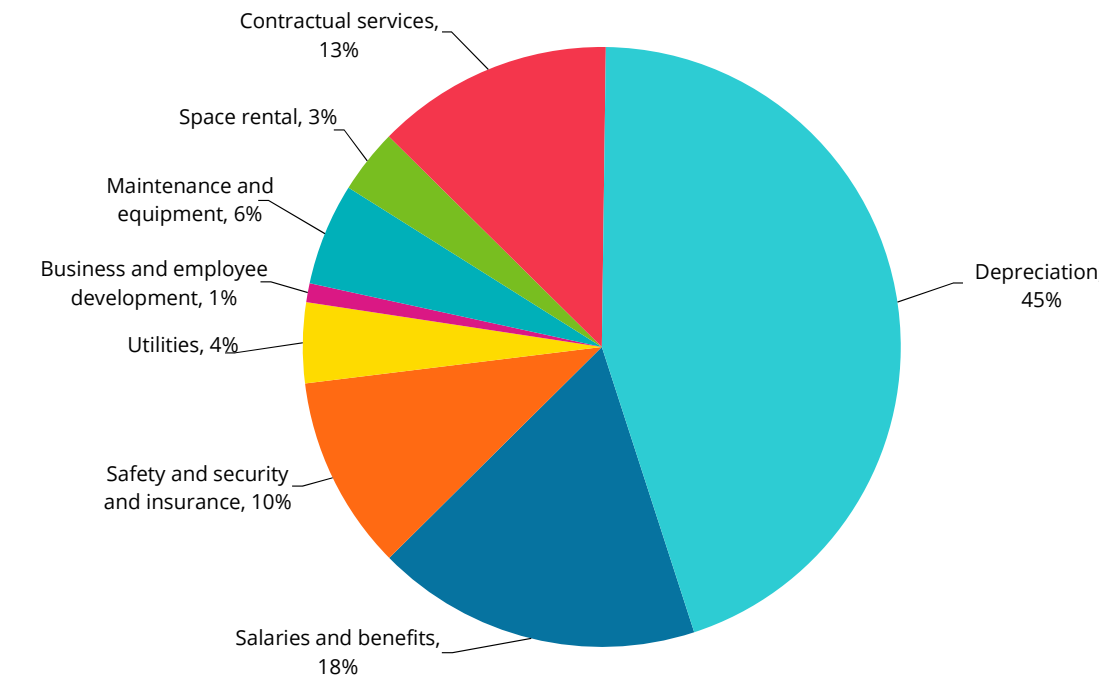
primarily due to increased terminal security charges. Other aviation revenue increased by \$119 thousand or 8.1 percent, mostly due to the recovery of higher common use cost charges. Concession revenue increased by \$5.6 million or 8.6 percent, reflecting increased enplanements. Parking and ground transportation increased by \$9.6 million or 18 percent, due to higher enplanements, a full year of our new Terminal 2 Parking Plaza and higher trip fees from transportation network companies. Ground and non-airline terminal rentals increased by \$701 thousand or 3.2 percent. This increase was primarily due to scheduled CPI rent increases. Other operating revenue increased by \$492 thousand or 25.2 percent, primarily due to two new revenue sources; telecom services offered to terminal tenants and revenue generated by the Innovation Lab.

OPERATING EXPENSES
(IN THOUSANDS)

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

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

OPERATING EXPENSES
(CONTINUED)



FISCAL YEAR 2019 COMPARED TO 2020:

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

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

Partially offsetting the decrease in operating expenses described above were increases in

salaries and benefits, increasing by \$2.1 million or 4.2 percent, due to additional pension expense. Depreciation also increased by \$7.3 million or 5.8 percent, due to additional depreciation for capital projects placed in service in fiscal years 2020 and 2019.

FISCAL YEAR 2018 COMPARED TO 2019:

Total fiscal year 2019 operating expenses increased by \$26.9 million or 9.8 percent. Salaries and benefits increased by \$1.7 million or 3.6 percent, due to planned wage and benefit increases, higher overtime and increased head count. Contractual services increased by \$4.7 million or 10.3 percent, mainly due to higher expenses in shuttle services, janitorial services, and temporary services. Depreciation increased by \$18.8 million or 17.8 percent, due to a full year of depreciation for the Parking Plaza and the international passenger arrival processing area (FIS) being placed in service.

**NONOPERATING REVENUES
(EXPENSES)
(IN THOUSANDS)**

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

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

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

Customer Facility Charges (CFCs) are authorized under Section 1949 of the California Civil Code and approved by legislation under Senate Bill 1510. The revenues collected have been used to plan and construct a consolidated rental car facility and operate the related ground transportation system. The rental car agencies remit to the Airport

Authority collection of the fee monthly. In January 2017, the fee was increased from \$7.50 to \$9.00 per day, up to five days for rental car transactions. This fee applies to transactions that originated at the Rental Car Center. For car rental transactions of non-RCC tenants, the CFC rate was increased from \$2.42 to \$3.41 per day, up to five days for rental car transactions.

CARES Act grant is the *Coronavirus Aid, Relief, and Economic Security Act* approved by the United States Congress and signed into law by the President on March 27, 2020. It was a legislative action to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Airport Authority was awarded \$91.2 million in CARES Act grant funds. The Airport Authority drew \$36.9M of the CARES Act grant in FY 2020.

Quieter Home Program includes sound attenuation construction improvements at all eligible single-family and multi-family dwellings located in the Year 2014 65 dB Community Noise Equivalent Level contour. The project is eligible for the FAA's Airport Improvement Program (AIP) which awards grants for certain eligible Airport Authority expenditures. From inception through the end of fiscal year 2019, the Airport Authority has spent \$229.6 million and received reimbursement for \$185.9 million.

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

Interest expense includes interest paid and accrued on the Bonds, Variable Debt, and Lease Interest. As of June 30, 2020 and 2019 interest expense was \$75.7 and \$74.5 million, respectively. The 2010 Series C Bonds were issued as Build America Bonds and, as such, the Airport Authority received a cash subsidy from the U.S. Treasury

equal to 32.7 percent of the interest payable. The interest subsidy for the fiscal years ended June 30, 2020 and 2019 was \$2.1 million and \$4.7 million, respectively. These Build America Bonds were defeased in December 2019.

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

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

The increase in nonoperating revenue was partially offset by decreases in PFCs and CFCs due to reduced enplaned passengers caused by the pandemic. PFCs

decreased by \$14.8 million or 30.1 percent, and CFCs decreased by \$11.7 million or 27.9 percent.

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

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

**CAPITAL GRANT
CONTRIBUTION
(IN THOUSANDS)**

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

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

Capital Grant Contributions are comprised of Airport Improvement Project (AIP) entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. In fiscal year 2020 capital grant

contributions decreased by \$4.1 million or 50.4 percent compared to fiscal year 2019. This was due to a delay in the Cross-Taxiway project that will push into fiscal year 2021. In fiscal year 2019, capital grant contributions decreased by \$4.9 million or 37.2 percent compared to fiscal year 2018.

ASSETS, LIABILITIES AND NET POSITION (IN THOUSANDS)



The statements of net position present the financial position of the Airport Authority as of a period in time. The statements include all assets,

A summary comparison of the Airport Authority's assets, liabilities and net position at June 30, 2018, 2019 and 2020, is as follows:

	FY 2018	FY 2019	FY 2020
Assets and Deferred Outflows of Resources			
Current assets	\$ 223,610	\$ 244,592	\$ 349,617
Capital assets, net	1,704,141	1,722,150	1,788,601
Noncurrent assets	643,474	598,156	773,751
Total assets	2,571,225	2,564,898	2,911,969
Deferred outflows of resources	24,196	26,681	22,761
Total assets and deferred outflows of resources	2,595,421	2,591,579	2,934,730
Liabilities and Deferred Inflows of Resources			
Current liabilities	145,942	131,085	162,269
Long-term liabilities	1,635,326	1,600,230	1,875,514
Total liabilities	1,781,268	1,731,315	2,037,783
Deferred inflows of resources	4,228	6,961	11,881
Total liabilities and deferred inflows of resources	1,785,496	1,738,276	2,049,664
Net Position			
Net investment in capital assets	294,937	281,491	266,213
Restricted	230,954	246,508	211,329
Unrestricted	284,034	325,303	407,524
Total net position	\$ 809,925	\$ 853,302	\$ 885,066

As of June 30, 2020, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$885.1 million. This reflects a \$31.8 million or 3.7 percent increase in net position from June 30, 2019. The Airport Authority uses capital assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital assets is reported net of related debt, the funds required to repay this debt must be provided annually from operations. The unrestricted net position of \$407.3 million as of June 30, 2020, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2020, 2019 and 2018,

deferred outflows, liabilities, deferred inflows and net position of the Airport Authority.

management has designated unrestricted funds in the amount of \$43.4 million, \$26.2 million, and \$39.3 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance and operating contingency.

The Capital Program is a rolling five-year program that provides critical improvements and asset additions. The program includes capital projects that address federal security requirements, airfield security, environmental remediation, terminal upgrades and development. Funding sources for the projects include the Federal Aviation Administration's Airport Improvement Program, Transportation Security Agency grants, Passenger Facility Charges, Customer Facility Charges, airport operating revenues, airport revenue bonds, special facility bonds, and short-term borrowing using revolving lines of credit and drawdown bonds.

The current Capital Program, which includes projects through 2025, consists of \$489 million for airside projects, \$235 million for landside and ancillary projects, \$2.8 billion for terminal projects, and \$162 million for administrative projects.

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

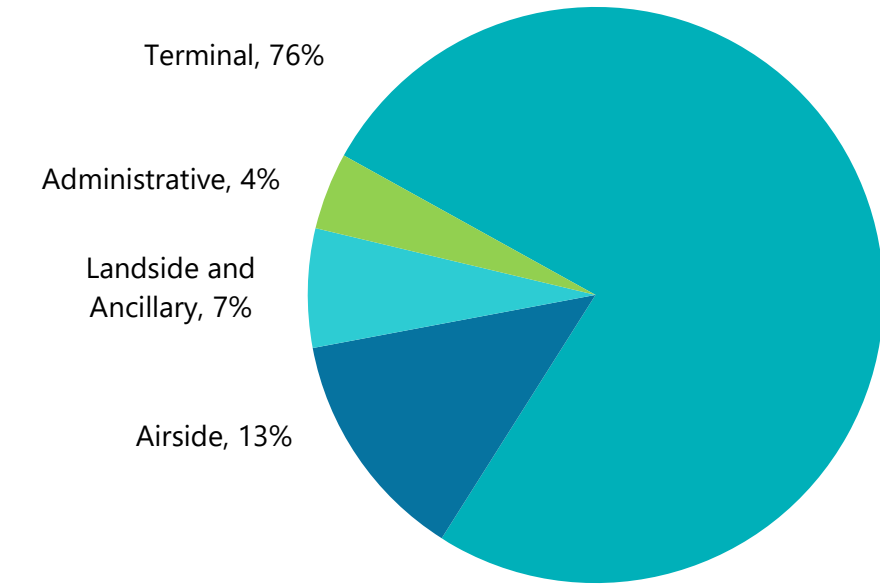
On October 5, 2010, the Airport Authority issued \$572.6 million of Subordinate Airport Revenue Bonds Series 2010 A, B and C (Series 2010 Bonds). The Subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the Subordinate Series 2010 Bonds, refund \$142.2 million of the Airport Authority's outstanding commercial paper notes, fund the subordinate bond reserve fund and pay the costs of issuance of the Subordinate Series 2010 Bonds.

The Subordinate Series 2010 C Bonds were refunded and defeased on December 11, 2019 when the Authority issued Subordinate Series 2019A Revenue Refunding Bonds. The proceeds of the Series 2019 Bonds included an amount to fund the escrow which will be used to pay the principal and interest of the Series 2010C Bonds. As of June 30, 2020 the balance of the 2010C escrow fund was \$220.5 million. Subordinate Series 2010 A

and B (except series maturing July, 1 2020) were refunded and defeased on April 8, 2020 when the Authority Issued Series 2020A, 2020B and 2020C Revenue Refunding Bonds. The proceeds of the Subordinate Series 2020 Bonds included an amount to fund the escrow which will be used to pay the principal and interest of the Series 2010A and 2010B Bonds. As of June 30, 2020 the balance of the 2010A escrow fund was \$265.9 million and the balance of the 2010B escrow fund was \$32.0 million. Amount on deposit in the escrow funds will be used to pay the redemption price and interest on the Refunded Series 2010 Bonds on July 1, 2020.

Interest for the fiscal year ended June 30, 2020 amounted to \$17.9 million, including accrued interest of \$407 thousand. As of June 30, 2020, the principal balance on the subordinate Series 2010 Bonds was \$10.9 million.

CAPITAL PROGRAM



CAPITAL FINANCING AND DEBT MANAGEMENT

CAPITAL FINANCING AND DEBT MANAGEMENT (CONTINUED)

On January 30, 2013, the Airport Authority issued \$379.6 million of Senior Airport Revenue Bonds Series 2013 A and B (Series 2013 Bonds). The Senior Series 2013 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accrued on the senior Series 2013 Bonds, fund the senior reserve fund, and pay the costs of issuance of the Senior Series 2013 Bonds.

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of \$55.9 million, which is being amortized over the life of the bonds. Interest on the Senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal year ended June 30, 2020, amounted to \$18.17 million, including accrued interest of \$9.04 million. The principal balance on the Series 2013 Bonds as of June 30, 2020 was \$368.8 million.

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

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

and to reserve certain amounts in the Airport Authority's books, as shown in Note 2.

On February 19, 2014, the Airport Authority issued \$305.3 million of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest on the Series 2014 Bonds, fund deposits to the senior reserve fund, the rolling coverage fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent and mature in fiscal years 2019 to 2045. Interest expense for the fiscal year ended June 30, 2020, amounted to \$16.0 million, including accrued interest of \$8.0 million. As of June 30, 2020, the principal balance on the Series 2014 Bonds was \$294.0 million.

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

On August 3, 2017, the Airport Authority issued \$291.2 million of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds). The Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund \$32.6 million of the Airport

Authority's outstanding variable rate debt, which was issued during 2017, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of \$48.4 million, which is being amortized over the life of the bonds. Interest on the senior Series 2017 Bonds is payable semiannually on January 1 and July 1, of each year. Interest expense for the fiscal year ended June 30, 2020, amounted to \$14.0 million, including accrued interest of \$7.05 million. As of June 30, 2020, the principal balance on the Series 2017 was \$281.8 million.

The Airport Authority issued \$338.8 million of Series A Subordinate Airport Revenue and Revenue Refunding Bonds and \$124.9 million of Series B Subordinate Airport Revenue Bonds on December 11, 2019 (Series 2019 Bonds). The Subordinate Series 2019 Bonds were issued to finance certain capital improvements at SDIA including a new facilities maintenance building and storm water capture and reuse projects, fund a portion of the interest accruing on the subordinate Series 2019 Bonds, refund \$34.3 million of the Airport Authority's outstanding variable rate debt, fund the Series 2010C Escrow account, fund the subordinate reserve fund, and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2019 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2021 to 2050. The bonds were issued at a premium of \$96.9 million, which is being amortized over the life of the bonds. Interest on the Series 2019 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2020, amounted to \$12.4 million, including accrued interest of \$12.4 million. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2020, was \$463.7 million.

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

Interest for the fiscal years ended June 30, 2020, amounted to \$2.8 million, including accrued interest of \$2.8 million. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2020, was \$241.6 million.

During fiscal year 2015, the Airport Authority established a \$125.0 million Revolving Line of Credit issued by US Bank. The Revolving Line of Credit was a three-year agreement that took effect on September 5, 2014. The agreement was amended on June 29, 2017, to extend the commitment through June 29, 2020. The Authority terminated the agreement on June 29, 2020.

At June 30, 2020 and 2019, the outstanding principal balances of the Series B Revolving Obligations were \$0 and \$13.7 million, respectively. The Series B Revolving Obligations bore interest at the tax-exempt rate which is based on a spread to LIBOR.

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

In April of 2017, the Authority established a Subordinate Drawdown Bond program with RBC Municipal Products of up to \$100.0 million. On April 1, 2017, the Authority and RBC Municipal Products agreed upon a Bondholders Agreement and on April 19, 2017, the Authority and RBC Capital Markets LLC agreed upon a Subordinate Drawdown Bond Purchase Agreement. When issued, all Subordinate Drawdown Bonds will be purchased by the Subordinate Drawdown Bond Purchaser in accordance with the terms of the Subordinate Drawdown Bondholder's Agreement and the Subordinate Drawdown Bond Purchase Agreement. This commitment expired on April 17, 2020.

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

The SDIA's PFC program was established in 1994, and currently authorizes the imposition of a \$4.50 fee on enplaning passengers. There are currently four active applications which provide authority to impose and use PFC revenue through May 1, 2040.

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately \$119.9 million in grant awards for the federal fiscal year ended September 30, 2020, as compared to \$24.8 million for 2019. Grant awards are recognized as nonoperating revenue or capital contributions as eligible expenses are incurred.



Department can also be reached at (619) 400-2822. A copy of the financial report is available at www.san.org.

REQUEST FOR INFORMATION

Statements of Net Position
June 30, 2020 and 2019

Assets and Deferred Outflows of Resources	2020	2019
Current Assets		
Unrestricted:		
Cash and cash equivalents (Note 2)	\$ 36,935,136	\$ 10,286,307
Investments (Notes 2 and 11)	159,562,631	124,558,161
Tenant lease receivables, net	22,826,211	12,491,101
Grants receivable	25,467,263	4,148,758
Note receivable, current portion (Note 3)	2,123,843	2,006,052
Other current assets	9,216,212	7,111,124
Total unrestricted current assets	256,131,296	160,601,503
Restricted cash, cash equivalents and investments with trustees (Notes 2 and 5)	93,486,053	83,990,603
Total current assets	349,617,349	244,592,106
Noncurrent Assets		
Restricted assets (Notes 2 and 5):		
Restricted cash, cash equivalents and investments not with trustees	174,924,058	205,979,093
Restricted cash, cash equivalents and investments with trustees	360,941,845	162,164,029
Passenger facility charges receivable (Note 1)	428,687	6,959,982
Customer facility charges receivable (Note 1)	1,135,327	4,339,192
Other restricted assets	5,519,914	5,315,982
Total restricted assets	542,949,831	384,758,278
Other noncurrent assets:		
Investments, noncurrent (Note 2)	137,429,307	157,461,822
Note receivable, long-term portion (Note 3)	27,208,867	29,332,710
Cash and cash equivalents designated for specific capital projects and other commitments (Notes 2 and 11)	64,026,034	26,208,561
Net OPEB asset (Note 9)	2,136,494	394,547
Total other noncurrent assets	230,800,702	213,397,640
Capital assets (Note 4):		
Land, land improvements and nondepreciable assets	136,757,114	135,850,387
Buildings and structures	1,747,847,784	1,709,304,802
Machinery and equipment	135,435,875	131,172,226
Runways, roads and parking lots	708,999,286	698,595,118
Construction in progress	288,353,299	144,432,325
	3,017,393,358	2,819,354,858
Less accumulated depreciation	(1,228,792,352)	(1,097,205,313)
Capital assets, net	1,788,601,006	1,722,149,545
Total noncurrent assets	2,562,351,539	2,320,305,463
Total assets	2,911,968,888	2,564,897,569
Deferred outflows of resources:		
Deferred pension outflows (Note 6 and 7)	21,647,509	25,602,589
Deferred OPEB outflows (Note 9)	1,113,811	1,078,263
Total deferred outflows of resources	22,761,320	26,680,852
Total assets and deferred outflows of resources	\$ 2,934,730,208	\$ 2,591,578,421

See Notes to Financial Statements.

(continued)

Statements of Net Position
June 30, 2020 and 2019

Liabilities, Deferred Inflows of Resources and Net Position	2020	2019
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	\$ 11,144,310	\$ 5,671,003
Accrued liabilities	31,209,234	29,101,867
Compensated absences, current portion (Note 5)	2,847,306	2,978,157
Other current liabilities	23,312,345	9,020,385
Long-term debt, current portion (Note 5)	269,427	323,242
Total payable from unrestricted assets	68,782,622	47,094,654
Payable from restricted assets:		
Accounts payable	6,595,678	7,093,105
Accrued liabilities	15,618,238	14,798,425
Long-term debt, current portion (Note 5)	31,560,000	22,865,000
Accrued interest on variable rate debt and bonds (Note 5)	39,712,137	39,234,073
Total payable from restricted assets	93,486,053	83,990,603
Total current liabilities	162,268,675	131,085,257
Long-Term Liabilities		
Compensated absences, net of current portion (Note 5)	1,241,278	572,054
Other noncurrent liabilities	668,290	648,372
Long-term debt, net of current portion (Note 5)	1,855,876,151	1,578,980,028
Net pension liability (Note 6 and 7)	17,728,734	20,029,343
Total long-term liabilities	1,875,514,453	1,600,229,797
Total liabilities	2,037,783,128	1,731,315,054
Deferred inflows of resources		
Deferred pension inflows (Note 6 and 7)	6,409,312	6,453,432
Deferred OPEB inflows (Note 9)	1,400,369	507,578
Deferred gain on refunding	4,071,732	-
Total deferred inflows of resources	11,881,413	6,961,010
Total liabilities and deferred inflows of resources	\$ 2,049,664,541	\$ 1,738,276,064
Net Position		
Net investment in capital assets	266,212,751	281,491,126
Restricted:		
Debt Service	75,586,323	71,952,864
Construction	109,650,020	150,466,640
OPEB	2,136,494	394,547
Operation and maintenance expenses	14,436,251	14,377,942
Small business bond guarantee	4,000,000	4,000,000
OCIP loss reserve	5,519,913	5,315,982
Total restricted net position	211,329,001	246,507,975
Unrestricted net position	407,523,915	325,303,256
Total net position	\$ 885,065,667	\$ 853,302,357

See Notes to Financial Statements.

Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Airline revenue:		
Landing fees	\$ 33,241,410	\$ 24,816,308
Aircraft parking fees	8,354,052	3,471,363
Building rentals (Note 12)	82,453,273	70,911,568
Security surcharge	-	33,558,621
Other aviation revenue	7,788,791	1,596,275
Concession revenue	57,243,328	71,256,293
Parking and ground transportation revenue	50,750,966	62,817,901
Ground and non-airline terminal rentals (Note 12)	21,386,342	22,810,139
Other operating revenue	1,817,810	2,440,464
Total operating revenues	263,035,972	293,678,932
Operating expenses:		
Salaries and benefits (Notes 6, 7, and 8)	51,666,850	49,578,048
Contractual services (Note 14)	37,693,633	49,902,811
Safety and security	29,456,872	31,397,062
Space rental (Note 13)	10,207,066	10,190,910
Utilities	12,747,899	13,194,014
Maintenance	11,584,303	13,435,562
Equipment and systems	336,469	375,089
Materials and supplies	650,975	656,501
Insurance	1,308,471	1,199,555
Employee development and support	966,575	1,045,116
Business development	2,033,120	2,630,038
Equipment rentals and repairs	3,598,348	3,614,053
Total operating expenses before depreciation	162,250,581	177,218,759
Income from operations before depreciation	100,785,391	116,460,173
Depreciation expense	131,587,039	124,328,880
Operating loss	\$ (30,801,648)	\$ (7,868,707)

(continued)

See Notes to Financial Statements.

Statements of Revenues, Expenses and Change in Net Assets, Continued
June 30, 2020 and 2019

	2020	2019
Nonoperating revenues (expenses):		
Passenger facility charges	\$ 34,392,981	\$ 49,197,716
Customer facility charges	30,239,698	41,918,554
CARES Act Grant	36,895,488	-
Quieter Home Program grant revenue (Note 1)	12,155,776	11,550,178
Quieter Home Program expenses (Note 1)	(15,450,983)	(14,742,390)
Joint Studies Program	-	(98,601)
Investment income	32,429,489	25,533,268
Interest expense (Note 5)	(75,700,970)	(74,501,336)
Build America Bonds subsidy (Note 5)	2,089,397	4,686,174
Other revenues (expenses), net	1,442,102	(510,440)
Nonoperating revenue, net	58,492,978	43,033,123
Income before federal grants	27,691,330	35,164,416
Federal grants (Note 1)	4,071,980	8,213,234
Change in net position	31,763,310	43,377,650
Net position, beginning of year	853,302,357	809,924,707
Net position, end of year	\$ 885,065,667	\$ 853,302,357

See Notes to Financial Statements.



STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2020 AND 2019

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Receipts from customers	\$ 265,194,930	\$ 286,895,333
Payments to suppliers	(103,828,307)	(107,008,045)
Payments to employees	(52,578,787)	(50,553,389)
Other receipts	1,699,331	2,555,497
Net cash provided by operating activities	110,487,167	131,889,396
Cash Flows From Noncapital Financing Activities		
Settlement receipts (payments)	1,442,102	(1,177,331)
Quieter Home Program grant receipts	7,252,520	14,204,701
Quieter Home Program payments	(15,450,983)	(14,742,390)
Joint Studies Program payments	-	(98,601)
Net cash used in noncapital financing activities	(6,756,361)	(1,813,621)
Cash Flows From Capital and Related Financing Activities		
Capital outlay	(197,716,114)	(172,486,803)
Proceeds on Build America Bonds subsidy	2,089,397	4,686,174
Proceeds from variable rate debt	34,040,000	-
Payment of variable rate debt	(47,759,000)	(6,444,000)
Federal grants received (excluding Quieter Home Program)	24,552,219	12,365,181
Proceeds from passenger facility charges	40,924,276	48,873,007
Proceeds from customer facility charges	33,443,563	41,677,119
Payment of principal on bonds	(528,735,000)	(22,650,000)
Proceeds from issuance of Series 2019 Bonds	610,021,863	-
Proceeds from issuance of Series 2020 Bonds	241,640,000	-
Payment of capital lease	(323,243)	(323,514)
Interest and debt fees paid	(94,444,671)	(80,694,774)
Net cash provided by (used in) capital and related financing activities	117,733,290	(174,997,610)
Cash Flows From Investing Activities		
Sales and maturities of investments	407,557,391	248,392,203
Purchases of investments	(599,747,577)	(240,504,726)
Interest received on investments and note receivable	33,186,340	25,088,046
Principal payments received on notes receivable	2,006,052	1,903,323
Net cash provided by (used in) investing activities	(156,997,794)	34,878,846
Net increase (decrease) in cash and cash equivalents	64,466,302	(10,042,989)
Cash and cash equivalents, beginning of year	36,494,868	46,537,857
Cash and cash equivalents, end of year	\$ 100,961,170	\$ 36,494,868

(continued)

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS, (CONTINUED)
FOR THE FISCAL YEARS ENDED
JUNE 30, 2020 AND 2019

Statements of Cash Flows, Continued
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Unrestricted cash and cash equivalents	\$ 36,935,136	\$ 10,286,307
Cash and cash equivalents designated for specific capital projects and other commitments	64,026,034	26,208,561
Total cash and cash equivalents	\$ 100,961,170	\$ 36,494,868
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (30,801,648)	\$ (7,868,707)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	131,587,039	124,328,880
Change in pensions/OPEB liability/asset	(4,042,556)	(490,244)
Change in deferred outflows related to pensions/OPEB	3,919,532	(2,484,789)
Change in deferred inflows related to pensions/OPEB	848,671	2,733,503
Changes in assets and liabilities:		
Tenant lease receivables	(10,335,110)	(1,653,402)
Other assets	(3,065,871)	657,335
Accounts payable	5,473,307	18,489,317
Accrued liabilities	2,107,367	593,613
Compensated absences	538,373	273,623
Other liabilities	14,258,063	(2,689,733)
Net cash provided by operating activities	\$ 110,487,167	\$ 131,889,396
Supplemental Disclosure of Noncash Investing, Capital and Financing Activities		
Additions to capital assets included in accounts payable	\$ 22,213,916	\$ 21,891,530

See Notes to Financial Statements.





NOTE 1.

NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS:

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

INVESTMENTS:

Investments in the state and county investment pools are recorded at net asset value and money market mutual funds and non-negotiable certificates of deposit are recorded at amortized cost. All other investments are stated at fair value based on quoted market prices.

TENANT LEASE RECEIVABLES:

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

REPORTING ENTITY:

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

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

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements should include all organizations, agencies, boards, commissions and authorities for which the Airport Authority is financially accountable. The Airport Authority has also considered all other potential organizations for which the nature and significance of their relationships with the Airport Authority are such that exclusion would cause the Airport Authority's financial statements to be misleading or

incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

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

USE OF ESTIMATES:

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

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

In May 2020, the Airport Authority approved a three-month deferral of airline revenue to provide airlines relief in response to the COVID-19 pandemic. As of June 30, 2020, the balance due on airline deferred revenues was approximately \$8.3 million. Any remaining outstanding balances will be included in the fiscal year 2020 airline rates and charges reconciliation and settlement in November 2020.

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, 2020 and 2019, the Airport Authority recovered \$4,071,980 and \$8,213,234, respectively, for approved capital projects and \$12,155,776 and \$11,550,178, respectively, for the Quieter Home Program.

CARES ACT:

CARES Act grant is the *Coronavirus Aid, Relief, and Economic Security Act* approved by the United States Congress and signed into law by the President on March 27, 2020. It was a legislative action to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Airport Authority was awarded \$91.2 million in

CARES Act grant funds. The Airport Authority drew \$36.9M of the CARES Act grant in FY 2020.

PASSENGER FACILITY CHARGES (PFC):

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

In accordance with the program, PFC revenue must be used to pay allowable costs for approved capital projects, contribute to the Airport Authority's noise mitigation (Quieter Home Program), or to repay debt service issued to build eligible capital projects. As of June 30, 2020 and 2019, accrued PFC receivables totaled \$428,687 and \$6,959,982 respectively, and there were \$65,034,830 and \$96,034,369 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2020 and 2019, respectively.

On May 20, 2003, the FAA approved an increase in the Airport Authority's PFC charge per enplaned passenger from \$3.00 to \$4.50, beginning August 1, 2003. Currently, there are four active applications that allow the Airport Authority to impose and use \$1.2 billion in PFC revenue through November 1, 2037. The Airport Authority has formally closed five previously approved applications and withdrawn one pending application which has been integrated into a ninth application to impose and use approximately \$32 million in PFC revenue. The latest application was approved by the FAA in October 2016 providing collection authority with a charge effective date through November 2037. In accordance with the *Aviation Investment Reform Act* (AIR-21), airports imposing a \$4.50 collection level are required to reduce AIP Passenger Entitlement Apportionment to 75 percent.

CUSTOMER FACILITY CHARGES (CFC):

The Airport Authority received approval in May 2009 from the State of California under Section

1936 of the California Civil Code to impose a \$10.00 CFC per contract on rental cars at SDIA. In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects and operate the related ground transportation system. Effective January 1, 2017, the CFC rate increased from \$7.50 to \$9.00 per day for a maximum of five days. As of June 30, 2020 and 2019, accrued CFC receivables totaled \$1,135,327 and \$4,339,192, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2020 and 2019, were \$43,051,177 and \$43,133,096, respectively.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES:

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

- Employer Contributions – Pensions and OPEB– These contributions are those made after the measurement date through the fiscal year end (July 1st – June 30th) resulting in a cash outlay not yet recognized under GASB 68 or GASB 75. This amount is deferred and recognized in the following fiscal year. This item is presented as a deferred outflow of resources.
- Investment difference – Pensions and OPEB – These amounts represent the difference in projected and actual earnings on pension/OPEB plan assets. These differences are deferred and amortized over a closed five-year period. This item can be presented as both a deferred outflow and deferred inflow of resources and is combined annually as a single net unamortized balance.
- Experience difference – Pensions and OPEB – These amounts represent the difference in expected and actual pension/OPEB experience.

These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.

- Assumption changes – Pensions and OPEB – These amounts represent the difference resulting from a change in assumptions used to measure the underlying net pension/OPEB liability/asset. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.
- Debt Refunding - These amounts represent the gain or loss from the refunding of debt. These differences are deferred and recognized as interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.

CAPITAL ASSETS:

Capital assets are recorded at cost, except for capital assets contributed by third parties, which are recorded at acquisition value as of the date of acquisition. The Airport Authority capitalizes incremental overhead costs and interest cost associated with the construction of capital assets. Capital assets are defined by the Airport Authority as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater.

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

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



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

NOTE 1. Depreciation is computed by use of the straight-line method over the following estimated useful lives:

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

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

CAPITAL ASSET IMPAIRMENT:

The Airport Authority's capital assets include property, equipment and infrastructure assets. A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in the circumstances is outside the normal life cycle of the capital asset. The Airport Authority evaluates prominent events or changes in circumstances affecting capital assets to determine whether

impairment of a capital asset has occurred. Common indicators of impairment include evidence of physical damage where restoration efforts are needed to restore service utility, enactment or approval of laws or regulations setting standards that the capital asset would not be able to meet, technological development or evidence of obsolescence, a change in the manner or expected duration of use of a capital asset or construction stoppage. The Airport Authority reports the effects of capital asset impairments in its financial statements when they occur and accounts for insurance recoveries in the same manner. The Airport Authority's management has determined that no impairments of capital assets currently exist.

RETENTIONS PAYABLE:

The Airport Authority enters into construction contracts that may include retention provisions such that a certain percentage of the contract amount is held for payment until completion of the contract and acceptance by the Airport Authority. The Airport Authority's policy is to record the retention payable only after completion of the work and

acceptance of the contractor invoices have occurred. Retentions payable on completed contracts are included with accounts payable on the accompanying statements of net position. Amounts related to unpaid retentions on uncompleted contracts are included in accrued liabilities.

COMPENSATED ABSENCES:

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

BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS:

Bond discounts and premiums are deferred and amortized over the term of the respective bonds

Unrestricted net position as of June 30, 2020 and 2019 includes designations of net position that represent tentative management plans that are subject to change, consisting of:

	2020	2019
Operating contingency	\$ 2,000,000	\$ 2,000,000
Insurance contingency	11,685,954	10,967,958
Capital projects and other commitments	29,675,668	13,240,603
Total designated net position	\$ 43,361,622	\$ 26,208,561

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

REVENUE AND EXPENSE RECOGNITION:

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

CONCENTRATIONS:

A significant portion of the Airport Authority's earnings and revenues are directly or indirectly

using the effective interest method. Bond issuance costs are expensed as incurred.

AIRPORT AUTHORITY NET POSITION:

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

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

attributed to the activity of a number of major airlines. The Airport Authority's earnings and revenues could be materially and adversely affected should any of these major airlines discontinue operations and should the Airport Authority be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of enplaned passengers.

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

	2020	2019
Southwest Airlines	37.6%	37.7%
Alaska	14.3%	13.8%
United Airlines	12.7%	12.9%
Delta	12.2%	12.2%
American Airlines	12.0%	11.9%

NOTE 1.

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



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

NOTE 1.

DEFINED BENEFIT PENSION PLAN:

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

OTHER POSTEMPLOYMENT BENEFIT PLAN:

The Airport Authority provides an agent multiple-employer defined benefit postemployment benefit plan (the OPEB Plan). The OPEB Plan funds are managed by California Public Employees Retirement System (CalPERS) under the California Employer's Retiree Benefit Trust (CERBT) fund. For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due

and payable in accordance with the benefit terms. Investments are reported at fair value.

ACCOUNTING PRONOUNCEMENTS ADOPTED:

The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2020:

- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, effective for the Airport Authority's year ending June 30, 2020.

ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED:

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

- GASB Statement No. 84, Fiduciary Activities, effective for the Airport Authority's year ending June 30, 2021
- GASB Statement No. 87, Leases, effective for the Airport Authority's year ending June 30, 2021
- GASB Statement No. 90, Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61, effective for the Airport Authority's year ended June 30, 2021.
- GASB Statement No. 91, Conduit Debt Obligations, effective for the Airport Authority's year ended June 30, 2023.



CASH, CASH EQUIVALENTS & INVESTMENTS

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

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

	2020	2019
Unrestricted and Undesignated:		
Cash and cash equivalents	\$ 36,935,136	\$ 10,286,307
Current investments	159,562,631	124,558,161
Noncurrent investments	137,429,307	157,461,822
Total unrestricted and undesignated	333,927,074	292,306,290
Designated for specific capital projects and other commitments: cash and cash equivalents	64,026,034	26,208,561
Restricted:		
Current cash, cash equivalents and investments, with trustees	93,486,053	83,990,603
Noncurrent cash, cash equivalents and investments, not with trustees	174,924,058	205,979,093
Noncurrent cash, cash equivalents and investments, with trustees	360,941,845	162,164,029
Total restricted cash, cash equivalents and investments	629,351,956	452,133,725
Total cash, cash equivalents and investments	\$ 1,027,305,064	\$ 770,648,576

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

	2020	2019
Restricted cash, cash equivalents and investments:		
Bond reserves:		
Operation and maintenance reserve subaccount	\$ 43,308,755	\$ 43,133,828
Operation and maintenance subaccount	14,436,251	14,377,942
Renewal and replacement account	5,400,000	5,400,000
Total bonds reserves	63,145,006	62,911,770
Passenger facility charges unapplied	65,034,830	96,034,369
Customer facility charges unapplied	43,051,177	43,133,096
Small business development bond guarantee	4,000,000	4,000,000
2010 Series debt service reserve fund	30,146,892	52,163,004
2010 Series debt service account	11,344,678	25,493,536
2013 Series construction fund	87	2,397
2013 Series debt service reserve fund	34,260,842	34,246,502
2013 Series debt service account	16,981,079	11,575,069
2014 Series construction fund	3,031	1,941
2014 Series debt service reserve fund	22,796,477	22,368,760
2014 Series debt service account	14,130,702	13,853,720
2014 Series rolling coverage fund	7,133,754	6,905,072
2014 Series renew and replace	7,452,635	5,431,585
2017 Series construction fund	2,352,993	47,288,403
2017 Series debt service reserve fund	12,537,440	14,993,717
2017 Series debt service account	15,077,845	11,730,784
2019 Series construction fund	222,216,692	-
2019 Series debt service account	7,990,051	-
2019 Series debt service reserve fund	29,918,507	-
2019 Series CAP interest fund	16,110,292	-
2019 Series cost of issuance	3,224	-
2020 Series cost of issuance	57,969	-
2020 Series debt services	3,605,753	-
Total restricted cash, cash equivalents and investments	\$ 629,351,956	\$ 452,133,725



THE TABLE THAT FOLLOWS IDENTIFIES THE INVESTMENT TYPES THAT ARE AUTHORIZED BY THE AIRPORT AUTHORITY'S INVESTMENT POLICY:

The table also identifies certain provisions of the Airport Authority's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

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

Authorized Investment Type	Maximum Maturity	Minimum Quality Requirements	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	N/A	None	None
U.S. agency securities	5 years	N/A	None	None
Supranationals	5 years	AA	30 percent	10 percent
Bankers' acceptances	180 days	AAA/Aaa	40 percent	5 percent
Commercial paper	270 days	A-1; P-1; F-1	25 percent	5 percent
Negotiable certificates of deposit	5 years	A	30 percent	5 percent
Medium-term notes	5 years	A	20 percent	5 percent
Money market mutual funds	N/A	AAA/Aaa	20 percent	5 percent
Repurchase agreements	1 year	A	None	None
Local Agency Investment Fund	N/A	N/A	None	\$75 million
San Diego County Investment Pool	N/A	N/A	None	\$75 million
Local Government Investment Pool	N/A	N/A	None	\$75 million
U.S. State and California agency indebtedness	5 years	A	20 percent	5 percent
Placement service certificates of deposits	3 years	N/A	30 percent	5 percent
Time certificates of deposit	3 years	*	20 percent	5 percent
Bank deposits	N/A	*	None	None

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

INVESTMENT IN STATE INVESTMENT POOLS:

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

INVESTMENT IN COUNTY INVESTMENT POOL:

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

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

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

NOTE 2. 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,

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

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

*Investment requires collateralization

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

INVESTMENTS HELD BY TRUSTEE:

The Airport Authority has monies held by trustees pledged for the security and payment of certain debt instruments, the payment of bond interest

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.

during construction and the payment of capital project costs.

DISCLOSURES RELATED TO INTEREST RATE RISK:

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

CUSTODIAL CREDIT RISK (DEPOSITS):

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

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

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

CUSTODIAL CREDIT RISK (INVESTMENTS):

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

DISCLOSURES RELATED TO CREDIT RISK:

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

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



CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

NOTE 2. 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	2020				Ratings
	Total	Investment Maturities (in Years)			
		0 - 1	1 - 2	2 - 5	
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	\$ 152,277,193	\$ 38,947,897	\$ 54,461,073	\$ 58,868,224	AA+
U.S. agency securities	147,157,246	22,271,155	32,673,767	92,212,324	AA+
	6,810,765	-	-	6,810,765	Not rated
Supranationals	4,199,896	2,148,056	2,051,840	-	AAA
	5,610,140	-	-	5,610,140	Not rated
Commercial Paper	2,499,500	2,499,500	-	-	A-1
Negotiable certificates of deposit	4,028,440	4,028,440	-	-	A+
	4,000,000	4,000,000	-	-	A-1+
Medium-term notes	3,041,070	3,041,070	-	-	AAA
	22,040,080	4,048,800	4,115,480	13,875,800	AA
	39,801,962	5,335,102	13,705,980	20,760,880	A
Municipal Bonds	5,176,600	-	-	5,176,600	AA+
Money market mutual funds	17,435,951	17,435,951	-	-	AAA
Local Agency Investment Fund	146,314,756	146,314,756	-	-	Not rated
San Diego County Investment Pool	293,587,647	293,587,647	-	-	Not rated ⁽¹⁾
CalTrust Fund	16,362,863	16,362,863	-	-	AA
Total investments subject to credit and interest rate risk:	870,344,109	560,021,237	107,008,140	203,314,732	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	16,271,235				
Total Investments	\$ 886,615,344				

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

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

CONCENTRATION OF CREDIT RISK:

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

issuer or class of securities. The Airport Authority had no concentrations of credit risk at June 30, 2020 and 2019.

FOREIGN CURRENCY RISK:

The Airport Authority's investment policy does not allow investments in foreign securities.

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, 2020 and 2019, the balance of the note receivable was \$29,332,710 and \$31,338,762, respectively.

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

Years Ending June 30,	Amount
2021	\$ 2,123,843
2022	2,243,644
2023	2,370,203
2024	2,500,653
2025	2,644,957
2026-2030	15,636,626
2031	1,812,784
	<u>\$ 29,332,710</u>



NOTE 2.

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

NOTE 3.

NOTE RECEIVABLE

NOTE 4.

Capital asset activity for the years ended June 30, 2020 and 2019, are as follows:

CAPITAL ASSETS

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

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

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

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

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



NOTE 5.

LONG-TERM LIABILITIES

The following is a summary of changes in the long-term liability activity for the years ended June 30, 2020 and 2019:

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

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



LONG-TERM LIABILITIES
(CONTINUED)

NOTE 5.

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

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

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

On December 21, 2012, the Airport Authority defeased all of its outstanding Series 2005 Bonds, by depositing proceeds of Subordinate CP Notes and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2005 Bonds until their final maturity date of July 1, 2020. As of June 30, 2020 and 2019, the amount held in escrow by the trustee was \$5,226,683 and \$10,396,042, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was \$5,125,000 and \$9,990,000, respectively.

SENIOR LIEN AIRPORT REVENUE BONDS, SERIES 2013:

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

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of \$55,934,101, which is being amortized over the life of the bonds. Interest on the senior Series 2013 Bonds is payable semiannually on January 1 and July 1, of each year. Interest for the fiscal years ended June 30, 2020 and 2019, was \$18,174,150 and \$18,081,350, respectively, including accrued interest of \$9,040,675 and \$9,087,075 for fiscal years ending June 30, 2020 and 2019, respectively. The principal balance on the Series 2013 Bonds as of June 30, 2020 and 2019, was \$368,750,000 and \$371,070,000, respectively.

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

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's books, as shown previously in the notes. For the fiscal years ended June 30, 2020 and 2019, the amount held by the trustee was \$51,242,009 and \$45,823,968, respectively, which included the July 1 payment and the debt service reserve fund. The total additional amounts held by the Airport Authority for Operating and Maintenance, and Renewal and Replacements reserves for fiscal years 2020 and 2019 was \$63,145,006 and \$62,911,770, respectively. The public ratings of the Series 2013 Bonds as of June 30, 2020, are A+/A1/AA- by Standard & Poor's, Moody's Investors Service and Fitch Ratings. After



June 30, 2020, Standard & Poor's decreased the rating on the Senior Debt to A.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
2021	\$ 7,925,000	\$ 17,883,225	\$ 25,808,225
2022	8,315,000	17,477,225	25,792,225
2023	8,725,000	17,051,225	25,776,225
2024	9,170,000	16,603,850	25,773,850
2025	9,625,000	16,133,975	25,758,975
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>\$ 368,750,000</u>	<u>\$ 296,076,225</u>	<u>\$ 664,826,225</u>

SUBORDINATE LIEN SERIES 2010, 2017, 2019 AND 2020 BONDS:

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

The Subordinate Series 2010 C Bonds were refunded and defeased on December 11, 2019, when the Airport Authority issued Subordinate Series 2019A Revenue Refunding Bonds. The proceeds of the Series 2019 Bonds included an amount to fund the escrow which will be used to pay the principal and interest of the Series 2010C Bonds. As of June 30, 2020, the balance of the 2010C escrow fund was \$220,576,269. Subordinate Series 2010 A and B (except series maturing July 1, 2020) were refunded and defeased on April 8, 2020 when the Airport Authority Issued Series 2020A, 2020B

and 2020C Revenue Refunding Bonds. The proceeds of the Subordinate Series 2020 Bonds included an amount to fund the escrow which will be used to pay the principal and interest of the Series 2010A and 2010B Bonds. As of June 30, 2020 the balance of the 2010A escrow fund was \$265,874,750 and the balance of the 2010B escrow fund was \$31,965,994. Amount on deposit in the escrow funds will be used to pay the redemption price and interest on the Refunded Series 2010 Bonds on July 1, 2020.

Interest for the fiscal years ended June 30, 2020 and 2019, amounted to \$17,869,205 and \$29,780,849, respectively, including accrued interest of \$407,438

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
2021	\$ 10,865,000	\$ 407,438	\$ 11,272,438
	<u>\$ 10,865,000</u>	<u>\$ 407,438</u>	<u>\$ 11,272,438</u>

NOTE 5.

LONG-TERM LIABILITIES
(CONTINUED)

and \$14,890,425, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2020 and 2019, was \$10,865,000 and \$527,100,000, respectively.

As a result of the refunding, the Airport Authority reduced its total debt service requirements by \$142.7 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$100.0 million.

LONG-TERM LIABILITIES
(CONTINUED)

NOTE 5.

The Airport Authority issued \$291,210,000 of Series A and B Subordinate Airport Revenue Bonds on August 3, 2017. The Subordinate Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund \$32,550,000 of the Airport Authority's outstanding variable rate debt, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in

fiscal years 2019 to 2048. The bonds were issued at a premium of \$48,423,688, which is being amortized over the life of the bonds. Interest on the Series 2017 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2020 and 2019, amounted to \$14,090,500 and \$14,313,501, respectively, including accrued interest of \$7,045,250 and \$7,156,750, respectively. The principal balance on the subordinate Series 2017 Bonds as of June 30, 2020 and 2019, was \$281,810,000 and \$286,270,000.

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

Years Ending June 30,	Principal	Interest	Total
2021	\$ 4,825,000	\$ 13,969,875	\$ 18,794,875
2022	5,070,000	13,722,500	18,792,500
2023	5,320,000	13,462,750	18,782,750
2024	5,585,000	13,190,125	18,775,125
2025	5,865,000	12,903,875	18,768,875
2026-2030	34,025,000	59,699,375	93,724,375
2031-2035	43,430,000	54,201,375	97,631,375
2036-2040	55,425,000	43,045,875	98,470,875
2041-2045	70,755,000	28,808,750	99,563,750
2046-2048	51,510,000	10,635,875	62,145,875
	<u>\$ 281,810,000</u>	<u>\$ 263,640,375</u>	<u>\$ 545,450,375</u>

The Airport Authority issued \$338,775,000 of Series A Subordinate Airport Revenue and Revenue Refunding Bonds and \$124,905,000 of Series B Subordinate Airport Revenue Bonds on December 11, 2019 (Series 2019 Bonds). The Subordinate Series 2019 Bonds were issued to finance certain capital improvements at SDIA including a new facilities maintenance building and storm water capture and reuse projects, fund a portion of the interest accruing on the subordinate Series 2019 Bonds, refund \$34,321,000 of the Airport Authority's outstanding variable rate debt, fund the Series 2010C Escrow account, fund the subordinate reserve fund, and pay the costs of issuance of the subordinate Series 2017 Bonds.

The Series 2019 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2021 to 2050. The bonds were issued at a premium of \$96,927,688, which is being amortized over the life of the bonds. Interest on the Series 2019 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2020, amounted to \$12,418,806, including accrued interest of \$12,418,806. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2020, was \$463,680,000.



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

Years Ending June 30,	Principal	Interest	Total
2021	\$ 1,235,000	\$ 12,418,806	\$ 13,653,806
2022	3,420,000	22,292,100	25,712,100
2023	4,440,000	22,121,100	26,561,100
2024	6,095,000	21,899,100	27,994,100
2025	6,400,000	21,594,350	27,994,350
2026-2030	31,030,000	103,420,000	134,450,000
2031-2035	87,365,000	91,611,250	178,976,250
2036-2040	156,590,000	62,613,300	219,203,300
2041-2045	87,365,000	30,044,300	117,409,300
2046-2050	79,740,000	12,349,500	92,089,500
	<u>\$ 463,680,000</u>	<u>\$ 400,363,806</u>	<u>\$ 864,043,806</u>

The Airport Authority issued \$241,640,000 of Series A, B and C Subordinate Airport Revenue Refunding Bonds (Series 2020 Bonds). The Airport Authority entered into a Forward Delivery Purchase Contract on December 11, 2019 and delivered the 2020 Bonds Proceeds on April 8, 2020. Proceeds from the sale of the 2020 Bonds were used to fund the Series 2010 A and B bonds escrow accounts and pay the costs of issuance of the subordinate Series 2020 Bonds. The Series 2020 Bonds are structured as serial bonds that bear interest rates of 5.00 percent and mature in fiscal years 2021 to 2041.

The bonds were issued at a premium of \$49,414,175, which is being amortized over the life of the bonds. Interest on the Series 2020 Bonds is payable semiannually on January 1 and July 1 of each year.

