

**Board Members**

Gil Cabrera (Chair)  
Mary Casillas Salas (Vice Chair)  
Catherine Blakespear  
Paul McNamara  
Paul Robinson  
Johanna Schiavoni  
James Sly  
Nora E. Vargas  
Marni von Wilpert

## Board Meeting Agenda

**Thursday, June 2, 2022**  
**9:00 A.M.**

San Diego International Airport  
SDCRAA Administration Building  
3225 N. Harbor Drive  
San Diego, California 92101

**Ex-Officio Board Members**

Col. Thomas M. Bedell  
Gustavo Dallarda  
Gayle Miller

**President/CEO**

Kimberly J. Becker

***Live webcasts of Authority Board meetings can be accessed at***  
***<http://www.san.org/Airport-Authority/Meetings-Agendas/Authority-Board>***

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.

PLEASE COMPLETE A SPEAKER SLIP PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR Public Participation in Board and Board Committee Meetings (Public Comment) LOCATED AT THE END OF THE AGENDA.***

*The Authority has identified a local company to provide oral interpreter and translation services for public meetings. If you require oral interpreter or translation services, please telephone the Board Services /Authority Clerk Department with your request at (619) 400-2400 at least three (3) working days prior to the meeting.*

## CALL TO ORDER:

## ROLL CALL:

## PRESENTATIONS:

**A. SDCERS ACTUARIAL VALUATION UPDATE FOR THE SAN DIEGO INTERNATIONAL AIRPORT:**

Presented by Gregg Rademacher, Chief Executive Officer, SDCERS and Marcelle Voorhies Rossman, Deputy Executive Officer, SDCERS

**B. EXISTING TERMINAL 1 PARKING LOT CLOSURE AND PEDESTRIAN BRIDGE DEMOLITION AND COMMUNICATION STRATEGY:**

Presented by Jeff Rasor, Vice President, interim, Airside and Terminal Operations and Jonathan Heller, Director, Communications

## REPORTS FROM BOARD COMMITTEES, AD HOC COMMITTEES, AND CITIZEN COMMITTEES AND LIAISONS:

- **AUDIT COMMITTEE:**  
Committee Members: Blakespear, Casillas Salas, Newsom, Schiavoni, Sly, Vann (Chair), Wong Nickerson
- **CAPITAL IMPROVEMENT PROGRAM OVERSIGHT COMMITTEE:**  
Committee Members: Blakespear, McNamara, Schiavoni, von Wilpert (Chair)
- **EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE:**  
Committee Members: Cabrera, McNamara, Robinson (Chair), Vargas
- **FINANCE COMMITTEE:**  
Committee Members: McNamara, Schiavoni (Chair), Sly, von Wilpert

## ADVISORY COMMITTEES

- **AUTHORITY ADVISORY COMMITTEE:**  
Liaison: Casillas Salas (Primary), Robinson
- **ARTS ADVISORY COMMITTEE:**  
Liaison: Schiavoni

## LIAISONS

- **CALTRANS:**  
Liaison: Dallarda
- **INTER-GOVERNMENTAL AFFAIRS:**  
Liaison: Cabrera
- **MILITARY AFFAIRS:**  
Liaison: Bedell
- **PORT:**  
Liaisons: Cabrera (Primary), Robinson, Vargas
- **WORLD TRADE CENTER:**  
Representatives: Robert H. Gleason

## BOARD REPRESENTATIVES (EXTERNAL)

- **SANDAG BOARD OF DIRECTORS:**  
Representative: Cabrera (Primary), Robinson
- **SANDAG TRANSPORTATION COMMITTEE:**  
Representatives: Schiavoni (Chair), Sly

## CHAIR REPORT:

## PRESIDENT/CEO REPORT:

## NON-AGENDA PUBLIC COMMENT:

Non-Agenda Public Comment is reserved for members of the public wishing to address the Board on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Board. 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 Board.

Thursday, June 2, 2022

## **CONSENT AGENDA (ITEMS 1-18):**

The consent agenda contains items that are routine in nature and non-controversial. Some items may be referred by a standing Board Committee or approved as part of the budget process. The matters listed under 'Consent Agenda' may be approved by one motion. Any Board Member may remove an item for separate consideration. Items so removed will be heard before the scheduled New Business Items, unless otherwise directed by the Chair.

**1. APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the minutes of the May 5, 2022, special Board meeting, May 12, 2022, special Board meeting, and April 29 & 30, 2022, special Board meeting.

**2. ACCEPTANCE OF BOARD AND COMMITTEE MEMBERS WRITTEN REPORTS ON THEIR ATTENDANCE AT APPROVED MEETINGS AND PRE-APPROVAL OF ATTENDANCE AT OTHER MEETINGS NOT COVERED BY THE CURRENT RESOLUTION:**

RECOMMENDATION: Accept the reports and pre-approve Board Member attendance at other meetings, trainings and events not covered by the current resolution.

**(Board Services: Tony R. Russell, Director/Authority Clerk)**

**3. AWARDED CONTRACTS, APPROVED CHANGE ORDERS FROM APRIL 11, 2022, THROUGH MAY 8, 2022, AND REAL PROPERTY AGREEMENTS GRANTED AND ACCEPTED FROM APRIL 11, 2022, THROUGH MAY 8, 2022:**

RECOMMENDATION: Receive the Report.

**(Procurement: Jana Vargas, Procurement Director)**

**4. JUNE 2022 LEGISLATIVE REPORT:**

RECOMMENDATION: Adopt Resolution No. 2022-0046, approving the June 2022 Legislative Report.

**(Government Relations: Matt Harris, Director)**

**5. APPOINTMENT OF PUBLIC MEMBER TO THE AUDIT COMMITTEE:**

RECOMMENDATION: Adopt Resolution No. 2022-0047, appointing Carman Vann as a public member to the Audit Committee to commence July 2022 for a three-year term.

**(Board Services: Tony R. Russell, Director/Authority Clerk)**

**6. APPROVE REAPPOINTMENTS TO THE ARTS ADVISORY COMMITTEE:**

RECOMMENDATION: Adopt Resolution No. 2022-0048, approving the reappointment of Robert Gleason and Carmen Vann to the Arts Advisory Committee.

**(Marketing and Air Service Development: Hampton Brown, Vice President and Chief Revenue Officer)**

Thursday, June 2, 2022

- 7. CONSIDERATION OF WHETHER TO CONTINUE VIRTUAL MEETINGS FOR AUTHORITY BOARD AND COMMITTEE MEETINGS PURSUANT TO AB 361:**  
RECOMMENDATION: Adopt Resolution No. 2022-0049, finding that it is in the best interest of the Authority and the public it serves to continue to hold virtual public meetings of the Board and its Committees because a declared state of emergency is ongoing and continues to directly impact the ability of the Board and its Committees to meet safely in person.  
**(Legal: Amy Gonzalez, General Counsel)**
- 8. ADOPTION OF AN ADDENDUM TO THE FINAL ENVIRONMENTAL IMPACT REPORT FOR THE SAN DIEGO INTERNATIONAL AIRPORT DEVELOPMENT PLAN FOR THE TEMPORARY NORTHSIDE GROUND TRANSPORTATION FACILITIES:**  
RECOMMENDATION: Adopt Resolution No. 2022-0050, adopting an Addendum to the Final Environmental Impact Report for the San Diego International Airport Development Plan for the Temporary Northside Ground Transportation Facilities as the lead agency in accordance with the California Environmental Quality Act.  
**(Airport Planning and Environmental Affairs: Brendan Reed, Director)**

## CLAIMS

- 9. REJECT THE CLAIM OF LUANN REIN:**  
RECOMMENDATION: Adopt Resolution No. 2022-0051, rejecting the claim of Luann Rein.  
**(Legal: Amy Gonzalez, General Counsel)**
- 10. REJECT THE CLAIM OF MICHAEL VISLOCKY:**  
RECOMMENDATION: Adopt Resolution No. 2022-0052, rejecting the claim of Michael Vislocky.  
**(Legal: Amy Gonzalez, General Counsel)**

## COMMITTEE RECOMMENDATIONS

- 11. REVIEW OF AUTHORITY POLICY 4.40 – DEBT ISSUANCE AND MANAGEMENT:**  
RECOMMENDATION: Adopt Resolution No. 2022-0053, approving amendments to Authority Policy 4.40 - Debt Issuance and Management Policy  
**(Finance: Scott Brickner, Vice President/CFO)**

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**12. ANNUAL REVIEW OF AUTHORITY POLICY 4.20 - GUIDELINES FOR PRUDENT INVESTMENTS AND DELEGATION OF AUTHORITY TO INVEST AND MANAGE AUTHORITY FUNDS TO THE VICE PRESIDENT, CHIEF FINANCIAL OFFICER/TREASURER:**

RECOMMENDATION: Adopt Resolution No. 2022-0054, delegating authority to invest and manage Authority funds to the Vice President, Chief Financial Officer/Treasurer. **(Finance: Scott Brickner, Vice President/CFO)**

**13. FISCAL YEAR 2022 THIRD QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:**

RECOMMENDATION: The Audit Committee recommends that the Board accept the report.

**(Chief Auditor: Lee Parravano, Chief Auditor)**

**14. APPROVE THE REVISION TO THE FISCAL YEAR 2022 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:**

RECOMMENDATION: The Audit Committee recommends that the Board adopt Resolution No. 2022-0055, approving the revision to the Fiscal Year 2022 Audit Plan.

**(Chief Auditor: Lee Parravano, Chief Auditor)**

**15. APPROVE THE RISK ASSESSMENT AND PROPOSED FISCAL YEAR 2023 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:**

RECOMMENDATION: The Audit Committee recommends that the Board adopt Resolution No. 2022-0056, approving the proposed Fiscal Year 2023 Audit Plan.

**(Chief Auditor: Lee Parravano, Chief Auditor)**

## CONTRACTS AND AGREEMENTS

**16. APPROVE AND AUTHORIZE AN INCREASE IN THE PRESIDENT/CEO'S CHANGE ORDER AUTHORITY TO INCREASE CONTRACT DURATION AT NO COST FOR WEST SOLID WASTE FACILITY AND WEST REFUELER LOADING FACILITY AT SAN DIEGO INTERNATIONAL AIRPORT:**

RECOMMENDATION: Adopt Resolution No. 2022-0057, approving and authorizing the President/CEO's change order authority to increase the Contract duration from 496 days to not to exceed 537 days at no cost, for Project No. 104274A West Solid Waste Facility and Project No. 104249A West Refueler Loading Facility at San Diego International Airport.

**(Airport Design and Construction: Bob Bolton, Director)**

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- 17. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO NEGOTIATE AND EXECUTE AN AMENDMENT TO A REIMBURSABLE AGREEMENT WITH THE DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION (FAA) FOR ENGINEERING AND TECHNICAL SUPPORT RELATED TO NEW T1 AIRSIDE IMPROVEMENTS:**

RECOMMENDATION: Adopt Resolution No. 2022-0058, approving and authorizing the President/CEO to Negotiate and Execute an Amendment to a Reimbursable Agreement between the Department of Transportation Federal Aviation Administration (FAA) and the San Diego County Regional Airport Authority for Engineering and Technical Support related to New T1 Airside Improvements.  
**(Airport Design and Construction: Bob Bolton, Director)**

- 18. AUTHORIZE THE PRESIDENT/CEO TO (1) EXTEND THE RENT ABATEMENT PERIOD FOR FOOD & BEVERAGE, RETAIL, PASSENGER SERVICE, AND IN-TERMINAL ADVERTISING CONCESSION LEASES IF NECESSARY AND (2) AMEND THE CONCESSION LEASES FOR FOOD & BEVERAGE, RETAIL, PASSENGER SERVICE, AND IN-TERMINAL ADVERTISING TO ALLOW FOR AN ADJUSTMENT TO THE FISCAL YEAR 23 MINIMUM ANNUAL GUARANTEE:**

RECOMMENDATION: Adopt Resolution No. 2022-0059, authorizing the President/CEO to (1) extend the rent abatement period for concession leases, if necessary and (2) execute the required amendments for concession leases for Food & Beverage, Retail, Passenger Service, and In-Terminal Advertising to allow for an adjustment to the Fiscal Year 23 Minimum Annual Guarantee.  
**(Revenue Generation and Partnership Development: Deanna Zachrisson, Director)**

## CONTRACTS AND AGREEMENTS AND/OR AMENDMENTS TO CONTRACTS AND AGREEMENTS EXCEEDING \$1 MILLION

### PUBLIC HEARINGS:

### OLD BUSINESS:

### NEW BUSINESS:

- 19. APPROVAL AND ADOPTION OF THE OPERATING BUDGET FOR FISCAL YEAR 2023, THE CAPITAL PROGRAM FOR FISCAL YEARS 2023-2027 AND CONCEPTUAL APPROVAL OF THE OPERATING BUDGET FOR FISCAL YEAR 2024 AND THE COMPENSATION PHILOSOPHY AND STRUCTURE:**

RECOMMENDATION: Adopt Resolution No. 2022-0061, approving and adopting the Authority's Annual Operating Budget for Fiscal Year 2023, the Capital Program for Fiscal Years 2023-2027, conceptually approving the Operating Budget for Fiscal Year 2024 and the compensation philosophy and structure.  
**(Finance: Scott Brickner, Vice President/CFO)**

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**20. WAIVE AUTHORITY POLICY 5.02(1)(d) AND POLICY 5.02(4)(b)(iii) AND AUTHORIZE THE PRESIDENT/CEO TO APPROVE AND EXECUTE CHANGE ORDERS WITH SUNDT CONSTRUCTION, INC., FOR 12KV ELECTRICAL SYSTEM UPGRADES TO ALLOW THE NEW ADMINISTRATION BUILDING TO CONNECT TO THE 12KV ELECTRICAL SYSTEM:**

RECOMMENDATION: Adopt Resolution No. 2022-0060, waiving Authority Policy 5.02(1)(d) and Policy 5.02(4)(b)(iii) authorizing the President/CEO to negotiate and execute change orders with Sundt Construction, Inc., for the design and construction of upgrades to the existing 12kV electrical system to allow the New Administration Building to connect to the 12kV electrical system for a total change order amount not to exceed \$6,655,198.68.

**(Airport Design and Construction: Bob Bolton, Director)**

**CLOSED SESSION:**

**21. CONFERENCE WITH LABOR NEGOTIATORS:**

Cal. Gov. Code §54957.6

Agency designated representatives: Monty Bell, Scott Brickner, Angela Shafer-Payne, Greg Halsey, Rod Betts, Jeff Rasor, Lola Barnes

Employee organization: California Teamsters Local 911

**22. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:**

Cal. Gov. Code §54957

Title: President/Chief Executive Officer

**23. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:**

Cal. Gov. Code §54957

Title: General Counsel

**24. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:**

Cal. Gov. Code §54957

Title: Chief Auditor

**REPORT ON CLOSED SESSION:**

**GENERAL COUNSEL REPORT:**

**BUSINESS AND TRAVEL EXPENSE REIMBURSEMENT REPORTS FOR BOARD MEMBERS, PRESIDENT/CEO, CHIEF AUDITOR AND GENERAL COUNSEL WHEN ATTENDING CONFERENCES, MEETINGS, AND TRAINING AT THE EXPENSE OF THE AUTHORITY:**

**BOARD COMMENT:**

**ADJOURNMENT:**



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## 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 submit a speaker slip to the Clerk 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 speaker slip 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.

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

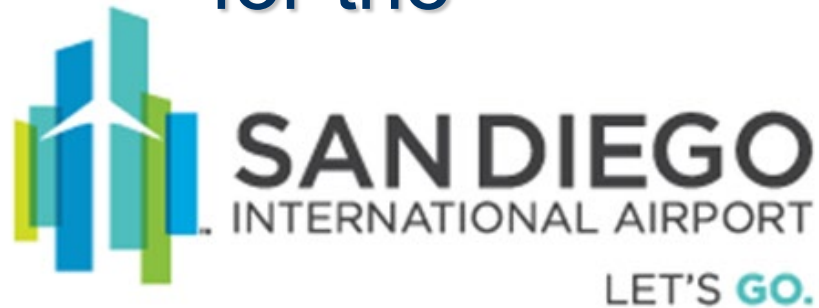
**NOTE:** This information is available in alternative formats upon request. To request an Agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device (ALD) for the meeting, please telephone the Authority Clerk's Office at (619) 400-2550 at least 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](http://www.san.org).

**For those planning to attend the Board meeting, parking is available in the public parking lot located directly to the East of the Administration Building across Winship Lane. 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 MTS System, Route 992. For route and fare information, please call the San Diego MTS at (619) 233-3004 or 511.

# SDCERS Actuarial Valuation Update for the



June 2, 2022

**Gregg Rademacher**  
*Chief Executive Officer*

**Marcelle Voorhies Rossman**  
*Deputy Chief Executive Officer*

San Diego City Employees Retirement System

# Mission

**Deliver Accurate and Timely Benefits to Participants**  
**Ensure the Trust Fund's Safety, Integrity, and Growth**

# Values

**Customer Service**

**Accountability**

**Professionalism**

**Fiduciary**

**Integrity**

**Transparency**

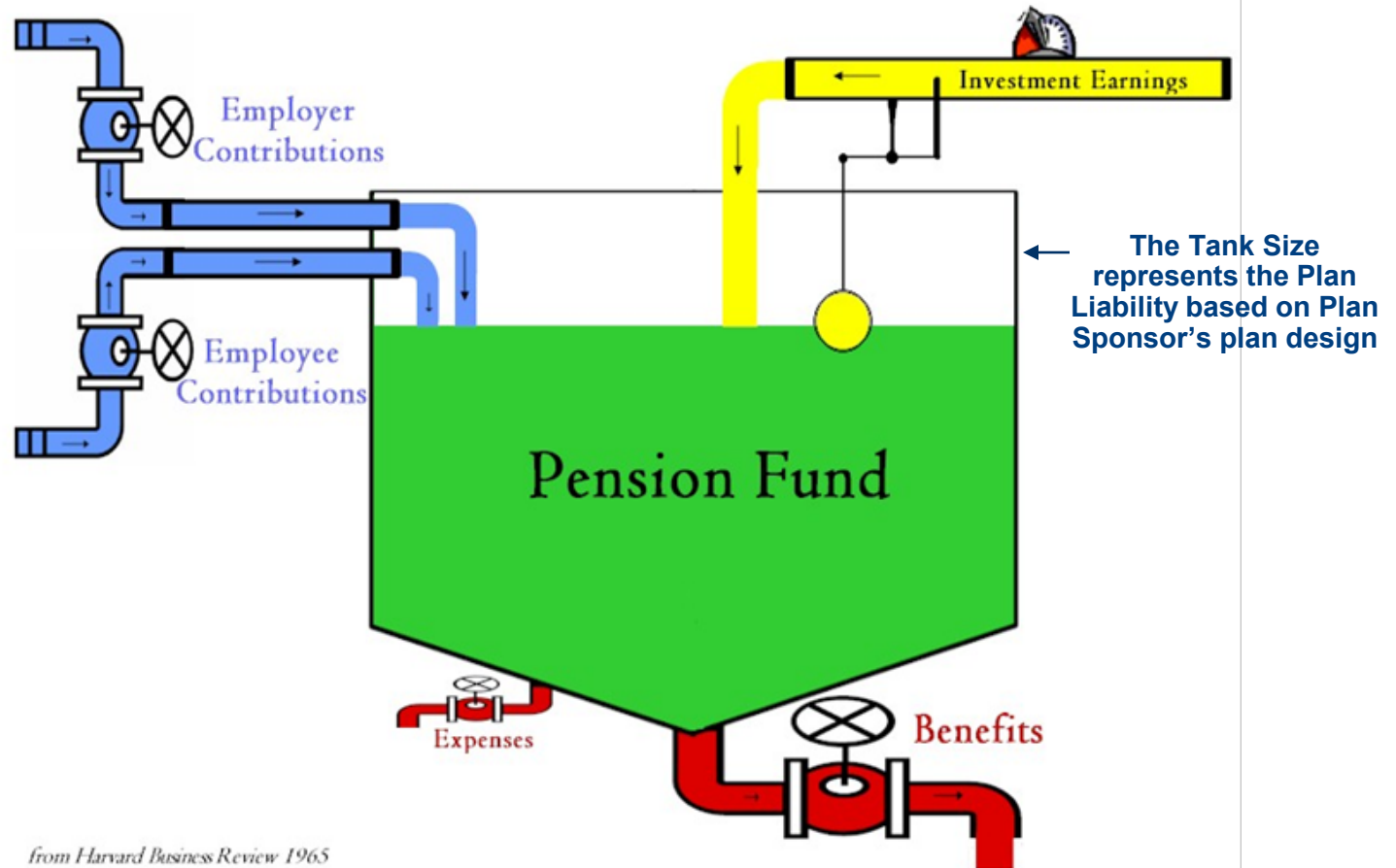
# The Big Picture

**C**ontributions + **I**nvestments

$$\mathbf{C} + \mathbf{I} = \mathbf{B} + \mathbf{E}$$

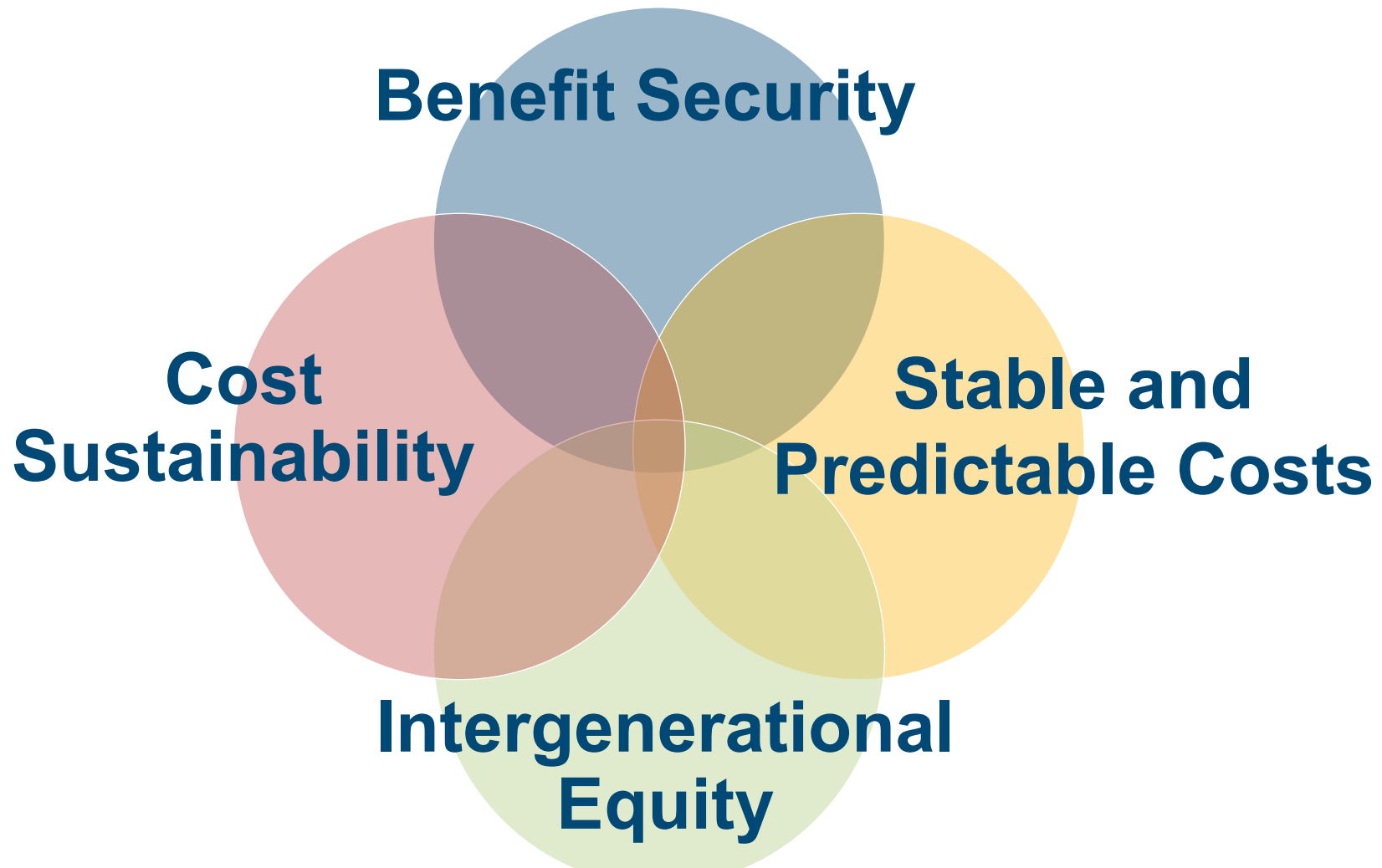
= **B**enefits + **E**xpenses

# The Valuation Process



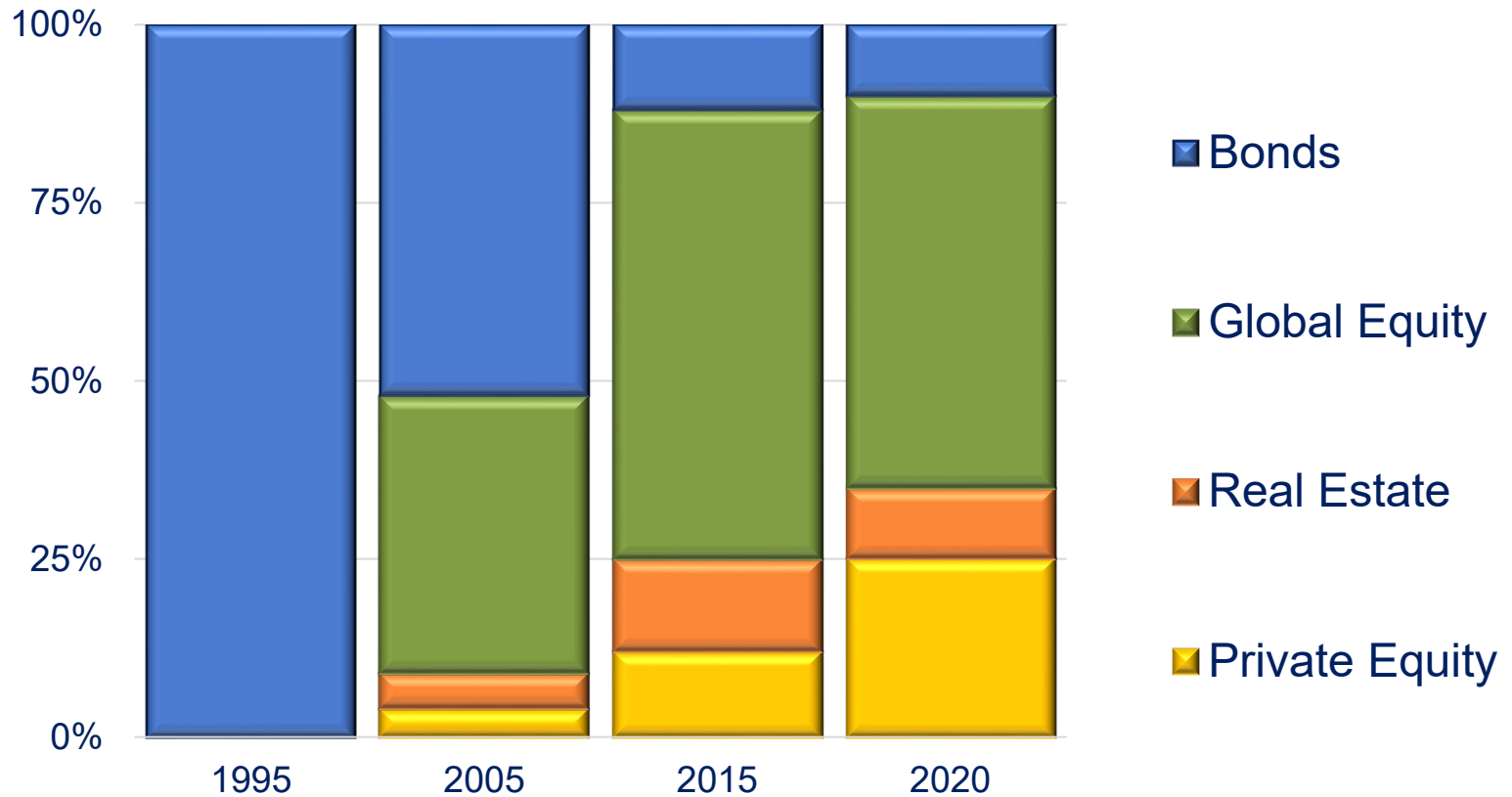
*from Harvard Business Review 1965*

# Balancing Funding Objectives



# Declining Interest Rates

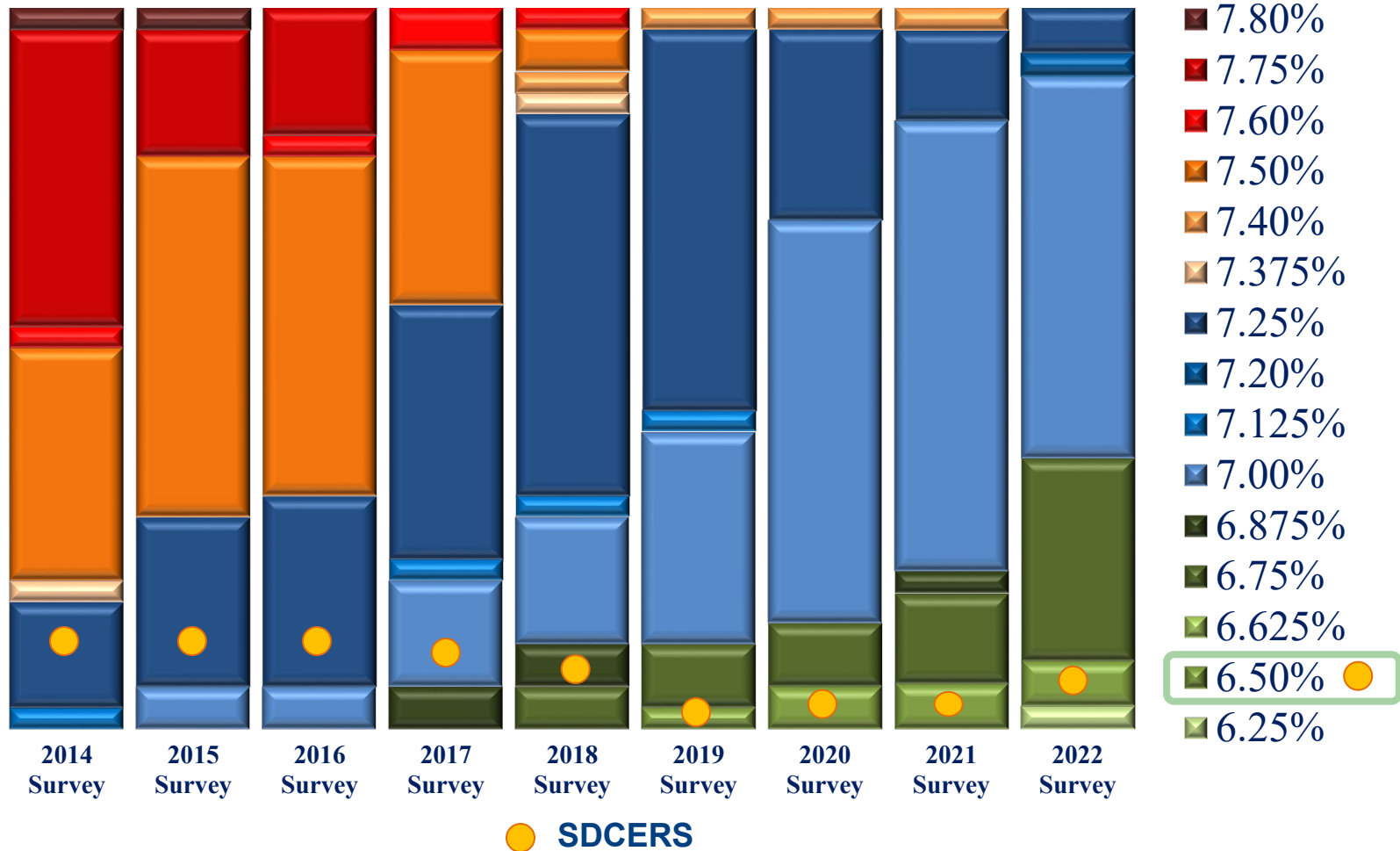
Estimates of What Investors Need to Earn 7.5%



Standard Deviation	6%	9%	17%	17%
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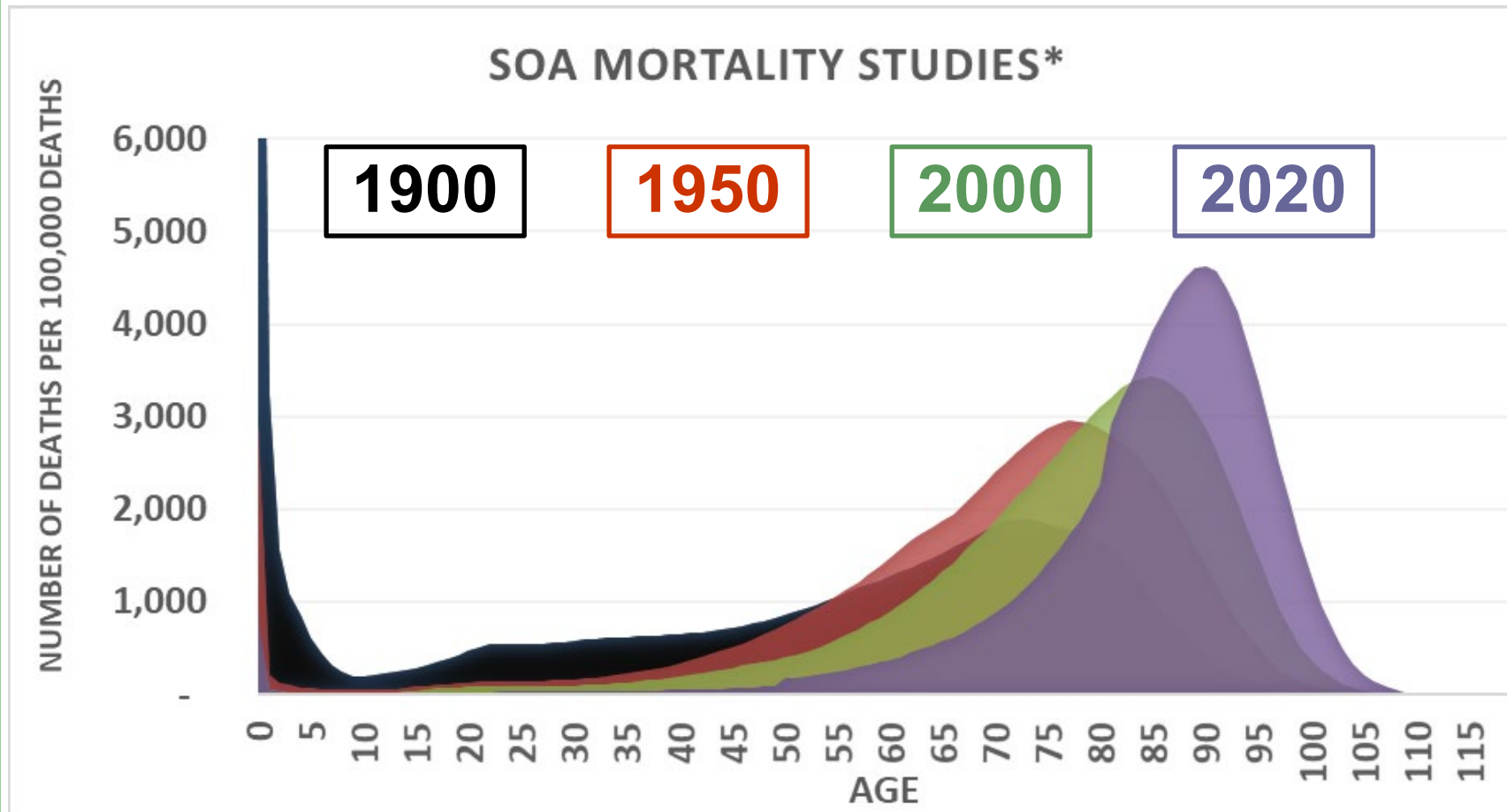
# Investment Return Assumption

Investment Earnings Assumption  
California State, County and City Retirement Systems





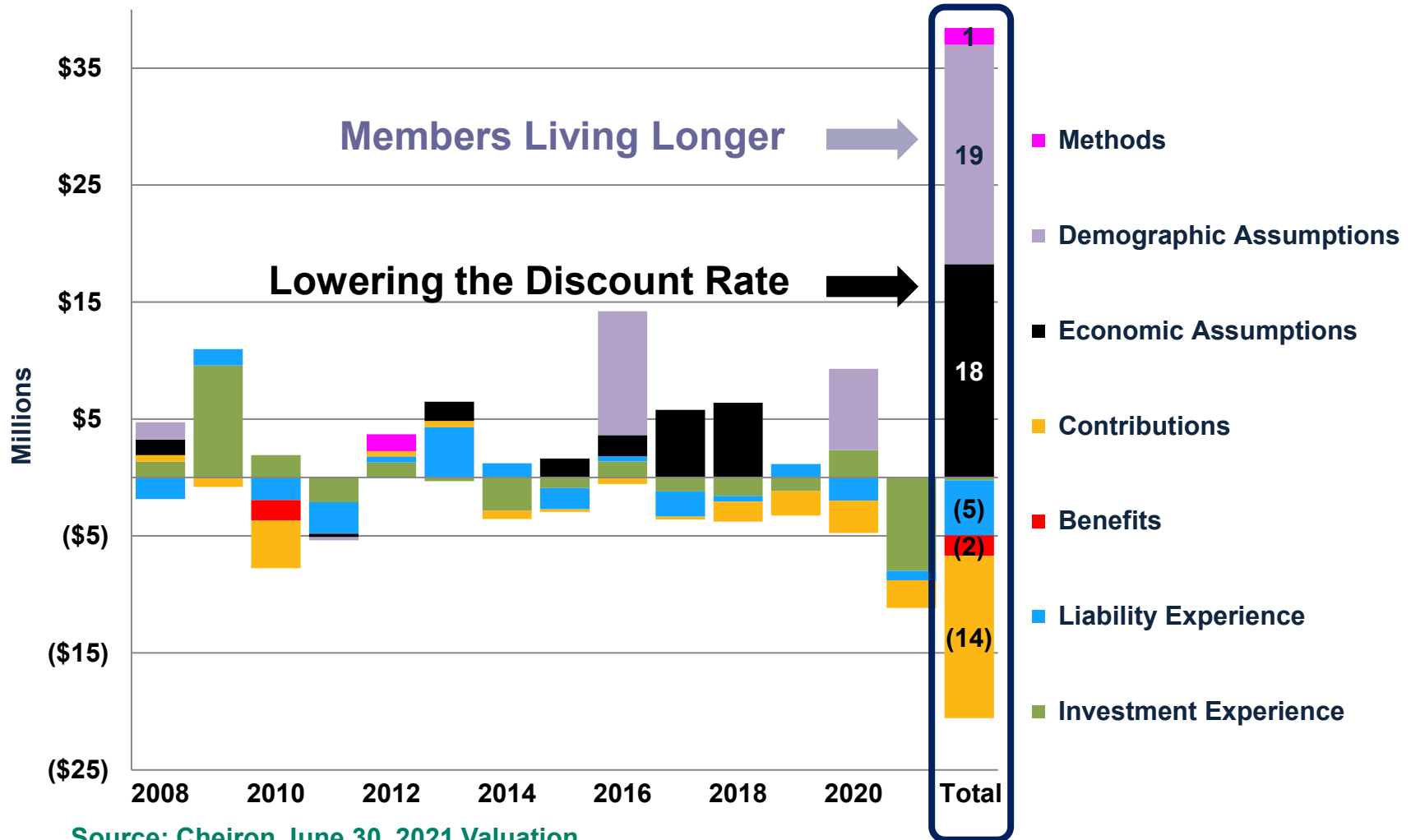
# Members Living Longer



*\*1900, 1950, 2000 from Social Security tables on the general US population, 2020 is estimated from latest Society of Actuaries tables on the pension participant population*

Source: Cheiron 2020 Experience Study

# UAL Change History



# Valuation Results

Valuation as of June 30,			
	2020	2021	Change
<b><u>Membership</u></b>			
Actives	389	357	-8.2%
Payroll (\$ in thousands)	\$ 33,329	\$ 30,810	-7.6%
Average Salary	\$ 85,678	\$ 86,302	0.7%
In Pay Status	157	173	10.2%
Total Annual Benefits (\$ in thousands)	\$ 7,362	\$ 8,379	13.8%
Average Benefit	\$ 46,891	\$ 48,436	3.3%
<b><u>Assets and Liabilities (\$ in thousands)</u></b>			
Actuarial Liability	\$ 239,759	\$ 253,256	5.6%
Actuarial Value Assets	\$ 214,923	\$ 239,571	11.5%
Market Value Assets	\$ 207,911	\$ 263,539	26.8%
Unfunded Actuarial Liability (UAL)	\$ 24,836	\$ 13,685	-44.9%
Actuarial Value Funding Ratio	89.6%	94.6%	5.0%
Market Value Funding Ratio	86.7%	104.1%	17.3%
<b><u>Contributions (ADC in \$ thousands)</u></b>			
Employer Normal Cost	\$ 4,665	\$ 3,775	-19.1%
UAL Payment	\$ 1,534	\$ 790	-48.5%
Administrative Expenses	\$ 370	\$ 379	2.5%
Total ADC (BOY)	\$ 6,570	\$ 4,944	-24.8%

Numbers in table may not add due to rounding.

Source: Cheiron June 30, 2021 Valuation

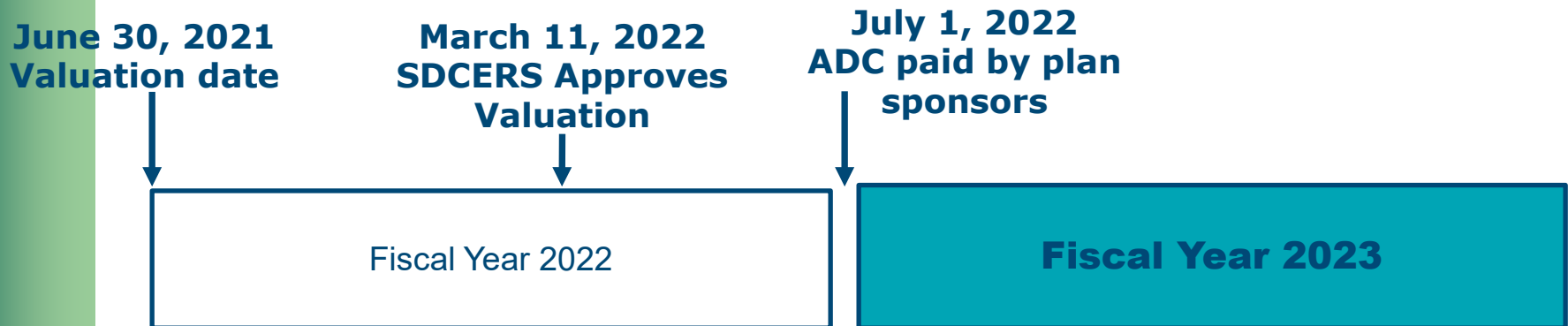
# Valuation Sources of Change

	<u>Actuarial</u> <u>Liability</u>	<u>Actuarial</u> <u>Assets</u>	(\$ in thousands)	
			<u>UAL</u>	<u>ADC</u>
<b>2020 actual results</b>	\$ 239,759	\$ 214,923	\$ 24,836	\$ 6,570
<b>2021-expected (no changes)</b>	\$ 14,156	\$ 12,461	\$ 1,695	\$ 170
<b>FYE 2021 asset experience</b>	\$ -	\$ 12,036	\$ (12,036)	\$ (1,065)
<b>FYE 2021 liability experience</b>	\$ (810)	\$ -	\$ (810)	\$ (731)
<b>change in assumptions or methods</b>	\$ -	\$ -	\$ -	\$ -
<b>other misc (includes PSC, DROP)</b>	\$ 150	\$ 150	\$ -	\$ -
<b>2021 actual results</b>	\$ 253,256	\$ 239,571	\$ 13,685	\$ 4,944

Numbers in table may not add due to rounding.

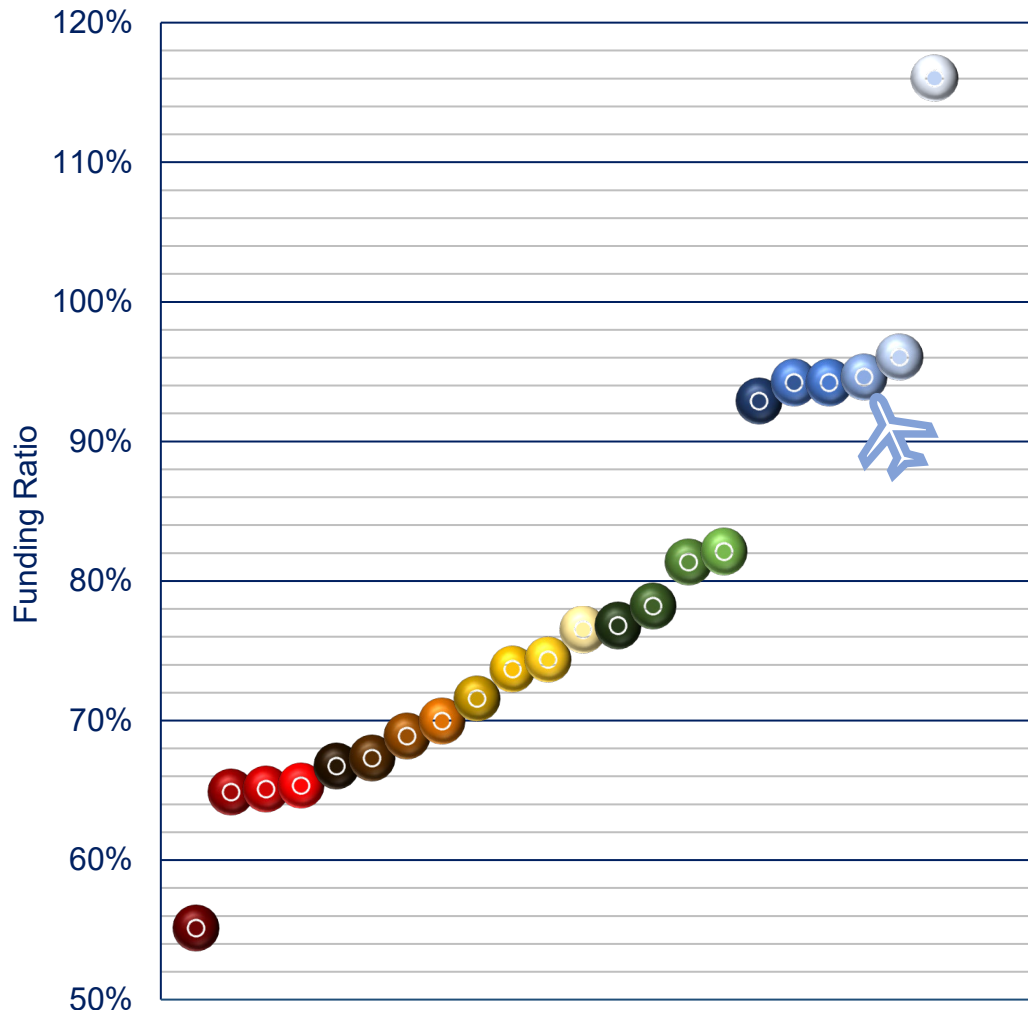
# Timing

June 30, 2021 valuation results determine the FY 2023 Actuarially Determined Contribution (ADC) and member contributions



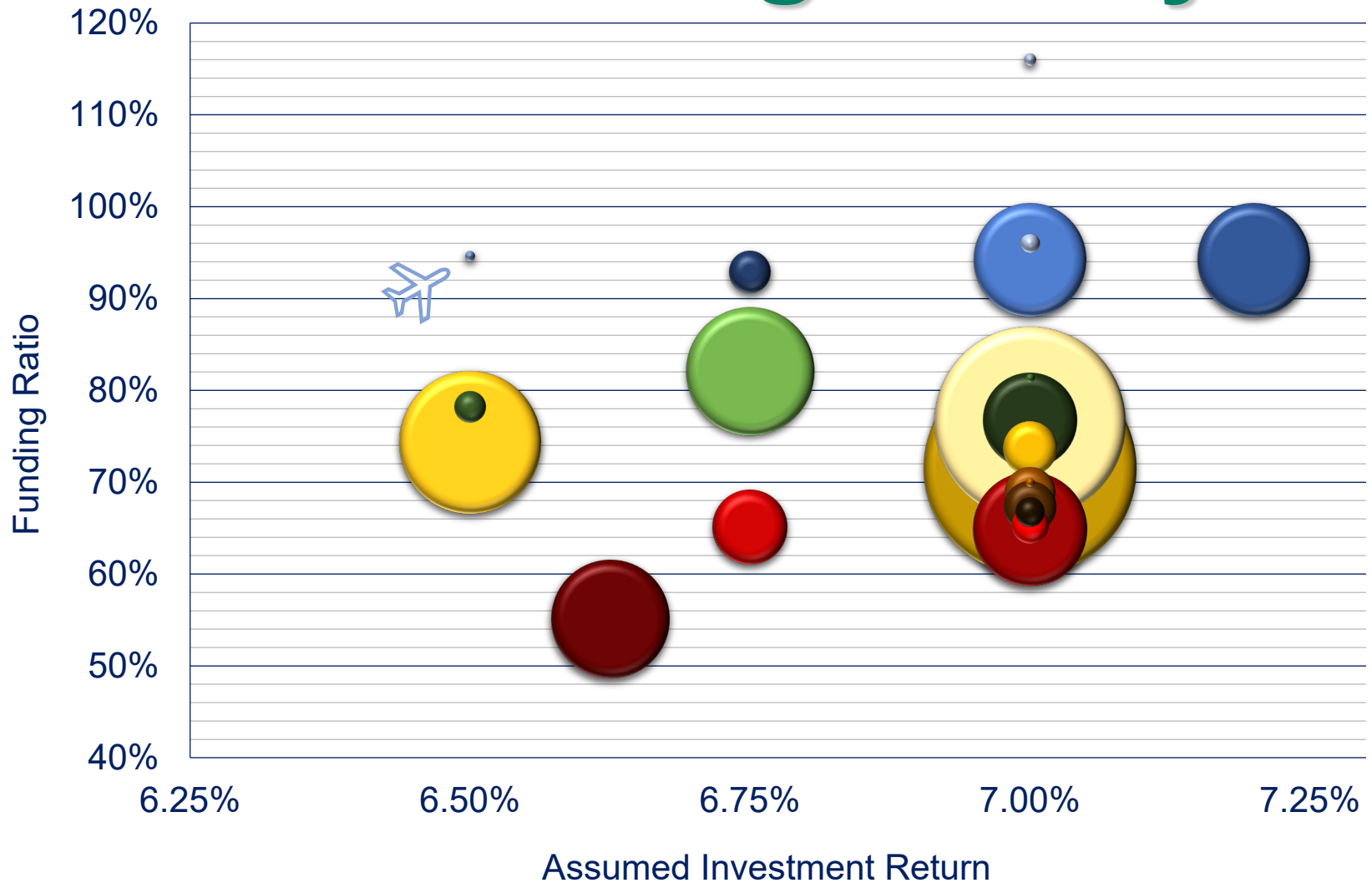
The SDCERS Board reviews preliminary Valuation results in January and then votes to approve the Valuation at their March meeting

# Funding Ratio Survey



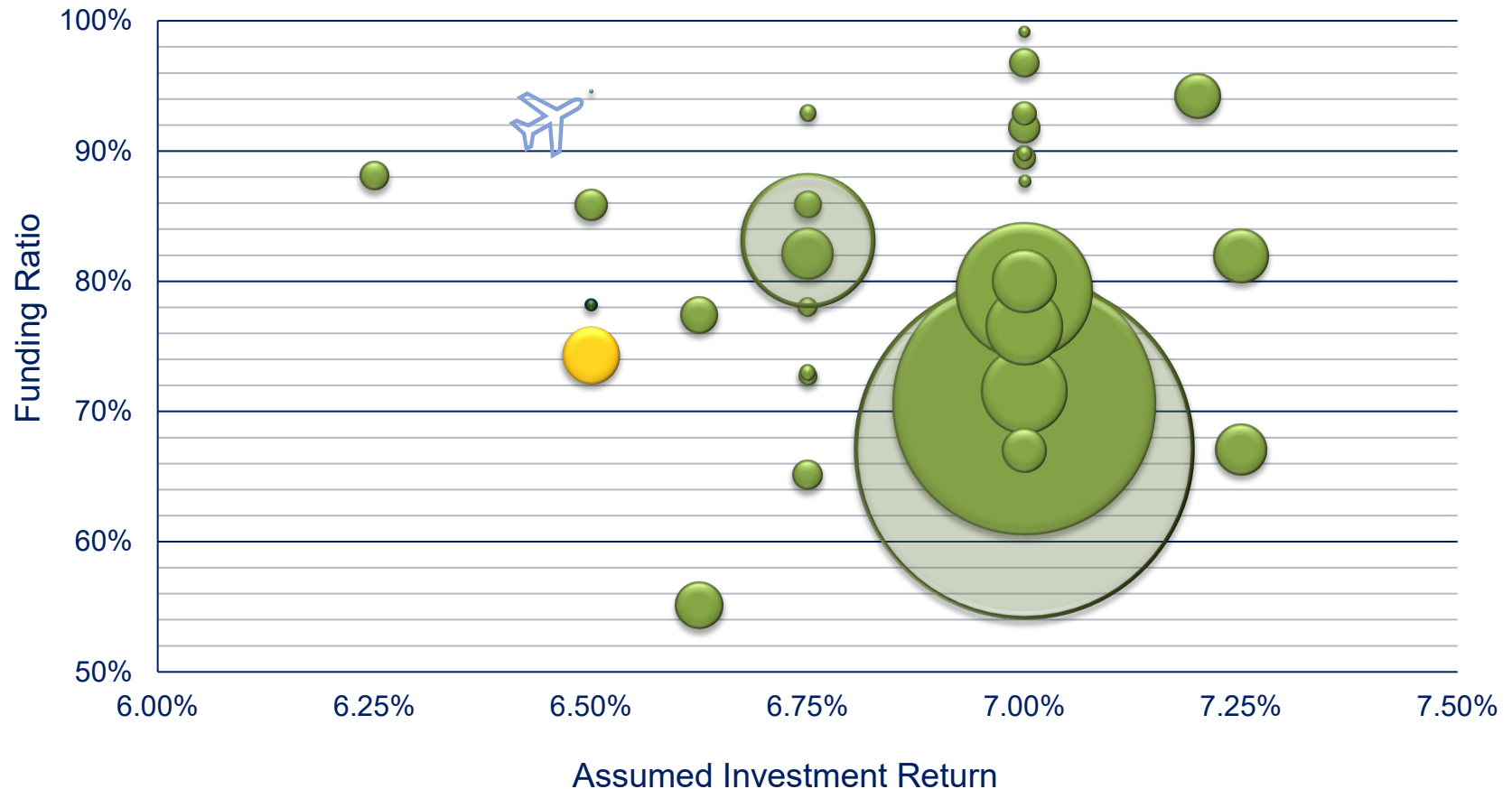
- Fresno (FAT) 116%
- Ontario (ONT) 96%
- San Diego Airport Authority (SAN) 95%
- San Diego County 94%
- San Francisco (SFO) 94%
- Santa Rosa (STS) 93%
- Sacramento (SMF) 82%
- Imperial Beach City 81%
- San Diego Port Authority 78%
- Long Beach (LGB) 77%
- Orange (SNA) 77%
- San Diego City 74%
- Burbank (BUR) 74%
- Los Angeles City (LAX) 72%
- Monterey (MRY) 70%
- Chula Vista City 69%
- Santa Barbara (SBA) 67%
- National City 67%
- Palm Springs (PSP) 65%
- San Luis Obispo (SBP) 65%
- Oakland (OAK) 65%
- San Jose (SJC) 55%

# UAL Funding Survey



# UAL Funding Survey

**Unfunded Liability Survey**  
California State, County, and City Retirement Systems  
May 2022





# Required Disclosures

The purpose of this presentation is to present actuarial valuation results for the San Diego City Employees' Retirement System. This presentation is for the use of the Board of Administration and its auditors.

In preparing our presentation, we relied on information, some oral and some written, supplied by the San Diego City Employees' Retirement System. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

This presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared exclusively for the San Diego City Employees' Retirement System for the purpose described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

The actuarial assumptions, data, and methods are those used in the preparation of the actuarial valuation reports as of June 30, 2019.

