

Board Meeting Agenda

Thursday, December 1, 2022
9:00 A.M.

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

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

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:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

PRESENTATIONS:

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

- **AUDIT COMMITTEE:**
Committee Members: Blakespear, Casillas Salas, Schiavoni, Sly, Vann (Chair), Newsom, Wong Nickerson
- **CAPITAL IMPROVEMENT PROGRAM OVERSIGHT COMMITTEE:**
Committee Members: 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

Thursday, December 1, 2022

- **WORLD TRADE CENTER:**
Representatives: Robert H. Gleason

BOARD REPRESENTATIVES (EXTERNAL)

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

CONSENT AGENDA (ITEMS 1-15):

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 November 3, 2022, Board meeting.

Thursday, December 1, 2022

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 AND APPROVED CHANGE ORDERS FROM OCTOBER 10, 2022 THROUGH NOVEMBER 6 2022, AND REAL PROPERTY AGREEMENTS GRANTED AND ACCEPTED FROM OCTOBER 10, 2022 THROUGH NOVEMBER 6, 2022:

RECOMMENDATION: Receive the Report.

(Procurement: Jana Vargas, Procurement Director)

4. DECEMBER 2022 LEGISLATIVE REPORT:

RECOMMENDATION: Adopt Resolution No. 2022-0106, approving the December 2022 Legislative Report.

(Government Relations: Matt Harris, Director)

5. APPOINTMENT OF AUTHORITY ADVISORY COMMITTEE MEMBERS:

RECOMMENDATION: Adopt Resolution No. 2022-0107, appointing Jamie Abbott and Danny Byers to the Authority Advisory Committee.

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

CLAIMS

6. REJECT CLAIM OF CALBRIELLE LUNA:

RECOMMENDATION: Adopt Resolution No. 2022-0108, rejecting the claim of Calbrielle Luna.

(Legal: Amy Gonzalez, General Counsel)

7. REJECT CLAIM OF DUANE MARACIN:

RECOMMENDATION: Adopt Resolution No. 2022-0109, rejecting the claim of Duane Maracin.

(Legal: Amy Gonzalez, General Counsel)

COMMITTEE RECOMMENDATIONS

- 8. ESTABLISH THE DATE AND TIME OF BOARD AND ALUC MEETINGS FOR 2023, AS INDICATED ON THE PROPOSED 2023 MASTER CALENDAR OF BOARD AND COMMITTEE MEETINGS:**
RECOMMENDATION: Adopt Resolution No. 2022-0110, establishing the date and time of Board and ALUC meetings; and Committee meetings for 2023 as indicated on the proposed 2023 Master Calendar of Board and Committee Meetings.
(Board Services: Tony R. Russell, Director/Authority Clerk)
- 9. EXTERNAL AUDITOR'S FISCAL YEAR ENDED JUNE 30, 2022 REPORT: A) AUDITED FINANCIAL STATEMENTS, B) SINGLE AUDIT REPORTS, C) PASSENGER FACILITY CHARGES COMPLIANCE REPORT, D) CUSTOMER FACILITY CHARGE COMPLIANCE REPORT, AND E) LETTER TO THE BOARD:**
RECOMMENDATION: The Audit Committee recommends that that Board accept the reports.
(Finance: Scott Brickner, Vice President and Chief Financial Officer)
- 10. REVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2022:**
RECOMMENDATION: The Audit Committee recommends that the Board accept the report.
(Finance: Scott Brickner, Vice President and Chief Financial Officer)
- 11. FISCAL YEAR 2022 ANNUAL REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:**
RECOMMENDATION: The Audit Committee recommends that the Board accept the report.
(Audit: Lee Parravano, Chief Auditor)
- 12. FISCAL YEAR 2023 FIRST QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:**
RECOMMENDATION: The Audit Committee recommends that the Board accept the report.
(Audit: Lee Parravano, Chief Auditor)
- 13. REVISION TO THE FISCAL YEAR 2023 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:**
RECOMMENDATION: The Audit Committee recommends that the Board adopt Resolution No. 2022-0111, approving the revision the Fiscal Year 2023 Audit Plan of the Office of the Chief Auditor.
(Audit: Lee Parravano, Chief Auditor)

Thursday, December 1, 2022

14. AMENDMENT TO AUTHORITY CODE 2.16 –ENFORCEMENT (ETHICS AND CONDUCT):

RECOMMENDATION: The Audit Committee recommends that the Board adopt Resolution No. 2022-0112, approving the proposed amendments to Authority Code 2.16 – Enforcement (Ethics and Conduct).

(Audit: Lee Parravano, Chief Auditor)

CONTRACTS AND AGREEMENTS

15. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE AGREEMENTS FOR GENERAL LEGAL SERVICES:

RECOMMENDATION: Adopt Resolution No. 2022-0113 approving and authorizing the President/CEO to execute general legal services agreements with Anderson Kreiger LP, Best Best & Krieger LLP, Devaney Pate Morris & Cameron LLP, Gatzke Dillon & Ballance LLP, Kaplan Kirsch Rockwell LLP, and Procopio, Cory, Hargreaves & Savitch LLP each for a term of three (3) years with two (2) one-year options to renew and a not to exceed compensation amount of \$650,000.

(Legal: Amy Gonzalez, General Counsel)

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

PUBLIC HEARINGS:

16. HEARING ON ANONYMOUS ETHICS COMPLAINT AGAINST THE AIRPORT AUTHORITY BOARD CHAIR

OLD BUSINESS:

NEW BUSINESS:

CLOSED SESSION:

17. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:

(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)

Name of Case: Future DB, International, Inc v. San Diego County Regional Airport Authority, San Diego Superior Court Case No. 37-2018-00001531-CU-CR-CTL

18. PUBLIC EMPLOYEE COMPLAINT:

Government Code §54957

REPORT ON CLOSED SESSION:

GENERAL COUNSEL REPORT:

Board Meeting Agenda

Thursday, December 1, 2022

Page 7 of 8

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:

Thursday, December 1, 2022

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 submit 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.

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.

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD
MINUTES
THURSDAY, NOVEMBER 03, 2022
SAN DIEGO INTERNATIONAL AIRPORT
BOARD ROOM

CALL TO ORDER: Vice Chair Casillas Salas called the regular meeting of the San Diego County Regional Airport Authority Board to order at 9:02 a.m. on Thursday, November 3, 2022, at the San Diego International Airport, Administration Building, 3225 North Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE: Vice Chair Casillas Salas led the Pledge of Allegiance.

ROLL CALL:

PRESENT: Board Members: Blakespear, Casillas Salas, Dallarda (Ex-Officio), McNamara, Robinson, Schiavoni, Sly, Vargas, von Wilpert

ABSENT: Board Members: Bedell (Ex-Officio), Cabrera, Miller (Ex-Officio),

ALSO PRESENT: Kimberly J. Becker, President/CEO; Amy Gonzalez, General Counsel; Sean Harris, Assistant Authority Clerk II; Arely Valenzuela, Assistant Authority Clerk I

PRESENTATIONS:

A. REVIEW OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022:

Scott Brickner, Vice President, and Chief Financial Officer presented a Review of the Unaudited Financial Statements for the Three Months Ended September 30, 2022, that included Operating Revenues; Operating Expenses; Non-operating Revenue & Expenses; Financial Summary; Statement of Net Position.

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

- **AUDIT COMMITTEE:** Board Member Schiavoni reported that the Committee met on September 12, 2022. She reported that the committee’s next regularly scheduled meeting will take place on November 14 and will include attendance by the external auditors from FORVIS, who will provide an overview of the Authority’s financial reports for the year-ended June 30, 2022.
- **CAPITAL IMPROVEMENT PROGRAM OVERSIGHT COMMITTEE:** Board Member von Wilpert reported that the last Committee meeting was held on October 20, 2022. She reported that presentations were heard on the New Terminal 1 construction, concession program and outreach associated with New Terminal 1. She reported that staff is working on possible dates for later this month or early December for a tour of the construction site.
- **EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE:** Board Member Robinson reported that the last Committee meeting was on October 20, 2022. He reported that they met in closed session to review the performance of the President/CEO, General Counsel, and Chief Auditor.
- **FINANCE COMMITTEE:** Board Member Schiavoni reported that the Committee met on October 24. She also reported that at that meeting the committee reviewed the unaudited financial statements for the three months ended September 30, 2022, as well as the Authority’s investment report as of September 30, 2022, which were forwarded to the Board and are on today’s consent agenda for acceptance. She reported that there was an update provided on the Authority’s revolving credit facility and outstanding balances.

ADVISORY COMMITTEES

- **AUTHORITY ADVISORY COMMITTEE:** None.

- **ARTS ADVISORY COMMITTEE:** Board Member Schiavoni reported that on Tuesday of this week, travelers and staff were treated to a two-hour celebration of Dias de Los Muertos. She also reported that the Arts Program, in partnership with the San Diego Puppetry Guild, presented parading puppets and an Ofrenda in Terminal 2's baggage claim and at curbside locations to highlight the Day of the Dead holiday. She reported that 19 artists and/or arts organizations have been selected for this year's Temporary Exhibition program (A Necessary Departure) at the airport.

LIAISONS

- **CALTRANS:** Board Member Dallarda reported that on October 12 and 13 the California Transportation Commission allocated nearly \$3 billion for projects throughout the State to repair and improve infrastructure. He also reported that the allocation included \$452 million from the Infrastructure and Jobs Act of 2021 and more than \$123 million from SB 1 the Road Repair and Accountability Act of 2017. He also reported that, of that funding, over \$150 million came to San Diego and Imperial counties. He reported that on October 13, the groundbreaking for the first project in the State to install broadband as part of the Broadband Middle Mile Program. He also reported that in District 11, Caltrans has been tasked with installing about 700 miles, with work beginning at Highway 67. He reported that on October 24, CalTrans representatives traveled to Mexico City with a delegation from SANDAG and the San Diego Chamber of Commerce to sign the revenue sharing agreement between California and Mexico for the new Otay Mesa Port of Entry. He also reported the Board Member Vargas, Lieutenant Governor Kounalakis, Mayor Gloria, and the Executive Director the North American Bank were all present. He reported he met with Secretary of Transportation Pete Buttigieg, and provided a tour of the LOSSAN Corridor. He reported CalTrans received the largest award of Infrastructure Grants for Otay Mesa East in the country, in the amount of \$150 million. He reported that on October 25, CalTrans held the first groundbreaking in District 11 for Clean California Beautiful Project on State Route 7, in Calexico. He reported that there is another round of Clean California Local Grants that will open for all cities, counties, tribes, airports, and transit agencies with \$100 million available for award. He also reported that applications will be received between January and April of 2023 and grants will be awarded in September of next year. He reported that on November 19, CalTrans will be holding another Dumpster Day Event in Brawley, El Centro, Santee, and Chula Vista where the public can bring waste to discard.