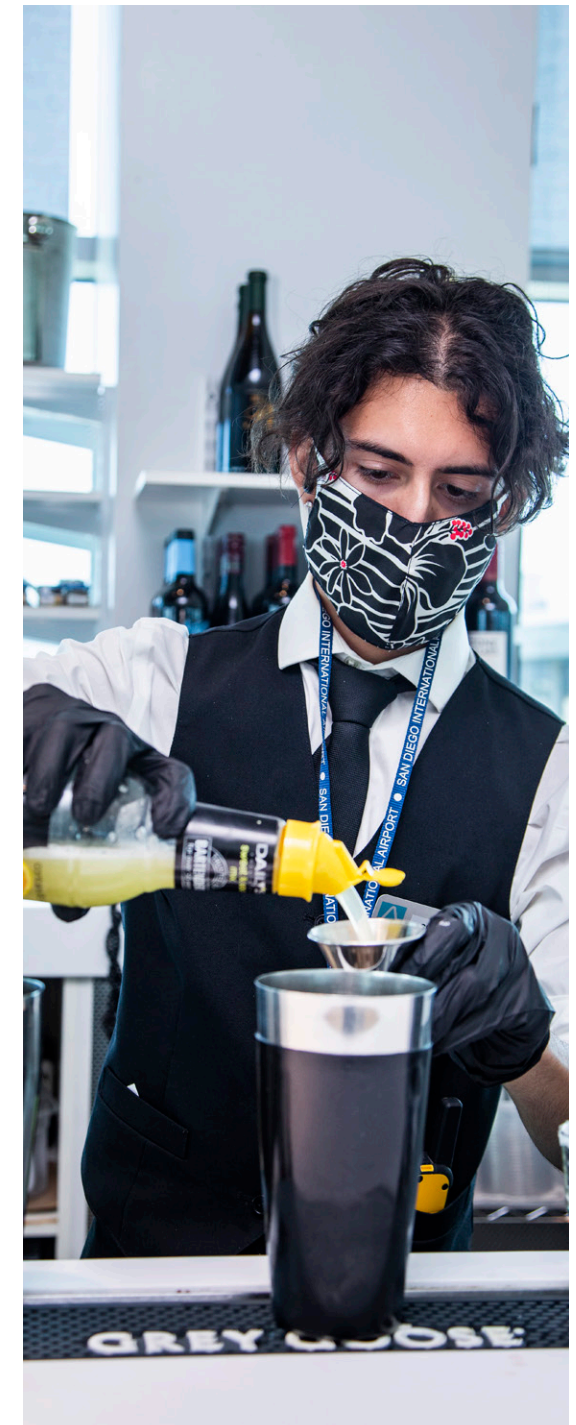
Interest for the fiscal years ended June 30, 2020, amounted to \$2,785,572, including accrued interest of \$2,785,572. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2020, was \$241,640,000.

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

Years Ending June 30,	Principal	Interest	Total
2021	\$ 820,000	\$ 2,785,572	\$ 3,605,572
2022	13,825,000	12,041,000	25,866,000
2023	14,520,000	11,349,750	25,869,750
2024	15,240,000	10,623,750	25,863,750
2025	16,005,000	9,861,750	25,866,750
2026-2030	62,285,000	39,383,000	101,668,000
2031-2035	64,075,000	23,085,000	87,160,000
2036-2040	44,565,000	9,478,500	54,043,500
2041	10,305,000	515,250	10,820,250
	<u>\$ 241,640,000</u>	<u>\$ 119,123,572</u>	<u>\$ 360,763,572</u>

NOTE 5.

LONG-TERM LIABILITIES
(CONTINUED)



NOTE 5.
LONG-TERM LIABILITIES
(CONTINUED)

The subordinate Series Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate trustee under the subordinate indenture. The subordinate Series Bonds were issued with a pledge of and lien on subordinate net revenues.

As subordinate lien bonds, the Series 2010, 2017, 2019 and 2020 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2020 and 2019, the amount held by the trustee was \$351,833,334 and \$151,669,446, respectively, which included the July 1 payment, a debt service reserve fund, construction fund, and a capitalized interest fund. The public ratings of the Subordinate Series 2010, 2017, 2019 and 2020 Bonds as of June 30, 2020, are A/A2/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings. After June 30, 2020, Standard & Poor's reduced the rating on subordinate debt to A-.

SUBORDINATE VARIABLE RATE DEBT PROGRAM: During fiscal year 2015, the Airport Authority established a \$125,000,000 Revolving Line Of Credit issued by US Bank. The Revolving Line Of Credit was a three-year agreement that took effect on

September 5, 2014. The agreement was amended on June 29, 2017, to extend the commitment through June 29, 2020. The Airport Authority terminated the agreement on June 29, 2020.

At June 30, 2020 and 2019, the outstanding principal balances of the Series B Revolving Obligations were \$0 and \$13,719,000, respectively. The Series B Revolving Obligations bear interest at the tax-exempt rate which is based on a spread to LIBOR.

In April of 2017, the Airport Authority established a Subordinate Drawdown Bond program with RBC Municipal Products of up to \$100,000,000. On April 1, 2017, the Airport Authority and RBC Municipal Products agreed upon a Bondholders Agreement and on April 19, 2017, the Airport Authority and RBC Capital Markets LLC agreed upon a Subordinate Drawdown Bond Purchase Agreement. When issued, all Subordinate Drawdown Bonds will be purchased by the Subordinate Drawdown Bond Purchaser in accordance with the terms of the Subordinate Drawdown Bondholder's Agreement and the Subordinate Drawdown Bond Purchase Agreement. This commitment expired on April 17, 2020.

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

SENIOR LIEN SPECIAL FACILITIES REVENUE BONDS, SERIES 2014: On February 19, 2014, the Airport Authority issued \$305,285,000 of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest accruing on the Series 2014 Bonds, fund deposits to the senior

reserve fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt and non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent. The bonds were issued at a premium of \$594,226, which is amortized over the life of the bonds. Interest on the Series 2014 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for fiscal years ended June 30, 2020 and 2019, was \$16,028,789 and \$16,199,645, respectively, including accrued interest of \$8,014,395 and \$8,099,823, respectively. The principal balance on the Series 2014 Bonds for fiscal years ended June 30, 2020 and 2019 was \$293,985,000 and \$299,705,000, respectively.

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

The Series 2014 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's net position, as shown previously in the notes. For the fiscal years ended June 30, 2020 and 2019, the amount held by the trustee was \$51,516,600 and \$48,561,078, respectively, which included the July 1 payment, the debt service reserve fund, and the rolling coverage fund.

The public ratings of the Senior Series Special Facility 2014 Bonds as of June 30, 2019, are A/A3 by Standard & Poor's and Moody's Investors Service. After June 30, 2020 Standard & Poor's reduced the rating to BBB+.

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
2021	\$ 5,890,000	\$ 15,928,365	\$ 21,818,365
2022	6,090,000	15,714,362	21,804,362
2023	6,320,000	15,424,013	21,744,013
2024	6,670,000	15,060,682	21,730,682
2025	7,045,000	14,874,122	21,919,122
2026-2030	41,600,000	69,100,925	110,700,925
2031-2035	54,610,000	56,433,452	111,043,452
2036-2040	71,690,000	39,804,447	111,494,447
2041-2045	94,070,000	12,987,625	107,057,625
	<u>\$ 293,985,000</u>	<u>\$ 255,327,993</u>	<u>\$ 549,312,993</u>

LINE OF CREDIT:

In fiscal year 2020, the Airport Authority maintained a \$4,000,000 line of credit held with US Bank, which is collateralized with a bank certificate of deposit. This line is utilized to issue letters of credit to surety companies who are partnering with the

Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2019, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

The Airport Authority had the following used and unused balances in line of credit type debt instruments as of June 30, 2020 and 2019:

	June 30, 2020		June 30, 2019	
	Used	Unused	Used	Unused
Revolving line of credit	\$ -	\$ -	\$ 13,719,000	\$ 111,281,000
Drawdown bonds	-	-	-	100,000,000
Line of credit	-	4,000,000	-	4,000,000
	<u>\$ -</u>	<u>\$ 4,000,000</u>	<u>\$ 13,719,000</u>	<u>\$ 215,281,000</u>

NOTE 5.
LONG-TERM LIABILITIES
(CONTINUED)



LONG-TERM LIABILITIES
(CONTINUED)

NOTE 5.

EVENT OF DEFAULT:

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

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, 2020:

Total Years Ending June 30,	Amount
2021	\$ 877,298
2022	877,298
2023	877,298
2024	877,298
2025	877,298
2026-2030	4,386,489
2031-2033	2,120,136
Total Lease Payments	10,893,115
Less amount representing interest	(4,396,007)
Present value of future lease payments	\$ 6,497,108



maintenance expenses of the airport (net revenues do not include cash received from PFC's CFC's or Federal Grants). The special facility bonds are secured by a pledge of the Trust Estate.

CAPITAL LEASES

Office equipment leases: The Airport Authority has entered into five year capital lease agreements for office equipment that require monthly lease payments of \$6,849. These leases were totally paid off in 2020.

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.

INTRODUCTION:

The Airport Authority has two defined benefit pension plans which cumulatively represent the net pension liability and related deferred inflows and deferred outflows of resource balances as reported on the statement of net position. The below schedule represents aggregating information as of June 30, 2020 and 2019:

	Defined Benefit Plan (GASB No. 68)	Preservation of Benefits Trust Plan (GASB No. 73)	Total
Balances as of 6/30/2020			
Pension expense	\$ 9,905,772	\$ 314,006	\$ 10,219,778
Net pension liability	15,961,502	1,767,232	17,728,734
Deferred outflows of resources	21,105,307	542,202	21,647,509
Deferred inflows of resources	6,190,685	218,627	6,409,312
Balances as of 6/30/2019			
Pension expense	\$ 7,774,562	\$ 196,660	\$ 7,971,222
Net pension liability	18,373,281	1,656,062	20,029,343
Deferred outflows of resources	25,046,571	556,018	25,602,589
Deferred inflows of resources	6,235,495	217,937	6,453,432

PLAN DESCRIPTION:

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

From January 1, 2003 through June 30, 2007, SDCERS administered a qualified employer defined benefit plan for the City, the District and Airport Authority. However, as of July 1, 2007, the City, the District and the Airport Authority plans were separated into independent, qualified, single-employer governmental defined benefit plans and trusts. The assets of the three separate plans and trusts were pooled in the SDCERS Group Trust, which was established as of July 1, 2007. SDCERS invests and administers the Group Trust as a common investment fund and accounts separately for the proportional interest of each plan and trust that participates in the Group Trust.

SDCERS is governed by a 13-member Board, responsible for the administration of retirement

benefits for the City, the District, and the Airport Authority and for overseeing the investment portfolio of the retirement system's trust fund. The Board is comprised of seven appointed members, four active members, one retired member, and one ex-officio member.

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

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

NOTE 6.

DEFINED BENEFIT PLAN

report may found on the San Diego City Employees' Retirement System website at www.sdcers.org.

BENEFITS PROVIDED: The Airport Authority provides retirement, disability, and death benefits.

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

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

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

**DEFINED BENEFIT PLAN
(CONTINUED)**

NOTE 6.

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

Employees with ten years of continuous service are eligible to receive non-industrial disability and

As of the measurement dates June 30, 2019 and June 30, 2018, Plan membership was as follows:

	2019	2018
Active employees	407	405
Inactive employees entitled to but not yet receiving benefits	143	139
Inactive employees or beneficiaries currently receiving benefits	117	101
Total	<u>667</u>	<u>645</u>

CONTRIBUTIONS:

SDCERS uses actuarial developed methods and assumptions to determine what level of contributions are required to achieve and maintain an appropriate funded status for the Plan. The actuarial process uses a funding method that attempts to create a pattern of contributions that is both stable and predictable. The actual employer and member contribution rates in effect each year are based upon actuarial valuations performed by an independent actuary and adopted by the SDCERS Board annually.

The actuarial valuation is completed as of June 30, of each year. Once accepted by the SDCERS Board, the approved rates for Airport Authority apply to the fiscal year beginning 12 months after the valuation date. For June 30, 2020, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2018, actuarial valuation.

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.

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

For the years ended June 30, 2020 and 2019, employees contributed \$3,285,722 and \$3,178,464 respectively, and the Airport Authority contributed \$8,423,955 and \$7,848,712, respectively, to the Plan. Under the Plan, the Airport Authority pays a portion of the classic participant's contribution, referred to as the "off-set". The off-set is equal to 7.00% or 8.50% of the general classic members' base compensation and 9.55% of the executive classic members' base compensation. These contributions are included in the employee contribution. There is no off-set for PEPR participants.



NOTE 6.

**DEFINED BENEFIT PLAN
(CONTINUED)**

annual valuation used is as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability follow.

NET PENSION LIABILITY:

The Airport Authority's net pension liability as of June 30, 2020, is measured as the total pension liability, less the pension plan's fiduciary net position. The total pension liability as of June 30, 2020, is measured as of June 30, 2019. The

ACTUARIAL ASSUMPTIONS:

The total pension liability in the June 30, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement: the measurement:

Valuation date	June 30, 2019	June 30, 2018
	June 30, 2018	June 30, 2017
Measurement date	June 30, 2019	June 30, 2018
Actuarial cost method	Entry-age normal funding method	Entry-age normal funding method
Asset valuation method	Expected value with smoothing	Expected value with smoothing
Actuarial assumptions:		
Investment rate of return ⁽¹⁾	6.50%	6.50%
Projected salary increase ⁽²⁾	3.05%	3.05%
Cost-of-living adjustment	1.9% per annum, compounded	1.9% per annum, compounded
Termination rate ⁽³⁾	3.0% - 11.0%	3.0% - 11.0%
Disability rate ⁽⁴⁾	0.01% - 0.30%	0.01% - 0.30%
Mortality ⁽⁵⁾	0.02% - 13.54%	0.02% - 13.54%

⁽¹⁾ Net of investment expense

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

⁽³⁾ Based on years of service

⁽⁴⁾ Based on age

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

Further details about the actuarial assumptions can be found in the SDCERS June 30, 2019 and June 30, 2018 actuarial reports.

DISCOUNT RATE:

For the June 30, 2019 and 2018 actuarial valuations, the discount rates used to measure the total pension liability were 6.50 percent and 6.50 percent, respectively. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all

periods of the projected benefit payments to determine the total pension liability (asset).

The long-term expected rate of return estimates for equity and fixed income are developed using a geometric (long-term compounded) building block approach: 1) expected returns based on observable information in the equity and fixed income markets and consensus estimates for major economic and capital market inputs, such as earnings and inflation, and 2) where necessary,



DEFINED BENEFIT PLAN
(CONTINUED)

NOTE 6.

judgment-based modifications are made to these inputs. Return assumptions for other assets classes are based on historical returns, current market characteristics, and professional judgements from SDCERS general investment

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

Asset Class	Target Allocation	Long-term Expected Real Rates of Return	Long-term Expected Nominal Rates of Return
Domestic equity	18.0%	4.3%	6.7%
International equity	15.0%	5.5%	7.9%
Global equity	8.0%	5.1%	7.5%
Domestic fixed income	22.0%	1.2%	3.5%
Emerging market debt	5.0%	3.7%	6.1%
Real estate	11.0%	3.5%	5.9%
Private equity and infrastructure	13.0%	6.3%	8.8%
Opportunity fund	8.0%	4.5%	6.9%
	<u>100.0%</u>		

CHANGES IN THE NET PENSION LIABILITY:

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

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of June 30, 2019	\$ 204,875,919	\$ 186,502,638	\$ 18,373,281
Changes for the year:			
Service cost	7,632,696	-	7,632,696
Interest on total pension liability	13,355,418	-	13,355,418
Difference between expected and actual experience	(645,462)	-	(645,462)
Changes in assumptions	-	-	-
Employer contributions	-	7,848,712	(7,848,712)
Member contributions	-	3,178,464	(3,178,464)
Net investment income	-	12,086,349	(12,086,349)
Benefit payments	(6,429,660)	(6,429,660)	-
Administrative expense	-	(359,094)	359,094
Net changes	<u>13,912,992</u>	<u>16,324,771</u>	<u>(2,411,779)</u>
Balances as of June 30, 2020	\$ 218,788,911	\$ 202,827,409	\$ 15,961,502



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

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of June 30, 2018	\$ 185,541,212	\$ 166,797,759	\$ 18,743,453
Changes for the year:			
Service cost	7,390,428	-	7,390,428
Interest on total pension liability	12,621,227	-	12,621,227
Difference between expected and actual experience	(2,630,285)	-	(2,630,285)
Changes in assumptions	6,416,088	-	6,416,088
Employer contributions	-	7,318,546	(7,318,546)
Member contributions	-	3,162,781	(3,162,781)
Net investment income	-	14,036,710	(14,036,710)
Benefit payments	(4,462,751)	(4,462,751)	-
Administrative expense	-	(350,407)	350,407
Net changes	<u>19,334,707</u>	<u>19,704,879</u>	<u>(370,172)</u>
Balances as of June 30, 2019	\$ 204,875,919	\$ 186,502,638	\$ 18,373,281

SENSITIVITY OF THE NET PENSION LIABILITY TO DISCOUNT RATE CHANGES:

The following presents the resulting net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal years ended June 30, 2020:

	1% Decrease 5.50%	Current 6.50%	1% Increase 7.50%
Total pension liability	\$ 249,327,648	\$ 218,788,911	\$ 193,677,125
Plan fiduciary net position	<u>202,827,408</u>	<u>202,827,409</u>	<u>202,827,408</u>
Net pension liability (asset)	\$ 46,500,240	\$ 15,961,502	\$ (9,150,283)
Plan fiduciary net position as a percentage of the total pension liability (asset)	<u>81.3%</u>	<u>92.7%</u>	<u>104.7%</u>

NOTE 6.

DEFINED BENEFIT PLAN
(CONTINUED)



NOTE 6.
DEFINED BENEFIT PLAN
(CONTINUED)

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

For the years ended June 30, 2020 and 2019, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$9,905,772 and \$7,774,562, respectively. At June 30, 2019 and 2018, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

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

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

The deferred outflows of resources, at June 30, 2020 and 2019, related to pensions resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net pension liability at June 30, 2021 and 2020, respectively, at June 30, 2020 and 2019, respectively.

Other amounts reported as deferred outflows/inflows of resources related to the plan at June 30, 2020, will be recognized in pension expense as follows:

Years ended June 30,	
2021	\$ 3,039,794
2022	1,248,666
2023	1,709,191
2024	561,087
	\$ 6,558,738



PRESERVATION OF BENEFITS TRUST PLAN (POB) DESCRIPTION:

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

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

BENEFITS PROVIDED:

The Airport Authority provides retirement benefits to POB members with retirement benefits in excess of Code Section 415(b) who have participated in the Plan since establishment of the POB. Participation ends for a portion of a plan year in which the retirement benefit of a retiree or beneficiary is not limited by Code Section 415(b) or when all benefit obligations to the retiree or beneficiary have been satisfied. Benefit payments are equal to the amount of retirement income that would have been payable, less the amount payable by the Plan. Benefit payments for the years ended June 30, 2020 and 2019, were \$47,081 and \$182,381, respectively. The POB is unfunded and provides benefits on an annual basis as determined by SDCERS. June 30, 2019 and 2018, were \$31,329 and \$0, respectively. The POB is unfunded and provides benefits on an annual basis as determined by SDCERS.

As of the measurement dates of June 30, 2019 and 2018, Plan membership was as follows:

	2019	2018
Active employees	2	2
Inactive employees or beneficiaries currently receiving benefits	2	1
Total	4	3

TOTAL PENSION LIABILITY:

The Airport Authority's total pension liability as of June 30, 2020 and 2019, was \$1,767,232 and \$1,656,062, respectively. The pension liability as of June 30, 2020, is measured as of June 30,

2019, using an annual actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability follow.

ACTUARIAL ASSUMPTIONS:

The total pension liability in the June 30, 2019 and 2018, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2019	June 30, 2018
Valuation date	June 30, 2018	June 30, 2017
Measurement date	June 30, 2019	June 30, 2018
Actuarial cost method	Entry-age normal	Entry-age normal
Actuarial assumptions:		
Discount rate	3.50%	3.87%
Inflation rate	3.05%	3.05%
Interest credited to member contributions	6.50%	6.50%
Projected salary increases	3.05%	3.05%

NOTE 7.
PRESERVATION OF BENEFITS
TRUST PLAN (GASB NO. 73)



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

NOTE 7. CHANGES IN THE TOTAL PENSION LIABILITY:

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

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

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

	Total Pension Liability
Balances as of June 30, 2018	\$ 1,479,005
Changes for the year:	
Service cost	51,775
Interest on total pension liability	53,311
Difference between expected and actual experience	193,013
Changes in assumptions	(89,713)
Benefit payments	(31,329)
Net changes	177,057
Balances as of June 30, 2019	\$ 1,656,062

SENSITIVITY OF THE TOTAL PENSION LIABILITY TO DISCOUNT RATE CHANGES:

The following presents the resulting total pension liability calculated using the discount rate of 3.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal year ended June 30, 2020:

	1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
Total pension liability	\$ 2,114,822	\$ 1,767,232	\$ 1,492,635



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

For the year ended June 30, 2020 and 2019, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 73, of \$314,006 and \$347,712. At June 30, 2020 and 2019, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

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

For June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 419,729	\$ -
Changes in assumptions	136,289	217,937
Total	\$ 556,018	\$ 217,937

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

Years ended June 30,	
2021	\$ 100,530
2022	100,529
2023	55,096
2024	26,171
	\$ 282,326

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

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

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

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



NOTE 8.

EMPLOYEES' DEFERRED COMPENSATION PLAN

OTHER POSTEMPLOYMENT BENEFITS

NOTE 9.

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

PLAN DESCRIPTION:

As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for approximately 2 million California public employees, retirees and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States, managing more than \$370 billion in assets for more than 2,890 California employers. In 1988 and 2007, enabling statutes and regulations were enacted which permitted CalPERS to form the CERBT fund, an irrevocable Section 115 Trust, for the purpose of receiving employer contributions that will prefund health and other postemployment benefit costs for retirees and their beneficiaries. Financial statements for CERBT

may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

FUNDING POLICY:

CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the actuarially determined contributions (ADCs). As of May 9, 2009, the agreement with CERBT was approved. The retirees' contribution rate was raised from 5 percent to 10 percent of plan costs for single coverage and the entire cost of vision benefits, lowering the OPEB liabilities of the Airport Authority. Annually, the Airport Authority's goal is to fund 100 percent of the actuarially calculated ADC for its OPEB. In previous years, the Airport Authority has made contributions above the annual ADC which has resulted in a net OPEB asset. During the fiscal years ended June 30, 2020 and 2019, the Airport Authority's contributions were \$784,845 and \$339,003, respectively.

A measurement date of June 30, 2019 and 2018, was used for the June 30, 2020 and June 2019, OPEB assets and expenses. The information that follows was determined as of a valuation date of June 30, 2019 and July 1, 2018, respectively. Assumptions used in the July 1, 2018 valuation were rolled forward from the July 1, 2017 valuation.

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

	2019	2018
Active employees	151	161
Inactive employees or beneficiaries currently receiving benefits	79	69
Total	230	230



ACTUARIAL ASSUMPTIONS:

The total OPEB liability in the July 1, 2019 and 2018 actuarial valuations was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	2.75%
Projected salary increase	3.00%
Investment rate of return	6.75% at June 30, 2019; 7.28% at June 30, 2018; Expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust
Actuarial cost method	Entry Age Normal, with amortization of 7/1/2017 unfunded liability over the period ending 6/30/2037 and amortization of subsequent unanticipated changes in liability over 15-year periods.
Asset valuation method	5 year asset smoothing
Retirement age	Rates used are the same as used in the June 30, 2016 San Diego City Employees' Retirement System actuarial valuation.
Mortality	CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4% in 2076; Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
Healthcare Participation of Future Retirees	90%
Spousal Assumption for Future Retirees	Currently covered - 2-party coverage if currently have 2 party or family coverage; Currently waived - 80% cover spouses at retirement

The long-term expected rate of return on the OPEB Plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

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

NOTE 9.

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)



OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

NOTE 9.

DISCOUNT RATE:

The discount rate used to measure the total OPEB liability (asset) at June 30, 2019 and June 30, 2018 was 6.75 percent and 7.28 percent, respectively. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CHANGES IN THE NET OPEB LIABILITY (ASSET):

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

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



NOTE 9.

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability/ (Asset) (a) - (b)
Balances as of June 30, 2018	\$ 24,217,840	\$ 24,315,258	\$ (97,418)
Changes for the year:			
Service cost	436,501	-	436,501
Interest on total OPEB liability	1,772,578	-	1,772,578
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	622,425	(622,425)
Member contributions	-	-	-
Net investment income	-	1,896,351	(1,896,351)
Benefit payments	(622,425)	(622,425)	-
Administrative expense	-	(12,568)	12,568
Net changes	1,586,654	1,883,783	(297,129)
Balances as of June 30, 2019	\$ 25,804,494	\$ 26,199,041	\$ (394,547)

SENSITIVITY OF THE NET OPEB LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE AND HEALTH CARE COST TREND RATES:

The net OPEB liability (asset) of the Authority has been calculated using a discount rate of 6.75 percent. The following presents the net OPEB liability (asset) using a discount rate 1 percent higher and 1 percent lower than the current discount rate.