The assumptions reflect our understanding of the likely future experience of the System, and the assumptions as a whole represent our best estimate for the future experience of the System. Future results may differ significantly from the current results presented in this presentation due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

Gene Kalwarski, FSA, MAAA, EA  
Principal Consulting Actuary

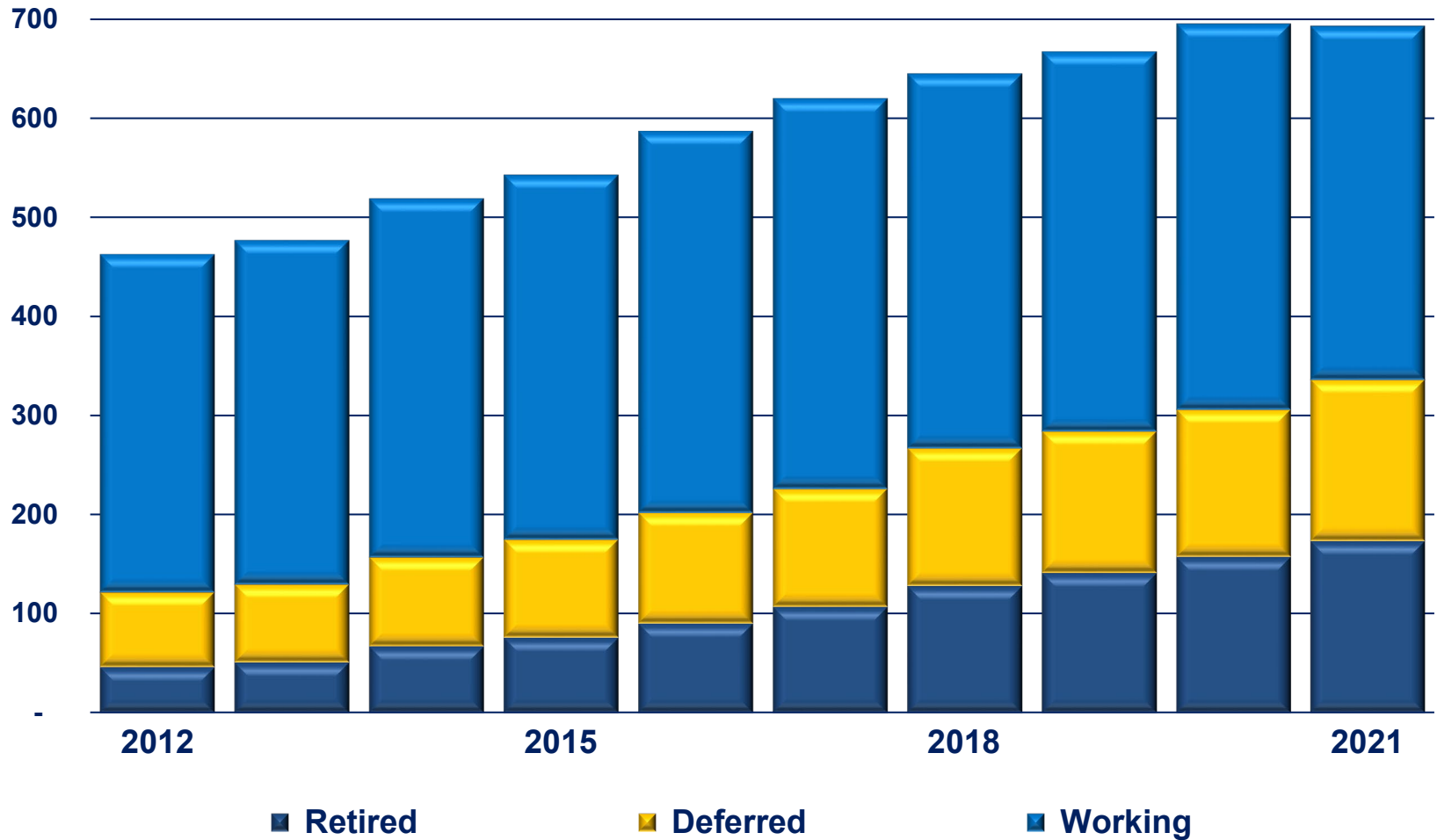
Alice Alsberghe, ASA, MAAA, EA  
Associate Actuary

# Appendix

# Plan Effective Dates

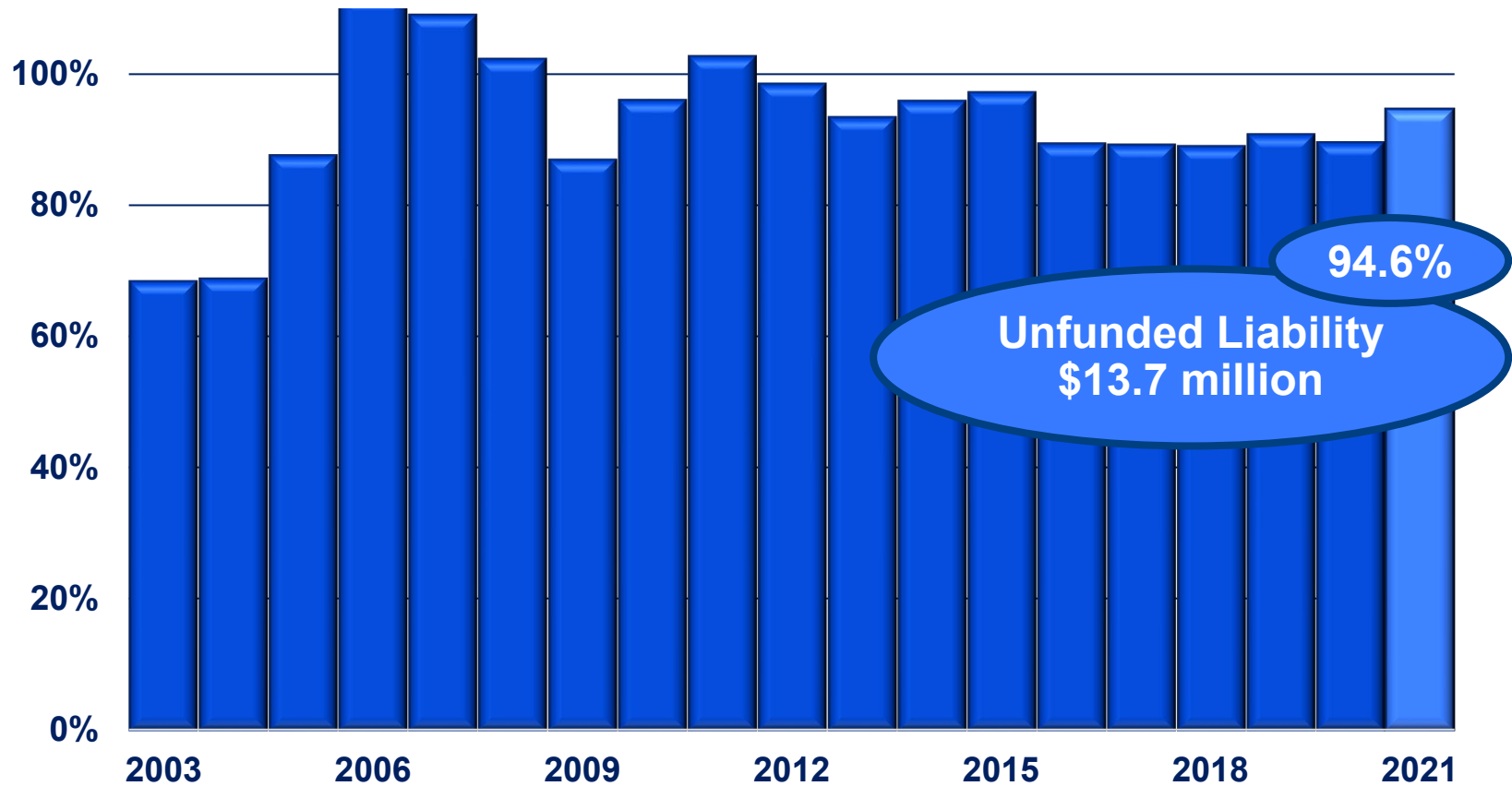
	January 2003	January 2013
Predecessor Plan	General Plan	General PEPRA Plan

# Membership

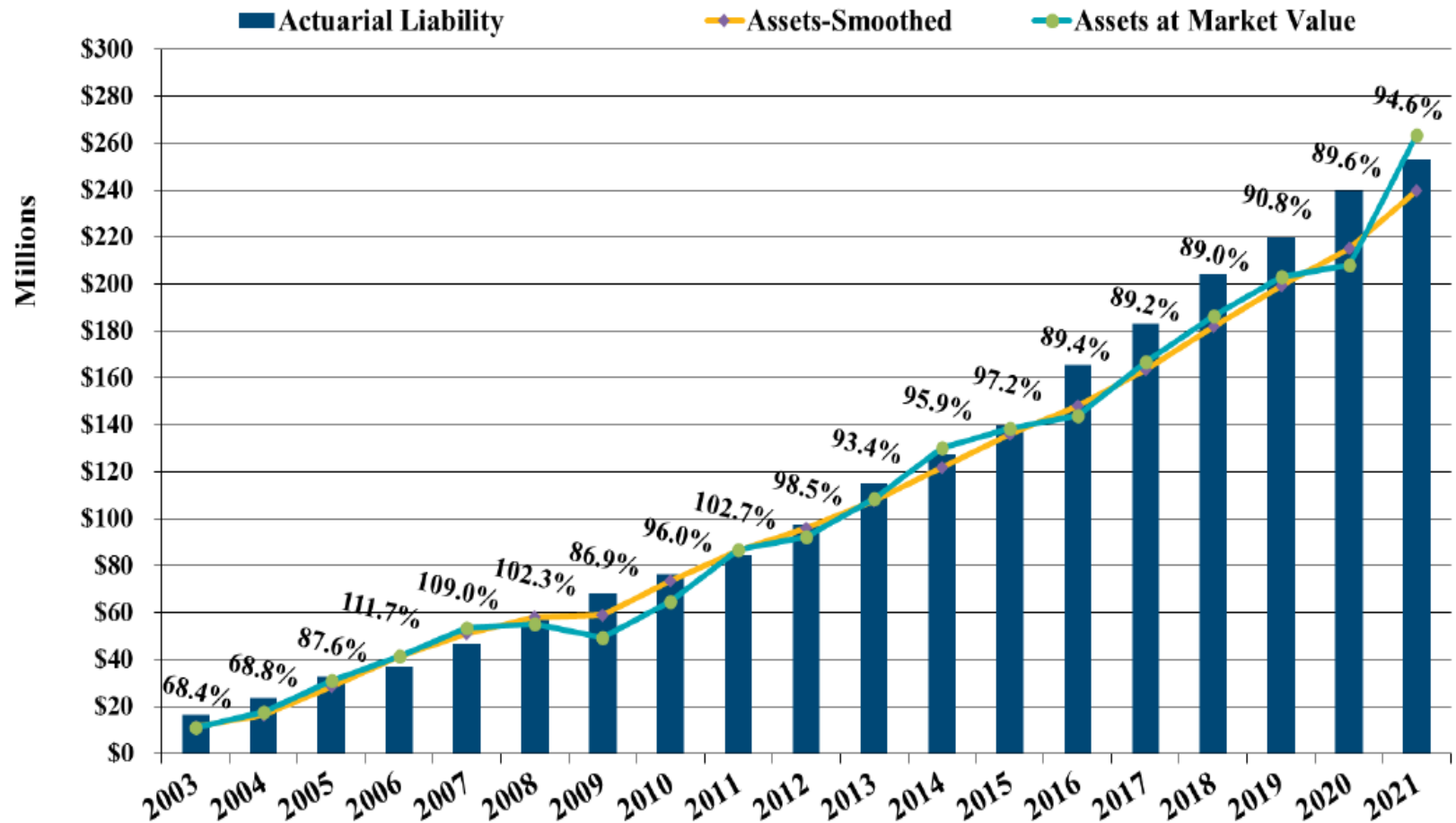


# Funding Story

**San Diego Airport Authority  
Funding Ratio History  
2003 - 2021**



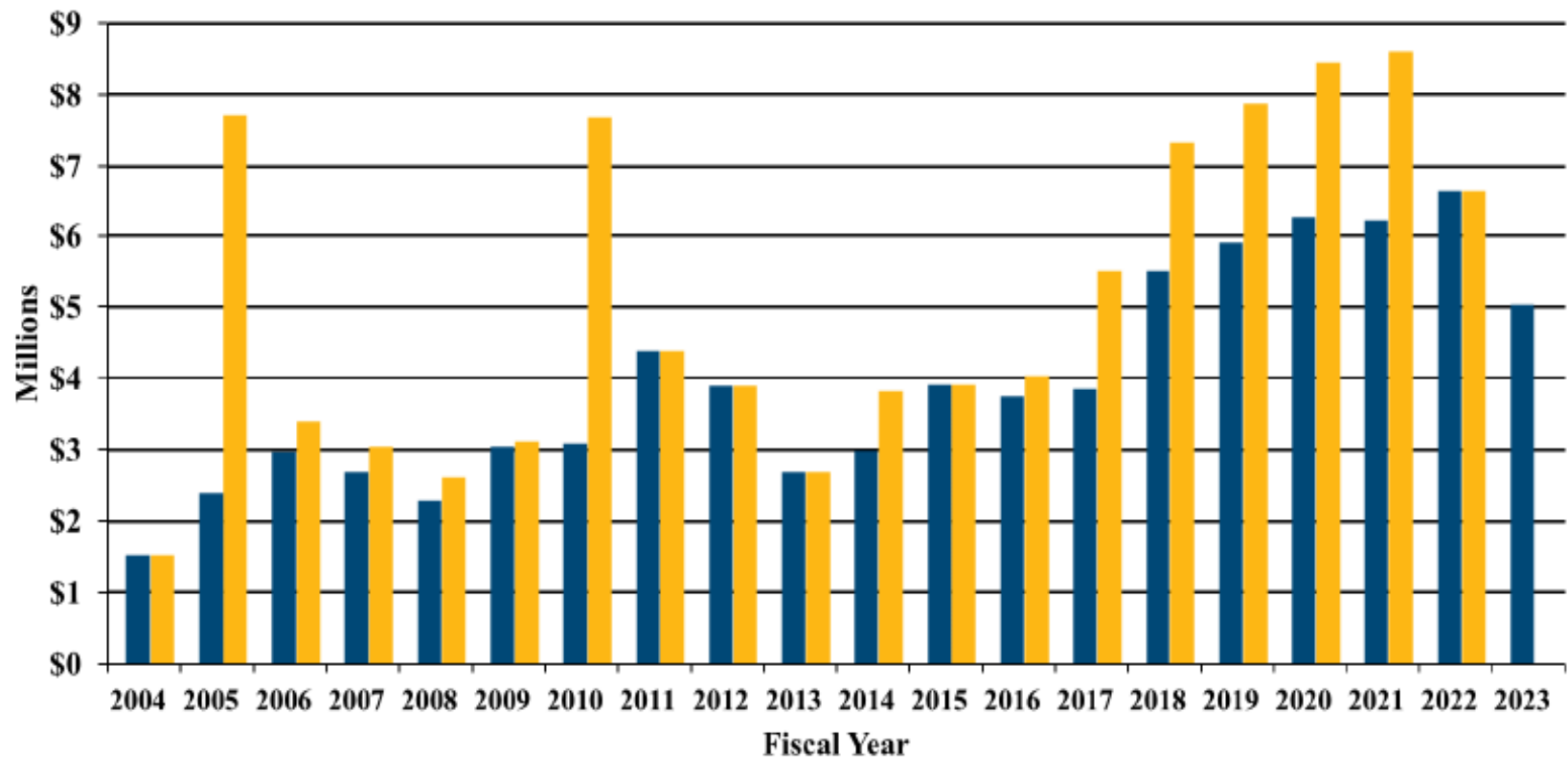
# Assets and Liabilities



Source: Cheiron June 30, 2021 Valuation

# Contributions

■ Actuarially Determined Contributions    ■ Contributions Paid by Employer



Source: Cheiron June 30, 2021 Valuation

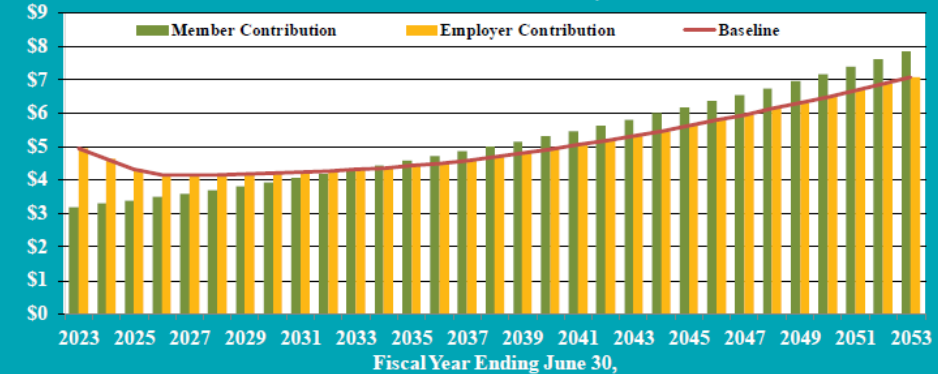
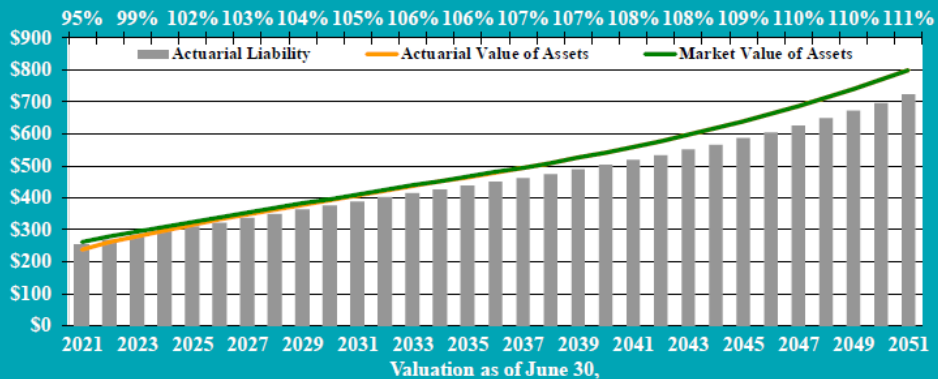
# Assumption Projection

## Projections – Airport Authority

CHEIRON					
FYE	Return	Liab (G/L)	(mil) ADC	(mil) UAL	Disc Rate
2022	6.50%	0.0%	\$ 6.6	\$ 24.80	6.50%
2023	6.50%	0.0%	\$ 4.9	\$ 13.68	6.50%
2024	6.50%	0.0%	\$ 4.6	\$ 8.13	6.50%
2025	6.50%	0.0%	\$ 4.3	\$ 2.72	6.50%
2026	6.50%	0.0%	\$ 4.2	\$ -	6.50%
2027	6.50%	0.0%	\$ 4.2	\$ -	6.50%
2028	6.50%	0.0%	\$ 4.2	\$ -	6.50%
2029	6.50%	0.0%	\$ 4.2	\$ -	6.50%
2030	6.50%	0.0%	\$ 4.2	\$ -	6.50%
2031	6.50%	0.0%	\$ 4.2	\$ -	6.50%
2032	6.50%	0.0%	\$ 4.3	\$ -	6.50%
2033	6.50%	0.0%	\$ 4.3	\$ -	6.50%
2034	6.50%	0.0%	\$ 4.4	\$ -	6.50%
2035	6.50%	0.0%	\$ 4.4	\$ -	6.50%
2036	6.50%	0.0%	\$ 4.5	\$ -	6.50%
2037	6.50%	0.0%	\$ 4.6	\$ -	6.50%
2038	6.50%	0.0%	\$ 4.7	\$ -	6.50%
2039	6.50%	0.0%	\$ 4.8	\$ -	6.50%
2040	6.50%	0.0%	\$ 4.9	\$ -	6.50%
2041	6.50%	0.0%	\$ 5.0	\$ -	6.50%
2042	6.50%	0.0%	\$ 5.2	\$ -	6.50%
2043	6.50%	0.0%	\$ 5.3	\$ -	6.50%
2044	6.50%	0.0%	\$ 5.5	\$ -	6.50%
2045	6.50%	0.0%	\$ 5.6	\$ -	6.50%
2046	6.50%	0.0%	\$ 5.8	\$ -	6.50%
2047	6.50%	0.0%	\$ 6.0	\$ -	6.50%
2048	6.50%	0.0%	\$ 6.1	\$ -	6.50%
2049	6.50%	0.0%	\$ 6.3	\$ -	6.50%
2050	6.50%	0.0%	\$ 6.5	\$ -	6.50%
2051	6.50%	0.0%	\$ 6.7	\$ -	6.50%
2052	6.50%	0.0%	\$ 6.9	\$ -	6.50%
2053	6.50%	0.0%	\$ 7.1	\$ -	6.50%

N 6.50% = average return

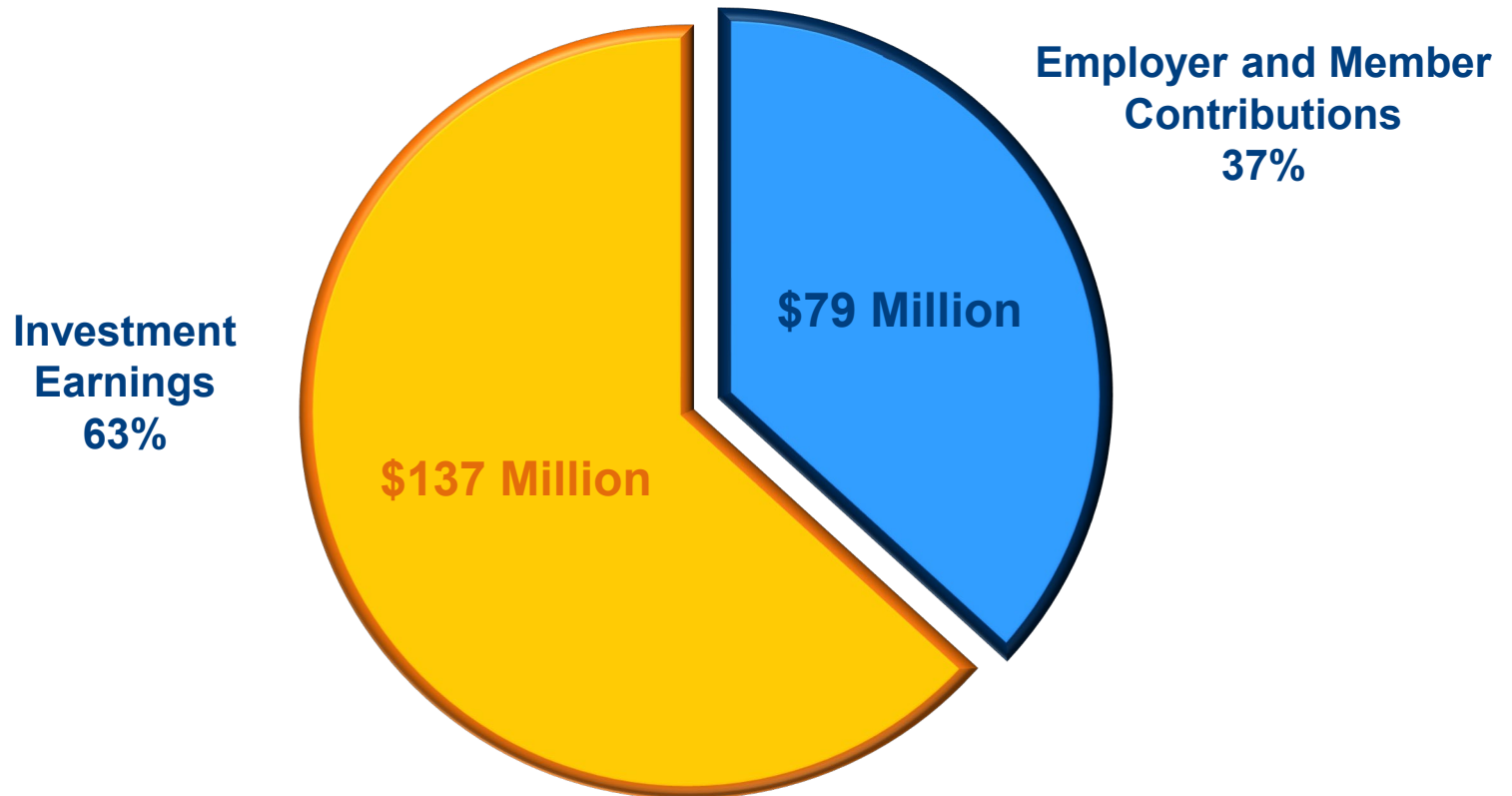
Investment Returns Plan  
 BASELINE A UAL Payment Floor \$ - Assumps | G/(L) 20 15  
 HISTORICAL 1930





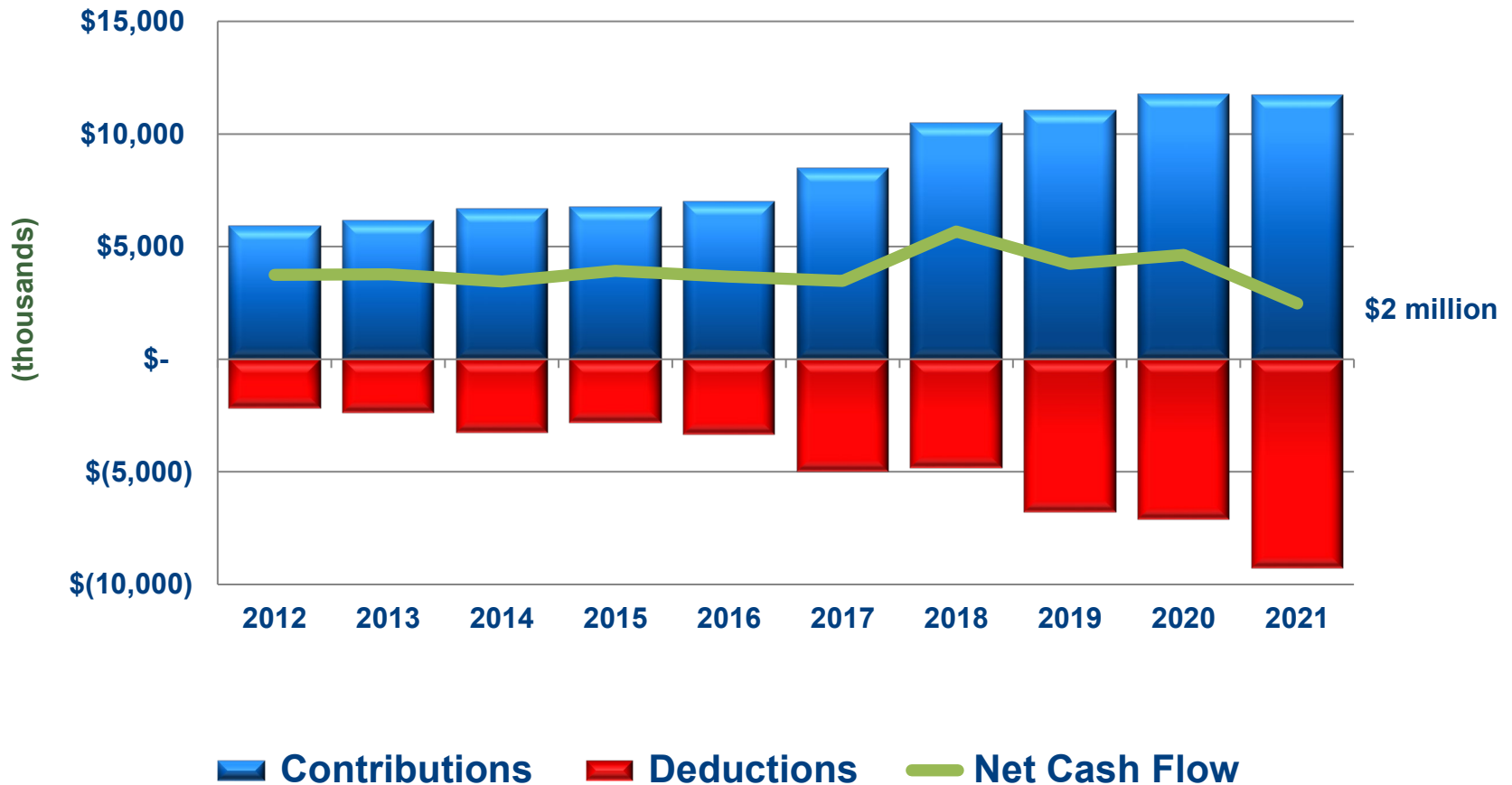
# Benefit Funding

Airport Authority  
**10 Year SDCERS Revenue Analysis**  
2012-2021



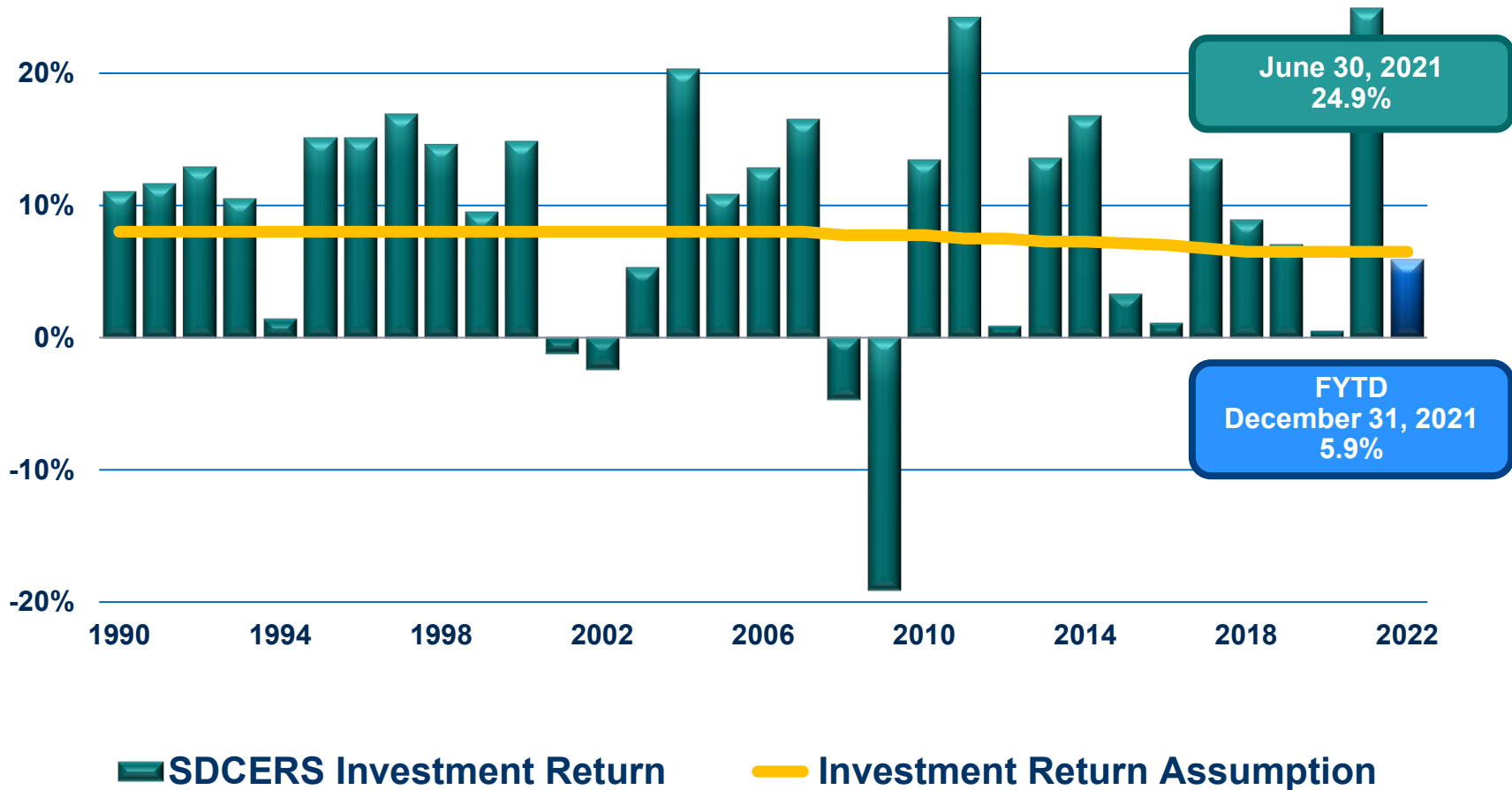
# Cash Flow Positive

Airport Authority  
**10 Year Cashflow Analysis**  
2012-2021



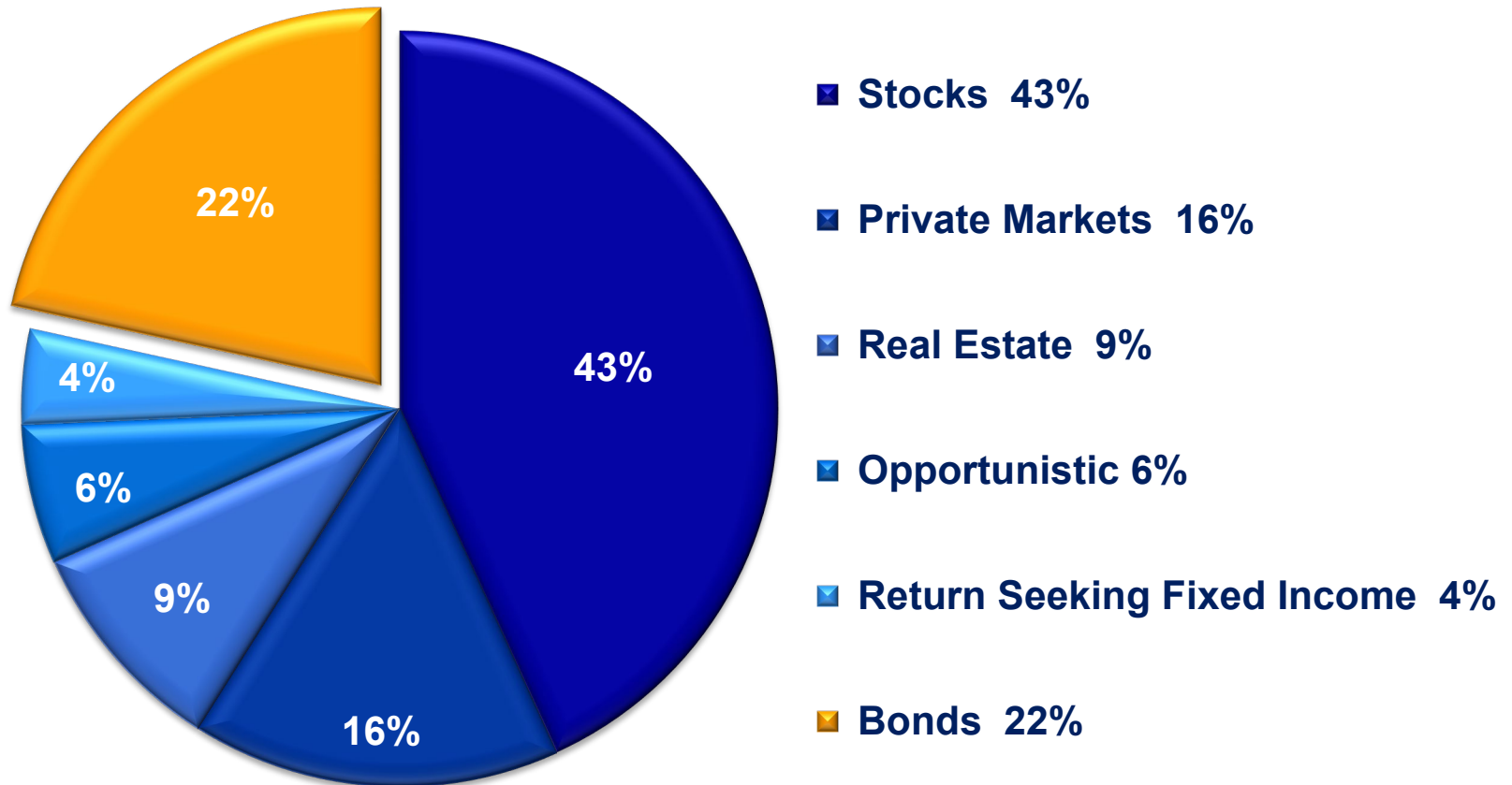
# Investment Return History

SDCERS  
Fiscal Year Investment Results and Investment Assumption

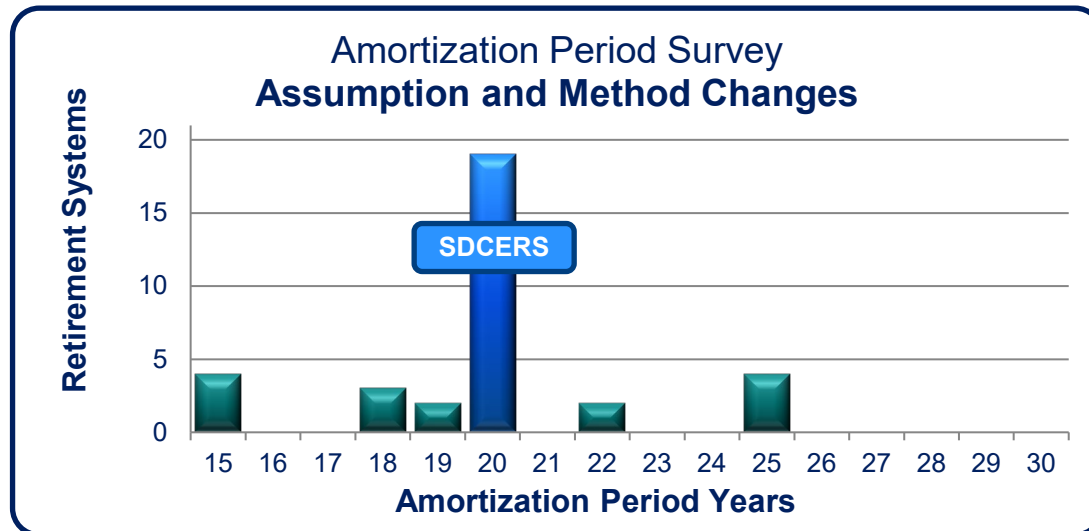
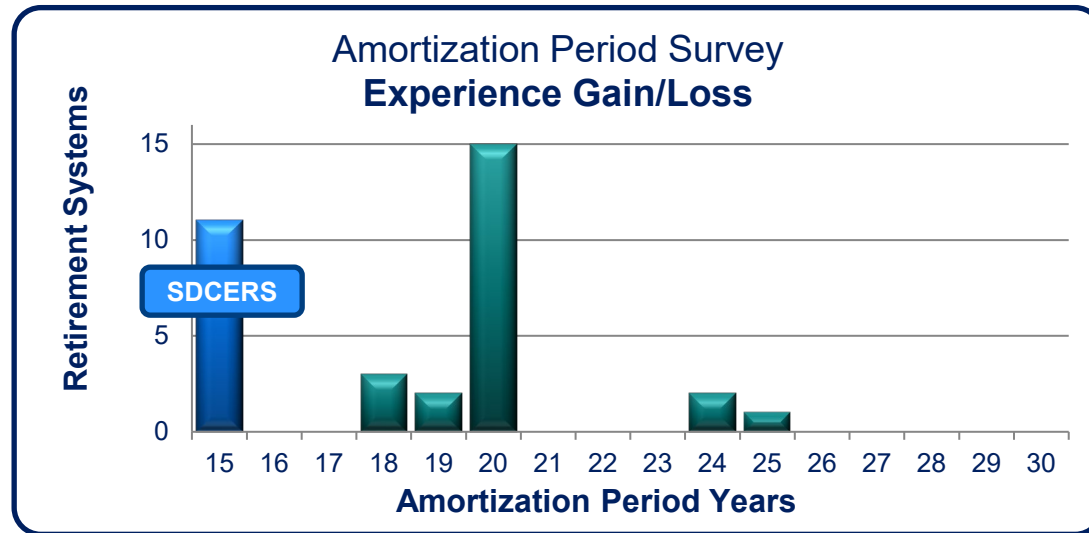


# Asset Allocation

SDCERS  
Portfolio Asset Allocation  
December 31, 2021



# California Amortization Survey



# Existing Terminal 1 Parking Lot Closure/ Pedestrian Bridge Demolition and Communications Plan

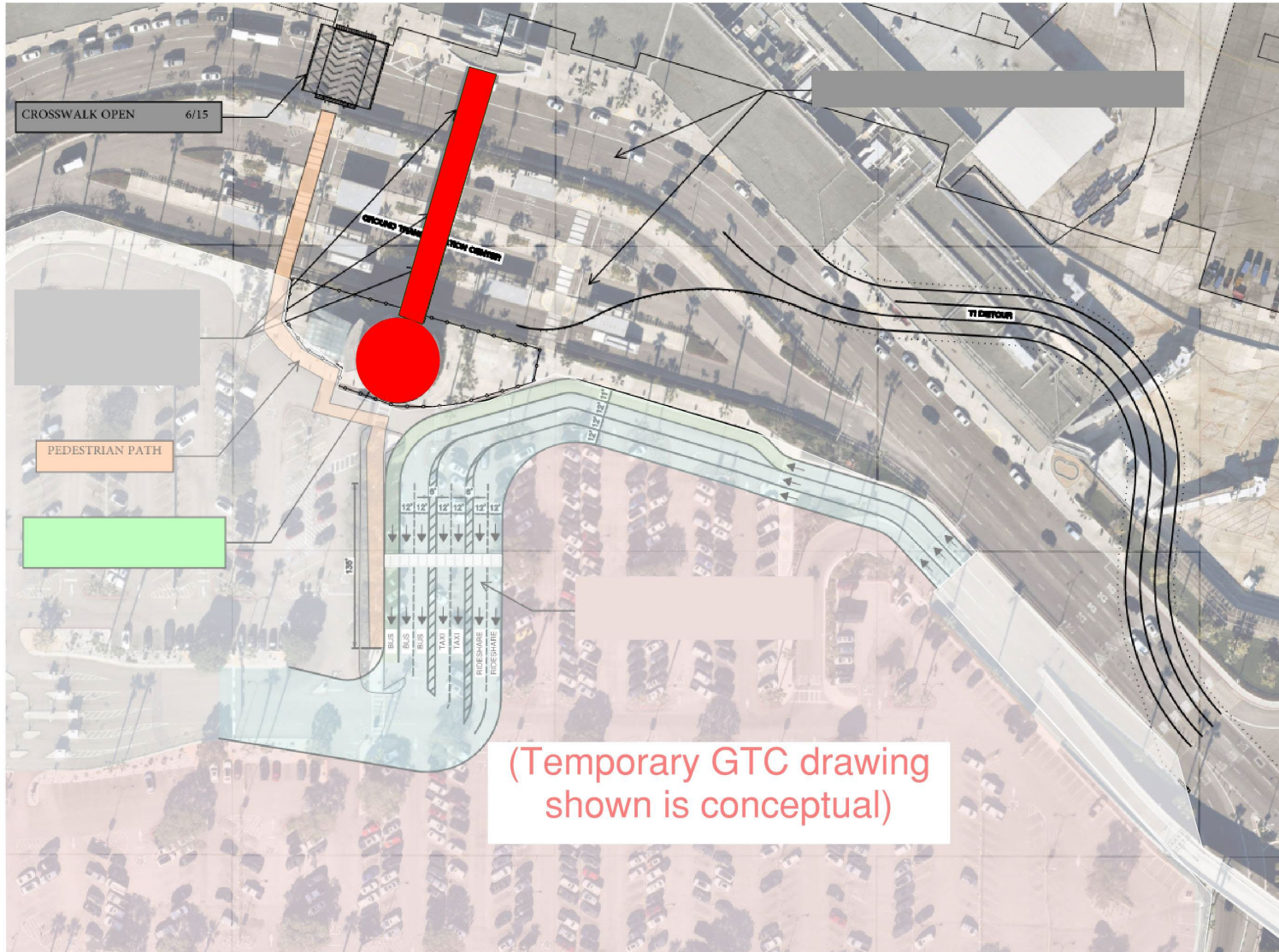
June 2, 2022

Presented by

Jeff Rasor, Vice President of  
Operations/COO (Interim) and  
Jonathan Heller, Director of  
Communications



## Existing T1 Pedestrian Bridge Demolition Timeline for 6/5/22 - 7/1/22



### On 6/5

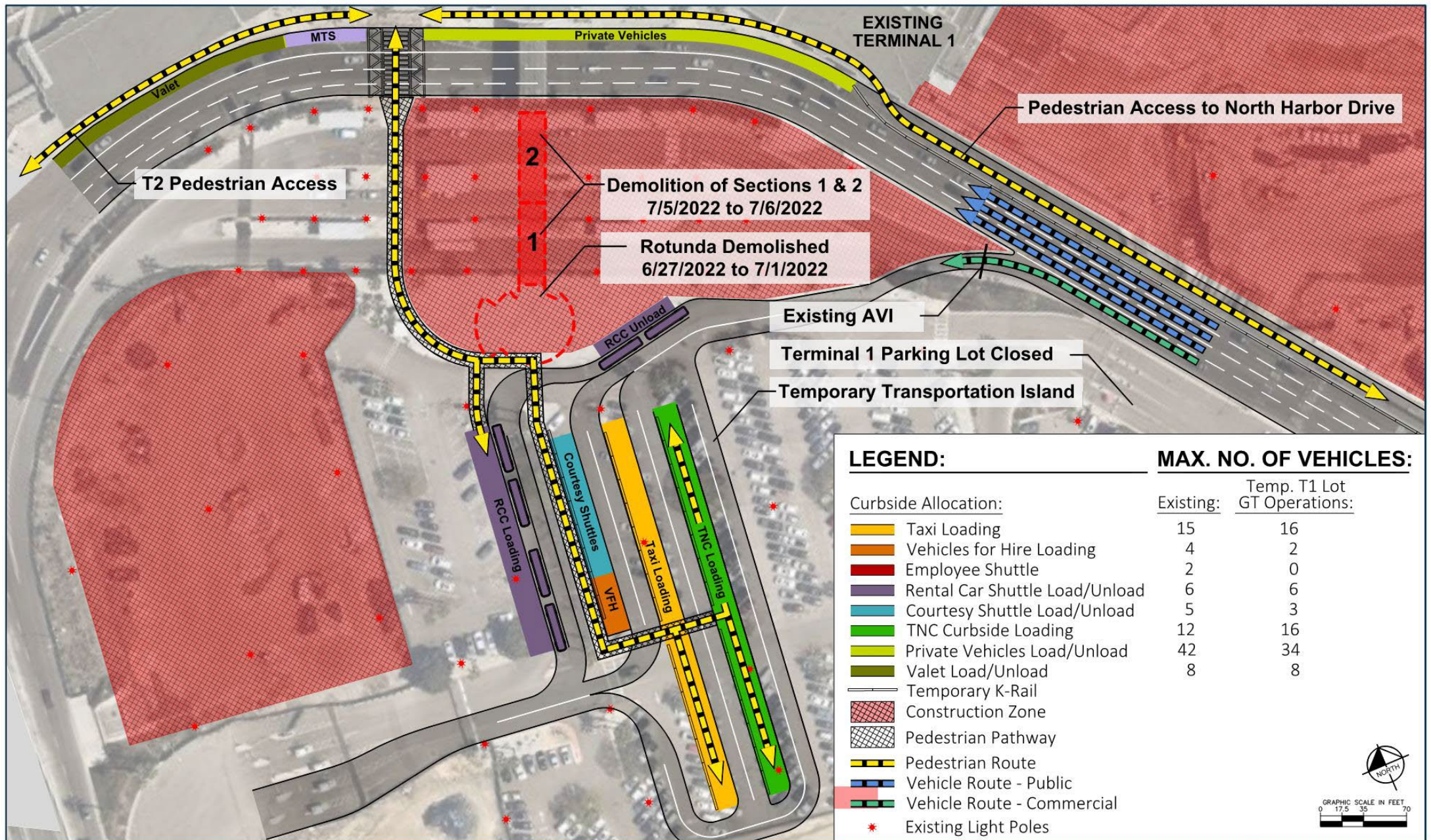
-Terminal 1 parking lot permanently closes

### On 6/15

-T1 pedestrian bridge permanently closes  
-Crosswalk opens for operation

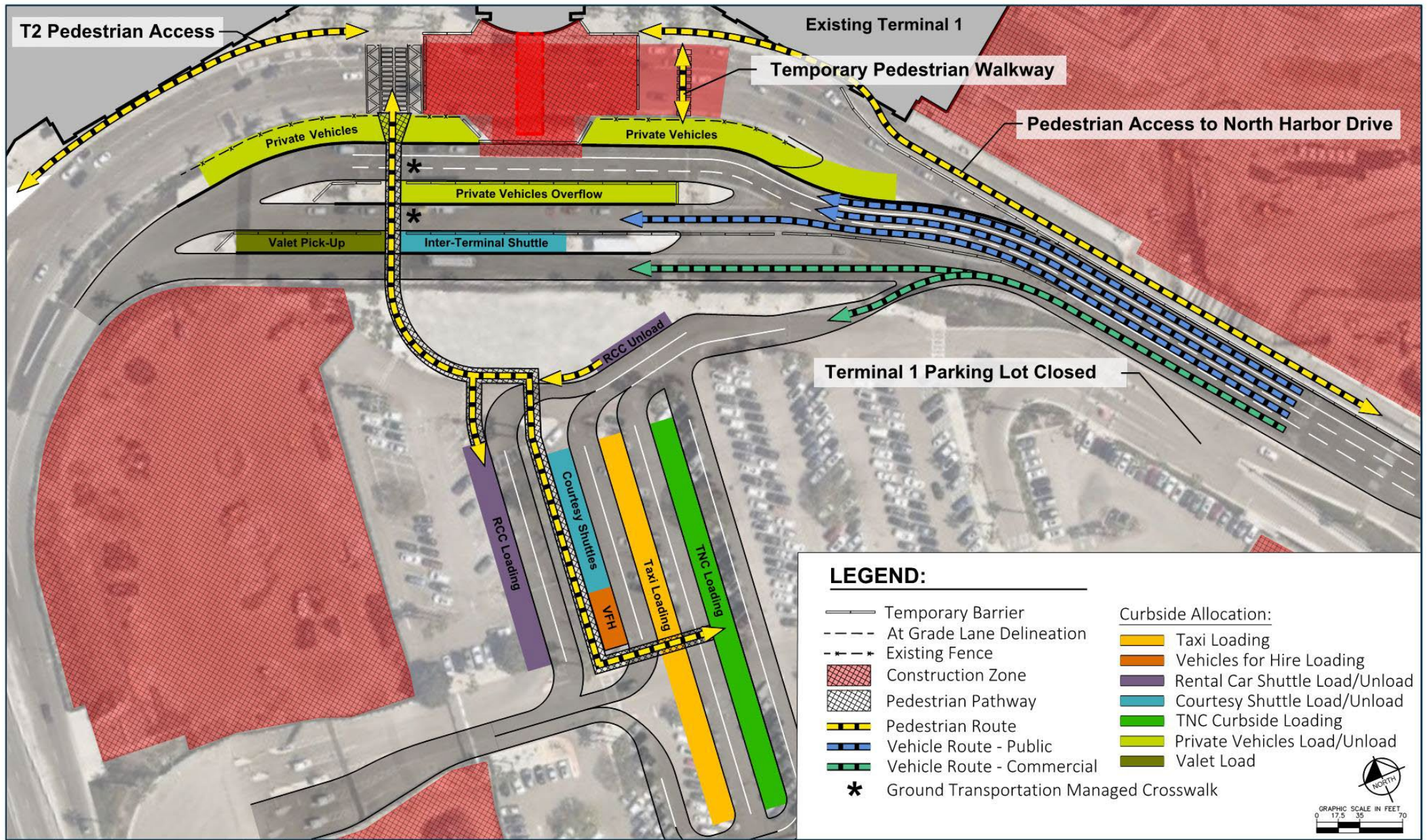
### Between 6/15 - 7/1

-T1 pedestrian bridge is decommissioned



K:\TWC\_Aviation\SAN-San Diego\091339809\_TIRP Validation Support\CAD\GT Phasing\T1 Skybridge Demolition - Stage 1 & 2.dwg May 12, 2022 - 7:46am





K:\TWC\_Aviation\SAN-San Diego\091339809\_TIRP Validation Support\CAD\GT Phasing\T1 Skybridge Demolition - Stage 3 with Valet.dwg May 25, 2022 - 1:26pm

# Communications & Outreach Plan

NEW  
T1

## Public/Media Relations

- News release distribution; on-site interviews; current construction impact updates

## Stakeholder/Community Outreach

- Presentations to community & business groups, elected officials, EDCs, etc.

## Advertising

- Print, digital, social, and radio buys

## Video

- Produced in-house & shared via social media, City media outlets, in-terminal programming

## Authority/Stakeholder Newsletters

- Go in the Know; New T1 Navigator; partner channels

## Wayfinding

- Partnership with Google to update latest construction impacts; enhanced signage

## On-Site Activations

- Staff at Terminal 1 to provide directions & information

## Airline Communications

- Provided post-purchase/pre-check-in construction messaging for airlines to share

## Website

- Construction alerts, project benefits, parking/transit info

## Informational Flyers

- Handed out by Ace when T2PP is full; provides offsite parking options

## Signage

- Inclusion along Terminal 1 fence line with QR code and in terminals

## Social Media

- Updates; content & posts outlining latest impacts & information

# Messaging

NEW  
T1

## Overarching Message: Plan Ahead

- **Major construction in front of Terminal 1 will impact visitors going to and from the airport**
- Passengers are urged to plan ahead for their visit to SAN
- Construction will limit parking and change traffic patterns through 2024.
- On June 5, the Terminal 1 parking lot will close to incoming traffic.
- On June 15, the T1 lot and pedestrian skybridge will permanently close.

## Key Supporting Messages:

- **Reserve your spot in advance.**
  - Reservations can be made for the Terminal 2 Parking Plaza or valet at [san.org/parking](https://san.org/parking).
  - Passengers can ride the Terminal Loop Shuttle.
- **Use public transit to the airport.**
  - Free San Diego Flyer shuttle between the Old Town Transit Center and the airport.
- **Get dropped off or use ride-share.**
  - Have friends or family drop off or pick up.
  - Taxi, Lyft, Uber, or other rideshare options are also good alternatives.

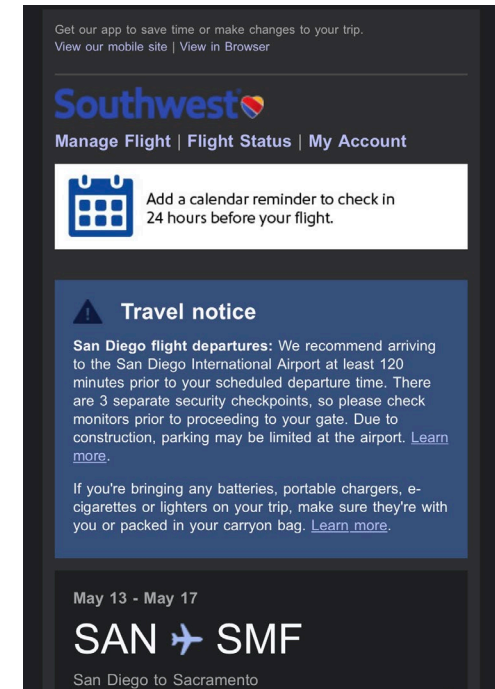
# Examples



The image shows a screenshot of a news article from the San Diego International Airport website. The article is titled "San Diego International Air Number of Passengers to Passengers are Urged to Plan Ahead". A large blue overlay on the right side of the screenshot contains the text "Spanish-Translated News Releases".



Videos Produced In-House



The image shows a screenshot of an email notification from Southwest Airlines. The email includes a header with the Southwest logo and navigation links for "Manage Flight | Flight Status | My Account". Below this is a section titled "Add a calendar reminder to check in 24 hours before your flight." followed by a "Travel notice" section. The travel notice provides information about flight departures from San Diego International Airport, including a recommendation to arrive at least 120 minutes prior to departure and a link to "Learn more". At the bottom, the flight details are listed as "SAN → SMF" for the route "San Diego to Sacramento" from May 13 to May 17.

Airline E-mail communications to SAN Passengers

**DRAFT**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD**  
**MINUTES**  
**THURSDAY, MAY 5, 2022**  
**SAN DIEGO INTERNATIONAL AIRPORT**  
**BOARD ROOM**

**CALL TO ORDER:** Chair Cabrera called the special meeting of the San Diego County Regional Airport Authority Board to order at 9:05 a.m. on Thursday, May 5, 2022, electronically and via teleconference pursuant to the provisions of California Assembly Bill 361 and Resolution No. 2022-0045 at the San Diego International Airport, Administration Building, 3225 North Harbor Drive, San Diego, CA 92101.

**ROLL CALL:**

PRESENT: Board Members: Blakespear, Cabrera, Casillas Salas, McNamara, Robinson, Schiavoni, Sly, Vargas

ABSENT: Board Members: Bedell (Ex-Officio), Dallarda (Ex-Officio), Miller (Ex-Officio), von Wilpert

ALSO PRESENT: Kimberly J. Becker, President/CEO; Amy Gonzalez, General Counsel; Tony R. Russell, Director, Board Services/Authority Clerk; Miranda Roper, Assistant Authority Clerk I

**BOARD BUSINESS:**

**I. CONSIDERATION OF WHETHER TO CONTINUE VIRTUAL MEETINGS FOR AUTHORITY BOARD AND COMMITTEE MEETINGS PURSUANT TO AB 361:**

Amy Gonzalez, General Counsel provided an overview of the staff report.

RECOMMENDATION: Adopt Resolution No. 2022-0045, finding that it is in the best interest of the Authority and the public it serves to hold virtual public meetings of the Board and its Committees because recent circumstances directly impact the ability of the Board and its Committees to meet safely in person.

**ACTION: Moved by Board Member Robinson and seconded by Board Member Schiavoni to approve the staff's recommendation. Motion carried by the following votes: YES – Blakespear, Cabrera, Casillas Salas, McNamara, Robinson, Schiavoni, Sly, Vargas; NO – None; ABSENT – von Wilpert, (Weighted Vote Points: YES -87; NO – 0; ABSENT – 13)**

**PRESENTATIONS:**

**A. REVIEW OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022:**

Scott Brickner, Vice President/CFO provided a presentation on the Unaudited Financial Statements for the Nine Months Ended March 31, 2022, that included Operating Revenues; Operating Expenses; Non-operating Revenue & Expenses; Financial Summary; and Statement of Net Position.

**REPORTS FROM BOARD COMMITTEES, AD HOC COMMITTEES, AND CITIZEN COMMITTEES AND LIAISONS:**

- **AUDIT COMMITTEE:** Board Member Schiavoni reported the next meeting is scheduled for May 9, 2022, and that the committee will receive a presentation from the external auditors to kick-off the FY 2022 financial audit and the Chief Auditor will present the proposed FY 2023 Audit Plan and other reports.
- **CAPITAL IMPROVEMENT PROGRAM OVERSIGHT COMMITTEE:** Board Member McNamara reported the committee met April 21, 2022, and considered the proposed FY 2023 – 2027 Capital Program Budget and received an update on the New Terminal 1 and the outreach for the New Terminal 1. He also reported that at future meetings the committee will receive updates on small business commitments made by our contractors.
- **EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE:** Board Member Robinson reported the committee met April 25, 2022, in closed session to meet with the Authority labor negotiators.
- **FINANCE COMMITTEE:** Board Member Schiavoni reported that the committee met April 25<sup>th</sup> and reviewed the unaudited financial statements for the nine months ended March 31, 2022, as well as the Authority's investment report as of March 31, 2022. She also reported that the committee received an update on the authority's revolving credit facility and outstanding balances.

**ADVISORY COMMITTEES**

- **AUTHORITY ADVISORY COMMITTEE:** None.
- **ARTS ADVISORY COMMITTEE:** Board Member Schiavoni reported that the committee met April 28, 2022, and approved the theme for the Airport's 2022/23 Temporary Exhibition (*A Necessary Departure*) and conceptually approved the theme for the 2024/25 Exhibition (*Abridged*). She also reported that the committee also approved selection panelists for the Temporary Exhibition Program and the

Performing Arts Residency Program. She reported that on May 1, the Arts Program continued its partnership with the Operations Division and the Honor Flight program to provide festive musical entertainment welcoming back WWII and Korean War veterans after visiting Arlington National Cemetery; and that a special Cinco de Mayo performance by Ballet Folklorico El Tapitio will be presented in Terminal 2's baggage claim today. She also reported that in addition to the regular Thursday/Friday concerts at the Airport, other upcoming special performances will include Memorial Day, Make Music Day, and Juneteenth and that more information can be found online at [arts.san.org/performing-arts](https://arts.san.org/performing-arts). She reported that the Airport's current Temporary Exhibition, titled *Make Yourself at Home*, will begin deinstallation this month and that all 16 sites throughout the airport campus will be deinstalled by the end of June in preparation for the incoming Exhibition. She reported that Arts Program staff provided an Airport Arts tour to Board member McNamara and Escondido City Manager Sean McGlynn.

## **LIAISONS**

- **CALTRANS:** None.
- **INTER-GOVERNMENTAL AFFAIRS:** Chair Cabrera reported that, in Washington, President Biden released his budget proposal for Fiscal Year 2023 and that it includes a proposed \$23.6 billion for aviation modernization programs, \$4.45 billion for major transit projects, and \$3 billion for safety programs at the Federal Aviation Administration. He also reported that the proposal also includes funding for the Airport Improvement Program and additional funding for Transportation Security Officers to meet rising demand at airports and that the Airport Authority's Government Relations staff will continue to monitor budget negotiations. He reported that in Sacramento, Legislators await the Governor's release of the May Revise, which includes a revised revenue outlook for Fiscal Year 2022-23. He also reported that, in anticipation of the May Revise, the Senate announced the second phase of their "Putting Wealth to Work" budget proposal. He reported that the Senate proposal assumes an unprecedented \$68 billion budget surplus, of which \$43 billion would be placed into a budget reserve; \$8 billion in direct payments would go to Californians to offset higher consumer costs; and an \$18 billion investment in clean energy projects. He reported that Government Relations staff and the Authority's state legislative consultants are engaged in the budget process to identify funding opportunities for the New T1 project and Capital Improvement Program.
- **MILITARY AFFAIRS:** LtCol. Norris reported that they hosted Representative Sara Jacobs and toured the flightline and discussed their energy resilience efforts and that Operation Jaded Thunder is underway.
- **PORT:** None.

- **WORLD TRADE CENTER:** None.

***BOARD REPRESENTATIVES (EXTERNAL)***

- **SANDAG BOARD OF DIRECTORS:** Chair Cabrera reported that the SANDAG Board of Directors met once since our last Board meeting and that the Board discussed the Otay Mesa East Port of Entry Project financial strategy and alternative project delivery method. He also reported that the Board approved the revised FY 2022 apportionment and the revised FY 2023 estimates for Transportation Development Act and TransNet funds.
- **SANDAG TRANSPORTATION COMMITTEE:** Board Member Schiavoni reported that the SANDAG Transportation Committee met once since the last Board Meeting and at that meeting, the Transportation Committee was asked to consider the TransNet funding eligibility requests of the North County Transit District, and the cities of Del Mar and San Marcos; as well as recommend the Board of Directors, acting as the San Diego County Regional Transportation Commission, approve the requests. She reported that the committee was also asked to recommend that the Board of Directors approve the revised FY 2022 apportionment and FY 2023 estimates for Transportation Development Act and TransNet funds.

**CHAIR'S REPORT:** Chair Cabrera thank the Board members for participation in Board Retreat and stated that it was great to be together. He reported that the May 9, 2022, Audit Committee would be held virtually.

**PRESIDENT/CEO'S REPORT:** Kim Becker, President/CEO, reported that Parking continues to be significantly impacted by construction, with Terminal 1 and Terminal 2 Parking areas reaching capacity several times a week. She also reported that staff is beginning preparations for the complete closure of the Terminal 1 parking lot and the Terminal 1 passenger bridge; and work has already begun on a crosswalk and stoplight installation in front of Terminal 1 to provide passengers safe access from the ground transportation island. She reported that staff regularly reminds our customers to reserve their parking space ahead of time or use other available options including Valet, public transit, and the San Diego Flyer shuttle from Old Town. She also reported that in April, monthly ridership of the San Diego Flyer shuttle was 4,671; up 523 people over March's passenger numbers. She reported that with the end of April comes the close of the official Spring Break travel season and April ended 14 percent down over 2019 passenger traffic numbers and that this is the closest we've been to reaching 2019 numbers since the start of the pandemic. She reported that Allegiant Air began twice weekly nonstop service to Austin, Texas on April 20; Southwest Airlines announced it is expanding flights between SAN and NorCal including – San Jose, Sacramento, and Oakland beginning June 5. She also reported that April through September is the Least Tern nesting season at SAN and that Least Tern protection training was provided to Airport Authority employees, the New T1 ARRIVE team,



and contractors. She reported that the California Department of Transportation awarded a grant of just over \$400,000 to SANDAG and the Airport Authority for their joint "Complete CorridAIR Planning" project. She reported that in celebration of Earth Month and Earth Day on April 22, the Airport Authority partnered with I Love a Clean San Diego to organize a clean-up for their annual Creek to Bay event and 68 volunteers picked up 117 pounds of debris from Spanish Landing Park. She also reported that the Authority is also Spring Cleaning in preparation for the Airport Authority's move to the new Administration Building next year. She thanked all Board members for their participation in the annual Board retreat.

Board Member Blakespear spoke regarding the need to ensure that the public is properly notified of the lack of parking at the airport during construction and are provided alternatives when they arrive at the airport for their flights.

**NON-AGENDA PUBLIC COMMENT:**

Isabel Lopez, SSP, spoke regarding their request for a contract and pension.

**CONSENT AGENDA (ITEMS 1-11):**

**ACTION: Moved by Board Member Casillas Salas and seconded by Board Member Robinson to approve the Consent Agenda. Motion carried by the following votes: YES – Blakespear, Cabrera, Casillas Salas, McNamara, Robinson, Schiavoni, Sly, Vargas, NO – None; ABSENT – von Wilpert, (Weighted Vote Points: YES –87; NO – 0; ABSENT – 13)**

**1. APPROVAL OF MINUTES:**

RECOMMENDATION: Approve the minutes of the April 7, 2022, regular Board meeting and March 28, 2022, special Board meeting.

**2. ACCEPTANCE OF BOARD AND COMMITTEE MEMBERS WRITTEN REPORTS ON THEIR ATTENDANCE AT APPROVED MEETINGS AND PRE-APPROVAL OF ATTENDANCE AT OTHER MEETINGS NOT COVERED BY THE CURRENT RESOLUTION:**

RECOMMENDATION: Accept the reports and pre-approve Board Member attendance at other meetings, trainings and events not covered by the current resolution.

**3. AWARDED CONTRACTS, APPROVED CHANGE ORDERS FROM MARCH 14, 2022, THROUGH APRIL 10, 2022, AND REAL PROPERTY AGREEMENTS GRANTED AND ACCEPTED FROM MARCH 14, 2022, THROUGH APRIL 10, 2022:**

RECOMMENDATION: Receive the Report.

**4. MAY 2022 LEGISLATIVE REPORT:**

RECOMMENDATION: Adopt Resolution No. 2022-0037, approving the May 2022 Legislative Report.

**CLAIMS**

**5. REJECT CLAIM OF ANTOINETTE PRICE:**

RECOMMENDATION: Adopt Resolution No. 2022-0038, rejecting the claim of Antoinette Price.

**COMMITTEE RECOMMENDATIONS**

**6. ACCEPTANCE OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022:**

RECOMMENDATION: The Finance Committee recommends that the Board accept the report.

**7. Accept the Authority Investment Report as of March 31, 2022:**

RECOMMENDATION: The Finance Committee recommends that the Board accept the report.

**CONTRACTS AND AGREEMENTS**

**CONTRACTS AND AGREEMENTS AND/OR AMENDMENTS TO CONTRACTS AND AGREEMENTS EXCEEDING \$1 MILLION**

**8. Approve and Authorize the President/CEO to Execute three On-Call Materials Testing, Special Inspection, and Geotechnical Engineering Support Services Agreements at San Diego International Airport:**

Recommendation: Adopt Resolution No. 2022-0039, approving and authorizing the President/CEO to negotiate and execute an On-Call Materials Testing, Special Inspection, and Geotechnical Engineering Support Services Agreement with Kleinfelder, Inc., for a term of three (3) years, with the option for two (2) one-year extensions at the sole discretion of the President/CEO, in an amount not-to-exceed \$5,000,000 in support of the Capital Improvement Program, the New Terminal 1 (New T1) Program, and other sustainability and facility operations initiatives at San Diego International Airport.

Adopt Resolution No. 2022-0040, approving and authorizing the President/CEO to negotiate and execute an On-Call Materials Testing, Special Inspection, and Geotechnical Engineering Support Services Agreement with Wood Environment & Infrastructure Solutions, Inc., for a term of three (3) years, with the option for two (2) one-year extensions at the sole discretion of the President/CEO, in an amount

not-to-exceed \$5,000,000 in support of the Capital Improvement Program, the New Terminal 1 (New T1) Program, and other sustainability and facility operations initiatives at San Diego International Airport.

Adopt Resolution No. 2022-0041, approving and authorizing the President/CEO to negotiate and execute an On-Call Materials Testing, Special Inspection, and Geotechnical Engineering Support Services Agreement with Ninyo & Moore Geotechnical & Environmental Sciences Consultants, for a term of three (3) years, with the option for two (2) one-year extensions at the sole discretion of the President/CEO, in an amount not-to-exceed \$5,000,000 in support of the Capital Improvement Program, the New Terminal 1 (New T1) Program, and other sustainability and facility operations initiatives at San Diego International Airport.