He reported that CalTrans' external survey is open until November 18, and that he would share the link to the survey with Authority staff. He reported that CalTrans received the platinum award for its excellence in commute, and participating in multi-modal commute options and events. He reported that at the WTS events, CalTrans' Small Business Unit received the Rosa Parks Diversity Leadership Award for the work they do for small businesses.

- **INTER-GOVERNMENTAL AFFAIRS:** None.
- **MILITARY AFFAIRS:** None.
- **PORT:** None.
- **WORLD TRADE CENTER:** None.

BOARD REPRESENTATIVES (EXTERNAL)

- **SANDAG BOARD OF DIRECTORS:** None.
- **SANDAG TRANSPORTATION COMMITTEE:** Board Member Schiavoni reported that the SANDAG Transportation Committee met twice since the last Board Meeting and that the second meeting was a Special Joint Meeting with the Board of Directors and Policy Advisory Committees. She also reported that at the first meeting, staff presented an update on the Regional Electric Vehicle Charger Management Strategy, as well as the draft work plan tasks and estimated schedule for amending the TransNet Ordinance.

CHAIR'S REPORT: Vice Chair Casillas Salas reported that November 1 marked the first anniversary of construction starting on the New T1. She reported that the Airport Authority held a thank you event for airport volunteers on the USS Midway and that volunteers were treated to a tour of the ship and lunch. She reported that the Airport Volunteer Program offers the opportunity to meet new people and assist travelers in navigating the airport. She also reported that in the last few months, 17 new volunteers have joined the Airport Volunteer Program and in total there are about 180 volunteers in the program currently.

PRESIDENT/CEO'S REPORT: Kim Becker, President/CEO, reported that October passenger traffic ended at 97.5% of 2019 amounts. She reported that she and Hampton Brown, Vice President and Chief Revenue Officer, attended World Routes 2022, a conference dedicated to route strategy development and planning in the aviation industry. She also reported that they met with more than a dozen airlines to discuss new or enhanced air service. She reported that the airport has received the first delivery of Sustainable Aviation Fuel (SAF) at Signature Flight Services for use by general aviation clients. She also reported that using SAF is a strategy in our Carbon Neutrality Plan to reduce airport-wide emissions by 30 percent/passenger by 2035. She reported that the Small Business Development team hosted a virtual “Meet the Primes” event on November 1 and will host one more on November 8. She reported that SANDAG has recognized the Airport Authority with a Diamond Award for efforts to facilitate more sustainable commute options for airport employees. She reported that for the first time, the Authority received the highest “Platinum” award level for demonstrating significant progress in promoting alternatives to driving by expanding telework, launching the San Diego Flyer, and improving bicycle infrastructure. She reported that in further recognition of our sustainability accomplishments, Planning & Environmental Affairs Director Brendan Reed has been appointed by the ACI World Executive Committee to be the Vice Chair of the World Environment Standing Committee. She reported that Planning & Environmental Affairs staff developed a session entitled “Airports...How Do We Get There?” at the American Planning Association’s California State conference. She also reported that the presentation highlighted the launch of the San Diego Flyer, as well as other efforts. She reported that the Government Finance Officers Association has presented the Airport Authority with the “Distinguished Budget Presentation Award” for the Fiscal 2023-2024 Budget. She also reported that this is the 18th consecutive year our Finance Department has won this award. She reported that the Authority is proud to have kicked off our annual employee giving campaign supporting the United Way of San Diego County and that each year, SAN employees are invited to invest in the community by making a one-time contribution.

NON-AGENDA PUBLIC COMMENT: None.

CONSENT AGENDA (ITEMS 1 - 15):

ACTION: Moved by Board Member Vargas and seconded by Board Member Robinson to approve the Consent Agenda. Motion carried by the following votes: YES – Blakespear, Casillas Salas, McNamara, Robinson, Schiavoni, Sly, Vargas, von Wilpert; NO – None; ABSENT – Cabrera; (Weighted Vote Points: YES – 86 NO – 0; ABSENT – 14)

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the October 6, 2022, 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 AND APPROVED CHANGE ORDERS FROM SEPTEMBER 12, 2022, THROUGH OCTOBER 9, 2022, AND REAL PROPERTY AGREEMENTS GRANTED AND ACCEPTED FROM SEPTEMBER 12, 2022, THROUGH OCTOBER 9, 2022:

RECOMMENDATION: Receive the Report.

4. NOVEMBER 2022 LEGISLATIVE REPORT:

RECOMMENDATION: Adopt Resolution No. 2022-0092, approving the November 2022 Legislative Report.

5. AUTHORIZE AN EXTENSION OF FOOD & BEVERAGE CONCESSIONAIRES 2% SURCHARGE USED FOR EMPLOYEE RECRUITMENT AND RETENTION:

RECOMMENDATION: Adopt Resolution No. 2022-0094, authorizing the President/CEO to execute amendments to Food & Beverage Concession Leases to allow Food & Beverage Concessionaires to voluntarily extend a surcharge of 2% used for employee recruitment and retention.

6. AUTHORIZE THE PRESIDENT/CEO FOR THE DISPOSITION OF SURPLUS PROPERTY LOCATED IN THE ADMINISTRATION BUILDING:

RECOMMENDATION: Adopt Resolution No. 2022-0095, authorizing the President/CEO to advertise and carry out the sale of all surplus materials and equipment in the Administration Building for the best price obtainable by the Authority and waiving the requirement of Policy 8.21(1)(b) to submit an aggregated list of surplus items valued at over \$5,000 to the Board prior to the sale or disposition of such items.

CLAIMS

7. REJECT CLAIM OF KRISTEN SPOON:

RECOMMENDATION: Adopt Resolution No. 2022-0097, rejecting the claim of Kristen Spoon.

COMMITTEE RECOMMENDATIONS

8. ADOPT AND APPROVE AMENDMENTS TO AUTHORITY CODES AND POLICIES:

RECOMMENDATION: The Executive Committee recommends that the Board adopt Resolution No. 2022-0093, approving amendments to Authority Codes 1.16, 2.03, 2.08, 7.14, 8.20, 8.40, 9.01, 9.11, 9.14, 9.15, 9.16, 9.17, 9.18, 9.20, 9.22, 9.23, 9.31, 9.32, 9.35, 9.37, 9.40 and Policies 1.20, 1.50, 3.31, 5.01, 5.02, 5.12, 8.21, 8.30, 8.31, 8.50, 9.10, adopting Policy 6.24 and repealing Code 9.24; and Adopt Resolution No. 2022-0104 amending Policy 2.03 to require that all future additions and amendments to Authority Codes and Policies shall be drafted using gender neutral pronouns or reusing nouns to avoid the use of gendered or binary pronouns when referring to a person or group of people.

9. ACCEPTANCE OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022:

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

10. ACCEPTANCE OF THE AUTHORITY INVESTMENT REPORT AS OF SEPTEMBER 30, 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

- 11. AWARD A CONTRACT TO HHJ CONSTRUCTION, INC. FOR QUIETER HOME PROGRAM PHASE 12, GROUP 3, PROJECT NO. 381203 THIRTY-SEVEN (37) NON-HISTORIC SINGLE-FAMILY AND MULTI-FAMILY UNITS ON TWENTY-SIX (26) RESIDENTIAL PROPERTIES LOCATED WEST OF THE SAN DIEGO INTERNATIONAL AIRPORT:**

RECOMMENDATION: Adopt Resolution No. 2022-0099, awarding a contract to HHJ Construction, Inc. in the amount of \$1,612,698.00 for Phase 12, Group 3, Project No. 381203, of the San Diego County Regional Airport Authority's Quieter Home Program.

- 12. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE AN ON-CALL STORM WATER PROGRAM MANAGEMENT SERVICE AGREEMENT WITH WSP USA ENVIRONMENT & INFRASTRUCTURE, INCORPORATED AND RESCIND RESOLUTION NO. 2022-0067:**

RECOMMENDATION: Rescind Resolution No. 2022-0067 and Adopt Resolution No. 2022-0100, approving and authorizing the President/CEO to execute an On-Call Storm Water Program Management Service Agreement with WSP USA Environment & Infrastructure, Incorporated, for a term of three (3) years, with the option for two (2) one-year extensions, exercisable at the sole discretion of the President/CEO, in an amount not-to-exceed \$9,000,000.

- 13. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE ON-CALL AIRPORT PAVEMENT REPAIR SERVICES AGREEMENT WITH RP GENERAL CONSTRUCTION, INC:**

RECOMMENDATION: Adopt Resolution No. 2022-0101, approving and authorizing the President/CEO to execute an On-Call Airport Pavement Repair Services Agreement with RP General Construction, Inc., for a term of three (3) years, with the option for two (2) one-year extensions exercisable at the sole discretion of the President/CEO, for a total not-to-exceed amount of \$12,000,000, in support of the existing pavement surfaces, at San Diego International Airport ("SDIA").

14. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE TWO (2) ON-CALL TEMPORARY STAFFING AGREEMENTS WITH HOWROYD-WRIGHT EMPLOYMENT AGENCY, INC. DBA APPLEONE EMPLOYMENT SERVICES AND CATHYJON ENTERPRISES, INC. DBA HB STAFFING:

RECOMMENDATION: Adopt Resolution No. 2022-0102, approving and authorizing the President/CEO to execute two (2) On-Call Temporary Staffing Agreements with Howroyd-Wright Employment Agency, Inc. dba AppleOne Employment Services and Cathyjon Enterprises, Inc. dba HB Staffing, for a term of three (3) years, with the option for two (2) one-year extensions exercisable at the sole discretion of the President/CEO, in an amount not-to-exceed \$3,000,000.

15. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE AN AGREEMENT WITH THE CITY OF SAN DIEGO FOR AIRCRAFT RESCUE AND FIRE FIGHTING SERVICES:

RECOMMENDATION: Adopt Resolution No. 2022-0103, approving and authorizing the President/CEO to execute an agreement with the City of San Diego for a term of two and a half (2.5) years, with the option for two (2) one-year extensions exercisable at the sole discretion of the President/CEO, in an amount not to exceed \$33,601,931 for Aircraft Rescue & Fire Fighting Services.

PUBLIC HEARINGS:

OLD BUSINESS:

NEW BUSINESS:

16. APPROVE AND AUTHORIZE A REVISED AIR SERVICE INCENTIVE PROGRAM (ASIP22) AT SAN DIEGO INTERNATIONAL AIRPORT:

Hampton Brown, Vice President and Chief Revenue Officer, provided a presentation on the Air Service Incentive Program that included a review of the proposed revisions to the program.

RECOMMENDATION: Adopt Resolution No. 2022-0098, approving and authorizing a revised Air Service Incentive Program (ASIP22) at San Diego International Airport to promote new air service and replacing the existing air service incentive program authorized by Resolution No. 2021-0020.