	1% Decrease 5.75%	Current Rate 6.75%	1% Increase 7.75%
Net OPEB liability (asset)	\$ 1,580,429	\$ (2,136,494)	\$ (5,195,525)

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

	1% Decrease	Trend Rate	1% Increase
Net OPEB liability (asset)	\$ (5,355,870)	\$ (2,136,494)	\$ 1,787,127

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

NOTE 9. OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO THE OPEB:

For the years ended June 30, 2020 and 2019, the Airport Authority recognized OPEB expense, as measured in accordance with GASB Statement No. 75, of \$71,854 and \$436,990, respectively, and reported deferred inflows of resources and deferred outflows of resources related to the OPEB from the following sources:

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

For June 30, 2019		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ -	\$ 507,578
Changes in assumptions	475,260	-
Employer contributions made subsequent to June 30, 2018 measurement date	603,003	-
Total	\$ 1,078,263	\$ 507,578

The deferred outflows of resources at June 30, 2020 related to OPEB resulting from Airport Authority contributions subsequent the measurement date and prior to year-end will be recognized as an addition to the net OPEB asset at June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2020, related to the OPEB will be recognized in OPEB expense as follows:

Years ended June 30,	
2021	\$ (359,347)
2022	(359,348)
2023	(331,808)
2024	(20,391)
Total	\$ (1,070,894)



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

COMMERCIALLY ISSUED INSURANCE:

- The Airport Authority maintains a minimum of \$500 million in limits for general liability insurance.
- The Airport Authority maintains a property insurance policy with minimum limits of \$750 million providing all risk and flood coverage for physical assets.
- The Airport Authority also maintains policies for workers' compensation, commercial auto, fiduciary liability, privacy and network security, crime, and public entity and employment practices liability, among others.

SELF-INSURANCE:

Due to the exorbitant cost of earthquake insurance, the Airport Authority self-insures for losses due to earthquake damage. Effective July 1, 2007, the Airport Authority removed the purchase of commercial earthquake insurance from the Risk Management Program and increased reliance on the laws designed to assist public entities through

the Federal Emergency Management Agency and the California Disaster Assistance Act. As of June 30, 2020 and 2019, the Airport Authority has designated \$11,685,954 and \$10,967,958, respectively, from its net position, as an insurance contingency.

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

LOSS PREVENTION:

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

During fiscal year 2020, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

NOTE 10. RISK MANAGEMENT



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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1

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

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

NOTE 11. DISCLOSURE ABOUT FAIR VALUE OF ASSETS

DISCLOSURES ABOUT FAIR VALUE OF ASSETS

NOTE 11.

RECURRING MEASUREMENTS:

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at the fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

June 30, 2020	Fair Value	Quoted Prices in	Significant Other	Significant
		Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Treasury obligations	\$ 152,277,193	\$ 152,277,193	\$ -	\$ -
U.S. agency securities	153,968,011	-	153,968,011	-
Non-U.S. Securities	9,810,036	9,810,036	-	-
Commercial Paper	2,499,500	-	2,499,500	-
Negotiable certificates of deposit	8,028,440	-	8,028,440	-
Municipal Bonds	5,176,600	-	5,176,600	-
Medium-term notes	64,883,112	-	64,883,112	-
Total investments by fair value level	\$ 396,642,892	\$ 162,087,229	\$ 234,555,663	\$ -
Investments measured at amortized cost				
Money market mutual funds	17,435,951			
Non-negotiable certificate of deposit	16,271,235			
Investments measured at net asset value				
CalTrust Fund	16,362,863			
Local Agency Investment Fund	146,314,756			
San Diego County Investment Pool	293,587,647			
Total investments	\$ 886,615,344			

June 30, 2019	Fair Value	Quoted Prices in	Significant Other	Significant
		Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Treasury obligations	\$ 115,560,531	\$ 115,560,531	\$ -	\$ -
U.S. agency securities	134,911,223	-	134,911,223	-
Non-U.S. Securities	12,613,036	12,613,036	-	-
Negotiable certificates of deposit	18,751,263	-	18,751,263	-
Medium-term notes	66,605,516	-	66,605,516	-
Total investments by fair value level	\$ 348,441,569	\$ 128,173,567	\$ 220,268,002	\$ -
Investments measured at amortized cost				
Money market mutual funds	81,861			
Non-negotiable certificate of deposit	15,920,692			
Investments measured at net asset value				
CalTrust Fund	15,952,044			
Local Agency Investment Fund	50,140,691			
San Diego County Investment Pool	211,235,432			
Total investments	\$ 641,772,289			

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

Certain capital assets, such as loading bridges, airfield, and building space, are leased to signatory and non-signatory airlines under the AOLA. The Airport Authority's AOLA is governed by a policy statement issued by the Federal Aviation Administration and as such rates are determined each year based upon a combination of residual and compensatory rate setting methodologies, which do not exceed actual costs of operating the airport. Such costs are allocated to each signatory airline based upon factors such as landed weights, enplanements, square footage, acres, etc. Costs are offset by payments from non-signatory airlines for the usage of those assets.

The Airport Authority finalized a new ten year Airline Operating Lease Agreement (AOLA) effective July 1, 2019 through June 30, 2029. This new agreement is substantially similar to the expired agreement.

The minimum future lease payments to be received under the Airport Authority's non-cancelable lease agreements, including known minimum escalations, as of June 30, 2020, are as follows:

Years Ending June 30,	
2021	\$ 32,439,999
2022	31,081,274
2023	28,198,218
2024	24,918,494
2025	18,230,922
2026-2030	79,542,914
2031-2035	86,379,616
2036-2040	94,499,472
2041-2045	104,143,316
2046-2050	68,946,492
2051-2055	724,440
2056-2060	724,440
2061-2065	724,440
2066-2070	507,108
	\$ 571,061,145

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

NOTE 12.

LEASE REVENUES

terminal concessions and passenger services, and approximately \$9 million for rental car companies. As of June 30, 2020, enplanements had recovered to 82 percent below April 2019, and there were 24 terminal food service and retail concession locations open.

The Airport Authority's CFC revenues and Bonds funded construction of the Rental Car Center facility (RCC), which was completed and placed in service on January 20, 2016. The RCC facility sits on 24.85 acres of land and houses all the major and many small operator rental car tenants. The land rent leases for the RCC commenced on the opening date of the facility and are non-cancellable. Once the Bonds are repaid or defeased, in addition to Land Rent, the rental car operators will also pay Facility Rent.

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

In April 2020, as enplanements dropped to 96 percent below prior year numbers, many shops and restaurants were forced to temporarily closed. The Airport Authority received numerous requests for rate relief from concessionaires and rental car companies. In response, in May 2020, the Board approved and authorized the President/CEO to execute agreements to provide abatement of certain rents and fees to qualifying concessionaires and rental car companies, for a period beginning April 1, 2020 and ending September 30, 2020. The waivers will total an estimated \$13 million for



NOTE 13. LEASE COMMITMENTS

OPERATING LEASES

GENERAL DYNAMICS LEASE:

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

SDIA LEASE:

The Airport Authority is leasing from the District 480

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

TELEDYNE RYAN LEASE:

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

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

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

Years Ending June 30,	
2021	\$ 10,176,660
2022	10,176,660
2023	10,176,660
2024	10,176,660
2025	10,176,660
2026-2030	50,883,300
2031-2035	50,883,300
2036-2040	50,883,300
2041-2045	50,883,300
2046-2050	50,883,300
2051-2055	50,883,300
2056-2060	50,883,300
2060-2065	50,883,300
2066-2068	35,618,310
	<u>\$ 493,568,010</u>

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

	2020	2019
Rental payments made	<u>\$ 10,207,066</u>	<u>\$ 10,190,910</u>

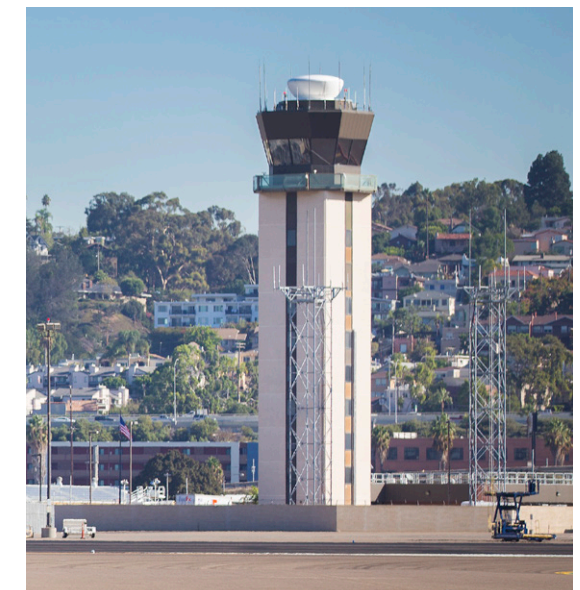


COMMITMENTS:

As of June 30, 2020 and 2019, the Airport Authority had significant commitments for capital expenditures and other matters as described below:

- i. The Airport Authority has funds which have been classified as current assets, primarily for the unpaid contractual portion of capital projects that are currently in progress, and will not be funded by grants or additional debt, but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. At June 30, 2020 and 2019, these funds totaled approximately \$29.7 million and \$13.2 million, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.
- ii. Support services. As part of the MOU, services provided by the District Harbor Police are required to be purchased by the Airport Authority as long as SDIA continues to operate at the current location. At the time of the transfer, the Airport Authority entered into a Master Services Agreement, a Police Services Agreement and a Communications Services Agreement with the District, which described the services that the Airport Authority could purchase and the manner of calculating the payments for such services. The largest amount that became payable under any of these agreements is under the Police Services Agreement, which is for Harbor Police services. The District provides monthly billings to the Airport Authority, with payment generally due 30 days after the date of the invoice, and provision of appropriate supporting documentation. During the years ended June 30, 2020 and 2019, the Airport Authority expended \$19,435,429 and \$19,291,981 respectively for these services.
- iii. In fiscal year 2019, the Board approved two new contracts with Ace Parking Management Inc., for parking management services in the amount of \$38 million and airport shuttle services in the amount of \$45 million. As of June 30, 2020, \$11.2 million has been spent for parking management services and \$11.8 million for shuttle services.
- iv. In fiscal year 2015, the Board approved a \$29.2 million contract with SP Plus Corporation to transport rental car companies' customers between the Rental Car Center facility and the terminals. The contract scope also includes the operation, management and maintenance of the shuttle vehicles. In fiscal year 2016, the Board approved an additional \$1.2 million. In fiscal year 2019 the Board approved an additional \$14.6 million. As of June 30, 2020, \$37 million had been spent and the contract is due to be completed in fiscal year 2021.
- v. In fiscal year 2019, the Board approved a \$19.5 million contract with AECOM Technical Services, Inc. for on call program management, staffing support and consulting services. In fiscal year 2020, the board approved an additional \$134.8 million. As of June 30, 2020, \$14.5 million has been spent and the contract is due to be completed in fiscal year 2024.
- vi. In fiscal year 2017, the Board approved a \$186.6 million contract with Turner-PCL, A Joint Venture for Terminal 2 West Federal Inspection Station build out. In fiscal year 2018 and 2019, the Board approved an additional \$1.6 million and \$5.3 million, respectively. As of June 30, 2020, \$186 million had been spent and the contract was completed in fiscal year 2020.

NOTE 14. COMMITMENTS AND CONTINGENCIES



NOTE 14.

COMMITMENTS AND CONTINGENCIES (CONTINUED)

vii. In fiscal year 2019, the Board approved a \$40.9 million contract with Granite Construction Company to provide a new hydrant fueling infrastructure on the north side of the runway. As of June 30, 2020, \$29.5 million had been spent and is due to be completed in fiscal year 2021.

viii. In fiscal year 2019, the Board approved a \$152.9 million contract with Sundt Construction, Inc. for the design and construction of Airport Support Facilities. As of June 30, 2020, \$103.1 million had been spent and the contract is scheduled for completion in early fiscal year 2021.

ix. In fiscal year 2019, the Board approved a \$11.7 million contract with Pacific Rim Mechanical for HVAC repair and maintenance services. As of June 30, 2020, \$4.1 million had been spent and the contract is due to be completed in fiscal year 2021.

x. In fiscal years 2012 thru 2018, the Board had approved a total of \$9.4 million with LeighFisher for a SDIA development plan consultant. In fiscal year 2019 and 2020 the Board approved an additional \$2.3 million and \$800k. As of June 30, 2020, \$11 million had been spent and the contract is due to be completed in fiscal year 2021.

xi. In fiscal year 2020, the Board approved a \$35 million contract with Jacobs Engineering Group, Inc. to provide Airside-Landside Engineering consulting services. As of June 30, 2020, \$1.5 million had been spent and the contract is due to be completed in fiscal year 2025.

xii. In fiscal year 2020, the Board approved a \$2.45 million contract with Velocity Technology Solutions, Inc. to provide Oracle JD Edwards EnterpriseOne hosting and management consulting services. As of June 30, 2020, \$176 thousand has been spent and

the contract is due to be completed in fiscal year 2023.

CONTINGENCIES:

As of June 30, 2020, the Airport Authority is subject to contingencies arising from matters as described below:

The Airport Authority has leases and operating agreements with various tenants. These agreements typically include provisions requiring the tenants/operators to indemnify the Airport Authority for any damage to property or losses to the Airport Authority as a result of the tenant's operations. Also, the leases and operating agreements typically require the Airport Authority to be named as an additional insured under certain insurance policies of the tenants/operators. The Airport Authority also tenders these claims to its own insurers once they become asserted claims. When these types of claims are asserted against the Airport Authority, the Airport Authority not only vigorously opposes them but also vigorously seeks contribution and/or indemnity from all tenants/operators involved, from the tenants'/ operators' insurers and from its own insurers. The Airport Authority's legal counsel cannot predict the net exposure to the Airport Authority with respect to these matters, or the probability or remoteness of any outcome.

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

The dynamic nature of the COVID-19 pandemic is the cause of numerous uncertainties, some of which include the ultimate duration or extent

of the pandemic; the duration or expansion of travel restrictions and warnings; to what extent the COVID-19 pandemic will disrupt the local or global economy; the extent to which such disruption will adversely impact construction, or other operations at SAN; actions that may be taken by governmental authorities to contain the outbreak or to treat its impact; and duration

or extent to which any of the foregoing may have a material adverse effect on the financial position, results of operations and cash flows of the Airport Authority, including reduction in the overall investment position and declines in passenger traffic. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

NOTE 14.

COMMITMENTS AND CONTINGENCIES (CONTINUED)



For the first quarter of fiscal year 2021, enplanements levels were 72 percent lower compared to the first quarter of fiscal year 2020. The profound decline in enplanements resulted in continued severe decline in sales for all Non-Airline Tenants, whose gross revenues continue to be 70 percent to 90 percent below prior year levels. To address the continued impact and provide significant relief of rents and fees, on October 26, 2020, Airport Authority management will forward the recommendation for Board approval to extend rent forbearance and abatement agreements mentioned in Note 12, as modified, to qualifying non-airline tenants for an additional three month period beginning October 1, 2020 and ending December 31, 2020. The Airport Authority intends to use funds from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to reimburse

certain operating expenses and debt service in order to offset the financial impact.

On July 22, 2020, the Airport Authority filed a "Voluntary Statement Regarding Impacts of COVID-19" ("Statement") relating to the Airport Authority Senior Revenue Bonds, Subordinate Revenue Bonds and Special Facilities Revenue Bonds with the Municipal Securities Rule Making Board. The document describes some of the impacts that the COVID-19 pandemic has had, and will continue to have, on passenger traffic at San Diego International Airport and the Airport Authority's finances, and to describe some of the actions that the Airport Authority has taken, and is taking, in response to the pandemic.

NOTE 15.

SUBSEQUENT EVENTS

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (PLAN YEAR REPORTED IN SUBSEQUENT FISCAL YEAR):
DEFINED BENEFIT PLAN**

	2020	2019	2018	2017	2016	2015
Total Pension Liability:						
Service cost	\$ 7,632,696	\$ 7,390,428	\$ 6,996,180	\$ 6,205,263	\$ 6,154,579	\$ 6,099,481
Interest (includes interest on service cost)	13,355,418	12,621,226	11,416,679	10,277,610	9,327,538	8,465,485
Differences between expected and actual experience	(645,462)	(2,630,285)	3,975,029	(2,178,527)	345,661	-
Effect of changes of assumptions	-	6,416,088	5,871,218	10,473,890	-	-
Benefit payments, including refunds of member contributions	(6,429,659)	(4,462,751)	(4,669,787)	(3,023,391)	(2,482,523)	(2,913,221)
Net change in total pension liability	13,912,993	19,334,706	23,589,319	21,754,845	13,345,255	11,651,745
Total pension liability - beginning	204,875,918	185,541,212	161,951,893	140,197,048	126,851,793	115,200,048
Total pension liability - ending	\$ 218,788,911	\$ 204,875,918	\$ 185,541,212	\$ 161,951,893	\$ 140,197,048	\$ 126,851,793
Plan Fiduciary Net Position:						
Contributions - employer	\$ 7,848,712	\$ 7,318,546	\$ 5,480,984	\$ 4,047,780	\$ 3,897,545	\$ 3,924,988
Contributions - employee	3,178,464	3,162,781	2,990,317	2,967,269	2,840,236	2,765,079
Net investment income	12,086,349	14,036,710	19,480,875	1,651,283	4,390,185	18,302,683
Benefit payments, including refunds of member contributions	(6,429,659)	(4,462,751)	(4,669,786)	(3,023,391)	(2,482,523)	(2,913,221)
Administrative expense	(359,094)	(350,408)	(325,042)	(318,817)	(332,290)	(332,645)
Net change in plan fiduciary net position	16,324,772	19,704,878	22,957,348	5,324,124	8,313,153	21,746,884
Plan fiduciary net position - beginning	186,502,637	166,797,759	143,840,411	138,516,287	130,203,134	108,456,250
Plan fiduciary net position - ending	\$ 202,827,409	\$ 186,502,637	\$ 166,797,759	\$ 143,840,411	\$ 138,516,287	\$ 130,203,134
Net pension liability (asset) - ending	\$ 15,961,502	\$ 18,373,281	\$ 18,743,453	\$ 18,111,482	\$ 1,680,761	\$ (3,351,341)
Plan fiduciary net position as a percentage of the total pension liability	92.70%	91.03%	89.90%	88.82%	98.80%	102.64%
Covered payroll	\$ 31,584,841	\$ 31,628,301	\$ 31,131,795	\$ 29,189,357	\$ 27,955,455	\$ 26,380,323
Net pension liability as a percentage of covered payroll	50.54%	58.17%	60.21%	62.05%	6.01%	(12.70%)

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

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

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 6,159	\$ 5,740	\$ 5,416	\$ 3,765	\$ 3,666
Contributions in relation to the actuarially determined contribution	8,424	7,848	7,247	5,421	3,948
Contribution deficiency (excess)	\$ (2,265)	\$ (2,108)	\$ (1,831)	\$ (1,656)	\$ (282)
Covered payroll	\$ 33,091	\$ 31,864	\$ 31,628	\$ 31,506	\$ 29,189
Contributions as a percentage of covered payroll	25.46%	24.63%	22.91%	17.21%	13.53%

	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 3,823	\$ 2,900	\$ 2,600	\$ 3,800	\$ 4,300
Contributions in relation to the actuarially determined contribution	3,823	3,728	2,600	3,800	4,300
Contribution deficiency (excess)	\$ -	\$ (828)	\$ -	\$ -	\$ -
Covered payroll	\$ 27,955	\$ 26,380	\$ 24,840	\$ 25,148	\$ 25,596
Contributions as a percentage of covered payroll	13.68%	14.13%	10.47%	15.11%	16.80%

* This schedule is presented for the fiscal year.



REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)
FISCAL YEAR ENDED JUNE 30, 2020
(CONTINUED)

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (PLAN YEAR REPORTED IN SUBSEQUENT FISCAL YEAR):
PRESERVATION OF BENEFITS TRUST PLAN**

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

Note to schedule: This schedule is intended to display the most recent 10 years of data for annual changes in the total pension liability. Until such time has elapsed after implementing GASB Statement No. 73, this schedule will only present information from those years that are available.

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

	2020	2019	2018
Actuarially determined contribution	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	41,249	45,353	56,513
Contribution deficiency (excess)	\$ (41,249)	\$ (45,353)	\$ (56,513)
Covered payroll	\$ 33,090,880	\$ 31,584,841	\$ 31,628,301
Contributions as a percentage of covered payroll	0.12%	0.14%	0.18%

* This schedule is presented for the fiscal year.

Note to schedule: This schedule is intended to display the most recent 10 years of data for annual pension contributions. Until such time has elapsed after implementing GASB Statement No. 73, this schedule will only present information from those years that are available.

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
LAST 10 FISCAL YEARS (PLAN YEAR REPORTED IN SUBSEQUENT FISCAL YEAR):
OTHER POSTEMPLOYMENT BENEFITS**

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 449,596	\$ 436,501	\$ 411,052
Interest Cost	1,883,080	1,772,578	1,606,959
Difference between expected and actual experience	(169,582)	-	-
Changes of Assumptions	(1,531,369)	-	766,830
Benefit Payments	(775,225)	(622,425)	(451,189)
Net Change in Total OPEB Liability	(143,500)	1,586,654	2,333,652
Total OPEB Liability (Beginning)	25,804,494	24,217,840	21,884,188
Total OPEB Liability (Ending)	\$ 25,660,994	\$ 25,804,494	\$ 24,217,840
Plan Fiduciary Net Position			
Contributions—Employer	\$ 775,225	\$ 622,425	\$ 2,012,419
Net Investment Income	1,604,058	1,896,351	2,175,582
Benefit Payments	(775,225)	(622,425)	(451,189)
Administrative Expense	(5,611)	(12,568)	(10,578)
Net Change in Plan Fiduciary Net Position	1,598,447	1,883,783	3,726,234
Plan Fiduciary Net Position (Beginning)	26,199,041	24,315,258	20,589,024
Plan Fiduciary Net Position (Ending)	\$ 27,797,488	\$ 26,199,041	\$ 24,315,258
Net OPEB Asset	\$ (2,136,494)	\$ (394,547)	\$ (97,418)
Net Position as a Percentage of OPEB Liability	108.33%	101.53%	100.40%
Covered Payroll	\$ 14,608,940	\$ 16,625,857	\$ 16,141,609
Net OPEB Liability as a Percentage of Payroll	(14.62%)	(2.37%)	(0.60%)

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

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

	2019	2019	2018
Actuarially determined contribution	\$ 427	\$ 486	\$ 472
Contributions in relation to the actuarially determined contribution	785	339	462
Contribution deficiency (excess)	\$ (358)	\$ 147	\$ 10
Covered payroll	\$ 14,609	\$ 13,869	\$ 15,674
Contributions as a percentage of covered payroll	5.37%	2.44%	2.95%

* This schedule is presented for the fiscal year.