**9. Award a Contract to S&L Specialty Construction, Inc., for Quieter Home Program Phase 11, Group 9, Project No. 381109 Thirty-Two (32) Non-Historic Single-Family Units on Thirty-Two (32) Residential Properties Located East and West of the San Diego International Airport:**

Recommendation: Adopt Resolution No. 2022-0042, awarding a contract to S&L Specialty Construction, Inc in the amount of \$1,780,859.00 for Phase 11, Group 9, Project No. 381109, of the San Diego County Regional Airport Authority's Quieter Home Program.

**10. Approve and Authorize the President/CEO to Execute On-Call Service Agreements with Carlson Baker Arts LLC, Cinnabar California, Inc., and Gizmo Art Production, Inc. to provide On-Call Public Art Handling, Relocation, Fabrication, and Installation Services:**

RECOMMENDATION: Adopt Resolution No. 2022-0043, approving and authorizing the President/CEO to execute On-Call Public Art Handling, Relocation, Fabrication and Installation Service Agreements with Carlson Baker Arts LLC, Cinnabar California, Inc. and Gizmo Art Production, Inc. each agreement, for a term of four (4) years, with the option for two (2) one-year extensions at the sole discretion of the President/CEO, for an aggregate total not-to-exceed amount of \$1,800,000.

**11. Approve And Authorize The President/CEO To Execute An Agreement With Frasca & Associates, LLC For Financial Advisory Services:**

RECOMMENDATION: Adopt Resolution No. 2022-0044, approving and authorizing the President/CEO to execute an agreement with Frasca & Associates, LLC for financial advisory services for a term of five (5) years with two (2) one-year options to extend the term with a maximum amount payable not-to-exceed \$3,700,000.

**PUBLIC HEARINGS:**

**OLD BUSINESS:**

**NEW BUSINESS:**

**CLOSED SESSION:** The Board recessed into closed session at 9:55 a.m. to hear Item 12.

**12. CONFERENCE WITH LABOR NEGOTIATORS**

Cal. Gov. Code §54957.6

Agency designated representatives: Monty Bell, Scott Brickner, Angela Shafer-Payne, Greg Halsey, Rod Betts, Jeff Rasor, Lola Barnes

Employee organization: California Teamsters Local 911

**REPORT ON CLOSED SESSION:** The Board adjourned out of closed session at 10:51 a.m.

**GENERAL COUNSEL REPORT:** None.

**BUSINESS AND TRAVEL EXPENSE REIMBURSEMENT REPORTS FOR BOARD MEMBERS, PRESIDENT/CEO, CHIEF AUDITOR AND GENERAL COUNSEL WHEN ATTENDING CONFERENCES, MEETINGS, AND TRAINING AT THE EXPENSE OF THE AUTHORITY:**

**BOARD COMMENT:** None.

**ADJOURNMENT:** The meeting adjourned at 10:51 a.m.

APPROVED BY A MOTION OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD THIS 2<sup>nd</sup> DAY OF JUNE 2022.

ATTEST:

\_\_\_\_\_  
TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES /  
AUTHORITY CLERK

APPROVED AS TO FORM:

\_\_\_\_\_  
AMY GONZALEZ  
GENERAL COUNSEL

**DRAFT**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD**  
**MINUTES**  
**THURSDAY, MAY 12, 2022**  
**SAN DIEGO INTERNATIONAL AIRPORT**  
**BOARD ROOM**

**CALL TO ORDER:** Chair Cabrera called the special meeting of the San Diego County Regional Airport Authority Board to order at 9:05 a.m. on Thursday, May 12, 2022, electronically and via teleconference pursuant to the provisions of California Assembly Bill 361 and Resolution No. 2022-0045, at the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

**ROLL CALL:**

PRESENT:	Board Members:	Blakespear, Cabrera (Chair), Robinson, Schiavoni, Sly, Vargas, von Wilpert
ABSENT:	Board Members:	Bedell (Ex-Officio), Casillas Salas, Dallarda (Ex-Officio), McNamara, Miller (Ex-Officio)
ALSO PRESENT:	Kimberly J. Becker, President/CEO; Amy Gonzalez, General Counsel; Tony R. Russell, Director, Board Services/Authority Clerk; Sean Harris, Assistant Authority Clerk II	

**BUDGET WORKSHOP:**

**1. DISCUSSION REGARDING THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FISCAL YEAR 2022 PROPOSED BUDGET AND FISCAL YEAR 2023 PROPOSED CONCEPTUAL BUDGET:**

John Dillon, Director, Finance & Risk Management and Maya Dayan, Director, Capital Financial Planning and Airline Relations provided a presentation on The San Diego County Regional Airport Authority Fiscal Year 2023 Proposed Budget and Fiscal Year 2024 Proposed Conceptual Budget that included Strategic Plan; Economic, Industry and Credit Overview; Budget Process; Revenue Budget Overview; Expenses Budget Overview; Capital Program Budget; and Plan of Finance Fiscal Years 2023-2027.

Chair Cabrera requested more information regarding how the future terminal concessions rents will be assessed in the future.

**BOARD COMMENT:**

**ADJOURNMENT:** The meeting adjourned at 10:28 a.m.

APPROVED BY A MOTION OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD THIS 2<sup>nd</sup> DAY OF JUNE 2022.

**ATTEST:**

---

TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES/  
AUTHORITY CLERK

**APPROVED AS TO FORM:**

---

AMY GONZALEZ  
GENERAL COUNSEL

**DRAFT**  
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD**  
**MINUTES**  
**FRIDAY, APRIL 29, 2022, AND SATURDAY, APRIL 30, 2022**  
**SAN DIEGO INTERNATIONAL AIRPORT**  
**ORVILLE AND WILBUR WRIGHT CONFERENCE ROOMS**

**CALL TO ORDER:**

Chair Cabrera called the special meeting of the San Diego County Regional Airport Authority Board to order at 12:08 p.m., on Friday, April 29, 2022, in Orville and Wilbur Conference Rooms at the San Diego International Airport, Administration Building, 3225 North Harbor Drive, San Diego, CA 92101.

**ROLL CALL:**

PRESENT: Board Members: Blakespear, Cabrera, Casillas Salas,  
McNamara, Robinson, Schiavoni, von Wilpert

ABSENT: Board Members: Bedell (Ex-Officio), Dallarda (Ex-Officio),  
Miller (Ex-Officio), Sly, Vargas

ALSO PRESENT: Agnes Wong Nickerson, Public Audit Committee Member; Carmen Vann,  
Public Audit Committee Member; Kimberly J. Becker, President/CEO; Amy  
Gonzalez, General Counsel; Tony R. Russell, Director, Board  
Services/Authority Clerk

**BOARD WORKSHOP:**

Gary Magenta, Facilitator, provided an overview of the workshop agenda and ground rules for the retreat.

**1. STATE OF THE AVIATION INDUSTRY:**

Stephen D. Van Beek, Ph.D., Director & Head of North American Aviation, Steer Group, provided an update on the aviation industry that included the Balancing Recovery and Risk; Changes and Future Opportunities; U.S. Global Position and Aviation Demand; Airport Centric 2022 Strengths, Weaknesses, Opportunities and Threats; Low Demand and Capacity Trends Challenge Airports; and Policy Landscape for 2022-2023.

**2. STATE OF AIR SERVICE AT SAN DIEGO INTERNATIONAL AIRPORT:**

Hampton Brown, Vice President, Revenue, Marketing and Innovation/Chief Revenue Officer, provided a presentation on the State of Air Service at San Diego International Airport that included A Look Ahead; the return of domestic and international flights; Future of Domestic Opportunities; and Future International Objectives. He also led a panel discussion on Air Service with Adam Decaire, Vice President of Network Planning; Kevin Lemme, Head of Airline Planning, Alaska Airlines; and Frank Satusky, Director Commercial Strategy, WestJet (Canada).

**3. STATE OF THE SAN DIEGO INTERNATIONAL AIRPORT:**

Kimberly Becker, President/CEO; Angela Shafer Payne, Vice President/CDO; Scott Brickner, Vice President, Finance/Treasurer/CFO; Jeff Rasor, interim Vice President, Operations discuss the current issues impacting San Diego International Airport and provided an overview of the objectives for the upcoming year.

***The Board recessed on Friday, April 29, 2022 at 5:08 p.m. to Saturday, April 30, 2022, at 9:00 a.m.***

***The Board reconvened at 9:00 a.m. on Saturday, April 30, 2022. Board Members Bedell (Ex Officio), Dallarda (Ex Officio), Miller (Ex Officio) and Vargas were ABSENT.***

*Board Member Sly arrived at 9:00 a.m.*

**4. CONCESSIONS AT SAN DIEGO INTERNATIONAL AIRPORT:**

Hampton Brown, Vice President, Revenue, Marketing and Innovation/Chief Revenue Officer, provided an presentation on the Dining & Retail Program at San Diego that included Program Sales Performance; Challenges & Opportunities; and Solicitation Plan for San Diego International Airport.

He also led a panel discussion on the perspectives of concessions challenges and opportunities with Randi Maya Sibonga, President, MCSB, Inc.; Alan Gluck, Senior Aviation Commercial Planner ICF; and Randy Goodman, Director Concessions (retired) Houston Airports System, (Hobby HOU and Bush Intercontinental IAH).

**5. UPDATE ON THE ORGANIZATION:**

Kimberly Becker, President/CEO and Monty Bell, Director, Talent, Culture & Capability provided a presentation on the organization that included a review of current staff demographics and a discussion of the post-pandemic environment.

**6. DISCUSSION REGARDING DIVERSITY, EQUITY & INCLUSION AS A STRATEGIC IMPERATIVE:**

Michelle Brega, Senior Director, External Relations led a panel discussion regarding the approval and implementation of the Authority Diversity Equity & Inclusion statement that included a progress update on staff's work on several key focus



areas: Employee, Arts, Environmental Justice, and Business Engagement, with a goal towards enhancing and advancing DEI as an organization.

**BOARD COMMENT:** None.

**ADJOURNMENT:** The meeting was adjourned at 1:05 p.m.

APPROVED BY A MOTION OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD THIS 2<sup>nd</sup> DAY OF JUNE 2022.

**ATTEST:**

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TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES/  
AUTHORITY CLERK

**APPROVED AS TO FORM:**

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AMY GONZALEZ  
GENERAL COUNSEL

## Staff Report

**Meeting Date: June 2, 2022**

### **Subject:**

**Acceptance of Board and Committee Members Written Reports on their Attendance at Approved Meetings and Pre-Approval of Attendance at Other Meetings Not Covered by the Current Resolution**

### **Recommendation:**

Accept the reports and pre-approve Board Member attendance at other meetings, trainings and events not covered by the current resolution.

### **Background/Justification:**

Authority Policy 1.10 defines a “day of service” for Board Member compensation and outlines the requirements for Board Member attendance at meetings.

Pursuant to Authority Policy 1.10, Board Members are required to deliver to the Board a written report regarding their participation in meetings for which they are compensated. Their report is to be delivered at the next Board meeting following the specific meeting and/or training attended. The reports (Attachment A) were reviewed pursuant to Authority Policy 1.10 Section 5 (g), which defines a “day of service”. The reports were also reviewed pursuant to Board Resolution No. 2019-0074, which granted approval of Board Member representation for attending events and meetings.

The attached reports are being presented to comply with the requirements of Policy 1.10 and the Authority Act.

### **Fiscal Impact:**

Board and Committee Member Compensation is included in the FY 2023 Budget

## 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:

Tony R. Russell  
Director, Board Services/Authority Clerk

# **Attachment A**

**BOARD MEMBER EVENT/MEETING/TRAINING REPORT SUMMARY**

**Directions:** This Form permits Board Members to report their attendance at meetings, events, and training that qualifies for “day of service” compensation pursuant to Cal. Pub. Util. Code §170017, Board Policy 1.10 and Board Resolution 2019-0074. Unless attending a meeting held pursuant to the Brown Act, attendance must be pre-approved by the Board prior to attendance and a written report delivered at the next Board meeting. After completing this Form, please forward it to Board Services, Authority Clerk Staff.

<b>Period Covered:</b>		May 2022
<b>Board Member Name:</b>		Catherine Blakespear
<b>Date:</b>		5/24/22
Type of Meeting	Date/Time/Location of Event/Meeting/Training	Summary and Description of the Event/Meeting/Training
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	Thursday, May 5, 2022 - 9 am - noon Microsoft Teams	Board/ALUC Meeting
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	Monday, May 9, 2022 - 10:00 am - noon Microsoft Teams	Audit Committee Meeting
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	Thursday, May 12, 2022 - 9 am - noon Microsoft Team	Board/ALUC Meeting Budget Workshop
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		

I certify that I was present for at least half of the time set for each meeting, event, and training listed herein.

Signature: Catherine Blakespear  
Digitally signed by Catherine Blakespear  
Date: 2022.05.24 09:22:41 -07'00'

## BOARD MEMBER EVENT/MEETING/TRAINING REPORT SUMMARY

**Directions:** This Form permits Board Members to report their attendance at meetings, events, and training that qualifies for “day of service” compensation pursuant to Cal. Pub. Util. Code §170017, Board Policy 1.10 and Board Resolution 2019-0074 Unless attending a meeting held pursuant to the Brown Act, attendance must be pre-approved by the Board prior to attendance and a written report delivered at the next Board meeting. After completing this Form, please forward it to Board Services, Authority Clerk Staff.

<b>Period Covered:</b>	May 1 through May 31, 2022	
<b>Board Member Name:</b>	Gil Cabrera	
<b>Date:</b>	5/27/22	
<b>Type of Meeting</b>	<b>Date/Time/Location of Event/Meeting/Training</b>	<b>Summary and Description of the Event/Meeting/Training</b>
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/5/2022 - 9am-1130am - Teams	SDCRAA Board of Directors Meeting and ALUC Meeting
<input type="checkbox"/> Brown Act <input checked="" type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/9/2022 - 1:30pm-215pm - Zoom	Briefing on SDCRAA issues for Mayor Gloria
<input type="checkbox"/> Brown Act <input checked="" type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/11/2022 - 11am-11:30am - Teams	Pre-Board meeting briefing
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/12/2022 - 9am-11am - Teams	SDCRAA Board of Directors Budget Workshop
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/13/2022 - 9am-noon - Zoom	SANDAG Board of Directors Meeting
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/23/2022 - 9am-11am - SDCRAA Board Room	SDCRAA Executive-Finance Committee Meetings
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/27/2022 - 9am-noon - Zoom	SANDAG Board of Directors Meeting
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		

I certify that I was present for at least half of the time set for each meeting, event, and training listed herein.

Signature: Gil Cabrera Digitally signed by Gil Cabrera  
Date: 2022.05.27 10:54:21 -07'00'

**BOARD MEMBER EVENT/MEETING/TRAINING REPORT SUMMARY**

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<b>Period Covered:</b>		
<b>Board Member Name:</b> Mayor Mary Casillas Salas		
<b>Date:</b> 5/25/22		
Type of Meeting	Date/Time/Location of Event/Meeting/Training	Summary and Description of the Event/Meeting/Training
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/5 9:00 AM	ALUC Meeting
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/9 9:00 AM	Audit Committee
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/23 9:00	Executive-Finance
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		

I certify that I was present for at least half of the time set for each meeting, event, and training listed herein.

Signature: 

**BOARD MEMBER EVENT/MEETING/TRAINING REPORT SUMMARY**

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<b>Period Covered:</b> May 2022		
<b>Board Member Name:</b> Gretchen Newsom		
<b>Date:</b> May 24, 2022		
Type of Meeting	Date/Time/Location of Event/Meeting/Training	Summary and Description of the Event/Meeting/Training
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	May 5, 2022, 9:00am, Zoom Audit Committee of the San Diego County Regional Airport Authority	San Diego Airport Authority Audit Committee Meeting - Attended
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		

I certify that I was present for at least half of the time set for each meeting, event, and training listed herein.

Signature:  \_\_\_\_\_



**BOARD MEMBER EVENT/MEETING/TRAINING REPORT SUMMARY**

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<b>Period Covered:</b> May 2022		
<b>Board Member Name:</b> Paul McNamara		
<b>Date:</b> 5/27/22		
<b>Type of Meeting</b>	<b>Date/Time/Location of Event/Meeting/Training</b>	<b>Summary and Description of the Event/Meeting/Training</b>
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/5/2022/0900/SDCRAA/Meeting	Borad Meeting
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/26/2022/0900/SDCRAA/Meeting	EPCC Meeting
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		

I certify that I was present for at least half of the time set for each meeting, event, and training listed herein.

Signature: Paul McNamara Digitally signed by Paul McNamara  
Date: 2022.05.27 08:28:38 -07'00'

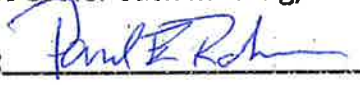


**BOARD MEMBER EVENT/MEETING/TRAINING REPORT SUMMARY**

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Period Covered:		
Board Member Name: <u>Robinson</u>		
Date: <u>5/1/22</u>		
Type of Meeting	Date/Time/Location of Event/Meeting/Training	Summary and Description of the Event/Meeting/Training
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	<u>5/5 9:00 a.m.</u> <u>Microsoft</u>	<u>SDCRAA BA/ALUC Meetings</u>
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	<u>5/12 9:00 a.m.</u> <u>Microsoft</u>	<u>Budget Workshop</u>
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	<u>5/23/22 9:00 a.m.</u>	<u>Exec. Finance Comm. mtg.</u>
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	<u>5/26/22 9:00 a.m.</u>	<u>EPCC Meeting</u>
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		

I certify that I was present for at least half of the time set for each meeting, event, and training listed herein.

Signature: 

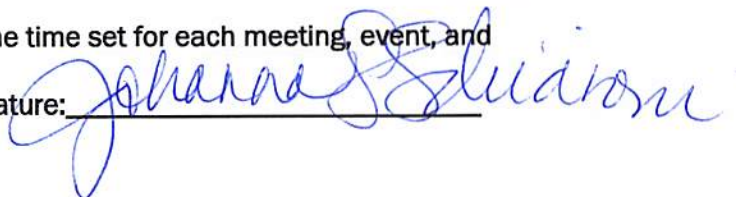


**BOARD MEMBER EVENT/MEETING/TRAINING REPORT SUMMARY**

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<b>Period Covered:</b> 5/1/2022-5/26/2022		
<b>Board Member Name:</b> Johanna S. Schiavoni		
<b>Date:</b> 5/25/22		
Type of Meeting	Date/Time/Location of Event/Meeting/Training	Summary and Description of the Event/Meeting/Training
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/5/2022, 9:00am, virtual meeting	SDCRAA Board Meeting
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/9/2022, 9:00am, virtual meeting	Audit Committee Meeting
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/12/2022, 9:00am, SDCRAA offices	Special Meeting & Board Budget Workshop
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	5/23/2022, 9:00am, SDCRAA Offices	Executive-Finance Committee Meetings
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input checked="" type="checkbox"/> Res. 2019-0074	5/25/2022, 2:00pm, video training	Preventing Harassment and Discrimination Training for Supervisors
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		

I certify that I was present for at least half of the time set for each meeting, event, and training listed herein.

Signature: 

**BOARD MEMBER EVENT/MEETING/TRAINING REPORT SUMMARY**

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<b>Period Covered:</b>		May 2022
<b>Board Member Name:</b>		Nora Vargas
<b>Date:</b>		5/24/22
Type of Meeting	Date/Time/Location of Event/Meeting/Training	Summary and Description of the Event/Meeting/Training
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input checked="" type="checkbox"/> Res. 2019-0074	May 5, 2022, 9 am, MS Teams, Board/ ALUC Meeting	Board and Airport Land Use Commission meeting
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	May 12, 2022, MS Teams, Budget Meeting	Board Budget Workshop
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		

I certify that I was present for at least half of the time set for each meeting, event, and training listed herein.

Signature: Nora Vargas Digitally signed by Nora Vargas  
Date: 2022.05.25 16:07:48 -07'00'

**BOARD MEMBER EVENT/MEETING/TRAINING REPORT SUMMARY**

**Directions:** This Form permits Board Members to report their attendance at meetings, events, and training that qualifies for “day of service” compensation pursuant to Cal. Pub. Util. Code §170017, Board Policy 1.10 and Board Resolution 2019-0074. Unless attending a meeting held pursuant to the Brown Act, attendance must be pre-approved by the Board prior to attendance and a written report delivered at the next Board meeting. After completing this Form, please forward it to Board Services, Authority Clerk Staff.

<b>Period Covered:</b> 5/1/2022 - 5/31/2022		
<b>Board Member Name:</b> Marni von Wilpert		
<b>Date:</b> 5/24/22		
Type of Meeting	Date/Time/Location of Event/Meeting/Training	Summary and Description of the Event/Meeting/Training
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074	May 12, 2022 : 9:00 am - 12:00 pm Virtual - Microsoft Teams	Board / ALUC Meeting - Budget Workshop
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
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<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074		

I certify that I was present for at least half of the time set for each meeting, event, and training listed herein.

Signature: Marni von Wilpert

## Staff Report

**Meeting Date: June 2, 2022**

### Subject:

**Awarded Contracts, Approved Change Orders from April 11, 2022, through May 8, 2022, and Real Property Agreements Granted and Accepted from April 11, 2022, through May 8, 2022**

### Recommendation:

Receive the report

### Background/Justification:

Policy Section Nos. 5.01, Procurement of Services, Consulting, Materials, and Equipment, 5.02, Procurement of Contracts for Public Works, and 6.01, Leasing Policy, require staff to provide a list of contracts, change orders, and real property agreements that were awarded and approved by the President/CEO or her designee. Staff has compiled a list of all contracts, change orders (Attachment A) and real property agreements (Attachment B) that were awarded, granted, accepted, or approved by the President/CEO or her designee since the previous Board meeting.

### Fiscal Impact:

The fiscal impact of these contracts and change orders are reflected in the individual program budget for the execution year and on the next fiscal year budget submission.

Amount to vary depending upon the following factors:

1. Contracts issued on a multi-year basis; and
2. Contracts issued on a Not-to-Exceed basis.
3. General fiscal impact of lease agreements reflects market conditions.

The fiscal impact of each reported real property agreement is identified for consideration on Attachment B.

## 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:

Inclusionary Policy requirements were included during the solicitation process prior to the contract award.

### Prepared by:

Jana Vargas  
Director, Procurement

**Attachment "A"****AWARDED CONTRACTS AND CHANGE ORDERS SIGNED BETWEEN April 11, 2022 to May 8, 2022****New Contracts**

<b>Date Signed</b>	<b>CIP #</b>	<b>Company</b>	<b>Description</b>	<b>Solicitation Method</b>	<b>Owner</b>	<b>Contract Value</b>	<b>End Date</b>
4/22/2022		KMP Associates Limited dba AeroParker	The Contractor will provide parking revenue strategy services for the San Diego County Regional Airport Authority.	RFP	Revenue Generation & Business Development	\$353,120.00	3/31/2024
4/27/2022		Duncan Parking Technologies, Inc.	The Contractor will provide citation device software and support services for the San Diego County Regional Airport Authority.	RFP	Ground Transportation	\$350,000.00	3/31/2025
5/4/2022		Background Services & Investigations LLC	The Contractor will provide background investigative services for the San Diego County Regional Airport Authority.	Sole Source	Aviation Security & Public Safety	\$438,500.00	2/29/2024



**Attachment "A"**

**AWARDED CONTRACTS AND CHANGE ORDERS SIGNED BETWEEN April 11, 2022 to May 8, 2022**

**New Contracts Approved by the Board**

<b>Date Signed</b>	<b>CIP #</b>	<b>Company</b>	<b>Description</b>	<b>Solicitation Method</b>	<b>Owner</b>	<b>Contract Value</b>	<b>End Date</b>
4/15/2022		Group Delta Contractors, Inc.	The Contract was approved by the Board at the January 6, 2022 Board Meeting. The Contractor will provide on-call materials testing and construction support services for the San Diego County Regional Airport Authority.	RFQ	Airport Design & Construction	\$5,000,000.00	4/17/2027
4/27/2022		Mesa Energy Systems, Inc.	The Contract was approved by the Board at the February 3, 2022 Board Meeting. The Contractor will provide heating, ventilation and air conditioning (HVAC) maintenance and repair services for the San Diego County Regional Airport Authority.	RFP	Facilities Management	\$11,500,000.00	6/29/2025

**Attachment "A"**

**AWARDED CONTRACTS AND CHANGE ORDERS SIGNED BETWEEN April 11, 2022 to May 8, 2022**

**Amendments and Change Orders**

<b>Date Signed</b>	<b>CIP #</b>	<b>Company</b>	<b>Description of Change</b>	<b>Owner</b>	<b>Previous Contract Amount</b>	<b>Change Order Value ( + / - )</b>	<b>Change Order Value ( % ) ( + / - )</b>	<b>New Contract Value</b>	<b>New End Date</b>
4/15/2022		Sharp Business Systems	The First Amendment is to extend the agreement term by 18 months. The purpose of this extension is keep the current fleet of copy machines while the new Admin Building is constructed. There is no change in compensation. The Contractor provides the lease for multifunctional printing devices for the San Diego County Regional Airport Authority.	Information & Technology Services	\$75,000.00	\$0.00	0.0%	\$75,000.00	10/25/2023
4/15/2022		Sharp Business Systems	The First Amendment is to extend the agreement term by 18 months. The purpose of this extension is keep the current fleet of copy machines while the new Admin Building is constructed. There is no change in compensation. The Contractor provides meter reads for multifunctional printing devices for the San Diego County Regional Airport Authority.	Information & Technology Services	\$200,000.00	\$0.00	0.0%	\$200,000.00	10/25/2023

Attachment "A"

AWARDED CONTRACTS AND CHANGE ORDERS SIGNED BETWEEN April 11, 2022 to May 8, 2022

Amendments and Change Orders Approved by the Board

Date Signed	CIP #	Company	Description of Change	Owner	Previous Contract Amount	Change Order Value (+ / -)	Change Order Value ( % ) (+ / -)	New Contract Value	New End Date
			NO AWARDED AMENDMENTS APPROVED BY THE BOARD						



## Staff Report

Meeting Date: June 2, 2022

### Subject:

#### June 2022 Legislative Report

#### Recommendation:

Adopt Resolution No. 2022-0046, approving the June 2022 Legislative Report.

#### Background/Justification:

The Authority's Legislative Advocacy Program Policy requires that staff present the Board with monthly reports concerning the status of legislation with potential impact to the Authority. The Authority Board provides direction to staff on legislative issues by adoption of a monthly Legislative Report (Attachment A). The June 2022 Legislative Report updates Board members on legislative activities that have taken place since the previous Board meeting. In directing staff, the Authority Board may take a position on pending or proposed legislation that has been determined to have a potential impact on the Authority's operations and functions.

#### Federal Legislative Action

Congress has started the process of writing the bills that set federal government spending levels and make policy decisions for the 2023 fiscal year. The Appropriations committees of both the House and Senate are currently holding hearings on the administration's budget plan that was issued in late March 2022. It is widely expected that negotiations on a final budget package between Congress and the Biden Administration will continue for several months.

The Airport Authority Government Relations staff and Federal legislative consultants are reviewing the spending package for any new funding opportunities available to support the Authority's initiatives and operations.

The Authority's legislative team does not recommend that the Board adopt any new positions on federal legislation at this time.

## State Legislative Action

In Sacramento, the Governor released his revised May budget, which includes an unprecedented \$97.5 billion budget surplus. Half of the budget surplus must be spent on education as required by law. The other half, approximately \$49 billion, are discretionary funds that the Governor wants to reserve for one-time spending. These one-time spending proposals include \$18.1 billion to provide financial relief for Californians impacted by inflation, \$37 billion for infrastructure investments, and \$2.3 billion to combat the ongoing COVID-19 pandemic. The Legislature has until June 15 to pass the fiscal year 2022-23 budget, and the Governor has until June 30 to sign it.

In May, Government Relations staff participated in the annual San Diego Regional Chamber of Commerce Delegation trip to Sacramento and met with: Senators Ben Hueso and Brian Jones; staff from the office of Senate President pro Tempore Toni Atkins; staff from the office of Assemblymembers Brian Maienschein, Tasha Boerner-Horvath, Chris Ward, and Randy Voepel.

Government Relations staff and the Authority's state legislative consultants are monitoring budget negotiations and will continue to advocate for additional funding to support the Airport Authority and San Diego International Airport programs and initiatives, including the New T1 capital program.

The Authority's legislative team does not recommend that the Board adopt any new positions on state legislation at this time.

### Fiscal Impact:

Not applicable.

### 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:

Matt Harris  
Director, Government Relations

RESOLUTION NO. 2022-0046

A RESOLUTION OF THE BOARD OF THE SAN DIEGO  
COUNTY REGIONAL AIRPORT AUTHORITY,  
APPROVING THE JUNE 2022 LEGISLATIVE REPORT

**WHEREAS**, the San Diego County Regional Airport Authority (“Authority”) operates San Diego International Airport and plans for necessary improvements to the regional air transportation system in San Diego County, including serving as the responsible agency for airport land use planning within the County; and

**WHEREAS**, the Authority has a responsibility to promote public policies consistent with the Authority’s mandates and objectives; and

**WHEREAS**, Authority staff works locally and coordinates with legislative advocates in Sacramento and Washington, D.C. to identify and pursue legislative opportunities in defense and support of initiatives and programs of interest to the Authority; and

**WHEREAS**, under the Authority’s Legislative Advocacy Program Policy, the Authority Board provides direction to Authority staff on pending legislation; and

**WHEREAS**, the Authority Board, in directing staff, may adopt positions on legislation that has been determined to have a potential impact on the Authority’s operations and functions.

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby approves the June 2022 Legislative Report (“Attachment A”); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a “project” as defined by the California Environmental Quality Act (“CEQA”) (California Public Resources Code §21065); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a “development” as defined by the California Coastal Act (California Public Resources Code §30106); and



**BE IT FURTHER RESOLVED** that the Board finds that this 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.

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 2nd day of June 2022, by the following vote:

**AYES:** Board Members:

**NOES:** Board Members:

**ABSENT:** Board Members:

**ATTEST:**

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TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES /  
AUTHORITY CLERK

**APPROVED AS TO FORM:**

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AMY GONZALEZ  
GENERAL COUNSEL

**June 2022 Legislative Report**

**State Legislation**

**New Assembly Bills**

No new Assembly bills to report.

\*Shaded text represents new or updated legislative information

## **Assembly Bills from Previous Report**

### **Legislation/Topic**

**AB 1322 (Rivas) California Global Warming Solutions Act of 2006: sustainable aviation fuel: production incentives plan**

### **Background/Summary**

AB 1322 will establish a framework for the aviation industry to reduce its carbon footprint by creating a plan to incentivize the use of sustainable aviation fuel (SAF). Specifically, this bill will require the California Air Resources Board (CARB) to develop a plan to expand SAF production capacity by identifying tools for increasing SAF supply and demand, infrastructure, and in-state production capacity.

### **Anticipated Impact/Discussion**

San Diego International Airport has partnered with airports, airlines, sustainable aviation fuel producers, and other stakeholders to advocate for policies that would increase the use of low-carbon Sustainable Aviation Fuel to reduce greenhouse gas emissions in the aviation sector. The Airport Authority's Legislative team is monitoring the status of this bill and is working with industry partners and associations to support this measure and any additional sources of funding to incentivize the use of SAF.

**Status:** 4/25/22 – This bill is in the Senate Environmental Quality Committee.

**Position:** Support (5/5/22)

\*Shaded text represents new or updated legislative information

## **Legislation/Topic**

**AB 1944 (Lee) Local government: open and public meetings.**

## **Background/Summary**

AB 1944 would require local governments to permanently offer the option of virtual participation in public meetings. In addition to making permanent remote access to and live streaming of public meetings, AB 1944 would allow local government bodies to waive a provision of the Brown Act that requires public officials to disclose their private address if they participate in meetings virtually.

## **Anticipated Impact/Discussion**

This bill would provide the local governments, including the Airport Authority with additional flexibility to conduct virtual and hybrid (in-person and virtually) once the current COVID-19 State of Emergency Executive Orders expire. The Authority's legislative team will closely monitor the development of this bill language for any additional impacts on San Diego International Airport (SDIA) and the Airport Authority.

**Status:** 5/5/22 – This bill passed the Assembly Local Government Committee on a 5-2 vote and is now on the Assembly Floor.

**Position:** Watch (3/3/22)

\*Shaded text represents new or updated legislative information

## **Legislation/Topic**

**AB 2449 (Rubio) Open meetings: local agencies: teleconferences.**

## **Background/Summary**

AB 2449 would allow a public agency to post a single teleconference location if at least a quorum of members are participating in person from a singular location. The agency must provide opportunity for public comment via call-in, internet-based services and in-person. If a disruption in broadcasting occurs, the local agency shall take no further action on the agenda until public access is restored.

## **Anticipated Impact/Discussion**

This bill would provide the local governments, including the Airport Authority with additional flexibility to conduct virtual and hybrid (in-person and virtually). The Authority's legislative team will work with the California Airports Council (CAC) to identify an industry-wide position, if needed, and closely monitor the development of this bill language for any additional impacts on San Diego International Airport (SDIA) and the Airport Authority.

**Status:** 5/5/22 – This bill passed the Assembly Local Government Committee on a 7-1 vote and is now on the Assembly Floor.

**Position:** Watch (4/7/22)

\*Shaded text represents new or updated legislative information

**New Senate Bills**

No new Senate bills to report.

\*Shaded text represents new or updated legislative information

## **Senate Bills from Previous Report**

### **Legislation/Topic**

#### **SB 37 (Cortese) Contaminated Site Cleanup and Safety Act.**

### **Background/Summary**

Existing law requires the Department of Toxic Substances Control to compile a list of specified information, including, but not limited to, hazardous waste facilities where the department took, or contracted for the taking of, corrective action to remedy or prevent, for example, an imminent substantial danger to public health. Existing law requires the State Department of Health Care Services to compile a list of all public drinking water wells that contain detectable levels of organic contaminants and that are subject to water analysis by local health officers.

This bill would enact the Dominic Cortese “Cortese List” Act of 2021 and would recodify the above-described provisions with certain revisions. The bill would require the Department of Toxic Substances Control to also list hazardous waste facilities where the department issued an order for corrective action after determining that there is or has been a release of hazardous waste or constituents into the environment from a facility. The bill would require the State Water Resources Control Board, instead of the State Department of Health Care Services, to compile and update a list of all public drinking water wells that contain detectable levels of organic contaminants and that are subject to water analysis by local health officers. The bill would require the Secretary for Environmental Protection to post the information on the California Environmental Protection Agency’s internet website.

On March 11, 2021, SB 37 was amended to replace “Dominic Cortese “Cortese List” Act of 2021” to “Hazardous Waste Site Cleanup and Safety Act.”

On April 13, 2021, SB 37 was amended to remove the requirement that the Department of Toxic Substances Control to also list hazardous waste facilities where the department issued an order for corrective action after determining that there is or has been a release of hazardous waste or constituents into the environment from a facility. The amendments also remove the requirement that the State Water Resources Control Board, instead of the State Department of Health Care Services, to compile and update a list of all public drinking water wells that contain detectable levels of organic contaminants and that are subject to water analysis by local health officers.

The April 13, 2021 amendments require the Secretary for Environmental Protection to post the list or links to the information on the California Environmental Protection Agency’s internet website of all solid waste disposal facilities from which there is a known migration of hazardous waste.

\*Shaded text represents new or updated legislative information

**Anticipated Impact/Discussion**

SB 37 could have an impact on San Diego International Airport (SDIA) as airports are federally mandated to store certain chemicals, including perfluoroalkyl and polyfluoroalkyl (PFAS) for firefighting purposes. The Airport Authority's legislative team will work with the California Airports Council (CAC) to determine an industry-wide position, if applicable, and will closely monitor the development of this bill language for any impact on San Diego International Airport (SDIA) and the Airport Authority.

**Status:** 9/08/21 – Ordered to inactive file and will become a two-year bill.

**Position:** Watch (1/7/21)

\*Shaded text represents new or updated legislative information



## **Legislation/Topic**

### **SB 612 (Portantino) Ratepayer Equity**

#### **Background/Summary**

SB 612 requires electric investor-owned utilities (IOUs) to offer an allocation of certain electrical resources to other load-serving entities (LSEs), specifically, community choice aggregators (CCAs) and electric service providers (ESPs), that serve departing load customers who bear cost responsibility for those resources. These electrical resources include product attributes to comply with resource adequacy (RA), Renewable Portfolio Standard (RPS) program, and others.

#### **Anticipated Impact/Discussion**

Over the next few months, the Airport Authority will be joining San Diego Community Power (SDCP), a new Community Choice Aggregation (CCA) program that serves customers within the cities of Chula Vista, Encinitas, Imperial Beach, La Mesa, and San Diego. All CCAs are subject to a departing load charge from the Investor-Owned Utility (IOU) -- also known as a Power Charge Indifference Adjustment (PCIA) -- because San Diego Gas and Electric (SDG&E) originally purchased energy generation contracts to serve its customers. In theory, the PCIA makes SDG&E whole. However, SDCP will be subject to fluctuating PCIA costs on an annual basis and paying the departing load doesn't provide the CCA access to the generation contracts that will provide resource adequacy to its customers. SDCP aspires to keep rates competitive to SDG&E but paying the departing load charge (PCIA) without the assurance of getting access to SDG&E's long-term contracts is not in the best interest of SDCP's customers as the PCIA cost is passed on to customers. As one of those customers, the Airport Authority will be subject to a fluctuating PCIA on an annual basis, but that cost may be in addition to the cost the Authority will pay for 100% grid-delivered renewable electricity to power the airport campus.

**Status:** 6/28/21 – This bill is in the Assembly Utilities and Energy Committee

**Position:** Support (6/22/21)

\*Shaded text represents new or updated legislative information

## Federal Legislation

### New House Bills

No new House bills to report.

\*Shaded text represents new or updated legislative information

## **Legislation/Topic**

### **H.R. 741 (Brownley) Sustainable Aviation Fuel Act.**

## **Background/Summary**

This bill would establish a national goal for the U.S. aviation sector to achieve a net 35% reduction in GHG emissions by 2035 and net zero emissions by 2050. The bill authorizes \$1 billion over five years, in competitive grants and costing sharing agreements to carry out projects in the U.S. to produce, transport, blend or store sustainable aviation fuel (SAF). The bill also requires EPA to establish an aviation-only Low Carbon Fuel Standard (LCFS) that regulates aviation fuel producers and importers.

## **Anticipated Impact/Discussion**

San Diego International Airport has partnered with airports, airlines, sustainable aviation fuel producers and other stakeholders to find ways to reduce greenhouse gas emissions in the aviation sector. The Authority's legislative team will closely monitor the development of this bill language for any impact on San Diego International Airport (SDIA) and the Airport Authority.

**Status:** 2/4/21 – Introduced.

**Position:** Watch (4/1/21)

\*Shaded text represents new or updated legislative information

### **Legislation/Topic**

**H.R. 1346 (Horsford) / S. 477 (Cortez Masto) Hospitality and Commerce Job Recovery Act of 2021.**

### **Background/Summary**

H.R. 1346 and S. 477 would provide federal tax credits to support the travel, convention, trade show, entertainment, tourism, and hospitality industries. Specifically, these legislative proposals allow a convention and trade show restart tax credit; extend the employee retention tax credit through 2021; suspend for taxable years 2021 through 2022, the limitation on entertainment expenses related to a trade or business; allow a restaurant and dining restart credit for businesses closed or forced to reduce services due to COVID-19 (i.e., coronavirus disease 2019); allow a 50% tax credit for travel expenditures; and allow a tax credit for unmerchantable inventory for the period between December 31, 2019, and before April 1, 2021.

### **Anticipated Impact/Discussion**

H.R. 1346 and S. 477 are identical pieces of legislation that would provide temporary tax incentives to help restore business travel.

The COVID-19 pandemic has had a devastating impact on the hospitality and travel industries. In California, tourism spending dropped \$59 billion in 2020, and overall travel-related spending in the State is not expected to reach pre-COVID-19 levels until 2025. H.R. 1346 and S. 477 could provide a much-needed stimulus to promote travel growth, jobs and help accelerate the recovery of the tourism industry, benefiting operations at San Diego International Airport (SDIA) and the regional economy.

**Status:** 2/25/21 – Introduced.

**Position:** Support (9/2/21)

\*Shaded text represents new or updated legislative information

## **Legislation/Topic**

### **H.R. 1813 (DeFazio) Funding for Aviation Screeners and Threat Elimination Restoration (FASTER) Act.**

## **Background/Summary**

In 2013, Congress began diverting one-third of the revenue collected from airline passenger security fees to be deposited into the general fund of the U.S. Treasury. This diversion has caused the Transportation Security Administration (TSA) to forgo an estimated \$19 billion in these fees. H.R. 1813 would repeal the requirement to divert funds and ensure that passenger security fees are used for aviation security purposes. H.R. 1813 would also provide TSA access to September 11 Security Fee revenue in the event of a lapse in appropriations. This means that, in the event of another government shutdown, TSA would be able to continue paying its officers.

## **Anticipated Impact/Discussion**

Providing TSA access to the full amount of airline passenger security fee revenue would allow TSA to invest in new equipment as well as hire additional staff to better serve passengers, airlines, and airports, including San Diego International Airport (SDIA). This bill would also help minimize the impact of another government shutdown on SDIA by ensuring that there would be no disruption in TSA operations due to a lack of appropriations.

**Status:** 3/11/21 – Introduced.

**Position:** Support (4/1/21)

\*Shaded text represents new or updated legislative information

**Legislation/Topic**

**H.R. 2719 (Blumenauer) Rebuilding America’s Airport Infrastructure Act.**

**Background/Summary**

This bill would incrementally increase the Passenger Facility Charge (PFC) cap by \$1.00 annually starting in 2023, until it reaches a level of \$8.50 in 2026. Thereafter, the PFC cap would be adjusted annually for inflation.

**Anticipated Impact/Discussion**

The Passenger Facility Charge Program allows commercial airports controlled by public agencies to collect up to \$4.50 for every eligible passenger. Airports use these fees to fund FAA-approved projects, including those that enhance safety, security or capacity; reduce noise; or increase air carrier competition. This bill would increase the PFC and these fees could be used to fund FAA-approved projects, including infrastructure upgrades that improve the overall passenger experience. This bill could provide additional funding for San Diego International Airport infrastructure development projects.

**Status:** 4/22/21 – Introduced.

**Position:** Support (6/3/21)

\*Shaded text represents new or updated legislative information

**Legislation/Topic****H.R. 3340 (Garamendi) The TIFIA Airport Act.****Background/Summary**

H.R. 3340 would expand Transportation Infrastructure Finance and Innovation Act (TIFIA) eligibility to airports. As of the end of Fiscal Year 2019, approximately \$1.88 billion of federal financing is available. Privately owned airports or general aviation airport projects are not eligible.

**Anticipated Impact/Discussion**

H.R. 3340 would provide an additional low-interest federal funding option for airport projects, including the Airport Authority's Airport Development Plan (ADP) and other capital projects. These projects stimulate local economic growth that is desperately needed post-COVID-19 pandemic. The Legislative team is monitoring the status of this bill and working with industry partners and associations to support this measure and any other additional sources of airport funding and resources.

**Status:** 5/20/21 – Referred to the Subcommittee on Highways and Transit.

**Position:** Support (6/3/21)

\*Shaded text represents new or updated legislative information

## **Legislation/Topic**

### **H.R. 3440 (Schneider) Sustainable Skies Act**

## **Background/Summary**

H.R. 3440 would create a new tax credit specifically aimed at incentivizing the production and use of low-carbon Sustainable Aviation Fuel (SAF). Under the proposal, SAF that achieves a 50% or greater reduction in lifecycle greenhouse gas (GHG) emissions as compared to conventional jet fuel would be eligible to receive a tax credit ranging from \$1.50/gallon up to \$2.00/gallon for fuels that achieve a 100% GHG emissions reduction. Eligible fuels would receive an additional \$0.01/gallon of tax credit for each percentage point of additional GHG reductions the fuel achieves beyond 50%. The tax credit would sunset after 10 years, and aviation fuel would no longer be eligible to receive the existing Biodiesel/Renewable Diesel Blender's Tax Credit.

## **Anticipated Impact/Discussion**

San Diego International Airport has partnered with airports, airlines, sustainable aviation fuel producers and other stakeholders to advocate for policies that would increase the use of low-carbon Sustainable Aviation Fuel to reduce greenhouse gas emissions in the aviation sector. The Airport Authority's Legislative team is monitoring the status of this bill and is working with industry partners and associations to support this measure and any additional sources of funding to incentivize the use of SAF.

**Status:** 5/20/21 – Introduced.

**Position:** Support (11/4/21)

\*Shaded text represents new or updated legislative information



## **Legislation/Topic**

### **H.R. 4892 (Meng) Quiet Communities Act of 2021.**

## **Background/Summary**

This bill would reestablish the Environmental Protection Agency's (EPA) Office of Noise Abatement and Control (ONAC) and require it to study aircraft noise. H.R. 4892 would authorize ONAC to be funded at a level of \$21 million for each of fiscal years 2022 through 2026 and would require the EPA Administrator to conduct a study of aircraft noise and the effects of that noise on surrounding communities. The EPA would be required to submit its noise study to Congress within two years with specific recommendations on new measures that can be implemented to mitigate the impact of aircraft noise on surrounding communities.

## **Anticipated Impact/Discussion**

While this bill is not anticipated to have a direct impact on operations at San Diego International Airport (SDIA), the information collected by the study may be useful in helping the community and the Airport Authority assess any environmental and health impacts of air traffic noise and pollution.

**Status:** 8/2/21 – Referred to Subcommittee on Environmental and Climate Change.

**Position:** Watch (10/7/21)

\*Shaded text represents new or updated legislative information

### **Legislation/Topic**

#### **H.R. 5574 (Titus) TSA Reaching Across Nationalities, Societies, and Languages to Advance Traveler Education Act (TRANSLATE Act)**

### **Background/Summary**

This bill directs the Transportation Security Administration (TSA) to develop a plan to ensure that TSA material disseminated in major airports is better understood by people accessing such airports, including by foreign language speakers and people with vision or hearing impairments.

In developing the plan, the TSA must take into consideration data regarding international enplanement and local populations surrounding major airports.

### **Anticipated Impact/Discussion**

The Authority's legislative team will closely monitor the development of this bill language for any impact on San Diego International Airport (SDIA) operations, including concessions, signage, and airline check in and boarding processes.

**Status:** 11/19/21 – This bill is currently in the Senate Committee on Commerce, Science, and Transportation.

**Position:** Watch (1/6/22)

\*Shaded text represents new or updated legislative information

**New Senate Bills**

No new Senate bills to report.

\*Shaded text represents new or updated legislative information

## **Legislation/Topic**

### **S. 303 (Blumenthal) Essential Transportation Employee Safety Act of 2021.**

## **Background/Summary**

This bill would require the Secretary of Transportation to work with the Centers for Disease Control and Prevention (CDC) and the Federal Emergency Management Agency (FEMA) to support the efforts of state and local governments to provide for priority testing of transportation workers. The bill would also implement personal protective equipment and cleaning, disinfection, and sanitization requirements for owners and operators of equipment or facilities used by certain transportation employers, including airports. The bill would also codify the mask mandate Executive Order requiring face mask usage in airports, on airplanes, as well as on other forms of public transportation for the duration of the pandemic.

## **Anticipated Impact/Discussion**

As critical infrastructure to the San Diego Region, airport employees have continuously served travelers throughout the COVID-19 pandemic. This bill would ensure basic health safety measures, such as mask wearing, would continue through the duration of the pandemic.

**Status:** 2/8/21 – Introduced.

**Position:** Watch (3/4/21)

\*Shaded text represents new or updated legislative information

## **Legislation/Topic**

### **S. 479 (Wicker) Lifting Our Communities through Advance Liquidity for Infrastructure (LOCAL Infrastructure) Act**

## **Background/Summary**

States and local governments issue debt as municipal bonds, specifically to fund and support infrastructure and other capital improvement projects. Bonds are usually federally tax-exempt and when interest rates drop, states and local governments oftentimes opt to refinance bonds at a lower rate and therefore allow them to save money. Advance refunding is a mechanism that allows states and local governments to save a substantial amount of capital but was repealed in the 2017 Tax Cuts and Jobs Act.

Specifically, S. 479 amends Section 149(d) of the Tax Code to restore advance funding and make capital available for use by states and local governments. As a result of this legislation, states and local governments would be able to access advance funding and refinance municipal bonds in a way that allows for more favorable rates, similar to refinancing one's mortgage at a lower interest rate. Statistics show that advance refunding has allowed states and local governments to save billions, but the mechanism has not been available to them since January 2018.

## **Anticipated Impact/Discussion**

S. 479 would provide the Airport Authority additional flexibility to refinance existing debt and potentially achieve significant interest savings if an advance refunding is executed due to the ability to refund with tax-exempt rather than taxable debt.

**Status:** 2/25/21 – Introduced.

**Position:** Support (4/1/21)

\*Shaded text represents new or updated legislative information

**Legislation/Topic**

**S. 1715 (Duckworth) Transportation Infrastructure Finance and Innovation Act (TIFIA) for Airports.**

**Background/Summary**

S. 1715 would allow eligible airport-related projects to participate in the TIFIA program which provides credit assistance in the form of direct loans, loan guarantees, and standby lines of credit to projects of national or regional significance.

**Anticipated Impact/Discussion**

In enacted, the Airport Authority could apply for loans through the TIFIA program to pay for certain projects related to the Airport Development Plan (ADP). These loans would significantly decrease the Airport Authority's interest expenses and thus reduce the total cost of the ADP.

**Status:** 5/19/21 – Referred to the Committee on Environment and Public Works.

**Position:** Support (4/1/21)

\*Shaded text represents new or updated legislative information

**Legislation/Topic**

**S. 3662 (Peters) Preventing PFAS Runoff at Airports Act.**

**Background/Summary**

S. 3662 would increase the federal government's cost share of aqueous film forming foam (AFFF) testing equipment to one hundred percent for a specified period. It would also require the Federal Aviation Administration to provide a briefing within eighteen months on how to reimburse airports that purchased testing equipment without federal funding, as well as an estimate on the total cost of reimbursements.

**Anticipated Impact/Discussion**

The Authority's legislative team will closely monitor the development of this bill language for any impact on San Diego International Airport (SDIA) operations, including funding and reimbursement opportunities to cover AFFF testing equipment.

**Status:** 2/16/22 – Introduced.

**Position:** Watch (4/7/21)

\*Shaded text represents new or updated legislative information

## Staff Report

Meeting Date: June 2, 2022

### Subject:

#### Appointment of Public Member to the Audit Committee

#### Recommendation:

Adopt Resolution No. 2022-0047, appointing Carman Vann as a public member to the Audit Committee to commence July 2022 for a three-year term.

#### Background/Justification:

Section 170018 of the Public Utilities Code and Authority Policy 1.50 (5)(c)(ii) describe the Audit Committee, its composition, function, oversight responsibilities, membership, and qualifications for public members.

The Board initially appointed Carmen Vann as a public member of the Audit Committee on February 6, 2020 to serve the remaining term of Andrew Hollingworth which expires June 30, 2022. Carmen D. Vann meets the following criteria, as required by Policy 1.50 - Governance and Committees: **Category IV - a person with experience in managing construction of large-scale public works projects.** The Board Chair recommends that the Board appoint Carmen Vann as a public member to the Audit Committee for a new three (3) year term, commencing in July 2022.

#### Fiscal Impact:

Legislation limits compensation for Board Members to \$200 per day of service, with a maximum of eight (8) days per month. Adequate funds for Board and Committee Member compensation are included in the Authority Board Department adopted FY 2022 and conceptually approved FY 2023 Operating Expense Budgets.



## 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:

No Applicable

### Prepared by:

Tony R. Russell  
Director, Board Services/Authority Clerk

RESOLUTION NO. 2022-0047

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, APPOINTING CARMAN VANN AS A PUBLIC MEMBER TO THE AUDIT COMMITTEE TO COMMENCE JULY 2022 FOR A THREE-YEAR TERM

**WHEREAS**, Section 170018 of the Public Utilities Code and Authority Policy 1.50 (5)(c)(ii) outline the requirements for the appointment of public members to the Audit Committee; and

**WHEREAS**, Carmen Vann was appointed on February 6, 2020 to serve the remaining term of Andrew Hollingworth, which expires June 30 2022; and

**WHEREAS**, Carman Vann's background and experience is consistent with Category IV requirements outlined under Section 170018 of the Public Utilities Code; and

**WHEREAS**, the Board wishes to appoint Carmen Vann as a public member to the Audit Committee for a new three (3) year term, commencing in July 2022.

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby appoints Carmen Vann as a public member to the Audit Committee to commence July 2022 for a three-year (3) term; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a "project" as defined by the California Environmental Quality Act ("CEQA") (California Public Resources Code §21065); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106); and

**BE IT FURTHER RESOLVED** that the Board finds that this 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.

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 2<sup>nd</sup> day of June, 2022, by the following vote:

**AYES:** Board Members:

**NOES:** Board Members:

**ABSENT:** Board Members:

**ATTEST:**

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TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES /  
AUTHORITY CLERK

**APPROVED AS TO FORM:**

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AMY GONZALEZ  
GENERAL COUNSEL

## Staff Report

Meeting Date: June 2, 2022

### Subject:

### Approve Reappointments to the Arts Advisory Committee

#### Recommendation:

Adopt Resolution No. 2022-0048, approving the reappointment of Robert Gleason and Carmen Vann to the Arts Advisory Committee.

#### Background/Justification:

Under Authority Policy 8.50, the Arts Advisory Committee (AAC) is comprised of seven voting members and no more than three ex-officio, non-voting members. Appointments to the AAC are completed as follows:

- Six voting members who are Arts Professionals or Design Professionals
  - At least two of the six members shall be practicing Artists
  - At least one of the six members shall be actively involved in the performing arts
  - At least one of the six shall be active in building design, architecture or operational engineering
  - At least two of the six members shall reside outside of San Diego County
- One voting member who serves as the Board Representative
- Up to three ex-officio, non-voting Authority staff members whose departments work closely with the Airport Arts Program as determined by the President/CEO

The process to appoint members to the AAC is as follows:

- The Chair of the Board shall appoint one Board Representative to serve as a voting member of the AAC
- The President/CEO shall recommend six individuals who are Art and Design Professionals to serve as voting members of the AAC, subject to appointment by the Board
- The President/CEO shall review interested candidates' qualifications and make recommendations to the Board as follows:

- Solicit and review qualifications submitted by AAC, staff and interested professionals in the field of design, visual art, performing arts, and literary arts annually or as needed
- Conduct interviews as needed

Terms of membership are defined as follows:

- Voting members of the AAC shall be recommended by the President/CEO for appointment by the Board for a term of three years, and no member may serve more than two consecutive terms. Should a member serve a partial term less than one-and-a-half years to complete the non-expired term of a prior member, such partial term shall not be included for purposes of the maximum service of two consecutive terms. Partial terms equal to or exceeding one-and-a-half years shall count as a full term. Ex-officio members of the AAC shall be appointed by the President/CEO without a term limit.

## APPOINTMENT OF ROBERT GLEASON AND CARMEN VANN

The President/CEO recommends that Robert Gleason be reappointed to the AAC as one of the six voting members who are Arts and Design Professionals. Mr. Gleason will complete his first term on the Committee in June 2022. This term was partial (July 1, 2021 – June 30, 2022) due to vacancy created by former Committee member Larry Baza's passing. Therefore, Mr. Gleason's reappointment would be from July 2022 – June 2025. Mr. Gleason would be eligible for appointment of up to one additional term following this term, if so approved by the Board at a future date.

The President/CEO recommends that Carmen Vann be reappointed to the AAC as one of the six Arts and Design Professionals, and who is active in building design, architecture or operational engineering. Ms. Vann will complete her first term on the Committee in June 2022.

Robert Gleason is the President and CEO at San Diego-based Evans Hotels and has held numerous leadership roles in organizations related to hospitality, equality, and the arts. These include vice chair of the Old Globe, Chair of the City of San Diego Commission for Arts & Culture, chair of the San Diego County Regional Airport Authority, and a director of the San Diego Convention Center Corporation. In the LGBTQ community, Gleason is the founding supervising attorney for the name and gender-marker change legal clinic at the San Diego LGBT Community Center, founding co-chair of the Patient and Family Advisory Council at Rady Children's Hospital's Center for Gender-Affirming Care, and a founding co-chair of the Harvey Milk Diversity Breakfast. Previously, he was chair of the San Diego LGBT Community Center, chair of the San Diego LGBT Community Leadership Council and vice chair of the LGBTQ Victory Fund. Gleason currently serves on the Airport Arts Advisory Committee as Board Representative.

As Project Executive at Suffolk Construction, Carmen Vann has over 20 years of construction experience. Vann's track record includes the successful management of numerous complex and prolific construction projects with fast track schedules, most notably, leading the construction of the San Diego New Central Library. She recently completed construction on the Sempra Energy Headquarters Project and headed up efforts on one of downtown's newest 36-story residential high rises, Ballpark Village. With her demonstrated leadership skills, she is one of the most accomplished women in construction in the region. Additionally, Vann was with Turner Construction during San Diego International Airport's Green Build.

## Fiscal Impact:

No fiscal impact.

## 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.

# Staff Report

Meeting Date: June 2, 2022

Page 4 of 4

## Application of Inclusionary Policies:

Not applicable.

## Prepared by:

Chris Chalupsky  
Senior Manager, Arts Program

RESOLUTION NO. 2022-0048

A RESOLUTION OF THE BOARD OF THE SAN DIEGO  
COUNTY REGIONAL AIRPORT AUTHORITY,  
APPROVING THE REAPPOINTMENT OF ROBERT  
GLEASON AND CARMEN VANN TO THE ARTS  
ADVISORY COMMITTEE

**WHEREAS**, the operations, procedures and activities of the San Diego County Regional Airport Authority (“Authority”) and its Board’s committees are guided by, among other things, the Authority’s Policies and Codes; and

**WHEREAS**, the Board adopted Policy 8.50, entitled Policy for the Airport Authority Arts Program, which governs the appointment of Arts Advisory Committee (“AAC”) members; and

**WHEREAS**, Authority Policy 8.50 states that the AAC will be comprised of:

- a) Six voting members who are Arts Professionals or Design Professionals
- b) One voting member who serves as the Board Representative
- c) Up to three *ex-officio* non-voting Authority staff members whose departments work closely with the Airport Arts Program, as determined by the President/CEO; and

**WHEREAS**, six voting members shall be arts or design professionals, subject to appointment by the Board; and

**WHEREAS**, several AAC member seats are eligible for reappointment or vacancy and it is in the best in interest of the Authority to fill these seats; and

**WHEREAS**, Robert Gleason qualifies as one of the six arts/design professionals, and who qualifies for a full term; and

**WHEREAS**, Carmen Vann qualifies as one of the six arts/design professionals, and who qualifies for a full term.



**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby approves the reappointment of Robert Gleason and Carmen Vann to serve on the Arts Advisory Committee for the terms indicated on "Attachment A"; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a "project" as defined by the California Environmental Quality Act ("CEQA") (California Public Resources Code §21065); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106); and

**BE IT FURTHER RESOLVED** that the Board finds that this 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.

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 2<sup>nd</sup> day of June, 2022, by the following vote:

**AYES:** Board Members:

**NOES:** Board Members:

**ABSENT:** Board Members:

**ATTEST:**

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TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES /  
AUTHORITY CLERK

**APPROVED AS TO FORM:**

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AMY GONZALEZ  
GENERAL COUNSEL

### Arts Advisory Committee

Current Committee Members      Total length of Term      Beginning of Term      End of Term

Cristina Scorza Arts/Design Professional	3 Years (2 <sup>nd</sup> Term)	July 1 <sup>st</sup> , 2020	June 30, 2023
Jennifer Easton Arts/Design Professional (Outside San Diego County Resident)	3 Years (2 <sup>nd</sup> Term)	July 1 <sup>st</sup> , 2020	June 30, 2023
Ethan van Thillo Arts/Design Professional (Involved in Performing Arts) (Practicing Artist)	3 years (1 <sup>st</sup> Term)	July 1 <sup>st</sup> , 2021	June 30, 2024
Jerome Fontamillas Arts/Design Professional (Outside San Diego County Resident) (Involved in Performing Arts) (Practicing Artist)	3 years (1 <sup>st</sup> Term)	July 1 <sup>st</sup> , 2021	June 30, 2024
Carmen Vann Arts/Design Professional (Active in Building Design & Architecture or Operational Engineering) (Vice-Chair)	3 years (2 <sup>nd</sup> Term)	July 1 <sup>st</sup> , 2022	June 30 <sup>th</sup> , 2025
Robert H. Gleason, Arts/Design Professional (Chair)	3 years (2 <sup>nd</sup> Term)	July 1 <sup>st</sup> , 2022	June 30 <sup>th</sup> , 2025
Johanna Schiavoni Authority Board Representative	At Board Chair's discretion	n/a	n/a
Bob Bolton – Authority Staff (Ex-Officio Member)	At President/CEO's discretion	n/a	n/a
Rick Belliotti – Authority Staff (Ex-Officio Member)	At President/CEO's discretion	n/a	n/a

## Staff Report

Meeting Date: June 2, 2022

### Subject:

**Consideration of Whether to Continue Virtual Meetings for Authority Board and Committee Meetings Pursuant to AB 361**

### Recommendation:

Adopt Resolution No. 2022-0049, finding that it is in the best interest of the Authority and the public it serves to continue to hold virtual public meetings of the Board and its Committees because a declared state of emergency is ongoing and continues to directly impact the ability of the Board and its Committees to meet safely in person

### Background/Justification:

California Government Code §54953(e), added by Assembly Bill 361, allows local agencies to use teleconferencing and to provide the public an opportunity to address local agencies via a call-in option or an internet-based service option, during a proclaimed state of emergency when measures to promote social distancing are in effect or the local agency has determined meeting in person would present imminent risks to the health or safety of attendees. To benefit from AB 361's provisions, a legislative body such as the Authority must make findings that meeting in person would result in imminent risk to the health and safety of attendees. The Authority must reconsider the findings every 30 days to continue conducting its public meetings virtually.

Currently, the Brown Act provides that if a legislative body elects to use teleconferencing, then it must identify each teleconference location in the public notice and agenda and post agendas at all teleconference locations. All teleconference locations must be publicly accessible and there must be an opportunity for public comment at each teleconference location. Additionally, a quorum of the members of the legislative body must participate from locations physically within the jurisdictional boundaries of the agency. (See Government Code §54953(b)(3).)

Governor Newsom issued Executive Orders suspending these requirements during the COVID-19 pandemic to facilitate social distancing measures and the remote work environment. (See Executive Orders N-29-20, Paragraph 3, and N-08-21, Paragraph 42.) These Executive Orders expired on Sept. 30, 2021 and AB 361 replaced them.

The Authority and its standing committees, may elect to use AB 361's teleconferencing procedures where a state of emergency has been formally proclaimed, and if:

1. State or local officials have imposed or recommended measures to promote social distancing at the time the legislative body holds the meeting (Government Code §54953(e)(1)(A); or
2. The legislative body holds a meeting for the first time for the purpose of determining by majority vote whether, as a result of the proclaimed state of emergency, meeting in person would present imminent risks to the health and safety of attendees (Government Code §54953(e)(1)(B)), or
3. The legislative body has determined (per #2 above) that, as a result of the proclaimed state of emergency, meeting in person would continue to present imminent risks to the health or safety of attendees (Government Code § 54953(e)(1)(C)).