ACTION: Moved by Board Member Vargas and seconded by Board Member Robinson to approve Staff's recommendation. Motion carried by the following votes: YES – Blakespear, Casillas Salas, McNamara, Robinson, Schiavoni, Sly, Vargas, von Wilpert; NO – None; ABSENT – Cabrera; (Weighted Vote Points: YES – 86 NO – 0; ABSENT – 14)

The Board recessed at 9:41 a.m. and reconvened into Open Session at 9:43 a.m.

CLOSED SESSION: The Board recessed into Closed Session at 9:44 a.m. to hear Items 20 - 24.

20. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:

(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)

Name of Case: Future DB, International, Inc v. San Diego County Regional Airport Authority, San Diego Superior Court Case No. 37-2018-00001531-CU-CR-CTL

21. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

Cal. Gov. Code §54957

Title: President/Chief Executive Officer

22. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

Cal. Gov. Code §54957

Title: General Counsel

23. PUBLIC EMPLOYEE PERFORMANCE EVALUATION:

Cal. Gov. Code §54957

Title: Chief Auditor

REPORT ON CLOSED SESSION: The Board reconvened into Open Session at 10:03 a.m.

NEW BUSINESS:

17. PUBLIC EMPLOYEE COMPENSATION: DISCUSSION AND POSSIBLE ACTION CONCERNING THE COMPENSATION OF THE PRESIDENT/CEO:

RECOMMENDATION: The Board will be discussing and possibly taking action regarding the employment contract of the President/CEO.

ACTION: Moved by Board Member Robinson and Seconded by Board Member Vargas to approve amending the agreement of the President/CEO, as follows: The CPI provision will be amended to remove the CPI cap and clarify that CPI is measured using All Urban Consumers for San Diego – Carlsbad or successor index and shall align with the Authority’s fiscal year; Amend the car allowance to \$1,500 per month; and Amend the 401(a) contribution to \$25,000 per year. Motion carried by the following votes: Yes – Blakespear, Casillas Salas, McNamara, Robinson, Schiavoni, Sly, Vargas, von Wilpert; NO – None; ABSENT – Cabrera (Weighted Vote Points: Yes – 86; No – 0; ABSENT – 14)

18. PUBLIC EMPLOYEE COMPENSATION: DISCUSSION AND POSSIBLE ACTION CONCERNING THE COMPENSATION OF THE GENERAL COUNSEL:

RECOMMENDATION: The Board will be discussing and possibly taking action regarding the employment contract of the General Counsel.

ACTION: Moved by Board Member Robinson and Seconded by Board Member McNamara to approve amending the agreement of the General Counsel, as follows: Early Termination by the Authority, if not for cause, requires payment of the remaining term of the contract or 6 months, whichever is greater; The CPI provision will be amended to remove the CPI cap and clarify that CPI is measured using All Urban Consumers for San Diego – Carlsbad or successor index and shall align with the Authority’s fiscal year; Amend the car allowance to \$1,000 per month; Amend bonus provision to allow up to 25% of Base Salary; and Amend 401(a) contribution to \$15,000 per year. Motion carried by the following votes: Yes – Blakespear, Casillas Salas, McNamara, Robinson, Schiavoni, Sly, Vargas, von Wilpert; NO – None; ABSENT – Cabrera (Weighted Vote Points: Yes – 86; No – 0; ABSENT – 14)

19. PUBLIC EMPLOYEE COMPENSATION: DISCUSSION AND POSSIBLE ACTION CONCERNING THE COMPENSATION OF THE CHIEF AUDITOR:

RECOMMENDATION: The Board will be discussing and possibly taking action regarding the employment contract of the Chief Auditor.

ACTION: Moved by Board Member Robinson and Seconded by Board Member Vargas to approve amending the agreement of the Chief Auditor, as follows: term shall renew automatically for one-year periods; Early termination by the Authority, if not for cause, requires payment of the remaining term of the contract or 6 months whichever is greater; The CPI provision will be amended to remove the CPI cap and clarify that CPI is measured using All Urban Consumers for San Diego or successor index and shall align with the Authority's fiscal year; Amend the car allowance up to \$1,000 per month; Amend bonus provision to allow up to 25% of Base Salary; and Amend 401(a) contribution to \$15,000 per year. Motion carried by the following votes: Yes – Blakespear, Casillas Salas, McNamara, Robinson, Schiavoni, Sly, Vargas, von Wilpert; NO – None; ABSENT – Cabrera (Weighted Vote Points: Yes – 86; No – 0; ABSENT – 14)

The Board concurred that these amendments are retroactive to November 1, 2022.

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 was adjourned at 10:09 a.m.

APPROVED BY A MOTION OF THE SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY BOARD THIS 1st DAY OF DECEMBER 2022.

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES /
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

Revised 11/30/2022

Item No. 2

Staff Report

Meeting Date: December 1, 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.

| | | |
|---|---|--|
| Period Covered: November 2022 | | |
| Board Member Name: Catherine Blakespear | | |
| Date: 11/21/22 | | |
| 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, November 3, 2022 - 9 am - noon In Person | Board/ALUC Meeting |
| <input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074 | Monday, November 21, 2022 - 9:30 am - noon In Person | Special Audit Committee 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: 

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.

| | | |
|---|---|--|
| Period Covered: | November 1 through November 30, 2022 | |
| Board Member Name: | Gil Cabrera | |
| Date: | 11/30/22 | |
| 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 | November 3, 2022 - 9am-12pm - SDCRAA Offices/Board Room | SDCRAA Board of Directors Meeting |
| <input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074 | November 18, 2022 - 9a-12pm - SANDAG Offices/Board Room | SANDAG Board of Directors Meeting |
| <input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074 | | |
| <input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074 | | |
| <input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074 | | |
| <input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074 | | |
| <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 | | |

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: 2022.11.29 10:23:23 -08'00'

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.

| Period Covered: November 2022 | | |
|---|--|---|
| Board Member Name: | Paul McNamara | |
| Date: | 11/22/22 | |
| 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 | 11/3/2022/0900/SDCRAA/Meeting | Monthly Board Meeting |
| <input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074 | 11/21/2022/0900/SDCRAA/Meeting | Executive Finance Committee 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: 2022.11.22 14:20:57 -08'00'

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.

| Period Covered: November 2022 | | |
|---|--|--|
| Board Member Name: Gretchen Newsom | | |
| Date: 11/21/22 | | |
| 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 | November 21, 2022, 9:30am, In Person 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:  _____

New Home Address:
2171 W. California Street, San Diego, CA 92110



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.

| Period Covered: | | |
|---|--|---|
| Board Member Name: Paul Robinson | | |
| Date: 11/2022 | | |
| 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 | 11/3/22 9:00 a.m. | SDCRAA/ALUC Meetings |
| <input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074 | 11/16/22 9:00 a.m. | SDCRAA Advisory Comm mtg. |
| <input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074 | 11/21/22 9:00 a.m. | SDCRAA Exec. Finance mtg. Becker |
| <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.

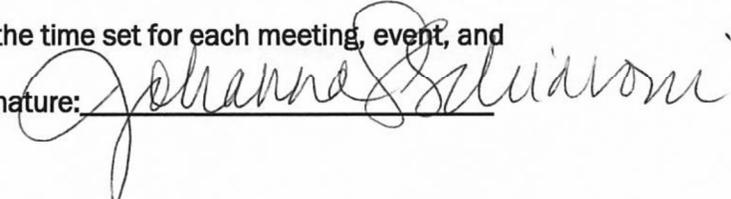
Signature: Paul B. Robinson

BOARD MEMBER EVENT/MEETING/TRAINING REPORT SUMMARY

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| | | |
|---|---|--|
| Period Covered: | 10/25/2022-11/21/2022 | |
| Board Member Name: | Johanna S. Schiavoni | |
| Date: | 11/25/22 | |
| 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 | 11/3/2022, 9:00am, SDCRAA offices | SDCRAA Board meeting |
| <input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input checked="" type="checkbox"/> Res. 2019-0074 | 11/15/2022, 11:30am PST, MS Teams virtual meeting | Meet with SDCRAA Chief Auditor L. Parravano |
| <input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074 | 11/21/2022, 9:00am, SDCRAA offices | SDCRAA Finance Committee; SDCRAA Audit Committee |
| <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 | | |
| <input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074 | | |

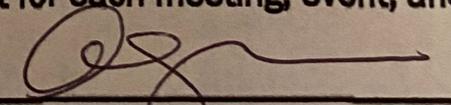
I certify that I was present for at least half of the time set for each meeting, event, and training listed herein.

Signature: 

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.

| Period Covered: | | |
|--|--|---|
| Board Member Name: | | Agnes Wong Nickerson |
| Date: | | |
| Type of Meeting | Date/Time/Location of Event/Meeting/Training | Summary and Description of the Event/Meeting/Training |
| <input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2019-0074 | Nov 21, 2022 | special audit committee 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 | | |
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| <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

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.

| | | |
|---|--|--|
| Period Covered: | | 11/1/2022 - 11/30/2022 |
| Board Member Name: | | Marni von Wilpert |
| Date: | | 11/21/22 |
| 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 | November 3, 2022 : 9:00 am - 12:00 pm San Diego County Regional Airport Authority Administrative Offices at 3225 N. Harbor Drive | Board / ALUC 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 | | |
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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: December 1, 2022

Subject:

Awarded Contracts and Approved Change Orders from October 10, 2022 through November 6, 2022, and Real Property Agreements Granted and Accepted from October 10, 2022 through November 6, 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 October 10, 2022 to November 6, 2022

New Contracts

| Date Signed | CIP # | Company | Description | Solicitation Method | Owner | Contract Value | End Date |
|-------------|-------|---|---|---------------------|-----------------------------------|----------------|------------|
| 10/12/2022 | | Stryker Corporation | The Contractor will provide airport evacuation chairs for the San Diego County Regional Airport Authority. | Informal RFP | Aviation Security & Public Safety | \$10,222.87 | 10/25/2022 |
| 10/17/2022 | | Presidio Networked Solutions Group, LLC | The Contractor is one of three pre-qualified and approved to bid on-call IT server, storage, hardware, and software application services for the San Diego County Regional Airport Authority. The contract value reflects the total not-to-exceed \$400,000 cost for the entire pool of contractors for this service. | RFQ | Information & Technology Services | \$400,000.00 | 10/14/2025 |
| 10/17/2022 | | Revision, Inc. | The Contractor is one of three pre-qualified and approved to bid on-call IT server, storage, hardware, and software application services for the San Diego County Regional Airport Authority. The contract value reflects the total not-to-exceed \$400,000 cost for the entire pool of contractors for this service. | RFQ | Information & Technology Services | \$400,000.00 | 10/14/2025 |
| 10/17/2022 | | SDI Presence, LLC | The Contractor is one of three pre-qualified and approved to bid on-call IT server, storage, hardware, and software application services for the San Diego County Regional Airport Authority. The contract value reflects the total not-to-exceed \$400,000 cost for the entire pool of contractors for this service. | RFQ | Information & Technology Services | \$400,000.00 | 10/14/2025 |
| 10/20/2022 | | National Auto Fleet Group | The Contractor will provide trucks with related equipment and accessories for the San Diego County Regional Airport Authority. | Consortium RFP | Facilities Management | \$171,178.50 | 10/31/2022 |
| 11/1/2022 | | Zones LLC | The Contractor will provide Dell laptops, monitors and docking stations for the San Diego County Regional Airport Authority. | Consortium RFP | Information & Technology Services | \$627,370.58 | 6/15/2023 |