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

REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)
FISCAL YEAR ENDED JUNE 30, 2020
(CONTINUED)



STATISTICAL SECTION

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

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

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

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

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

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

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

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

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

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

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

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

Fiscal Years Ended June 30,

Operating Revenues	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Airline revenue										
Landing fees	\$ 18,579	\$ 18,419	\$ 19,658	\$ 19,107	\$ 21,390	\$ 23,985	\$ 24,612	\$ 23,900	\$ 24,816	\$ 33,242
Aircraft parking fees	2,921	3,134	3,191	2,503	2,716	2,701	2,927	3,236	3,471	8,354
Building rentals	26,980	30,633	41,840	46,001	48,153	53,536	56,575	62,241	70,912	82,453
Security surcharge	14,886	18,649	23,360	25,777	25,180	29,223	29,468	32,303	33,559	-
Other aviation revenue	1,597	1,595	1,591	4,488	4,893	2,760	2,799	1,477	1,596	7,789
Concession revenue	37,103	40,427	42,041	47,770	52,496	29,249	61,256	65,610	71,256	57,243
Parking and ground transportation revenue	31,645	31,470	35,750	38,959	41,632	75,131	49,407	53,254	62,818	50,751
Ground rentals	8,656	8,044	9,162	9,603	13,074	16,226	20,053	22,109	22,810	21,386
Other operating revenue	1,640	1,179	905	1,529	971	1,183	1,750	1,949	2,441	1,818
Total Operating Revenues	\$ 144,007	\$ 153,550	\$ 177,498	\$ 195,737	\$ 210,505	\$ 233,994	\$ 248,847	\$ 266,079	\$ 293,679	\$ 263,036
Operating Expenses Before Depreciation	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Salaries and benefits	\$ 38,267	\$ 37,237	\$ 38,092	\$ 39,135	\$ 39,211	\$ 42,025	\$ 46,874	\$ 47,866	\$ 49,578	\$ 51,667
Contractual services	26,113	26,906	29,284	31,559	32,422	38,215	44,372	45,249	49,903	37,694
Safety and security	21,344	22,625	23,994	24,151	23,464	28,721	28,422	30,733	31,397	29,457
Space rental	10,906	11,415	10,897	10,478	10,433	10,367	10,190	10,190	10,191	10,207
Utilities	6,413	6,674	6,659	8,680	10,152	11,480	10,736	12,509	13,194	12,748
Maintenance	8,174	8,497	11,204	13,982	14,516	14,122	14,270	12,603	13,436	11,584
Equipment and systems	570	403	469	643	1,805	708	506	598	375	336
Materials and supplies	345	304	406	440	519	536	611	655	656	651
Insurance	1,066	764	795	988	1,145	949	956	1,098	1,200	1,308
Employee development and support	1,041	916	1,235	1,171	1,136	1,242	1,347	1,248	1,045	967
Business development	2,275	2,093	2,444	2,661	2,493	2,390	2,347	3,246	2,630	2,033
Equipment rentals and repairs	1,327	1,335	1,317	2,932	2,951	2,852	3,095	3,124	3,614	3,598
Total Operating Expenses Before Depreciation	\$ 117,841	\$ 119,169	\$ 126,796	\$ 136,820,655	\$ 140,250	\$ 153,608	\$ 163,726	\$ 169,119	\$ 177,219	\$ 162,250

Source: San Diego County Regional Airport Authority

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

Fiscal Years Ended June 30,

	2011	2012	2013	2014	2015	2016**	2017	2018***	2019	2020
Net investment in capital assets	\$ 352,276	\$ 339,467	\$ 359,640	\$ 312,780	\$ 316,250	\$ 310,339	\$ 263,952	\$ 294,937	\$ 281,491	\$ 266,213
Other restricted net position	147,513	172,076	167,384	204,642	215,968	214,533	225,088	230,954	246,508	211,329
Unrestricted net position	102,466	149,346	200,040	209,594	210,522	251,076	294,133	284,034	325,303	407,524
Total net position	\$ 602,255	\$ 660,889	\$ 727,064	\$ 727,016	\$ 742,740	\$ 775,949	\$ 783,173	\$ 809,925	\$ 853,302	\$ 885,066

** Amounts for 2016 were restated as per GASB 68

*** Amounts for 2018 were restated as per GASB 75

Source: San Diego County Regional Airport Authority

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

Fiscal Years Ended June 30,

	2011	2012	2013	2014	2015	2016**	2017	2018***	2019	2020
Operating revenues:										
Airline revenue:										
Landing fees	\$ 18,579	\$ 18,419	\$ 19,658	\$ 19,107	\$ 21,390	\$ 23,985	\$ 24,612	\$ 23,900	\$ 24,816	\$ 33,242
Aircraft parking fees	2,921	3,134	3,191	2,503	2,716	2,701	2,927	3,236	3,471	8,354
Building rentals	26,980	30,633	41,840	46,001	48,153	53,536	56,575	62,241	70,912	82,453
Security surcharge	14,886	18,649	23,360	25,777	25,180	29,223	29,468	32,303	33,559	-
Other aviation revenue	1,597	1,595	1,591	4,488	4,893	2,760	2,799	1,477	1,596	7,789
Concession revenue	37,103	40,427	42,041	47,770	52,496	56,274	61,256	65,610	71,256	57,243
Parking and ground transportation	31,645	31,470	35,750	38,959	41,632	48,106	49,407	53,254	62,818	50,751
Ground rentals	8,656	8,044	9,162	9,603	13,074	16,226	20,053	22,109	22,810	21,386
Other operating revenue	1,640	1,179	905	1,529	971	1,183	1,750	1,949	2,441	1,818
Total operating revenues	144,007	153,550	177,498	195,737	210,505	233,994	248,847	266,079	293,679	263,036
Operating expenses:										
Salaries and benefits	38,267	37,237	38,092	39,135	39,211	42,025	46,874	47,866	49,578	51,667
Contractual services	26,113	26,906	29,284	31,559	32,422	38,215	44,372	45,249	49,903	37,694
Safety and security	21,344	22,625	23,994	24,151	23,464	28,721	28,422	30,733	31,397	29,457
Space rental	10,906	11,415	10,897	10,478	10,433	10,367	10,190	10,190	10,191	10,207
Utilities	6,413	6,674	6,659	8,680	10,152	11,480	10,736	12,509	13,194	12,748
Maintenance	8,174	8,497	11,204	13,982	14,516	14,122	14,270	12,603	13,436	11,584
Equipment and systems	570	403	469	643	1,805	708	506	598	375	336
Materials and supplies	345	304	406	440	519	536	611	655	656	651
Insurance	1,066	764	795	988	1,145	949	956	1,098	1,200	1,308
Employee development and support	1,041	916	1,235	1,171	1,136	1,242	1,347	1,248	1,045	967
Business development	2,275	2,093	2,444	2,661	2,493	2,390	2,347	3,246	2,630	2,033
Equipment rentals and repairs	1,327	1,335	1,317	2,932	2,951	2,852	3,095	3,124	3,614	3,598
Total operating expenses before depreciation	117,841	119,169	126,796	136,820	140,248	153,607	163,726	169,119	177,219	162,250
Income from operations before depreciation	26,166	34,381	50,702	58,917	70,257	80,387	85,121	96,960	116,460	100,786
Depreciation	50,435	46,164	46,100	81,598	81,887	87,821	95,229	105,532	124,329	131,587
Operating income (loss)	(24,269)	(11,783)	4,602	(22,681)	(11,630)	(7,434)	(10,108)	(8,572)	(7,869)	(30,801)
Nonoperating revenues (expenses):										
Passenger facility charges	33,998	34,639	35,437	35,770	38,517	40,258	42,200	46,953	49,198	34,393
Customer facility charges	10,986	11,487	19,117	27,545	32,465	33,208	36,528	41,036	41,918	30,240
CARES Act Grant	-	-	-	-	-	-	-	-	-	36,895
Quieter Home Program, net	(3,359)	(3,531)	(1,589)	(2,750)	(2,811)	(3,698)	(785)	(2,747)	(3,192)	(3,295)
Joint Studies Program	(129)	(73)	(55)	(152)	(145)	(101)	-	(114)	(99)	-
Investment income	6,408	5,492	4,140	5,211	5,747	5,999	5,689	9,426	25,533	32,430
Interest expense	(10,998)	(395)	(12,054)	(51,984)	(55,187)	(50,636)	(58,179)	(68,411)	(74,501)	(73,612)
Build America Bonds Rebate	3,691	4,996	4,779	4,636	4,631	4,656	4,651	4,666	4,686	-
Other revenues (expenses), net	(92)	(3,032)	(4,279)	434	1,367	2,247	(14,676)	(9,281)	(510)	1,442
Nonoperating revenue, net	40,505	49,583	45,496	18,710	24,584	31,933	15,428	21,528	43,033	58,493
Income before capital grant contributions	16,236	37,800	50,098	(3,971)	12,954	24,499	5,320	12,956	35,164	27,692
Capital grant contributions	26,355	20,834	16,077	3,924	10,765	10,477	1,904	13,079	8,213	4,072
Change in net position	42,591	58,634	66,175	(47)	23,719	34,976	7,224	26,035	43,377	31,764
Prior Period Adjustment	-	-	-	-	(7,993)	(1,767)	-	717	-	-
Net position, beginning of year	559,664	602,255	660,889	727,064	727,016	742,740	775,949	783,173	809,925	853,302
Net position, end of year	\$ 602,255	\$ 660,889	\$ 727,064	\$ 727,017	\$ 742,742	\$ 775,949	\$ 783,173	\$ 809,925	\$ 853,302	\$ 885,066

** Amounts for 2016 were restated as per GASB 68

*** Amounts for 2018 were restated as per GASB 75

Source: San Diego County Regional Airport Authority

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

Fiscal Years Ended June 30,

Tenant	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2020 % of Total Operating Revenue
Southwest Airlines	\$21,306,108	\$23,357,007	\$27,598,908	\$29,548,565	\$33,107,335	\$33,838,686	\$35,960,638	\$38,403,919	\$42,358,547	\$44,940,626	17.1%
Delta Airlines	8,003,895	8,911,886	10,898,540	12,005,146	13,560,515	14,418,056	16,123,110	17,007,240	18,367,799	22,063,736	8.4%
Alaska Airlines**	3,482,098	4,265,739	6,167,257	8,008,057	9,712,564	10,612,367	11,705,334	16,352,834	17,436,299	20,633,199	7.8%
United Airlines	9,280,812	10,931,601	15,817,886	15,364,094	15,687,045	14,518,119	16,227,363	17,520,412	18,335,068	20,204,377	7.7%
American Airlines*	11,510,696	12,585,537	15,173,458	15,785,140	15,888,023	15,321,505	17,075,112	16,581,217	17,073,172	17,150,267	6.5%
Enterprise Rent-A-Car	4,431,129	7,290,392	6,934,784	7,162,116	7,998,222	9,451,127	11,188,393	12,285,652	12,779,605	12,238,158	4.7%
Hertz Rent-A-Car	5,635,151	5,795,690	5,961,730	6,149,759	6,236,082	8,225,179	11,142,905	11,017,486	11,538,847	10,829,239	4.1%
Avis Rent-A-Car***	-	-	-	-	-	-	-	-	-	8,446,736	3.2%
Uber Technologies, Inc	-	-	-	-	-	-	-	-	8,618,750	7,555,874	2.9%
SSP America	-	-	-	-	-	4,476,873	5,004,393	5,869,320	6,798,270	6,914,430	2.6%

* On December 9, 2013, AMR Corporation (American Airlines) merged with US Airways Group, forming American Airlines Group. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. Data for US Airways and American Airlines have been combined in this table.

** Alaska Airlines and Virgin America received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. Data for Alaska Airlines and Virgin America have been combined in this table.

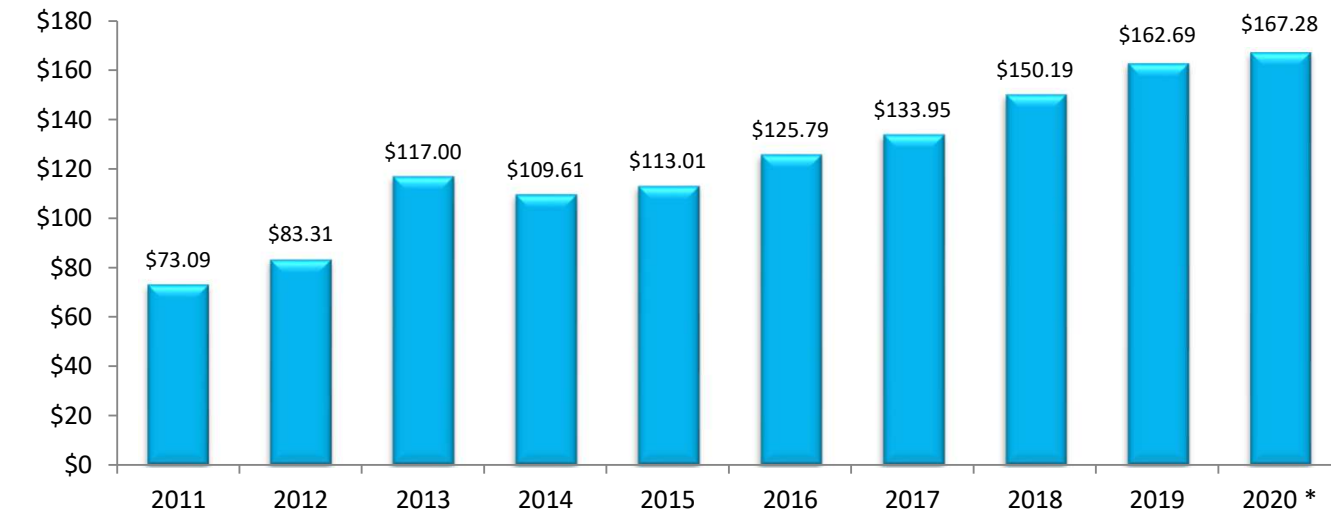
*** On February 2, 2020 Avis Budget Car Rental LLC entered into a purchase agreement with BW-Budget-SDA LLC acquiring all agreements at SAN. Data for BW-Budget and Avis have been combined on this table

Source: San Diego County Regional Airport Authority

EXHIBIT S-6 TERMINAL RATES BILLED TO AIRLINES

Fiscal Years Ended June 30,

TERMINAL RATE PER SQUARE FOOT



Source: San Diego County Regional Airport Authority

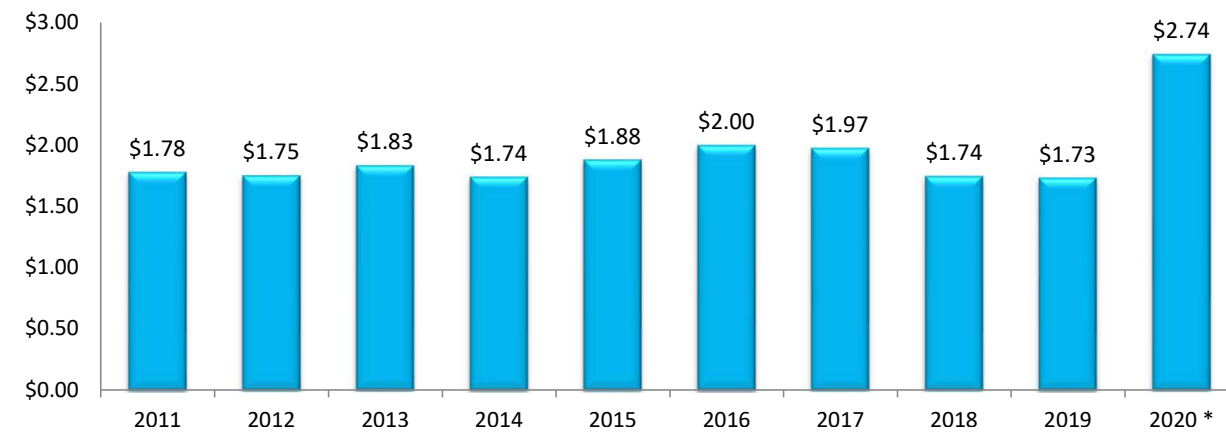
*Signatory Rate

Terminal Rate is the rate billed to the airlines for the rent of terminal space per square foot.

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

Fiscal Years Ended June 30,

AUTHORITY LANDING FEE RATE



Source: San Diego County Regional Airport Authority

*Signatory Rate

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



EXHIBIT S-7
AIRLINE COST PER
ENPLANED PASSENGER

Fiscal Years Ended June 30,

COST PER ENPLANED PASSENGER



Source: San Diego County Regional Airport Authority

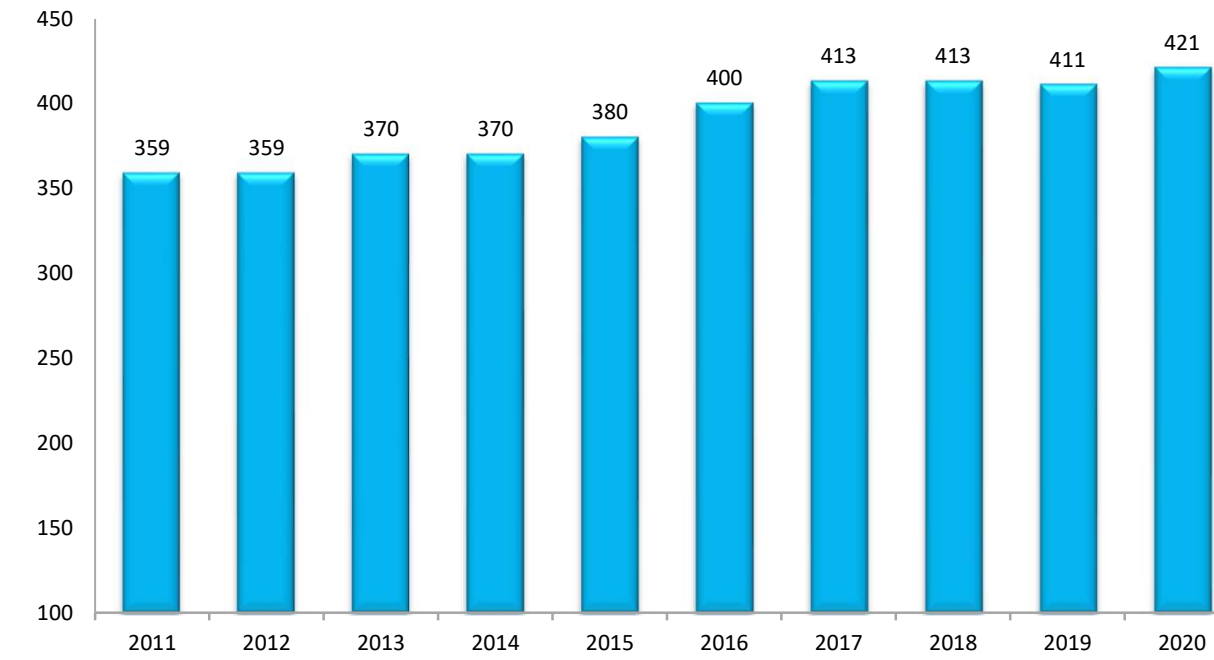
Airline Cost per Enplaned Passenger is the total annual cost of fees and charges paid by the airlines divided by the total fiscal year enplanements.



EXHIBIT S-8
AUTHORITY EMPLOYEE
HEAD COUNT

Fiscal Years Ended June 30,

AUTHORITY EMPLOYEE HEAD COUNT



Source: San Diego County Regional Airport Authority

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



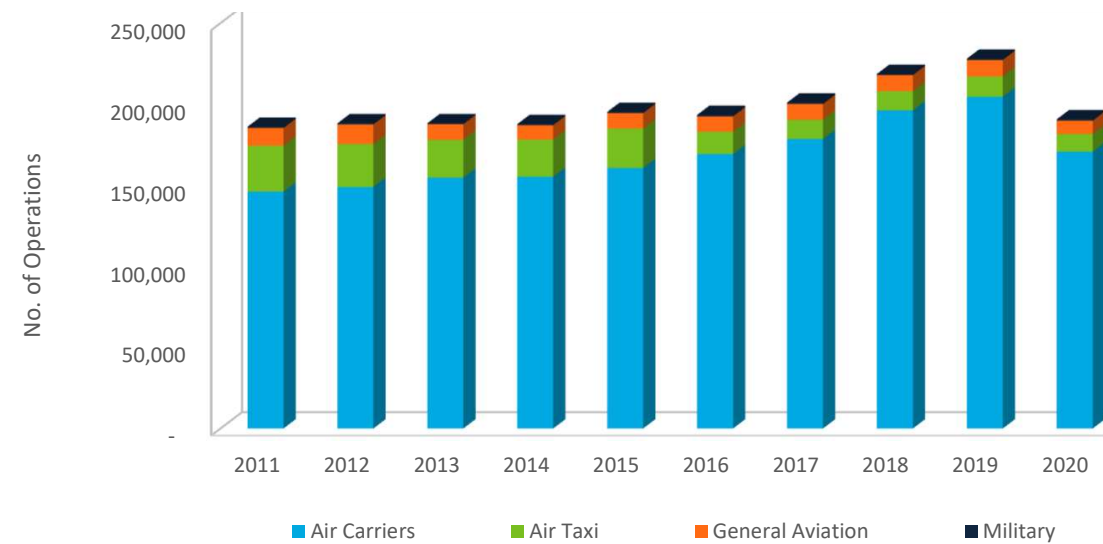
EXHIBIT S-9
AIRCRAFT OPERATIONS
(TAKEOFFS & LANDINGS)

Fiscal Years Ended June 30,

Fiscal Year	Air Carriers	Air Taxi	General Aviation	Military	Total
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	9,534	669	195,265
2016	169,365	13,741	9,439	906	193,451
2017	178,579	11,899	9,719	814	201,011
2018	196,253	11,903	9,816	699	218,671
2019	204,627	12,539	10,167	759	228,092
2020	170,757	10,990	8,174	825	190,746

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

AIRCRAFT OPERATIONS



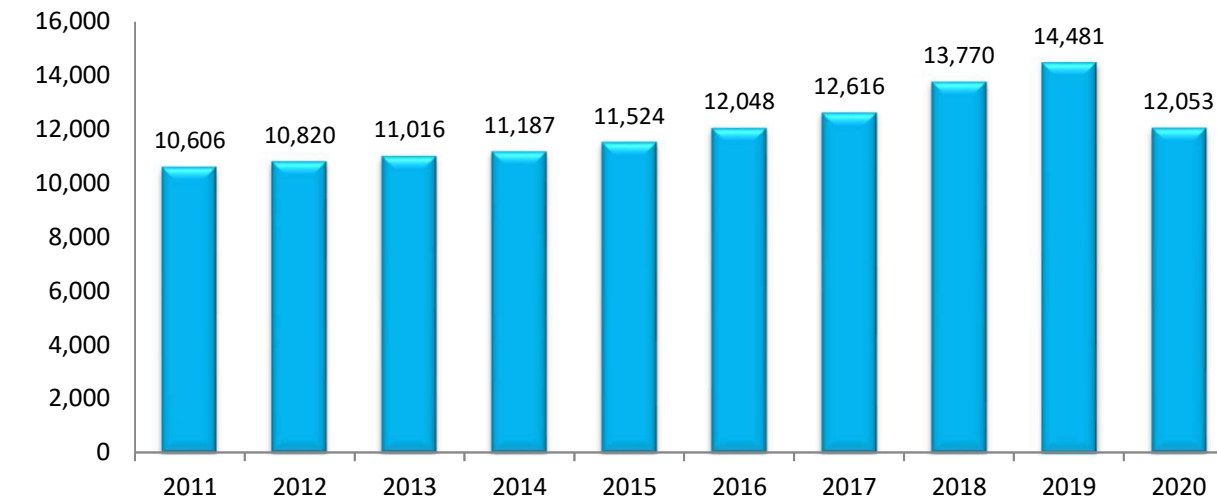
Source: San Diego County Regional Airport Authority

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

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

Fiscal Years Ended June 30,

AIRCRAFT LANDED WEIGHTS (IN MILLIONS LBS)



Source: San Diego County Regional Airport Authority

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



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

Fiscal Years Ended June 30,

Airline	Landed Weight (in thousands)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Southwest Airlines	4,001,530	3,953,536	3,907,554	3,925,362	4,214,314	4,257,162	4,470,104	4,924,451	5,180,064	4,422,096
Delta Airlines	1,062,254	1,047,068	1,023,608	1,016,878	1,077,103	1,153,074	1,175,285	1,183,702	1,389,312	1,221,773
American Airlines ²	1,275,498	1,344,140	1,339,751	1,349,554	1,359,911	1,467,922	1,428,538	1,471,318	1,415,134	1,201,659
United Airlines ¹	1,583,372	1,502,203	1,387,854	1,340,736	1,227,974	1,250,500	1,355,185	1,492,873	1,566,148	1,201,192
Alaska Airlines ³	595,238	648,359	750,000	884,727	888,065	924,310	999,875	1,131,807	1,411,255	1,162,582
Skywest Airlines	338,812	306,789	428,595	396,054	408,608	359,197	465,023	627,038	637,117	481,705
Federal Express	421,239	452,453	451,797	419,127	384,686	444,038	390,716	388,782	375,807	394,288
JetBlue Airlines	167,369	166,232	168,080	189,979	193,848	199,232	244,364	293,160	281,715	260,940
Spirit Airlines	-	98,931	208,200	245,669	296,925	351,977	286,162	328,424	331,366	230,911
Compass Airlines	-	-	-	10,979	172,754	307,793	296,581	312,883	377,941	215,030
Frontier Airlines	249,492	208,936	196,614	192,493	153,880	115,238	167,590	232,794	247,145	204,924
Hawaiian Airlines	134,080	118,088	140,637	147,325	146,284	147,406	147,568	161,486	237,560	155,345
United Parcel	120,158	120,454	118,180	121,742	127,660	135,318	146,778	143,678	138,860	146,624
Horizon Air- Alaska Airlines		6,572	86,478	94,972	88,241	60,268	54,799	100,303	82,650	146,100
British Airways	13,800	167,440	163,760	166,980	166,980	183,760	217,360	208,926	210,432	141,615
Subtotal	9,962,842	10,134,628	10,331,756	10,546,305	10,957,692	11,436,005	11,930,754	13,040,067	13,938,555	11,586,784
All Others	643,318	685,273	683,959	640,460	566,028	612,137	685,314	729,879	542,674	466,295
Total	10,606,160	10,819,902	11,015,716	11,186,766	11,523,720	12,048,142	12,616,068	13,769,945	14,481,229	12,053,080
Annual % Change	-2.6%	2.0%	1.8%	1.6%	3.0%	4.6%	4.7%	9.1%	5.2%	-16.8%

Source: San Diego County Regional Airport Authority

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

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

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

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

Fiscal Years Ended June 30,

Airline	Market Share									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Southwest Airlines	37.7%	36.5%	35.5%	35.1%	36.6%	35.3%	35.4%	35.8%	35.8%	36.7%
Delta Airlines	10.0%	9.7%	9.3%	9.1%	9.3%	9.6%	9.3%	8.6%	9.6%	10.1%
American Airlines ²	12.0%	12.4%	12.2%	12.1%	11.8%	12.2%	11.3%	10.7%	9.8%	10.0%
United Airlines ¹	14.9%	13.9%	12.6%	12.0%	10.7%	10.4%	10.7%	10.8%	10.8%	10.0%
Alaska Airlines ³	5.6%	6.0%	6.8%	7.9%	7.7%	7.7%	7.9%	8.2%	9.7%	9.6%
Skywest Airlines	3.2%	2.8%	3.9%	3.5%	3.5%	3.0%	3.7%	4.6%	4.4%	4.0%
Federal Express	4.0%	4.2%	4.1%	3.7%	3.3%	3.7%	3.1%	2.8%	2.6%	3.3%
JetBlue Airlines	1.6%	1.5%	1.5%	1.7%	1.7%	1.7%	1.9%	2.1%	1.9%	2.2%
Spirit Airlines	0.0%	0.9%	1.9%	2.2%	2.6%	2.9%	2.3%	2.4%	2.3%	1.9%
Compass Airlines	0.0%	0.0%	0.0%	0.1%	1.5%	2.6%	2.4%	2.3%	2.6%	1.8%
Frontier Airlines	2.4%	1.9%	1.8%	1.7%	1.3%	1.0%	1.5%	1.7%	1.7%	1.7%
Hawaiian Airlines	1.3%	1.1%	1.3%	1.3%	1.3%	1.2%	1.2%	1.2%	1.6%	1.3%
United Parcel	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%	1.0%	1.0%	1.2%
Horizon Air- Alaska Airlines	0.0%	0.1%	0.8%	0.8%	0.8%	0.5%	0.4%	0.7%	0.6%	1.2%
British Airways	0.1%	1.5%	1.5%	1.5%	1.4%	1.5%	1.7%	1.5%	1.5%	1.2%
Subtotal	93.9%	93.7%	93.8%	94.3%	95.1%	94.9%	94.6%	94.7%	96.3%	96.1%
All Others	6.1%	6.3%	6.2%	5.7%	4.9%	5.1%	5.4%	5.3%	3.7%	3.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

EXHIBIT S-12
PASSENGER
ENPLANEMENTS

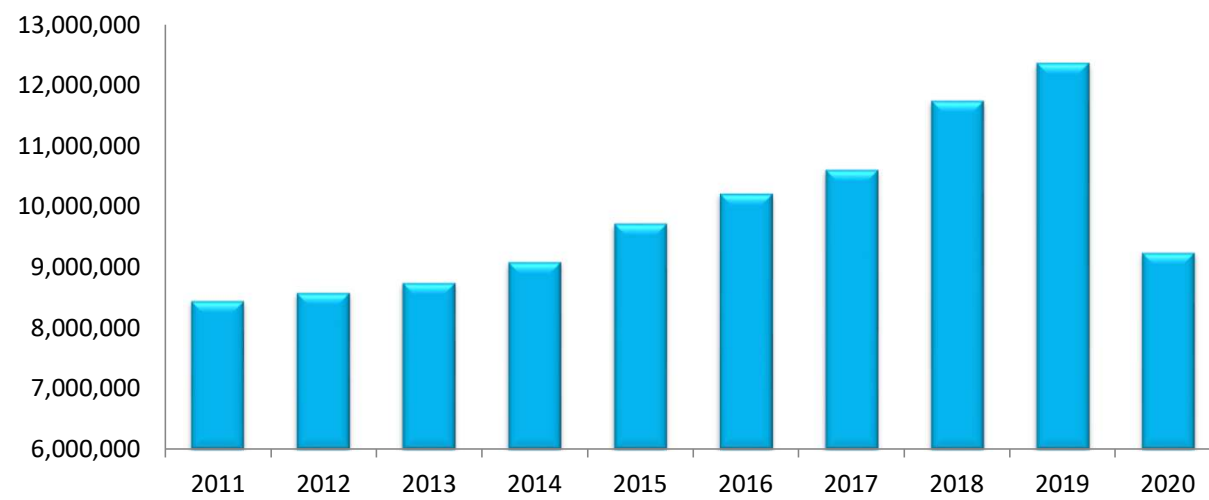
Fiscal Years Ended June 30,

Fiscal Year	Enplaned Passengers	% Change SAN	% Change US Average *
2011	8,441,120	(0.2)%	2.9 %
2012	8,575,475	1.6 %	1.7 %
2013	8,737,617	1.9 %	0.5 %
2014	9,082,244	3.9 %	2.2 %
2015	9,713,066	6.9 %	3.7 %
2016	10,206,222	5.1 %	5.4 %
2017	10,596,483	3.8 %	3.4 %
2018	11,731,833	10.7 %	4.3 %
2019	12,356,286	5.3 %	4.3 %
2020	9,235,459	(25.3)%	(26.1)% ¹

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

¹ International data for April - June 2020 not available at time of publication.