AB 361 further imposes on local legislative bodies a duty to make factual findings to justify its election to continue to use AB 361's teleconferencing procedures. (Government Code §54953(e)(3)). Local legislative bodies who wish to consider using AB 361's teleconferencing procedures must make the following factual findings within 30 days after teleconferencing for the first time under the provisions of AB 361 and every 30 days thereafter:

1. The legislative body has reconsidered the circumstances of the state of emergency.
2. Either of the following circumstances exist:
  - a. The state of emergency continues to directly impact the ability of the members to meet safely in person.
  - b. State or local officials continue to impose or recommend measures to promote social distancing.

On May 5, 2022, the Board adopted Resolution No. 2022-0045 finding that it is in the Authority's best interest to hold virtual public meetings of the Board and its standing committees because a declared state of emergency is ongoing and continues to directly impact the ability of the Board and its committees to meet safely in person.

Under AB 361, the Authority has the following options: (1) adopt a resolution making findings that it is in the interest of public health to continue holding virtual public meetings until July 2, 2022; or (2) direct staff to commence holding in-person public meetings beginning June 4, 2022.

The following state materials recommend social distancing:

- the Frequently Asked Questions for Medi-Cal beneficiaries  
<https://www.dhcs.ca.gov/Pages/COVID-19-Vaccines.aspx>,
- the guidance on additional vaccine doses for persons who are immunocompromised  
<https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/ThirdVaccineDoseQandA.aspx>,
- and the FAQ's to Cal-OSHA's ETS  
<https://www.dir.ca.gov/dosh/coronavirus/covid19faqs.html#training>.

On May 3, 2022, the CDC recommended that everyone aged 2 or older properly wear a well-fitting mask over the nose and mouth in indoor public areas of public transportation and transportation hubs. In addition, on May 20<sup>th</sup>, the San Diego County Health and Human Services Agency reported a 40% increase in COVID-19 infections. As a result of the continued State of Emergency and a finding that meeting in person would continue to present imminent risks to the health or safety of attendees, staff recommends that the Board continue to conduct meetings of the Authority Board and its standing committees virtually pursuant to the provisions of AB 361.

## 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:

Amy Gonzalez  
General Counsel

RESOLUTION NO. 2022-0049

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FINDING THAT IT IS IN THE BEST INTEREST OF THE AUTHORITY AND THE PUBLIC IT SERVES TO CONTINUE TO HOLD VIRTUAL PUBLIC MEETINGS OF THE BOARD AND ITS COMMITTEES BECAUSE A DECLARED STATE OF EMERGENCY IS ONGOING AND CONTINUES TO DIRECTLY IMPACT THE ABILITY OF THE BOARD AND ITS COMMITTEES TO MEET SAFELY IN PERSON

**WHEREAS**, California Government Code §54953(e), added by Assembly Bill 361, allows local agencies to use teleconferencing and to provide the public an opportunity to address local agencies via a call-in option or an internet-based service option, during a proclaimed state of emergency when measures to promote social distancing are in effect or the local agency has determined meeting in person would present imminent risks to the health or safety of attendees; and

**WHEREAS**, to benefit from AB 361's provisions, a legislative body such as the Authority must make findings that meeting in person would result in imminent risk to the health and safety of attendees; and

**WHEREAS**, on May 5, 2022, the Board adopted Resolution No. 2022-0045 finding that it is in the Authority's best interest to hold virtual public meetings of the Board and its standing committees because a declared state of emergency is ongoing and continues to directly impact the ability of the Board and its committees to meet safely in person; and

**WHEREAS**, the findings of Resolution No. 2022-045 are incorporated herein; and

**WHEREAS**, the Authority must reconsider the findings every 30 days to continue conducting its public meetings virtually; and



**WHEREAS**, the Authority and its standing committees, may elect to use AB 361's teleconferencing procedures where a state of emergency has been formally proclaimed, and if:

1.State or local officials have imposed or recommended measures to promote social distancing at the time the legislative body holds the meeting (Government Code §54953(e)(1)(A) or

2.The legislative body holds a meeting for the first time for the purpose of determining by majority vote whether, as a result of the proclaimed state of emergency, meeting in person would present imminent risks to the health and safety of attendees (Government Code §54953(e)(1)(B)) or

3.The legislative body has determined that, as a result of the proclaimed state of emergency, meeting in person would continue to present imminent risks to the health or safety of attendees (Government Code § 54953(e)(1)(C)); and

**WHEREAS**, Section 8 of AB 361, emphasizes that AB 361 is intended to protect the interests of those who might not be able to attend in-person meetings and to avoid creating a preference for only those who can attend in-person; and

**WHEREAS**, the CDC recommends: for individuals who are not up to date on COVID-19 vaccinations, stay home and quarantine for at least five full days after their last contact with the person who has COVID-19; for those who are up to date with COVID-19 vaccinations and have been in close contact with an individual who has tested positive for COVID-19, take precautions and not be around people who are more likely to get very sick from COVID-19 for at least ten full days from exposure; and if you test positive for COVID-19 or have symptoms regardless of vaccination status, stay home for 5 days and isolate from others; and

**WHREAS**, on May 20th, the San Diego County Health and Human Services Agency reported a 40% increase in COVID-19 infections; and

**WHEREAS**, the materials cited in the Staff Report accompanying this Resolution recommend social distancing; and

**WHEREAS**, on May 3, 2022, the CDC recommended that everyone aged 2 or older properly wear a well-fitting mask over the nose and mouth in indoor public areas of public transportation and transportation hubs; and

**WHEREAS**, as a result of the continued State of Emergency and, a finding that meeting in person would continue to present imminent risks to the health or safety of attendees, the Board finds it is in the best interest of the Authority to continue to conduct meetings of the Authority Board and its standing committees virtually pursuant to the provisions of AB 361.

**NOW THEREFORE BE IT RESLOVED** that meetings of the Authority Board and its standing committees shall continue to be held virtually pursuant to the provisions of AB 361 because meeting in person would present an imminent risk to the health and safety of attendees; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a “project” as defined by the California Environmental Quality Act (“CEQA”) (California Public Resources Code § 21065); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a “development” as defined by the California Coastal Act (California Public Resources Code § 30106); and

**BE IT FURTHER RESOLVED** that the Board finds that this 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.

**PASSED, ADOPTED AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a Board meeting this 2<sup>nd</sup> day of June 2022 by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

**ATTEST:**

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TONY R. RUSSELL  
DIRECTOR, CORPORATE  
SERVICES/ AUTHORITY CLERK

**APPROVED AS TO FORM:**

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AMY GONZALEZ  
GENERAL COUNSEL

## Staff Report

Meeting Date: June 2, 2022

### Subject:

**Adoption of an Addendum to the Final Environmental Impacts Report for the San Diego International Airport Development Plan for the Temporary Northside Ground Transportation Facilities**

### Recommendation:

Adopt Resolution No. 2022-0050, adopting an Addendum to the Final Environmental Impact Report for the San Diego International Airport Development Plan for the Temporary Northside Ground Transportation Facilities as the lead agency in accordance with the California Environmental Quality Act.

### Background/Justification:

In January 2020, the Airport Authority Board certified the Final Environmental Impact Report (EIR) for the Airport Development Plan (also referred to as the "New Terminal 1"), which identified the facilities needed at the San Diego International Airport (Airport) to meet the San Diego region's air travel demand through 2035 (Resolution #2020-001). The EIR identified the potential direct and indirect environmental effects associated with implementing the Airport Development Plan, as required under the California Environmental Quality Act.

The EIR assumed that ground transportation facility locations would be phased during construction and occur solely on Airport property. Since the EIR's certification, the Airport Authority has identified the need for temporary ground transportation facilities for the existing taxi hold lot and the existing rental car center storage lot during the construction of the new entry road and a reconfigured taxi hold lot. As such, the Airport Authority is proposing to temporarily relocate select ground transportation facilities to the northside of the Airport on 2.9 paved acres to the south of the rental car center and west of the Airport Authority's Facilities Management Department, with vehicle access from Admiral Boland Way.

The temporary ground transportation facilities will include the following functions and components:

- **Taxi Hold Lot:** The taxi hold lot provides a location off regional roadways for taxi drivers to wait before being dispatched to the terminals to pick up passengers. The temporary taxi hold lot improvements will encompass approximately 1.2 acres of paved Airport property that will include the following removable temporary features: site fence, security camera, site lighting, 70 taxi positions, portable restrooms, a breakroom tent, and an Airport operations modular booth. The temporary relocation is anticipated from approximately August 2022 through December 2024.
- **Rental Car Center Shuttle Bus Employee and Storage Lot:** The rental car center shuttle bus employee and storage lot provides a location for shuttle drivers to park at the beginning of their shift and then begin their route after they pick up a bus from the storage lot. The temporary bus employee and storage lot will encompass approximately 1.7 acres of paved Airport property that will include the following removable temporary features: site fence, security camera, site lighting, 25 employee parking positions, two temporary trailers for dispatch office and employee breaks, and 30 RCC shuttle bus parking positions. In addition, limited pavement improvement to the temporary RCC shuttle storage lot consist of application of a thin layer of asphalt atop the existing paved area. The temporary relocation is anticipated to operate from approximately August 2022 through March 2023.

Per State CEQA Guidelines, an Addendum to the Airport Development Plan EIR has been prepared to determine if there are any substantial changes in circumstances or new information indicating that there would be new significant impacts or a substantial increase in the severity of any previously-disclosed significant impacts, which would require major revisions to the previously-certified Final EIR. As such, it has been determined that implementation of the proposed temporary relocation of ground transportation facilities is adequately addressed by the Final EIR, and none of the conditions warranting preparation of a supplemental or subsequent EIR exist.

The Addendum to the Airport Development Plan Final EIR was posted on the San Diego International Airport's website on May 13, 2022 and is accessible at [www.san.org/Airport-Project/Environmental-Affairs](http://www.san.org/Airport-Project/Environmental-Affairs) under the tabs "CEQA + NEPA" and also "ADP Final EIR".

## **Fiscal Impact:**

There is no fiscal impact from the Airport Authority's Board adoption of the Addendum for the Airport Development Plan EIR. Costs associated with temporarily relocating ground transportation facilities to the northside of the Airport are included in the Board's adopted FY22-26 Capital Program.

## 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 involves adopting an Addendum to the Final Environmental Impact Report for the Airport Development Plan (State Clearinghouse #2017011053), in accordance with the California Environmental Quality Act ("CEQA") Cal. Pub. Res. Code §15164.
- B. California Coastal Act Review: This Board action involves a proposed project that is a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106. An application for a coastal development permit will be submitted to the California Coastal Commission for review and consideration, prior to the commencement of any related site preparation or construction activities.
- 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:

Brendan Reed  
Director, Planning & Environmental Affairs

RESOLUTION NO. 2022-0050

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, ADOPTING AN ADDENDUM TO THE ENVIRONMENTAL IMPACT REPORT FOR THE AIRPORT DEVELOPMENT PLAN FOR SAN DIEGO INTERNATIONAL AIRPORT FOR THE TEMPORARY NORTHSIDE GROUND TRANSPORTATION FACILITIES

**WHEREAS**, the Airport Authority certified the Final Environmental Impact Report (EIR) for the Airport Development Plan (now referred to as the “New Terminal 1”) in January 2020, which identified the facilities needed at the San Diego International Airport to meet the San Diego’s region’s air travel demand through 2035 (Resolution #2020-0001); and

**WHEREAS**, the EIR identified the potential direct and indirect environmental effects associated with implementing the Airport Development Plan, as required under the California Environmental Quality Act (CEQA); and

**WHEREAS**, since the EIR’s certification, the Airport Authority has identified the need for the temporary relocation of the existing taxi hold lot and the existing rental car center shuttle employee and storage lot to the northside of the Airport on approximately 2.9 paved acres with access from Admiral Boland Way; and

**WHEREAS**, an Addendum to the Airport Development Plan EIR has been prepared to determine if there are any substantial changes in circumstances or new information indicating that there would be new significant impacts or a substantial increase in the severity of any previously-disclosed significant impacts, which would require major revisions to the previously-certified Final EIR; and

**WHEREAS**, it has been determined that implementation of the temporary relocation of ground transportation to the northside of the Airport during the construction of the Airport Development Plan elements is adequately addressed by the Final EIR, and none of the conditions warranting preparation of a supplemental or subsequent EIR exist.

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby adopts an Addendum to the Environmental Impact Report for the Airport Development Plan for San Diego International Airport for the temporary northside ground transportation facilities; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is in accordance with the California Environmental Quality Act ("CEQA") Cal. Pub. Res. Code §15164; and

**BE IT FURTHER RESOLVED** that the Board finds that this action involves a proposed project that is a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106 and an application for a coastal development permit will be submitted to the California Coastal Commission for review and consideration, prior to the commencement of any related site preparation or construction activities; and

**BE IT FURTHER RESOLVED** that the Board finds that this 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.



**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 2nd day of June, 2022, by the following vote:

**AYES:** Board Members:

**NOES:** Board Members:

**ABSENT:** Board Members:

**ATTEST:**

---

TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES /  
AUTHORITY CLERK

**APPROVED AS TO FORM:**

---

AMY GONZALEZ  
GENERAL COUNSEL

## Staff Report

**Meeting Date: June 2, 2022**

### **Subject:**

**Reject the Claim of Luann Rein**

### **Recommendation:**

Adopt Resolution No. 2022-0051, rejecting the claim of Luann Rein.

### **Background/Justification:**

On April 22, 2022, Luann Rein filed a claim ("Attachment A") with the San Diego County Regional Airport Authority ("Authority"). Specifically, Rein alleges that on February 17, 2022, she was transiting the Transportation Safety Administration ("TSA") checkpoint in Terminal Two at San Diego International Airport when she fell backward while removing her shoes. Rein claims damages in an unknown amount greatly and exponentially exceeding \$10,000 to cover medical treatment, out of pocket expenses, pain, suffering and more.

As described above, Rein alleges that on February 17, 2022, she was transiting the TSA checkpoint in Terminal Two when a TSA officer told her she would have to remove her shoes before going through the scanner after one attempt set off a warning beep. She claims that while unaided by a chair, she tried to remove her shoes standing up which caused her to fall backward, hitting her head, neck and back. She further claims her injuries were exacerbated by a delay in coming to her aid.

Rein's claim should be denied. An investigation into the incident revealed the incident occurred in the Federal TSA checkpoint area where the claimant was receiving direction from TSA officers as she underwent security screening. Video collected of the event shows the claimant holding a stanchion as her husband lifts her legs to remove her shoes. As he lifts her leg to remove the second shoe she tumbles backward. Authority had no notice of a dangerous condition and does not control the area where this occurred. The General Counsel has reviewed the claim and recommends rejection.

### **Fiscal Impact:**

Not applicable.

## 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:

Amy Gonzalez  
General Counsel

Horton Village Law Group,  
APC

16236 San Dieguito Rd., Suite 5-24  
P.O. Box 9181  
Rancho Santa Fe, CA 92067  
Phone: 858.832.8685  
E-Mail: lhorton@hortonvillagelaw.com  
Web: www.hortonvillagelaw.com

April 22, 2022

**Via U.S. Mail:**

Claims

San Diego County Regional Airport Authority  
P.O. Box 82776  
San Diego, CA 92138-2776

Re: *Rein Airport Injury Matter*  
*Our File No. 1053-00001*  
*DOI: February 17, 2022*

Dear Ladies and Gentlemen:

I represent Luann Rein regarding a fall occurring on February 17, 2022 causing a traumatic brain injury, head, back and neck injuries.

Enclosed are the following:

1. Completed and Executed Accident or Damage Claim Form;
2. DVD with airport video footage of incident and aftermath on February 17, 2022;
3. Harbor Police Incident Report dated February 17, 2022;
4. Scripps Emergency Room Treatment Record dated February 17, 2022;
5. Scripps Neurology Treatment Record dated February 24, 2022.

Please contact me to discuss resolution of this matter.

Very truly yours,

s/LVH

LINCOLN V. HORTON, ESQ.



**ACCIDENT OR DAMAGE**

**CLAIM FORM**

Please complete all sections.  
Incomplete submittals will be returned, unprocessed. Use a typewriter or print in ink.

**FOR AUTHORITY USE ONLY**

Document No.: \_\_\_\_\_

Filed: \_\_\_\_\_

1) Claimant Name: Luann Rein	
2) Address to which correspondence regarding this claim should be sent: Lincoln V. Horton, Esq. HORTON VILLAGE LAW GROUP, APC 16236 San Dieguito Road, Suite 5-24 Rancho Santa Fe, CA 92067	
Telephone No.: 858.832.8685 - Attorney Horton	Date: April 4, 2022
3) Date and time of incident: February 17, 2022 at 10:15 a.m.	
4) Location of incident: San Diego International Airport, Terminal 2, Checkpoint 6, Lane 9	
5) Description of incident resulting in claim:  At the time of the incident, Ms. Rein was a 68 year old disabled person who walks with a cane and was to fly with her husband to Denver. When she attempted to go through the x-ray machine at TSA Precheck the machine beeped and she was told by a security person that she would have to take off her shoes and try again. She was not directed to or provided with a chair, and instead had to try to remove her shoes while standing up, causing her to fall and hit her head, neck and back violently. Most of the impact was taken by the back of her head, and she lost consciousness. The back of her head was also bleeding as a result of the impact. There was a delay in coming to her aid by Authority/TSA personnel, exacerbating her injuries. The Authority and TSA were negligent for failing to provide, direct or make available a chair to Ms. Rein. There was a violation of the ADA, Unruh Act and Disabled Persons Act by the Authority and TSA for failing to accommodate/denying access and injuring the disabled Ms. Reins. The Authority also has premises liability as owner of the airport for Ms. Rein's injuries. Ms. Rein's was taken to the hospital by ambulance and continues to receive medical treatment for her injuries including a traumatic brain injury..	
6) Name(s) of the Authority employee(s) causing the injury, damage or loss, if known:  TBD.	
7) Persons having firsthand knowledge of incident:	
Witness (es) Dustin Do, TSA employee, address unknown	Physician(s) Various
Name: Donald Rein, husband	Name: Scripps
Address: 4270 Mt. Davis Avenue San Diego, CA 92117	Address: Various locations including 10666 N. Torrey Pines Road, La Jolla, CA 92037
Phone: 858-832-8685 - Contact through Attorney Horton	Phone: 858-554-9100

Attachment A

8) Describe property damage or personal injury claimed:  Traumatic brain injury, headaches, memory loss, cognitive deficiencies caused by impact, head pain, cuts and bleeding, loss of consciousness, neck and back injuries.
9) Owner and location of damaged property or name/address of person injured:  Luann Rein 4270 Mount Davis Avenue San Diego, CA 92117
10) Detailed list and amount of damages claimed as of date of presentation of claim, including prospective damages. If amount exceeds \$10,000.00, a specific amount need not be included.  Damages for medical treatment, out-of-pocket expenses, pain and suffering, and other damages greatly/exponentially exceed \$10,000.00.

Dated: 04/02/2022      Claimant: Luann M Rein  
(Signature)

**Notice to Claimant:**

Where space is insufficient, please use additional paper and identify information by proper section number.

Mail completed original form to:

OR

Deliver completed original form in person to:

Claims  
San Diego County Regional Airport Authority  
P.O. Box 82776  
San Diego, CA 92138-2776

San Diego County Regional Airport Authority  
Administration Reception Desk  
3225 N. Harbor Drive, 3<sup>rd</sup> Floor  
San Diego, CA 92101

RESOLUTION NO. 2022-0051

A RESOLUTION OF THE BOARD OF THE SAN DIEGO  
COUNTY REGIONAL AIRPORT AUTHORITY,  
REJECTING THE CLAIM OF LUANN REIN

**WHEREAS**, on April 22, 2022, Luann Rein filed a claim with the San Diego County Regional Airport Authority (“Authority”) for a loss she claims was the result of falling and hitting her head while transiting the Transportation Security Agency (“TSA”) checkpoint in Terminal Two at San Diego International Airport; and

**WHEREAS**, at its regular meeting on June 2, 2022, the Board considered the claim filed by Luann Rein and the report submitted to the Board, and found that the claim should be rejected.

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby rejects the claim of Luann Rein; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a “project” as defined by the California Environmental Quality Act (“CEQA”) (California Public Resources Code §21065); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a “development” as defined by the California Coastal Act (California Public Resources Code §30106); and

**BE IT FURTHER RESOLVED** that the Board finds that this 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.

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 2nd day of June, 2022, by the following vote:

**AYES:** Board Members:

**NOES:** Board Members:

**ABSENT:** Board Members:

**ATTEST:**

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TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES /  
AUTHORITY CLERK

**APPROVED AS TO FORM:**

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AMY GONZALEZ  
GENERAL COUNSEL



## Staff Report

**Meeting Date: June 2, 2022**

### **Subject:**

**Reject the Claim of Michael Vislocky**

### **Recommendation:**

Adopt Resolution No. 2022-0052, rejecting the claim of Michael Vislocky.

### **Background/Justification:**

On April 11, 2022, Michael Vislocky filed a claim ("Attachment A") with the San Diego County Regional Airport Authority ("Authority"). Specifically, Vislocky alleges that on March 10, 2022, he was walking to baggage claim when he slipped and fell on water that was on the floor in Terminal Two at San Diego International Airport. Vislocky claims damages in an unknown amount exceeding \$5,250 to cover the cost of pain, suffering and out of pocket medical treatment and ambulance transportation.

As described above, Vislocky alleges that on March 10, 2022, he was walking through Terminal Two to get to baggage claim when he slipped and fell on what he says was water on the floor. He claims that after falling significant pain in his upper thigh and groin area left him unable to get back up on his own. Mr. Vislocky was attended to by paramedics and transported to the hospital for muscle strain.

Vislocky's claim should be denied. An investigation into the incident revealed the Authority had no notice of a dangerous condition. Following the incident a janitorial team cleaned the area. The General Counsel has reviewed the claim and recommends rejection.

### **Fiscal Impact:**

Not applicable.

## 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:

Amy Gonzalez  
General Counsel

SAN DIEGO  
COUNTY  
REGIONAL  
AIRPORT  
AUTHORITY

ACCIDENT OR DAMAGE

CLAIM FORM

Please complete all sections.  
Incomplete submittals will be  
returned, unprocessed. Use a  
typewriter or print in ink.

FOR AUTHORITY USE ONLY

Document No.: \_\_\_\_\_

Filed: \_\_\_\_\_

1) Claimant Name: <u>Michael J Vistocky</u>	
2) Address to which correspondence regarding this claim should be sent: <u>11 Wellesley Knoll Rochester, NY 14624</u>	
Telephone No.: <u>585-261-4674</u>	Date: <u>4/11/22</u>
3) Date and time of incident: <u>3/10/22 8:15 pm</u>	
4) Location of incident: <u>San Diego Airport</u>	
5) Description of incident resulting in claim: <u>I arrived at San Diego airport and was walking to Baggage claim when I slipped on the floor. Turns out there was water on the floor where I slipped and I was unable to get up due to significant pain in my upper thigh, groin area. Medic + police came, took photos and placed hazard sign in the area, mopped up the floor. Medic sent for ambulance and I was taken to Sharp Hospital for evaluation</u>	
6) Name(s) of the Authority employee(s) causing the injury, damage or loss, if known:	
7) Persons having firsthand knowledge of incident:	
Witness (es) <u>D. Segneri, Medic 630</u>	Physician(s):
Name: <u>San Diego Harbor police (airport)</u>	Name: <u>Kirk Burgamy</u>
Address: <u>3380 N. Harbor Drive</u>	Address: <u>7901 Frost St.</u>
<u>San Diego, CA 92101</u>	<u>San Diego, CA 92123</u>
Phone: <u>(619) 686-6272</u>	Phone: <u>(858) 939-3411</u>

ATTACHMENT A

8) Describe property damage or personal injury claimed:
Adductor Muscle Strain
9) Owner and location of damaged property or name/address of person injured:
Michael Vistocky 11 Wellesley Knoll Rochester, NY 14624
10) Detailed list and amount of damages claimed as of date of presentation of claim, including prospective damages. If amount exceeds \$10,000.00, a specific amount need not be included.
Hospital Co-pay - \$250 Ambulance - TBD  Negative impact to our vacation due to pain + suffering + discomfort seenable to do planned events - \$5,000

Dated: 4/14/2022      Claimant: Michael Vistocky  
 (Signature)

**Notice to Claimant:**

Where space is insufficient, please use additional paper and identify information by proper section number.

Mail completed original form to:

OR

Deliver completed original form in person to:

Claims  
 San Diego County Regional Airport Authority  
 P.O. Box 82776  
 San Diego, CA 92138-2776

San Diego County Regional Airport Authority  
 Administration Reception Desk  
 3225 N. Harbor Drive, 3<sup>rd</sup> Floor  
 San Diego, CA 92101

RESOLUTION NO. 2022-0052

A RESOLUTION OF THE BOARD OF THE SAN DIEGO  
COUNTY REGIONAL AIRPORT AUTHORITY,  
REJECTING THE CLAIM OF MICHAEL VISLOCKY

**WHEREAS**, on April 11, 2022, Michael Vislocky filed a claim with the San Diego County Regional Airport Authority (“Authority”) for a loss he claims was the result of slipping and falling as he walked to baggage claim in Terminal Two at San Diego International Airport; and

**WHEREAS**, at its regular meeting on June 2, 2022, the Board considered the claim filed by Michael Vislocky and the report submitted to the Board, and found that the claim should be rejected.

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby rejects the claim of Michael Vislocky; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a “project” as defined by the California Environmental Quality Act (“CEQA”) (California Public Resources Code §21065); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a “development” as defined by the California Coastal Act (California Public Resources Code §30106); and

**BE IT FURTHER RESOLVED** that the Board finds that this 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.

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 2nd day of June, 2022, by the following vote:

**AYES:** Board Members:

**NOES:** Board Members:

**ABSENT:** Board Members:

**ATTEST:**

---

TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES /  
AUTHORITY CLERK

**APPROVED AS TO FORM:**

---

AMY GONZALEZ  
GENERAL COUNSEL

## Staff Report

Meeting Date: June 2, 2022

### Subject:

#### Review Of Authority Policy 4.40 – Debt Issuance and Management

#### Recommendation:

Adopt Resolution No. 2022-0053, approving amendments to Authority Policy 4.40 - Debt Issuance and Management Policy.

#### Background/Justification:

The attached debt policy (Refer Attachment A) was developed in conjunction with the Authority's financial advisors and bond counsel and serves as the foundation of the Authority's debt issuance and management goals and priorities. The stated objectives are:

- Protect the assets and funds entrusted to the Authority;
- Manage and monitor existing debt to optimize financial structure, control costs and ensure compliance with bond financing covenants;
- Oversee the issuance of new debt in order to maintain access to capital markets and other sources of capital financing at a reasonable cost;
- Obtain and maintain the highest possible credit ratings on debt consistent with the overall objectives of the Authority;
- Explore and implement prudent debt structuring ideas when consistent with the debt issuance and management goals described herein;
- Provide the required secondary market disclosure to the rating agencies and investors; and,
- Comply with all federal and state laws and regulations, as well as bond indenture, federal tax and securities law compliance, and reimbursement agreement covenants;

The Vice President/CFO shall be responsible for ensuring the Policy is current and will review the Policy annually, at a minimum.

Current events and the impacts of the COVID-19 pandemic are unprecedented. Target debt affordability indicators for the Authority were established prior to the impacts of the COVID-19 pandemic. Language was included in the Policy updates since the COVID-19 Pandemic to reflect the uncertain impact of the pandemic. The Debt per enplanement target has been suspended since FY 2020 and this year's proposed updates seek to re-establish the debt per enplanement target as enplanements continue a very gradual recovery. Because the gradual recovery of enplanements underscores potential volatility with metrics based on enplanements it is proposed that that Debt per Enplanement target be re-established at a range of between \$300 and \$400. Other language relating to the uncertain impact of the COVID-19 Pandemic on the debt metrics can be updated.

The proposed Policy was also updated to include:

- Clarification that COVID-19 Federal Relief Funds used to pay debt service will be added to net revenues for the purposes of the Debt Service Coverage target.
- Removal of References to LIBOR, as no new LIBOR facilities are being issued, and addition of BSBY (Bloomberg Short Term Bank Yield Index), which is the taxable index utilized in the Bank of America Revolving Credit Agreement.
- Acknowledgement that the Vice President/CFO will evaluate the benefit of using taxable Bonds for advance refunding transactions.
- Removal of \$100 million ceiling of variable rate debt to help facilitate flexibility to the structure to the Authority's debt portfolio. The variable debt maximum limit of 15% of total debt remains in place and is in line with industry standards.
- Other Changes recommended in the Policy are minor clarifications, glossary updates and language corrections.

## **Fiscal Impact:**

There is no fiscal impact as a result of the updates to Policy 4.40 Debt Issuance and Management Policy.



## 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

RESOLUTION NO. 2022-0053

A RESOLUTION OF THE BOARD OF THE SAN DIEGO  
COUNTY REGIONAL AIRPORT AUTHORITY,  
APPROVING AMENDMENTS TO AUTHORITY POLICY  
4.40 – DEBT ISSUANCE AND MANAGEMENT POLICY

**WHEREAS**, San Diego County Regional Airport Authority Policy 4.40 establishes a policy governing the debt issuance and management policies and practices of the San Diego County Regional Airport Authority (“Authority”); and

**WHEREAS**, this policy serves as the guideline for the Authority to ensure prudent management of its debt, having been submitted for review and adoption by the Authority Board in a public meeting; and

**WHEREAS**, Policy 4.40, as amended (Attachment A), has been reviewed and approved by the Authority’s financial advisors and bond counsel.

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby **APPROVES** Authority Policy 4.40, as amended, governing the debt issuance and management policies and practices of the Authority; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a “project” as defined by the California Environmental Quality Act (“CEQA”) (California Public Resources Code §21065); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a “development” as defined by the California Coastal Act (California Public Resources Code §30106); and

**BE IT FURTHER RESOLVED** that the Board finds that this 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.

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 2<sup>nd</sup> day of June 2022, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

**ATTEST:**

---

TONY R. RUSSELL  
DIRECTOR, CORPORATE SERVICES/  
AUTHORITY CLERK

**APPROVED AS TO FORM:**

---

AMY GONZALEZ  
GENERAL COUNSEL

## SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

### POLICIES

- ARTICLE 4 - FINANCE AND ACCOUNTING**  
**PART 4.4 - DEBT**  
**SECTION 4.40 - DEBT ISSUANCE AND MANAGEMENT POLICY**
- 

**PURPOSE:** To establish a policy governing the debt issuance and management policies and practices of the San Diego County Regional Airport Authority (the “**Authority**”).

**POLICY STATEMENT:**

**SECTION I. INTRODUCTION & EXECUTIVE SUMMARY**

This comprehensive Debt Issuance and Management Policy (the “Policy”) contains the policies that govern existing and anticipated debt obligations. In addition, the Policy sets forth certain financial management practices in capital budgeting that will enhance the Authority’s ability to manage its outstanding debt and projected debt issuance. It is expected that the Policy will be updated from time to time to reflect changes in law and market practices.

Debt plays an important role in meeting the financial needs of the Authority since it provides the funding for the Authority to build projects today which will subsequently be repaid from future revenues. While the issuance of debt is frequently an appropriate method of financing capital projects, prudent financial management requires careful monitoring of debt issuance to ensure there is not an excessive reliance on debt and to preserve the Authority’s access to borrowed capital at competitive borrowing rates, while always maintaining sufficient liquidity. The term “debt” is used in this Policy to describe numerous types of financial obligations of the Authority which may include Bonds, Subordinate Obligations, Special Facility Obligations, interim financing programs, and other financings of the Authority.

The Authority’s debt issuance and management objectives are to:

- Manage and monitor existing debt to optimize financial structure, control costs and ensure compliance with bond financing covenants;
- Oversee the issuance of new debt in order to maintain access to capital markets and other sources of capital financing at a reasonable cost;
- Obtain and maintain the highest possible credit ratings on debt consistent with the overall objectives of the Authority;
- Explore and implement prudent debt structuring ideas when consistent with the debt issuance and management goals described herein;

#### POLICY SECTION NO. 4.40

- Provide the required secondary market disclosure to the rating agencies and investors;
- Comply with all federal and state laws and regulations, as well as bond indenture, federal tax and securities law post-issuance compliance, reimbursement and revolving credit agreement covenants; and
- Protect the assets and funds entrusted to the Authority.

#### **SECTION II. ROLES AND RESPONSIBILITIES**

The roles and responsibilities of key parties in administering, monitoring, and ensuring on-going compliance with this Policy include:

- 1) Board: The Authority is governed by an appointed board of nine members who represent all areas of San Diego County and three *ex-officio* members. The Board approves all bond issuances as well as the policies and guidelines pursuant to which debt is incurred and issued.
- 2) President/CEO and Vice President/CFO: The Vice President/CFO, under the direction of the President/CEO, is (i) responsible for developing, evaluating, implementing and monitoring the financing plan and debt strategies for the Authority in compliance with this policy, subject to Board approvals; (ii) in charge of federal tax and securities law post-issuance compliance with respect to all debt obligations; (iii) responsible for implementing and ensuring compliance with internal control procedures to ensure proceeds of the Authority's debt obligations are directed to the intended use; and (iv) responsible for timely submitting to the California Debt and Investment Advisory Commission any annual debt report required under California Government Code Section 8855(k). As of the date of this Policy, an annual report must be submitted no later than seven (7) months after the end of the immediately preceding "reporting period". A "reporting period" starts on July 1 and ends on June 30.
- 3) Registered Municipal Advisor: The Authority has chosen to deliver a Notice of Representation by Registered Municipal Advisor pursuant to SEC Rule 17 CFR Section 240.15Bal – 1(d)(3)(vi)(B) dated August 27, 2014 to notify investment banking firms that the Authority has retained a Financial Advisor and, among other things, will rely on advice of the Financial Advisor for recommendations on the issuance of municipal securities provided by investment banking firms. The Authority may amend or modify this notice from time to time.
- 4) Financial Professionals: All financial professionals performing services for the Authority's debt programs, such as its Financial Advisor, Bond Counsel, Disclosure Counsel, investment advisor and Underwriters, must comply with the policies and procedures set forth herein.

## POLICY SECTION NO. 4.40

### SECTION III. CAPITAL IMPROVEMENTS AND FINANCIAL PLANNING

The Authority maintains a financing plan and model which projects the available sources and uses of funds and verifies the Authority's financial ability to deliver current and planned programs and services. The impact of the funding sources, particularly debt, on future commitments is a relevant consideration of this Policy. The financing plan is based on a set of assumptions developed through detailed collection and analysis of historical and forecasted data concerning revenues and expenses, economic forecasts and trend projections.

The main sources of revenues include airline rates and charges, parking and concession revenues, and lease revenues. Additionally, Passenger Facility Charges (PFCs), Customer Facility Charges (CFCs), and federal grants-in-aid are included as a funding source for certain eligible projects.

The Authority's annual operating budget will ensure that sufficient resources are provided from current revenues to: 1) finance the current fiscal year's requirements for ongoing operating and maintenance needs; 2) provide reserves for periodic replacement and renewal; 3) fund the annual requirements of the maintenance, operating and other reserves; and 4) meet any debt service coverage requirements.

Both the capital plan and the financing plan shall be updated periodically as part of the budget process. It is the goal of the Authority to adopt its capital plan on a rolling five-year forward basis. Both plans will comply with the Policy, paying particular attention to all relevant target debt affordability indicators.

### SECTION IV. DEBT TARGETS

The President/CEO and the Vice President/CFO will recommend to the Board the amount, term and type of debt needed to meet the Authority's short-term and long-term financing requirements. In such determinations, issues of debt capacity, amortization period and impact on rates and charges will be considered, guided by the use of target debt capacity indicators for measuring the affordability of additional borrowing.

The following are the target debt affordability indicators for the Authority established prior to the unprecedented impacts of the COVID-19 virus and related economic downturn on the worldwide aviation industry in general, as well as the Authority. While the Authority regularly reviews and re-evaluates certain targets from time to time, particularly as the long-term master plan requirements are defined, ~~it is unclear at this time~~ the impacts of the COVID-19 related downturn on long-term demand for air travel and future traffic levels at the Airport is still evolving. As in FY 2020, ~~for FY 2021 and through~~ FY 2022, the main debt policy target for the Authority will be compliance with its rate covenants for its outstanding bonds in FY 2023 and beyond. The gradual recovery underscores potential volatility with metrics based on enplanements, but a new Debt per Enplanement target, which was suspended in FY 2020, FY 2021 and FY 2022, can now be re-established. ~~Given the unprecedented declines in passenger traffic in — FY 2021 which is expected to continue in FY 2022, enplanement-based targets will be suspended as the Authority focuses to meet rate covenants, optimize its liquidity and maintain reasonable rates and charges.~~

- 1) Rate Covenants

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The Authority has covenanted in the Master Indenture to comply with the senior lien Rate Covenant, as summarized below:

**Bonds** – The Authority will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System so that Net Revenues, which are generally defined as Revenues less Operation and Maintenance Expenses for a given period, in each Fiscal Year will be at least equal to 125% of the Aggregate Annual Debt Service for all Bonds.

“Bonds” are generally defined by the Master Indenture to mean any debt obligation of the Authority including bonds, notes, bond anticipation notes, commercial paper notes and other instruments creating an indebtedness of the Authority, and obligations incurred through lease or installment purchase agreements, other agreements, certificates of participation, and bank repayment obligations. The term “Bonds” does not include Subordinate Obligations (which is defined hereinafter).

The Authority has covenanted in the Master Subordinate Indenture to comply with the subordinate lien Rate Covenant, as summarized below:

**Subordinate Obligations** – The Authority will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System so that Subordinate Net Revenues (which are generally defined as Revenues less Operation and Maintenance Expenses less senior lien Bond debt service and reserve funding requirement for a given period) in each Fiscal Year will be at least equal to 110% of the Aggregate Annual Debt Service for all Subordinate Obligations for such Fiscal Year (excluding the principal amount of Commercial Paper reissued during the Fiscal Year).

“Subordinate Obligations” shall mean any debt obligation of the Authority issued under the Master Subordinate Indenture and are generally defined to mean a subordinate lien debt obligation including bonds, notes, bond anticipation notes, commercial paper notes and other instruments creating an indebtedness of the Authority, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and bank repayment obligations.

2) Additional Bonds Test and Additional Subordinate Obligations Test

In order to issue additional parity debt under the Master Indenture, the Authority must comply with one of the two prongs of the Additional Bonds Test, as summarized below:

(A) The Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds were at least equal to 125% of the sum of the Maximum Aggregate Annual Debt Service due and payable with respect to all Outstanding Bonds and the proposed Bonds to be issued for such applicable period; or

(B) Obtain a certificate prepared by a consultant showing that the forecasted Net Revenues are expected to be at least 125% of the Aggregate Annual Debt Service

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due and payable with respect to all Outstanding Bonds and the proposed Bonds to be issued for each year of the forecast period.

In order to issue additional parity debt under the Master Subordinate Indenture, the Authority must comply with one of the two prongs of the Additional Subordinate Obligations Test, as summarized below:

(~~CA~~) The Subordinate Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Subordinate Obligations were at least equal to 110% of the sum of the Maximum Aggregate Annual Debt Service due and payable with respect to all Outstanding Subordinate Obligations and the proposed Subordinate Obligations to be issued for such applicable period; or

(~~DB~~) Obtain a certificate prepared by a consultant showing that the forecasted Subordinate Net Revenues are expected to be at least 110% of the Aggregate Annual Debt Service due and payable with respect to all Outstanding Subordinate Obligations and the proposed Subordinate Obligations to be issued for each year of the forecast period.

#### 3) Annual Debt Service Coverage Target

The Authority has established a debt service coverage target for its Bonds and Subordinate Obligations (in aggregate) in order to maintain adequate financial margins to accommodate unexpected events given the volatile nature of the aviation industry, preserve financial capacity for future funding needs, and maintain strong credit ratings.

The minimum Debt Service Coverage target for Aggregate Debt Service is:

- o 1.40x, where PFCs ~~used to pay debt service and the federal Interest Subsidy COVID-19 Federal Relief Funds used to pay debt service~~, if any, are added to Net Revenues (rather than deducted from Debt Service) with the sum divided by Aggregate Annual Debt Service for Bonds and Subordinate Obligations and Other Debt Service

This debt service coverage target will be reviewed at least annually by the Authority and its Financial Advisor to determine appropriate adjustments that may be necessary.

The impacts of the COVID-19 virus and resulting economic repercussions ~~will have~~ materially impacted ~~ed~~ passenger traffic ~~forecasts~~ levels. It is, therefore, anticipated that during Fiscal Year ~~2021 and~~ 2022 the Authority will utilize available ~~CARES Act, CRRSA Act and ARP Act grants~~ Federal Relief Funds to pay portions of Debt Service and eligible operating expenses, as in Fiscal Years ~~2020 and~~ 2021.

#### 4) Airline Costs Per Enplaned Passenger Target

The Authority will compare its airline costs per enplaned passenger (“CPE”) with available sources of data, including the rating agencies’ median reports and a selected peer group of airports. Due to the different ways that airports set airline rates and charges, it is recognized that comparisons between airports can be misleading.



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The Authority will regularly review and monitor CPE and seek to maintain a competitive rate as the New T1 program is advanced and passenger traffic stabilizes.

~~The impacts of the COVID-19 virus and resulting economic repercussions may materially impact long-term passenger traffic forecasts. If this occurs, the lower level of enplanements may require adjustments for future CPE levels compared to historical medians.~~

### 5) Debt Per Enplaned Passenger – Target (excluding Special Facility Financing)

The Authority ~~will monitor the amount of long-term debt it has outstanding. One common metric of leverage for airports is Debt per Enplanement. This metric, like CPE, is impacted by the effects of the COVID-19 pandemic on near and long-term passenger traffic demand which continues to evolve and has increased some uncertainty in certain traffic segments. However, at this time, the Airport Authority is re-establishing a Debt per Enplanement target range of \$300 to \$400 -as it advances its funding of the New Terminal 1 program. WeThe Airport Authority is are still early in the New T1 programprogram weand, therefore, expect to refine return-this target when we havethere is moregreater certainty on cost and funding sourceshad established a debt (excluding special facility financing) per enplaned passenger goal of no more than \$150 prior to the COVID-19 pandemic and prior to the potential implementation of the New T1. This target was suspended in FY 2020. As passenger traffic recovers and stabilizes, a new target for debt per enplaned passenger will be established.~~

The ~~Airport Authority will regularly review and monitor the Debt per Enplanement target will be established with reference to~~using available sources of data, including the rating agencies' median reports and a selected peer group of airports. Due to the different ways that airports finance their capital facilities, this measure is only one indicator of debt affordability.

### 6) Liquidity Target

Recognizing the inherently volatile nature of the aviation industry, the Authority will maintain prudent unrestricted reserves as a backstop to be able to fund its obligations if unforeseen events occur. The level of unrestricted reserves will be evaluated at least annually, as part of the Authority's budgeting and capital planning process.

The Authority's unrestricted reserves target (defined as the sum of unrestricted cash and investments, unrestricted cash designated for capital projects, unrestricted long-term investments, the O&M Reserve, and O&M Subaccount Reserve and the Renewal and Replacement Reserve) shall be at least 600 days of budgeted operating and maintenance expenses for the current fiscal year.

~~The impacts of the COVID-19 virus and resulting economic repercussions may materially impact rating agency and investor perceptions of the volatility of airport revenue bond credits. If this occurs, the Authority may need to increase liquidity targets compared to historical medians.~~

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7) Credit Ratings Target

The Authority will seek to obtain the highest possible credit ratings on its debt, consistent with meeting the operational and long-term development needs of the Airport. The Authority will maintain ratings from at least two of the leading rating agencies for its Senior Lien Airport Revenue Bonds and seek to maintain a rating at least in the A1/ A+ category.

**SECTION V. TYPES OF FINANCING – DESCRIPTION AND APPROACH**

1) Bonds and Subordinate Obligations of the Authority

In general, issuing senior lien debt under the Authority’s Master Indenture will achieve the lowest borrowing costs compared to other forms of borrowing. Under the Master Indenture, senior lien debt is defined as “Bonds”. Under the Master Subordinate Indenture, subordinate lien debt is defined as “Subordinate Obligations”.

Proceeds of the Authority’s Bonds and Subordinate Obligations may be used for any legally permitted purposes.

Bonds issued for the Airport are limited obligations of the Authority payable solely from and secured by a pledge of Net Revenues generated by the Airport. Subordinate Obligations issued for the Airport are limited obligations of the Authority payable solely from and secured by a pledge of Subordinate Net Revenues generated by the Airport.

Revenues generally include all revenues, income, receipts, and money derived from the ownership and operation of the Airport and all gifts, grants, reimbursements, or payments received from governmental units or public agencies, which are not restricted by law or the payor to application for a particular purpose other than payment of bonds. Among other things, Revenues specifically exclude:

- (A) Passenger Facility Charges (PFCs)
- (B) Released Revenues, which are an identifiable portion of Revenues that have been excluded from Revenues after meeting certain requirements defined in the Master Indenture
- (C) State and/or federal grants (which would include CARES Act, CRRSA Act and ARP Act Grants)
- (D) Rental car Customer Facility Charges (CFCs)

2) PFC-Supported Bonds and Subordinate Obligations

The Authority leverages PFCs to support investment in Airport infrastructure and facilities. In order to do this, the Authority may make an irrevocable pledge of PFCs to pay eligible debt service for purposes of compliance with the Additional Bonds Test. The Authority may also deposit additional PFC amounts each year to the debt service fund to pay debt service on Bonds and Subordinate Obligations that financed PFC eligible projects.

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The Authority will not include PFCs in estimates of future revenues pledged to support Annual Debt Service unless approval for their imposition has been obtained or is expected to be obtained from the FAA.

3) Special Facility Financings

Special Facilities Obligations may be issued by the Authority to finance capital projects and must be secured by a defined revenue stream derived from or relating to discrete facilities such as cargo terminals or maintenance facilities. Such facilities may be leased to one or more tenants.

The Authority may designate facilities at the Airport as Special Facilities and the revenues therefrom as Special Facilities Revenue if such facilities or revenues meet the following tests from the Master Indenture:

(A) The estimated Special Facilities Revenue pledged to the payment of Special Facilities Obligations relating to the Special Facility will be at least sufficient to pay the principal of and interest on such Special Facility Obligations as and when the same become due and payable, all costs of operating and maintaining such Special Facility not paid for by the operator thereof or by a party other than the Authority and all sinking fund, reserve or other payments required by the resolution authorizing the Special Facility Obligations as the same become due; and

(B) With respect to the designation of any separately identifiable existing Airport Facilities or Airport Facility as a "Special Facility" or "Special Facilities," the estimated Net Revenues, calculated without including the new Special Facilities Revenue and without including any operation and maintenance expenses of the Special Facility as Operation and Maintenance Expenses of the Airport System, will be sufficient so that the Authority will be in compliance with the Rate Covenant; and

(C) No Event of Default then exists under the Indenture.

If a facility meets these tests, the Special Facilities Revenues will not be Revenues for the period during which any Special Facilities Obligations are outstanding.

Special Facilities Obligations are limited obligations of the Authority to be repaid solely by Special Facilities Revenues derived from or relating to a discrete facility and are not secured by a lien on Revenues or PFC Revenues. Bonds and Subordinate Obligations are not secured by Special Facilities Revenues.

Special Facilities Obligations may be used in lieu of issuance of Bonds or Subordinate Obligations for financing of discrete airport facilities or airport projects that have an independent revenue stream.

The Authority may permit tenants to undertake Special Facilities Obligations under the following specified terms and conditions:

(A) The financing must comply with the Master Indenture limitations on this type of financing;

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(B) A pledge of leasehold mortgage or security interest in the underlying asset may be granted to the trustee or Bondholders in certain circumstances, taking into account any value the Airport receives from the tenant in return;

(C) Terms of bonds will be consistent with the standard terms and the provisions of the Airport's leasing policies;

(D) The Airport will not enhance the creditworthiness of Special Facilities Obligations (for example, through the granting of a re-letting provision), unless the Authority determines it is in the best interests of the Airport, taking into account any value the Airport receives from the tenant in return;

(E) The Special Facilities Obligations are amortized over a period that does not exceed the lesser of: (a) 40 years; or (b) the useful life of the facility (80% of the useful life of the facility for projects that are considered to be "private activities" under federal tax regulations, if tax-exempt financing is used). "Bullet" maturities may be considered if they do not exceed the lesser of: (a) the useful life of the facility; or (b) 25 years, and are amortized on a straight line basis for purposes of calculating amortized cost (see below);

(F) The Authority reserves the right to acquire the facility at its amortized cost and the right to require notices exercising early call redemption provisions for the Special Facilities Obligations;

(G) Any refinancing of assets financed with Special Facilities Obligations will not be permitted without the consent of the Board;

(H) The tenant will reimburse the Authority for all of its costs associated with the Special Facilities Obligations;

(I) The Authority may assess an annual fee for Special Facilities Obligations;

(J) Bond Counsel(s) for the Authority will review all Disclosure documents and prepare the financing documents;

(K) The tenant will satisfy Continuing Disclosure and arbitrage rebate requirements and will provide the Authority with indemnities covering any exposure the Authority may have arising from the financing;

(L) The proposed facility must be compatible with Airport System land and capital use plans; and

(M) The Authority may establish minimum threshold Credit Ratings for airlines and other parties wishing to participate in Special Facilities Obligation financed projects. These threshold Credit Ratings will be reviewed by the Authority from time to time.

4) Bond Anticipation Notes ("BANs") and Grant Anticipation Notes ("GANs")

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Bond Anticipation Notes (“BANs”) are short-term debt instruments that will be repaid with proceeds of an upcoming bond issue.

Grant Anticipation Notes (“GANs”) are short-term instruments that will be repaid from expected future federal AIP and TSA grants or other federal or State grants accepted by the Authority. The FAA and TSA may issue Letters of Intent (“LOI”) to the Authority indicating their intent, although not their commitment, to fund “long term, high priority capacity projects” on a multi-year basis as appropriations become available. Once an LOI is in hand, notes may be issued that are secured by the grants anticipated to be received from the FAA and/or TSA. However, there typically must be an ancillary source of repayment for the notes in the event grant funding is ultimately not received.

The Authority may use BANs proceeds to finance projects that would be otherwise financed by an upcoming bond issue. The Authority may use GANs proceeds to finance projects permitted by the grants anticipated to be received by the Authority.

Notes may be considered Balloon Indebtedness under the Master Indenture, which specifies that, for purposes of calculating the Aggregate Annual Debt Service of Balloon Indebtedness, such Bonds shall be assumed to be amortized in substantially equal annual amounts for principal and interest over a period of 30 years at an interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, or if that index is no longer published, another similar index selected by the Authority. If the Authority fails to select a replacement index, the rate shall be the rate determined by a consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Master Indenture. Issuance of BANs and GANs should not occur in amounts or result in amortization that would result in the failure by the Authority of its ability to satisfy its rate covenants and the debt coverage goals contained in this Policy.

##### 5) Capital Appreciation Bonds and Zero Coupon Bonds

The Authority will not issue capital appreciation bonds or zero coupon bonds unless the Authority has determined, quantified and demonstrated that there is a significant benefit over traditional structures.

In the event that the Authority issues capital appreciations bonds or zero coupon bonds, proceeds of such bonds may be used for any legally permitted purposes.

##### 6) Commercial Paper

Commercial Paper is a short-term obligation with maturities ranging from 1 to 270 days. The payment when due of principal and interest on each series of the Notes also is secured by separate irrevocable, direct-pay letters of credit.

The Authority may refinance, refund or purchase outstanding Commercial Paper by issuing new Commercial Paper, by issuing Bonds, or by using available Authority funds.

For purposes of calculating Aggregate Annual Debt Service for a Commercial Paper Program, the principal and interest shall be calculated as if the entire Authorized Amount of such Commercial Paper Program were to be amortized over a term of 35 years commencing in the year in which such Commercial Paper Program is implemented and with substantially level Annual Debt Service payments.

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The interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Authority, or if the Authority fails to select a replacement index, that rate determined by a consultant to be a reasonable market rate for fixed rate Subordinate Obligations of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes.

Any outstanding Commercial Paper anticipated to be paid off and not reissued within the current fiscal year shall be excluded from any calculations of variable rate exposure for internal debt management purposes.

The Authority may issue Commercial Paper as sources of interim financing for capital projects. Before issuing such Commercial Paper notes, the take out of such Commercial Paper must be anticipated in the financing plan and determined to be feasible and advantageous by the Authority.

#### 7) Floating Rate Notes and Revolving Credit Facilities

Floating Rate Notes (FRNs), including Revolving Credit Facilities, are notes that have a variable coupon, equal to a money market reference rate, such as SIFMA (Securities Industry and Financial Markets Association) or BSBY (Bloomberg Short Term Bank Yield Index) ~~LIBOR<sup>+</sup> (the London Interbank Offered Rate)~~ or SOFR (Secured Overnight Financing Rate), ~~when effective~~, or such other industry benchmarks, plus a spread. The spread is a rate that remains constant. At the beginning of each coupon period, the coupon is calculated by taking the fixing of the reference rate for that day and adding the spread. Because the coupon resets based on a short-term index, the issuer is exposed to rising interest rates unless it has swapped the debt to a fixed rate. However, unlike variable rate demand obligations or Commercial Paper, FRNs are not supported by a bank liquidity facility, and therefore do not pose short-range liquidity/refinancing risk to the issuer.

The Authority may issue FRNs as a source of interim financing for capital projects. Before issuing such FRNs, the take out of such notes must be anticipated in the financing plan and determined to be feasible and advantageous by the Authority.

#### 8) Equipment Leases

Equipment leases are basically loans pursuant to which the lender buys and owns certain equipment (e.g., jet bridges, baggage systems, flight and baggage information display systems) and then "rents" it to the Authority at a flat monthly rate for a specified number of months. At the end of the lease, the Authority may purchase the equipment for its fair market value (or a fixed or predetermined amount), continue leasing, lease new equipment or return the equipment. The Authority may explore equipment leases as

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<sup>+</sup> LIBOR (1-month US and 3-month US) will cease to be published after June 30, 2023. Federal regulators have stated that no new financial contracts should utilize LIBOR after December 31, 2021 and any contracts prior to that date should include transition language.

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a financing vehicle and alternative to debt if the terms and conditions of the lease (including the interest rate charged) are more favorable.

9) Installment Payment Agreement

The Authority may also finance certain facilities, including equipment, under an agreement with a third-party whereby the third-party funds the investment in the facility and the Authority agrees to pay the third party as rental/payment for the use and occupancy of the facility specific installment payments.

The installment payments would be made from the Authority's available funds after payment of all Operation and Maintenance Expenses, all funds necessary to pay debt service on and to fund the reserves for the Authority's Outstanding Senior and Subordinate Debt Obligations and amounts necessary to fund the Authority's Operation and Maintenance Reserve Subaccount and Renewal and Replacement Subaccount in accordance with the Master Trust Indenture.

10) Direct Loans

The Authority may also enter into a direct loan with a financial institution or other lending entity to meet certain of its financing needs. A direct loan is made directly with a financial institution or other lending entity and may be a fixed or variable product. The Authority may use direct loans as interim or permanent financing for capital projects or to refinance outstanding debt.

#### SECTION VI. FEATURES OF LONG-TERM DEBT

The Vice President/CFO will recommend to the Board the structure and term of long-term debt according to the general policies described below.

1) Selection of Final Maturity and Amortization of Principal

The final maturity of borrowings should not exceed, and preferably be less than, the projected economic life of the improvements that are financed or such shorter period as required by federal tax law, if tax-exempt debt has been used.

2) Use of Capitalized Interest

The Vice President/CFO will evaluate whether or not to capitalize the early years' interest cost in a bond issue by taking into account the impact this action would have on the size of the bond issue, future Annual Debt Service requirements, accounting treatments and budgetary impacts.

3) Tax Status

The Vice President/CFO will evaluate whether or not to issue taxable bonds in lieu of bonds that are subject to the Alternative Minimum Tax (AMT) for certain maturities for private activity financing needs. In some market conditions, the cost for taxable debt may be less than the cost for AMT bonds for certain maturities. The Vice President/CFO will also evaluate the benefit of using taxable bonds for advance refunding transactions.

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### 4) Sizing of Debt Service Reserve Funds

Except in limited circumstances, the Master Indenture and the Master Subordinate Indenture require either the funding of a common Debt Service Reserve Fund in an amount sufficient to satisfy the reserve requirement for all existing and proposed Bonds or Subordinate Obligations under the respective master indenture participating in such master reserve fund, or the funding of a Debt Service Reserve Fund in an amount sufficient to satisfy the reserve requirement for only the proposed issue. With each issuance of Bonds or Subordinate Obligations, the Vice President/CFO will compare the costs of funding required increases to the reserve requirement from bond proceeds with the costs of satisfying the reserve requirement through the use of a reserve fund surety. The potential effect on credit ratings will also be considered when comparing reserve requirement funding alternatives.

### 5) Selection of Redemption Provisions

Redemption provisions will be established on a case-by-case basis, taking into consideration market conditions and the results of a call option analysis prior to the time of sale.

The issuance of non-callable Bonds or Subordinate Obligations should be considered only in special circumstances based upon the specific transaction. Because the issuance of non-callable debt may restrict future financial flexibility, cost will not be the sole determinant in the decision to issue non-callable bonds. The preference of the Authority is to issue debt with standard redemption provisions.

### 6) Use of Discount Bonds

Prior to issuing Bonds or Subordinate Obligations at a dollar price less than 97.0% of par, the Vice President/CFO will request from the Financial Advisor an analysis of the reduced option value resulting from the assignment of a lower interest coupon. The Authority will consider issuing the discount debt, where permissible under tax law, if the present value debt service savings provided by the lower interest coupon is greater than the reduction in call option value. Other benefits such as the participation of new investors will be an additional consideration.

### 7) Use of Premium Bonds

Prior to issuing Bonds at a dollar price greater than par, the Vice President/CFO will request from the Authority's Financial Advisor a brief cost/benefit analysis of the interest saved using premium debt versus other possible pricing structures.

### 8) Minimum Criteria for Debt Financing Equipment Items

The Authority will not issue long-term debt to finance individual items of equipment with a useful life less than five (5) years, except under a master lease program.

## SECTION VII. REFUNDING OPPORTUNITIES



**POLICY SECTION NO. 4.40**

The Vice President/CFO and the Authority’s Financial Advisor will monitor refunding opportunities for all outstanding debt obligations on a periodic basis applying established criteria in determining when to issue refunding bonds for debt service savings.

The refunding criteria will include a comparison of expected present value savings with the option value of the existing callable bonds. Generally, the Authority will pursue refunding opportunities if the expected net present value savings provide sufficient compensation for the exercise of the optional redemption provision. Recommendations as to the sufficiency of the net present value savings will be provided by the Authority’s Financial Advisor.

Under current Internal Revenue Code provisions, only a current refunding of tax-exempt bonds is permitted using the proceeds of tax-exempt bonds. A current refunding requires issuing refunding bonds no earlier than ninety (90) days prior to the bond’s optional redemption date. An Advance Refunding of tax-exempt bonds is permitted using the proceeds of taxable bonds.

Given the limitations on refunding outstanding tax-exempt bonds, careful attention will be given to pricing considerations and the impact early optional redemption provisions have on pricing.

The following considerations apply when the Authority considers refunding opportunities:

1) Monitor Potential Savings:

The Vice President/CFO with the assistance of the Authority’s Financial Advisor, will monitor on an ongoing basis potential savings available by refinancing outstanding debt of the Authority. Savings will be analyzed on a present value basis by using a percentage of the refunded par amount. All costs and benefits of the refinancing will be taken into account.

2) Target Savings Amounts:

A present value analysis must be prepared to identify the economic effect of any proposed refunding. To proceed with a refinancing for economic savings, the Authority will evaluate the net present value savings as a percentage of the refunded par amount relative to the time to the first call date of the bonds and the maturity date of the bonds, using the following minimum guidelines:

<i>Years from the date of first call to Maturity Date of the Bonds</i>	<i>Years to the first Call Date</i>		
	<i>After the First Call Date to Up to 90 Days Before</i>	<i>90 Days to 3 Years Before the First Call Date</i>	<i>More than 3 Years Before the First Call Date</i>
0-5 Years	0.5%	1.0%	2.0%
6-10 Years	1.0%	2.5%	4.0%
11-20 Years	3.0%	4.0%	5.0%

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For advance refunding or current refunding utilizing forward delivery bonds, the Authority will also evaluate the efficiency of the refunding opportunity as well as the breakeven analyses of the opportunity relative to a hypothetical current refunding.

3) Other Considerations:

Some refundings may be executed for other than economic purposes, such as to restructure debt, to change the type of debt instrument, or to retire a bond issue and indenture for more desirable covenants. In addition, if the benefits outweigh the costs and the refunding opportunity would otherwise be lost, the Authority may proceed with a refunding that has economic benefit but does not meet the criteria stated above in the “Target Savings Amount” paragraph above.

4) Non-Traditional Refundings:

Refundings executed with non-traditional structures such as swaps, require a full analysis of the benefits and risks, and may require higher economic benefits.

#### SECTION VIII. ISSUANCE OF VARIABLE RATE DEBT

Variable Rate Debt typically is issued for a term of up to 30 years, although the interest rate on this debt instrument is reset daily, weekly, monthly or less commonly, periodically.

The Authority recognizes that variable rate securities are a useful debt management tool that traditionally has had lower interest rate costs than fixed rate debt. The Authority’s current goal is to maintain a debt program which may include both fixed and variable rate debt, as well as Commercial Paper, FRNs and Revolving Credit Facilities.

1) Purposes of Variable Rate Debt

The Vice President/CFO may recommend that variable rate securities be issued for the following purposes:

(A) Interim Financing Tool

The Authority may consider issuing Variable Rate Debt in connection with its major debt-financed capital projects, especially when interest rates associated with a fixed rate, long term borrowing far exceed the interest rates that can be earned on the construction and capitalized interest funds (resulting in a significant amount of negative arbitrage). Because Variable Rate Debt can be retired or redeemed without penalty, these instruments may better suit circumstances where a refunding or restructuring of a potential debt issue is likely for any reason, (for example, if a change in use of the facility to be funded may reasonably be anticipated, or if grant or another source of funds may be obtained to substitute for bond funding).

Certain variable rate products most notably, Commercial Paper and Revolving Credit Facilities can be issued incrementally as funds are needed to finance current construction, and can reduce the long-term cost of construction financing.

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(B) Statement of Net Position Management Tool

The maintenance of Variable Rate Indebtedness, Commercial Paper, FRNs and Revolving Credit Facilities liabilities at a level that takes into consideration the amount of short-term assets maintained by the Authority prudently reduces the Authority's risk of exposure to changes in interest rates. Since the Authority invests its free cash balances in short term instruments, it is exposed to interest rate fluctuations at the short end of the yield curve. Conversely, a large portion of its liabilities are in the form of long term, fixed-rated debt. When interest rates fall, the Authority's assets earn less, while its liabilities are fixed. Offsetting this exposure by better matching the variability of earnings on its assets with variable, rather than fixed, rate liabilities serve as a hedge against interest rate risk and reduces the overall cost of funds.