Attachment "A"

AWARDED CONTRACTS AND CHANGE ORDERS SIGNED BETWEEN October 10, 2022 to November 6, 2022

New Contracts Approved by the Board

| Date Signed | CIP # | Company | Description | Solicitation Method | Owner | Contract Value | End Date |
|--------------------|--------------|--------------------|--|----------------------------|-------------------------------------|-----------------------|-----------------|
| 11/3/2022 | | GCR Inc. dba Civix | The Contract was approved at the September 1, 2022 Board Meeting. The Contractor will provide property management solution software system services for the San Diego County Regional Airport Authority. | RFP | Marketing & Air Service Development | \$600,000.00 | 11/30/2027 |

Attachment "A"

AWARDED CONTRACTS AND CHANGE ORDERS SIGNED BETWEEN October 10, 2022 to November 6, 2022

Amendments and Change Orders

| Date Signed | CIP # | Company | Description of Change | Owner | Previous Contract Amount | Change Order Value (+ / -) | Change Order Value (%) (+ / -) | New Contract Value | New End Date |
|--------------------|--------------|--|---|-------------------------------------|---------------------------------|-------------------------------------|---|---------------------------|---------------------|
| 10/20/2022 | | Mead and Hunt | The First Amendment is to extend the term for ninety (90) days. There is no change in total compensation. The Contractor provides 14 CFR Part 150 Update services for the San Diego County Regional Airport Authority. | Environmental Affairs | \$1,492,259.40 | \$0.00 | 0.0% | \$1,492,259.40 | 1/12/2023 |
| 10/24/2022 | | Wood Environment & Infrastructure Solutions Inc. | The Third Amendment is to reflect Contractor's legal name change. There is no change in total compensation. The Contractor provides on-call storm water program management services for the San Diego County Regional Airport Authority. | Environmental Affairs | \$8,500,000.00 | \$0.00 | 0.0% | \$8,500,000.00 | 11/30/2022 |
| 10/25/2022 | | The Lipski Group, Inc. | The First Amendment is to revise Exhibit A and Exhibit B to define Phases 3-10, related deliverables and related compensation. There is no change in total compensation. The Contractor provides airport terminal and roadways family play area public art project services for the San Diego County Regional Airport Authority. | Marketing & Air Service Development | \$385,000.00 | \$0.00 | 0.0% | \$385,000.00 | 2/17/2026 |
| 10/25/2022 | | Paramedia, LLC | The First Amendment is to revise Exhibit A and Exhibit B to define Phases 3-10, related deliverables and related compensation. There is no change in total compensation. The Contractor provides airport terminal and roadways food hall interactive public art project services for the San Diego County Regional Airport Authority. | Marketing & Air Service Development | \$580,000.00 | \$0.00 | 0.0% | \$580,000.00 | 2/17/2026 |
| 10/27/2022 | | Amy Ellingson Studio, LLC | The First Amendment is to revise Exhibit A and Exhibit B to define Phases 3-10, related deliverables and related compensation. There is no change in total compensation. The Contractor provides airport terminal and roadways recomposure area public art project services for the San Diego County Regional Airport Authority. | Marketing & Air Service Development | \$376,000.00 | \$0.00 | 0.0% | \$376,000.00 | 2/17/2026 |

Attachment "A"

AWARDED CONTRACTS AND CHANGE ORDERS SIGNED BETWEEN October 10, 2022 to November 6, 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 |
|--------------------|--------------|--------------------------|--|-----------------------------------|---------------------------------|-----------------------------------|---|---------------------------|---------------------|
| 10/25/2022 | | MIS Sciences Corporation | The Second Amendment was approved at the September 1, 2022 Board Meeting. The Second Amendment extends the term by one (1) year. There is no change in total compensation. The Contractor provides Hosted Cloud-Based System and Support Services for the San Diego County Regional Airport Authority. | Information & Technology Services | \$750,000.00 | \$0.00 | \$0.00 | \$750,000.00 | 11/30/2023 |

Staff Report

December 1, 2022

Subject:

December 2022 Legislative Report

Recommendation:

Adopt Resolution No. 2022-0106, approving the December 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 December 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

In Washington, lawmakers have returned following the midterm elections. As it currently stands, Democrats will keep control of the Senate in the 118th Congress, while Republicans will now control the House with a small majority.

Lawmakers have until December 16, 2022, when the continuing resolution expires, to pass legislation to continue to fund the federal government, which may be accomplished through another continuing resolution or some form of omnibus appropriations legislation. It is also expected that lawmakers will consider the FY 2023 National Defense Authorization Act and other pressing matters.

The House Committee on Transportation and Infrastructure and the Senate Committee on Commerce, Science, and Transportation are continuing to solicit input from various industry stakeholders surrounding FAA reauthorization legislation due next year. Airport Authority staff continue to be actively involved with airport trade associations to determine key policy requests for the upcoming reauthorization.

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

The trajectory of Mr. Phil Washington's nomination to be the next FAA Administrator is still uncertain. With a limited number of days left in this year's Congress, confirmation of Mr. Washington will be a challenge given timing and opposition by certain senators.

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

State Legislative Action

On November 8th, California held its General Election to vote on all state constitutional offices, all Assembly seats (80), and (20) Senate seats. Although there are still ballots to be counted in many counties, it appears that the overall make-up of the Legislature will not change. The remaining close races are between candidates of the same party. The Legislature will continue with the current partisan breakdown. This means that Democrats will continue to hold a supermajority with more than two-thirds of the seats in each house. This allows them to determine the Legislature's approach to an array of state budget and policy issues. Additionally, Governor Newsom was handily re-elected with 58% of the vote, and the remaining constitutional offices remained with the Democratic incumbent. The only open statewide race was for State Controller, between Malia Cohen of the Board of Equalization and Lanhee Chen, a Stanford University program director. Cohen now has a strong lead.

Both the California State Senate and Assembly will convene for an Organizational Session on December 5th, 2022. During this session, each body will formally elect their new leadership in each house. Senate President Pro Tem Atkins will continue to remain the leader in the Senate. Meanwhile, in the Assembly, the Democratic Caucus met following the election and determined that Assembly Speaker Rendon (termed out in 2024) will relinquish his position to Assembly Member Robert Rivas (Salinas). The transition of power will happen on June 30th at the conclusion of the state budget.

With nearly one-fourth of the Legislature being newly elected this year, we will see a number of new committee chairmanships and committee assignments. New members will face a challenging environment with the expected decline in state revenues that may turn the state budget surplus into a deficit. Additionally, the Governor has announced his desire to call a special session in December to vote on a potential oil windfall tax.

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. 2022-0106

A RESOLUTION OF THE BOARD OF THE SAN DIEGO
COUNTY REGIONAL AIRPORT AUTHORITY,
APPROVING THE DECEMBER 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 December 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 1st day of December 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

November 2022 Legislative Report

State Legislation

New Assembly Bills

No new Assembly bills to report.

*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

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- Referred to the Committee on Commerce, Science, and Transportation

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 refunding 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 refunding 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 and referred to the Committee on Finance.

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: 10/11/22 – Message on House action received in Senate and at desk: House amendment to Senate bill.

Position: Watch (4/7/21)

*Shaded text represents new or updated legislative information

Staff Report

Meeting Date: December 1, 2022

Subject:

Appointment of Authority Advisory Committee Members

Recommendation:

Adopt Resolution No. 2022-0107, appointing Jamie Abbott and Danny Byers to the Authority Advisory Committee.

Background/Justification:

The Authority's Advisory Committee was established to facilitate input from community stakeholders and subject matter experts regarding Authority planning and development activities. The 20-member Committee is governed by the provisions of Authority Policy 1.21. While the Board is responsible for approving the appointments of all members of the Committee, nominations are received from various sources as follows:

(Seats 1 – 7) The President/CEO shall nominate individuals to fill seats representing each of the following categories:

- (1) airport management;
- (2) passenger and freight air transportation operations and economics;
- (3) general aviation;
- (4) the natural environment;
- (5) local government;
- (6) the campuses of the University of California and the California State Universities in the region; and
- (7) organized labor.

(Seats 8 – 15) The Presidents of the organizations listed below may each nominate one individual. As shown below, in some cases, the nominating organization rotates among different organizations at the conclusion of each two-year term.

- (8) San Diego Regional Economic Development Corporation
- (9) Rotation among:
 - a. San Diego North Economic Development Council
 - b. East County Economic Development Council
 - c. South County Economic Development Council

- (10) San Diego Regional Chamber of Commerce
- (11) Rotation among:
 - a. Cleantech San Diego
 - b. Biocom
 - c. CONNECT
- (12) Metropolitan Transit System
- (13) North County Transit District
- (14) San Diego County Taxpayers Association
- (15) San Diego Tourism Authority

(Seat 16) The Deputy Trustee of the San Diego and Imperial Counties Labor Council or his/her designee may nominate one individual to serve in this seat.

(Seat 17) The District Director of the California Department of Transportation for the San Diego Region or his/her designee serves in this seat.

(Seat 18) The representative of the United States Department of Defense currently serving on the Board or his/her designee serves in this seat.

(Seats 19 – 20) Two seats are reserved for members of the general public. Whenever a vacancy occurs in one of these seats, a notice is issued by the Authority. The Chief Auditor and Vice President of Development jointly review and nominate individuals to serve in these two seats.

NOMINATIONS TO FILL OPEN SEATS

The terms of several Committee members are set to expire in September 2022. Nominations have been received to replace those members whose terms are due to expire. Jamie Abbott is nominated to fill the General Aviation seat which is vacant due to the resignation of Cameron “Cam” Humphres. The San Diego Taxpayers Association seat is currently vacant. The names and biographical information of the nominees, the category represented by the nominees, and the source of the nominations are listed below.