PASSENGER ENPLANEMENTS



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



Fiscal Years Ended June 30,

Air Carrier	Enplanements									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Aeromexico	-	-	-	-	-	-	-	-	-	-
Air Canada	58,539	56,470	45,058	36,636	41,175	48,985	74,018	60,337	63,302	43,619
Air Canada Jazz	-	-	-	-	-	-	19,256	50,347	67,102	46,806
AirTran Airways	17,978	-	-	-	-	-	-	-	-	-
Alaska Airlines ¹	514,498	579,457	673,731	830,349	871,775	902,705	918,841	1,031,537	1,253,433	976,326
Allegiant Airlines	18,416	18,099	15,466	7,859	7,406	16,825	49,480	44,934	30,750	13,162
American Airlines ²	658,752	664,466	650,826	693,995	747,493	1,369,003	1,339,489	1,366,634	1,339,334	1,050,613
British Airways	6,912	81,437	81,534	84,600	84,263	89,723	90,200	82,543	83,492	57,998
Condor	-	-	-	-	-	-	3,902	7,815	-	-
Continental Airlines ³	496,100	-	-	-	-	-	-	-	-	-
Delta Air Lines	919,323	935,777	904,734	915,907	992,498	1,061,889	1,088,647	1,126,873	1,336,885	1,058,188
Edelweiss	-	-	-	-	-	-	1,215	6,990	6,271	2,317
Frontier Airlines	219,008	198,708	184,020	185,270	150,595	118,990	180,235	254,760	277,320	201,280
Hawaiian Airlines	98,887	86,211	94,283	98,667	96,963	102,462	107,776	108,971	149,744	102,759
Japan Airlines	-	-	18,249	54,213	59,372	59,647	59,916	62,034	66,688	43,596
JetBlue Airways	141,684	147,051	152,571	173,282	178,590	182,605	224,700	248,325	230,909	195,279
Lufthansa	-	-	-	-	-	-	-	13,037	49,974	34,654
Southwest Airlines	3,277,931	3,252,290	3,253,225	3,352,870	3,736,688	3,840,455	3,967,487	4,457,984	4,656,029	3,474,860
Spirit Airlines	-	77,873	164,189	201,414	252,219	327,183	287,208	318,201	323,623	225,279
Sun Country Airlines	24,175	15,889	23,836	27,276	28,732	34,886	40,109	41,466	40,167	37,073
United Airlines ³	878,307	1,266,007	1,175,869	1,167,661	1,113,510	1,165,565	1,266,055	1,405,663	1,481,166	1,043,393
US Airways ²	523,378	535,906	560,738	554,244	523,034	-	-	-	-	-
Virgin America ¹	133,377	166,326	168,297	156,729	175,973	211,075	212,158	183,672	-	-
Volaris	-	45,589	30,885	23,285	20,004	21,343	3,948	-	-	-
WestJet	19,360	25,535	27,746	31,805	33,723	34,516	41,043	39,285	42,939	28,905
Total Air Carrier	8,006,625	8,153,091	8,225,257	8,596,062	9,114,013	9,587,857	9,975,683	10,911,408	11,499,128	8,636,107
Regional										
Compass	-	-	-	8,563	140,012	249,723	195,126	251,066	296,091	161,113
Horizon Air	-	5,900	77,392	84,000	83,764	64,758	53,517	82,131	64,135	107,373
Mesa Airlines	6,709	12,766	206	-	-	-	-	-	-	-
Seaport Airlines	-	-	196	1,128	3,298	2,292	-	-	-	-
Skywest Airlines	272,365	263,144	352,189	341,365	371,979	301,592	372,157	487,228	496,932	330,866
Total Regional	434,495	422,384	512,360	486,182	599,053	618,365	620,800	820,425	857,158	599,352
Total Passengers	8,441,120	8,575,475	8,737,617	9,082,244	9,713,066	10,206,222	10,596,483	11,731,833	12,356,286	9,235,459

Source: San Diego County Regional Airport Authority

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

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

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

Fiscal Years Ended June 30,

Air Carrier	Market Share									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Aeromexico	-	-	-	-	-	-	-	-	-	-
Air Canada	0.7%	0.7%	0.5%	0.4%	0.4%	0.5%	0.7%	0.5%	0.5%	0.5%
Air Canada Jazz	-	-	-	-	-	-	0.2%	0.4%	0.5%	0.5%
AirTran Airways	0.2%	-	-	-	-	-	-	-	-	0.0%
Alaska Airlines ¹	6.1%	6.8%	7.7%	9.1%	9.0%	8.8%	8.7%	8.8%	10.1%	10.6%
Allegiant Airlines	0.2%	0.2%	0.2%	0.1%	0.1%	0.2%	0.5%	0.4%	0.2%	0.1%
American Airlines ²	7.8%	7.7%	7.4%	7.6%	7.7%	13.4%	12.6%	11.6%	10.8%	11.4%
British Airways	0.1%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.7%	0.7%	0.6%
Condor	-	-	-	-	-	-	-	0.1%	-	0.0%
Continental Airlines ³	5.9%	-	-	-	-	-	-	-	-	0.0%
Delta Air Lines	10.9%	10.9%	10.4%	10.1%	10.2%	10.4%	10.3%	9.6%	10.8%	11.5%
Edelweiss	-	-	-	-	-	-	-	0.1%	0.1%	0.0%
Frontier Airlines	2.6%	2.3%	2.1%	2.0%	1.6%	1.2%	1.7%	2.2%	2.2%	2.2%
Hawaiian Airlines	1.2%	1.0%	1.1%	1.1%	1.0%	1.0%	1.0%	0.9%	1.2%	1.1%
Japan Airlines	-	-	0.2%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%
JetBlue Airways	1.7%	1.7%	1.7%	1.9%	1.8%	1.8%	2.1%	2.1%	1.9%	2.1%
Lufthansa	-	-	-	-	-	-	-	0.1%	0.4%	0.4%
Southwest Airlines	38.8%	37.9%	37.2%	36.9%	38.5%	37.6%	37.4%	38.0%	37.7%	37.6%
Spirit Airlines	-	0.9%	1.9%	2.2%	2.6%	3.2%	2.7%	2.7%	2.6%	2.4%
Sun Country Airlines	0.3%	0.2%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.3%	0.4%
United Airlines ³	10.4%	14.8%	13.5%	12.9%	11.5%	11.4%	11.9%	12.0%	12.0%	11.3%
US Airways ²	6.2%	6.2%	6.4%	6.1%	5.4%	-	-	-	-	0.0%
Virgin America ¹	1.6%	1.9%	1.9%	1.7%	1.8%	2.1%	2.0%	1.6%	-	0.0%
Volaris	-	0.5%	0.4%	0.3%	0.2%	0.2%	-	-	-	0.0%
WestJet	0.2%	0.3%	0.3%	0.4%	0.3%	0.3%	0.4%	0.3%	0.3%	0.3%
Total Air Carrier	94.9%	95.1%	94.1%	94.6%	93.8%	93.9%	94.1%	93.0%	93.1%	93.5%
Regional										
Compass	-	-	-	0.1%	1.4%	1.9%	1.8%	2.1%	2.4%	1.7%
Horizon Air	-	-	0.9%	0.9%	0.9%	0.6%	0.5%	0.7%	0.5%	1.2%
Mesa Airlines	0.1%	0.1%	-	-	-	-	-	-	-	-
Seaport Airlines	-	-	-	-	-	-	-	-	-	-
Skywest Airlines	3.2%	3.1%	4.0%	3.8%	3.8%	3.0%	3.5%	4.2%	4.0%	3.6%
Total Regional	5.1%	4.9%	5.9%	5.4%	6.2%	6.1%	5.9%	7.7%	6.9%	6.5%
Total Passengers	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

San Diego International Airport

Number of runways	1
Length of runway (feet)	9,401 feet
Number of gates	51
Remote aircraft parking positions	24
Terminal rentable square footage	599,772
Airport Land Area	661 acres
On airport parking spaces (public)	5,258
Off airport parking spaces (public)	1,781

Source: San Diego County Regional Airport Authority

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

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



Calendar Year	Estimated Population ⁽¹⁾	% Change	Per Capita Personal Income ⁽¹⁾	% Change	Total Personal Income ⁽¹⁾ (in billions)	% Change
2010	3,102,852	0.8 %	\$48,566	0.2 %	\$136.6	(0.5)%
2011	3,135,806	1.1 %	\$49,938	2.8 %	\$145.7	6.7 %
2012	3,174,446	1.2 %	\$50,670	1.5 %	\$152.7	4.8 %
2013	3,208,946	1.1 %	\$51,223	1.1 %	\$157.8	3.3 %
2014	3,248,547	1.2 %	\$52,889	3.3 %	\$167.1	5.9 %
2015	3,275,084	0.8 %	\$54,708	3.4 %	\$175.9	5.3 %
2016	3,300,891	0.8 %	\$55,797	2.0 %	\$184.2	4.7 %
2017	3,327,564	0.8 %	\$56,437	1.1 %	\$192.5	4.5 %
2018	3,352,564	0.8 %	\$57,473	1.8 %	\$202.8	5.4 %
2019	3,378,564	0.8 %	\$58,623	2.0 %	\$213.0	5.0 %

Source: California Department of Transportation - San Diego County

⁽¹⁾ 2019 population, per capita personal income and personal income are estimates based on published trends.

Employer	June 2019			Employer	August 2010		
	Local Employees	Rank	Percentage of Total Industry Employment		Local Employees	Rank	Percentage of Total Industry Employment
State of California	53,600	1	3.3%	U.S. Federal Government	44,000	1	2.8%
U.S. Federal Government	47,000	2	2.9%	State of California	42,300	2	2.7%
Qualcomm Inc.	37,000	3	2.3%	University of California, San Diego	26,823	3	1.7%
Sharp Health Care	18,770	4	1.2%	County of San Diego	15,391	4	1.0%
Kaiser Permanente	9,630	5	0.6%	Sharp Health Care	14,832	5	1.0%
San Diego Community College District	6,805	6	0.4%	San Diego Unified School District	14,485	6	0.9%
General Atomics Aeronautical	6,777	7	0.4%	Scripps Health	13,823	7	0.9%
San Diego State University	6,635	8	0.4%	Qualcomm Inc.	11,847	8	0.8%
Rady's Children Hospital	5,541	9	0.3%	City of San Diego	10,470	9	0.7%
YMCA of San Diego	5,517	10	0.3%	Kaiser	7,404	10	0.5%
Total Civilian Labor Force in San Diego County (July 2018):			1,602,700	Total Civilian Labor Force in San Diego County (July 2009):			1,553,400

Source: Employers - San Diego Journal Book of Lists: 2017 & 2009

Total Industry Employment - California Employment Development Department

Year	Labor Force	Employment	Unemployment	Unemployment Rate	
				SD County	State
2011	1,523,000	1,360,000	163,000	10.7%	12.0%
2012	1,544,200	1,397,600	146,600	9.5%	10.6%
2013	1,548,000	1,421,000	126,900	8.2%	9.2%
2014	1,544,600	1,444,000	100,600	6.5%	7.4%
2015	1,555,900	1,473,500	82,400	5.3%	6.3%
2016	1,569,000	1,491,700	77,300	4.9%	5.6%
2017	1,584,500	1,518,100	66,300	4.2%	4.9%
2018	1,584,000	1,525,500	58,400	3.7%	4.5%
2019	1,582,300	1,529,500	52,900	3.3%	4.2%
2020	1,584,400	1,365,100	219,300	13.8%	13.7%

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



Fiscal Years Ended June 30,

	2011 ⁽⁶⁾	2012	2013	2014	2015	2016	2017	2018	2019	2020
Senior Bonds										
Revenues ⁽¹⁾	\$ 148,963,673	\$ 158,311,779	\$ 181,051,929	\$ 199,834,430	\$ 214,770,544	\$ 238,640,326	\$ 255,540,858	\$ 276,983,726	\$ 306,683,097	\$ 280,572,989
Operating and Maintenance Expenses	(117,100,946)	(118,941,148)	(126,662,546)	(136,604,105)	(142,781,639)	(151,327,220)	(154,455,699)	(157,246,523)	(165,925,555)	(136,297,647)
Net Revenues ⁽²⁾	\$ 31,862,727	\$ 39,370,631	\$ 54,389,383	\$ 63,230,325	\$ 71,988,905	\$ 87,313,106	\$ 101,085,159	\$ 119,737,204	\$ 140,757,542	\$ 144,275,342
Senior Bond Debt Service ⁽³⁾										
Principal	\$ 3,265,000	\$ 3,430,000	\$ -	\$ -	\$ 2,030,000	\$ 2,090,000	\$ 2,155,000	\$ 2,240,000	\$ 2,320,000	\$ 7,925,000
Interest	2,089,225	1,925,975	2,478,489	16,645,435	18,034,575	18,414,600	18,349,950	18,263,750	18,174,150	18,081,350
PFCs used to pay debt service	-	-	(714,077)	(7,140,301)	(8,669,966)	(9,490,326)	(9,548,626)	(9,547,482)	(9,544,261)	(11,260,741)
CARES Act used to pay debt service	-	-	-	-	-	-	-	-	-	(6,501,585)
Total Debt Service for the Senior Bond	\$ 5,354,225	\$ 5,355,975	\$ 1,764,412	\$ 9,505,134	\$ 11,394,609	\$ 11,014,274	\$ 10,956,324	\$ 10,956,268	\$ 10,949,889	\$ 8,244,024
Senior Bonds Debt Service Coverage	5.95	7.35	30.83	6.65	6.32	7.93	9.23	10.93	12.85	17.50
Subordinate Debt										
Subordinate Net Revenues ⁽²⁾	\$ 26,508,502	\$ 34,014,656	\$ 52,624,971	\$ 53,725,191	\$ 60,594,296	\$ 76,298,832	\$ 90,128,835	\$ 108,780,936	\$ 129,807,653	\$ 136,031,318
Subordinate Annual Debt Service ⁽⁴⁾										
Principal	\$ 715,000	\$ 980,000	\$ 1,000,000	\$ 5,785,000	\$ 8,665,000	\$ 9,000,000	\$ 9,430,000	\$ 14,830,000	\$ 15,895,000	\$ 17,745,000
Interest	2,971,984	6,599,760	26,194,616	27,069,283	26,853,179	26,495,600	26,085,029	37,197,656	37,917,500	39,404,449
Variable Rate Debt ⁽⁵⁾	1,220,226	1,077,867	5,519,872	6,446,951	6,736,945	6,760,189	7,000,066	7,335,123	7,497,649	1,894,813
PFCs used to pay debt service	-	-	(20,061,962)	(20,718,863)	(21,554,245)	(20,331,674)	(20,456,707)	(20,457,851)	(20,461,072)	(18,744,592)
CARES Act used to pay debt service	-	-	-	-	-	-	-	-	-	(14,313,843)
Total Subordinate Annual Debt Service	\$ 4,907,211	\$ 8,657,627	\$ 12,652,526	\$ 18,582,371	\$ 20,700,879	\$ 21,864,115	\$ 22,058,389	\$ 38,904,928	\$ 40,849,077	\$ 25,985,827
Subordinate Obligations Debt Service Coverage	5.40	3.93	4.16	2.89	2.93	3.48	4.09	2.80	3.18	5.23
Aggregate Debt										
Aggregate Net Revenues	\$ 31,862,727	\$ 39,370,631	\$ 54,389,383	\$ 63,230,325	\$ 71,988,905	\$ 87,313,106	\$ 101,085,159	\$ 119,737,204	\$ 140,757,542	\$ 144,275,342
Aggregate Annual Debt Service										
Principal	3,980,000	4,410,000	1,000,000	5,785,000	10,695,000	11,090,000	11,585,000	17,070,000	18,215,000	25,670,000
Interest	5,061,209	8,525,735	28,673,105	43,714,718	44,887,754	44,910,200	44,434,979	55,461,406	56,091,650	57,485,799
Variable Rate Debt ⁽⁵⁾	1,220,226	1,077,867	5,519,872	6,446,951	6,736,945	6,760,189	7,000,066	7,335,123	7,497,649	1,894,813
PFC Funds Applied to Debt Service	-	-	(20,776,039)	(27,859,164)	(30,224,211)	(29,822,000)	(30,005,333)	(30,005,333)	(30,005,333)	(30,005,333)
CARES Act used to pay debt service	-	-	-	-	-	-	-	-	-	(20,815,428)
Total Annual Debt Service	\$ 10,261,435	\$ 14,013,602	\$ 14,416,938	\$ 28,087,505	\$ 32,095,488	\$ 32,938,389	\$ 33,014,712	\$ 49,861,196	\$ 51,798,966	\$ 34,229,851
Aggregate Obligations Debt Service Coverage	3.11	2.81	3.77	2.25	2.24	2.65	3.06	2.40	2.72	4.21
Aggregate Net Revenues (Including PFC, BAB Subsidy and CARES Act Grant)	\$ 35,554,158	\$ 44,366,552	\$ 79,944,021	\$ 95,725,704	\$ 106,844,335	\$ 121,791,304	\$ 135,721,711	\$ 154,408,727	\$ 175,449,049	\$ 197,185,501
Total Annual Debt Service (Excluding PFC, BAB Subsidy and CARES Act Grant)	13,952,866	19,009,523	39,971,576	60,582,884	66,950,918	67,416,588	67,651,265	84,532,719	86,490,473	87,140,009
Revenue Method - Debt Service Coverage on Aggregate Debt	2.55	2.33	2.00	1.58	1.60	1.81	2.01	1.83	2.03	2.26

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

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

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

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

(5) Includes principal and interest.

(6) Information regarding Subordinate Obligations Debt Service Coverage provided in connection with the first fiscal year for which Subordinate Annual Debt Service was due with respect to the 2010 Bonds. Subordinate Annual Debt Service for prior years consisted of debt service on the Authority's Subordinate Commercial Paper Notes and is not presented for Fiscal Years 2009-2010.

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

Fiscal Years Ended June 30,

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

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

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



EXHIBIT S-20
DEBT PER ENPLANED
PASSENGER

Fiscal Years Ended June 30,

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

Source: San Diego County Regional Airport Authority

⁽¹⁾ Outstanding Bond Debt includes unamortized bond premium

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







SAN DIEGO
INTERNATIONAL AIRPORT

AUDIT COMMITTEE

Meeting Date: **NOVEMBER 16, 2020**

Subject:

Fiscal Year 2021 First Quarter Report from the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee forward this item to the Board with a recommendation for acceptance.

Background/Justification:

The Charter for the Office of the Chief Auditor (OCA), as approved by the San Diego County Regional Airport Authority Board, establishes the roles, responsibilities, and working relationship of the Chief Auditor with the Audit Committee and with Authority management. The Charter directs the OCA to periodically communicate to the Audit Committee on its activities, which includes audits completed, audit findings, and management's response addressing steps taken to resolve a noted issue.

The Fiscal Year 2021 First Quarter Report (Attachment A) summarizes the undertakings and accomplishments of the OCA from July 1, 2020, through September 30, 2020. A presentation on these activities will be provided during the November 16, 2020, Audit Committee meeting.

Fiscal Impact:

None

Authority Strategies/Focus Areas:

This item supports one or more of the following (*select at least one under each area*):

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

- Advance the Airport Development Plan Transform the Customer Journey Optimize Ongoing Business

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not applicable

Prepared by:

LEE M. PARRAVANO
CHIEF AUDITOR

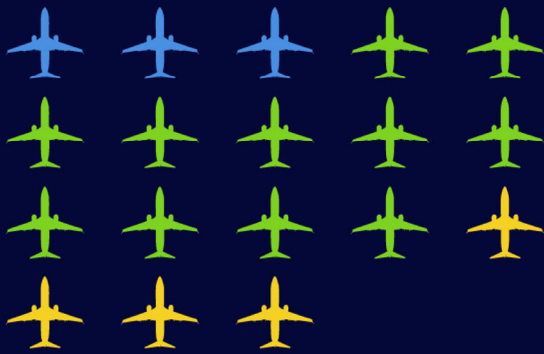
Office of the Chief Auditor Fiscal Year 2021 First Quarter Report

ATTACHMENT A

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

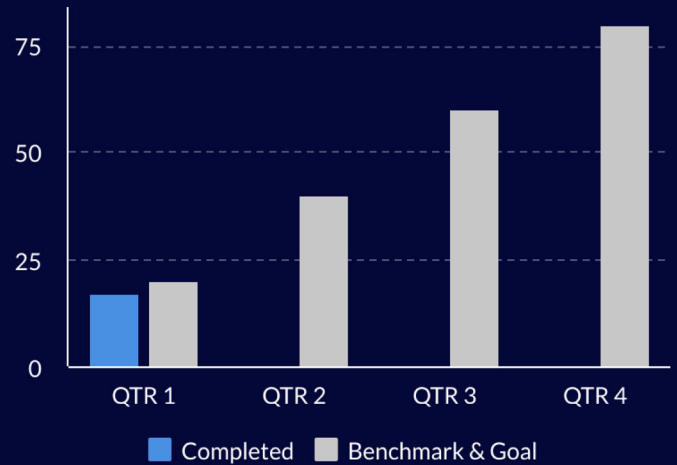


Audit and Consulting Engagement Progress



■ Completed (16.67%)
 ■ In Progress (61.11%)
■ Not Started (22.22%)

Audit and Consulting Engagements Completed vs. Benchmark & Goal



FY 2021 - By the Numbers

2

Recommendations Issued
Rating: 0 High, 0 Medium, 2 Low

4.8

Customer Satisfaction Rating (Out of 5)

100%

Audit and Consulting Engagements Completed within Budget

69%

Auditor Utilization Percentage

100%

Recommendations Accepted by Management



powered by



Office of the Chief Auditor Fiscal Year 2021 First Quarter Report

November 16, 2020

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

First Quarter Summary

The Office of the Chief Auditor’s (OCA) Fiscal Year 2021 Audit Plan is comprised of 16 audit engagements, 2 consulting engagements, 8 general audit activities, and administrative activities that are to be completed in the Fiscal Year. The OCA tracks its progress relative to the Audit Plan and several key performance measures to gauge the success of the office. Each performance measure is detailed below along with supplemented explanation.