(C) Diversify Investor Base to Lower Costs

Typically, variable rate debt is sold to a different segment of investors than long-term fixed rate bonds. By tapping short-term investors, an issuer broadens and diversifies its investor base. By becoming a familiar and respected credit among short-term investors, the Authority will be in a better position to gain access to these buyers at those times when it is less advantageous to borrow in the fixed-rate market.

(D) Management of Negative Arbitrage

Issuing debt in a variable rate mode reduces or at times may even eliminate negative arbitrage in Construction, Capitalized Interest and Debt Service Reserve Funds. (See "A" above)

2) Criteria for Use of Variable Rate Debt

The Authority's net variable rate debt composition (defined as variable rate debt less unrestricted cash reserves) excluding interim financings (defined as financings the Authority intends to take out with permanent long term financings) will not exceed ~~the greater of~~ 15% of total debt ~~or \$100 million.~~

Statement of Net Position Risk Mitigation - In determining the appropriate amount of variable rate debt to be issued for risk mitigation purposes, the following factors should be taken into account, and analyzed on the basis of the funds that will be repaying the debt:

- (i) The historic average of cash balances analyzed over the course of several prior fiscal years.
- (ii) Projected cash balances based on known demands on the given fund.

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(iii) Any basis risk, such as differences in the performance or average life of the Authority's investment vehicle (e.g., swaps, as discussed in Section IX) and the variable rate debt instrument.

3) Diversification of Remarketing Agents and ~~Counterparties~~Credit Facility Providers

In selecting remarketing agents for variable rate debt, the Authority will seek to choose a diversity of remarketing agents to better foster competition. For similar reasons, the Authority will seek to diversify ~~its counterparties when selecting institutions to~~ provide liquidity or credit enhancement for Airport variable rate debt.

4) Budgeting

The Vice President/CFO will determine the appropriate method for budgeting the interest cost of variable rate debt by considering historic interest rates, projected interest rates and the effect of risk mitigation products such as interest rate swaps or caps.

5) Monitoring and Reporting

The Vice President/CFO will monitor the performance of actual interest rates on variable rate debt and periodically report the results. Reports will be prepared in accordance with Generally Accepted Accounting Principles (GAAP) and with rules promulgated by the General Accounting Standards Board (GASB). With the assistance of its Financial Advisor, the Vice President/CFO will regularly review the performance of the individual remarketing agents in relation to other remarketing agents, similar programs and market indices.

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#### SECTION IX. DERIVATIVES

The Authority has adopted and will maintain a separate policy for derivatives (Policy 4.21 "Policy Regarding the Use and Management of Derivative Products").

#### SECTION X – METHOD FOR SALE OF DEBT

There are two methods of issuing debt obligations: a Competitive Sale and a Negotiated Sale. In a Competitive Sale, Underwriters submit sealed bids, and the Underwriter or Underwriting Syndicate with the lowest True Interest Cost (TIC) is awarded the sale. In a Negotiated Sale, the Underwriter or Underwriting Syndicate is selected through a Request for Proposal (RFP) process. The interest rate and Underwriter's fee are negotiated prior to the sale, based on market conditions.

It is usually not feasible to issue bonds through a Competitive Sale for certain types of financings, such as Variable Rate Debt, Commercial Paper and specialized financings like Special Facility Revenue Bonds. Further, there are factors (e.g., flexibility as to timing and the mix of the underwriting syndicate) that support the use of a Negotiated Sale. Still, a competitive process should be used to choose the appropriate Underwriter and financing team to ensure the most qualified firms are used for a specific financing. The current policy of the Authority establishes a preference for Negotiated Sales of its Bonds.

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### *Role of Underwriters in Negotiated Sale*

The Authority expects its Underwriters to: 1) participate in a valuable and significant way with respect to the structuring and pricing of each debt issue and sales performance; 2) cooperate fully with other financing team members in a way that provides the maximum benefit to the Authority; and 3) attend meetings, when requested, related to the issuance of debt.

The book running senior manager, in conjunction with the Financial Advisor, is responsible for developing a time and responsibility schedule that will allow for the timely and successful completion of the financing. The book running senior manager is responsible for communicating the Authority's plan of finance and timing to the other managing Underwriters in the syndicate.

### *Underwriter Selection in Negotiated Sale*

The Authority may select Underwriters for an individual financing or to serve as part of a pre-qualified pool of Underwriters available for appointment for anticipated financings. In either case, the Authority would conduct a competitive selection process, which should include:

- Developing an RFP that meets the financial and policy goals of the Authority.
- Meeting the Authority procurement requirements.
- Circulating the RFP to a wide range of Underwriters (e.g. national and regional firms, DBE and majority firms, firms that provide credit to the Authority, and firms that specialize in certain types of debt).
- Diligently evaluating the Underwriters' proposals received in response to the RFP.
- Conducting follow-up interviews with any or all of the proposing firms (optional).
- Selecting candidates to be recommended for appointment to an individual financing or to an Underwriter pool.

Should the Board appoint Underwriters to a pre-qualified pool after an RFP process, the Vice President/CFO may recommend such firms for appointment to specific financings, without a subsequent RFP process.

### **SECTION XI. INVESTMENT OF BOND PROCEEDS**

The Authority shall invest proceeds generated through the issuance of debt in compliance with the terms of eligible investments under the relevant bond indenture and related bond documents; its Investment Policy; and applicable state laws.

### **SECTION XII. COMPLIANCE WITH FEDERAL TAX LAW AND MARKET DISCLOSURE OBLIGATIONS**

- 1) Compliance with Federal Tax Law

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The Vice President/CFO shall establish a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code and ensure compliance with other federal tax regulations and post-issue compliance as required by Bond Counsel at the time of issuance of the debt. This effort shall include tracking expenditures of bond proceeds to ensure such expenditures comply with federal tax law requirements, tracking investment earnings on proceeds, retention of a rebate consultant to prepare and calculate rebate payments in compliance with tax law and remitting any earnings subject to rebate to the federal government in a timely manner in order to preserve the tax-exempt status of the Authority's outstanding debt issues that have been issued on a tax-exempt basis.

The Authority will comply with all covenants contained in tax certificates.

Trustee banks have been appointed for the Authority's outstanding debt. The trustees shall perform all functions and duties required under the terms and conditions set forth in the respective bond indentures and trust agreements, including maintaining records of fund balances and investments.

#### 2) Initial Disclosure

The Authority acknowledges its responsibilities under the securities laws to avoid material misstatements and omissions in offering documents used in the marketing of Authority debt. The Vice President/CFO shall manage and coordinate the disclosure documentation preparation process and shall establish a system of procedures to ensure the preparation of appropriate disclosure documentation when required, with assistance from the Authority's General Counsel and the Authority's Bond and/or Disclosure Counsel. When necessary, the Vice President/CFO shall provide training covering new developments and disclosure responsibilities to staff members.

#### 3) Continuing Disclosure

To assist Underwriters to comply with Securities and Exchange Commission ("SEC") Rule 15c2-12, the Authority has entered into and expects in the future to enter into additional Continuing Disclosure Undertakings. The Authority is required to provide 1) Annual Reports, containing the Authority's audited financial statements as well as updates of operating and financial data included in the Authority's offering documents, and 2) notices of certain enumerated events.

- i) Notice of the occurrence of any of the following events shall be given, or caused to be given by the Authority, with respect to any bonds, not later than ten business days after the occurrence of the event:
  - (A) Principal and interest payment delinquencies;
  - (B) Unscheduled draws on the Debt Service Reserve Funds reflecting financial difficulties;

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- (C) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (D) Substitution of credit or liquidity providers, or their failure to perform;
- (E) Adverse tax opinions with respect to the tax status of any bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to any bonds;
- (F) Tender offers;
- (G) Defeasances;
- (H) Rating changes;
- (I) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (J) Default, event of acceleration, termination event, modification or terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (I), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (K) Any applicable revision to rule 15c2-12 adopted by the SEC
- (ii) Notice of the occurrence of any of the following events with respect to any bonds, if material, shall be given, or caused to be given by the Authority, not later than ten business days after the occurrence of the event:
- (A) Unless described in paragraph 3(i)(E), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of any bonds or other material events affecting the tax status of any bonds;
  - (B) Modifications to rights of the owners of any bonds;
  - (C) Optional, unscheduled or contingent bond calls;
  - (D) Release, substitution or sale of property securing repayment of any bonds;
  - (E) Non-payment related defaults;

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(F) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(G) Appointment of a successor or additional trustee or the change of name of a trustee; or

(H) Incurrence of a Financial Obligation or the Authority, or agreement to covenants, events of default, remedies, priority rights, of other similar terms of a Financial Obligation of the Authority, any of which affect security holders;

(I) Any applicable revision to rule 15c2-12 adopted by the SEC.

#### **SECTION XIII. RATINGS AGENCIES AND INVESTOR RELATIONS**

The Vice President/CFO shall be responsible for implementing and managing the Authority's Credit Rating agency relationship. The Authority recognizes the importance of immediate and timely Disclosure of relevant financial and program information concerning its debt programs to the rating agencies and pursuant to its continuing disclosure undertakings. This effort shall include periodic meetings with the rating agencies and shall provide the rating agencies with the Authority's annual budget projections, financial statements and other relevant information.

The Vice President/CFO shall be responsible for implementing and managing the Authority's investor relations program, including the maintenance and periodic updating of the financial information provided on the Authority's web site. The Authority shall attempt to promptly respond to any reasonable inquiry from an institutional or retail investor concerning information generally available to the investing public and in certain circumstances involving significant events affecting the Authority, make voluntary Secondary Market Disclosure pursuant to an EMMA (Electronic Municipal Market Access) filing.

#### **SECTION XIV. AMENDMENTS TO DEBT ISSUANCE AND MANAGEMENT POLICY**

The Policy codifies and explains the guidelines and the policies that govern existing and anticipated debt obligations of the Authority. In addition, the Policy sets forth certain financial management practices in capital budgeting that will enhance the Authority's ability to manage its projected debt issuance. The Policy will require changes and modifications over time. The Vice President/CFO shall be responsible for ensuring the policy is current and will review the Policy annually, at a minimum. In the event that changes to the Policy are necessary, the Vice President/CFO shall propose such changes to the President/CEO. Upon President/CEO approval, the proposed amended Policy will be submitted to the Board requesting approval.



**GLOSSARY (PROVIDED FOR INFORMATIONAL PURPOSES ONLY)**

**Additional Bonds Test:** The earnings test which must be satisfied under the provisions of a revenue bond contract before bonds of an additional issue having the same lien on a pledged revenue source can be issued. Typically, the test required that historical or future estimated pledged revenues exceed total debt service (existing and proposed) by a certain ratio. The test provides protection to investors that the bond issuer will not issue additional parity bonds without providing ample security to the investors in the previous financing(s).

**Advance Refunding:** A refunding that occurs more than 90 days in advance of the first optional redemption date. Under current Internal Revenue Code Provisions no tax exempt bonds may be advance refunded on a tax-exempt basis.

**Airline Costs per Enplaned Passenger (“CPE”):** A comparative statistic used to demonstrate the affordability of airline operations at an airport. CPE is often used in the process of determining the credit quality of an issue. It is typically calculated as total passenger airline revenue divided by the number of enplaned passengers in any fiscal year.

**Airport Revenue Bonds:** Airport Revenue Bonds (also known as General Airport Revenue Bonds, or “GARBs”) are bonds issued pursuant to the terms of a trust indenture or ordinance which are secured either by a pledge of gross or net airport revenues.

**Alternative Minimum Tax:** Interest on tax-exempt private activity bonds (held by individuals, issued after January 1, 2018 is generally subject to the Alternative Minimum Tax (“AMT”) as a specific item of tax preference: provided however certain new money private activity bonds previously issued during the AMT “waiver” period authorized by the American Recovery and Reinvestment Act of 2009 can be current refunded and exempt from AMT.

**Amortization:** The process of paying the principal amount of an issue of securities by periodic payments either directly to holders of the securities or to a sinking fund for the benefit of security holders.

**Arbitrage:** With respect to the issuance of municipal securities, arbitrage usually refers to the difference between the interest paid on tax-exempt bonds and the interest earned by investing the proceeds of the bonds in higher-yielding taxable securities. Federal income tax laws generally restrict the ability to earn arbitrage in connection with tax-exempt bonds.

**Arbitrage Rebate:** A payment made by an issuer to the federal government in connection with an issue of tax-exempt bonds. The payment represents the amount, if any, of arbitrage earnings on bond proceeds and certain other related funds, except for earnings that are not required to be rebated under limited exemptions provided under the Internal Revenue Code. An issuer generally is required to calculate, once every five years during the life of its bonds, whether or not an arbitrage rebate payment must be made.

**ARP Act:** In March 2021, the President of the United States of America signed the American Rescue Plan Act of 2021, a \$1.9 trillion economic stimulus package designed to help the United States economy recover from the adverse impacts of the COVID-19 pandemic. In addition to other economic relief, the ARP Act includes financial relief for certain eligible air carriers and airports.

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Balloon Maturity: A bond structure wherein the principal amount becomes due and payable on one date, generally at the end of the bond term.

Basis Point: Yields on bonds are usually quoted in increments of basis points. One basis point is equal to 1/100 of one (1%) percent. For example, the difference between 6.00% and 6.50% is 50 basis points.

Bond Counsel: A law firm retained by the bond issuer to give a legal opinion that the bond issuer is authorized to issue proposed securities, the bond issuer has met all legal requirements necessary for issuance, and interest on the proposed securities will be exempt from federal income taxation and, where applicable, from state and local taxation. Usually, bond counsel will prepare authorizing resolutions and ordinances, trust indentures and other bond documents with the exception of the Official Statement.

Bondholder: The owner of a municipal bond whose name is noted on the bond register.

Bond Insurance: Insurance which provides an additional guarantee of the timely payment of principal and interest of either an entire bond issue or specified maturities. In exchange for payment of the bond insurance premium, a higher credit rating (the rating of the insurer) is assigned to the insured bonds and a lower cost of funds may be attained.

Bond Purchase Agreement: The contract between the Syndicate and the bond issuer setting forth the final terms, prices and conditions upon which the Syndicate will purchase a new issue.

Book Running Senior Manager: The managing underwriter that controls the book of orders for the transaction and is primarily responsible for the successful execution of the transaction.

Broker-Dealer: A securities firm engaged in both buying and selling securities on behalf of customers and also buying and selling securities on behalf of its own account.

~~Build America Bonds ("BABs"): Taxable municipal bonds that carry special tax credits and federal subsidies for either the bond issuer or the bondholder. The most widely used version was authorized under the American Recovery and Reinvestment Act ("ARRA") that allowed BABs to be issued in 2009 and 2010 with a 35% of interest subsidy (subsequently reduced under the federal sequestration program) to the issuer received as direct payments from the federal government. The proceeds of BABs authorized under ARRA could only be used to fund non-private activity, governmental purposes.~~

Bullet Maturity: See Balloon Maturity.

Callable Bond: A bond where the bond issuer is permitted to redeem it before the stated maturity date at a specified price by giving notice of redemption in the manner specified in the bond document.

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Capital Appreciation Bond: A municipal security on which the investment return on an initial principal amount is reinvested at a stated compounded rate until maturity, at which time the investor receives a single payment (the “maturity value”) representing both the initial principal amount and the total investment return. It differs from a Zero Coupon Bond in that only the initial principal amount is counted against an issuer’s statutory debt limit, rather than the total par value at maturity.

Capitalized Interest: A portion of the proceeds of an issue which is set-aside to pay interest on the bonds for a specified period of time. Interest is commonly capitalized during the construction period of a revenue-producing project.

CARES Act: The federal Coronavirus Act, Relief, and Economic Security Act, which became law on March 27, 2020, is one of the actions taken to address the crisis created by the COVID-19 pandemic. The CARES Act provided grant funding to assist airports.

Commercial Paper: Short-term (1 to 270 days) promissory notes usually issued to provide for interim financing of projects through the construction period and backed by a letter or line of credit from a commercial bank. Following the completion of the projects, principal and interest due on commercial paper is often redeemed through the issuance of long-term refunding bonds.

Competitive Sale: The sale of a new issue of bonds by an issuer through a bidding process where underwriters are awarded the bonds on the basis of offering the lowest cost of funds for the issuer usually as measured on a true interest cost (TIC) basis. The bid parameters for the public sale are established in the notice of sale or notice inviting bids.

COVID-19 Relief Funds: Includes the ARP Act, CARES Act and CRRSA Act funds received by the Authority

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CRRSA Act: The Coronavirus Response and Relief Supplemental Appropriation Act, signed into law on December 27, 2020, includes nearly \$2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the COVID-19 pandemic.

Credit Enhancement: The use of the credit of an entity other than the issuer to provide additional security in a bond or note financing. This term typically is used in the context of bond insurance, letters of credit and other similar facilities.

Credit Ratings: Evaluations of the credit quality of bonds made by independent ratings services such as Moody’s Investors Service, Standard & Poor’s Ratings Group, Fitch and Kroll. Credit ratings are intended to measure the probability of timely repayment of principal and interest on municipal securities. Credit ratings are assigned before issuance of the bonds and are periodically reviewed or may be amended to reflect changes in the issuer’s credit position. Bonds with investment grade ratings are assigned credit ratings between Baa3/BBB- and Aaa/AAA.

Current Refunding: A current refunding involves refunding bonds within 90 days of the bonds first optional redemption. Federal tax law does not limit the number of current refundings of any tax-exempt bond.

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Customer Facility Charge (CFC): A fee imposed by a car rental company upon a car rental customer arriving at the airport and renting a vehicle from an on-airport or off-airport car rental company serving the airport. The CFC is collected by the car rental company generally for use by the airport in funding rental car facility-related projects or debt associated with such projects.

Debt Ratios: Comparative statistics showing the relationship between a bond issuer's outstanding debt and factors affecting repayment. Such ratios are often used in the process of determining the credit quality of an issue. Examples of debt ratios applied to airport bonds include: debt/revenues/costs per enplaned passenger, debt service coverage ratio, utilization per gate, operating ratio and net takedown.

Debt Service: The amount due for repayment of interest and principal on outstanding debt, including required contributions to a sinking fund for term bonds. Debt service may be computed on a bond year, fiscal year or calendar year basis.

Debt Service Coverage: The ratio of Net Revenues annually available to pay debt service on bonds to the annual debt service requirement. This ratio is one indicator of the credit quality of a bond issue. For example, a coverage ratio of "1.50x" means that for every \$1.00 of annual debt service, the bond issuer has \$1.50 of annual net revenues.

Debt Service Reserve Fund: The fund in which moneys are placed which may be used to pay debt service if Net Revenues are insufficient to satisfy the debt service requirements. The size of this fund is generally established by the reserve requirement, which is generally equal to the lesser of: (i) 10% of new issue par, (ii) maximum annual debt service (debt service is amount due on existing and proposed debt for a common debt service reserve fund), and (iii) 125% of average annual debt service (debt service is amount due on existing and proposed debt for a common debt service reserve fund).

Debt Service Reserve Fund Surety Policy: A debt service reserve fund insurance policy provided by a highly-rated municipal bond insurer or a letter of credit provided by a highly-rated commercial bank which guarantees the funding of the reserve requirement.

Defeasance: Bonds for which the payment of debt service has been assured through the structuring of a portfolio of government securities, the principal and interest on which will be sufficient to pay debt service on the outstanding bonds. The rights and interest of the bondholders and of their lien on pledged revenues is terminated in accordance with the bond documents through a defeasance. Defeasance usually occurs through the issuance of refunding bonds.

Disclosure: From the perspective of the bond issuer, it is taken to mean the dissemination of accurate and complete information material to an existing or proposed bond issuance which an investor is likely to consider important in making an investment decision. The material facts pertinent to a new bond offering are disclosed in the Official Statement.

Disclosure Counsel: A law firm retained by the bond issuer to prepare the Official Statement and provide a 10b-5 opinion.

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Discount Bond: A bond sold for less than its face value as a result of the yield exceeding the coupon rate.

Financial Advisor: A consultant who advises the bond issuer on matters such as bond structure, timing, marketing, pricing, documentation and credit ratings. The consultant may also provide non-bond related advice relating to capital planning and investment management.

Financial Obligation: shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities (as defined in the securities Act, as amended) as to which final official statement (as defined in the rule) has been provided to the MSRB consistent with the Rule.

Fixed Rate Debt: Securities with an interest rate that is established for the life of the securities.

Forward Refunding: A Forward Refunding is an agreement, usually between an issuer and the underwriter, whereby the issuer agrees to issue bonds on a specified future date and an underwriter agrees to purchase such bonds on such date. The proceeds of such bonds, when issued, are generally used to refund the issuer's outstanding bonds.

Group Net Order: An order for bonds submitted by a Syndicate member in which the takedown is distributed to Syndicate members according to their respective liability shares in the issue.

Institutional Order: An order for bonds placed by a bank, pension fund, mutual fund, trust or insurance company, investment bank, hedge fund or similar financial institution.

Interest Rate Risk: The risk associated with changes in general interest rate levels or Yield Curves (see Yield Curves below).

Letter of Credit: A commitment usually made by a commercial bank to honor demands for timely payment of debt service upon compliance with pre-established conditions and/or the occurrence of certain events specified in the agreement between the bank and the issuer of the debt. Letters of credit are often issued as additional sources of security for issues of notes, commercial paper or bonds, with the bank issuing the letter of credit committing to pay debt service on the bonds. Debt issued with a letter of credit may be assigned the credit rating (short- and/or long-term) of the letter of credit provider. Letters of credit may also provide liquidity support for such debt issues.

Master Indenture: The Trust Indenture that governs all the senior lien bond obligations of the issuer.

Master Subordinate Indenture: The Trust Indenture that governs all the subordinate lien bond obligations of the issuer.

Member Order: An order submitted by a syndicate member at the takedown price.

Negotiated Sale: The sale of a new issue of bonds by an issuer through an agreement with an underwriter or underwriting Syndicate selected by the issuer. Bonds are generally sold on a negotiated basis when market conditions, issue structure or issue credit quality indicate that a competitive sale would result in higher borrowing costs for the issuer.

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**Net Designated Order:** An order submitted by a syndicate member on behalf of a buyer on which all or a portion of the takedown is to be credited to certain members of the syndicate. The buyer directs the percentage of the total designation each member will receive in accordance with the terms of the underwriting syndicate.

**New T1:** The New Terminal 1 will help the Airport meet the region's passenger demand through the year 2035 by developing a 30-gate replacement facility for Terminal 1 (11 gate net increase) at the San Diego International Airport. The new facility will be accompanied with reconfigured and new taxiways, a close-in parking structure, and associated access and circulation roadway improvements. Collectively, these projects will enhance the passenger experience, improve airport operating efficiency, and lower carbon emissions.

**Official Statement:** A document published by the bond issuer, and often prepared by Disclosure Counsel, which discloses material information on a new bond issue including the purpose of the issue, source of repayment, bond covenants as well as financial, economic, demographic and legal characteristics of the bond issuer. The Official Statement is used by investors to determine the credit quality of the bond issue. An Official Statement is deemed preliminary prior to the determination of the interest rates on the bond issue.

**Other Debt Service:** Any debt obligation of Authority other than Bonds and Special Facility Financing, including commercial paper, other indebtedness of Authority, and all other related requirements.

**Parity Bonds:** Two or more subsequent issues of bonds which have the same priority of claim or lien against pledged revenues.

**Passenger Facility Charge (PFC):** A fee, in amounts up to \$4.50, assessed to enplaned passengers at commercial airports controlled by public agencies. Airports use these fees to fund FAA-approved projects that enhance safety, security, or capacity; reduce noise; or increase air carrier competition. Federal law limits use of PFC funds strictly to the above categories.

**Premium Bond:** A bond sold for greater than its face value as a result of the coupon rate exceeding the yield.

**Redemption Provisions:** Terms set out in the bond documents which give the bond issuer the right or requirement to redeem or "call" all or a portion of an outstanding issue of bonds prior to their stated dates of maturity at a specified price.

**Remarketing Agent:** A broker-dealer responsible for reselling to new investors securities (such as variable rate demand obligations and other tender option bonds) that have been tendered for purchase by their owner. The remarketing agent also typically is responsible for resetting the interest rate for a variable rate issue and also may act as tender agent.

**Retail Order:** An order for bonds placed by an individual or, as determined by the bond issuer, a retail order may also include an order placed by a bank trust department or an investment advisor for an individual.

**Revolving Credit Facility:** An agreement between a financial institution and the Authority that provides the Authority with the flexibility to drawdown, repay and redraw loans. Loans advanced under the revolving Credit Facility have a variable interest rate.

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Secondary Market Disclosure: Disclosure of information relating to outstanding municipal securities made following the end of the underwriting period by or on behalf of the issuer of the securities.

Securities and Exchange Commission (SEC): The federal agency responsible for supervising and regulating the securities industry. In general, municipal securities are exempt from the SEC's registration and reporting requirements. Brokers and dealers in municipal securities, however, are subject to SEC regulation and oversight. The SEC also has responsibility for the approval of Municipal Securities Rulemaking Board (MSRB) rules, and has jurisdiction, pursuant to SEC Rule 10b-5, over fraud in the sale of municipal securities.

SEC Rule 15(c)2-12: A regulation of the SEC which requires underwriters participating in primary offerings of municipal securities of \$1,000,000 or more (i) to obtain, review, and distribute to investors copies of the issuer's disclosure documents; (ii) to obtain and review a copy of an Official Statement deemed final by an issuer of the securities, except for the omission of specified information; (iii) to make available upon request, in non-competitively bid offerings, the most recent preliminary official statement, if any; (iv) to contract with an issuer of the securities, or its agent, to receive, within specified time periods, sufficient copies of the issuer's final official statement, both to comply with this rule and any rules of the Municipal Securities Rulemaking Board; and (v) to provide, for a specified period of time, copies of final Official Statements to any potential customer upon request. The rule contains exemptions for underwriters participating in certain offerings of municipal securities issued in large denominations that are sold to no more than 35 sophisticated investors, have short-term maturities, or have short-term tender or put features. The release also modifies, in limited respects, a previously published interpretation of the legal obligations of municipal securities underwriters.

Senior Lien Bonds: Bonds which have a prior claim against pledged revenues.

Serial Bonds: Bonds of an issue in which principal is amortized in successive years without interruption.

Subordinate Lien Bonds: Bonds which have a subordinate, or junior, claim against pledged revenues.

Special Facility Obligations: The issuance of bonds by a governmental entity to finance a project with repayment secured by a defined revenue stream derived from or relating to the use of the completed project.

Syndicate: A group of underwriters formed to purchase and re-offer a bond issuer's bonds for sale to the public. The syndicate is organized for the purposes of sharing the risks of underwriting the issue, obtaining sufficient capital to purchase a bond issue and for broader distribution of the issue to the general public. Each syndicate member has a share in the liability of the issue.

Takedown: The total discount at which members of syndicates buy bonds from an issuer.

Tax Events Risk: Risk to the issuer of variable rate bonds created by either a change in the taxable equivalent yield of comparable investments or loss of tax-exempt status. For an issuer of variable

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rate bonds, a reduction in federal income tax rates would increase interest costs. Re-classification of outstanding variable rate bonds as taxable would also increase interest costs.

Term Bonds: Bonds comprising a large part of the issue which come due in a single maturity. The bond issuer usually makes periodic payments into a sinking fund for mandatory redemption of term bonds before maturity or for payment at maturity.

True Interest Cost: The rate, compounded semi-annually, necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received on the closing date of the bond issue.

Trust Indenture: A contract between a bond issuer and a trustee, for the benefit of bondholders. The trustee administers the funds specified in the indenture and implements the remedies provided in case of default.

Underwriter: A dealer which purchases a new issue of bonds for resale either by negotiation with the issuer or by award on the basis of a competitive bid.

Underwriter's Counsel: A law firm retained by the Underwriter to represent their interests in connection with the negotiated purchase of a new issue of bonds. The firm's duties may include review of all bond documents, preparation of the agreement among Underwriters and negotiation of the bond purchase contract between the Underwriter and the bond issuer.

Underwriter's Gross Spread: In a negotiated sale, the difference between the price the Underwriter pays the bond issuer and the original reoffering price to the public; includes the management fee, expenses, and sales commissions (takedown and concession).

Variable Rate Debt: Securities with an interest rate that changes at intervals according to an index or formula, or is periodically (daily, weekly or monthly) reset at the market clearing rate. Variable rate debt is also known as "floating rate debt".

Yield Curve: Refers to the graphical or tabular representation of interest rates across different maturities. The presentation often starts with the shortest-term rates and extends towards longer maturities. It reflects the market's views about implied inflation/deflation, liquidity, economic and financial activity, and other market forces.

Zero Coupon Bond: An original issue discount bond on which no periodic interest payments are made but which is issued at a deep discount from par, accreting (at the rate represented by the offering yield at issuance) to its full value at maturity.

[Amended by Resolution No. 2021-0056 dated June 3, 2021.]

[Amended by Resolution No. 2020-0067 dated June 4, 2020.]

[Amended by Resolution No. 2019-0056 dated May 30, 2019.]

[Amended by Resolution No. 2019-0034 dated April 4, 2019.]

[Amended by Resolution No. 2018-0133 dated December 6, 2018.]

[Amended by Resolution No. 2017-0050 dated June 1, 2017.]



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[Amended by Resolution No. 2015-0042 dated May 21, 2015.]  
[Amended by Resolution No. 2014-0050 dated June 5, 2014.]  
[Amended by Resolution No. 2013-0048 dated June 6, 2013.]  
[Amended by Resolution No. 2012-0060 dated June 7, 2012.]  
[Amended by Resolution No. 2011-0078 dated July 7, 2011.]  
[Adopted by Resolution. No. 2010-0046 dated May 6, 2010.]

# San Diego County Regional Airport Authority

ANNUAL REVIEW AND APPROVAL OF AMENDMENTS TO  
AUTHORITY POLICY 4.40

Presented by John Dillon, Director, Financial and Risk Management

June 2, 2022



# Debt Policy - Overview

- Governs existing and anticipated debt obligations
- Sets forth certain financial management practices in capital budgeting that supports the Authority's ability to manage its projected debt issuance
- Policy is updated from time to time to reflect changes in the law and the market



# Debt Policy - Objectives

- Protect the Authority's assets and funds
- Manage and monitor existing debt to:
  - Optimize financial structure
  - Control costs
  - Ensure compliance with bond financing covenants
- Oversee the issuance of new debt in order to maintain access to capital markets
- Obtain and maintain the highest possible credit ratings on debt

# Debt Policy - Objectives

- Explore and implement prudent debt structuring
- Provide the required secondary market disclosure to the rating agencies and investors
- Comply with all federal and state laws and regulations as well as bond indenture and federal tax and securities law compliance

# Debt Policy Amendments: COVID-19 impacts

## Section (IV) Debt Affordability Targets.

- Current debt affordability targets were established prior to the unprecedented effects of the COVID-19 virus
- Language was included in the Policy updates since the COVID-19 Pandemic to reflect the uncertain impact of the pandemic and Debt per Enplanement was suspended in FY 2020, FY 2021 and FY 2022
- The gradual recovery underscores potential volatility with metrics based on enplanements, however, a new Debt per Enplanement target is to be re-established at a range of between \$300-\$400
- Other language relating to the uncertain impact of the COVID-19 Pandemic on the debt metrics can be updated.

# Debt Policy Amendments

## Section (IV) (3) Targets for Annual Debt Service Coverage

Added language to clarify that COVID-19 Relief funds used to pay debt service will be added to net revenues for the purposes of the Debt Service Coverage target and to remove the outdated reference to the federal interest subsidy

“The minimum Debt Service Coverage target for Aggregate Debt Service is:

1.40x, where PFCs used to pay debt service and ~~the federal Interest Subsidy~~ **COVID-19 Federal Relief Funds used to pay debt service**, if any, are added to Net Revenues (rather than deducted from Debt Service) with the sum divided by Aggregate Annual Debt Service for Bonds and Subordinate Obligations and Other Debt Service”

# Debt Policy Amendments

## Section (IV) (5) Debt Per Enplaned Passenger – Target

Re-establishes the Authority's Debt per Enplaned Passenger Target

“The Authority **will monitor the amount of long-term debt it has outstanding. One common metric of leverage for airports is Debt per Enplanement. This metric, like CPE, is impacted by the effects of the COVID-19 pandemic on near and long-term passenger traffic demand, continues to evolve and has increased some uncertainty in certain traffic segments. However, at this time, the Airport Authority is re-establishing a Debt per Enplanement target range of \$300 to \$400 as it advances its funding of the New T1 program. The Authority is are still early in the New T1 program and, therefore, expect to refine this target when there is greater certainty on cost and funding sources.** ~~had established a debt (excluding special facility financing) per enplaned passenger goal of no more than \$150 prior to the COVID-19 pandemic and prior to the potential implementation of the New T1. This target was suspended in FY 2020. As passenger traffic recovers and stabilizes, a new target for debt per enplaned passenger will be established.~~ The **Authority will regularly review and monitor the Debt per Enplanement target will be established with reference to using** available sources of data, including the rating agencies' median reports and a selected peer group of airports”



# Debt Policy Amendments

## Section (V) (7) Floating Rate Notes and Revolving Credit Facilities

Remove References to LIBOR as no new LIBOR facilities re being issued. Added BSBY index that is included in BOA revolver.

“Floating Rate Notes (FRNs), including Revolving Credit Facilities, are notes that have a variable coupon, equal to a money market reference rate, such as SIFMA (Securities Industry and Financial Markets Association) or **BSBY (Bloomberg Short Term Bank Yield Index)** or ~~LIBOR<sup>1</sup> (the London Interbank Offered Rate)~~ or SOFR (Secured Overnight Financing Rate), ~~when effective,~~ or such other industry benchmarks, plus a spread.”

~~“<sup>1</sup>LIBOR (1 month US and 3 month US) will cease to be published after June 30, 2023. Federal regulators have stated that no new financial contracts should utilize LIBOR after December 31, 2021 and any contracts prior to that date should include transition language.”~~

# Debt Policy Amendments

## Section (VI) Features of Long Term Debt

Noted that the Vice President/CFO will evaluate the benefit of using taxable Bonds for advance refunding transactions

### “3) Tax Status

The Vice President/CFO will evaluate whether or not to issue taxable bonds in lieu of bonds that are subject to the Alternative Minimum Tax (AMT) for certain maturities for private activity financing needs. In some market conditions, the cost for taxable debt may be less than the cost for AMT bonds for certain maturities. **The Vice President/CFO will also evaluate the benefit of using taxable bonds for advance refunding transactions.”**

# Debt Policy Amendments

## Section (VIII) Issuance of Variable Rate Debt- Criteria for Use of Variable Rate Debt

Removed \$100 million ceiling of variable rate debt to help facilitate flexibility to the structure to the Authority's debt portfolio.

“The Authority's net variable rate debt composition (defined as variable rate debt less unrestricted cash reserves) excluding interim financings (defined as financings the Airport Authority intends to take out with permanent long-term financings) will not exceed ~~the greater of 15% of total debt or \$100 million~~”

# | Next Steps

- Approve amendments to Authority Policy 4.40 - Debt Issuance and Management to the Board for approval

Questions?

## Staff Report

Meeting Date: June 2, 2022

### Subject:

**Annual Review of Authority Policy 4.20 - Guidelines for Prudent Investments and Delegation of Authority to Invest And Manage Authority Funds to the Vice President, Chief Financial Officer/Treasurer**

### Recommendation:

Adopt Resolution No. 2022-0054, delegating authority to invest and manage Authority funds to the Vice President, Chief Financial Officer/Treasurer.

### Background/Justification:

The Airport Authority's Investment policy (refer Attachment A) serves as the foundation of the Authority's investment goals and priorities. The Authority's internal policy guidelines compel the Authority's Treasurer to invest Authority funds in a manner that will provide the highest security of funds while meeting the daily cash flow demands. The foremost stated objective is safety, with the requirement that all transactions are structured to avoid capital losses from issuer or broker/dealer default, or erosion of market value.

State law requires that the objective of return on investment be subordinate to the objectives of safety and liquidity. Therefore, the Investment Policy requires the Authority shall seek to achieve a return on funds throughout all economic cycles, taking into consideration the Authority's investment risk constraints and cash flow requirements. During the Current COVID-19 pandemic and resulting economic fallout the investment policy has helped ensure the Authority maintains healthy liquidity and preserves investment security.

The Authority's Investment Policy was developed in conjunction with our financial and investment advisors, and it adheres to or exceeds the policies and requirements of investment types as authorized by the California Government Code §§ 16429.1 and 53600 et seq.

As a result of the annual review, by staff, and the Authority's financial and investment advisors, no changes are recommended this year.

While an annual review and adoption is not required by statute, both the Association of Public Treasurers of the United States and Canada and the Government Finance Officers Association have established policy standards recommending a review be conducted annually.

Since this Investment Policy serves as the guidelines for prudent management of the Authority's investments, the attached resolution and accompanying policy are submitted to ensure a regular review and approval of the Policy by the Authority Board.

In addition, the Board delegates the authority to invest and manage the funds of the Authority to the Authority's Treasurer. Such delegation is on a fiscal year basis and subject to renewal by the Board, at its option. Based on the investment record, the attached resolution requests reappointment of the Vice President, Chief Financial Officer/Treasurer to continue this role for another year.

The existence of an approved investment policy demonstrates that the Authority Board and staff are fiducially responsible, thereby promoting trust and confidence from the public that it serves. This annual review ensures the Authority Board's continued oversight and approval of the policies, rules, and performance regarding the investment of Authority funds.

### Fiscal Impact:

No Fiscal impact.

### 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/Treasurer



Attachment A

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**

**POLICIES**

**ARTICLE 4 - FINANCE AND ACCOUNTING**  
**PART 4.2 - INVESTMENTS**  
**SECTION 4.20 - POLICY GUIDELINES FOR PRUDENT INVESTMENTS**

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**PURPOSE:** To establish a policy governing the investment policies and practices of the San Diego County Regional Airport Authority (the “**Authority**”), including risk management.

**POLICY STATEMENT:**

It is the policy of the Authority 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 Authority. The investment policies and practices of the Authority are based upon prudent money management and conform to all state and local statutes governing the investment of public funds.

This policy also addresses risk management because risk management is an integral part of managing a fixed income portfolio. To focus only on maximizing return is imprudent; therefore, policy issues will be directed to limiting the investment portfolio’s exposure to each issue and issuer of debt and criteria for establishing minimum credit requirements that firms must have in order to effect security transactions with the Authority.

(1) Scope. This investment policy applies to all the Authority’s investment activities, except for the Employees Retirement and Deferred Compensation funds, which are administered separately. In addition, in the event of a conflict between this policy and permitted investments of bond proceeds as defined by a master indenture or supplemental indenture (“**Indenture**”) associated with any Authority debt issuance, the more restrictive parameters of either Cal. Gov. Code or the Indenture will take precedence. The financial assets of all other Authority funds shall also be administered in accordance with the provisions of this policy.

(2) Objectives.

(a) Safety of Principal. Safety of principal is the Authority’s foremost objective. To accomplish this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Each investment transaction shall seek to ensure that capital losses are avoided, whether from issuer default, broker/dealer default or erosion of market value. The Authority shall seek to preserve principal by mitigating credit risk and market risk.

(i) Credit risk is the risk of loss due to failure of the issuer to repay an obligation and shall be mitigated by investing in only the highest quality credits and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm the Authority's cash flows.

(ii) Market risk is the risk of market value fluctuations due to overall changes in the general level of interest rates and shall be mitigated by:

(A) structuring the portfolio so that securities mature at the same time major cash outflows occur, thereby eliminating the need to sell securities prior to their maturity; and

(B) limiting the average maturity of the Authority's portfolio to three years. Furthermore, no investments will be made in any security with a maturity greater than five years unless the Board has granted its express authority to make such investment specifically or as a part of an investment program approved by the Board no less than three months prior to the investment.

It is explicitly recognized, however, that in a diversified portfolio occasional losses may be inevitable and must be considered within the context of overall investment return.

(b) Liquidity. The Authority's investment portfolio will be structured to provide sufficient liquidity to meet the operating requirements of the Authority.

(c) Return on Investment. State law requires that the objective of return on investment be subordinate to the objectives of safety and liquidity. Therefore, investment officials shall seek to achieve a return on the funds under their control throughout all economic cycles, taking into consideration the Authority's investment risk constraints and cash flow requirements.

(3) Authority to Invest Funds.

(a) Policy principles for investment of Authority funds. Monies entrusted to the Authority will be invested and actively managed pursuant to applicable California statutory limitations and the guidance and limitations set forth in the Authority's written policies. Authority for the management and investment of Authority funds rests with the Authority Board of Directors ("**Board**"). The Board promulgates the policy for investment and management of Authority funds and conducts periodic reviews to ensure compliance with policy and statutory requirements. All persons authorized to make investment decisions for the Authority are trustees of the Authority and owe the Authority a fiduciary duty. All trustees are bound by the prudent investor rule, which requires trustees in making decisions with regards to the Authority's funds to act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

Trustees of Authority funds are relieved of personal responsibility for an individual security's risk or market price changes where the trustees at all times were acting in accordance with written procedures and this investment policy, exercising due diligence, taking timely and appropriate action to control adverse developments, and provided timely appropriate reports to the Board regarding the adverse developments with an investment.

(b) Delegation of investment authority to Treasurer. The Board delegates the authority to invest and manage the funds of the Authority to the Authority's Treasurer. Such delegation shall be on a fiscal year basis and subject to renewal by the Board, at its option, after appropriate review of the investment record. The Board reserves the right to revoke the delegation of investment authority at its discretion. The Treasurer shall report to the board the status of Authority's investment portfolio in accordance with Sections (10)(a) and (b) of this policy. Whenever a security is sold at a loss, the Treasurer will record the loss as such in the Authority's accounting system. The Treasurer shall designate in writing an officer or employee of the Authority who shall have authority to execute or authorize execution of an investment trade on behalf of the Authority when the Treasurer is not reasonably available and circumstances require timely action.

(c) Treasurer's responsibility for investments. Investment and management of the Authority's funds shall be solely the responsibility of the Authority's Treasurer, who shall take necessary measures to be fully informed on current market conditions and market trends in general and the condition of the Authority's investment portfolio in particular. The Treasurer shall establish and periodically review for currency and adequacy a system of controls to ensure compliance with the applicable statutory requirements and the Authority's investment policies. The system of controls shall also provide for regulation of subordinate officers and employees as well as investment advisors under contract with the Authority.

(d) Execution of trades by authorized investment advisor. Where the Board has approved a contract for a registered independent investment advisor to assist the Treasurer in the discharge of investment responsibilities and where the Treasurer has approved in writing a strategy to guide the investment of Authority funds, the Treasurer may authorize the investment advisor to execute trades on behalf of the Authority to effectuate the approved investment strategy. The Treasurer shall make such delegation via a document that specifies the boundaries of the delegated authorization. The investment advisor designated to execute trades on behalf of the Authority shall be bound by this policy of the Authority and the Treasurer's written approval of the investment strategy. Authorizing the investment advisor to execute trades on behalf of the Authority does not relieve the Treasurer of responsibility for management and oversight of all investment transactions involving Authority funds. The Treasurer or designated Authority officer or employee, as provided in Section 3(b), when the Treasurer is not reasonably available and circumstances require timely action, must approve in writing all investment transactions that exceed a market value of five million dollars (\$5,000,000) prior to execution of the trade. The investment advisor shall not execute any trade through any security broker in whom the investment advisor holds an ownership interest or has a financial interest. The investment advisor shall not take possession of or act as custodian for the cash, securities or other assets. The investment advisor shall provide a written report of all trades made on behalf of the Authority to the Treasurer within twenty-four (24) hours of trade execution.

(4) Ethics and Conflicts of Interest. The Board, Authority officers or Authority employees involved in the investment process shall refrain from any activity that could conflict with proper execution of the investment program or which could impair the Authority's Treasurer's ability to make impartial investment decisions. Authority staff involved with the investment process shall disclose to the Authority's Treasurer any financial interest in financial institutions that conduct business with the Authority and they shall further disclose any personal financial and/or investment positions that could be related to the performance of the Authority's portfolio. Board members, Authority officials and Authority employees shall subordinate their personal investment transactions to those of the Authority, particularly with regard to the time of purchases and sales.

(5) Placement of Trade Execution Orders.

- (a) Whenever possible, investment transactions shall be made via a competitive process to ensure the Authority's security transactions are made on terms most favorable to the Authority. Trade execution shall be only through firms registered with the Financial Industry Regulatory Authority (FINRA) and approved by the Treasurer. To ensure security transactions are made via the most competitive process, solicitation of bids to transact a security trade shall be provided equally to all security dealers approved by the Treasurer pursuant to the section (5)(b) of this policy. When purchasing new issue securities, no competitive process will be required as all dealers in the selling group offer the securities at the same original issue price. This policy permits the Authority to purchase investments directly from approved issuers who require no competitive process (e.g., Local Agency Investment Fund (LAIF), the San Diego County Investment Pool (SDCIP), and Local Government Investment Pools (LGIPs),
- (b) Other than investments with depository institutions and approved pools, the Treasurer shall only execute trades with security dealers that have been approved to execute security trades on behalf of the Authority. Prior to approving a security dealer to execute security trades, the Treasurer shall determine that the dealer is fully qualified to execute security trades for the Authority. In evaluating whether a specific dealer is so qualified, the Treasurer shall evaluate, at a minimum, the dealer's security registration, financial condition, standing in the investment community, and experience with security trades of the nature to be executed on behalf of the Authority. To be qualified, all financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following information on an annual basis: (1) audited financial statements; (2) proof of Financial Industry Regulatory Authority (FINRA) certification; (3) a trading resolution; (4) proof of California registration; and (5) a completed broker/dealer questionnaire.
- (c) Where the Board has approved a contract for a registered independent investment advisor to assist the Treasurer in the discharge of the investment responsibilities, the Treasurer may rely on the advisor's assurances that specific security dealers are fully qualified to execute trades on behalf of the Authority. The investment advisor shall provide such assurances in writing and shall renew the assurances based on an annual review of the financial condition and registrations of qualified bidders.

(6) Authorized Investments.

The Authority is authorized by the applicable sections of Cal. Gov. Code §16429.1, §53600 *et seq.* and §53630 *et seq.* to invest in the following types of securities, further limited herein:

(a) United States Treasury Bills, Bonds and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the portfolio that can be invested in this category. Cal. Gov. Code §53601(b)

(b) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There is no limitation as to the percentage of the portfolio that can be invested in this category. Cal. Gov. Code §53601(f)

(c) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the portfolio. No more than 10% of the portfolio may be invested in a single Supranational issuer. Cal. Gov. Code §53601(q)

(d) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances which are eligible for purchase by the Federal Reserve System and are rated in the highest category by a nationally recognized statistical rating organization (NRSRO), may not exceed 180 days to maturity or 40% of the market value of the portfolio. No more than 5% of the market value of the portfolio may be invested in banker's acceptances issued by any one bank. Cal. Gov. Code §53601(g)

(e) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

(1) The entity meets the following criteria: (i) Is organized and operating in the United States as a general corporation. (ii) Has total assets in excess of five hundred million dollars (\$500,000,000). (iii) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a NRSRO.

(2) The entity meets the following criteria: (i) Is organized within the United States as a special purpose corporation, trust, or limited liability company. (ii) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond. (iii) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

Eligible commercial paper shall have a maturity of 270 days or less. No more than 25% of the market value of the portfolio may be invested in commercial paper. No more than 5% of the market value of the portfolio may be invested in the commercial paper of any single issuer. The amount invested in commercial paper of any one issuer in combination with any other securities from that issuer shall not exceed 5% of the market value of the portfolio. Cal. Gov. Code §53601(h)

(f) Negotiable Certificates of Deposit (NCDs) issued by a nationally or state-chartered bank, a state or federal savings institution or by a federally licensed or state licensed branch of a foreign bank. The amount invested in Negotiable Certificates of Deposit (NCDs) may not exceed 30% of the market value of the portfolio. NCDs eligible for purchase shall be rated in a rating category of “A” or its equivalent or better by a NRSRO. The maximum term for NCDs shall be five years. The amount invested in NCDs of any one issuer in combination with any other securities from that issuer shall not exceed 5% of the market value of the portfolio. Cal. Gov. Code §53601(i)

(g) Placement Service Deposits (PSDs). Deposits placed through a deposit placement service that meet the requirements of Cal. Gov. Code §53601.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance. The maximum term for PSDs shall be three years. The amount invested in Placement Service Deposits (PSDs) may not exceed 30% of the market value of the portfolio. Cal. Gov. Code §53601.8 and 53635.8

(h) Bank Deposits, including, but not limited to, demand deposit accounts, savings accounts, market rate accounts and time certificates of deposits (“TCDs”) in financial institutions located in California. The Authority will invest in financial institutions with a net worth of ten million dollars and total assets in excess of \$50 million. Such deposits in each bank shall be limited to no more than 5% of the total assets of the bank. To be eligible to receive Authority deposits, the financial institution must have received a minimum overall satisfactory rating, under the Community Reinvestment Act, for meeting the credit needs of California Communities in its most recent evaluation. Bank deposits are required to be collateralized as specified under Cal. Gov. Code §53630 *et seq.* The Treasurer may waive the collateralization requirements for any portion that is covered by federal deposit insurance. The Authority shall have a signed agreement with any depository accepting Authority funds per Cal. Gov. Code §53649. The maximum maturity of TCDs is three years. A maximum of 20% of the market value of the portfolio may be invested in TCDs. The amount invested in TCDs of any one issuer in excess of the FDIC limit in combination with any other securities from that issuer shall not exceed 5% of the market value of the portfolio. Cal. Gov. Code §53630 *et seq.*

(i) Medium Term Notes (MTNs), defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States rated in a rating category of “A” or its equivalent or better by a NRSRO and be issued by a corporation organized and operating within the United States. The aggregate total of MTNs may not exceed 20% of the market value of the investment portfolio. The amount invested in MTNs of any one issuer in combination with any other securities from that issuer shall not exceed 5% of the market value of the portfolio. Cal. Gov. Code §53601(k)

(j) Asset-Backed Securities (ABS) from issuers not defined in sections (a) and (b) of the Authorized Investments section of this policy shall have a credit rating of “AA” or its equivalent or better by a NRSRO. No more than 10% of the portfolio shall be invested in a combination of ABS, MBS, CMOs, and Mortgage Pass-Through Securities. No more than 5% of the portfolio may be invested in a single ABS issuer unless the issuer is the US Treasury or a Federal Agency/GSE. The maturity shall not exceed five years. Cal. Gov. Code §53601 (o).

(k) Mortgage Backed Securities (MBS), Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations (CMOs) from issuers not defined in sections (a) and (b) of the Authorized Investments section of this policy shall have a credit rating of “AA” or its equivalent or better by a NRSRO. No more than 10% of the portfolio shall be invested in a combination of ABS, MBS, CMOs, and Mortgage Pass-Through Securities. No more than 5% of the portfolio may be invested in a single issuer unless the issuer is the US Treasury or a Federal Agency/GSE. The maturity shall not exceed five years. Cal. Gov. Code §53601 (o).

(l) Repurchase agreements (RPAs) shall only be made with financial institutions having a credit rating in the rating category “A” or its equivalent or better by a NRSRO. The Security Industry and Financial Markets Association (SIFMA) master repurchase agreement shall be the Authority’s master repurchase agreement.

The term of the agreement may not exceed one year.

The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described in 6(a) and 6(b) above, will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the Authority's custodian bank versus payment or be handled under a tri-party repurchase agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value plus accrued interest, 102% of the total dollar value of the money invested by the Authority for the term of the investment. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a regular basis.

Market value must be calculated each time there is a substitution of collateral.

The Authority or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement. Cal. Gov. Code §53601(j)

(m) The Local Agency Investment Fund (“**LAIF**”), established by the State Treasurer for the benefit of local agencies and identified under Cal. Gov. Code §16429.1 *et seq.* The market value of the Authority’s investment in LAIF may not exceed the current deposit limit for regular LAIF accounts.

(n) The San Diego County Investment Pool (“**SDCIP**”) as authorized by Cal. Gov. Code §53684. The market value of the Authority’s investment in SDCIP may not exceed the current deposit limit for regular LAIF accounts.

(o) Shares of beneficial interest issued by a joint powers authority (Local Government Investment Pools or (“**LGIPs**”)) organized pursuant to Cal. Gov. Code §6509.7 that meet the requirements of the Investment Trust of California (CalTRUST), as authorized by California Government Code §53601(p). The market value of the Authority’s investment in each of the CalTRUST funds may not exceed the current deposit limit for regular LAIF accounts.

(p) Shares of beneficial interest issued by a joint powers authority (Local Government Investment Pools or (“**LGIPs**”)) organized pursuant to Cal. Gov. Code §6509.7 that meet the requirements of Cal. Gov. Code §53601(p). The market value of the Authority’s investment in any LGIP may not exceed the LAIF statutory limit. Prior to investing, the Treasurer will complete a thorough investigation of the potential investment. Whenever the Authority has any funds so invested, the Treasurer shall maintain on-going monitoring including the following:

(i) Establish the investment is a legal investment under Cal. Gov. Code.

(ii) A description of eligible investment securities, and a written statement of investment policy and objectives. All investments must comply with the eligible investments outlined in this policy. In the event that any investments do not comply with the eligible investments outlined in this Policy, the Treasurer will assess the potential risk of a substantial investment loss related to the investment(s) not in compliance.

(iii) The issuer must have a current AAAM rating, provide a constant dollar pool with a stated objective of maintaining a \$1 net asset value, meet an asset size of \$1 billion at the time of investment, and provide for third-party custody of portfolio assets.

(iv) A description of interest calculations and how it is distributed, and how gains and losses are treated.

(v) A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.

(vi) A description of who may invest in the program, the type and number of governmental participants, investor concentrations, what size deposit and withdrawal are allowed, and what time restrictions are placed on these deposits and withdrawals.

(vii) A schedule for receiving statements and portfolio listings.

(viii) Determination of how reserves, retained earnings, etc. are utilized by the fund.

(ix) A fee schedule, and when and how it is assessed. Cal. Gov. Code §53601(p).



(q) The Authority may place funds in shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. §80a-1 *et seq.*). Investment in money market funds may not exceed 20% of the market value of the portfolio with no more than 10% of the market value of the portfolio in any single fund. Additionally, each selected fund shall be large enough that the Authority's investment does not constitute more than 5% of the total fund balance. To be eligible for investment, these companies shall either:

(i) Attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services, or

(ii) Retain an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than 5 years' experience managing money market mutual funds with assets under management in excess of \$500,000,000. Cal. Gov. Code §53601(l)

(r) The Authority may invest in: (i) Registered state warrants or treasury notes or bonds of this state including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of this state; (ii) Registered treasury notes or bonds issued by any of the other 49 States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any state; and (iii) Bonds, notes, warrants or other evidence of debt issued by a local agency or municipality located within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Securities eligible for investment under this paragraph shall be rated in a rating category of "A" or its equivalent or better by a NRSRO. Purchase of securities authorized by this subdivision may not exceed 20% of the Authority's portfolio. The amount invested with any one issuer shall not exceed 5% of the portfolio. Cal. Gov. Code §53601 (c), (d), (e).

(s) Permitted Investment for Bond Proceeds. All investment types listed above are authorized investments for bond proceeds. The percentage or dollar limitations listed above do not apply to bond proceeds investments. In addition to the above investments, bond proceeds may be invested in the following:

Investment agreement or guaranteed investment contract (a) with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial institution whose unsecured debt is rated in the highest short-term rating category (if the term of the Investment Agreement is less than three years) or in either of the two highest long-term Rating Categories (if the term of the Investment Agreement is three years or longer) by one or more of the Rating Agencies, or (b) which investment agreement or guaranteed investment contract is fully secured by obligations described in items (a) or (b) of this section which are the following:

- (i) Valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, and
- (ii) Held by any Federal Reserve Bank or a depository acceptable to the Treasurer or any Authority bond trustee, and
- (iii) Subject to a perfected first lien on behalf of the Authority or any bond trustee and free and clear from all third-party liens

The Board has expressly granted the Treasurer the authority to invest debt service reserve funds in U.S. Treasury, federal agency, municipal securities and investment agreements (which meet the requirements of this Investment Policy and the Indenture) with maturities exceeding 5 years if it is considered to be in the best interest of the Authority and if the maturity of such investments does not exceed the expected use of the funds. Reserve fund investments beyond 5 years are specifically excluded from the mathematical calculation of the average maturity of the Authority's portfolio.

(7) Prohibited Investments. Investments not described herein, including but not limited to, inverse floating rate notes, range notes, interest-only strips that are derived from a pool of mortgages, and common stocks are prohibited from use in this portfolio. The Authority shall not invest any funds in any security that could result in zero or negative interest accrual if held to maturity unless they are securities issued or backed by the US Government under a provision sunseting January 1, 2026 and the Authority has exhausted all other potential investment options to avoid a zero or negative interest accrual. Cal. Gov. Code §53601.6.

(8) Safekeeping of Securities. To protect against potential losses by the collapse of individual securities dealers, all securities owned by the Authority shall be held in safekeeping by a third person bank trust department acting as agent for the Authority under the terms of a custody agreement executed by the bank and the Authority. All securities will be received and delivered using standard delivery versus payment procedures. The only exception to the foregoing shall be: (i) LAIF; (ii) the SDCIP; (iii) LGIPs; (iv) money market mutual funds, and (v) Deposits (TCDs & PSDs), since the purchased securities are not deliverable. A record of these investments shall be held by the Treasurer.

All investment officers shall be bonded.

(9) Portfolio Limitations. Percentage limits and credit criteria are applied at the time of purchase. If a percentage-of-portfolio limitation is exceeded due to reduction in portfolio size, the affected securities may be held to maturity to avoid losses. When no loss is indicated, the Authority's Treasurer shall consider restructuring the portfolio basing the decision in part on the expected length of time the portfolio will be imbalanced. The Treasurer shall report all such imbalances in the monthly report to the Board. In the event that an investment originally purchased within policy guidelines is downgraded below the policy requirements by any one of the NRSROs, the course of action to be followed by the Treasurer will then be decided on a case-by-case basis, considering such factors as the reason for the downgrade, prognosis for recovery or further rating downgrades, and the market price of the security.

(10) Reporting Requirements.

(a) In accordance with Cal. Gov. Code §53646, on a quarterly basis, the Authority's Treasurer shall prepare in accordance with GAAP and GASB 31 a report detailing investments and investment activity and transmit same to the Executive Officer, the Internal Auditor and the Board.

(i) The report shall be submitted within 30 days of the end of the quarter covered by the report.

(ii) The report shall include the type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and monies held by the Authority.

(iii) The report shall include a description of any funds, investments, or programs that are under the management of contracted persons.

(iv) The report shall also include a current market value on a market-to-market basis as of the report date using an established identified independent source for the valuation.

(v) The report shall state compliance of the portfolio to the statement of investment policy or the manner in which it is not in compliance.

(vi) The report shall state the Authority's ability to meet its budgeted expenditure requirements for the next six months or to explain why sufficient money may not be available.

(b) In accordance with Cal. Gov. Code §53607, the Authority's Treasurer shall make a monthly report of investment transactions to the Board.

(11) Internal Control. The development of internal controls is a function of management. The Authority's Treasurer shall establish and document a system of internal controls that will provide reasonable assurance regarding the achievement of objectives in the following categories:

- Safeguarding assets
- Ensuring validity of financial records and reports
- Promoting adherence to policies, procedures, regulations and laws
- Promoting effectiveness and efficiency of operations

In addition, the Authority's Treasurer shall:

(a) Establish an annual process of an independent review by an external examiner.

(b) Develop performance standards. Those performance standards will be reviewed by the Treasurer and presented as an information item to the President/CEO and the Board. On a quarterly basis, as part of the reporting requirements the Authority's Treasurer shall report actual compared to the performance standard and any substantial deviations shall be explained.

(c) Review the Authority's investment policy annually at a public meeting and obtain Board approval and adoption of the policy to ensure its consistency with the Authority's objectives of preservation of principal, liquidity, rate of return and the policy's relevance to current law and financial and economic trends. The Authority's Treasurer is responsible for maintaining guidance over the Authority's investment policy and ensuring that the Authority can adapt readily to changing market conditions and shall submit to the Board any modification to the investment policy prior to implementation.

(12) Glossary of Terms.

**Asked:** The price at which securities are offered (that is, the price at which a firm will sell a security to an investor).

**Asset-Backed Securities:** Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

**Bankers' Acceptance (BA):** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**Bid:** The price offered for securities (that is, the price at which a broker or dealer will pay to purchase a security an investor owns).

**Broker:** A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; he does not take a position. In the money market, brokers are active in markets in which banks buy and sell money and in interdealer markets.

**Certificate of Deposit (CD):** See: Time Certificate of Deposits, Negotiable Certificates of Deposits.

**Collateral:** Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**Collateralized Mortgage Obligations:** Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

**Commercial Paper (CP)** - An unsecured short-term promissory note issued by corporations and local governments, with maturities ranging from 1 to 270 days. Commercial paper is usually issued at a discount from par with a zero coupon. Highly-rated, or "Prime" commercial paper carries a Standard & Poor's rating of A1 or A1+, a Moody's rating of P1, and/or a Fitch rating of F1 or F1+.

**Constant Maturity Treasury (CMT)** – A calculated average released by the Federal Reserve of all Treasury yields along a specific maturity point. This calculation is frequently used as a benchmark for conservative government portfolios.

**Coupon:** (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value; (b) A certificate attached to a bond evidencing interest due on a payment date.

**Dealer:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his or her own account.

**Debenture:** A bond secured only by the general credit of the issuer.

**Delivery versus Payment:** There are two methods of delivery of securities: delivery versus payment and delivery versus receipt (also called free delivery). Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

**Discount:** The difference between the cost price of a security and its value at maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be selling at a discount.

**Diversification:** Dividing investment funds among a variety of securities offering independent returns.

**Federal Farm Credit Bank (FFCB):** The Federal Farm Credit Bank System is the oldest of the government sponsored enterprises, created by an act of Congress in 1916. Its mission is to provide a reliable and low cost source of funds to support agriculture in the United States. Unlike commercial banks, System banks do not take deposits. Instead, funds for loans are obtained through the issuance of debt securities. FFCB long-term senior debt ratings have traditionally mirrored those of the U.S. government.

**Federal Home Loan Banks:** Federal Home Loan Banks provide a source of low cost loan funding to U.S. banks. Within their collective membership, the FHLBank System represents the largest source of home mortgages in the United States. The System does not provide loans directly to individuals, only to other correspondent banks. System banks do not take deposits. Instead, funds for loans are obtained through the issuance of debt securities. FHLB long-term senior debt ratings have traditionally mirrored those of the U.S. government.

**Federal Home Loan Mortgage Company (FHLMC or “Freddie Mac”):** The Federal Home Loan Mortgage Corporation (FHLMC), commonly referred to as “Freddie Mac”, was created in 1970 to assist its sister company, Fannie Mae, by purchasing mortgage loans in the secondary market, pooling them together, and selling them to investors in the form of mortgage-backed securities. By providing a secondary market for home loans, Freddie Mac increases the amount of money available for mortgage lending. In September 2008, Freddie was placed under Federal government conservatorship as a result of a decline in the underlying market value of the mortgage loans it held and guaranteed. Like Fannie Mae, Freddie Mac issues debt in maturity ranges from one-day to 30 years, and its long-term senior debt rating has traditionally mirrored U.S. Treasury debt due to its reliance on the U.S. government.