Seat 3: JAMIE ABBOTT (appointment) – Jamie is the current Director of Airports for San Diego County, overseeing eight County airports. He started that position in August of this year. He is the previous Executive Director of Chicago Executive Airport, having started there as the Assistant Airport Manager in 2004. Before Chicago Executive he was the Airport Manager of Michigan City Municipal Airport in Michigan City, Indiana. This year, Jamie retired from the Air National Guard after nearly 27 years of service. Jamie is a Certified Member (CM) of the American Association of Airport Executives (AAAE). He is a past Chairman of the Illinois Public Airports Association (IPAA) and a past board member of the Chicago Area Business Aviation Association (CABAA).

Meeting Date: December 1, 2022

He earned his Bachelor of Science degree in Aerospace Administration from Indiana State University. (Category: General Aviation; Nominated by: President/CEO, San Diego County Regional Airport Authority)

Seat 14: DANNY BYERS (appointment) – Danny is Research and Technical Manager with the San Diego Taxpayers Educational Foundation, an independent think tank on municipal performance. An alumnus of UC San Diego with a Bachelor of Science in Cognitive Science, he is focused on utilizing human-supervised machine learning and “big data” analytics to combine mass amounts of public data so public officials, organizations, and taxpayers have the tools they need to evaluate the effectiveness and efficiencies of public policy choices. (Category: Other Groups and Residents of San Diego County; Nominated by: Haney Hong, President/CEO, San Diego County Taxpayers Association)

Staff recommends that the board appoint the individuals listed above to the Authority Advisory Committee.

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:

Tony R. Russell
Director, Board Services/Authority Clerk

RESOLUTION NO. 2022-0107

A RESOLUTION OF THE BOARD OF THE SAN DIEGO
COUNTY REGIONAL AIRPORT AUTHORITY,
APPOINTING JAMIE ABBOTT AND DANNY BYERS TO
THE AUTHORITY ADVISORY COMMITTEE

WHEREAS, California Public Utilities Code §170054 requires the establishment of an advisory committee (“Advisory Committee”) to assist the San Diego County Regional Airport Authority (“Authority”) in performing its responsibilities related to the planning and development of all airport facilities for the County of San Diego; and

WHEREAS, the Authority Board desires to have timely and qualitative input from a diverse community in the planning and development of airport facilities; and

WHEREAS, pursuant to Authority policy 1.21, nominations for seats on the Advisory Committee are received from various sources; and

WHEREAS, as result of a resignation and term expiration, the Authority Board desires to appoint to the Advisory Committee the individuals whose nominations were received pursuant to Authority Policy 1.21.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby appoints Jamie Abbott and Danny Byers to the Authority Advisory Committee as indicated on “Attachment A” for the term stated; and

BE IT FURTHER RESOLVED 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 1st day of December, 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

ATTACHMENT A

San Diego County Regional Airport Authority

| Name | Seat | Term Start | Term Ends |
|---|------|---------------|----------------|
| AIRPORT MANAGEMENT | | | |
| Oris Dunham | 1 | October 2022 | September 2024 |
| PASSENGER AND FREIGHT AIR TRANSPORTATION OPERATIONS AND ECONOMICS | | | |
| Michael DiGirolamo | 2 | October 2021 | September 2023 |
| GENERAL AVIATION | | | |
| Jamie Abottt - County of San Diego Airports | 3 | December 2022 | September 2023 |
| THE NATURAL ENVIRONMENT | | | |
| Christiana Debenedict - SAN DIEGO FOUNDATION | 4 | October 2021 | September 2023 |
| LOCAL GOVERNMENT | | | |
| Deanna Spehn - Senator Toni Atkins | 5 | October 2021 | September 2023 |
| THE CAMPUSES OF THE UNIVERSITY OF CALIFORNIA AND THE CALIFORNIA STATE UNIVERSITIES | | | |
| Jeffrey Gattas - UCSD | 6 | October 2021 | September 2023 |
| ORGANIZED LABOR | | | |
| Carol Kim - San Diego Building & Construction Trades Council (SDBCTC) | 7 | October 2021 | September 2023 |
| SAN DIEGO REGIONAL ECONOMIC DEVELOPMENT CORPORATION | | | |
| Nikia Clarke | 8 | October 2022 | September 2024 |
| REGIONAL ECONOMIC DEVELOPMENT (Rotation) | | | |
| James O'Callaghan - South County EDC | 9 | October 2021 | September 2023 |
| SAN DIEGO REGIONAL CHAMBER OF COMMERCE | | | |
| Jaymie Bradford | 10 | October 2022 | September 2024 |
| BUSINESS, INCLUDING THE TECHNOLOGY SECTOR OF THE ECONOMY (Rotation) | | | |
| Christie Marcella - CONNECT | 11 | October 2021 | September 2023 |
| METROPOLITAN TRANSIT SYSTEM | | | |
| Bill Sandke | 12 | October 2022 | September 2024 |
| NORTH COUNTY TRANSIT DISTRICT | | | |
| Mary Dover | 13 | October 2022 | September 2023 |
| SAN DIEGO COUNTY TAXPAYERS ASSOCIATION | | | |
| Danny Byers | 14 | December 2022 | September 2024 |
| SAN DIEGO TOURISM AUTHORITY | | | |
| Kavin Schieferdecker | 15 | October 2022 | September 2024 |
| SAN DIEGO AND IMPERIAL COUNTIES LABOR COUNCIL | | | |
| Brigette Browning | 16 | October 2021 | September 2023 |
| THE DEPARTMENT OF TRANSPORTATION | | | |
| Ann Fox | 17 | October 2022 | September 2024 |
| THE UNITED STATES DEPARTMENT OF DEFENSE | | | |
| Jim Gruny | 18 | October 2022 | September 2024 |
| MEMBERS OF THE GENERAL PUBLIC SAN DIEGO COUNTY | | | |
| Gita Murthy | 19 | October 2021 | September 2023 |
| Brittany Applestein Syz | 20 | October 2021 | September 2023 |

Staff Report

Meeting Date: December 1, 2022

Subject:

Reject Claim of Calbrielle Luna

Recommendation:

Adopt Resolution No. 2022-0108 rejecting the claim of Calbrielle Luna.

Background/Justification:

On October 26, 2022, Calbrielle Luna filed a claim ("Attachment A") with the San Diego County Regional Airport Authority ("Authority"). Specifically, Luna alleges that on May 5, 2022, she was injured when a large valet stand fell on her foot at San Diego International Airport. Luna claims damages in an unknown amount for unspecified injuries.

As described above, Luna alleges that on May 5, 2022, she was at the San Diego International Airport when a large valet stand fell on her foot. No other claim is made.

Luna's claim should be denied. An investigation into the incident revealed the Authority had no notice of a dangerous condition nor was a claim of a dangerous condition made. A Harbor Police report taken at the time revealed the claimant was in front of Terminal Two at San Diego International Airport with her mother when she began to climb on and slide down cement support pillars in front of the terminal. While sliding down a pillar she knocked over a metal lectern which may have cut her toe. Luna's mother did not witness the injury. 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

ATTACHMENT A



**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: | _____ |

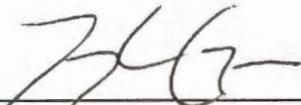
| | |
|--|--|
| 1) Claimant Name: Calbrielle Luna | |
| 2) Address to which correspondence regarding this claim should be sent: Batta Fulkerson Law Group 1899 McKee Street San Diego, CA 92110 | |
| Telephone No.: 619-695-6073 | Date: 10/18/2022 |
| 3) Date and time of incident: 05/05/2022 | |
| 4) Location of incident: San Diego International Airport, 3225 N Harbor Drive, San Diego, CA 92101 | |
| 5) Description of incident resulting in claim: Claimant is a minor who was injured by a large valet stand that fell on her foot. | |
| 6) Name(s) of the Authority employee(s) causing the injury, damage or loss, if known: Unknown | |
| 7) Persons having firsthand knowledge of incident: | |
| Witness (es) | Physician(s): Rady Children's Hospital |
| Name: Lizzet Luna | Name: Rady Children's Hospital |
| Address: 4753 West Thorncrest Way, Unit 103 | Address: 3020 Children's Way |
| Salt Lake City, UT 84118 | San Diego, CA 92123 |
| Phone: 801-425-7215 | Phone: 858-576-1700 |
| | |
| | |

ATTACHMENT A

| |
|--|
| 8) Describe property damage or personal injury claimed: |
| Minor injured her foot/toe. |
| 9) Owner and location of damaged property or name/address of person injured: |
| Calbrielle Luna 4753 West Thorncrest Way Unit 103 Salt Lake City, UT 84118 |
| 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. |
| Unknown amount of damages at this time. |

Dated: 10/18/2022

Claimant:


(Signature) Attorney for Calbrielle Luna

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, 3rd Floor
San Diego, CA 92101

RESOLUTION NO. 2022-0108

A RESOLUTION OF THE BOARD OF THE SAN DIEGO
COUNTY REGIONAL AIRPORT AUTHORITY,
REJECTING THE CLAIM OF CALBRIELLE LUNA

WHEREAS, on October 26, 2022, Calbrielle Luna filed a claim with the San Diego County Regional Airport Authority (“Authority”) for losses she claims were the result of a large valet stand falling on her foot at San Diego International Airport; and

WHEREAS, at its regular meeting on December 1, 2022, the Board considered the claim filed by Calbrielle Luna 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 Calbrielle Luna; 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 1st day of December, 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: December 1, 2022

Subject:

Reject Claim of Duane Maracin

Recommendation:

Adopt Resolution No. 2022-0109 rejecting the claim of Duane Maracin.

Background/Justification:

On October 31, 2022, Duane Maracin filed a claim ("Attachment A") with the San Diego County Regional Airport Authority ("Authority"). Specifically, Maracin alleges that on September 12, 2022, he was injured when he fell in a puddle of liquid as he turned away from the security checkpoint officer to check the display for his departing flight in Terminal One at San Diego International Airport. Maracin claims damages in an unspecified amount to cover shock, trauma, pain, suffering, and medical treatment for a number of bodily injuries.

As described above, Maracin alleges that on September 12, 2022, he was a passenger on a flight departing from San Diego International Airport. As he entered the terminal he proceeded directly to the Transportation Security Administration ("TSA") checkpoint and asked the officer where he could find his gate number. After the TSA officer pointed to an electronic display board behind him, he claims he slipped in a puddle of liquid dripping from a collection bin that was adjacent to and behind the TSA officer. He claims he sat nearby, collecting himself before proceeding to board his flight home. He states a crew came and cleaned the spill area as he sat nearby.