Performance Measures

For Fiscal Year 2021 six major performance measures were developed to evaluate the OCA.¹ The OCAs performance against the selected performance measures is displayed in Figure 1 below.

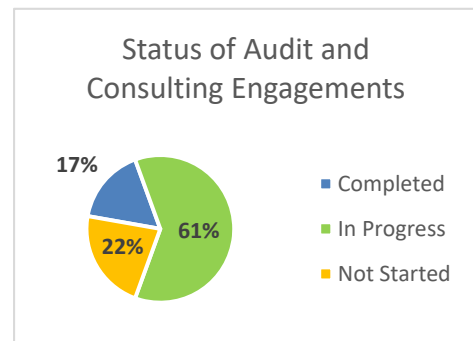
Figure 1: Status of Performance Measures as of September 30, 2020

#	Performance Measure	Goal	Actual	Benchmark
1	Percentage of audits and consulting engagements completed	20%	17%	20%
2	Number of recommendations	6	2	6
3	Percentage of staff time spent on audit and consulting engagements and general audit activities	70%	69%	70%
4	Percentage of audits and consulting engagements completed within budgeted time	80%	100%	75%
5	Percentage of recommendations accepted	95%	100%	83%
6	Customer satisfaction rating	4.0	4.8	4.0

Percentage of Audits and Consulting Engagements Completed:

In the first quarter, the OCA completed 2 audit engagements and 1 consulting engagement, or 17%, of the Audit Plan that constitutes audit and consulting engagements (3/18=17%). In addition to the 3 engagements completed, the OCA had 11 engagements in progress as of the end of the first quarter. The completed engagements are summarized in the section titled *Audits and Consulting Engagements*.

An alternative way to calculate the OCAs percentage completed is to acknowledge the hours spent on audits and consulting engagements that are in progress, but not yet completed. This calculation results in a completion percentage of 27% as of September 30, 2020. Specifically, the OCA expended 1,617 hours conducting audit and consulting work, and estimates 6,099 total audit hours will be needed to complete all Fiscal Year 2021 audit and consulting engagements (1,617/6,099=27%).



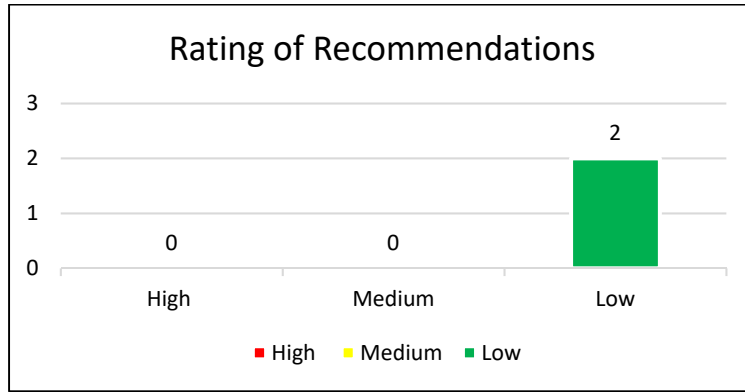
The status of all activities in the Fiscal Year 2021 Audit Plan is included in Appendix A.

¹ The OCA tracks additional performance measures that are not shown above. Their results are compiled and shared with the Audit Committee annually.

Number of Recommendations:

One of the OCAs primary objectives is to identify risks that could pose a threat to the Authority and provide recommendations to remediate those risks. As of September 30, 2020, the OCA has provided two recommendations to management to remediate a risk identified. Each of the recommendations are rated based on a qualitative value of risk, identified as Low, Medium, or High. A summary of the ratings are shown in Figure 2 below:

Figure 2: Rating of Recommendations



Percentage of Staff Time Spent on Audit and Consulting Engagements and General Audit Activities:

This measure helps track the time audit staff spent on audit and consulting engagements and general audit activities.² The OCAs goal for Fiscal Year 2021 is 70%. The OCA staff spent 69% of time on audit and consulting and general audit activities (66% including the Chief Auditor’s time). During the first quarter, additional administrative time was spent taking both required and supplemental training.

Percentage of Audit and Consulting Engagements Completed within Budgeted Time:

This category monitors the efficiency of audit staff in performing audit and consulting engagements. Every engagement has an internally prepared budget that staff is held accountable to uphold. However, we recognize that budgets may need adjustment(s) as additional facts become known during an engagement. In Fiscal Year 2021, the OCA completed 3 out of 3 engagements under budget, or 100%.

Percentage of Recommendations Accepted:

This category helps to evaluate the quality of the findings and recommendations issued by the OCA. Additionally, it helps hold the OCA accountable for the quality of the recommendations. As of the end of the first quarter, management accepted 100% of all audit recommendations.

Customer Satisfaction Rating:

After the completion of an audit or consulting engagement surveys are sent to management to obtain customer satisfaction data. The OCAs goal for customer satisfaction is 4.0, on a 1 to 5 scale (with 1 being very dissatisfied and 5 being very satisfied). To date we have achieved a score of 4.8.

² Appendix A details all planned activities in these categories for Fiscal Year 2021.

Audits & Consulting Engagements

Issued

The Office of the Chief Auditor (OCA) completed a total of 2 audits and 1 consulting engagement during the first quarter. Below are highlights from these engagements.

Rental Car Center Lease Agreements: The objective of this audit was to determine if the Revenue Generation & Partnership Development Department appropriately administered the Rental Car Center (RCC) lease agreements. The audit concluded that Revenue Generation & Partnership Development generally administered the lease agreements appropriately. However, the audit identified two findings for improving processes, including for management to consistently conduct a quarterly inspection of the RCC, and to follow the required lease space reallocation schedule.

Offsite Internal Controls Related to Cash Receipts and Cash Disbursements: The objective of this audit was to determine if the key internal controls over the cash receipts and cash disbursement process are adequate, effective, and operating as designed when staff are working remotely. The audit concluded that the offsite internal controls designed for cash receipts and cash disbursements are adequate to address the risks inherent from employees working remotely. These new internal controls are effective and operating as designed. The audit identified two observations to potentially improve controls.

COVID-19 – Consulting Engagement: The objective of this consulting engagement was to provide assistance to management related to COVID-19. The OCA provided advice on grant funding and other administrative support to management related to COVID-19 matters.

In Progress

At the close of the first quarter there were 11 audits or consulting engagements in progress, representing 61% of the audit and consulting engagements on the Fiscal Year 2021 Audit Plan.

General Audit Activities

In addition to performing audits and consulting engagements, the OCA is involved in other audit activities that do not result in a formal audit report/opinion being issued. The OCA is either required³ to perform these activities or believes completion of these activities to be in the best interest of the Authority. A summary of the *General Audit Activities* performed, by category, is presented in this section.

Construction

Construction audit activity for the first quarter of Fiscal Year 2021 consisted of attending meetings regarding the airport support facilities and consultation pertaining to COVID-19 grant funding. The OCA remains involved with issues identified by the Airport Design and Construction team and Authority management, providing assistance and attending meetings specific to the aspects of the Authority's construction activity.

Development of Data Analytics

The OCAs development of a data analytics program for rental car concessions and potentially for in-terminal concessions is in the planning stage. A successful data analytics program would provide relative real-time insight regarding rental car company and in-terminal concession activity at the San Diego International Airport. The OCA would utilize this information to identify possible risks early on and to determine if an audit should be initiated. This audit approach would allow the OCA to objectively select audits. Additionally, data analytic information could be shared with Authority management for their reference and use.

As of the end of the first quarter, the OCA had collaborated with the Revenue Generation & Partnership Development Department, the Information & Technology Services, Data Analytics team, and other Authority staff. The OCA has provided the Data Analytics team sample test data for preliminary analysis. A draft data analytics dashboard has been created and is being reviewed. We are optimistic about the success of the data analytics program.

Ethics Program

The OCA continues to run the Authority's Ethics Program that includes a confidential reporting hotline. During the first quarter of Fiscal Year 2021, three tips/reports were received. One required a preliminary investigation that ended with the complaint being withdrawn. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate. Beginning July 1, 2020, the OCA began categorizing the tips/reports received into specific standardized categories. Tracking tips/reports by standardized categories can reveal success and gaps in our program and will allow the OCA to benchmark against other organizations. The OCA will utilize the NAVEX Global⁴ Risk and Compliance Hotline reports as a benchmark. The categories are as follows:

- Accounting, Auditing, and Financial Reporting
- Business Integrity
- Human Resources, Diversity, and Workplace Respect
- Environment, Health, and Safety
- Misuse and Misappropriation of Assets

³ Requirements are dictated by the Office of the Chief Auditor Charter, Charter for the Audit Committee, or the International Standards for the Professional Practice of Internal Auditing (*Standards*).

⁴ NAVEX Global is a recognized worldwide leader in integrated risk and compliance management software and services.

A summary of the tips/reports received during the first quarter of Fiscal Year 2021 is shown in Figure 3 below, with the applicable standardized categories listed.

Figure 3: Ethics Hotline

	Number of Tips / Reports Received	Preliminary Investigation Required	Full Investigation Initiated	Investigation Results Supported Code Violation (Ethics or Workplace)*	Response (email or phone to non-anonymous reports)
Category					
Human Resource, Diversity, and Workplace Respect	2	-	-	-	-
Environment, Health and Safety – Noise	1	1	-	-	1
Total	3	1	-	-	1

*As required by the Charter for the Office of the Chief Auditor, any fraud or illegal acts that the Chief Auditor becomes aware of are communicated to the Chair of the Audit Committee, General Counsel, and the President/CEO.

Number of Tips / Reports Received: The total number of tips or reports received through the confidential hotline, direct phone line, e-mail, inter-office mail, or direct contact.

Preliminary Investigation Required: The number of tips or reports that required a preliminary investigation.

Full Investigation Initiated: Following a preliminary investigation, we determined that the tip necessitated a full investigation.

Investigation Results Supported Code Violation: Based on an investigation, these are the tips/reports that were found to have been a Code violation.

Response: This column represents the number of responses back to the original non-anonymous tipper/reporter.

Information Technology Meeting Attendance

Information technology activity for the first quarter of Fiscal Year 2021 consisted of attending meetings regarding information technology risk assessments and the National Institute of Standards and Technology (NIST) cybersecurity framework.

Quality Assurance & Improvement Program

The International Standards for the Professional Practice of Internal Auditing (*Standards*) require the OCA to maintain a Quality Assurance and Improvement Program that includes internal (self) assessments, on-going monitoring, and external assessments (required every 5 years). The objective of ongoing monitoring is to provide assurance that the OCAs processes in place are working effectively, to ensure that quality is derived on an audit-by-audit basis.

During the first quarter of Fiscal Year 2021, the OCA completed on-going monitoring of its activities and operations performed during Fiscal Year 2020. The results were included in the Fiscal Year 2020 OCA Annual Report that was presented during the September 10, 2020, Audit Committee Meeting.

Recommendation Follow-up

The OCA tracks the status of its recommendations on an on-going basis in order to verify the completion of their implementation. The progress is provided by management. Appendix B contains a detailed list of each recommendation and its status as of September 30, 2020. Figure 4 below shows the status of recommendations that were *Completed* or *In Progress* during the first quarter of Fiscal Year 2021. The estimated/actual implementation timeframes are based on the audit report issue date.

Figure 4: Recommendations with Estimated/Actual Implementation Timeframe

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total
Completed	2	1	-	3
In Progress	7	6	3	16

Completed: This designation is used for recommendations that the OCA determined to be adequately implemented or for recommendations where alternate action is taken that adequately addresses the risk identified. Of the Completed recommendations, two or 66% were completed within the initial timeframe identified when the recommendations were issued.

In Progress: These recommendations have been partially addressed or partial corrective action has been taken. This category also includes recommendations from newly issued audit reports, when there has not been adequate time between report issuance and follow-up. Of the In Progress recommendations, 13 recommendations were still within the initial timeframe identified for implementation.

The non-completion of the In Progress recommendations should not have a material adverse effect on the Authority, and adequate progress is being made with all of the tracked recommendations.

Risk Assessment & Audit Plan

The Risk Assessment & Audit Plan is a document that is presented in May of each year to the Audit Committee that includes the proposed audit and consulting engagements to be completed for the coming fiscal year. It is the culminating result of data gathering, management discussions, surveys, and data analysis, which is conducted over the course of several months prior.

Administrative Activities

Tracking Budget and Expenses

The OCA expenses totaled approximately \$269,000 through the end of the first quarter, which represents 22% of the Fiscal Year 2021 budget. No unexpected or large outlays occurred within the department during the first quarter. The OCA expects to remain on budget through the fiscal year-end.

Continuing Professional Development

OCA staff continues to obtain Continuing Professional Education credits as required by their various certifications. During the first quarter, staff attended training on topics that included data analytics, IT risks, internal controls in a remote workplace, construction project tracking, organizational culture, agile auditing, and third party risks.

Procedural/Supervisory

One Audit Committee meeting took place during the first quarter on September 10, 2020. The meeting contained all of the regularly scheduled September agenda items, of which the OCA assisted in coordination with the Committee Chair and Board Services.

COVID-19

All OCA staff have been working remotely since March 2020. The OCA currently has an Audit Intern position budgeted; however, a remote working arrangement is not ideally suited to facilitate the work and supervision of an Intern position. For this reason, the OCA does not anticipate filling the Audit Intern position until normal operations return at the Authority.

An item has been placed on the November 2020 Audit Committee meeting agenda to amend the Fiscal Year 2021 Audit Plan, to reduce the previously planned Audit Intern hours.

Appendix A - Fiscal Year 2021 Audit Plan Progress

#	Activity	Status as of 9/30/20	Over/Under Budget	No. of Recom.
Audit Engagement				
1	Business and Real Estate Agreements – RCC Land Lease	Completed	Under	2
2	Contractor Monitoring – Turner	In Progress		
3	Small Business Development Management	In Progress		
4	Internal Controls in Place While Staff is Working Remotely	Completed	Under	-
5	Formal Bidding and Contracting	In Progress		
6	System Security – Information Security Policy	In Progress		
7	System Security – Penetration Testing	In Progress		
8	Harbor Police Contract Management	In Progress		
9	Emergency & Single Source Purchases	In Progress		
10	Traffic Control, Vehicle Insp., Code Comp., Citations & Notice of Violation Admin.	In Progress		
11	Rental Car Shuttle Service Contract Administration	Not Started		
12	Commercial Vehicle Licensing, Permitting, & Revenue Collection – Gate Keeper system	In Progress		
13	Contractor Monitoring – Sundt	Not Started		
14	Accounts Payable	In Progress		
15	Employee Benefits	Not Started		
16	Art Program Administration	Not Started		
Consulting Engagement				
17	COVID -19 – Grant Support	Completed	Under	
18	Calculation and Reconciliation of Concession Rents and Fees	In Progress		
General Audit				
19	Construction Meeting Attendance & External Service Provider Procurement and Coordination	In Progress		
20	Development of Data Analytics	In Progress		
21	Ethics Hotline ⁵	In Progress		
22	Information Technology Meeting Attendance	In Progress		
23	Peer Review Participation	Not Started		
24	Quality Assurance & Improvement Program ⁵	In Progress		
25	Recommendation Follow-up ⁵	In Progress		
26	Risk Assessment and Audit Plan ⁵	In Progress		
Administrative				
27	Attendance at Staff/Board/Committee Meetings; Continuing Professional Development; Budget tracking; Supervisory	In Progress		
28	Vacation, Holiday Time, and Other Leave/Time Off	In Progress		

⁵ Required activity in the Charter for the Office of the Chief Auditor.

Appendix B - Status of Recommendations

Fiscal Year 2021 First Quarter Report

Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of September 30, 2020
Completed					
<p>Audit Report 19006 Issued: November 27, 2019 Title: Acquisition & Implementation of Information Technology Assets Department: INFORMATION & TECHNOLOGY SERVICES</p>	High	<p>Information & Technology Services (I&TS) should conduct an inventory of all Information Technology (IT) assets currently in use and in storage, which exceed the Authority's dollar threshold, to verify accuracy of I&TSs asset list and the general ledger fixed asset report. Additionally, on a periodic basis, a physical inventory of all IT assets should take place.</p>	6/1/2020	7/30/2020	I&TS completed its inventory of IT assets by 7/30/20.
<p>Audit Report 20015 Issued: June 23, 2020 Title: Ace Parking Management, Inc. - Expenditures for Parking Management and Airport Shuttle Services Department: GROUND TRANSPORTATION</p>	Low	<p>Ground Transportation should request Ace bill the Authority for underpaid shuttle expenses in the amount of \$6,970 that resulted from the miscalculation of shuttle hours.</p>	7/31/2020	7/31/2020	An invoice was submitted by ACE Parking Shuttle Ops and processed for payment at the end of July and payment processed first week in August 2020.
<p>Audit Report 20016 Issued: July 6, 2020 Title: Rental Car Center Lease Agreements Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT</p>	Low	<p>RG&PD should work with FMD, Environmental Affairs, and Conrac Solutions to ensure that the quarterly inspections are reinstated as soon as possible. RG&PD management should ensure that the Maintenance Reports are received on a quarterly basis, as required, and that the Quarterly Report is issued to Authority management verifying that the RCC is being repaired and maintained as needed.</p>	10/30/2020	9/16/2020	RG&PD reinstated the Quarterly Condition Survey, including meeting with FMD prior to scheduling survey. FY2021 Q1 Survey conducted on 9/16/2020, final report has been drafted & is in review now. FMD has agreed to further discussion to improve processes and reporting, and ensure their participation in the survey and timely submittal of reports.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of September 30, 2020
In Progress						
20-25	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should develop and publish a set of universal procedures for lease administration and management, and take active measures to ensure that the manual is updated to remain current.	11/30/20	11/30/2020	RG&PD will develop and publish a set of universal procedures for lease administration and management. RG&PD will implement an annual process to update the procedures. RG&PD will investigate utilizing E-1 for lease administration and the possible implementation of a new or supplemental Real Estate Property Management software. (Procedures 11/30/20, Software 3/30/22)
20-26	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD staff should continue to evaluate the property management software vendors, first by examining the Authority's Real Estate Management Property Management module already in E1, to implement a desired solution.	3/31/22	3/30/2022	RG&PD will investigate utilizing the existing E-1 software and determine if other software is needed to more efficiently monitor, maintain, and manage the many tenant lease agreements, which the department is responsible for.
20-27	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Finance & Risk Management Department, should analyze the current security deposits on hand, determine if the security deposits on hand are sufficient to cover the risk to the Authority, make adjustments, and document any exceptions to security deposits, as needed.	3/31/22	3/30/2022	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of September 30, 2020
In Progress						
20-28	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Finance & Risk Management Department, should examine the insurance coverage of RG&PD leases, verify if they comply with the insurance requirements, and require the tenants, if needed, to update their insurance to cover the risk to the Authority.	12/31/2020	12/30/2020	RG&PD will work to implement the recommendations with input from the Finance and Risk Management Departments.
20-29	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Accounting Department, should create a system to track and adjust rent amounts that are subject to a Consumer Price Index (CPI) adjustment.	12/31/2020	12/30/2020	RG&PD will work to implement the recommendations with input from Accounting Department.
20-30	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should create a system to track the submission of reports required and follow up in a timely manner with any tenant who has not submitted the required reports.	12/31/2020	12/30/2020	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of September 30, 2020
In Progress						
20-31	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should create a system to timely issue holdover letters. Additionally, RG&PD should confirm the lease status in E1, ensuring all leases assigned to them are accurate and up to date.	3/31/2021	3/30/2021	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.
20-32	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD, in cooperation with the Accounting Department, should review the Minimum Annual Guarantee (MAG) requirements of their leases and adjust the MAG, as applicable.	9/30/2020	2/1/2021	RG&PD will work to implement the recommendations with input from Accounting and Finance Departments.
20-33	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	RG&PD should perform periodic analysis of revenues reported and billed to ensure that revenues remitted and rates used to calculate revenues are accurate, complete, and comply with the lease. Additionally, RG&PD should consider performing annual reconciliations for prior fiscal years, and as a result of these reconciliations, remit overpayments and bill underpayments as needed. Lastly, RG&PD should perform annual reconciliations going forward; and, as a result of these reconciliations, remit overpayments or bill underpayments, as needed.	3/31/2021	3/30/2021	RG&PD will work to implement the recommendations with input from Accounting and Finance Departments.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of September 30, 2020
In Progress						
20-37	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	High	Authority Management should review the staff assignments for lease administration duties and ensure that separation of staff duties is sufficient. A review of the staff's system access and authorizations currently held should also be performed to identify possible conflicts and to make adjustments to these as necessary.	11/30/2020	11/30/2020	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.
20-03	Audit Report 19023 Issued: August 22, 2019 Title: Automated License Plate Recognition (ALPR) System - Ace Parking Department: GROUND TRANSPORTATION	Medium	ALPR data should be retained for the length of time indicated on the Authority's Data Retention Schedule.	10/31/2019	10/1/2020	On 10/1/20 the Authority Board approved adjusting the retention schedule. As of the date of this report this recommendation was completed but it remained in progress as of 9/30/20.
20-34	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should update the lease information contained in E1 to reflect current information and, in addition, through the coordination of necessary Authority departments, develop a methodology to allow cross-referencing of the different naming conventions in use at the Authority.	2/28/2021	2/28/2021	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.

Appendix B - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of September 30, 2020
In Progress						
20-35	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	RG&PD should develop a list of requirements (certificates of insurance, MAGs, security deposits, etc.) that they need from ancillary departments and coordinate with these departments on how to have access to these requirements in the most efficient way.	3/31/2021	3/30/2021	RG&PD will work to implement the recommendations with input from Accounting, Finance and Risk Management Departments.
20-36	Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	The Authority Credit and Collections team should create a collections process that allows RG&PD asset managers to see efforts taken to collect from their lessee(s).	1/31/2021	1/30/2021	RG&PD will work to implement the recommendations with input from Accounting and Finance Departments.
20-23	Audit Report 20009 Issued: March 30, 2020 Title: Nevada Lease and Rentals Inc. dba Payless Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	The Revenue Generation & Partnership Development Department should consider requesting that the Accounting Department invoice Nevada, in the amount of \$500, for each non-compliance with Article 4.2.2 regarding the annual reports for 2018 and 2019.	5/1/2020	10/16/2020	Penalties not assessed as reports were accepted at time of delivery. Memo to Tenant documenting waiver & advising of no further waivers. Memo in review, expect to issue by 10/16/2020.

Appendix B - Status of Recommendations

Fiscal Year 2021 First Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of September 30, 2020
In Progress						
21-02	Audit Report 20016 Issued: July 6, 2020 Title: Rental Car Center Lease Agreements Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Low	RG&PD should perform the reallocation evaluations for the exclusive use areas of each operator within the RCC, as outlined in the Lease. Documentation of all reallocation evaluations should be maintained, and any reallocations made should be reflected in changes to the Lease Exhibits.	1/29/2021	10/30/2020	A Memo to File will be added to all Rental Car tenant files prior to the conclusion of the current review period on 11/30/2020. The memo will document previous decisions and actions related to reallocation. All future reallocations will be documented in tenant files as well.