**Federal National Mortgage Association (FNMA or “Fannie Mae”):** The Federal National Mortgage Association (FNMA), commonly referred to as “Fannie Mae”, was created in 1938 during the Great Depression to provide a secondary market for mortgage loans by purchasing groups of loans from lenders and packaging them into pools of mortgage-backed securities that can then be sold to investors. To facilitate this process, Fannie Mae also issues debt in maturity ranges from one-day to 30 years. The company’s long-term senior debt rating has traditionally mirrored U.S. Treasury debt due to its reliance on the U.S. government. Although Fannie Mae had operated as a private company since 1968, it was placed under Federal government conservatorship in September 2008 as a result of a decline in the underlying market value of the mortgage loans it held and guaranteed.

**Government National Mortgage Association (GNMA or “Ginnie Mae”):** Long-term mortgage-backed securities backed by FHA and VA loans guaranteed by the full faith and credit of the U.S. Treasury. The term “pass-through” is often used to describe Ginnie Mae securities as principal and interest payments from the underlying homeowners are passed along to investors.

**Federal Open Market Committee (FOMC):** A group of Federal Reserve Officials that meet eight times per year to set U.S. monetary policy (raises and lowers interest rates). The Committee must balance its two primary and often conflicting objectives of achieving stable economic growth and keeping inflation at acceptable levels.

**Fed or Federal Reserve Bank:** The Central Bank of the U.S. responsible for supervising and regulating member banks, providing banking services, providing information, and setting monetary policy through the FOMC.

**International Bank for Reconstruction and Development (IBRD or World Bank).** The International Bank for Reconstruction and Development was created in 1944 to help Europe rebuild after World War II. Today, its purpose is to assist with reconstruction and poverty reduction through an inclusive and sustainable globalization. The IBRD is owned and governed by its member governments. The United States is the IBRD’s leading shareholder.

**International Finance Corporation (IFC):** The IFC is a member of the World Bank Group. Its focus is on assisting with private sector development in developing countries. The IFC is owned and governed by its member governments. The United States is the IFC’s leading shareholder.

**Inter-American Development Bank (IADB):** The IADB was established in 1959 to provide financing and expertise for sustainable economic, social, and institutional development in Latin America and the Caribbean. The IADB is owned and governed by its member governments. The United States is the IADB’s leading shareholder.

**Inverse Floating Rate Note:** A debt security with an interest rate stated as a fixed rate minus a variable rate index. This calculation causes the rate on the inverse floater to move in the opposite direction of general interest rates. This instrument generally performs well in a declining interest rate environment but will lose value if rates rise.

**Liquidity:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between the bid and asked prices is narrow and reasonable size can be done at those quotes.

**Local Government Investment Pools (LGIPs):** Shares of beneficial interest issued by a joint powers authority organized pursuant to Cal. Gov. Code §6509.7. LGIPs offer a diversification alternative to LAIF and SDCIP for short-term cash management facilities.

**Market Value:** The price at which a security is trading and could presumably be sold.

**Master Repurchase Agreement:** A written contract covering all future transactions between counterparties to repurchase agreements and reverse repurchase agreements that establish each entity's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.

**Medium Term Notes:** A class of debenture that is defined as all corporate and depository debt securities with a maximum remaining maturity of five years or less.

**Money Market:** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptance, etc.) are issued and traded.

**Mortgage Backed Securities (MBS):** A bond that is secured by a mortgage or collection of mortgages.

**Mortgage Pass-Through Securities:** A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

**Nationally Recognized Statistical Rating Organization (NRSRO):** A credit rating agency (CRA) that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes.

**Negotiable Certificate of Deposit (NCD):** A type of CD that is at least \$100,000 and can also be traded on a highly liquid secondary market.

**Placement Service Deposit (PSD):** A type of deposit that uses a deposit placement service. The placement service will allow the bank with which the investment is placed to split the initial deposit into multiple pieces that are then distributed among a network of banks, such that the full amount of the deposit is protected by the FDIC insurance of each participating bank.

**Portfolio:** Collection of securities held by an investor.



**Primary Dealer:** A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities, broker/dealers, banks and a few unregulated firms.

**Prudent Investor Standard:** A legal doctrine that requires fiduciaries to make investments using the prudence, diligence, and intelligence that would be used by a prudent person in making similar investments.

**Rate of Return:** A standard performance measurement that considers the coupon interest a security or portfolio of securities receives, along with any realized gain or loss, along with any change in unrealized market gain or loss. Depending on market volatility, the rate of return could differ significantly from the average yield of a portfolio.

**Rating Agency:** Nationally recognized credit rating agency such as Fitch, Moody's or S&P.

**Rating Category:** A credit rating assignment by a Rating Agency shall mean (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

**Repurchase Agreement (RP or Repo):** A type of financial agreement in which an investor exchanges cash for securities with a primary dealer or bank and earns a fixed rate of interest for a specified period. At the end of the period, securities are returned in exchange for the principal amount, along with accrued interest. Dealers and banks use repo proceeds to finance their inventory positions.

**Safekeeping:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

**Sec Rule 15C3-1:** See Uniform Net Capital Rule.

**Securities and Exchange Commission:** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**Strip (Bonds):** Brokerage-house practice of separating a bond into its principal and interest, which are then sold as zero coupon bonds.

**Time Certificate of Deposit (CD):** A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs are typically negotiable.

**Treasurer:** The Vice President/Chief Financial Officer of the Authority or the authorized designee or representative as designated by the President/Chief Executive Officer.

**Treasury Bill:** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.

**Treasury Bond:** Long-term U.S. Treasury security having initial maturities of more than ten years.

**Treasury Note:** U.S. Treasury security having initial maturities between two and 10 years.

**Uniform Net Capital Rule:** Securities and Exchange Commission requirement that member firms as well as nonmember broker/dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**Yield:** The rate of annual income return on an investment, expressed as a percentage. (A) **Income Yield** is obtained by dividing the current dollar income by the current market price for the security. (B) **Net Yield or Yield to Maturity** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

[Amended by Resolution No. 2021-0055 dated June 3, 2021.]  
[Amended by Resolution No. 2018-0133 dated December 6, 2018.]  
[Amended by Resolution No. 2018-0056 dated June 7, 2018]  
[Amended by Resolution No. 2017-0049 dated June 1, 2017]  
[Amended by Resolution No. 2016-0040 dated May 19, 2016]  
[Amended by Resolution No. 2015-0043 dated May 21, 2015]  
[Amended by Resolution No. 2014-0051 dated June 5, 2014]  
[Amended by Resolution No. 2013-0049 dated June 6, 2013]  
[Amended by Resolution No. 2012-0059 dated June 7, 2012]  
[Amended by Resolution No. 2011-0064 dated June 2, 2011]  
[Amended by Resolution No. 2010-0059 dated June 3, 2010]  
[Amended by Resolution No. 2009-0123 dated October 1, 2009]  
[Amended by Resolution No. 2008-0118 dated September 4, 2008]  
[Amended by Resolution No. 2006-0010 dated February 6, 2006]  
[Amended by Resolution No. 2005-0102 dated September 8, 2005]  
[Amended by Resolution No. 2004-0133 dated December 6, 2004]  
[Amended by Resolution No. 2004-0100 dated October 4, 2004]  
[Amended by Resolution No. 2004-0032 dated April 5, 2004]  
[Adopted Resolution No. 2002-02 dated September 20, 2002]

RESOLUTION NO. 2022-0054

A RESOLUTION OF THE BOARD OF THE SAN DIEGO  
COUNTY REGIONAL AIRPORT AUTHORITY  
DELEGATING THE AUTHORITY TO INVEST AND  
MANAGE AUTHORITY FUNDS TO THE VICE  
PRESIDENT, CHIEF FINANCIAL OFFICER/TREASURER

**WHEREAS**, San Diego County Regional Airport Authority Policy 4.20 establishes a policy governing the investment policies and practices of the San Diego County Regional Airport Authority (“Authority”); and

**WHEREAS**, the Association of Public Treasurers of the United States and Canada and the Government Finance Officers Association established policy standards recommending a review of a local government’s investment policy be conducted annually; and

**WHEREAS**, Policy 4.20 serves as the guideline for the Authority to ensure prudent management of its investments, having been submitted for regular review and adoption by the Authority Board in a public meeting; and

**WHEREAS**, Policy 4.20 has been reviewed by the Authority’s financial and investment advisors; and

**WHEREAS**, the Board has reviewed the investment record and desires to continue its delegation of authority to invest and manage the funds of the Authority to the Vice President, Chief Financial Officer.

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby delegates the authority to invest and manage Authority funds to the Vice President, Chief Financial Officer/Treasurer; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a “project” as defined by the California Environmental Quality Act (“CEQA”) (California Public Resources Code §21065); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a “development” as defined by the California Coastal Act (California Public Resources Code §30106); and

**BE IT FURTHER RESOLVED** that the Board finds that this 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.

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 2nd day of June, 2022, by the following vote:

**AYES:** Board Members:

**NOES:** Board Members:

**ABSENT:** Board Members:

**ATTEST:**

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TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES /  
AUTHORITY CLERK

**APPROVED AS TO FORM:**

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AMY GONZALEZ  
GENERAL COUNSEL

# San Diego County Regional Airport Authority

## ANNUAL REVIEW TO AUTHORITY POLICY 4.20

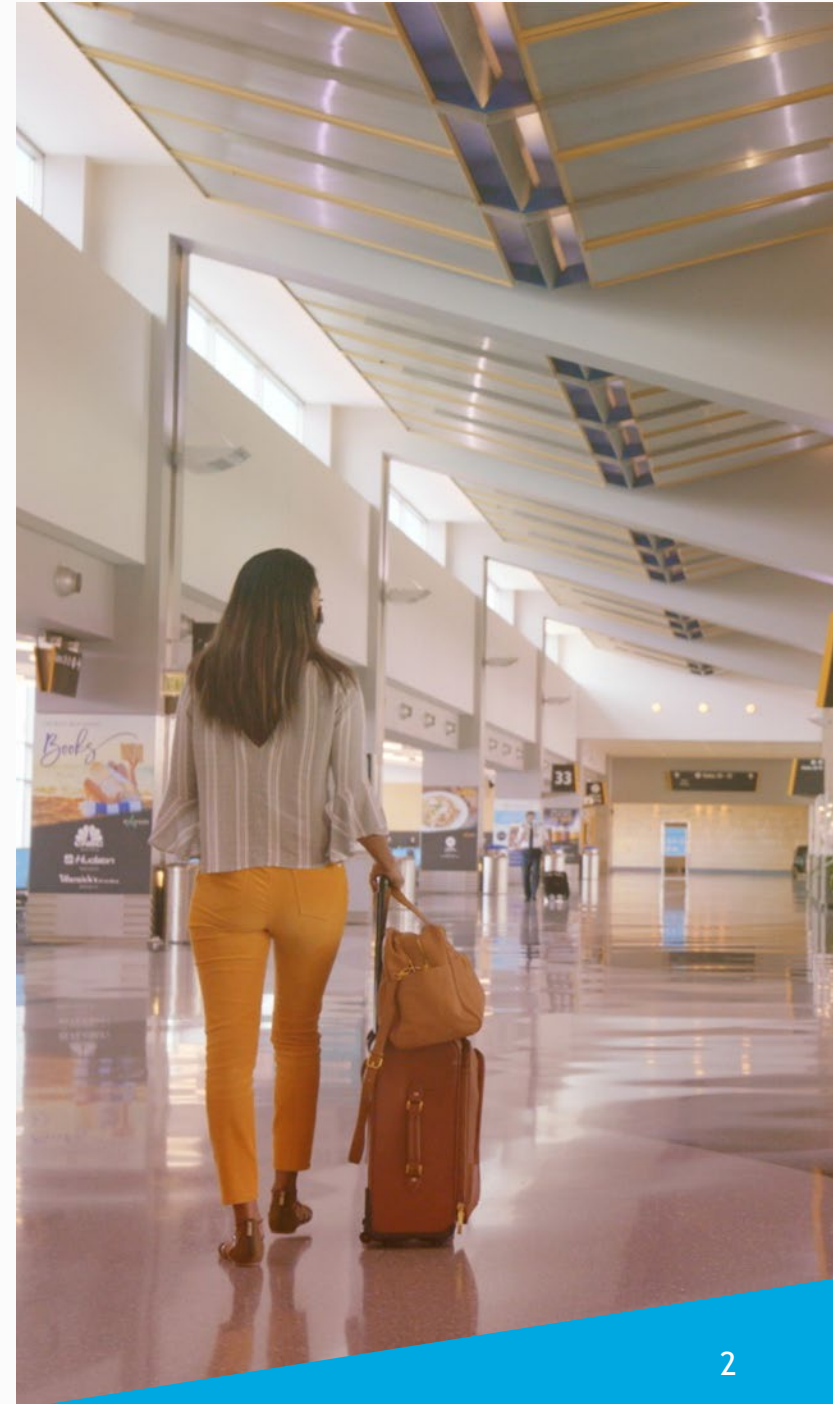
**Review of Investment Policy, Guidelines for Prudent Investments,  
and Delegation of Authority to Invest and Manage  
Authority Funds to the Vice President, Chief Financial Officer**

Presented by Geoff Bryant Finance Manager

June 2, 2022

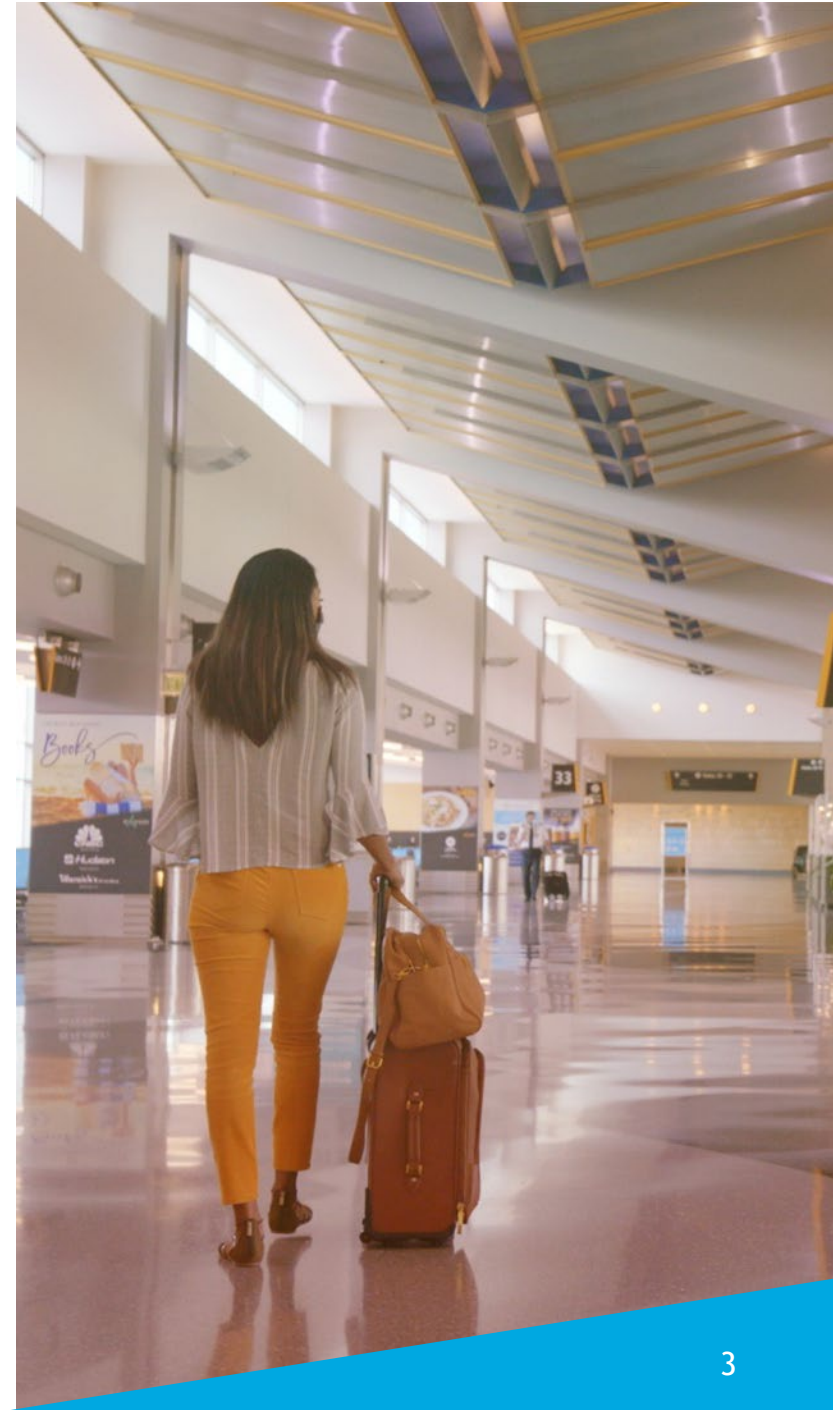
# Investment Policy - Overview

- Serves as the foundation of investment goals and objectives
- Mandates investing in a manner that provides the highest security while meeting Authority cash flow needs
- Demonstrates our fiduciary responsibility, thereby promoting trust and confidence from the public we serve
- Adheres to or exceeds the requirements of California Government Code Section 53600 et seq.



# Investment Policy - Overview

- Adheres to state law requirements that return on investment be subordinate to safety and liquidity objectives
- Pertinent during current COVID-19 crisis.
- Developed and annually reviewed in conjunction with our financial and investment advisors
- Annual Board review is not required by State Code, but is an Authority practice



# Delegation of Investment Authority

- The Board delegates the authority to invest and manage funds to the Vice President, Chief Financial Officer
- This delegation is on a fiscal year basis and subject to renewal by the Board

4



# Action Requested

Seek Board for approval for:

- delegating the authority to invest and manage funds to the Vice President, Chief Financial Officer

5

Questions?

## Staff Report

**Meeting Date: June 2, 2022**

### **Subject:**

**Fiscal Year 2022 Third Quarter Report from the Office of the Chief Auditor**

### **Recommendation:**

The Audit Committee recommends that the Board accept the report.

### **Background/Justification:**

As directed in the Charter for the Office of the Chief Auditor, the Chief Auditor shall communicate to the Authority's Audit Committee and executive management on the performance relative to the Office of the Chief Auditor's (OCA) Audit Plan, results of audit engagements or other activities completed, and to report any risk exposures or control issues identified.

The Fiscal Year 2022 Third Quarter Report from the OCA (Attachment A) is submitted to the Audit Committee to provide an account of activities and undertakings of the OCA during the period January 1, 2022, through March 31, 2022, and includes details on all recommendations completed or in progress during the third quarter.

On May 9, 2022, during a regular meeting of the Audit Committee, a presentation by the OCA was given to detail its third quarter activities. Upon receiving the Fiscal Year 2022 Third Quarter Report, the Audit Committee voted unanimously to forward the report to the Board for acceptance.

### **Fiscal Impact:**

None

## 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 2022 3rd Quarter Report

ATTACHMENT A

SAN DIEGO  
COUNTY  
REGIONAL  
AIRPORT  
AUTHORITY



### By The Numbers



Recommendations Issued



Customer Satisfaction Rating



Audit Engagements Completed Under Budget



Auditor Utilization Percentage



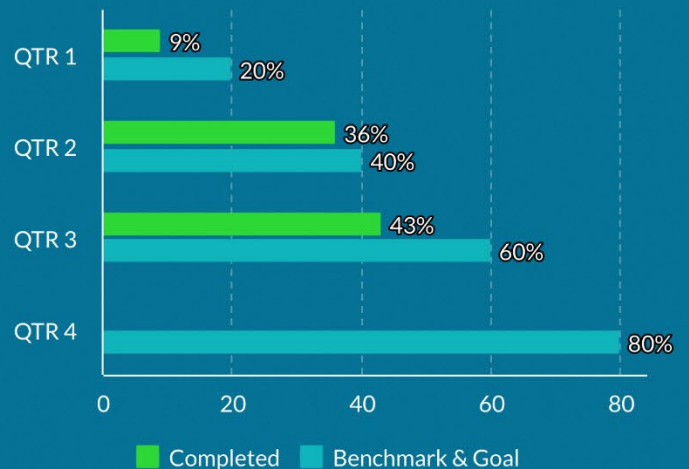
Recommendations Accepted By Management

### Audit Engagement Progress



■ Completed (42.86%) 
 ■ In Progress (42.86%) 
 ■ Not Started (14.29%)

### Audit Engagements Completed vs. Benchmark & Goal





# Fiscal Year 2022

## Third Quarter Report

SAN DIEGO  
COUNTY  
REGIONAL  
AIRPORT  
AUTHORITY

**Issue Date: May 9, 2022**

**OFFICE OF THE CHIEF AUDITOR**

## Third Quarter Summary

### Executive Summary

During the third quarter the Office of the Chief Auditor (OCA) moved forward on several audit initiatives. Notably, we launched three construction audits based on a recently completed risk assessment performed by our construction audit partner and consultant, Baker Tilly. The risk assessment and associated audits are for the Validation Phase of the Terminal and Roadways related to the New T1. Additionally, the OCA began its annual risk assessment process that involves all departments and divisions. This annual risk assessment effort results in a proposed Audit Plan, which will be presented in May 2022 to the Audit Committee. As of the end of the third quarter we completed 43% of planned audits and have approximately 43% of our planned audits in progress.

### Performance Measures

For Fiscal Year 2022, six major performance measures were developed to evaluate the OCA. The OCAs performance against the selected performance measures is displayed in Table 1.<sup>1</sup>

*Table 1: Status of Performance Measures as of March 31, 2022*

#	Performance Measure	Goal	Actual	Benchmark
1	Customer satisfaction ratings from auditee	4.0	4.3	4.0
2	Number of recommendations	19	20	19
3	Percentage of audit engagements completed	60%	43%	60%
4	Percentage of recommendations accepted	95%	100%	83%
5	Percentage of staff time spent on audit engagements and general audit activities	70%	65%	70%
6	Percentage of audit engagements completed within budget	80%	100%	75%

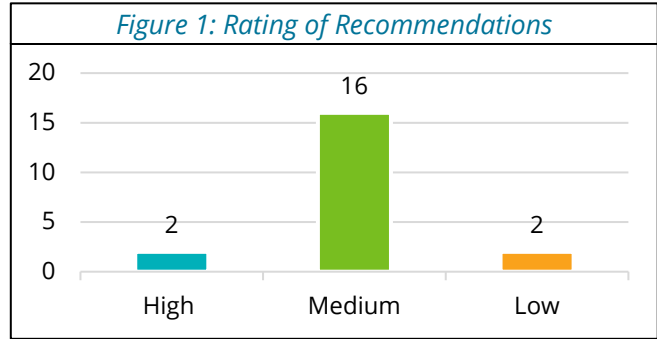
#### *Customer Satisfaction Rating:*

After the completion of an audit engagement, a survey is sent to the audited department 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 this fiscal year we have achieved a score of 4.3.

<sup>1</sup> The OCA tracks additional performance measures that are not shown above. Their results are compiled and shared with the Audit Committee annually.

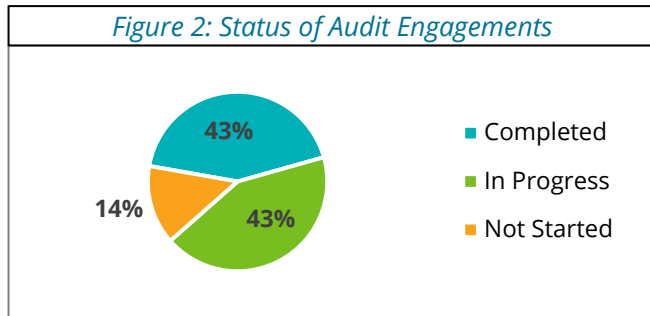
*Number of Recommendations:*

One of the OCAs primary objectives is to identify risks that could pose a threat to the Authority. As of March 31, 2022, the OCA provided 20 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 1.



*Percentage of Audit Engagements Completed:*

As of the third quarter, the OCA completed 6 audit engagements, or 43%, of audit engagements (6/14 = 43%) that are planned to be completed on the Fiscal Year 2022 Audit Plan.<sup>2</sup> In addition to the six engagements completed, the OCA had 43% of engagements in progress as of the end of the third quarter, as shown in Figure 2. The engagements completed in the third quarter are summarized in the upcoming section titled Audit Engagements.



An alternative way to calculate this performance measure is to acknowledge the hours spent on audit engagements completed plus engagements that are in progress, but not yet completed. This calculation results in a completion percentage of 70%.<sup>3</sup>

The status of all activities in the Fiscal Year 2022 Audit Plan is included in Appendix A.

The status of all activities in the Fiscal Year 2022 Audit Plan is included in Appendix A.

*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 issued. As of the third quarter, management accepted 100% of all audit recommendations.

<sup>2</sup> The Fiscal Year 2022 Audit Plan has 15 audits. However, the audit identified as “Tenant Lease Administration and Management – Rental Car Companies” will be carried forward, as anticipated, into Fiscal Year 2023, when required data is captured to complete the audit. This results in 14 audits on the Fiscal Year 2022 Audit Plan to be completed in the fiscal year.

<sup>3</sup> The OCA has spent 4,300 hours on audit engagements and estimates 6,159 total hours will be needed to complete all Fiscal Year 2022 planned audits (4,300/6,159=70%). The 70% and total hours of 6,159 exclude 220 hours for construction audits that have not been identified yet. These hours are labeled “To Be Determined - Construction” on the Audit Plan, until utilized.

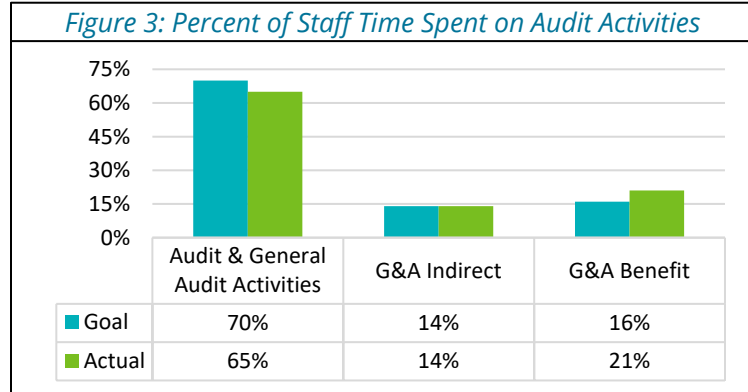


**FISCAL YEAR 2022 THIRD QUARTER REPORT**

*Percentage of Staff Time Spent on Audit Engagements and General Audit Activities:*

This measure tracks the time spent on audit engagements and general audit activities.<sup>4</sup> The OCAs goal for Fiscal Year 2022 is 70%. The OCA is currently below the established goal, spending 65% of time on audit and general audit activities.

This is largely due to staff using accrued vacation time that was underutilized due to the COVID-19 pandemic. As shown in Figure 3, 21% of staff time was recorded as “G&A Benefit” time, which includes vacation and holiday time used by OCA staff. This is above the amount planned by 5%.



*Percentage of Audit and Consulting Engagements Completed within Budgeted Time:*

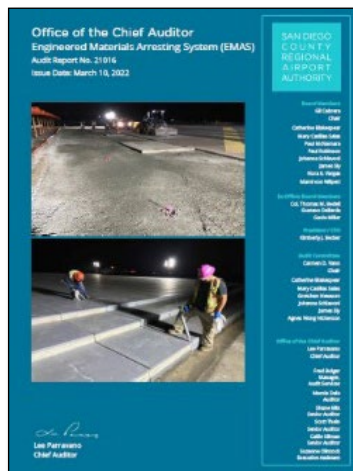
This category monitors the efficiency of audit staff in performing audits and consulting engagements. Specifically, audit staff is responsible for the internally prepared budget hours assigned to each audit or consulting engagement. As of the third quarter of Fiscal Year 2022, the OCA completed 100% of its projects within the budgeted time, exceeding the benchmark and the OCAs goal.

<sup>4</sup> Appendix A details all planned activities in these categories for Fiscal Year 2022.

## Audit Engagements

### Issued

The Office of the Chief Auditor completed two audits during the third quarter. Below is a summary of these engagements.



**Engineered Materials Arresting System (EMAS):** The objective of this audit was to determine if the EMAS Project was properly monitored and managed. The audit concluded that in general, the EMAS Project was properly monitored and managed. Specifically, we found that the purchase and installation of materials and construction was adequately managed, payments were properly approved and included supporting documentation, procurement of the contracts related to the EMAS Project complied with the Authority's Procurement Policy, and change orders were not included in the original contract scope of work. The audit did not identify any findings or provide any recommendations.

**Security Assessment - Aviation Security & Public Safety (AVSEC):** This confidential report was completed during the third quarter. The audit provided two recommendations.

### In Progress

At the close of the third quarter there were six audit engagements in progress, representing 43% of the Audit Plan. slated to be completed in Fiscal Year 2022. The audits in progress, and anticipated to be completed in Fiscal Year 2022, are listed here:

- Harbor Police Contract Management – Costs and Services, Fiscal Years 2018, 2019, and 2020
- Harbor Police Contract Management – Fiscal Year 2020 True-Up
- Employee Training and Development
- Turner-Flatiron Validation Phase Payment Applications
- Terminals and Roadway Validation Phase Cost Controls
- Turner-Flatiron Direct Labor Validation Phase

In addition to the audits listed above, the audit of Tenant Lease Administration and Management – Rental Car Companies (RAC) has been started in Fiscal Year 2022, although, will not be completed until next fiscal year. This audit will be carried forward to Fiscal Year 2023 in order to capture data throughout the period required to complete the RAC analysis.

## General Audit Activities

In addition to performing audit engagements, the OCA is involved in other general audit activities that do not result in a formal audit report/opinion being issued. The OCA is either required<sup>5</sup> 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* is presented below.

### Risk Assessment and Audit Plan

The OCA is required to submit a risk-based internal Audit Plan to the Audit Committee annually. The Risk Assessment & Audit Plan is the culminating result of data gathering, management discussions, surveys, and data analysis, which was formally initiated during the third quarter of Fiscal 2022. During the third quarter alone over 20 meetings took place with department directors to get their feedback on risks at the Authority. In all, over 30 meetings take place annually to also obtain input from Board and Committee Members, the Authority's Executive Team, and the OCA staff, as well. The OCA's Risk Assessment & Audit Plan will be presented at the May 9, 2022, Audit Committee meeting for acceptance, and forwarded to the Board for approval in June. The Audit Plan commences in July with the following fiscal year.



### Construction Activities

Construction audit activity for the third quarter of Fiscal Year 2022 consisted of attending meetings regarding the New Terminal 1 (New T1) terminal and roadways, and new administration building projects. Task authorizations were issued to Baker Tilly, U.S., LLP (Baker Tilly) for direct labor testing, cost controls testing, and Baker Tilly audit project management. The OCA's Construction Auditor and audit staff have been working on the validation phase payment application audit, identified in the audit plan developed with Baker Tilly. Additionally, the Construction Auditor assisted Baker Tilly with their audit of direct labor and in the planning for future audits. The OCA remains involved with issues identified by the Airport Design and Construction team and Authority management, providing assistance and attending meetings specific to all aspects of the Authority's construction activity.

### Information Technology Meeting Attendance

Information technology's central role to Authority operations makes meeting attendance on this subject a vital activity for the Chief Auditor. In Fiscal Year 2022, meetings have been focused on the security assessment for Aviation Security (AVSEC) and the planned san.org website audit. The AVSEC results were provided to the Audit Committee and results of the san.org website audit will be delivered when completed.

<sup>5</sup> Requirements are dictated by the Charter for the Office of the Chief Auditor, Charter of the Audit Committee, or the International Standards for the Professional Practice of Internal Auditing.

### Development of Data Analytics

The OCA is actively exploring options to increase its audit coverage through data analytics. Currently, the OCA has a data analytics audit related to rental car companies that was initiated after consultation with various departments at the Authority. The Rental Car Company audit will serve as a foundation to explore other areas where data analytics could benefit the Authority and the OCA. During the development of the rental car data analytics program, the OCA identified information that has resulted in a request to amend the Fiscal Year 2022 Audit Plan. This request will be presented at the May 2022 Audit Committee Meeting.

### Ethics Program Activities

The OCA manages the Authority's Ethics Program that includes a confidential reporting hotline. During the third quarter of Fiscal Year 2022, four tips/reports were received. These tips ultimately did not require any investigation. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate.

The hotline also allows individuals to ask questions about possible ethics matters, thus allowing individuals to make an informed and ethical decision. During the third quarter of Fiscal Year 2022, one question was received. The OCA appreciates the efforts made by this individual whose goal was to ensure an ethical decision was reached.

A summary of the tips/reports received in Fiscal Year 2022 is shown in Table 2 below.

*Table 2: Ethics Hotline Tips/Reports Received in Fiscal Year 2022*

	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)
<b>Category</b>					
Human Resource, Diversity, and Workplace Respect	16	-	-	-	-
Business Integrity	1	1	-	-	-
Environment, Health and Safety	2	1	1	1	-
Total	19	2	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.

### Recommendation Follow-up

The OCA is mandated by its Charter to track the recommendations issued in audit reports and to report their implementation status to the Audit Committee on a periodic basis. The OCA tracks recommendations through regular inquiries made to the audited departments or to the owner of the specific recommendation(s) (See Appendix B). These inquiries allow the OCA to determine how many recommendations have been completed, as well as to obtain the status on progress being made to implement the recommendations.

Table 3 below shows the number of recommendations that were *Completed* or *In Progress* as of the third quarter of Fiscal Year 2022, along with the estimated/actual implementation timeframes based on the audit report issue date. Of the Completed recommendations, eight were implemented within the initial timeframe identified when the recommendations were issued. Of the In Progress recommendations, seven recommendations were still within the initial timeframe identified for implementation.

In general, the OCA is satisfied with the progress that Authority departments are currently making with the implementation, as based upon our inquiries during the tracking process.

*Table 3: Recommendations with Estimated/Actual Implementation Timeframe*

Recommendations	Zero to 7 Months	7 Months to 1 Year	Over 1 Year	Total <sup>6</sup>
Completed	8	-	1	9
In Progress	-	9	10	19

### Quality Assurance and Improvement Program

The Institute of Internal Auditors' (IIA) *Standards* require the OCA to maintain a Quality Assurance and Improvement Program (QAIP) that includes internal (self) assessments, ongoing 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.

The OCA completed ongoing monitoring of its Fiscal Year 2021 activities and operations during the first quarter of Fiscal Year 2022. The results were included in the Fiscal Year 2021 OCA Annual Report that was presented during the September 13, 2021, Audit Committee Meeting.

The OCA continues to monitor its activities and report on performance measures each quarter. Those results are presented in quarterly reports to the Audit Committee.

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<sup>6</sup> Recommendation(s) contained in confidential audit reports are not included in Table 3 or in Appendix B. They are tracked separately by the OCA.

**Peer Review Participation**

The OCA is required to participate on a peer review team(s) as part of a reciprocal agreement with the Association of Local Government Auditors (ALGA). In this agreement, OCA auditors would participate on a team assigned to assess another organization's compliance with Institute of Internal Auditors' (IIA) *Standards*. The OCA has been in contact with the regional coordinator of ALGA to schedule our staff on an appropriate peer review team. Two OCA auditors are anticipated to serve on a peer review in Fiscal Year 2022 or Fiscal Year 2023. One OCA auditor has been assigned to another airport organization's peer review; the scheduled start date of that engagement is still yet to be determined. The other OCA auditor anticipated to serve on a peer review team in Fiscal Year 2022 or Fiscal Year 2023 is not currently assigned to a peer review.

## *Administrative*

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The activities that reside within the Administrative classification include meetings attended by the OCA, holiday and vacation time, and the fulfillment of Continuing Professional Education (CPE) requirements.

### **Tracking Budget and Expenses**

The OCA expenses totaled approximately \$910,000 through the end of the third quarter, which represents 71% of the Fiscal Year 2022 budget. No unexpected or large outlays occurred within the department during the three quarters of Fiscal Year 2022. The OCA expects to remain on budget through the fiscal year-end.

### **Continuing Professional Development**

OCA staff continues to obtain Continuing Professional Education (CPE) credits as required by their various certifications. The OCAs CPE credits are tracked on a calendar year basis. At the end of calendar year 2022 all OCA staff met their respective CPE requirements. In the third quarter, staff attended training on topics that included remote working, value added auditing, cybersecurity, social engineering, lease standards, Adobe Acrobat, independence, and Log4j vulnerabilities related to cybersecurity.

As of the third quarter, the OCA has a Certified Fraud Examiner (CFE) on staff. The requirement to become a CFE includes a rigorous test on four major disciplines that comprise the associated fraud body of knowledge including: Fraud Prevention and Deterrence, Financial Transaction and Fraud Schemes, Investigation, and Law.

### **Procedural/Supervisory**

One Audit Committee meeting took place during the third quarter, which occurred on February 7, 2022. The meeting contained all of the regularly scheduled 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 pandemic has required the OCA to be flexible with the timing of audit engagements due to the resource limitations caused by the pandemic. During the third quarter, OCA staff began a transition back to the office, working both remotely and in the office each week.

**Use of Report**

The information in this report is intended solely for the use of the San Diego County Regional Airport Authority's (SDCRAA) Audit Committee, Board, and management and is not intended to be, and should not be, used by anyone other than the specified parties.

This report has been authorized for distribution to the Audit Committee and as specified:

- Board Members
- President/Chief Executive Officer
- General Counsel
- Vice Presidents
- Director, Authority Clerk
- Director, Government Relations
- Assistants specified by Board Members and SDCRAA



## Appendix A – Fiscal Year 2022 Audit Plan

#	Activity	Status as of 3/31/2022	Over/Under Budget	No. of Recs.
<b>Audit Engagement</b>				
1	Harbor Police Contract Management – Costs and Services	In Progress		-
2	System Security – AVSEC (Confidential)	Completed	Under	2
3	Enterprise Content Management System (ECMS)	Completed	Under	7
4	Accounts Receivable / Collections - Abatement Program	Completed	Under	2
5	Contractor Monitoring – Engineered Materials Arresting System	Completed	Under	-
6	Harbor Police Contract Management – Fiscal Year 2020 True-Up	In Progress		-
7	Tenant Lease Admin. & Management – Rental Car Companies <sup>7</sup>	In Progress		
8	System Security – SAN.org website	Not Started		-
9	Employee Training and Development	In Progress		-
10	Tenant Lease Administration & Management – Terminal Space	Completed	Under	5
11	Airfield Operations - Amadeus	Not Started		-
12	Terminal Maintenance - Fire Extinguisher Compliance	Completed	Under	4
13	Turner-Flatiron Validation Phase Payment Applications	In Progress		
14	Terminals and Roadway Validation Phase Cost Controls	In Progress		
15	Turner-Flatiron Direct Labor Validation Phase	In Progress		
16	To Be Determined – Construction	N/A		-
17	To Be Determined - Discretionary	N/A		-
	<b>Total</b>			<b>20</b>
<b>General Audit</b>				
18	Risk Assessment & Audit Plan	In Progress		
19	Construction Meeting Attendance & Coordination	In Progress		
20	Information Technology Meeting Attendance	In Progress		
21	Development of Data Analytics	In Progress		
22	Ethics Program	In Progress		
23	Recommendation Follow-up	In Progress		
24	Quality Assurance & Improvement Program	In Progress		
25	Peer Review Participation	In Progress		
<b>Administrative</b>				
26	Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other	In Progress		
27	Benefit - Vacation, Holiday Time, and Other Leave/Time Off	In Progress		

<sup>7</sup> Audit engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to Fiscal Year 2023.

**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 March 31, 2022
<b>Completed</b>						
22-1	Audit Report 21014 Issued: Sept. 22, 2021 Title: Enterprise Content Management System Access Controls  Department: BOARD SERVICES	High	The ECMS Administrator should coordinate with Department Records Coordinators to conduct, periodic reviews of access rights and group permissions to enforce the practice of least privilege, and maintain documentation to show the review was performed by appropriate individuals.	6/30/2022	6/30/2022	Board Services met with all Department Directors and Records Coordinators to review their ECMS Folder Map and the Access Rights and Permissions on each folder for approval by the Director or Vice President.
21-18	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process  Department: ACCOUNTING/ FINANCE	Medium	The Accounting Department's A/P Team should perform regular periodic maintenance of the Vendor Master File to identify inactive and duplicate vendors and tag them as inactive.	12/31/2021	3/31/2022	The Accounting Department's A/P Team has developed a procedure to annually review and inactivate vendors. In addition, at this time all vendors that have not been paid since April 30, 2020 have been coded in E1 as inactive.
22-14	Audit Report 22007 Issued December 29, 2021 Title: Fire Extinguisher Compliance  Department: FACILITIES MANAGEMENT	Medium	FMD should remove from service the fire extinguisher that had received no inspection since 2019 and replace it with a reserve. FMD should have All County inspect this unit on the next annual maintenance visit.	2/28/2022	2/28/2022	FMD removed the fire extinguisher that hadn't been inspected since 2019 and replaced it with an up to date inspected unit. FMD went through all existing units to ensure all are within compliance and then enlisted All County to inspect them on their next maintenance visit.

**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 March 31, 2022
<b>Completed</b>						
22-15	Audit Report 22007 Issued December 29, 2021 Title: Fire Extinguisher Compliance  Department: FACILITIES MANAGEMENT	Medium	FMD should immediately visit the fire extinguishers lacking up to date monthly inspection records and perform the necessary inspections.	2/28/2022	2/28/2022	Any and all units currently lacking up to date inspection records were internally inspected by FMD to ensure the Authority is meeting California Code Title 19 Standards.
22-16	Audit Report 22007 Issued December 29, 2021 Title: Fire Extinguisher Compliance  Department: FACILITIES MANAGEMENT	Medium	FMD should require that staff performing fire extinguisher inspections write the full date (day, month, and year) of when the inspection was performed on the maintenance tags. The full date would allow cross checking with staff assignments creating increased confidence in the veracity of FMD attestations. Alternately, management could procure a computer application that could scan barcodes attached to each fire extinguisher, which could record all relevant information, including dates of completed inspections, location of fire extinguishers, and the employee performing the inspection.	2/28/2022	2/28/2022	Moving forward, when FMD performs inspections on hand held fire extinguisher units, the Month, day, year will be written on the tag to ensure the unit is within California Code Title 19 standards. Utilizing our existing E-1 database application, FMD created a weekly Preventative Maintenance “PM” Work Order for hand held fire extinguisher inspection. The Work Order has a photo of the extinguishers inspected each week to show location and tag confirmation, which will be attached and accessible in the Additional comment section of the Work Order.

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 March 31, 2022
<b>Completed</b>						
22-17	Audit Report 21015 Issued December 30, 2021 Title: Rent Forbearance and Abatement Program  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	In the event the Program is extended to future periods, RG&PD should develop a checklist to address the administration of the Program and ensure that the checklist is updated to encompass any future changes to the Program. The checklist should be shared with other Departments as necessary.	3/25/2022	3/25/2022	RG&PD developed a checklist to ensure the necessary documents and forms are completed for the proper and timely execution of the abatements, as approved by the Board, and as required by the FAA for ACRGP funds.
22-18	Audit Report 21015 Issued December 30, 2021 Title: Rent Forbearance and Abatement Program  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Management should set a standard naming protocol for each of the documents used in the Program and ensure that all documents are filed in ECMS in a timely manner in specific folders for each type of document.	3/25/2022	3/25/2022	RG&PD developed a standard naming protocol for all of the documents that support the rent forbearance abatement program along with any documents required by the FAA for ACRGP funding and establish a time line for the filing of all applicable documents in ECMS.
22-6	Audit Report 21014 Issued: Sept. 22, 2021 Title: Enterprise Content Management System Access Controls  Department: BOARD SERVICES	Medium	A formal procedure that includes a documented process for granting and changing access rights should be developed. Documentation should be retained for audit purposes.	2/28/2022	5/31/2022	Board Services met with all Department Directors and Records Coordinators to review their ECMS Folder Map and the Access Rights and Permissions on each folder for approval by the Director or Vice President. They are requiring written approval from Department Directors for adding or changing permissions.

**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 March 31, 2022
<b>Completed</b>						
22-7	Audit Report 21014 Issued: Sept. 22, 2021 Title: Enterprise Content Management System Access Controls  Department: BOARD SERVICES	Low	The ECMS Administrator should consider utilizing a software tool or other methodology to identify confidential or sensitive information within ECMS to determine if the information is properly safeguarded and only accessible to those with the logical need for that information.	6/30/2022	6/30/2022	Completed the Catalog of Enterprise Systems for Calendar Year 2021, systems containing confidential, sensitive, and SSI information, which included the ECMS. Board Services will work with individual departments to identify the Record Types that contains this information and flag them on the approved Records Retention Schedule so that additional measures can be put in place limiting access to only those individuals who have a need to access and maintain the information as part of their job responsibilities.

**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 March 31, 2022
<b>In Progress</b>						
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	9/1/22	The RFP for the property management software finalization is in process and will be released prior to original June 2022 estimation date. The target is a recommendation for approval at September Board Meeting as a Consent Item.
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	12/31/2022	RG&PD is working with Accounting, Risk Management and Finance Dept. to review and establish a system for review of the security deposits.

**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 March 31, 2022
<b>In Progress</b>						
21-15	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process  Department: ACCOUNTING/ FINANCE	High	A) We recommend that the A/P Accountant role in the Authority’s E1 financial system be removed from the Accounting Manager.  B) In addition, we recommend that the Authority determine if E1 has the ability to require that when any changes are made to the VMF, they be approved by another individual.	9/30/2021	6/30/2022	Partially Completed: A) Completed - Accounting had previously removed the AP Accountant role in the Authority’s E1 financial system from the Accounting Manager’s menu. B) In Progress - Accounting and I&TS are in the process of testing and implementing new E1 functionality that requires approval of changes made to highly sensitive vendor/employee data fields before the vendor is to be paid.

**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 March 31, 2022
<b>In Progress</b>						
21-31	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations  Department: GROUND TRANSPORTATION	High	GT should coordinate with COSD to identify the cause of the \$54,687 in underpayments and the \$26,082 in duplicate fees charged, and work to ensure that the issues are corrected and that the Authority is properly paid for their citations issued.	9/30/2021	6/30/2022	1. GT will attempt to reconcile the cause of the \$54,687 in underpayments and \$26,082 in duplicate fees charged. 2. GT will examine the current process and include reconciliation steps in the monthly reconciliation SOP to prevent errors in the future. 3. GT will use the monthly reconciliation SOP to analyze the average amount of deficient citation revenue received, and compare that to fees charged for processing, payment plan, NSF, State of CA Fees, etc. 4. Going forward, GT will use the monthly reconciliations and KPI examinations to identify trends in citation revenue deficiencies. 5. GT will examine the option to move to a different processor who can specifically identify citation revenue and charges and provide accurate reconciliations.
21-32	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations  Department: GROUND TRANSPORTATION	High	GT should coordinate with COSD to obtain detailed support of the gross figures provided monthly by COSD and reconcile the amounts of citations paid against the amount remitted to the Authority.	9/30/2021	6/30/2022	1. As part of the monthly reconciliation process defined in the SOP, GT will request detailed support for the gross figures provided monthly by CoSD to reconcile the amounts of citations paid to the amount remitted as citation revenue to the Authority.



**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 March 31, 2022
<b>In Progress</b>						
21-17	Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process  Department: ACCOUNTING/ FINANCE	Medium	A) We recommend that the Accounting Manager run and review the Vendor Set-Up Verification Report concurrent with the check run process to capture any vendor changes and to verify that these changes are legitimate.  B) In addition, we recommend that the Authority develop a report that captures changes made in E1 to banking information related to employee and Board/Committee Member reimbursements, thus enabling staff to conduct a review of that report concurrent with the check run process.	9/30/2021	6/30/2022	Partially Completed: A) Completed - The procedure to run the vendor setup verification report has been added to the check run procedures. B) In Progress - Accounting and I&TS are in the process of testing and implementing new E1 functionality that requires approval of changes made to highly sensitive vendor/employee data fields, including banking information, before the vendor is to be paid.
21-25	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations  Department: GROUND TRANSPORTATION	Medium	GT should develop written procedures for all components of the automobile citation process. Specifically, GT should develop written procedures for the export/upload process, reconciliations, and appeals process.	9/30/2021	6/30/2022	GT has developed Standard Operating Procedures (SOP) for "Citation Issuance", "Driver Fled Citation", and the export/import process. The ATO Unit is still working on finalizing SOPs for Monthly reconciliations, Appeals process, and Quarterly management review.

**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 March 31, 2022
<b>In Progress</b>						
21-26	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations  Department: GROUND TRANSPORTATION	Medium	GT should develop KPIs to measure performance of the automobile citation process, and measure actual performance against KPIs on a regular basis.	9/30/2021	6/30/2022	1. GT will develop the following KPIs: a) % of citations uploaded on time, b) % of citations with errors, c) % of citations appealed, d) # of citations successfully appealed, e) \$ amount of citations issued each month, f) Type and amount of citations issued each month, g) List of citation infraction type, h) List of upload errors and troubleshooting by citation device, i) Additional KPIs will be developed and reported as identified and warranted.
21-28	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations  Department: GROUND TRANSPORTATION	Medium	GT should develop a methodology to reconcile citations issued by the Authority, transferred to the COSD, and citations charged a processing fee; and, implement the reconciliation to be performed monthly and any discrepancies be corrected.	9/30/2021	6/30/2022	1. As part of the monthly reconciliation SOP GT will establish a requirement and methodology to reconcile: a) Monthly citations issued by the Authority to those received by CoSD, b) Monthly \$ amount of citations issued by the Authority to those received by CoSD, c) Monthly \$ amount of citation fees charged by CoSD to number of citations received by CoSD.

**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 March 31, 2022
<b>In Progress</b>						
21-30	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations  Department: GROUND TRANSPORTATION	Medium	GT should develop and implement a methodology to review citation fine amounts periodically and adjust the amounts as appropriate.	9/30/2021	6/30/2022	1. As part of the citation issuance SOP, GT will specify that citation amounts are reviewed annually and benchmarked against other County of San Diego agencies and other California Airports. 2. The initial review will occur in April 2022. 3. Subsequent annual review and benchmarking examinations will occur in April each year thereafter.
22-10	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Authority staff should cleanup E1 Plat Management and GIS Space Manager for mismatched or incorrect data and perform regular maintenance, review, and reconciliation of the data between E1 Plat Management and GIS Space Manager.	1/2/2023	6/30/2023	RGPD continues to work with ADC Technical Services team and Finance to review space management data, reconcile and establish procedures for maintenance of space management data.

**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 March 31, 2022
<b>In Progress</b>						
22-11	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Authority Management should perform a physical inventory of plats throughout Terminal 2, and the New Terminal 1 when completed, to ensure that the reported attributes of space in the E1 Plat Management and GIS Space Manager reports reflect the physical space in the terminals. Any discrepancies should be timely corrected. Additionally, the written procedures referred to in Recommendation #22-8 should include a procedure for the periodic physical inventory of plats in Terminals 1 and 2.	12/1/2022	6/30/2023	RGPD continues to work with ADC Technical Services team to complete physical inventory.  ADC Technical Services Team has taken the lead on developing a procedure and a draft has been completed.
22-12	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	The numbers attached to terminal doors, as identifiers, should be incorporated in E1 Plat Management and GIS Space Manager plat reporting.	10/3/2022	6/30/2023	RGPD does not assign door identifiers. RGPD will work with the many departments within the Authority who have a stake in the door numbering systems to make sure we have all of the necessary information for the door identifiers.

**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 March 31, 2022
<b>In Progress</b>						
22-13	Audit Report 22007 Issued December 29, 2021 Title: Fire Extinguisher Compliance  Department: FACILITIES MANAGEMENT	Medium	FMD should develop and maintain a listing of all Authority fire extinguishers and their locations. This listing could be included in a computer application such as the Geographic Information System to produce and maintain a map of the Authority that shows all fire extinguisher locations.	2/28/2022	12/4/2022	FMD compiled a detailed list of all existing handheld fire extinguishers to show the last date of inspection in Month/Day/Year format. A map of each extinguisher will be developed pinpointing the exact location of each. FMD is working with Technical Services to try and achieve a layer for fire extinguishers in the Authority's existing GIS application.
22-8	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Five Authority departments (i.e. ADC Tech Services Team, the Accounting Department, the Finance Department, RG&PD, and Airline Relations) should coordinate, develop, and publish a set of universal procedures for SDIA space management, and take active measures to ensure that the procedures are updated to remain current. The procedures should establish a process for making changes to terminal space that include steps to require the Asset Manager requesting any change to verify that the change was processed timely and accurately in both E1 Plat Management and GIS Space Manager.	12/1/2022	6/30/2023	The ADC Technical Services Team has taken the lead on developing a procedure and a draft has been completed. RGPD continues to work with the lead department and other supporting departments to resolve this item.

**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 March 31, 2022
<b>In Progress</b>						
22-9	Audit Report 22005 Issued: Nov. 22, 2021 Title: Terminal Space Management  Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT	Medium	Authority staff should determine the information fields in E1 Plat Management that are critical and that should be populated and imported to GIS Space Manager for data accuracy and consistency between the two systems. In addition, staff should clearly distinguish the differences between unit statuses (e.g. active, occupied) to avoid inconsistencies.	12/1/2022	6/30/2023	RGPD continues to work with ADC Technical Services team and Finance to resolve this item.
21-03	Audit Report 20004 Issued October 28, 2020 Title: Formal Bidding/Contracting Process  Department: PROCUREMENT	Low	We recommend that Authority Management evaluate and update Authority Policies 5.01 and 5.02 where necessary.	10/15/2021	6/3/2022	Recommended updates and revisions have been submitted to General Counsel and the ELT for final review.
21-27	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations  Department: GROUND TRANSPORTATION	Low	GT should establish a written goal to upload all citations within a specified time period (e.g., 24 or 48 hours). Further, GT should implement a system to measure upload time, identify issues with citation uploads, and troubleshoot issues.	9/30/2021	6/30/2022	Partially Completed: 1. The Export/Upload SOP GT addresses the daily upload within 48 hours of issuance. 2. GT will issue reports on % of citations uploaded daily and within/without 48 hours. 3. GT will issue exception reports for citations processing issues and troubleshooting issues.

**Appendix B - Status of Recommendations**

Fiscal Year 2022 Third Quarter Report

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Initial Estimated Completion Date	Revised / Current Estimated Completion Date	Status as of March 31, 2022
<b>In Progress</b>						
21-33	Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations  Department: GROUND TRANSPORTATION	Low	GT should implement a formal documented approval of all decisions reached within the appeals process.	9/30/2021	6/30/2022	1. As part of the Appeals Process SOP, GT will establish and implement a formal, documented approval form for all decisions reached within the appeals process. This form will include: a) Date of citation, b) Date of citation appeal, c) Date of appeal review, d) Appeal decision - by party independent of appeal processor, e) Manager review signature and date, and f) Director review signature and date.

## Staff Report

**Meeting Date: June 2, 2022**

### **Subject:**

**Approve the Revision to the Fiscal Year 2022 Audit Plan of the Office of the Chief Auditor**

### **Recommendation:**

The Audit Committee recommends that the Board Adopt Resolution No. 2022-0055 approving the revision to the Fiscal Year 2022 Audit Plan.

### **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 7, 2021, per Board Resolution No. 2021-0109, 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 the 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 2022 was approved by the Audit Committee during its May 10, 2021, meeting, and was subsequently approved on June 3, 2021, by Board Resolution No. 2021-0063.

During the first quarter of Fiscal Year 2022, 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 approved by the Board on October 7, 2021, by Resolution No. 2021-0110.



During the second quarter of Fiscal Year 2022, a revision to the Fiscal Year 2022 Audit Plan was requested to add an audit of Fire Extinguisher Compliance to the Audit Plan with 275 audit engagement hours. This revision was approved by the Board on December 2, 2021, by Resolution No. 2021-0137.

During the third quarter of Fiscal Year 2022, a revision to the Fiscal Year 2022 Audit Plan was requested to allocate 198 hours to the two Harbor Police audits that are ongoing. Additionally, the revision allocated 983 hours to three construction audits and two construction risk assessments. This revision was approved by the Board on March 3, 2022, by Resolution No. 2022-0025.

At this time, a revision to the Fiscal Year 2022 Audit Plan is requested. The revision is comprised of two categories: 1) Non-construction audits and 2) Construction engagements.

## Non-construction Audits

The OCA is requesting to remove the following two audits that have a combined total of 825 hours:

1. System Security – This audit originally planned to penetration test the san.org website. However, the OCA believes there is additional value to penetration test all web facing sites. In order to accommodate this expanded scope, the OCA is partnering with the Information & Technology Services Department to budget and plan this audit for inclusion in Fiscal Year 2023.
2. Airfield Operations Management - This audit originally planned to match the reports from the gate software (Amadeus) to the Airline landing fees reported by the Airlines. The OCA has been informed that management is currently performing analysis and reconciliation of these reporting systems; therefore, the OCA believes that management should be provided the opportunity to perform their analysis prior to OCA involvement.

The OCA would like to replace the above audits with the following audit engagements having a combined total of 825 hours:

1. Tenant Lease Administration & Management – This audit objective would be to determine if Avis Budget Car Rental, LLC accurately paid concession fees and Customer Facility Charges for the period July 1, 2018, through June 30, 2021. The OCA is planning to complete this engagement in Fiscal Year 2022; however, completion of this engagement is dependent on when supporting documentation is received.
2. Tenant Lease Administration & Management – This audit objective would be to determine if the food and beverage concessionaire surcharge is administered appropriately. The total hours needed for this engagement are 500. The OCA is requesting to allocate 375 hours in Fiscal Year 2022 to this engagement, and the additional 125 hours will be added to the Fiscal Year 2023 Audit Plan.

## Construction Engagements

The OCA is requesting to reduce 150 allocated construction audit hours on the following:

1. Terminals and Roadway Validation Phase Cost Controls - The OCA, in partnership with the external construction auditor, Baker Tilly US LLP, identified multiple auditable areas on the New T1 as a result of a risk assessment performed by Baker Tilly. In February 2022, three audits were added to the Audit Plan based on those risk assessments. One of those audits, the audit of Terminals and Roadway Validation Phase Cost Controls, originally had a Fiscal Year 2022 budget of 350 hours. However, after scoping the engagement objectives, the OCA believes the timing of the audit work will occur in both Fiscal Year 2022 and Fiscal Year 2023. The OCA is proposing reducing the number of planned hours in Fiscal Year 2022 by 100 hours. Those 100 hours will be added to the Fiscal Year 2023 Audit Plan.
2. To Be Determined Construction – The OCA is requesting to reduce the unallocated hours by 50 to accommodate for the hours requested for the consulting engagement related to grants. This would leave a remaining balance of 170 hours listed “To Be Determined” as specifically set aside for construction audit activities.

The OCA is requesting to add the following consulting engagement with 150 audit hours:

1. Grant, PFC, and CFC Administration – The OCA has been requested by management to provide assistance related to grant funding. Assistance is anticipated to be limited to items such as research, interpretation, and application of the federal requirements regarding procurement. The total hours needed for this engagement are 225. The OCA is requesting to allocate 150 hours in Fiscal Year 2022 to this engagement. An additional 75 hours will be added to the Fiscal Year 2023 Audit Plan.

During a regular meeting of the Audit Committee on May 9, 2022, staff presented the proposed revision to the Audit Plan with a request that the Committee accept the Plan. The Audit Committee subsequently voted unanimously to forward the proposed revision to the Fiscal Year 2022 Audit Plan (Attachment A) to the Board with a recommendation for approval.

## **Fiscal Impact:**

Adequate funding for Fiscal 2022 Audit Plan is included in the adopted FY 2022 and conceptually approved FY 2023 Operating Expense Budgets within the Office of the Chief Auditors Budget.

## **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

RESOLUTION NO. 2022-0055

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, APPROVING THE REVISION TO THE FISCAL YEAR 2022 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR

**WHEREAS**, California Public Utilities Code §170018 specifies the San Diego County Regional Airport Authority's Audit Committee membership (consisting of board members and public members), terms, and its responsibilities; and

**WHEREAS**, §170018(g) of the California Public Utilities Code and the Authority Charter for the Office of the Chief Auditor require the Audit Committee to approve the annual internal and external audits, including the auditor's annual audit plan for each fiscal year, and submit the same to the Board for approval; and

**WHEREAS**, at its regular meeting on May 10, 2021, the Audit Committee was presented with the Fiscal Year 2022 Proposed Audit Plan and voted to accept the plan and forward it to the Board for approval, as adopted by Board Resolution No. 2021-0063 on June 3, 2021; and

**WHEREAS**, on September 13, 2021, during a regular meeting of the Audit Committee, the Committee unanimously agreed to revise the Fiscal Year 2022 Audit Plan to adjust the allocation of audit hours and reflect the Office of the Chief Auditor's current operational requirements, and voted to forward the revision to the Board for approval, as adopted by Board Resolution No. 2021-0110 on October 7, 2021; and

**WHEREAS**, on November 15, 2021, during a regular meeting of the Audit Committee, the Committee unanimously agreed to revise the Fiscal Year 2022 Audit Plan to adjust the allocation of audit hours to include an additional audit, and voted to forward the revision to the Board for approval, as adopted by Board Resolution No. 2021-0137.

**WHEREAS**, on February 7, 2022, during a regular meeting of the Audit Committee, the Committee unanimously agreed to revise the Fiscal Year 2022 Audit Plan to reflect current operational activities and adjust the allocation of audit hours to include construction audits; and voted to forward the revision to the Board for approval, as adopted by Board Resolution No. 2022-0025.

**WHEREAS**, on May 9, 2022, during a regular meeting of the Audit Committee, the Committee unanimously agreed to revise the Fiscal Year 2022 Audit Plan adjusting the allocation of audit hours to both remove and add audits and a consulting engagement, and voted to forward the revision to the Board for approval.