Maracin's claim should be denied. An investigation into the incident revealed the Authority had no notice of a dangerous condition. It is also unclear from the claim whether the area was one that is within the exclusive control of the TSA. 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

OCT 31 REC'D



General Counsel 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>DUANE P. MARACIN</u> | |
| 2) Address to which correspondence regarding this claim should be sent: <u>150 LINDSEY LANE PLACERVILLE, CA 95667 dmaracin@comcast.net</u> | |
| Telephone No.: <u>530-344-8432</u> | Date: <u>10/26/2022</u> |
| 3) Date and time of incident: <u>9/12/22 - APPROXIMATELY 5:00 PM</u> | |
| 4) Location of incident: <u>INSIDE TERMINAL #1 - SAN DIEGO INTERNATIONAL AIRPORT</u> | |
| 5) Description of incident resulting in claim: <u>SLIP & FALL - ON 9/12/22 AT APPROXIMATELY 5:00 PM, I ENTERED TERMINAL #1 BUILDING AND PROCEEDED DIRECTLY TO THE SECURITY CHECK-IN GATE/LINE TO ASK THE ATTENDANT WHERE TO FIND MY GATE NUMBER. SHE POINTED TO AN ELECTRONIC SIGN BOARD - AS I TURNED TO GO TO THE BOARD, I IMMEDIATELY SLIPPED AND FELL DUE TO A LARGE PUDDLE OF A SLIPPERY SUBSTANCE LEAKING/DRAINING FROM ONE OR BOTH WASTECANS PLACED IMMEDIATELY ADJACENT TO AND BEHIND THE SECURITY ATTENDANT. ALTHOUGH I TRIED TO MAINTAIN MY FOOTING, I FELL AND LANDED HARD ON THE BACK OF MY HEAD AND ON MY BACK - INJURING MYSELF AS DESCRIBED ELSEWHERE HEREIN. AFTER BEING HELPED TO MY FEET, I WENT TO A NEARBY SEATING AREA TO COLLECT MYSELF, DRY MY SHOES AND THEN GO TO THE SIGN BOARD FOR MY GATE NUMBER. DURING THIS TIME A MAINTENANCE CREW ARRIVED AND CLEANED UP THE SPILL. IN TOLERABLE PAIN, I PROCEEDED THROUGH SECURITY AND BOARDED MY 6PM FLIGHT TO SACRAMENTO, CA. THE FOLLOWING MORNING I ROSE IN CONSIDERABLE PAIN AS DESCRIBED. I AM CURRENTLY UNDER A PHYSICIAN'S CARE.</u> | |
| 6) Name(s) of the Authority employee(s) causing the injury, damage or loss, if known: <u>UNKNOWN - MAINTENANCE?</u> | |
| 7) Persons having firsthand knowledge of incident: | |
| Witness (es) <u>SECURITY GUARD AT CHECK-IN'</u> | Physician(s) <u>(PHYSICAL EXAMINATION 9/19/22)</u> |
| Name: <u>UNKNOWN TO ME (SEE YOUR FILES)</u> | Name: <u>PHILIP P. ABELA, M.D.</u> |
| Address: <u>SAN DIEGO INTN'L AIRPORT</u> | Address: <u>3581 PALMER DR. #602 CAMERON PARK, CA 95682</u> |
| Phone: | Phone: <u>530-672-7000</u> |
| | <u>ALSO: NIRAJ PATEL, M.D.</u> |
| | <u>SAME ADDRESS & PHONE</u> |

ATTACHMENT A

8) Describe property damage or personal injury claimed:

PERSONAL INJURY:

SHOCK, TRAUMA, PAIN & SUFFERING, POSSIBLE LOSS OF CONSCIOUSNESS, SPRAINED NECK, HEAD INJURY, SPRAIN OF THORASIC REGION, SPRAIN OF LUMBAR REGION, LEFT LOWER LEG PAIN, NON INTRACTABLE HEADACHE, BRUISED LOWER R+L RIBS, SPRAINED TISSUES SURROUNDING R+L OBLIQUE MUSCLES.

9) Owner and location of damaged property or name/address of person injured:

INJURED PERSON:

DVANE P. MARACIN
150 LINDSEY LANE
PLACERVILLE, CA 95667

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.

AS YET UNDETERMINED

Dated: 10/26/22

Claimant:

Dvane P. Maracin
(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, 3rd Floor
San Diego, CA 92101

RESOLUTION NO. 2022-0109

A RESOLUTION OF THE BOARD OF THE SAN DIEGO
COUNTY REGIONAL AIRPORT AUTHORITY,
REJECTING THE CLAIM OF DUANE MARACIN

WHEREAS, on October 31, 2022, Duane Maracin filed a claim with the San Diego County Regional Airport Authority (“Authority”) for losses he claims were the result of falling as he turned to walk away from the security checkpoint officer in Terminal One at San Diego International Airport; and

WHEREAS, at its regular meeting on December 1, 2022, the Board considered the claim filed by Duane Maracin 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 Duane Maracin; 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 1st day of December, 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: December 1, 2022

Subject:

Establish the Date and Time of Board and ALUC Meetings for 2023, as Indicated on the Proposed 2023 Master Calendar of Board and Committee Meetings

Recommendation:

Adopt Resolution No. 2022-0110, establishing the date and time of Board and ALUC meetings; and Committee meetings for 2023 as indicated on the proposed 2023 Master Calendar of Board and Committee Meetings.

Background/Justification:

Pursuant to the Ralph M. Brown Act (Cal. Gov. Code (§54954(a)), a legislative body shall provide for the time and place for holding regular meetings by ordinance, resolution, or by-laws. Authority Policy 1.30(2) establishes criteria for scheduling regular meetings of the Board and the Airport Land Use Commission and Authority Policy 1.20(2)(a) establishes the criteria for scheduling the time and date of Committee meetings.

The proposed calendar was developed in accordance with the Ralph M. Brown Act and the criteria adopted by the Board. The objective is to provide consistency for public participation and the dissemination of information.

Meetings for the Audit Committee and the Executive Personnel and Compensation Committee are scheduled to accommodate review of external audits, and for the performance evaluations for the President/CEO, Chief Auditor and General Counsel.

A Special Board Meeting is scheduled in March, to accommodate a possible Board Retreat.

The proposed 2023 Master Calendar of Board and Committee meetings is attached as Exhibit A.

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:

Tony R. Russell
Director, Board Services/Authority Clerk

RESOLUTION NO. 2022-0110

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, ESTABLISHING THE DATE AND TIME OF BOARD AND ALUC MEETINGS AND COMMITTEE MEETINGS FOR 2023 AS INDICATED ON THE PROPOSED 2023 MASTER CALENDAR OF BOARD AND COMMITTEE MEETINGS

WHEREAS, pursuant to the Ralph M. Brown Act (Cal. Gov. Code §54954(a)), a legislative body shall provide for the time and place for holding regular meetings by ordinance, resolution, or by-laws; and

WHEREAS, in accordance with Authority Policy 1.30(2) and 1.20(2)(a), regular meetings shall be held at least once each month and regular meeting dates, time and location shall be set annually by Board resolution; and

WHEREAS, notice of the meetings shall be provided to the media and public as required by law; and

WHEREAS, the proposed calendar was developed in accordance with the Brown Act and the criteria adopted by the Board, with the objective of providing consistency for public participation and the dissemination of information.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the date and time of Board and ALUC meetings and Committee meetings for 2023, as indicated on the proposed 2023 Master Calendar of Board and Committee Meetings (Exhibit A attached hereto); 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 1st day of December 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

EXHIBIT A

DRAFT - 2023 MASTER CALENDAR OF BOARD AND COMMITTEE MEETINGS

| | ALUC/BOARD 1 st Thursday of Month | EXECUTIVE/FINANCE COMMITTEES (Monday of the Week Preceding the Board meeting) | AUDIT COMMITTEE Monday (Quarterly) | EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE Thursday | CAPITAL IMPROVEMENT PROGRAM OVERSIGHT COMMITTEE Quarterly Thursday |
|-----------|---|---|--|---|--|
| Month | 9:00 AM | 9:00 AM | 10:00 AM | 9:00 AM | 10:00AM |
| January | 5 | 23 | | | 19 |
| February | 2 | 16 | 6 | 23 | |
| March | 2 | 27 | | 23 | |
| March | <i>Tentative 17 & 18 Board Retreat</i> | | | | |
| April | 6 | 24 | | | 20 Special Board Meeting' Capital Budget Workshop |
| May | 4 | 22 | 8 | 25 | |
| May | 18 Budget Workshop | | | | |
| June | 1 | 26 | | | |
| July | 6 | | | | 20 |
| August | | 28 | | | |
| September | 7 | 25 | 11 | 21 | |
| October | 5 | 23 | | | 19 |
| November | 2 | 27 | 13 | | |
| December | 7 | 18 | | | |

**BOLD - Denotes a change in the regular schedule due to holidays and conflicts with other Board or Committee meetings.
2023 Holidays - (Jan. 2; Jan. 16; Feb. 20; Mar. 31, May 29; Jun 19; Jul. 4; Sept. 4; Nov. 10; Nov. 23 & 24; Dec. 22 & 25; Dec. 29)**

Staff Report

Meeting Date: December 1, 2022

Subject:

External Auditor's Fiscal Year Ended June 30, 2022 Report: A) Audited Financial Statements, B) Single Audit Reports, C) Passenger Facility Charges Compliance Report, D) Customer Facility Charge Compliance Report, and E) Letter to the Board

Recommendation:

The Audit Committee recommends that the Board accept the reports.

Background/Justification:

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

As per Section 170018 (f) (5) of the *Public Utilities Code*, the Audit Committee is responsible for overseeing the Authority's annual audit by the external auditor and for any internal audits performed. The Charter of the Audit Committee encompasses the compliance and regulatory oversight responsibilities of the Audit Committee regarding the engagement of the Authority's external auditor and the disclosure of financial matters.

On April 4, 2019, the Board adopted Resolution No. 2019-0035, approving and authorizing the President/CEO to execute an agreement with BKD, LLP, as the Authority's external auditor for a three-year term with an option for two (2) one-year extensions, which may be exercised at the discretion of the Authority. On March 23, 2022, the President/CEO exercised the first one-year extension.

At the May 9, 2022 Audit Committee Meeting, as required under the Charter of the Audit Committee, and as specified in the Statement on Auditing Standards (SAS) 114, BKD, LLP, presented its planned scope and timing for conducting the audit of the Authority's financial statements for the fiscal year ended June 30, 2022; and communicated its annual report on independence, a report on its quality control program and peer review, and other responsibilities under generally accepted auditing standards.

Effective June 1, 2022, BKD, LLP merged with the accounting firm, Douglas Hughes Goodman, LLP to create a new firm, FORVIS, LLP. Also, effective June 1, 2022, FORVIS LLP assumed the agreement from BKD.

On November 21, 2022, FORVIS, LLP, presented the fiscal year ended June 30, 2022 audited financial statements and reports (Attachments A through E) to the Audit Committee for its review and acceptance. At that time, the Audit Committee voted to forward them to the Board with a recommendation for acceptance.