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

Fiscal Year 2021
First Quarter Report from
the Office of the Chief Auditor

July 1, 2020, through September 30, 2020

Audit Committee Meeting
November 16, 2020

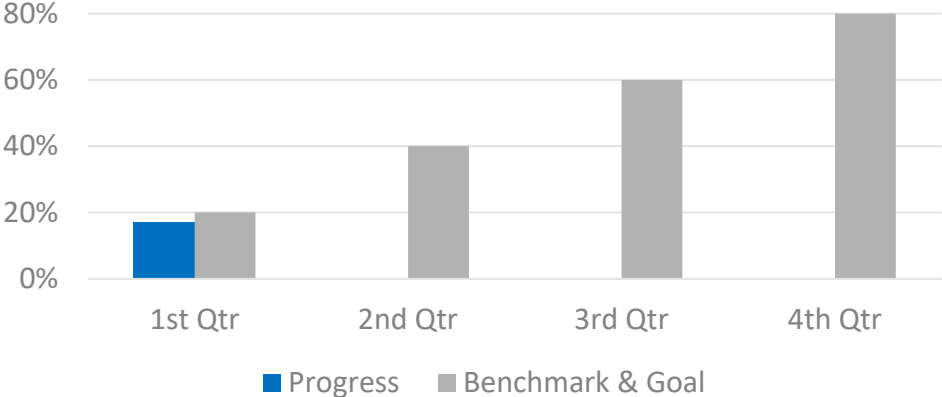
Fiscal Year 2021 Performance Measures

Performance Measure	Goal	Actual	Benchmark
Percentage of Audits & Consulting Engagements Completed by the end of the First Quarter	20%	17%	20%
Number of Recommendations by the end of the First Quarter	6	2	6
Percentage of Staff Time Spent on Audit and Consulting Engagements and General Audit Activities	70%	69%	70%
Percentage of Audits/Consulting Engagements Completed within Budget	80%	100%	75%
Percentage of Recommendations Accepted	95%	100%	83%
Customer Satisfaction Rating	4.0	4.8	4.0

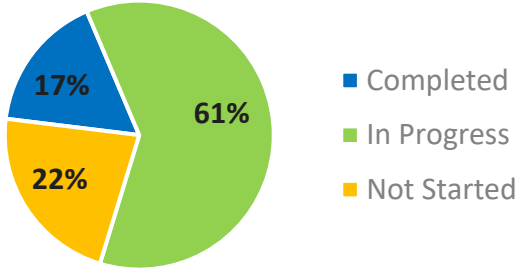
Percentage of Audits & Consulting Engagements Completed

Performance Measure	Goal	Actual	Benchmark
Percentage of Audits & Consulting Engagements Completed by the end of the First Quarter	20%	17%	20%

Percentage Completed by Quarter



Status



Audits & Consulting Engagements Completed



Offsite Internal Controls Related to Cash Receipts and Cash Disbursements
Audit Report No. 21001
Issue Date: September 4, 2020

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Office of the Chief Auditor

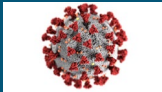


Rental Car Center Lease Agreements
Audit Report No. 20016
Issue Date: July 6, 2020

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Office of the Chief Auditor

Consulting Engagement - COVID 19

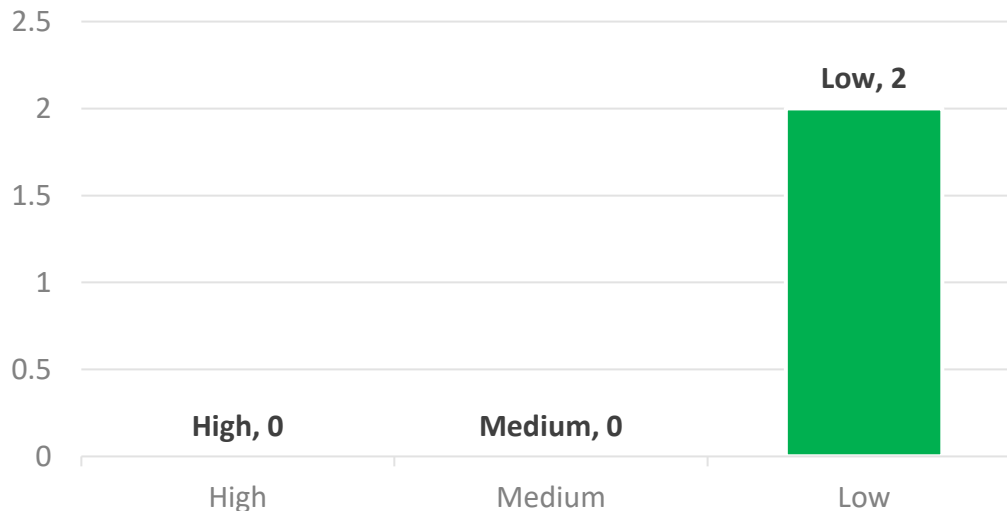


Number of Recommendations

Performance Measure	Goal	Actual	Benchmark
Number of Recommendations by the end of the First Quarter	6	2	6

Rating of Recommendations by Risk

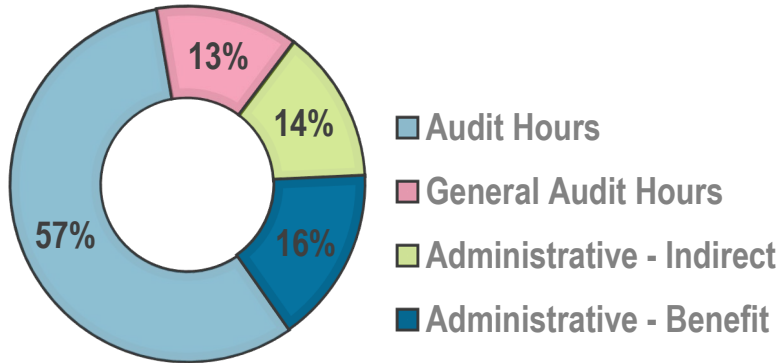
*** All
Recommendations
Accepted by
Management ***



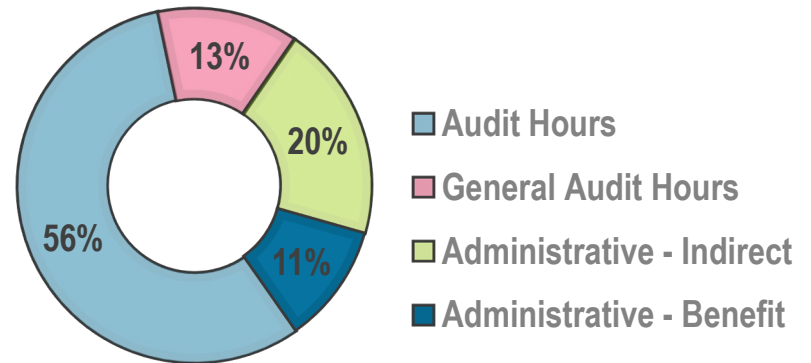
Auditor Utilization

Performance Measure	Goal	Actual	Benchmark
Percentage of Staff Time Spent on Audit and Consulting Engagements and General Audit Activities	70%	69%	70%

GOAL



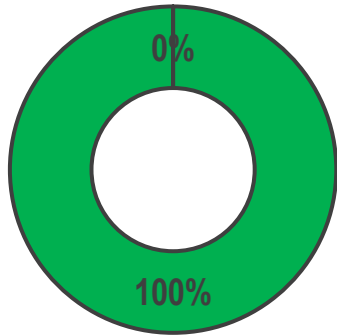
PROGRESS



Audit & Consulting Engagement Budgets

Performance Measure	Goal	Actual	Benchmark
Percentage of Audits/Consulting Engagements Completed within Budget	80%	100%	75%

Engagements Completed



- Over Budget
- Under Budget

Engagement Hours

Budgeted	495
Actual	280
Total Hours Under Budget	215

General Audit Activity - Recommendations

Recommendation Follow up

Status as of September 30, 2020			
Completed	In Progress	Not Accepted	Tracked
3*	16**	-	19

* 2 recommendations were completed within the initial timeframe identified for implementation.

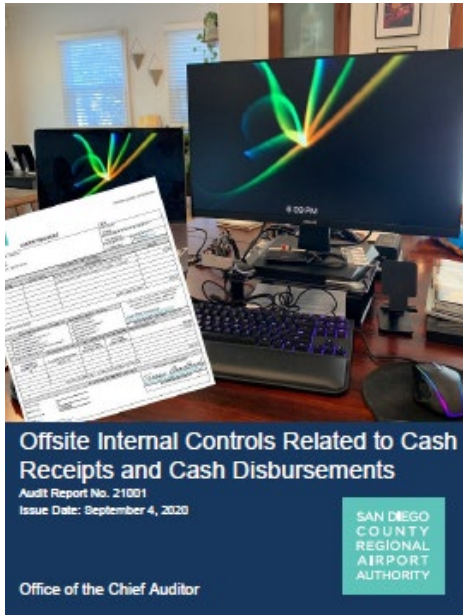
** 13 recommendations are still within the initial timeframe identified for implementation.

General Audit Activity - Ethics Hotline

July 1, 2020, through September 30, 2020

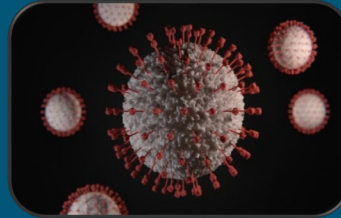
	Number of Tips / Reports Received	Preliminary Investigation Required	Full Investigation Initiated	Investigation Results Supported Code Violation (Ethics or Workplace)	Response (email or phone to non-anonymous reports)
Category					
Human Resource, Diversity, and Workplace Respect	2	-	-	-	-
Environment, Health and Safety – Noise	1	1	-	-	1
Total	3	1	-	-	1

Audit Spotlight - Offsite Internal Controls Related to Cash Receipts and Cash Disbursements



Background

COVID - 19

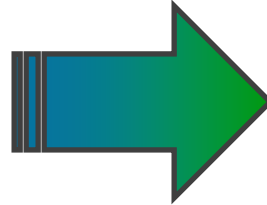


- Due to COVID – 19, Authority staff began working offsite
- As a result, management implemented new offsite controls

Audit Spotlight - Offsite Internal Controls Related to Cash Receipts and Cash Disbursements

Initial Audit Objective

Determine if key internal controls in place are adequate or appropriate when staff are working remotely.



Final Audit Objective

Determine if key internal controls in place over the cash receipts and cash disbursement processes are adequate, effective, and operating as designed when staff are working remotely.

Audit Spotlight - Offsite Internal Controls Related to Cash Receipts and Cash Disbursements

Work Performed



- Evaluated various internal control documents
- Performed walkthroughs on cash receipts and disbursements
- Tested a sample
- Examined ways to circumvent the Adobe signature processes

Audit Spotlight - Offsite Internal Controls Related to Cash Receipts and Cash Disbursements



Conclusion

Offsite internal controls designed for cash receipts and cash disbursements are effective, operating as designed, and are adequate to address the risks inherent from employees working remotely.

Audit Spotlight - Offsite Internal Controls Related to Cash Receipts and Cash Disbursements

Observation

#1 - Verify Email Addresses

Adobe Sign Controls No email Test
Final Audit Report 2020-08-11

Created:	2020-08-11
Bf:	Callie Ullman (cullman@san.org)
Status:	Signed
Transaction ID:	CBJCHBCAABAAjjuFBjvS4OD4D6jUzAo12H7ad_4fB

"Adobe Sign Controls No email Test" History

- Document created by **Callie Ullman (cullman@san.org)**
2020-08-11 - 0:34:06 AM GMT - IP address: [redacted]
- Document e-signed by Callie Ullman (cullman@san.org)
Signature Date: 2020-08-11 - 0:36:04 AM GMT - Time Source: server - IP address: [redacted]
- Document emailed to Fred Bolger (Doug @mac.com) for signature
2020-08-11 - 0:36:07 AM GMT
- Email viewed by Fred Bolger (Doug @mac.com)
2020-08-11 - 0:36:67 AM GMT - IP address: [redacted]
- Document e-signed by **Fred Bolger (Doug @mac.com)**
Signature Date: 2020-08-11 - 0:37:19 AM GMT - Time Source: server - IP address: [redacted]

✓ - Appropriate email. Name and Email Match. Email is from "san.org"

x - Inappropriate email. Name and Email Do Not Match. Email is not from "san.org"

Audit Spotlight - Offsite Internal Controls Related to Cash Receipts and Cash Disbursements

Observation #2 - Include Email Addresses

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
BUSINESS EXPENSE REIMBURSEMENT REPORT
 7/19/2020 - 7/18/2021
 Period Covered

DATE	G/L Account	Description	AMOUNT
7/9/20	66220	Caitie Ullman Annual Membership in the National Association (see attached list of attendees)	\$ 200.00
TOTAL			\$ 200.00

APPROVED: Caitie Ullman
Caitie Ullman, 619.457.3100 ext. 2078
 NAME

I CERTIFY THAT THE FOREGOING STATEMENT IS CORRECT
Lee Parravano
 NAME

DATE: Jul 9, 2020
 cutlman@san.org

DATE: Jul 9, 2020

DATE: Email Address Included →

DATE: Email Address Excluded →

QUESTIONS?

AUDIT COMMITTEE

Meeting Date: **NOVEMBER 16, 2020**

Subject:

Revision to the Fiscal Year 2021 Audit Plan of the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee accept the revised audit plan and forward it to the Board with a recommendation for approval. ***(Requires five (5) affirmative votes of the Audit Committee.)***

Background/Justification:

The Charter for the Office of the Chief Auditor, instituted by Board Resolution No. 2003-062 on October 2, 2003, and most recently amended on October 1, 2020, per Board Resolution No. 2020-0098, defines the role and requirements of the Office of the Chief Auditor (OCA).

As directed in the Charter, the Chief Auditor shall submit, at least annually, a risk-based Audit Plan to the Audit Committee and to Authority executive management, and shall review and adjust the Audit Plan, as necessary, responding to changes in business risks, operations, special requests, programs, systems, and controls. All changes to an Audit Plan shall be communicated to the Audit Committee prior to being submitted to the Board for approval.

Additionally, International Standards for the Professional Practice of Internal Auditing require that the Chief Auditor review and adjust the Audit Plan, as necessary.

The OCAs initial Audit Plan for Fiscal Year 2021 was approved by the Audit Committee during its May 14, 2020, meeting, and was subsequently approved on June 4, 2020, by Board Resolution No. 2020-0066.

During the first quarter of Fiscal Year 2021 a review of the Audit Plan was undertaken by the OCA. A revision to adjust the allocation of audit hours to reflect the OCAs operational requirements was requested during the September 10, 2020, Audit Committee meeting, and was subsequently approved on October 1, 2020, by Board Resolution No. 2020-0093.

At this time an additional amendment to the Audit Plan is requested. The proposed changes include:

- 1) Remove Intern hours from the Audit Plan due to a staffing vacancy.
- 2) Remove the audit of the Rental Car Shuttle Service Administration and replace it with an audit of the Authority's Enterprise Content Management System (ECMS).

Page 2 of 2

The replacement of the Rental Car Shuttle Service Administration audit is recommended because of the continuing reduced passenger volumes at San Diego International Airport due to the COVID-19 pandemic. Audit resources would be better utilized on a recent software update to ECMS that impacted the organization Authority-wide.

The revisions being proposed to the Fiscal Year 2021 Audit Plan are detailed in Attachment A. The OCA Fiscal Year 2021 Audit Plan with the proposed changes incorporated is provided as Attachment B.

Fiscal Impact:

The Chief Auditor Department's adopted Operating Expense Budget for Fiscal Year 2021 and conceptually approved budget for Fiscal Year 2022 meet the allotted budget requirements for the proposed revision to the Fiscal Year 2021 Audit Plan.

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

- Advance the Airport Development Plan Transform the Customer Journey Optimize Ongoing Business

Environmental Review:

- A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.
- C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA") and, therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

LEE M. PARRAVANO
CHIEF AUDITOR

Office of the Chief Auditor
Fiscal Year 2021 Audit Plan
Proposed November 16, 2020

ATTACHMENT A

Key Work Activity	Objective ¹	Prior Estimated Hours	Change Requested	Revised Hours
Audit Engagement Hours				
Business and Real Estate Agreements ²	To determine if the RCC land lease is administered appropriately.	20	-	20
Contractor Monitoring ²	To determine if the contract with Turner is administered appropriately.	75	-	75
Small Business Development Management ²	Review controls, compliance, and performance related to Small Business Development management.	100	-	100
Internal Controls in Place While Staff is Working Remotely	To determine if the key internal controls in place are adequate or appropriate when staff is working remotely.	325	(90) Audit Completed	235
Formal Bidding and Contracting ²	To determine if bidding procedures align with best practices and/or Authority needs and if bidding procedures are being administered effectively and efficiently.	400	-	400
System Security	To determine the level of compliance with the Authority's information security policies.	495	-	495
System Security	To evaluate the Authority's security posture by performing penetration testing.	250	-	250
Harbor Police Contract Management ²	To determine if Harbor Police costs and services are appropriate and equitable.	500	-	500
Emergency & Single Source Purchases	To determine if purchases made during an emergency or from sole sources are appropriate and reasonable.	425	-	425
Traffic Control, Vehicle Insp., Code Comp., Citations & Notice of Violation Admin.	To determine if the processes and controls in place for automobile citations are adequate and appropriate.	450	-	450
Rental Car Shuttle Service Contract Administration	To determine if the Rental Car Shuttle Service operations are administered appropriately.	450	(450) Remove	-
Commercial Vehicle Licensing, Permitting, & Revenue Collection	To determine the adequacy and accuracy of the GateKeeper system.	450	-	450
Contractor Monitoring	To determine if the contract with Sundt is administered appropriately.	500	-	500
Accounts Payable	To determine if the internal controls in the procurement to pay cycle are adequate and appropriate.	475	-	475
Employee Benefits	To determine if the processes and controls in place for employee benefit payments are adequate and appropriate.	450	-	450
Arts Program Administration	To determine if the Authority's Arts Program is administered appropriately.	475	-	475
Enterprise Content Management System (ECMS)	To determine if access rights in ECMS are appropriate.	-	450 Add	450

¹ Objective may change based on the preliminary survey performed by the OCA.

² Audit Activity has been carried forward from Fiscal Year 2020.

Office of the Chief Auditor
Fiscal Year 2021 Audit Plan
Proposed November 16, 2020

ATTACHMENT A

Key Work Activity	Objective ¹	Prior Estimated Hours	Change Requested	Revised Hours
To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	192	(192) Intern hours	-
	Total Audit Engagement Hours	6,032	(282)	5,750
Consulting Engagement Hours				
COVID-19	To provide assistance to management related to COVID-19. Assistance may include, but is not limited to, counsel, advice, facilitation, and training.	150	(90) Engagement Completed	60
Calculation and Reconciliation of Concession Rents and Fees	To provide assistance to management related to the calculation and reconciliation of the rents and fees of Airport Food and Beverage and Retail Concessionaires for Fiscal Year 2020. Assistance may include, but is not limited to, counsel, advice, facilitation, and training.	300	-	300
	Total Consulting Engagement Hours	450	(90)	360
General Audit Hours				
Construction Meeting Attendance & External Service Provider Procurement and Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments, and initiate audits if needed. Additionally, evaluate OCA construction auditing expertise needed for Airport Development Plan. Procure services as needed.	380	-	380
Development of Data Analytics	Develop a data analytics program for rental car concessions and potentially in-terminal concessions.	600	(7) Intern hours	593
Ethics Hotline ³	To review ethics policies, provide training, and investigate reported incidents.	330	-	330
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	130	-	130
Peer Review Participation	To satisfy the Association of Local Government Auditors (ALGA) reciprocal requirement for the OCA to volunteer two audit staff to serve on a Quality Assurance Review for another organization.	180	-	180
Quality Assurance & Improvement Program ³	To assess OCAs conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and to allow for the identification of improvement opportunities.	300	-	300
Recommendation Follow-up ³	To verify that internal and external audit recommendations have been implemented as intended.	140	-	140

³ Required activity in the Charter for the Office of the Chief Auditor.

Office of the Chief Auditor
Fiscal Year 2021 Audit Plan
Proposed November 16, 2020

ATTACHMENT A

Key Work Activity	Objective ¹	Original Estimated Hours	Change Requested	Revised Hours
Risk Assessment and Audit Plan	To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan.	225	(4) Intern hours	221
Total General Audit Hours		2,285	(11)	2,274
Administrative Hours				
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other.	2,145	(57) Intern hours	2,088
Administrative - Benefit	Vacation, Holiday Time, and Other Leave/Time Off.	2,008	-	2,008
Total Administrative Hours		4,153	(57)	4,096
Total Hours		12,920	(440)	12,480

Office of the Chief Auditor
Fiscal Year 2021 Audit Plan
Proposed November 16, 2020

ATTACHMENT A

Key Work Activity	Objective ¹	Estimated Hours	Change Requested	Revised Hours
Contingent Audit Hours				
Manage the Business Continuity Plan	To determine if the Business Continuity Plan adequately addresses risks and contains an adequate response plan.	450	-	450
TNC Contract Administration & Revenue Collection	To determine if the Transportation Network Company (TNC) Contract is administered appropriately.	475	-	475
Advertising	To determine if the marketing program for concessions is administered appropriately.	425	-	425
Pension Funding	To determine if the census data sent to SDCERS is accurate and if the retirement plan is administered appropriately by the Authority.	500	-	500
Accounts Receivable / Collections	To evaluate the deferral of revenues related to the COVID-19 pandemic.	400	-	400
Management of ALUC, Board, and Standing Board Committee Meetings	To determine if the processes and technology utilized for Board, Airport Land Use Commission (ALUC), and Committee meetings are efficient and appropriate.	400	-	400
Maintenance Service Contracts Oversight	To determine if the processes and controls in place for labor compliance are adequate and appropriate.	450	-	450
Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	375	-	375
Rental Car Shuttle Service Contract Administration	To determine if the Rental Car Shuttle Service operations are administered appropriately.	-	450 Add	450
	Total Contingent Audit Hours	3,475	450	3,925

Office of the Chief Auditor
Fiscal Year 2021 Audit Plan
Proposed November 16, 2020

ATTACHMENT B

Key Work Activity	Objective ¹	Hours
Audit Engagement Hours		
Business and Real Estate Agreements ²	To determine if the RCC land lease is administered appropriately.	20
Contractor Monitoring ²	To determine if the contract with Turner is administered appropriately.	75
Small Business Development Management ²	Review controls, compliance, and performance related to Small Business Development management.	100
Internal Controls in Place While Staff is Working Remotely	To determine if the key internal controls in place are adequate or appropriate when staff is working remotely.	235
Formal Bidding and Contracting ²	To determine if bidding procedures align with best practices and/or Authority needs and if bidding procedures are being administered effectively and efficiently.	400
System Security	To determine the level of compliance with the Authority's information security policies.	495
System Security	To evaluate the Authority's security posture by performing penetration testing.	250
Harbor Police Contract Management ²	To determine if Harbor Police costs and services are appropriate and equitable.	500
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Traffic Control, Vehicle Insp., Code Comp., Citations & Notice of Violation Admin.	To determine if the processes and controls in place for automobile citations are adequate and appropriate.	450
Commercial Vehicle Licensing, Permitting, & Revenue Collection	To determine the adequacy and accuracy of the Gate Keeper system.	450
Contractor Monitoring	To determine if the contract with Sundt is administered appropriately.	500
Accounts Payable	To determine if the internal controls in the procurement to pay cycle are adequate and appropriate.	475
Employee Benefits	To determine if the processes and controls in place for employee benefit payments are adequate and appropriate.	450
Arts Program Administration	To determine if the Authority's Arts Program is administered appropriately.	475
Enterprise Content Management System (ECMS)	To determine if access rights in ECMS are appropriate.	450
	Total Audit Engagement Hours	5,750
Consulting Engagement Hours		
COVID-19	To provide assistance to management related to COVID-19. Assistance may include, but is not limited to, counsel, advice, facilitation, and training.	60

¹ Objective may change based on the preliminary survey performed by the OCA.

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Office of the Chief Auditor
Fiscal Year 2021 Audit Plan
Proposed November 16, 2020

ATTACHMENT B

Key Work Activity	Objective ¹	Hours
Calculation and Reconciliation of Concession Rents and Fees	To provide assistance to management related to the calculation and reconciliation of the rents and fees of Airport Food and Beverage and Retail Concessionaires for Fiscal Year 2020. Assistance may include, but is not limited to, counsel, advice, facilitation, and training.	300
	Total Consulting Engagement Hours	360
General Audit Hours		
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Development of Data Analytics	Develop a data analytics program for rental car concessions and potentially in-terminal concessions.	593
Ethics Hotline ³	To review ethics policies, provide training, and investigate reported incidents.	330
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	130
Peer Review Participation	To satisfy the Association of Local Government Auditors (ALGA) reciprocal requirement for the OCA to volunteer two audit staff to serve on a Quality Assurance Review for another organization.	180
Quality Assurance & Improvement Program ³	To assess OCAs conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and to allow for the identification of improvement opportunities.	300
Recommendation Follow-up ³	To verify that internal and external audit recommendations have been implemented as intended.	140
Risk Assessment and Audit Plan	To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan.	221
	Total General Audit Hours	2,274
Administrative Hours		
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other.	2,088
Administrative - Benefit	Vacation, Holiday Time, and Other Leave/Time Off.	2,008
	Total Administrative Hours	4,096
	Total Hours	12,480

³ Required activity in the Charter for the Office of the Chief Auditor.

Office of the Chief Auditor
 Fiscal Year 2021 Contingent Audit Activities
 Proposed November 16, 2020

Key Work Activity	Objective	Hours
Contingent Audit Hours		
Manage the Business Continuity Plan	To determine if the Business Continuity Plan adequately addresses risks and contains an adequate response plan.	450
TNC Contract Administration & Revenue Collection	To determine if the Transportation Network Company (TNC) Contract is administered appropriately.	475
Advertising	To determine if the marketing program for concessions is administered appropriately.	425
Pension Funding	To determine if the census data sent to SDCERS is accurate and if the retirement plan is administered appropriately by the Authority.	500
Accounts Receivable / Collections	To evaluate the deferral of revenues related to the COVID-19 pandemic.	400
Management of ALUC, Board, and Standing Board Committee Meetings	To determine if the processes and technology utilized for Board, Airport Land Use Commission (ALUC), and Committee meetings are efficient and appropriate.	400
Maintenance Service Contracts Oversight	To determine if the processes and controls in place for labor compliance are adequate and appropriate.	450
Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	375
Rental Car Shuttle Service Contract Administration	To determine if the Rental Car Shuttle Service operations are administered appropriately.	450
	Total Contingent Audit Hours	3,925



SAN DIEGO
INTERNATIONAL AIRPORT

LET'S **GO.**

Revision to the
Fiscal Year 2021 Audit Plan of
the Office of the Chief Auditor

Audit Committee Meeting
November 16, 2020

Reasons for Revision



Remove Intern Hours from Audit Plan Due to Staffing Vacancy



Replace a Planned Audit with a New Audit

Reduce Intern Hours from Audit Plan Due to Staffing Vacancy

Intern Hours

(440 hours)

Intern position eliminated

Audit Plan

Savings from Engagements Completed Under Budget

180 Hours

Reduce Unallocated Discretionary Hours

192 Hours

Reduce Intern General Audit Hours

11 Hours

Reduce Intern Admin. Hours

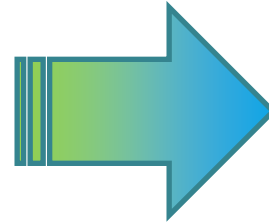
57 Hours

Replace a Planned Audit with a New Audit

450
Hours

Rental Car Shuttle Service Administration

Objective – To determine
if the Rental Car Shuttle
Service operations are
administered
appropriately.



450
Hours

Enterprise Content Management System (ECMS)

Objective – To determine
if access rights in ECMS
are appropriate.

QUESTIONS?