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby approves the revision to the Fiscal Year 2022 Audit Plan of the Office of the Chief Auditor (Attachment A); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a "project" as defined by the California Environmental Quality Act ("CEQA") (California Public Resources Code §21065); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106); and

**BE IT FURTHER RESOLVED** that the Board finds that this 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.

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 2<sup>nd</sup> day of June, 2022, by the following vote:

**AYES:** Board Members:

**NOES:** Board Members:

**ABSENT:** Board Members:

**ATTEST:**

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TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES /  
AUTHORITY CLERK

**APPROVED AS TO FORM:**

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AMY GONZALEZ  
GENERAL COUNSEL

Office of the Chief Auditor  
Fiscal Year 2022  
Proposed Audit Plan May 9, 2022

ATTACHMENT A

Key Work Activity	Objective <sup>1</sup>	Prior Estimated Hours	Change Requested	Revised Hours
<b>Audit Hours</b>				
Harbor Police Contract Management <sup>2</sup>	To determine if Harbor Police costs and services are appropriate and equitable for the Fiscal Years 2018, 2019, and 2020.	548	-	548
System Security <sup>2</sup>	To evaluate the Authority's security posture by performing penetration testing of the Authority's Aviation Security and Public Safety's system.	120	-	120
Records Management <sup>2</sup>	To determine if access rights in the Authority's Enterprise Content Management System (ECMS) are appropriate.	290	-	290
Accounts Receivable / Collections <sup>2</sup>	To determine if the rent abatement program was properly administered and in compliance with applicable Federal requirements of the COVID-19 relief acts.	400	-	400
Contractor Monitoring <sup>2</sup>	To determine if the Engineered Materials Arresting System (EMAS) project was properly monitored and managed.	140	-	140
Harbor Police Contract Management	To determine if controls surrounding the Accounting Department's review of the Fiscal Year 2020 True-up of Harbor Police costs and services are appropriate.	550	-	550
Tenant Lease Administration & Management <sup>3</sup>	To determine if the concessions, CFC/TFCs reported to the Authority are accurate for all Airport Rental Car Companies.	1,140	-	1,140
System Security	To evaluate the Authority's security posture by performing penetration testing of the Authority's website.	325	(325)	-
Employee Training and Development	To determine if employee trainings are administered appropriately.	525	-	525
Tenant Lease Administration & Management	To determine if terminal airport space is managed and billed appropriately.	525	-	525
Airfield Operations Management	To determine the gate software (Amadeus) matches Airline landing fees reported.	500	(500)	-
Terminal Maintenance	To determine if fire extinguishers are in compliance with inspection and other requirements.	275	-	275
Turner-Flatiron Validation Phase Payment Applications	To determine if the Validation Phase payment application costs are accurate, properly supported, and in compliance with the agreement requirements.	300	-	300

<sup>1</sup> Objective may change based on the preliminary survey performed by the OCA.

<sup>2</sup> Audit Activity has been carried forward from Fiscal Year 2021.

<sup>3</sup> Audit engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to the Fiscal Year 2023 Audit Plan. The hours budgeted in Fiscal Year 2022 are 1,140. An additional 375 hours will be needed in Fiscal Year 2023 to complete. The total budget for this audit engagement is 1,515.

Office of the Chief Auditor  
Fiscal Year 2022  
Proposed Audit Plan May 9, 2022

ATTACHMENT A

Key Work Activity	Objective <sup>1</sup>	Prior Estimated Hours	Change Requested	Revised Hours
Terminals and Roadway Validation Phase Cost Controls <sup>4</sup>	To determine if the controls surrounding the Validation Phase costs are adequate and operating as designed. <sup>5</sup>	350	(100)	250
Turner-Flatiron Direct Labor Validation Phase	To determine if direct labor is properly billed using the correct labor rate calculations and in accordance with the terms of the agreement. <sup>5</sup>	133	-	133
Tenant Lease Administration & Management	To determine if Avis Budget Car Rental, LLC accurately paid concession fees and Customer Facility Charges for the period July 1, 2018, through June 30, 2021.	-	450	450
Tenant Lease Administration & Management	To determine if the food and beverage concessionaire surcharge is administered appropriately. <sup>6</sup>	-	375	375
To Be Determined	To initiate audits related to construction activities based on a Risk Assessment(s) performed by the External Construction Auditor.	220	(50)	170
To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	-	-	-
	<b>Total Audit Hours</b>	<b>6,341</b>	<b>(150)</b>	<b>6,191</b>
<b>Consulting Hours</b>				
Grant, PFC, & CFC Administration <sup>7</sup>	To provide management assistance with grant funding. Assistance is anticipated to be limited to items such as research, interpretation, and application of the federal requirements regarding procurement.	-	150	150
	<b>Total Consulting Hours</b>	<b>-</b>	<b>150</b>	<b>150</b>

<sup>4</sup> Audit engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to the Fiscal Year 2023 Audit Plan. The hours budgeted in Fiscal Year 2022 are 250. An additional 100 hours will be needed in Fiscal Year 2023 to complete. The total budget for this audit engagement is 350.

<sup>5</sup> This audit is being performed in partnership with the external construction audit firm, Baker Tilly. The hours listed are the hours for OCA staff only and do not include the hours for Baker Tilly.

<sup>6</sup> Audit engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to the Fiscal Year 2023 Audit Plan. The hours budgeted in Fiscal Year 2022 are 375. An additional 125 hours will be needed in Fiscal Year 2023 to complete. The total budget for this audit engagement is 500.

<sup>7</sup> Consulting engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to the Fiscal Year 2023 Audit Plan. The hours budgeted in Fiscal Year 2022 are 150. An additional 75 hours will be needed in Fiscal Year 2023 to complete. The total budget for this consulting engagement is 225.



Office of the Chief Auditor  
Fiscal Year 2022  
Proposed Audit Plan May 9, 2022

ATTACHMENT A

Key Work Activity	Objective <sup>8</sup>	Original Estimated Hours	Change Requested	Revised Hours
<b>General Audit Hours</b>				
Risk Assessment and Audit Plan <sup>9</sup>	To conduct a Risk Assessment of SDCRAA that will identify the high risk activities to be considered when preparing the annual OCA Audit Plan.	212	-	212
Risk Assessment - The Griffith Company Pre-Audit Activities	To perform the analysis of the Griffith Company agreement to perform the ADP Airside Improvements, and develop the associated risk assessment.	100	-	100
Risk Assessment - Sundt Construction Pre-Audit Activities	To perform the analysis of the Sundt Construction agreement to build the Administration Building, and develop the associated risk assessment.	100	-	100
Construction Meeting Attendance & External Construction Auditor Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments and management of the Construction Auditor.	380	-	380
Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed.	80	-	80
Development of Data Analytics	Develop a data analytics program for in terminal concessions or other programs.	220	-	220
Ethics Hotline <sup>8</sup>	To review ethics policies and investigate reported incidents.	210	-	210
Recommendation Follow-up <sup>8</sup>	To verify that internal and external audit recommendations have been implemented as intended.	140	-	140
Quality Assurance & Improvement Program <sup>8</sup>	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	320	-	320
Peer Review Participation	To satisfy the Association of Local Government Auditors (ALGA) requirement for the OCA to volunteer two audit staff to serve on a Quality Assurance Review for another organization.	180	-	180
	<b>Total General Audit Hours</b>	<b>1,942</b>	<b>-</b>	<b>1,942</b>

<sup>8</sup> Objective may change based on the preliminary survey performed by the OCA.

<sup>9</sup> Required activity in the Charter for the Office of the Chief Auditor.

Office of the Chief Auditor  
Fiscal Year 2022  
Proposed Audit Plan May 9, 2022

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ATTACHMENT A

<b>Administrative Hours</b>				
Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,189	-	2,189
Administrative - Benefit	Vacation, Holiday Time and Other Time Off.	2,008	-	2,008
	<b>Total Administrative</b>	<b>4,197</b>	-	<b>4,197</b>
	<b>Total Fiscal Year 2022 Hours</b>	<b>12,480</b>	-	<b>12,480</b>

Office of the Chief Auditor  
Fiscal Year 2022  
Proposed Audit Plan May 9, 2022

ATTACHMENT A

Key Work Activity	Objective <sup>10</sup>	Original Estimated Hours	Change Requested	Revised Hours
<b>Contingent Audit Hours</b>				
Airport Ground Transportation Operations Management	To determine if the privacy and personal information security procedures and practices related to the Automated License Plate Reader (ALPR) system are adequate.	500	-	500
OCIP	To determine if the Owner Controlled Insurance Program (OCIP) is administered appropriately.	500	-	500
Social Media/Website / Webmaster	To determine if the controls around social media and/or website administration are appropriate and adequate.	450	-	450
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
Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	450	-	450
Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650	-	650
TNC Contract Administration & Revenue Collection	To determine if the TNC Contract is administered appropriately.	475	-	475
Employee Parking Card and Policy Administration	To determine if Parking Cards are administered appropriately.	550	-	550
Leaves of Absence / Catastrophic Leave	To determine leaves of absences are administered appropriately.	525	-	525
Innovation Lab Operations	To determine if the Innovation Lab is administered appropriately.	600	-	600
	<b>Total Contingent Audit Hours</b>	<b>5,100</b>	<b>-</b>	<b>5,100</b>

<sup>10</sup> Objective may change based on the preliminary survey performed by the OCA.

## Staff Report

**Meeting Date: June 2, 2022**

### **Subject:**

**Approve the Risk Assessment and Proposed Fiscal Year 2023 Audit Plan of the Office of the Chief Auditor**

### **Recommendation:**

The Audit Committee recommends that the Board Adopt Resolution No. 2022-0056, approving the proposed Fiscal Year 2023 Audit Plan.

### **Background/Justification:**

As directed in the Charter for the Office of the Chief Auditor (OCA), a risk-based internal Audit Plan shall be submitted, at least annually, to the Audit Committee and forwarded to the San Diego County Regional Airport Authority Board for approval.

The Fiscal Year 2023 Proposed Audit Plan was prepared by the Chief Auditor based on the following elements: a comprehensive Risk Assessment; input from the Board Members and Audit Committee; input from Authority management; and the review of staff resources available. Details on the Risk Assessment methodology are included in Attachment A.

The proposed OCA Fiscal Year 2023 Audit Plan (Attachment A) was presented during the regularly scheduled meeting of the Audit Committee on May 9, 2022. The Fiscal Year 2023 Audit Plan, and any subsequent revisions, requires five (5) affirmative votes of the Audit Committee. With a quorum in attendance, the Audit Committee unanimously voted to accept the OCA Fiscal Year 2023 Audit Plan and forward it to the Board recommending approval.

### **Fiscal Impact:**

A proposed Fiscal Year 2023 Operating Budget for the OCA to execute the Fiscal Year 2023 Audit Plan is \$1,340,000. In addition, the OCA will continue to augment its staff for audit work pertaining to the New T1 by utilizing the consulting services of a professional on-call construction audit service provider with expertise in large construction projects. The estimated cost for New T1 construction auditing is approximately \$1,500,000 over a seven-

year period and is funded from the Airport Development Program capital budget. The proposed budget for New T1 construction auditing is \$222,000 in Fiscal Year 2023.

## 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

RESOLUTION NO. 2022-0056

A RESOLUTION OF THE BOARD OF THE SAN DIEGO  
COUNTY REGIONAL AIRPORT AUTHORITY,  
APPROVING THE FISCAL YEAR 2023 PROPOSED  
AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR

**WHEREAS**, California Public Utilities Code §170018 specifies the membership (consisting of board members and public members), the terms, and the responsibilities of the Audit Committee; and

**WHEREAS**, §170018(g) of the California Public Utilities Code and the Authority Charter of the Office of the Chief Auditor require the Audit Committee to approve the annual internal and external audits, including the auditor's annual audit plan, for each fiscal year and submit the same to the Board for approval; and

**WHEREAS**, at its regular meeting on May 9, 2022, the Audit Committee was presented with the Fiscal Year 2023 Proposed Audit Plan and voted to accept the plan and forward it for Board approval.

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby approves the Fiscal Year 2023 proposed Audit Plan of the Office of the Chief Auditor (Attachment A); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a "project" as defined by the California Environmental Quality Act ("CEQA") (California Public Resources Code §21065); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106); and

**BE IT FURTHER RESOLVED** that the Board finds that this 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.

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 2<sup>nd</sup> day of June, 2022, by the following vote:

**AYES:** Board Members:

**NOES:** Board Members:

**ABSENT:** Board Members:

**ATTEST:**

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TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES /  
AUTHORITY CLERK

**APPROVED AS TO FORM:**

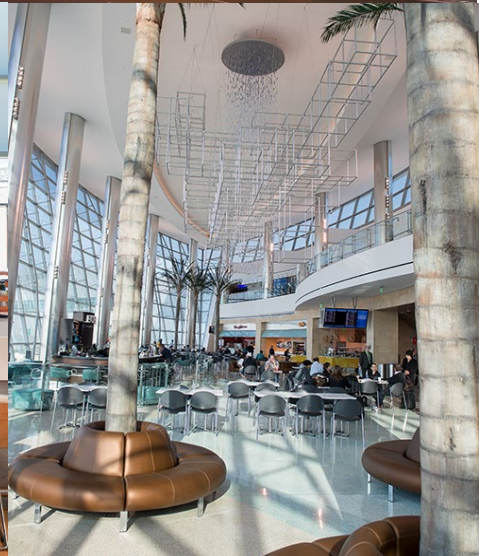
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AMY GONZALEZ  
GENERAL COUNSEL

SAN DIEGO  
COUNTY  
REGIONAL  
AIRPORT  
AUTHORITY



ATTACHMENT A



# Risk Assessment and Proposed Fiscal Year 2023 Audit Plan

Office of the Chief Auditor  
May 9, 2022



Office of the Chief Auditor  
Risk Assessment and Proposed Fiscal Year 2023 Audit Plan

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## **INTRODUCTION**

The International Standards for the Professional Practice of Internal Auditing (*Standards*) and the Charter for the Office of the Chief Auditor (OCA) require the OCA to establish a risk-based approach to determine the priorities for internal audit activities.

A risk assessment for audit planning is a process of systematically scoring (or rating) the relative impact of a variety of “risk factors”. A risk factor is an observable or measurable indicator of conditions or events that could adversely affect the San Diego County Regional Airport Authority (Authority). This Risk Assessment and Audit Plan were prepared to help identify, measure, and prioritize potential activities based on the level of risk to the Authority. The risk assessment results combined with input from the Authority Board, Audit Committee, and management were utilized in preparing the OCA Audit Plan for Fiscal Year 2023. The Proposed Audit Plan is designed to cover high risk activities or areas where the OCA could have the greatest impact, while limiting the scope of work to what can realistically be accomplished during the fiscal year.

The risk assessment methodology utilized by the OCA to construct the Fiscal Year 2023 Audit Plan is a five-part process consisting of:

1. Developing the Risk Assessment Framework
2. Defining the Audit Universe
3. Identifying and Ranking Risks
4. Interpreting the Risk Assessment Results
5. Developing the Audit Plan

## **DEVELOPING THE RISK ASSESSMENT FRAMEWORK**

The risk assessment process begins with a general risk framework that includes analyzing both internal and external risks, and extends to seeking input from the Authority Board, the Audit Committee and Authority management, as well as considering various risk factors.

## **DEFINING THE AUDIT UNIVERSE**

After the framework is adopted, the next step is to define the audit universe. The audit universe is a listing of all the potential audits that can be performed for the Authority. The list of potential audits is created by surveying management and asking them to provide a list all the Key Work Activities within their specific departments in the Authority. Key Work Activities are the major functions/activities carried out by the

Office of the Chief Auditor  
Risk Assessment and Proposed Fiscal Year 2023 Audit Plan

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Authority. An example of an Accounting Department Key Work Activity is Bank Reconciliations. Key Work Activities do not include items like checking email.

In Fiscal Year 2022, the OCA began a multi-year partnership with an on-call construction audit service provider (Baker Tilly) to audit the activities related to the New Terminal 1 Development (New T1). Baker Tilly is performing individual Risk Assessments on each specific package of the New T1. Internal auditing *Standards* require the OCA to ensure proper coverage and minimize the duplication of effort. Therefore, in compliance with the *Standards*, the OCA is utilizing Baker Tilly's individualized risk assessments to prioritize potential construction audit activities based on the level of risk. Key Work Activities for the Development Division in charge of the New T1 were excluded from this assessment.

**IDENTIFYING AND RANKING RISKS**

The next step is to identify and rank major risks associated with each Key Work Activity. To achieve this, the management questionnaire that was developed measured several risk factors examining the Likelihood and Impact each risk factor could have on the Authority. The questionnaire used the seven risk factors shown in Table 1 below.

**Table 1**

Risk Factor	Description
<b>Likelihood</b>	
Complexity of Operations or Regulations	What is the <b>likelihood</b> of something going wrong due to the complexity of this Key Work Activity?
Change Stability	What is the <b>likelihood</b> of something going wrong due to a change in the process or the personnel carrying out this Key Work Activity?
Controls	How effective are the internal controls in place over this Key Work Activity?
<b>Impact</b>	
Fiscal Impact	What is the dollar <b>impact</b> if something were to go wrong with this Key Work Activity?
Travel Experience Impact	How would a traveler be <b>impacted</b> if something were to go wrong with this Key Work Activity?
Strategic / Operational Impact	How would the Authority's Strategic Objectives be <b>impacted</b> if something were to go wrong with this Key Work Activity?
Reputation	How would the Authority's reputation be <b>impacted</b> if something were to go wrong with this Key Work Activity?

Office of the Chief Auditor  
Risk Assessment and Proposed Fiscal Year 2023 Audit Plan

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Management scored the level of risk/control on each of their Key Work Activities from Low to High. An integral step to complete the Risk Assessment was to calculate the total Likelihood and Impact for each Key Work Activity, in order from highest risk score to the lowest. The Key Work Activities with the highest risk score within each Authority Division is provided in **Attachment 3**.

### INTERPRETING THE RISK ASSESSMENT RESULTS

The Key Work Activities ranked with a high likelihood or impact indicates that these activities are by nature a high risk, because of such factors as having complex or highly regulated transactions or could have a material impact on the Authority, if a risk event were to occur. A high risk rank does not mean that an activity is being managed ineffectively.

### DEVELOPING THE AUDIT PLAN

The Audit Plan reflects the results of a continuous Risk Assessment process gathered from various sources including, but not limited to, management questionnaires, interviews with staff, and the results of previous audits/ consulting engagements/ risk assessments. Additionally, selection of activities for the Audit Plan includes examining various factors, such as: time of last audit engagement, velocity of impact if a risk event were to occur, relevant or current events, areas where the OCA can have the greatest impact, requests by Authority management or Board, resource limitations that may exist, and if outsourcing or co-sourcing arrangements are available to supplement the Audit Plan. This can result in the OCA selecting activities for inclusion in the Audit Plan that may not have the highest likelihood or impact scores. The Audit Plan reflects consideration given to all of these factors. The Audit Plan is included as **Attachment 1**.

### **AUDIT RESOURCES**

The Audit Plan is highly dependent upon the nature of the risks identified and the availability of internal audit resources. Such availability becomes identified through the budgeting process and examination of audit resources. The Fiscal Year 2023 budget for the OCA includes six full-time auditors and one executive assistant. The Audit Plan anticipates that 12,480 staff hours will be available, as calculated below in Table 2, and as detailed in Attachment 1.

Office of the Chief Auditor  
Risk Assessment and Proposed Fiscal Year 2023 Audit Plan

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**Table 2**

Office of the Chief Auditor	Staff	Hours per Staff	Hours Available
Full Time Auditors	6	2,080	12,480
Hours for Fiscal Year 2023 Audit Plan			<b>12,480</b>

Actual hours incurred will be monitored for the purpose of budgeting future audit activities. In the event that all planned activities are completed, additional activities will be initiated based on the results of the Risk Assessment and the professional judgment of the OCA.

Fiscal Year 2023 resources also include the OCAs continuing partnership with the outside construction auditing firm, Baker Tilly. The firm will assist the OCA in conducting audit construction activities related to the New T1. The OCA plans to utilize Baker Tilly to supplement current staff capabilities and the Proposed Audit Plan in Attachment 1. Audits conducted by Baker Tilly are based on Risk Assessments performed, and will only occur after the OCA has approved the scope and associated costs. The OCAs proposed construction auditing costs for the Fiscal Year 2023 capital budget includes approximately \$220,000 to perform audits related to the New T1.

### **CONTINGENT AUDIT ACTIVITIES**

The OCA has also included contingent audit activities for the Proposed Fiscal Year 2023 Audit Plan that will be started if all planned activities for the Fiscal Year are completed. If these contingent audit activities are not started in Fiscal Year 2023, they will be considered when developing the Fiscal Year 2024 Audit Plan. Contingent audit activities are included as **Attachment 2**.

To provide flexibility, the Chief Auditor may request to substitute a contingent audit for a planned audit based on professional judgment. Any substitutions will be discussed with the Chair of the Audit Committee and communicated to management and the Audit Committee during scheduled meetings.

### **AMENDMENTS TO THE AUDIT PLAN**

Requests to amend the Audit Plan will be presented to the Audit Committee by the Chief Auditor. Priority will be given to revisions that have the potential for significant financial savings and issues of integrity in the workplace. The Board must approve any amendment, which requires five (5) affirmative votes of the Audit Committee prior to Board approval.

Division	Key Work Activity	Objective <sup>1</sup>	Estimated Hours
<b>Audit Hours</b>			
Revenue Generation & Partnership Development	Tenant Lease Administration and Management <sup>2</sup>	To determine if fiscal year 2022 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for all Airport Rental Car Companies.	375
Development	Terminals and Roadway Validation Phase Cost Controls <sup>2</sup>	To determine if the controls surrounding the Validation Phase costs are adequate and operating as designed. <sup>3</sup>	100
Revenue Generation & Partnership Development	Tenant Lease Administration and Management <sup>2</sup>	To determine if the food and beverage concessionaire surcharge is administered appropriately.	125
Revenue Generation & Partnership Development	Tenant Lease Administration and Management <sup>4</sup>	To determine if fiscal year 2023 concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for all Airport Rental Car Companies.	500
Finance	System Security	To evaluate the Authority's security posture by performing penetration testing of the Authority's web facing sites.	400
Operations	Harbor Police Contract Mgmt.	To determine if selected Harbor Police costs or services are appropriate related to fiscal year 2021.	425
Development	Contractor Monitoring	To determine if the construction of the new administration building is properly managed.	450
Talent, Culture & Capability	Employee Benefits	To determine if employee payroll deductions are administered appropriately.	550
External Relations	Records Management	To determine if official records and electronic signatures meet Authority requirements.	500
Operations	Parking Management Contract Admin.	To determine if requirements of the Ace Parking contract are in compliance with agreement.	600
Revenue Generation & Partnership Development	Small Business Management	To determine if commitments to small businesses are met and reported.	500

<sup>1</sup> Objective may change based on the preliminary survey performed by the OCA.

<sup>2</sup> Audit activity has been carried forward from fiscal year 2022.

<sup>3</sup> This audit is being performed in partnership with the external construction audit firm, Baker Tilly. The hours listed are the hours for OCA staff only and do not include the hours for Baker Tilly.

<sup>4</sup> Audit activity will continue into fiscal year 2024. Fiscal year 2024 audit hours are estimated at approximately 200 hours. Total hours for this audit are estimated at 700.

Office of the Chief Auditor  
Proposed Fiscal Year 2023 Audit Plan

ATTACHMENT 1

Division	Key Work Activity	Objective <sup>1</sup>	Estimated Hours
Development	To Be Determined - Construction	To initiate audits related to the New T1 based on a Risk Assessment(s) performed by Baker Tilly.	1,100
N/A	To Be Determined	To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor.	474
		<b>Total Audit Hours</b>	<b>6,099</b>
<b>Consulting Hours</b>			
Finance	Grant, PFC, & CFC Administration <sup>5</sup>	To provide management assistance with grant funding. Assistance is anticipated to be limited to items such as research, interpretation, and application of the federal requirements regarding procurement.	75
		<b>Total Consulting Hours</b>	<b>75</b>

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<sup>5</sup>Consulting activity has been carried forward from Fiscal Year 2022.

Division	Key Work Activity	Objective <sup>1</sup>	Estimated Hours
<b>General Audit Hours</b>			
N/A	Risk Assessment and Audit Plan <sup>6</sup>	To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan.	232
Development	Construction Meeting Attendance & External Construction Auditor Coordination	Attend various construction meetings and incorporate knowledge into ongoing risk assessments and management of the External Construction Auditor.	380
Finance	Information Technology Meeting Attendance	Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits, if needed.	40
N/A	Peer Review Participation	To satisfy the Association of Local Government Auditors (ALGA) requirement for the OCA to volunteer two audit staff to serve on a Quality Assurance Review for another organization.	180
N/A	Development of Data Analytics	Develop a data analytics program for in-terminal concessions or other programs.	200
N/A	Ethics Program <sup>5</sup>	To review ethics policies, perform training, and investigate reported incidents.	300
N/A	Recommendation Follow-up <sup>5</sup>	To verify that internal and external audit recommendations have been implemented as intended.	160
N/A	Quality Assurance & Improvement Program <sup>5</sup>	To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities.	320
		<b>Total General Audit Hours</b>	<b>1,812</b>
<b>Administrative Hours</b>			
N/A	Administrative - Indirect	Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other.	2,390
N/A	Administrative - Benefit	Vacation, Holiday Time, and Other Time Off.	2,104
		<b>Total Administrative Hours</b>	<b>4,494</b>
		<b>Total Hours</b>	<b>12,480</b>

<sup>6</sup> Required activity in the Charter for the Office of the Chief Auditor or Charter of the Audit Committee.

Office of the Chief Auditor  
Fiscal Year 2023 Contingent Audit Activities

ATTACHMENT 2

Division	Key Work Activity	Objective <sup>7</sup>	Estimated Hours
Revenue Generation & Partnership Development	Tenant Lease Administration and Management	To determine if concessions and Customer Facility Charges (CFC) / Transportation Facilities Charges (TFC) reported to the Authority are accurate for a selected Airport Rental Car Company.	400
Operations	Airport Ground Transportation Operations Management	To determine if the privacy and personal information security procedures and practices related to the Automated License Plate Reader (ALPR) system are adequate.	500
Revenue Generation & Partnership Development	Social Media/Website / Webmaster	To determine if the controls around social media and/or website administration are appropriate and adequate.	450
Finance	Accounts Payable	To determine if the controls related to the Accounts Payable automated payment files are appropriate.	450
Finance	Account Provisioning /De-Provisioning	To determine if account provisioning and de-provisioning are performed timely.	450
Operations	Rental Car Shuttle Service Contract Administration	To determine if the Shuttle Service operations are administered appropriately.	650
Development	Contractor Monitoring	To determine if the AECOM contract is administered appropriately.	500
Finance	Asset Management	To determine if computer imaging is administered appropriately.	500
Development	Curfew Violations	To determine if curfew violations are administered appropriately	450
Operations	TNC Contract Administration & Revenue Collection	To determine if the TNC contract is administered appropriately.	475
Operations	Employee & Parking Card and Policy Administration	To determine if Parking Cards are administered appropriately.	550
Talent, Culture & Capability	Leaves of Absence / Catastrophic Leave	To determine leaves of absences are administered appropriately.	525
<b>Total Contingent Audit Hours</b>			<b>5,900</b>

<sup>7</sup> Objective may change based on the preliminary survey performed by the OCA.



General Counsel	Finance	Development	Revenue Generation & Partnership Development	External Relations	Operations	Talent, Culture & Capability
Litigation Management	System Security*	To be Determined by Individuilized Risk Assessments by Baker Tilly	Business Development Solicitations	Records Management*	Parking Management Contract Admin. *	Employee Benefits
Provide Legal Counsel to Authority and Board	Owner Controlled Insurance Program*		Tenant Lease Admin. And Management*	Manage the Authority Privacy Policy*	Harbor Police Contract Mngt.*	Labor & Employee Relations
Review and Approval of Legal Form	Disaster Recovery		Small Business Management*	Media Relations and Community Outreach	Rental Car Shuttle Service *	Comp & Rewards

\* Indicates this Key Work Activity or components of this Key Work Activity have been audited within the last five fiscal years.

Indicates this Key Work Activity or components of this Key Work Activity are included in the Fiscal Year 2023 Audit Plan.

## Staff Report

Meeting Date: June 2, 2022

### Subject:

**Approve and Authorize an Increase in the President/CEO's Change Order Authority to Increase Contract Duration at No Cost for West Solid Waste Facility and West Refueler Loading Facility at San Diego International Airport**

### Recommendation:

Adopt Resolution No. 2022-0057, approving and authorizing the President/CEO's change order authority to increase the Contract duration from 496 days to not to exceed 537 days at no cost, for Project No. 104274A West Solid Waste Facility and Project No. 104249A West Refueler Loading Facility at San Diego International Airport.

### Background/Justification:

On November 5, 2020, the San Diego County Regional Airport Authority ("Authority") Board ("Board") awarded a Contract to Granite Construction Company ("Granite") in the amount of \$16,208,208 for Project No. 104274A West Solid Waste Facility and Project No. 104249A West Refueler Loading Facility [Resolution No. 2020-0107]. A Notice to Proceed was issued to Granite on March 1, 2021, with an initial Contract duration of 330 days.

On May 6, 2021, Board Resolution No. 2021-0051 authorized a \$1,000,000 increase in the President/CEO's change order authority to cover the directive given to Granite to purchase its own airside excess auto liability coverage for project work. The Resolution also extended the Contract duration from 330 to 407 days to cover the time required to resolve the excess liability insurance issue, as Granite's onsite work could not begin until they obtained the required insurance.

Since the latest Board action, additional Contract Change Orders ("CCO") have been issued to Granite to further extend the Contract duration. CCO #4 was issued on April 12, 2022 and extended the Contract duration 15 days from 407 to 422 days to account for additional time spent by Granite to acquire the insurance policy for Granite and approximately 30 of its subcontractors.

Meeting Date: June 2, 2022

CCO #6 was issued on April 26, 2022, and extended the Contract duration an additional 74 days, from 422 to 496 days, to cover the time needed for a component of the lift station required for completion of Project No. 104274A to be manufactured and delivered.

Granite has notified the project team that this long-lead item has experienced further delays due to current supply chain issues and they will not be able to complete the work within the current project time of 496 days. An additional 41 days will be required to complete project work at no cost to the Authority.

Pursuant to Authority Policy 5.02 (4)(b)(iii), Board approval is required to authorize the President/CEO to execute Contract Change Orders increasing the Contract duration beyond 90 days. The additional 41 days required for Granite to complete the project would exceed the President/CEO's authority under Policy 5.02 without further Board approval.

Staff recommends that the Board authorize an additional 41 day increase to the Contract duration, from 496 days to 537 days at no cost, to accommodate the additional time required to complete the required lift station. This will extend the contract end date from July 10, 2022, to August 20, 2022, and allow for the completion of the project.

### Fiscal Impact:

Adequate funds for Project No. 104274A West Solid Waste Facility and Project No. 104249A West Refueler Loading Facility are included within the Board adopted FY2022-FY2026 Capital Program Budget. Sources of funding for Project No. 104274A is Bonds and for Project No. 104249A is Other – Airline Direct Contribution.

### 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: A Notice of Exemption was prepared for the relocation of the Solid Waste Facility and Fuel Rack that determined the project is a categorical exemption under CEQA Sections 15301 – Existing Facilities – Class 1; 15302 – Replacement or Reconstruction – Class 2 and 15304 Minor Alternations to Land – Class 4. The Notice of Exemption was filed with the County of San Diego Clerk on February 5, 2021.
- B. California Coastal Act Review: A coastal development permit (CDP No. 6-20-0239) was approved and issued by the California Coastal Commission for the projects on February 26, 2021.
- C. NEPA: This Board action is a project that received a Section 163 determination by the Federal Aviation Administration (“FAA”) on July 13, 2020, and, therefore, does not require review under the National Environmental Policy Act (“NEPA”) for its potential environmental impacts.

## Application of Inclusionary Policies:

The language for Application of Inclusionary Policies should read as follows:

The Authority has the following inclusionary programs/policy: a Disadvantaged Business Enterprise (DBE) Program, an Airport Concession Disadvantaged Business Enterprise (ACDBE) Program and Policy 5.12. These programs/policy are intended to promote the inclusion of small, local, service disabled/veteran owned small businesses, historically underrepresented businesses and other business enterprises, on all contracts. Only one of the programs/policy named above can be used in any single contracting opportunity.

This contract does not utilize federal funds and provides limited opportunities for subcontractor participation; therefore, at the option of the Authority, Policy 5.12 was applied to promote the participation of qualified small, local, and service disabled/veteran owned small businesses. Policy 5.12 provides a preference of up to seven percent (7%) to small businesses in the award of selected Authority contracts. When bid price is the primary selection criteria, the maximum amount of the preference cannot exceed \$200,000. The preference is only applied in measuring the bid. The final contract award, is based on the amount of the original bid.

In accordance with Policy 5.12, Granite Construction Company did not receive small business, local business and veteran owned small business preference.

## Prepared by:

Bob Bolton  
Director, Airport Design & Development

RESOLUTION NO. 2022-0057

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, APPROVING AND AUTHORIZING AN INCREASE TO THE CONTRACT DURATION FROM 496 DAYS TO 537 DAYS AT NO COST, FOR PROJECT NO. 104274A WEST SOLID WASTE FACILITY AND PROJECT NO. 104249A WEST REFUELER LOADING FACILITY AT SAN DIEGO INTERNATIONAL AIRPORT

**WHEREAS**, on November 5, 2020, the San Diego County Regional Airport Authority (“Authority”) Board (“Board”) awarded a Contract to Granite Construction Company (“Granite”) in the amount of \$16,208,208 for Project No. 104274A West Solid Waste Facility and Project No. 104249A West Refueler Loading Facility [Resolution No. 2020-0107]; and

**WHEREAS**, a Notice to Proceed was issued to Granite on March 1, 2021, with an initial Contract duration of 330 days; and

**WHEREAS**, on May 6, 2021, Board Resolution No. 2021-0051 authorized a \$1,000,000 increase in the President/CEO’s change order authority to cover the directive given to Granite to purchase its own airside excess auto liability coverage for project work; and

**WHEREAS**, the Resolution also extended the Contract duration from 330 to 407 days to cover the time required to resolve the excess liability insurance issue, as Granite’s onsite work could not begin until they obtained the required insurance; and

**WHEREAS**, since the latest Board action additional Contract Change Orders (“CCO”) have been issued to Granite to further extend the Contract duration; and

**WHEREAS**, CCO #4 was issued on April 12, 2022, and extended the Contract duration 15 days from 407 to 422 days to account for additional

time spent by Granite to acquire the insurance policy for Granite and approximately 30 of its subcontractors; and

**WHEREAS**, CCO #6 was issued on April 26, 2022, and extended the Contract duration an additional 74 days, from 422 to 496 days, to cover the time needed for a component of the lift station required for completion of Project No. 104274A to be manufactured and delivered; and

**WHEREAS**, Granite has notified the project team that this long-lead item has experienced further delays due to the current supply chain issues and they will not be able to complete the work within the current project time of 496 days; and

**WHEREAS**, an additional 41 days will be required to complete project work at no cost to the Authority; and

**WHEREAS**, Pursuant to Authority Policy 5.02 (4)(b)(iii), Board approval is required to authorize the President/CEO to execute Contract Change Orders increasing the Contract duration beyond 90 days; and

**WHEREAS**, the additional 41 days required for Granite to complete the project would exceed the President/CEO's authority under Policy 5.02 without further Board approval; and

**WHEREAS**, Authority staff recommends that the Board authorize an additional 41 day increase to the Contract duration, from 496 days to 537 days at no cost to the Authority, to accommodate the additional time required to complete the required lift station; and

**WHEREAS**, this will extend the contract end date from July 10, 2022, to August 20, 2022 and allow for the completion of the project.

**NOW, THEREFORE, BE IT RESOLVED** that the Board approves and authorizes the President/CEO to execute change orders increasing the contract time from 496 days to 537 days at no cost, for completion of Project No. 104274A West Solid Waste Facility and Project No. 104249A West Refueler Loading Facility; and

**BE IT FURTHER RESOLVED** that the Authority's and its officers, employees, and agents hereby authorized, empowered, and directed to do and perform all such acts as may be necessary or appropriate in order to effectuate fully the foregoing resolutions; and

**BE IT FURTHER RESOLVED** a Notice of Exemption was prepared for the relocation of the Solid Waste Facility and Fuel Rack that determined the project is a categorical exemption under CEQA Sections 15301 – Existing Facilities – Class 1; 15302 – Replacement or Reconstruction – Class 2 and 15304 Minor Alternations to Land – Class 4. The Notice of Exemption was filed with the County of San Diego Clerk on February 5, 2021; and

**BE IT FURTHER RESOLVED** a coastal development permit (CDP No. 6-20-0239) was approved and issued by the California Coastal Commission for the projects on February 26, 2021; and

**BE IT FURTHER RESOLVED** this Board action is a project that received a Section 163 determination by the Federal Aviation Administration (“FAA”) on July 13, 2020, and therefore, does not require review under the National Environmental Policy Act (“NEPA”) for its potential environmental impacts.

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 2<sup>nd</sup> day of June, 2022, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

---

TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES /  
AUTHORITY CLERK

APPROVED AS TO FORM:

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AMY GONZALEZ  
GENERAL COUNSEL



## Staff Report

Meeting Date: June 2, 2022

### Subject:

**Approve and Authorize the President/CEO to Negotiate and Execute an Amendment to a Reimbursable Agreement with the Department of Transportation Federal Aviation Administration (FAA) for Engineering and Technical Support Related to New T1 Airside Improvements**

### Recommendation:

Adopt Resolution No. 2022-0058, approving and authorizing the President/CEO to Negotiate and Execute an Amendment to a Reimbursable Agreement between the Department of Transportation Federal Aviation Administration (FAA) and the San Diego County Regional Airport Authority for Engineering and Technical Support related to New T1 Airside Improvements.

### Background/Justification:

The New T1 Airside Improvements project includes the relocation of Taxiway B and associated modifications to Taxiways B4, B5, B6, B7, B8, B9, and B10. Existing Department of Transportation Federal Aviation Administration ("FAA") infrastructure within the footprint of the work includes Runway Status Light ("RWSL") systems at Taxiways B4, B6, and B10, and Fiber Optic Transmission Systems ("FOTS") duct bank and cabling. Modifications to the existing FAA infrastructure will be required to accommodate the relocation of Taxiway B and associated taxiway modifications.

On June 3, 2021, the San Diego County Regional Airport Authority ("Authority") Board ("Board") adopted Resolution No. 2021-0060, authorizing the President/CEO to execute a Reimbursable Agreement in the amount of \$62,982.85 between the FAA and the Authority for the FAA to provide engineering, technical support, participate in project meetings, and perform construction document design reviews related to the New T1 Airside Improvements project.

On December 2, 2021, the San Diego County Regional Airport Authority (“Authority”) Board (“Board”) adopted Resolution No. 2021-0141, authorizing the President/CEO to execute an amendment to the Reimbursable Agreement in an amount up to \$50,000 between the FAA and the Authority for the FAA to provide construction oversight services related to the New T1 Airside Improvements project. The executed amendment funded FAA construction oversight services related to the protection of existing FAA duct banks and the planned modifications to the RWSL systems.

Since the Board adopted Resolution No. 2021-0141, Authority staff and consultants have coordinated with FAA staff and determined that the existing Reimbursable Agreement between the FAA and the Authority will need to be amended a second time to fund additional FAA costs for construction oversight services, including site preparation and equipment modifications by FAA staff within FAA facilities and post-construction documentation. The need for the additional amendment is the result of ongoing design development with FAA staff on FOTS cabling relocations to accommodate the multi-year phased approach to Taxiway B construction. Funds for FAA construction oversight services related to the FOTS cabling relocations were not included in the first amendment to allow for the needed design development and cost estimate refinement.

Staff requests that the Board approve and authorize the President/CEO to negotiate and execute a second amendment to the Reimbursable Agreement between the FAA and the Authority to increase the amount by \$56,443.48 resulting in a not to exceed amount of \$169,426.33.

### **Fiscal Impact:**

This second amendment to the original Reimbursable Agreement will provide reimbursement to the FAA up to an additional \$56,443.48, for a total up to \$169,426.33, to fund FAA services, including travel and expenses, required to perform engineering and technical support included in the Board approved and amended FY 2022-FY2026 Capital Program Budget within the New T1 line item. Source of funds for this project will include AIP Grants and General Airport Revenue Bonds.

## 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 for a project that received certification and approval for the Airport Development Plan Environmental Impact Report (SCH NO. 2017011053 – SDCRAA # EIR-18-01) on January 9, 2020.
- B. California Coastal Act Review: This Board action is for a project that the California Coastal Commission issued Coastal Development Permits (CDP-6-20-0154), (CDP 6-20-0447), and (CDP 6-20-0611), on September 30, 2021.
- C. NEPA: This Board action is for a project that received approval and was issued a Finding of No Significant Impact (FONSI) and Record of Decision (ROD) by the Federal Aviation Administration (FAA) on October 22, 2021.

### Application of Inclusionary Policies:

Not Applicable

### Prepared by:

Bob Bolton  
Director, Airport Design & Construction

RESOLUTION NO. 2022-0058

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, APPROVING AND AUTHORIZING THE PRESIDENT/CEO TO NEGOTIATE AND EXECUTE AN AMENDMENT TO A REIMBURSABLE AGREEMENT BETWEEN THE DEPARTMENT OF TRANSPORTATION FEDERAL AVIATION ADMINISTRATION AND THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR ENGINEERING AND TECHNICAL SUPPORT RELATED TO NEW T1 AIRSIDE IMPROVEMENTS

**WHEREAS**, the New T1 Airside Improvements include the relocation of Taxiway B and associated modifications to Taxiways B4, B5, B6, B7, B8, B9, and B10; and

**WHEREAS**, existing Department of Transportation Federal Aviation Administration ("FAA") infrastructure within the footprint of the work includes Runway Status Light ("RWSL") systems at Taxiways B4, B6, and B10, and Fiber Optic Transmission Systems ("FOTS") duct bank and cabling; and

**WHEREAS**, modifications to the existing FAA infrastructure will be required to accommodate the relocation of Taxiway B and associated taxiway modifications; and

**WHEREAS**, on June 3, 2021, the San Diego County Regional Airport Authority ("Authority") Board ("Board") adopted Resolution No. 2021-0060, authorizing the President/CEO to execute a Reimbursable Agreement in the amount of \$62,982.85 between the FAA and the Authority for the FAA to provide engineering, technical support, participate in project meetings, and perform construction document design reviews related to the New T1 Airside Improvements project; and

**WHEREAS**, on December 2, 2021, the Board adopted Resolution No. 2021-0141, authorizing the President/CEO to execute an amendment to the Reimbursable Agreement in an amount up to \$50,000 between the FAA and the Authority for the FAA to provide construction oversight services related to the New T1 Airside Improvements project; and

**WHEREAS**, the executed amendment funded FAA construction oversight services related to the protection of existing FAA duct banks and the planned modifications to the RWSL systems; and

**WHEREAS**, since the Board adopted Resolution No. 2021-0060 and Resolution No. 2021-0141, Authority staff and consultants have coordinated with FAA staff and determined that the existing Reimbursable Agreement between the FAA and the Authority will need to be amended to fund FAA costs for construction oversight services, including site preparation and equipment modifications by FAA staff within FAA facilities and post-construction documentation; and

**WHEREAS**, the need for the additional amendment is the result of ongoing design development with FAA staff on FOTS cabling relocations to accommodate the multi-year phased approach to Taxiway B construction; and

**WHEREAS**, funds for FAA construction oversight services related to the FOTS cabling relocations were not included in the first amendment to allow for the needed design development and cost estimate refinement; and

**WHEREAS**, Staff requested that the Board approve and authorize the President/CEO to negotiate and execute a second amendment to the Reimbursable Agreement between the FAA and the Authority to increase the amount by \$56,443.48 resulting in a not to exceed amount of \$169,426.33.

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby approves and authorizes the President/CEO to Negotiate and Execute an Amendment to the Reimbursable Agreement between the Department of Transportation Federal Aviation Administration (FAA) and the San Diego County Regional Airport Authority for Engineering and Technical Support related to New T1

Airside Improvements to increase the amount by \$56,443.48 resulting in a not-to-exceed amount of \$169,426.33; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is for a project that received certification and approval for the Airport Development Plan Environmental Impact Report (SCH NO. 2017011053 – SDCRAA # EIR-18-01) on January 9, 2020; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is for a project that the California Coastal Commission issued Coastal Development Permits (CDP-6-20-0154), (CDP 6-20-0447), and (CDP 6-20-0611), on September 30, 2021; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is for a project that received approval and was issued a Finding of No Significant Impact (FONSI) and Record of Decision (ROD) by the Federal Aviation Administration (FAA) on October 22, 2021; and

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 2<sup>nd</sup> day of June, 2022, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

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TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES /  
AUTHORITY CLERK

APPROVED AS TO FORM:

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AMY GONZALEZ  
GENERAL COUNSEL

## Staff Report

Meeting Date: June 2, 2022

### Subject:

**Authorize the President/CEO to (1) Extend the Rent Abatement Period for Food & Beverage, Retail, Passenger Service, and In-Terminal Advertising Concession Leases if Necessary and (2) Amend the Concession Leases for Food & Beverage, Retail, Passenger Service, and In-Terminal Advertising to Allow for an Adjustment to the Fiscal Year 23 Minimum Annual Guarantee.**

### Recommendation:

Adopt Resolution No. 2022-0059, authorizing the President/CEO to (1) extend the rent abatement period for concession leases, if necessary and (2) execute the required amendments for concession leases for Food & Beverage, Retail, Passenger Service, and In-Terminal Advertising to allow for an adjustment to the Fiscal Year 23 Minimum Annual Guarantee.

### Background/Justification:

On May 7, 2020, the Board adopted Resolution No. 2020-0057, authorizing staff to execute the required documents to provide abatement of certain rents and fees to qualifying non-airline tenants for a period beginning April 1, 2020 and ending September 30, 2020. Following the Board action, staff drafted a program application form and Temporary Rent Forbearance and Abatement Amendment ("Amendment") which addressed all requirements of the May 7, 2020 Board action. As a result, qualifying tenants who executed the Amendment with the San Diego County Regional Airport Authority ("Authority") and were or became current on payments which remained due to the Authority, benefitted from waiver of applicable rents and fees for the original six-month abatement period.



On October 26, 2020, the Board adopted Resolution No. 2020-0099, authorizing staff to execute the required documents to provide an abatement extension of certain rents and fees to qualifying non-airline tenants for a period beginning October 1, 2020 and ending December 31, 2020. Following the Board action, staff drafted a Temporary Rent Forbearance and Abatement Amendment Extension 1 ("Extension 1 Amendment") which addressed all requirements of the October 26, 2020 Board action. As a result, qualifying tenants who have executed the Extension 1 Amendment with the Authority and are current on payments which remain due to the Authority, will benefit from waiver of applicable rents and fees for the first abatement extension period.

On January 7, 2021, the Board adopted Resolution No. 2021-0002, authorizing staff to execute the required documents to provide an abatement extension of certain rents and fees to qualifying non-airline tenants for a period beginning January 1, 2021 and ending March 31, 2021. Following the Board action, staff drafted a Temporary Rent Forbearance and Abatement Amendment Extension 2 ("Extension 2 Amendment") which addressed all requirements of the January 7, 2021 Board action. As a result, qualifying tenants who have executed the Extension 2 Amendment with the Authority and are current on payments which remain due to the Authority, will benefit from waiver of applicable rents and fees for the second abatement extension period.

On April 1, 2021, the Board adopted Resolution No. 2021-0028, authorizing staff to execute the required documents to provide an abatement extension of certain rents and fees to qualifying non-airline tenants for a period beginning April 1, 2021 and ending June 30, 2021. Following the Board action, staff drafted a Temporary Rent Forbearance and Abatement Amendment Extension 3 ("Extension 3 Amendment") which addressed all requirements of the April 1, 2021 Board action. As a result, qualifying tenants who have executed the Extension 3 Amendment with the Authority and are current on payments which remain due to the Authority, will benefit from waiver of applicable rents and fees for the third abatement extension period.

On July 1, 2021, the Board adopted Resolution No. 2021-0070, authorizing staff to execute the required documents to provide an abatement extension of certain rents and fees to qualifying non-airline tenants for a period beginning July 1, 2021 and ending September 30, 2021. Following the Board action, staff drafted a Temporary Rent Forbearance and Abatement Amendment Extension 4 ("Extension 4 Amendment") which addressed all requirements of the July 1, 2021 Board action. As a result, qualifying tenants who have executed the Extension 4 Amendment with the Authority and are current on payments which remain due to the Authority, will benefit from waiver of applicable rents and fees for the fourth abatement extension period.

Meeting Date: June 2, 2022

On September 2, 2021, the Authority's Board adopted Resolution 2021-0103, authorizing staff to execute the required documents to provide an abatement extension of certain rents and fees to qualifying non-airline tenants for a period beginning October 1, 2021 and ending December 31, 2021. Following the Board action, staff drafted a Temporary Rent Forbearance and Abatement Amendment Extension 5 ("Extension 5 Amendment") which addressed all requirements of the September 2, 2021 Board action. As a result, qualifying tenants who have executed the Extension 5 Amendment with the Authority and are current on payments which remain due to the Authority, will benefit from waiver of applicable rents and fees for the fifth abatement extension period.

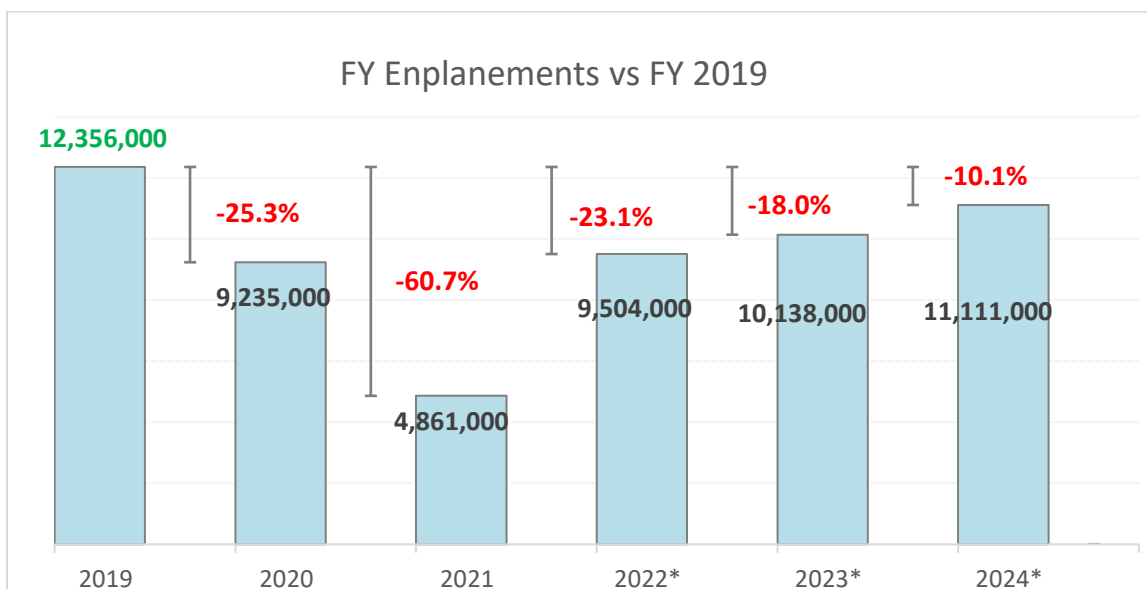
January 6, 2022, the Authority's Board adopted Resolution 2022-0003, authorizing staff to execute the required documents to provide an abatement extension of certain rents and fees to qualifying non-airline tenants for a period beginning January 1, 2022 and ending June 30, 2022. Following the Board action, staff drafted a Temporary Rent Forbearance and Abatement Amendment Extension 6 ("Extension 6 Amendment") which addressed all requirements of the January 6, 2022 Board action. As a result, qualifying tenants who have executed the Extension 6 Amendment with the Authority and are current on payments which remain due to the Authority, will benefit from waiver of applicable rents and fees for the sixth abatement extension period.

The seven Board actions identified above will have provided temporary financial relief to qualifying non-airline tenants for a period of twenty-seven months as the Authority and its tenants adjust to the impacts of the novel coronavirus ("COVID-19"), which has resulted in severe and prolonged disruption to domestic and international air travel, including air travel to and from San Diego International Airport ("Airport"). However, these series of amendments do not address the long term nature of leases.

Most concession leases at the Airport require a monthly payment of percentage rent (of gross receipts) or one-twelfth (1/12) of the Minimum Annual Guarantee ("MAG"), whichever is greater; this is one of the largest operating expenses for a tenant. The amount of the MAG is adjusted annually effective July 1<sup>st</sup> to an amount equal to the greater of 90% of revenue paid to the Authority in the prior fiscal year, or 103% of the previous years' MAG. This methodology is sustainable when annual enplanements are growing each year; the Airport experienced positive enplanement growth over the past fiscal years ("FY") 2016-2019 which has led to a constant annual increase in the MAG. However, after the COVID-19 pandemic occurred in March 2020, a prolonged period of decreased enplanement levels affected tenants' ability to produce revenues that enable the payment of MAG and other fees to the Authority.

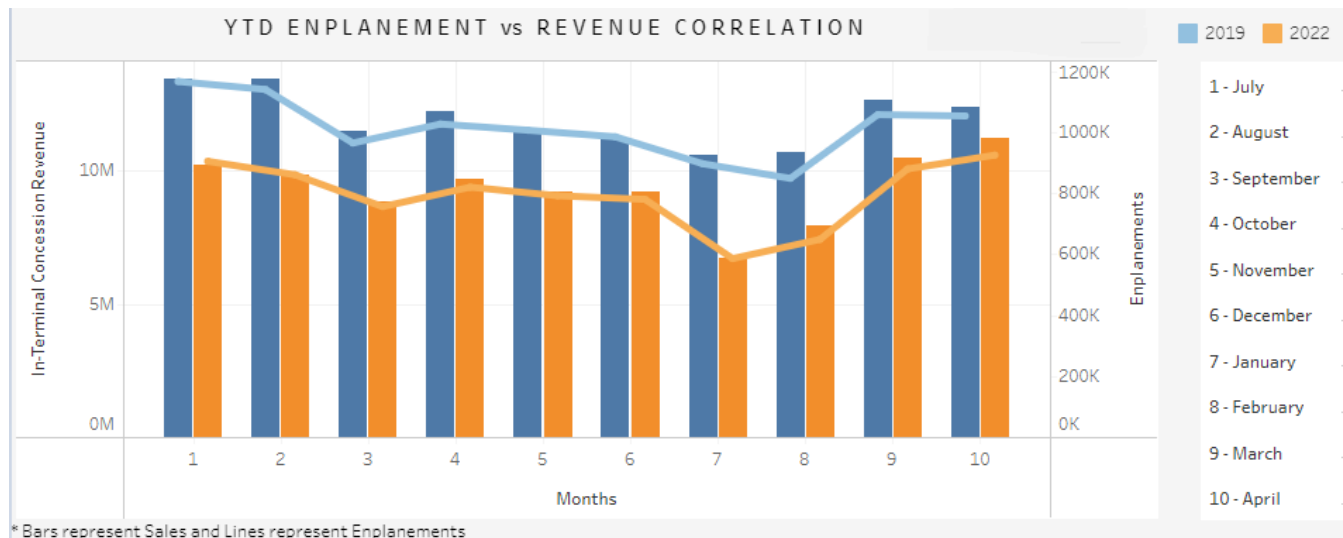
Although monthly passenger traffic in FY22 (based on data ending March 2022) has shown an increase from 2020 levels, total passenger traffic is still down 24.8% compared to 2019 levels which continues to affect tenants' ability to fulfill rental obligations. Forecasts for summer travel are optimistic but due to labor shortages and other economic conditions, airlines may not be able to meet demand and thus enplanement levels for this FY are still anticipated to be below the levels demonstrated prior to the pandemic.

The chart below illustrates actual enplanements for FY19-21 and budgeted enplanements for FY22-24; FY23 and FY24 budgeted enplanements are still well below FY19 enplanements of 12.3 million.



\*budgeted enplanements from Finance Department

The significant decline in enplanements continues to be met with a commensurate decline in sales for all non-airline tenants. Heading into the end of FY22, some of the Airport's non-airline tenants continue to operate under reduced hours of operation; 16 of 80 concession units are permanently or temporarily closed due to the pandemic.



Staff thoroughly evaluated potential revisions to the standard lease language requirements for payment of rents and fees primarily concerning the MAG in anticipation of any future events that may cause a significant decrease in passenger traffic. However, the Federal Aviation Administration (“FAA”) confirmed in the instance where standard lease provisions already provide flexibility in abating or waiving MAG, it may affect the Airport’s eligibility to seek potential future federal reimbursements. Given this guidance, staff agreed it was in the best interest of the Authority to not change the standard lease language.

Nonetheless, budgeted enplanements for the next two FY’s are still below FY2019 levels and sales are likely to mirror enplanement levels. The majority of non-airline tenants have been unable to reach their MAG consistently since March 2020. Given these factors, staff recommends a one-time adjustment to the FY23 MAG. Instead of the standard annual adjustment (90% of revenue paid to the Authority in the prior fiscal year, or 103% of the previous years’ MAG), staff recommends adjusting the FY23 MAG to 80% of FY 2019 Rent Paid; this is consistent with the enplanements budget. Staff recommends using FY19 rents paid because this is the last full year of peak enplanements realized before COVID-19 impacted the Airport’s revenue potential.

This methodology would apply to the agreements listed in Exhibit A unless indicated otherwise; alternate consideration will be given to certain leases due to the nature of their business and lack of recovery of international travel. Every subsequent year starting FY24, the MAG will be adjusted annually based on the standard methodology identified in the lease.

In addition, the Authority is currently awaiting federal relief funds from the FAA related to the American Rescue Plan Act of 2021 (ARPA). The adjustment to the FY23 MAG would apply only after the concessions relief funds are utilized in a manner that meets the requirements of ARPA. In the instance a specific lease has not exhausted the relief funds prior to the start of the FY23, the Authority would continue to provide abatement during the period until the MAG reset can commence.

These proposed changes, will assist tenants in remaining financially resilient and will best position the Airport to resume normal operations as passenger levels increase, protect the Authority's future revenues, and ensure the needs of the travelling public are met and the passenger experience at SAN does not suffer. They will also help ensure that the Authority remains competitive for solicitation of these essential services in the future. These changes do not violate any FAA grant assurances.

### Fiscal Impact:

The proposed lease amendments were included in the Authority's proposed Fiscal Year 2023 budget and proposed Fiscal Year 2024 Conceptual Budget presented to the Board for Approval and Adoption at this June 2, 2022 Board meeting.

### 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:

Dominique Sheck  
Program Manager, Revenue Generation & Partnership Development

RESOLUTION NO. 2022-0059

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, AUTHORIZING THE PRESIDENT/CEO TO (1) EXTEND THE RENT ABATEMENT PERIOD FOR CONCESSION LEASES, IF NECESSARY AND (2) EXECUTE THE REQUIRED AMENDMENTS FOR CONCESSION LEASES FOR FOOD & BEVERAGE, RETAIL, PASSENGER SERVICE, AND IN-TERMINAL ADVERTISING TO ALLOW FOR AN ADJUSTMENT TO THE FISCAL YEAR 23 MINIMUM ANNUAL GUARANTEE

**WHEREAS**, on May 7, 2020, the Board adopted Resolution No. 2020-0057, authorizing staff to execute the required agreements to provide abatement of certain rents and fees to qualifying food & beverage concessionaires, retail concessionaires, passenger service concessionaires, and in-terminal advertising ("Non-Airline Tenants") for a period beginning April 1, 2020 and ending September 30, 2020 ("Rent Abatement Period"); and

**WHEREAS**, on October 26, 2020, the Board adopted Resolution No. 2020-0099, authorizing staff to execute the required agreements to provide abatement of certain rents and fees to qualifying Non-Airline Tenants for a period beginning October 1, 2020 and ending December 31, 2020 ("Rent Abatement Period - Extension 1"); and

**WHEREAS**, on January 7, 2021, the Board adopted Resolution No. 2021-0002, authorizing staff to execute the required agreements to provide abatement of certain rents and fees to qualifying Non-Airline Tenants for a period beginning January 1, 2021 and ending March 31, 2021 ("Rent Abatement Period - Extension 2"); and

**WHEREAS**, on April 1, 2021, the Board adopted Resolution No. 2021-0028, authorizing staff to execute the required agreements to provide abatement of certain rents and fees to qualifying Non-Airline Tenants for a period beginning April 1, 2021 and ending June 30, 2021 ("Rent Abatement Period - Extension 3"); and

**WHEREAS**, on July 1, 2021, the Board adopted Resolution No. 2021-0070, authorizing staff to execute the required agreements to provide abatement of certain rents and fees to qualifying Non-Airline Tenants for a period beginning July 1, 2021 and ending September 30, 2021 ("Rent Abatement Period - Extension 4"); and

**WHEREAS**, on September 2, 2021, the Board adopted Resolution No. 2021-0103, authorizing staff to execute the required agreements to provide abatement of certain rents and fees to qualifying Non-Airline Tenants for a period beginning October 1, 2021 and ending December 31, 2021 ("Rent Abatement Period - Extension 5"); and

**WHEREAS**, on January 6, 2022, the Board adopted Resolution No. 2022-0003, authorizing staff to execute the required agreements the required agreements to provide abatement of certain rents and fees to qualifying Non-Airline Tenants for a period beginning January 1, 2022 and ending June 30, 2022 ("Rent Abatement Period - Extension 6"); and

**WHEREAS**, these seven Board actions will have provided temporary financial relief to qualifying Non-Airline Tenants for a period of twenty-seven months but do not address the long term nature of leases; and

**WHEREAS**, most concession leases at the Airport require a monthly payment of percentage rent (of gross receipts) or one-twelfth (1/12) of the Minimum Annual Guarantee ("MAG"), whichever is greater, and this is one of the largest operating expenses for a tenant.

**WHEREAS**, the Covid-19 pandemic caused a prolonged period of decreased enplanement levels which affected Non-Airline Tenants' ability to produce revenues that enable the payment of MAG and other fees to the Authority; and

**WHEREAS**, Fiscal Year ("FY") 23 and FY24 budgeted enplanements are still below FY 2019 enplanements of 12.3 million and continues to be met with a commensurate decline in sales revenue.