Fiscal Impact:

Adequate funding for the audit conducted by FORVIS, LLP, is included in the adopted Fiscal Year 2022 and the adopted Fiscal Year 2023 Operating Expense Budgets within the Accounting Department, Services – Auditing line item.

Authority Strategies/Focus Areas:

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

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act (“CEQA”), as amended. 14 Cal. Code Regs. §15378. This Board action is not a “project” subject to CEQA. Cal. Pub. Res. Code §21065.

B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

C. NEPA: This Board action is not a project that involves additional approvals or actions by the Federal Aviation Administration (“FAA”) and, therefore, no formal review under the National Environmental Policy Act (“NEPA”) is required.

Application of Inclusionary Policies:

Not Applicable

Prepared by:

Scott Brickner
Chief Financial Officer

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

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

Table of Contents

| | |
|--|----|
| Independent Auditor’s Report | 1 |
| Management’s Discussion and Analysis (Unaudited)..... | 4 |
| Financial Statements..... | 20 |
| Statements of Net Position | 20 |
| Statements of Revenues, Expenses and Changes in Net Position | 22 |
| Statements of Cash Flows | 24 |
| Notes to Financial Statements | 26 |
| Required Supplementary Information (Unaudited) | 76 |
| Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios..... | 76 |
| Schedule of Contributions (Pensions) | 77 |
| Schedule of Changes in the Net Pension Liability and Related Ratios..... | 78 |
| Schedule of Contributions (Pensions) | 78 |
| Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios | 79 |
| Schedule of Contributions (OPEB) | 79 |

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the San Diego County Regional Airport Authority (Airport Authority), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Emphasis of Matters

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

FORVIS,LLP

Dallas, Texas
November 1, 2022

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2022 and 2021

INTRODUCTION

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

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

SAN DIEGO INTERNATIONAL AIRPORT

History of Ownership

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

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

Legislative Background

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

San Diego County Regional Airport Authority

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

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

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

AIRPORT ACTIVITIES HIGHLIGHTS (2020-2022)

The Airport Authority continued to be impacted by the COVID-19 pandemic through the current fiscal year, although increased demand for air travel has resulted in improved major activities. This followed the trend seen at most commercial airports across the country.

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

| | FY 2022 | FY 2021 | FY 2020 |
|------------------------------------|-------------------|-----------|------------|
| Enplaned passengers | 9,953,162 | 4,860,931 | 9,235,459 |
| % change from prior year | 104.8% | -47.4% | -25.3% |
| Total passengers | 19,830,645 | 9,701,311 | 18,450,599 |
| % change from prior year | 104.4% | -47.4% | -25.3% |
| Aircraft operations | 190,491 | 130,017 | 190,746 |
| % change from prior year | 46.5% | -31.8% | -16.4% |
| Freight and mail (in tons) | 151,160 | 151,327 | 154,380 |
| % change from prior year | -0.1% | -2.0% | -17.2% |
| Landed weight (in millions pounds) | 11,764 | 7,780 | 12,053 |
| % change from prior year | 51.2% | -35.5% | -16.8% |

Enplaned passenger traffic has continued to improve each month from the low in fiscal year 2020 caused by the COVID-19 pandemic, resulting in fiscal year 2022 ending higher than fiscal year 2021 by 104.8 percent. Looking ahead, it is expected SDIA’s major activities will continue to recover. This is due in part because SDIA is an origin and destination airport and is not a hub for any airlines. Further, there is a balanced mixture of leisure and business travelers at SDIA. These factors generally add to the stability of SDIA enplanements in comparison to most airports.

FINANCIAL HIGHLIGHTS

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

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

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

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

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

Operating Revenues (in thousands)

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

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

San Diego County Regional Airport Authority

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

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

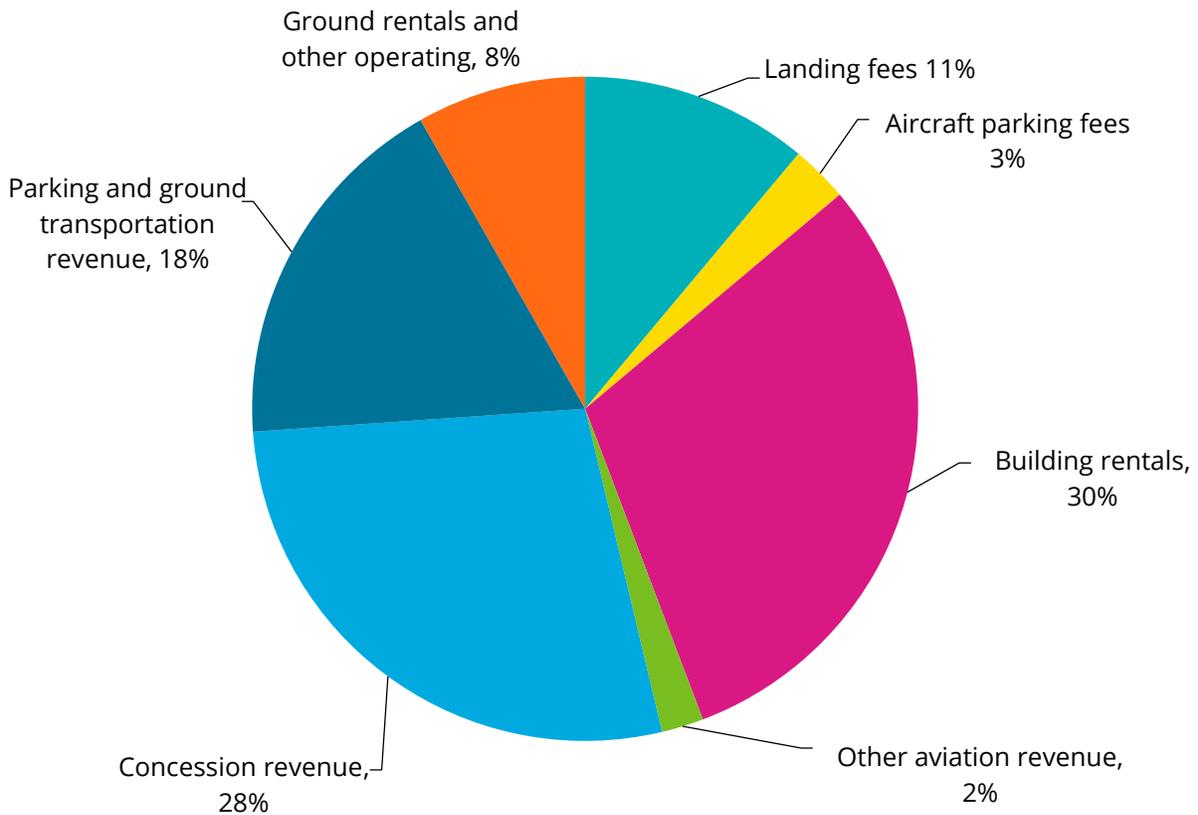
Fiscal Year 2022 compared to 2021: Total airline revenues increased \$13.9 million, or 10.4 percent, reflecting the cost recovery system for the airlines which was higher in fiscal year 2022, compared to 2021. Airline building rentals were the main driver, increasing \$14.0 million, or 16.8 percent.

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

Fiscal Year 2021 compared to 2020: Total airline revenues increased by \$2.0 million, or 1.5 percent, primarily due to increased cost recovery from the airlines in fiscal year 2021, which was a result of higher debt service and lower federal relief grants applied towards airlines cost centers, offset by a decrease in recoverable operating expenses. Landing fees increased \$804 thousand or 2.4 percent. Aircraft parking fees increased \$188 thousand or 2.3 percent. Building rentals increased by \$637 thousand or 0.8 percent. Other aviation revenue increased by \$403 thousand or 5.2 percent, primarily due to the Signatory air carriers paying the minimum guarantee required in the Airline Operating and Lease Agreement.

San Diego County Regional Airport Authority

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



Operating Expenses (in thousands)

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

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

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

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

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

San Diego County Regional Airport Authority

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

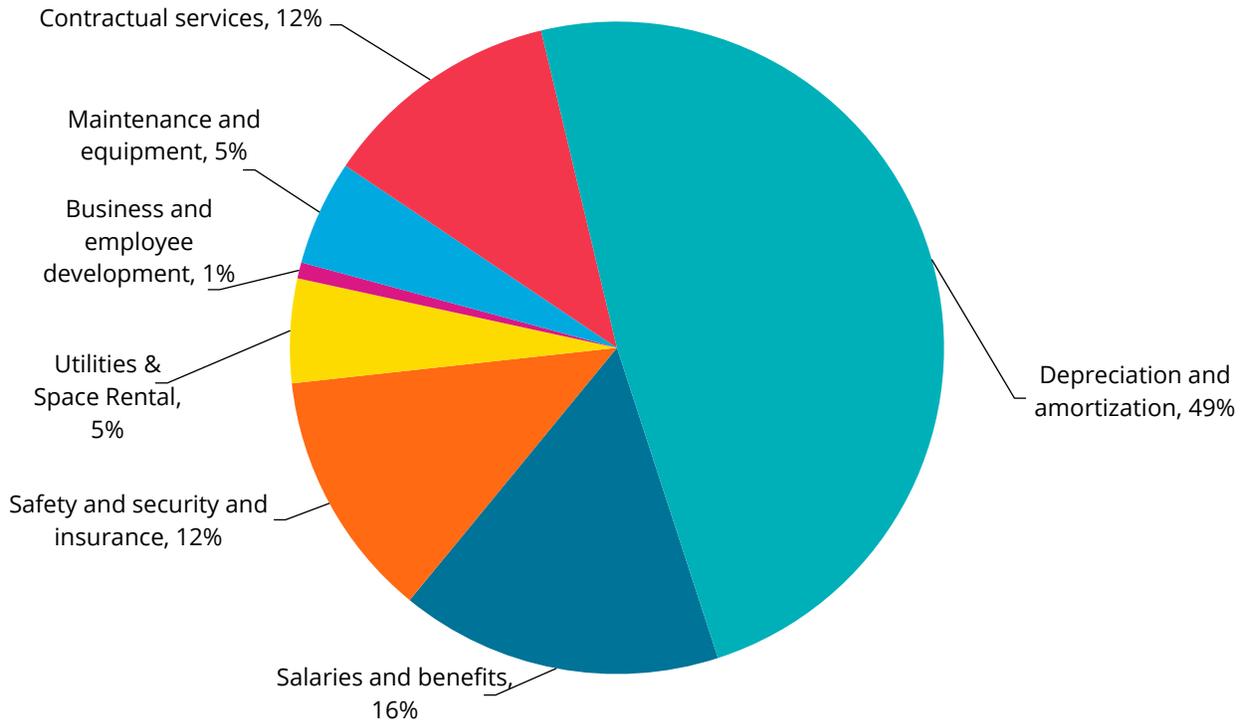
Partially offsetting the increase in operating expenses described above, salaries and benefits, decreased by \$6.5 million or 12.4 percent, primarily due to a \$5.1 million decrease in retirement expense caused by investment gains on the pension and OPEB plan assets.