**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby authorizes the President/CEO to (1) extend the rent abatement period for concession leases, if necessary and (2) execute the required amendments for concession leases for Food & Beverage, Retail, Passenger Service, and In-Terminal Advertising to allow for an adjustment to the Fiscal Year 23 Minimum Annual Guarantee; and

**BE IT FURTHER RESOLVED** that the adjustment to the FY23 MAG will be based on 80% of FY 2019 Rent Paid to the Authority and this is consistent with the enplanements budget; and

**BE IT FURTHER RESOLVED** that this methodology would apply to the agreements listed in Exhibit A of the Staff Report unless indicated otherwise; alternate consideration will be given to LE-0908 and LE-0950 leases due to the nature of their business and lack of recovery of international travel; and

**BE IT FURTHER RESOLVED** that every subsequent year starting FY24, the MAG will be adjusted annually based on the standard methodology identified in the lease; and

**BE IT FURTHER RESOLVED** that the adjustment to the FY23 MAG would apply only after the concessions relief funds are utilized in a manner that meets the requirements of the American Rescue Plan Act of 2021; in the instance a specific lease has not exhausted the relief funds prior to the start of the FY23, the Authority would continue to provide abatement during the period until the MAG reset can commence; and

**BE IT FURTHER RESOLVED** that the adjustment to the FY23 MAG does not violate grant assurances; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a "project" as defined by the California Environmental Quality Act ("CEQA") (California Public Resources Code §21065); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106); and

**BE IT FURTHER RESOLVED** that the Board finds that this 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.

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 2<sup>nd</sup> day of June, 2022, by the following vote:

**AYES:** Board Members:

**NOES:** Board Members:

**ABSENT:** Board Members:

**ATTEST:**

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TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES /  
AUTHORITY CLERK

**APPROVED AS TO FORM:**

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AMY GONZALEZ  
GENERAL COUNSEL

**Exhibit A**

**In-Terminal Concessions**

<b>Concessionaire/Tenant</b>	<b>Description</b>	<b>Lease #</b>
Paradies-San Diego, LLC	Retail Package #1	LE-0647
HG-CV-Epicure-Martinez San Diego JV (Hudson)	Retail Package #2	LE-0670
PGC-PCI San Diego, LLC	Retail Package #3	LE-0665
Stellar Partners, Inc	Retail Package #4	LE-0648
Spa Didacus, Inc	Retail Package #5	LE-0659
HG-CV-Epicure-Martinez San Diego JV (Hudson)	Retail Package #7	LE-0671
Project Horizon, Inc (InMotion)	Retail Package #8	LE-0656
SFS Beauty CA, LLC*	Retail unit	LE-0908
SFS Investors JV*	Duty Free	LE-0950
Host International, Inc	Food & Beverage Package #1	LE-0657
Host International, Inc	Food & Beverage Package #2	LE-0658
SSP America, Inc	Food & Beverage Package #3	LE-0667
Mission Yogurt, Inc	Food & Beverage Package #4	LE-0651
SSP America, Inc	Food & Beverage Package #5	LE-0668
SSP America, Inc	Food & Beverage Package #6	LE-0669
High Flying Foods San Diego Partnership	Food & Beverage Package #7	LE-0649
High Flying Foods San Diego Partnership	Food & Beverage Package #8	LE-0650
G&P Partners dba BCB CO.	Food & Beverage at Rental Car Center	LE-0875
Swissport Lounge, LLC	Common Use Lounge	LE-0726
Certified Folder Display Service, Inc.	Passenger Service	LE-0880
Smarte Carte, Inc.	Passenger Service	LE-0782
In-Ter-Space Services, Inc. dba Clear Channel Airports	Passenger Service – Advertising	LE-0966

## Staff Report

Meeting Date: June 2, 2022

### Subject:

**Approval and Adoption of the Operating Budget for Fiscal Year 2023, the Capital Program for Fiscal Years 2023-2027 and Conceptual Approval of the Operating Budget for Fiscal Year 2024 and the Compensation Philosophy and Structure**

### Recommendation:

Adopt Resolution No. 2022-0061, approving and adopting the Authority's Annual Operating Budget for Fiscal Year 2023, the Capital Program for Fiscal Years 2023-2027, conceptually approving the Operating Budget for Fiscal Year 2024 and the compensation philosophy and structure

### Background/Justification:

On May 12, 2022, the Board participated in a Workshop that reviewed the Proposed Operating Expense Budget for Fiscal Year 2023, Conceptual Fiscal Year 2024 Budget, and Fiscal Year 2023 – Fiscal Year 2027 Capital Program. After an in-depth presentation and discussion, the proposed Fiscal Year 2023 Operating Expense Budget and Fiscal Year 2023 – Fiscal Year 2027 Capital Program were forwarded for Board approval and adoption at the June 2, 2022, Board meeting. In addition, the proposed FY 2024 Conceptual Operating Expense Budget was forwarded for approval at the June 2, 2022, Board meeting. Per Authority Policy 4.01, the Authority's Board of Directors determined that the preparation and adoption of an annual budget will assist in (a) determining the Authority's short-term and long-term strategic and financial planning needs, and (b) effectively managing the facilities and airport under the jurisdiction of the Authority.

The proposed Fiscal Year 2023 Operating Expense Budget (Budget) of \$383.3 million marks the Authority's twentieth fiscal year operating budget. The Budget includes funds for operational expenses to manage the Airport and preserves the Authority's financial position. Once approved and adopted by the Board, the Budget will become the spending plan (and spending limit) of the Authority for FY 2023. Actual revenues and expenditures will be monitored during the year and reported to the Board at a quarterly minimum. The Budget may be modified by the Board to reflect new assumptions or events based upon periodic reporting and good cause.

This Expense Budget reflects a total increase of \$87.4 million, or 29.5%, over the FY 2022 Budget. The increase is primarily attributed to \$57.7 million in debt service costs as a result of 2021 Bond Issuance, \$7.3 million in Shuttle Operations, and \$5.4 million in personnel costs. In addition, the increase is driven by \$3.7 million in Quieter Home Program (QHP), \$3.3 million in Parking and Valet Operations, \$1.9 million in Utilities, and \$1.7 million in New T1 related operating expenses.

The personnel budget is based upon the Authority's revised compensation philosophy as proposed (Attachment A). The compensation philosophy aims to ensure equal pay for comparable jobs that is internally equitable, externally competitive, and transparently communicated while ensuring the Authority's financial sustainability. Staff requests that the Board authorize the President/CEO approve a salary structure consistent with the compensation philosophy outlined in Exhibit A. The personnel budget also includes the approved Memoranda of Agreements (MOAs) for represented employees. The proposed personnel budget is consistent with the existing MOAs between the Authority and the California Teamsters Local 911 (Teamsters Local 911). The Authority is presently in good faith contract negotiations with the Teamsters Local 911. Any future adjustments to the personnel budget during the Fiscal Year 2023 must be approved by the Board prior to implementation.

The Budget also provides necessary resources to proceed with the New T1 and advance a feasible five-year Capital Plan. The Authority will continue to assess and refine the revenue forecast and spending plan, based upon the changing economic environment.

The Revenue Budget of \$485.5 million is an increase of \$88.2 million, or 22.2%, over the FY 2022 Budget. The increase over the FY 2022 Budget reflects an increase of \$55.2 million in airline revenue, \$46.2 million in non-airline revenue, and \$13.6 million in interest income. This increase is partially offset by a decrease of \$26.8 million in non-operating revenue.

Total FY 2023 airline revenue is projected to be \$196.1 million as compared to \$140.9 million in the FY 2022 Budget, a \$55.2 million increase. The majority of the increase is attributable to the Major Maintenance Fund (MMF) contribution of \$40 million, Passenger Facility Charge (PFC) accumulation of \$30 million to smooth Airline Rents, Fees and Charges after New T1 opening per the Airline Operating Lease Agreement, and airfield and terminal operations expenses of \$17 million. These increases are partially offset by the application of federal relief funds to reduce Airline Rent, Fees, and Charges by \$30 million.

The increase of \$46.2 million in non-airline revenue consists of increases of \$11.1 million in terminal concessions revenue, \$14.9 million in rental car license fees, \$2.0 million in license fees, \$9.3 million in parking, \$7.1 million in ground transportation, and \$1.2 million in ground rentals.

The decrease of \$26.8 million in non-operating revenue consists of a reduction of \$80 million in federal relief. The decrease is partially offset by an increase of \$22.7 million in capital grant contribution, \$16.1 million in PFCs, \$10.7 million in Customer Facility Charges (CFCs), and \$3.7 million in Quieter Home Program (QHP).

The Capital Program is a rolling five-year program which provides for critical improvements and asset preservation for the Authority. The program includes projects that address airfield safety and capacity, environmental protection, terminal enhancements, and landside infrastructure and access improvements, as well as budget for New T1 development. The FY 2023 – FY 2027 proposed Capital Program total is \$3,871.9 million.

Funding sources for the projects include Airport Improvement Program (AIP) grants, TSA grants, PFCs, CFCs, airport cash, airport system revenue bonds, major maintenance funds, and may include short-term borrowing by utilizing bank facility or other short-term financing vehicles.

### Use of Funds (in millions):

Terminal	\$ 2,781.2
Landside & Ancillary	558.2
Airside	382.1
Administrative	<u>150.3</u>
Total Use of Funds	\$ 3,871.9

### Source of Funds (in millions):

Airport Revenue Bonds	\$ 3,135.0
Airport Cash	347.8
Federal Grants	280.7
Major Maintenance Fund	104.2
Other	4.0
PFC Revenues	<u>0.1</u>
Total Use of Funds	\$ 3,871.9

In summary, the Operating Budget and Capital Program as presented are consistent with Board policy and were developed under the guidance of the Authority's President/Chief Executive Officer and Chief Financial Officer. The Budget reflects the revenues available to the Authority, and how these funds will be spent to navigate through the COVID-19 pandemic recovery and preserves the Authority's financial position.

The Authority also embarked on its twelfth year of preparing a biennial budget. As such, a budget for FY 2024 was developed and proposed for conceptual approval.

The proposed FY 2024 Expense Budget totals to \$399.2 million. This Budget reflects a total increase of \$15.9 million, or 4.1%, above the proposed FY 2023 Budget. This increase is mainly attributed to \$7.0 million in non-personnel operating expenses, \$4.8 million in personnel costs, and \$3.9 million in debt service costs.

The proposed FY 2024 Revenue Budget of \$569.3 million are an increase of \$83.8 million, or 17.3%, over the proposed FY 2023 Budget. This net increase reflects increases of \$26.5 million in airline revenue, \$12.0 million in non-airline revenue, and \$45.3 million in non-operating revenue and interest income.

Next year staff will revise the FY 2024 conceptual budget based on economic, operational and industry factors and create the final proposed FY 2024 budget, which will be brought back to the Board for adoption.

### Fiscal Impact:

If the proposed FY 2023 Budget is approved and adopted and the proposed FY 2024 Budget is conceptually approved, funding of \$383.3 million will be authorized for FY 2023 and funding of \$399.2 million will be established as the framework for the FY 2024 Budget, which will be brought back to the Board next year for review, revisions, and adoption in June 2023. If the Capital Program is approved, \$3,871.9 million will become the authorized spending level.

### 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 New T1
- 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 M. Brickner  
Vice President, Chief Financial Officer



RESOLUTION NO. 2022-0061

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY APPROVING AND ADOPTING THE AUTHORITY'S ANNUAL OPERATING BUDGET FOR FISCAL YEAR 2023, THE CAPITAL PROGRAM FOR FISCAL YEARS 2023 - 2027, CONCEPTUALLY APPROVING THE ANNUAL OPERATING BUDGET FOR FISCAL YEAR 2024 AND APPROVING THE COMPENSATION PHILOSOPHY AND STRUCTURE

**WHEREAS**, Authority management prepared and presented the Proposed Fiscal Year 2023 and 2024 Conceptual Operating Budgets, and the Capital Program to the Authority Board for review at a duly noticed public workshop on May 12, 2022; and

**WHEREAS**, the Board provided opportunity during its meetings for members of the public to provide comments and questions concerning the Proposed Fiscal Year 2023 and 2024 Operating Budgets and Capital Program; and

**WHEREAS**, the Proposed Fiscal Year 2023 and 2024 Conceptual Operating Budgets present a financial operating expenditure budget of \$383.3 million and \$399.2 million, respectively, and a Capital Program for the next five (5) years of \$3,871.9 million, thus providing adequate resources to address the operating and infrastructure requirements of San Diego International Airport, and the regional responsibilities of the Authority for Fiscal Year 2023 and 2024; and

**WHEREAS**, the Proposed Fiscal Year 2023 and 2024 Conceptual Operating Budgets include personnel compensation consistent with the Authority's compensation philosophy as proposed in Attachment A; and

**WHEREAS**, the Authority Board hereby approves and adopts the compensation philosophy and salary structure methodology set forth in Attachment A and authorizes the President/CEO to approve a publicly available salary structure consistent with the methodology set forth in

Attachment A, which may be adjusted periodically to maintain alignment with the market benchmarks for defined job classifications and descriptions that comprise the Authority workforce as long as any adjustments are consistent with the approved compensation philosophy and salary structure methodology; and

**WHEREAS**, the Board directs the President/CEO to make the salary structure publicly available; and

**WHEREAS**, the Proposed Fiscal Year 2023 Operating Budget and 2024 Conceptual Operating Budget include costs for limited duration staffing to support the New T1 Project. This staffing is outside the authorized headcount and the duration ends at the completion of the New T1.

**WHEREAS**, the Proposed Fiscal Year 2023 and 2024 Conceptual Operating Budgets present forecasted operating revenues and other funding to meet a balanced budget, and other financial requirements as outlined under the Authority's Bond Master Trust Indenture; and

**WHEREAS**, the Board has reviewed the Proposed Fiscal Year 2023 and 2024 Conceptual Operating Budgets and the Capital Program and believes that the approval and adoption in the forms presented to the Board at the public meetings on May 12, 2022, and June 2, 2022, are in the best interests of the Authority and the public in which it serves.

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby approves and adopts the Fiscal Year 2023 Proposed Operating Budget, the Capital Program and conceptually approves the Fiscal Year 2024 Proposed Budget; and

**BE IT FURTHER RESOLVED** that Board approves and adopts the compensation philosophy and salary structure methodology set forth in Attachment A and authorizes the President/CEO to approve the salary structure consistent with the compensation philosophy and methodology set forth in Attachment A pursuant to California Government Code §7522.34(a); and

**BE IT FURTHER RESOLVED** that the Board directs the President/CEO to make the salary structure publicly available; and

**BE IT FURTHER RESOLVED** that the Authority is presently in good faith contract negotiations with the California Teamsters Local 911 (Teamsters Local 911) and as these negotiations are on-going, the Board may be required to amend the Fiscal Year 2023 Operating Budget to reflect any modifications to the terms and conditions of employment that result from the Authority's negotiation with Teamsters Local 911; and

**BE IT FURTHER RESOLVED** that the Authority and all its officers, employees and agents are hereby authorized, empowered and directed to do, and perform all such acts as may be necessary or appropriate to implement the Adopted Annual Operating Budget for Fiscal Year 2023 and the Capital Program; and

**BE IT FURTHER RESOLVED** that the Board authorizes the President/CEO to modify parking rates for promotional programs, not to exceed the Board approved rates; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a "project" as defined by the California Environmental Quality Act ("CEQA") (California Public Resources Code §21065); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106); and

**BE IT FURTHER RESOLVED** that the Board finds that this action is not a project that involves additional approvals or actions by the Federal Aviation Administration ("FAA"), therefore, no formal review under the National Environmental Policy Act ("NEPA") is required.

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at its regular meeting on this 2<sup>nd</sup> day of June 2022, by the following vote:

**AYES:** Board Members:

**NOES:** Board Members:

**ABSENT:** Board Members:

**ATTEST:**

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TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES /  
AUTHORITY CLERK

**APPROVED AS TO FORM:**

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AMY GONZALEZ  
GENERAL COUNSEL

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY  
COMPENSATION PHILOSOPHY  
Effective July 1, 2022**

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The San Diego County Regional Airport Authority (“Authority”) strives to recruit, retain and motivate the highest caliber talent. Our compensation philosophy aims to ensure equal pay for comparable jobs that is internally equitable, externally competitive, and transparently communicated while ensuring the Authority's financial sustainability.

**Guiding Principles**

Our six guiding principles ensure a close linkage between the Authority's Compensation Philosophy, Compensation Equity, and strategic needs.

1. Striving to recruit, retain and motivate the highest caliber talent,
2. Rewarding employees based on pay-for-performance,
3. Ensuring pay programs remain fiscally responsible,
4. Guiding the design and administration of the total reward program over the long-term and ensuring compliance with statutory requirements,
5. Reviewing continuously to ensure a balance between external competitiveness and internal equity, and
6. Transparent communication across the organization to ensure a high level of awareness and understanding by managers and employees

Compensation equity means that our programs are designed and administered to be fair and consistent so that all employees have the same opportunity to receive rewards and grow their careers based on their performance.

**Comparative Pay Framework**

The comparative framework is the type of organization from which the Authority is most likely to recruit talent and to which it is most likely we will lose talent both in the Private and Public Sectors. The framework need not be the same for all positions and may vary by function and/or organization level. There may be exceptions, and it is understood that there may be case-by-case instances where the Authority may look outside the defined labor market to achieve recruitment objectives. Elements to consider include:

- Geographic recruiting market,
- Organizations with similar missions or business objectives,

- Organizations that employ people with similar skills, training, or experience,
- Organizations of the same size and revenue, and
- Positions that match at least a 70% match to our positions to be considered a valid comparison

### **Target Pay Positioning to Comparative Market**

Pay positioning will primarily align with skills, experience, performance, role criticality, and internal equity. It may vary on a case-by-case basis when competitive labor market challenges exist.

### **Methodology Used for Salary Structure**

The following outlines the methodology used for the salary structure:

- Considering our candidate market and industry, which consists of both the private and public sectors, TCC will source market data from at least two leading compensation databases.
- Using compensation best practices, each job description will be reviewed by TCC and compared based on the scope of work with at least a 70% match to be considered a valid comparison.
- The market data from the chosen sources will be averaged to determine the New Position Range.

### **Performance Measurement**

Our compensation programs are designed to support a pay-for-performance culture. Employees should have a reasonable amount of their total compensation based on the variable performance of any or all of the following: organization performance, team/business unit performance, and individual performance. Variable compensation as a percentage of total compensation will vary based on business and individual performance.

### **Decision Making Authority**

The Board of Directors will have responsibility for approving a Compensation Philosophy. The President & CEO will have responsibility for establishing salary and benefits plans for officers and employees, subject to Policy 3.0 and budgetary approval. The Talent, Culture & Capability Department will have responsibility for program design and ensuring consistent compensation practices and processes are implemented and administered.



# San Diego County Regional Airport Authority FY 2023 Proposed Budget & FY 2024 Proposed Conceptual Budget

June 2, 2022

# Agenda

1. Budget Overview
  - Revenue
  - Expenses
2. Budget Summary
3. Capital Program Budget
4. Plan of Finance FY 2023-2027
5. Conclusion







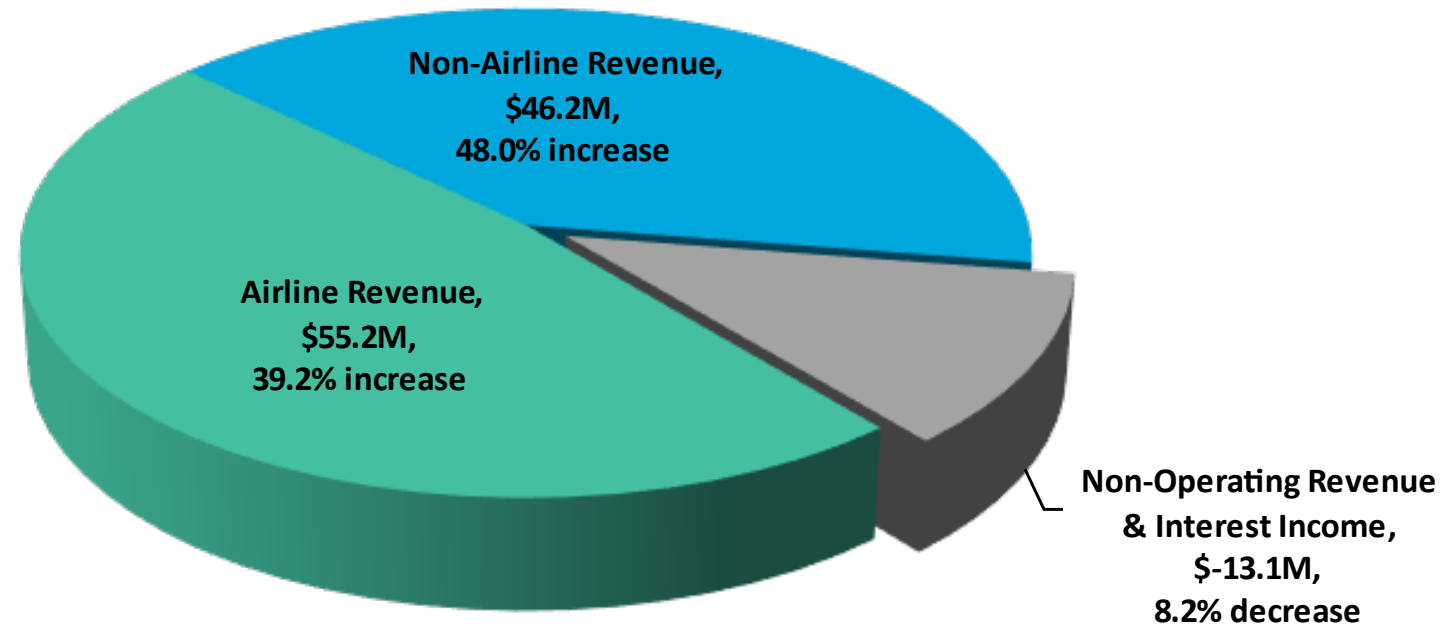
# Budget Overview



# Revenue Budget Overview

# FY 2023 Budget Revenue Increase vs. FY 2022 Budget

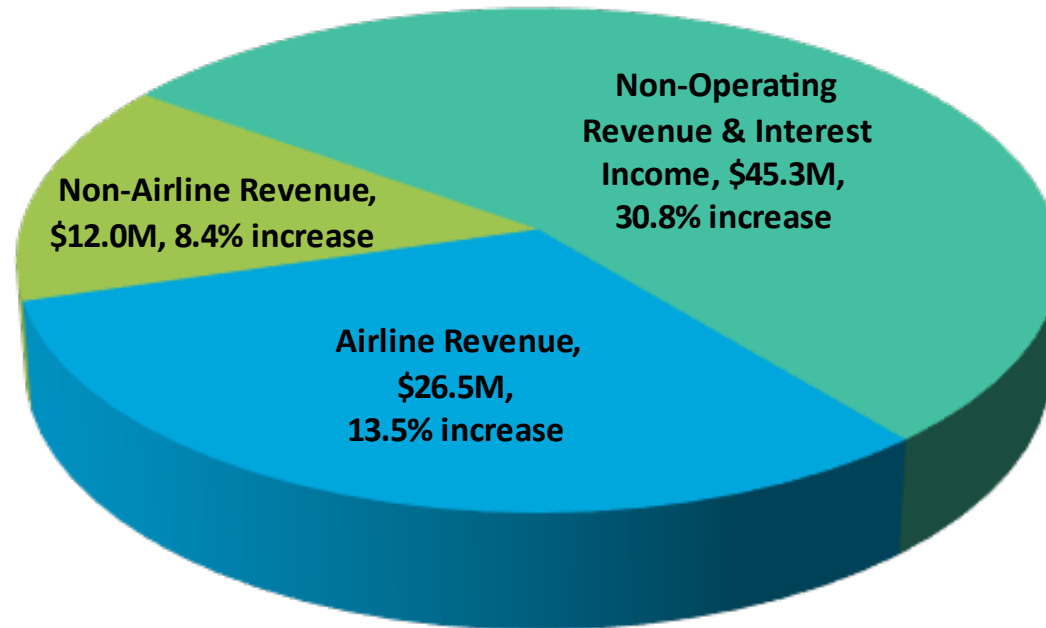
**\$88.2M (22.2%)**



**Total FY 2023 Budget is \$485.5M**

# FY 2024 Budget Revenue Increase vs. FY 2023 Budget

**\$83.8M (17.3%)**



**Total FY 2024 Budget is \$569.3M**

# FY 2023 – FY 2024 Proposed Revenue Budget Summary

(in thousands)

	FY2023 Proposed Budget	FY2024 Conceptual Budget
<b>Operating Revenue</b>		
<b>Airline Revenue</b>		
Landing Fees	\$ 45,581	\$ 55,200
Aircraft Parking Fees	11,395	13,800
Building Rentals	133,213	148,045
Common Use Fees	11,105	10,004
Other Aviation Revenue	(5,186)	(4,457)
<b>Total Airline Revenue</b>	<b>196,108</b>	<b>222,592</b>
<b>Non-Airline Revenue</b>		
Terminal Rent Non-Airline	2,592	2,594
Terminal Concessions	24,358	27,226
Rental Car License Fees	33,616	35,443
License Fees - Other	6,275	6,939
Parking Revenue	35,349	38,477
Ground Transportation Permits and Citations	14,335	17,571
Ground Rentals	23,776	24,001
Grant Reimbursements	296	296
Other Operating Revenue	1,691	1,758
<b>Total Non-Airline Revenue</b>	<b>142,288</b>	<b>154,305</b>
<b>Total Operating Revenue</b>	<b>338,396</b>	<b>376,897</b>
<b>Interest Income</b>	<b>24,072</b>	<b>25,873</b>
<b>Non-Operating Revenue</b>		
Passenger Facility Charges	40,078	43,863
Customer Facility Charges	31,284	34,293
Quieter Home Program	19,065	19,665
Federal Relief		
Capital Grant Contributions	32,592	68,672
<b>Total Non-Operating Revenue</b>	<b>123,019</b>	<b>166,494</b>
<b>Total Revenue</b>	<b>\$ 485,486</b>	<b>\$ 569,265</b>

## Connecting the world safely

We're raising the bar to bring you a safe and clean travel experience. Here's how you can join us:



**Practice social distancing:**  
Help out by spreading out



**Wear face coverings:**  
See a United representative if you need one



**Use the United app:**  
For a more touchless airport experience and up-to-date information

Learn more about our  
United CleanPlus commitment at  
[united.com/cleanplus](https://www.united.com/cleanplus)

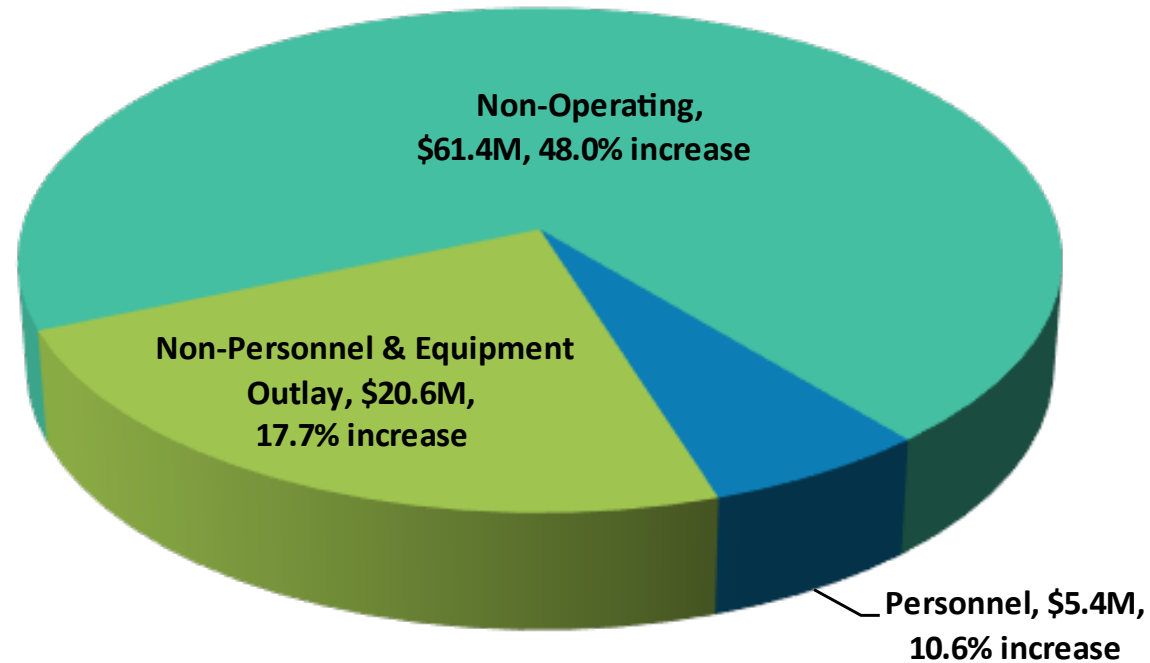
Cleveland Clinic

A STAR ALLIANCE MEMBER

# Expense Budget Overview

# FY 2023 Budget Expense Increase vs. FY 2022 Budget

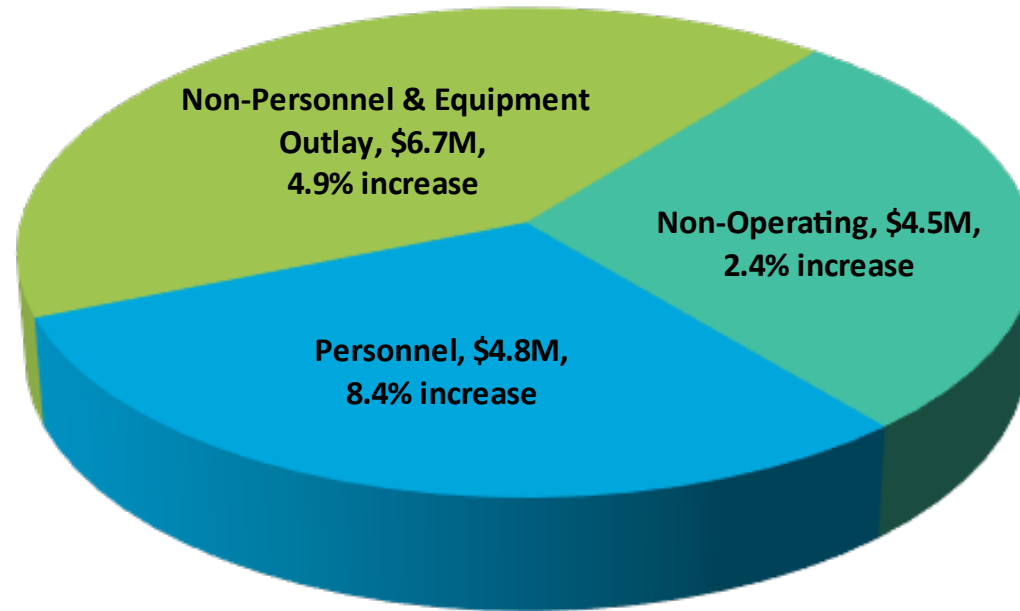
**\$87.4M (29.5%)**



**Total FY 2023 Budget is \$383.3M**

# FY 2024 Budget Expense Increase vs. FY 2023 Budget

**\$15.9M (4.1%)**



**Total FY 2024 Budget is \$399.2M**



# FY 2023 - FY 2024 Proposed Budget Expense Summary

<i>(In Thousands)</i>	<b>FY2023 Proposed Budget</b>	<b>FY2024 Conceptual Budget</b>
<b>Operating Expenses</b>		
Salaries	\$ 42,535	\$ 45,926
Benefits	21,827	23,755
<b>Subtotal</b>	<b>64,363</b>	<b>69,681</b>
Less: Capitalized Labor Recharge	(6,893)	(7,404)
Less: QHP Labor Recharge	(695)	(741)
<b>Total Personnel Costs</b>	<b>56,775</b>	<b>61,536</b>
Contractual Services	46,720	49,532
Safety and Security	38,064	39,873
Space Rental	10,501	10,506
Utilities	16,556	18,067
Maintenance	12,170	12,584
Operating Equipment & Systems	1,045	399
Operating Supplies	706	739
Insurance	2,005	2,324
Employee Development	854	891
Business Development	2,953	3,422
Equipment Rentals and Repairs	3,910	4,098
Tenant Improvements	692	725
<b>Total Non-Personnel Costs</b>	<b>136,177</b>	<b>143,161</b>
<b>Total Operating Expenses</b>	<b>192,952</b>	<b>204,696</b>
Joint Studies / Sound Attenuation	21,166	21,767
Debt Service	168,221	172,092
Legal Settlement Expense	10	-
Other Non-Operating Expenses	-	-
<b>Total Non-Operating Expenses</b>	<b>189,397</b>	<b>193,859</b>
<b>Total Expenses</b>	<b>382,349</b>	<b>398,556</b>
<b>Equipment Outlay Expenditures</b>	<b>988</b>	<b>667</b>
<b>Total Authority Expenses Incl Equip Outlay</b>	<b>\$ 383,337</b>	<b>\$ 399,223</b>



# Capital Program Budget Fiscal Years 2023 - 2027

# Capital Program Budget Summary

(in thousands)

	NEW T1	CIP	Total
<b>Total FY 2022 - 2026 Beginning Capital Program Budget *</b>	<b>\$3,464,300</b>	<b>\$560,654</b>	<b>\$4,024,954</b>
FY 2022 - 2026 Project Closeouts	-	(257,743)	(257,743)
FY 2022 - 2026 Project Adjustments	-	(118)	(118)
<b>FY 2022 - 2026 Ending Capital Program Balance</b>	<b>\$3,464,300</b>	<b>\$302,792</b>	<b>\$3,767,092</b>
Proposed FY 2023 - 2027 New Capital Projects	-	66,202	66,202
Proposed FY 2023 - 2027 Project Adjustments	-	38,567	38,567
<b>Proposed FY 2023 - 2027 Capital Program Budget **</b>	<b>\$3,464,300</b>	<b>\$407,561</b>	<b>\$3,871,861</b>

\* FY2022-2026 budget as amended by Board in October 2021 meeting

\*\* Pending Board approval



# Plan of Finance Fiscal Years 2023 - 2027

# Uses of Funds

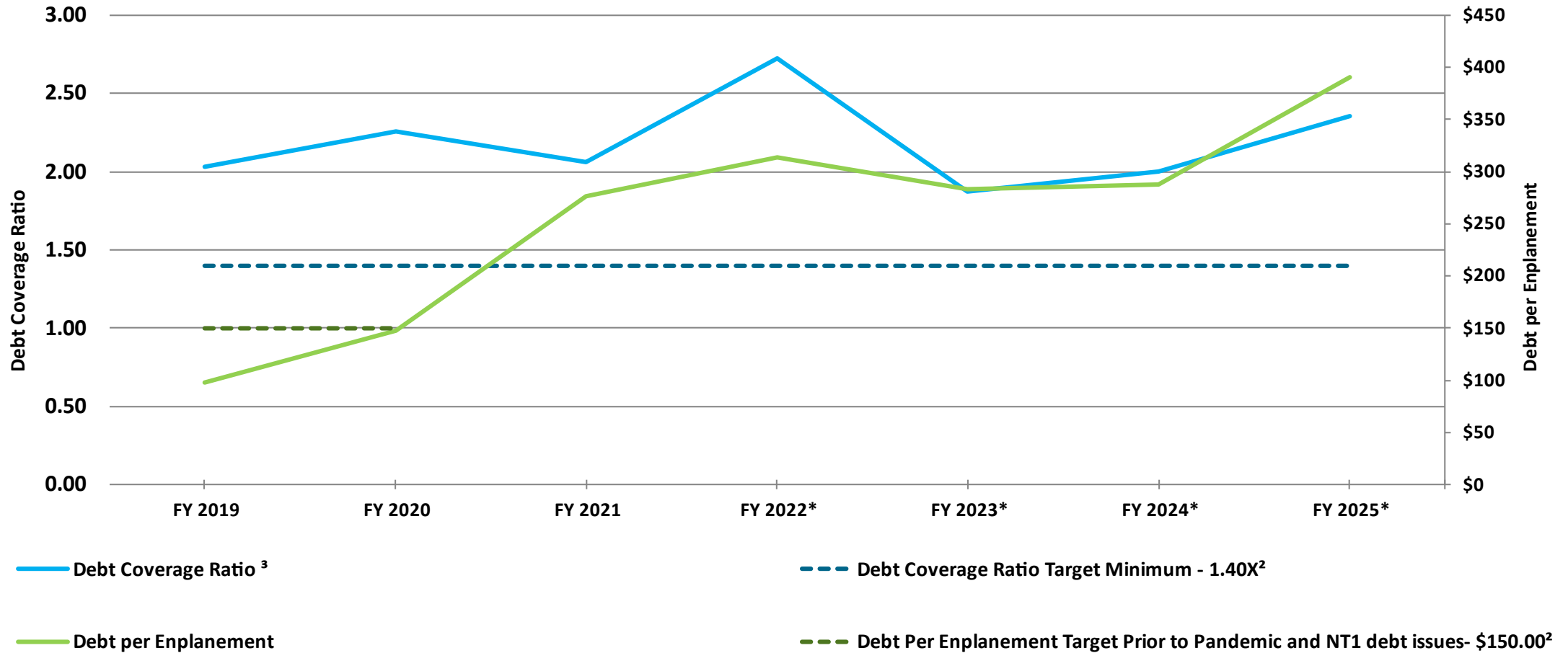
(in thousands)

	Total Use of Funds						
	Pre FY2023	FY2023	FY2024	FY2025	FY2026	FY2027	Total
The New T1	\$ 462,384	\$ 649,890	\$ 759,128	\$ 676,330	\$ 434,268	\$ 482,299	\$ 3,464,300
CIP Program	\$ 59,335	\$ 75,082	\$ 109,719	\$ 88,381	\$ 41,949	\$ 33,095	\$ 407,561
<b>Total</b>	<b>\$ 521,719</b>	<b>\$ 724,973</b>	<b>\$ 868,848</b>	<b>\$ 764,711</b>	<b>\$ 476,218</b>	<b>\$ 515,393</b>	<b>\$ 3,871,861</b>

# Sources of Funds

	Total Sources of Funds						
	Pre FY2023	FY2023	FY2024	FY2025	FY2026	FY2027	Total
Airport Revenue Bonds	\$ 466,266	\$ 596,466	\$ 640,357	\$ 627,638	\$ 398,520	\$ 405,775	\$ 3,135,023
Airport Cash	27,986	83,083	124,278	68,561	22,848	21,045	347,802
Federal Grants	21,082	32,592	68,672	31,527	43,933	82,899	280,706
Major Maintenance Fund	5,411	12,197	34,569	36,060	10,305	5,675	104,217
Other	867	634	971	924	611	-	4,007
Passenger Facility Charges	107	-	-	-	-	-	107
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$ 521,719</b>	<b>\$ 724,973</b>	<b>\$ 868,848</b>	<b>\$ 764,711</b>	<b>\$ 476,218</b>	<b>\$ 515,393</b>	<b>\$ 3,871,861</b>

# Coverage Ratio and Debt Per Enplanement <sup>1</sup>



<sup>1</sup> Debt excludes special facility bonds

<sup>2</sup> Debt per Enplanement range \$300-\$400 pending board approval.

\* Forecasted FY 2022- FY 2027



# Conclusion

# Conclusion

- Follows the Authority's legislative and regulatory mandates
- Includes funds for operational expenses to manage the Airport through the continued recovery that will sustain confidence of the traveling public and business partners
- Reflects collaboration with business stakeholders
- Demonstrates the discipline necessary to remain a sustainable enterprise
- Supports efforts to advance a five-year Capital Plan and resources to proceed with the New T1
- Provides resources to deliver the New T1 communication plan
- Provides necessary resources to maintain employee safety, confidence, and engagement





## Staff Report

Meeting Date: June 2, 2022

### Subject:

**Waive Authority Policy 5.02(1)(d) and Policy 5.02(4)(b)(iii) and Authorize the President/CEO to Approve and Execute Change Orders with Sundt Construction, Inc., for 12kV Electrical System Upgrades to Allow the New Administration Building to Connect to the 12kV Electrical System**

### Recommendation:

Adopt Resolution No. 2022-0060, waiving Authority Policy 5.02(1)(d) and Policy 5.02(4)(b)(iii) authorizing the President/CEO to negotiate and execute change orders with Sundt Construction, Inc., for the design and construction of upgrades to the existing 12kV electrical system to allow the New Administration Building to connect to the 12kV electrical system for a total change order amount not to exceed \$6,655,198.68.

### Background/Justification:

#### New Administration Building

On July 1, 2021, the San Diego County Regional Airport Authority ("Authority") Board ("Board") adopted Resolution No. 2021-0082, approving and authorizing: the President/CEO to negotiate and execute (1) a Contract with Sundt Construction, Inc., ("Sundt"), establishing a Maximum Contract Price ("MCP") of \$91,379,967 and a contract duration of 930 calendar days for the design and construction of Airport Development Program ("New T1") Package 3, New Administration Building; (2) a future Guaranteed Maximum Price Amendment within the MCP after execution of the Contract; and (3) removal of the existing program management complex trailers.

The New Administration Building will be a new four-story, approximately 130,000 square foot office building located at the far west end of San Diego International Airport ("SDIA") and includes the Authority's administrative offices, Authority Board Room, and various operations centers and will allow for the consolidation of most Authority staff into a single building. The building is designed with clear separation between public and office-oriented spaces to increase building security and includes spaces on all the floors to facilitate increased collaboration between departments.

Since the Board action on July 1, 2021, Sundt is completing design of the New Administration Building, has removed the old program management complex trailers, and has begun permanent construction of underground utilities. The construction substantial completion date remains on schedule for September 2023 with completion of staff move-in in October 2023, and contractual final acceptance and completion in February 2024.

## Energy System Master Plan

In late 2020, Authority Staff ("Staff") and consultants embarked on the Energy System Master Plan ("ESMP"). Intended to allow Staff to identify current and future electrical needs at SDIA, the ESMP studied the current electrical loads on the Authority's existing 12,000 volt ("12kV") electrical system, identified projects and initiatives expected to cause future electrical load growth, and recommended specific system upgrades. The Authority's 12kV electrical system consists of multiple electrical loops powered from multiple San Diego Gas & Electric ("SDG&E") circuits. The 12kV electrical system increases the operational redundancy and resiliency at SDIA and results in significant savings in operating costs to the Authority.

Staff expected that, at the completion of all phases of the ESMP, the Authority would be able to identify, develop scope and budget for, and propose specific projects that will be included in future Capital Programs.

The first phase of the ESMP was completed in October 2021 and identified sections of the 12kV electrical system that will need to be upgraded to provide power to future projects. Specifically, the ESMP identified that two of the main electrical loops, the Perimeter Loop and the Terminal 2 ("T2") Loop, do not contain sufficient capacity to provide power to future projects and will require significant upgrades.

Staff has embarked on phase two of the ESMP to identify and develop a construction program for upgrades to the Perimeter Loop.

## New Administration Building- Terminal 2 12kV Loop Upgrade

Both the Perimeter Loop and the T2 Loop are located adjacent to the New Administration Building and were expected to be available to provide the necessary power to support the New Administration Building.

After becoming aware of the shortcomings of the 12kV electrical loops, staff worked with Sundt and their engineering team to develop various options to provide power to the New Administration Building. The team has performed extensive site investigations and determined that there is an existing spare conduit in the T2 Loop that can be utilized to run approximately 10,000 linear feet of additional electrical cable from the T2 Loop electrical point of connection, adjacent to the New Administration Building, to the main switchgear building, to the west of the Central Utility Plant.

Staff reviewed various options to implement this upgrade, including utilizing existing maintenance agreements and creating a separate project to perform the upgrade.

Existing maintenance agreements do not have sufficient contract capacity and the design and construction of a separate project cannot be completed in time to provide power to the New Administration Building to maintain project schedule.

Staff recommends that the Authority issue change orders to Sundt to complete this work as (1) Sundt is a general contractor capable of managing the design and construction of this type of work and (2) the T2 Loop upgrade is critical to completing the New Administration Building.

Adding this additional work to the contract with Sundt will allow Sundt to be the single entity responsible for design, coordination of work, safety, permits and inspections, construction schedule, and budget and will allow the Authority to transfer to Sundt the risks associated with completing the design and construction coordination. Having Sundt manage the proposed additional work will also provide efficiencies and cost controls associated with having one project that already includes a management team on-site. Authority staff and consultants will proceed with a detailed negotiating process with Sundt to determine the final cost of this work.

For public projects valued at more than \$100,000, Authority Policy 5.02(1)(d) requires that the Authority follow either: (a) a formal bidding procedure that includes: (1) adoption of plans and specifications; (2) publication of a notice of the project in a newspaper of general circulation for at least 14 calendar days prior to the opening of bids; and (3) mailing of a notice inviting formal bids to construction trade journals; or (b) a competitive RFP or RFQ process for design-build contracts.

Staff requests that the Board find that it is in the best interest of the Authority to waive Policy 5.02(1)(d) for the design and construction of the necessary upgrades to the T2 Loop to allow the proper functioning of the New Administration Building and add this work to Sundt's existing contract rather than competitively procuring this work as a separate project and authorize the President/CEO to negotiate and execute contract change orders with Sundt for the design and construction of upgrades to the 12kV electrical system to allow the New Administration Building to connect to the 12kV electrical system.

Authority Policy 5.02(4)(b)(iii) provides the President/CEO authority to negotiate and execute contract change orders for up to 4% of the value of a contract. In this case, 4% of Sundt's Maximum Contract Price ("MCP") of \$91,379,967 is \$3,655,198.68.

Staff further recommends that the Board waive Authority Policy 5.02(4)(b)(iii) and increase the President/CEO's change order authority for the Project No. 414002, New T1 New Administration Building contract with Sundt Construction, Inc., by \$3,000,000, for a total contract change order authority of \$6,655,198.68. This total change order authority increases the MCP by 7.28%. This will account for the T2 Loop upgrades and any future required contract change orders as construction proceeds.

### Fiscal Impact:

Adequate funds for the New Administration Building component of the New T1 Program are included within the Board approved and amended FY2022-FY2026 Capital Program Budget within the New T1 line item from Program Contingency. Sources of funding for the New Administration Building component of the New T1 Program are Airport Revenue Bonds, Airport Cash, and the Authority's short-term credit facility.

### 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 for a project that received certification and approval for the Airport Development Plan Environmental Impact Report (SCH NO. 2017011053 – SDCRAA # EIR-18-01) on January 9, 2020.
- B. California Coastal Act Review: This Board action is for a project that the California Coastal Commission issued Coastal Development Permits (CDP-6-20-0154), (CDP 6-20-0447), and (CDP 6-20-0611), on September 30, 2021.
- C. NEPA: This Board action is for a project that received approval and was issued a Finding of No Significant Impact (FONSI) and Record of Decision (ROD) by the Federal Aviation Administration (FAA) on October 22, 2021.

## Application of Inclusionary Policies:

The Authority has the following inclusionary programs/policy: a Disadvantaged Business Enterprise (DBE) Program, an Airport Concession Disadvantaged Business Enterprise (ACDBE) Program and Policy 5.12. Additionally, the Authority has the Inclusionary Approach which is intended to promote the inclusion of small, local, service disabled/veteran owned small businesses, historically underrepresented businesses, and other business enterprises, on large contracts.

No preferences were applied to the award of the New Administration Building contract with Sundt; however, Sundt submitted an Inclusionary Outreach Plan that delineates their commitment to working with the Authority to maximize participation by small, local, disadvantaged, and service disabled/veteran owned small businesses on this contract.

## Prepared by:

Bob Bolton  
Director, Airport Design & Construction

RESOLUTION NO. 2022-0060

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY WAIVING AUTHORITY POLICY 5.02(1)(d) AND POLICY 5.02(4)(b)(iii) AND AUTHORIZING THE PRESIDENT/CEO TO NEGOTIATE AND EXECUTE CHANGE ORDERS WITH SUNDT CONSTRUCTION, INC., FOR THE DESIGN AND CONSTRUCTION OF UPGRADES TO THE EXISTING 12VK ELECTRICAL SYSTEM TO ALLOW THE NEW ADMINISTRATION BUILDING TO CONNECT TO THE 12VK ELECTRICAL SYSTEM FOR A TOTAL CHANGE ORDER AMOUNT NOT TO EXCEED \$6,655,198.68

**WHEREAS**, on July 1, 2021, the San Diego County Regional Airport Authority ("Authority") Board ("Board") adopted Resolution No. 2021-0082, approving and authorizing: the President/CEO to negotiate and execute (1) a Contract with Sundt Construction, Inc., ("Sundt"), establishing a Maximum Contract Price ("MCP") of \$91,379,967 and a contract duration of 930 calendar days for the design and construction of Airport Development Program ("New T1") Package 3, New Administration Building; (2) a future Guaranteed Maximum Price Amendment within the MCP after execution of the Contract; and (3) removal of the existing program management complex trailers; and

**WHEREAS**, the New Administration Building will be a new four-story, approximately 130,000 square foot office building located at the far west end of San Diego International Airport ("SDIA") and includes the Authority's administrative offices, Authority Board Room, and various operations centers and will allow for the consolidation of most Authority staff into a single building; and

**WHEREAS**, since the last Board action, Sundt is completing design of the New Administration Building, has removed the old program management complex trailers, and has begun permanent construction of underground utilities; and

**WHEREAS**, construction substantial completion remains on schedule for September 2023 with completion of staff move-in in October 2023, and contractual final acceptance and completion in February 2024; and

**WHEREAS**, in late 2020, Authority Staff ("Staff") and consultants embarked on the Energy System Master Plan ("ESMP"). Intended to allow Staff to identify current and future electrical needs at SDIA, the ESMP studied the current electrical loads on the Authority's existing 12,000 volt ("12kV") electrical system, identified projects and initiatives expected to cause future electrical load growth, and recommended specific system upgrades; and

**WHEREAS**, the Authority's 12kV electrical system consists of multiple electrical loops powered from multiple San Diego Gas & Electric ("SDG&E") circuits and the 12kV electrical system increases the operational redundancy and resiliency at SDIA and results in significant savings in operating costs to the Authority; and

**WHEREAS**, Staff expected that, at the completion of all phases of the ESMP, the Authority would be able to identify, develop scope and budget for, and propose specific projects that will be included in future Capital Programs; and

**WHEREAS**, the first phase of the ESMP was completed in October 2021 and identified sections of the 12kV electrical system that will need to be upgraded to provide power to future projects; and

**WHEREAS**, the first phase of the ESMP specifically identified that two of the main electrical loops, the Perimeter Loop, and the Terminal 2 ("T2") Loop, do not contain sufficient capacity to provide power to future projects and will require significant upgrades; and

**WHEREAS**, Staff has embarked on phase two of the ESMP to identify and develop a construction program for upgrades to the Perimeter Loop; and



**WHEREAS**, both the Perimeter Loop and the T2 Loop are located adjacent to the New Administration Building and were expected to be available to provide the necessary power to support the New Administration Building; and

**WHEREAS**, after becoming aware of the shortcomings of the 12kV electrical loops, staff worked with Sundt and their engineering team to develop various options to provide power to the New Administration Building; and

**WHEREAS**, the team has performed extensive site investigations and determined that there is an existing spare conduit in the T2 Loop that can be utilized to run approximately 10,000 linear feet of additional electrical cable from the T2 Loop electrical point of connection, adjacent to the New Administration Building, to the main switchgear building, to the west of the Central Utility Plant; and

**WHEREAS**, Staff reviewed various options to implement this upgrade, including utilizing existing maintenance agreements and creating a separate project to perform the upgrade; and

**WHEREAS**, existing maintenance agreements do not have sufficient contract capacity and the design and construction of a separate project cannot be completed in time to provide power to the New Administration Building to maintain project schedule; and

**WHEREAS**, because this work is inextricably intertwined with the work included under Sundt's existing contract, adding this additional work to the contract with Sundt will allow Sundt to be the single entity responsible for design, coordination of work, safety, permits and inspections, construction schedule, and budget and will allow the Authority to transfer to Sundt the risks associated with completing the design and construction coordination; and

**WHEREAS**, having Sundt manage the proposed additional work will also provide efficiencies and cost controls associated with having one project that already includes a management team on-site: and

**WHEREAS**, Authority staff and consultants will proceed with a detailed negotiating process with Sundt to determine the final cost of this work; and

**WHEREAS**, Public Utilities Code §170040 states that the Authority “may contract with any department or agency of the United States, with any state or local governmental agency, or with any person upon those terms and conditions that the Authority finds are in its best interest”; and

**WHEREAS**, for public projects valued at more than \$100,000, Authority Policy 5.02(1)(d) requires that the Authority follow a formal bidding procedure or competitive RFP or RFQ for design-build contracts; and

**WHEREAS**, Staff recommends that the Board find that it is in the best interest of the Authority to waive Policy 5.02(1)(d) and award this work to Sundt and authorize the President/CEO to negotiate and execute contract change orders with Sundt for the design and construction of upgrades to the 12kV electrical system to allow the New Administration Building to connect to the 12kV electrical system; and

**WHEREAS**, Authority Policy 5.02(4)(b)(iii) provides the President/CEO authority to negotiate and execute contract change orders up to 4% of the contract value; and

**WHEREAS**, 4% of the value of Sundt’s MCP of \$91,379,967 is \$3,655,198.68; and

**WHEREAS**, Staff further recommends that the Board waive Authority Policy 5.02(4)(b)(iii) and increase the President/CEO’s change order authority for the Project No. 414002, New T1 Administration Building contract with Sundt by \$3,000,000 for a total contract change order authority of \$6,655,198.68; and

**WHEREAS**, this total change order authority increases the MCP by 7.28%.

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby finds that the design and construction of the needed upgrades to the 12kV electrical system to allow for the functioning of the New Administration Building are inextricably intertwined with the work included under Sundt's existing contract; and

**BE IT FURTHER RESOLVED** that the Board finds that adding this additional work to the contract with Sundt rather than competitively procuring the work as a separate project is in the best interest of the Authority because, among other things, Sundt will be the single entity responsible for design, coordination of work, safety, permits and inspections, construction schedule, and budget for this work which is necessary for the ultimate functioning of the New Administration building; and

**BE IT FURTHER RESOLVED** that the Board finds that adding this work to the contract with Sundt will allow the Authority to transfer to Sundt the risks associated with completing the design and construction coordination; and

**BE IT FURTHER RESOLVED** that pursuant to Public Utilities Code §170040, the Board finds it is in the best interest of the Authority to waive Authority Policy 5.02(1)(d) and authorize Sundt to design and construct the necessary upgrades to the existing 12kV electrical system to allow the New Administration Building to connect to the 12kV system; and

**BE IT FURTHER RESOLVED** that the Board authorizes the President/CEO to negotiate and execute change orders with Sundt for the design and construction of upgrades to the existing 12kV electrical system to allow the New Administration Building to connect to the 12kV electrical system; and

**BE IT FURTHER RESOLVED** that the Board waives Policy 5.02(4)(b)(iii) and increases the President/CEO's change order authority for the Project No. 414002, New T1 New Administration Building contract with Sundt Construction, Inc., by \$3,000,000, for a total contract change order authority of \$6,655,198.68; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is for a project that received certification and approval for the Airport Development

Plan Environmental Impact Report (SCH NO. 2017011053 – SDCRAA # EIR-18-01) on January 9, 2020; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is for a project that the California Coastal Commission issued Coastal Development Permits (CDP-6-20-0154), (CDP 6-20-0447), and (CDP 6-20-0611), on September 30, 2021; and

**BE IT FURTHER RESOLVED** that the Board finds that this action is for a project that received approval and was issued a Finding of No Significant Impact (FONSI) and Record of Decision (ROD) by the Federal Aviation Administration (FAA) on October 22, 2021; and

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 2nd day of June, 2022, by the following vote:

**AYES:** Board Members:

**NOES:** Board Members:

**ABSENT:** Board Members:

**ATTEST:**

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TONY R. RUSSELL  
DIRECTOR, BOARD SERVICES /  
AUTHORITY CLERK

**APPROVED AS TO FORM:**

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AMY GONZALEZ  
GENERAL COUNSEL



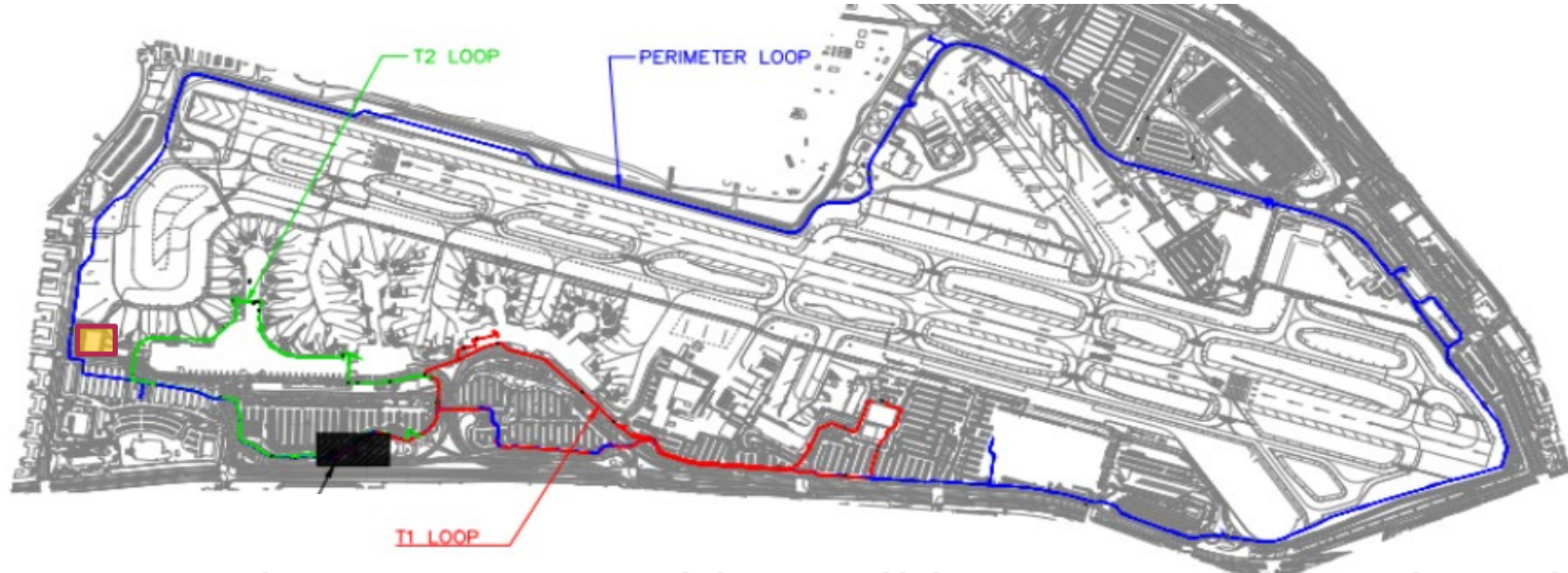
# New T1 New Administration Building

Airport Authority Board Meeting

June 2, 2022

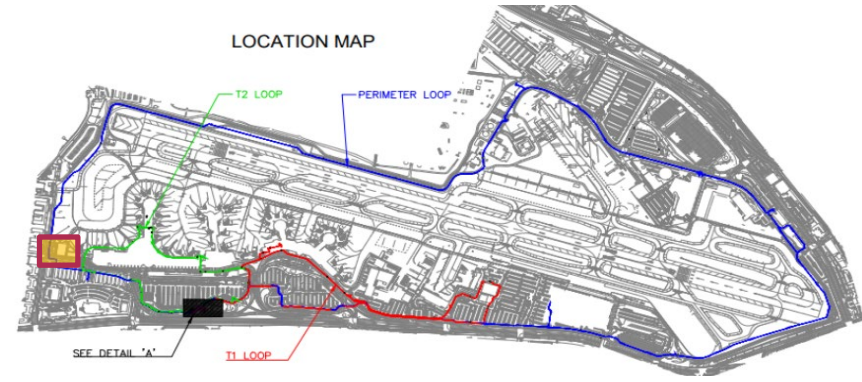
Presented by: **Bob Bolton**  
Director, Airport Design & Construction



# Summary



- New Administration Building will be powered from the 12kV Electrical System
  - Either **Perimeter** or **T2** 12kV Loop

# Summary



- The Original Plan was to Connect to the **Perimeter Loop**
-  Connecting to the **Perimeter Loop** has proven to be **unattainable** given the available system capacity and extensive improvements that would be needed
- The **T2 Loop** is better positioned to support the project in the near and long term
-  The **T2 Loop** also currently lacks the available system capacity...but upgrades required to support the Admin. Building are feasible and can be executed immediately

# The Problem

## T2 Loop - Capacity Analysis

	Today	2022	2023	2027	TOTAL
Load Description		Additional T2 Airside EVSE Charging	New Admin Bldg & NTC EVC's	Additional Future Projects	
Added Load		+ 42	+ 60	+ 17	+ 119
Total Load (Amps)	253	295	355	372	372
Existing Capacity	308	-	-	-	308
%	82%	96%	115%	121%	121%
Upgraded Capacity	-	-	488	-	488
%	-	-	73%	76%	76%

**INDUSTRY STANDARD:**  
Do not exceed 80% of cable ampacity rating to prolong system life





# Scope of Work

## T2 Loop Upgrade Scope

**Phase I** - Perform preliminary investigative work on existing infrastructure to confirm sizes, types, and any deficiencies

**Phase II** - Install a parallel Feeder to the existing T2 Loop Feeder to provide needed capacity

## Expected Schedule

- Phase I Investigation: April/May 2022
- Board Approval/Phase II NTP: **June 2022**
- Design: June-July 2022 (6 weeks)
- Material Procurement: June to August 2022
- Construction: September 2022 - March 2023
- Targeted Date to Energize Admin Building: **March 2023**
- Building Substantial Completion: September 2023



# Cost



Description	Approximate Cost
Design	\$ 120,000
Material and Installation	\$ 2,330,000
General Requirements & Indirect Costs	\$ 550,000
<b>Total</b>	<b>\$ 3,000,000</b>

# Authority Policy 5.02(1)(d)

- Requires competitive procurement for work over \$100,000
  - Work not contemplated as part of original project, so policy would apply
- Request Waiver:
  - Change Order to Sundt's contract
  - Critical to completing project
  - Protect Schedule: Admin. Building opens on schedule
  - Reduce Risk: Single entity responsible for design, coordination, safety, quality, and construction
  - Cost Efficiencies: Single project using already available management team

# Recommendation

Adopt Resolution No. 2022-\_\_\_\_\_ waiving Authority Policy 5.02(1)(d) and Policy 5.02(4)(b)(iii) authorizing the President/CEO to negotiate and execute change orders with Sundt Construction, Inc., for the design and construction of upgrades to the existing 12kV electrical system to allow the New Administration Building to connect to the 12kV electrical system for a total change order amount not to exceed \$6,655,198.68.

# Questions?



## Board Communication

Date: June 2, 2022  
To: Board Members  
From: Tony R. Russell, Director, Board Services/ Authority Clerk  
Subject: Business and Travel Expense Reimbursement Reports for Board Members, President/CEO, Chief Auditor and General Counsel When Attending Conferences, Meetings, and Training at the Expense of the Authority

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Authority Policy 3.30 (3)(b) and (4) require that travel and business expense reimbursements of Board Members, the President/CEO, the Chief Auditor and the General Counsel be approved or pre-approved by the Executive Committee and presented to the Board for its information at its next regularly scheduled meeting.

On August 23, 2021, the Executive Committee pre-approved set dollar amounts for routine, in-town business expenses to be used during Fiscal Year 2021 for the President/CEO, General Counsel and Chief Auditor as authorized in Policy 3.30(3)(b)(i)(C).

The attached reports are being presented to comply with the requirements of Policy 3.30.

**BUSINESS  
EXPENSE  
REIMBURSEMENT  
REPORT**

**Johanna Schiavoni**



# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## 2022

## MONTHLY MILEAGE and PARKING FEE REIMBURSEMENT REPORT


EMPLOYEE NAME Johanna Schiavoni			PERIOD COVERED 4/25/22 - 4/30/2022	
DEPARTMENT/DIVISION Board				
Date	Miles driven	Destination and purpose of trip	Parking fees & other transportation costs paid	\$\$\$
4/25/22	8.60	Mileage to and from Finance Committee		
4/28/22	8.60	Mileage to and from Arts Committee		
4/29/22	8.60	Mileage to and from Board retreat		
4/30/22	8.60	Mileage to and from Board retreat		
SUBTOTAL		34.40		SUBTOTAL -

### Computation of Reimbursement

	34.40
REIMBURSEMENT RATE: (see below) * <span style="float: right;">Rate as of January 2022</span>	<input checked="" type="checkbox"/> 0.585
TOTAL MILEAGE REIMBURSEMENT	20.12
PARKING FEES/TOLL CHARGES (ATTACH RECEIPTS)	-
TOTAL REIMBURSEMENT REQUESTED	<b>\$ 20.12</b>

I acknowledge that I have read, understand and agree to \*Authority Policy 3.30 - Business Expense Reimbursement Policy and that any purchases/claims that are not allowed will be my responsibility. I further certify that this report of business expenses were incurred in connection with official Authority business and is true and correct.

Business Expense Reimbursement Policy 3.30



SIGNATURE OF EMPLOYEE

DEPT./DIV. HEAD APPROVAL