Fiscal Year 2021 compared to 2020: Total fiscal year 2021 operating expenses decreased by \$16.0 million or 5.5 percent. The Airport Authority continued to operate under its Financial Resilience Plan that was activated in March 2020 and eliminated, delayed, or reduced non-essential operating expenditures.

Contractual services decreased by \$12.7 million or 33.7 percent, mainly due to lower expenses in shuttle services, planning & environmental services, terminal operation services, legal services and IT services. Space Rental decreased by \$10.1 million or 99.4 percent due to implementation of GASB 87. Utilities decreased by \$1.0 million or 8.0 percent due to decreased gas & electric usage. Maintenance expenses decreased by \$2.5 million, or 21.3 percent, due to a decrease in annual and major maintenance. Business Development decreased by \$1.8 million or 89.7 percent due to a decrease in Airport Authority marketing and promotional activity expenses.

Partially offsetting the decrease in operating expenses described above, salaries and benefits, increased by \$1.3 million or 2.4 percent, due to additional pension expense. In addition, safety and security increased by \$5.6 million or 19.1 percent due to an increase in expenses for law enforcement, aircraft rescue and firefighting and emergency medical services.

San Diego County Regional Airport Authority



Nonoperating Revenues (Expenses) (in thousands)

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

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

San Diego County Regional Airport Authority

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

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

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

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

Federal Relief Grants include *Coronavirus Aid, Relief and Economic Security Act* (CARES Act) grants, *Coronavirus Response and Relief Supplemental Appropriation Act* (CRRSAA) and *American Rescue Plan Act* (ARPA) funds received from the federal government.

CARES Act was approved by the United States Congress and signed into law on March 27, 2020, to address the crisis created by the COVID-19 pandemic and included direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Airport Authority was awarded \$91.2 million in CARES Act grant funds and drew \$54.3 million in fiscal year 2021 and \$36.9 million in fiscal year 2020.

CRRSAA was signed into law on December 27, 2020, and included nearly \$2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease pandemic. The Airport Authority was awarded \$22.9 million on March 26, 2021, and drew \$2.7 million in fiscal year 2022 and \$20.2 million in fiscal year 2021.

San Diego County Regional Airport Authority

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

Quieter Home Program includes sound attenuation construction improvements at all eligible single-family and multi-family dwellings located in the Year 2020 65 dB Community Noise Equivalent Level contour. The project is eligible for the FAA's Airport Improvement Program (AIP) which awards grants for certain eligible Airport Authority expenditures. The \$2.5 million of expenses represents the authority's cost, net of the grant funds utilized in FY22. From inception through the end of fiscal year 2022, the Airport Authority has spent \$261.5 million and received reimbursement for \$209.8 million.

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

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

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

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

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

Fiscal year 2021 compared to 2020: Nonoperating revenues (net) decreased by \$14.7 million or 25.2 percent. The increase in Federal Relief Grant in fiscal year 2021 was \$40.3 million or 109.3 percent. The increase in federal relief grant income was partially offset by decreases in PFCs and CFCs due to reduced enplaned passengers caused by the pandemic. PFCs decreased by \$12.3 million or 35.7 percent, and CFCs decreased by \$14.5 million or 47.9 percent. Other interest income increased by \$5,073 or 302.9 percent due to the adoption of GASB 87 which requires lessors to recognize interest income. Investment income decreased by \$28.3 million or 91.5 percent, this was caused by a combination of lower yields on investments that resulted in a \$6.2 million decrease in interest income and \$22.1 million reversal of prior years' unrealized gains due to market fluctuations. Other nonoperating income (expenses) decreased by \$2.1 million or 148.9 percent, primarily due to legal settlement income received in fiscal year 2020.

Federal Grant Contributions (in thousands)

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

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

Federal Grant Contributions are comprised of Airport Improvement Project (AIP) entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. In fiscal year 2021, federal grant contributions increased by \$9.9 million, or 242.1 percent compared to fiscal year 2020, due to an increase in federally funded project costs.

Assets, Liabilities And Net Position (in thousands)

The statements of net position present the financial position of the Airport Authority as of a period in time. The statements include all assets, deferred outflows, liabilities, deferred inflows, and net position of the Airport Authority. A summary comparison of the Airport Authority's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2020, 2021 and 2022, is as follows:

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

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

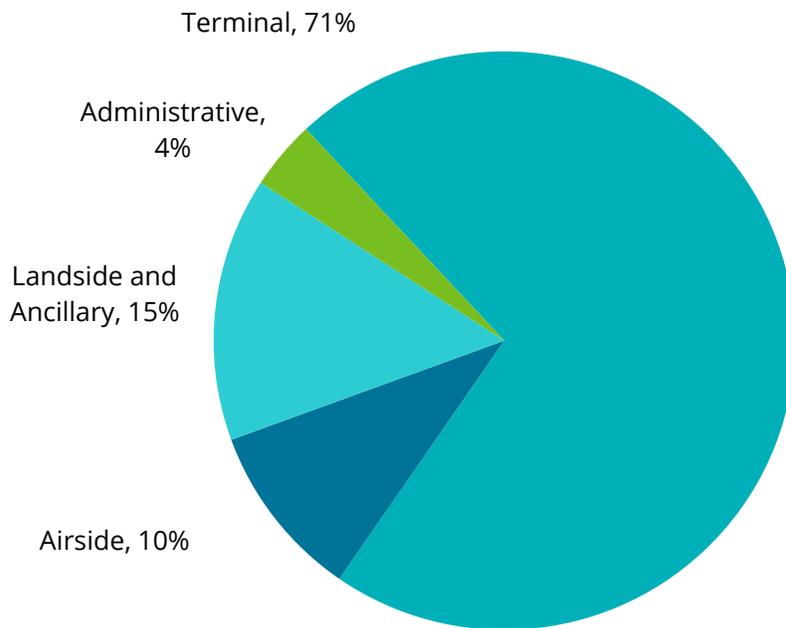
As of June 30, 2022, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$912.4 million. This reflects a \$23.5 million or 2.6 percent increase in net position from June 30, 2021. The Airport Authority uses capital and lease assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital and lease assets is reported net of related debt, the funds required to repay this debt must be provided annually from operations. The unrestricted net position of \$317.4 million as of June 30, 2022, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2022, 2021 and 2020, management has designated unrestricted funds in the amount of \$16.2 million, \$22.5 million, and \$43.4 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake self-insurance and operating contingency.

Capital Program

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

The current Capital Program, which includes projects through 2027, consists of \$382 million for airside projects, \$558 million for landside and ancillary projects, \$2.8 billion for terminal projects, which includes the replacement of Terminal 1, and \$150 million for administrative projects.

Capital Program Projects by Type



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

Capital Financing and Debt Management

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

San Diego County Regional Airport Authority

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

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

The Series 2014 A Bonds were structured as tax-exempt non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent and mature in fiscal years 2019 to 2045. Interest expense for the fiscal year ended June 30, 2022, amounted to \$15.6 million, including accrued interest of \$7.8 million. As of June 30, 2022, the principal balance on the Series 2014 Bonds was \$282.0 million.

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

On August 3, 2017, the Airport Authority issued \$291.2 million of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds). The Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund \$32.6 million of the Airport Authority's outstanding variable rate debt, which was issued during 2017, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of \$48.4 million, which is being amortized over the life of the bonds. Interest on the senior Series 2017 Bonds is payable semiannually on January 1 and July 1, of each year. Interest expense for the fiscal year ended June 30, 2022, amounted to \$13.6 million, including accrued interest of \$6.8 million. As of June 30, 2022, the principal balance on the Series 2017 was \$271.9 million.

San Diego County Regional Airport Authority

On December 11, 2019, the Airport Authority issued \$338.8 million of Series A Subordinate Airport Revenue and Revenue Refunding Bonds and \$124.9 million of Series B Subordinate Airport Revenue Bonds (Series 2019 Bonds). The Subordinate Series 2019 Bonds were issued to finance certain capital improvements at SDIA including a new facilities maintenance building and storm water capture and reuse projects, fund a portion of the interest accruing on the subordinate Series 2019 Bonds, refund \$34.3 million of the Airport Authority's outstanding variable rate debt, fund the Series 2010C Escrow account to refund the 2010C bonds, fund the subordinate reserve fund, and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2019 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2021 to 2050. The bonds were issued at a premium of \$96.9 million, which is being amortized over the life of the bonds. Interest on the Series 2019 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal year ended June 30, 2022, amounted to \$22.1 million, including accrued interest of \$11.1 million. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2022, was \$459 million.

The Airport Authority issued \$241.6 million of Series A, B and C Subordinate Airport Revenue Refunding Bonds (Series 2020 Bonds). The Authority entered into a Forward Delivery Purchase Contract on December 11, 2019, and delivered the 2020 Bonds Proceeds on April 8, 2020. Proceeds from the sale of the 2020 Bonds were used to fund the Series 2010 A and B Bonds escrow accounts to refund the 2010 A/B bonds and pay the costs of issuance of the subordinate Series 2020 Bonds. The Series 2020 Bonds are structured as serial bonds that bear interest rates of 5.00 percent and mature in fiscal years 2021 to 2041. The bonds were issued at a premium of \$49.4 million, which is being amortized over the life of the bonds. Interest on the Series 2020 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal year ended June 30, 2022, amounted to \$11.5 million, including accrued interest of \$5.8 million. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2022, was \$227 million.

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

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

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

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

Additional information of the Airport Authority's long-term debt can be found in Note 6 to the financial statements.

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

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately \$83.4 million in grant awards for the federal fiscal year ended September 30, 2022, as compared to \$131.6 million for 2021. Grant awards are recognized as nonoperating revenue or capital contributions as eligible expenses are incurred.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Airport Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Accounting Department, P.O. Box 82776, San Diego, CA 92138. The Accounting Department can also be reached at (619) 400-2806. A copy of the financial report is available at www.san.org

Financial Statements

Statements of Net Position

June 30, 2022 and 2021

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

See Notes to Financial Statements.

(Continued)

Statements of Net Position (continued)

June 30, 2022 and 2021

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

See Notes to Financial Statements.

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

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

See Notes to Financial Statements.

(Continued)

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

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

See Notes to Financial Statements.

Statements of Cash Flows

For the Fiscal Years Ended June 30, 2022 and 2021

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

See Notes to Financial Statements.

(Continued)

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

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

See Notes to Financial Statements.

Notes to Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Airport Improvement Program (AIP) grants are authorized and disbursed by the FAA under the *Airway Improvement Act of 1982*, as amended, which provides funding for airport planning and development projects at airports included in the National Plan of Integrated Airport Systems. As such, the AIP grants must be used to pay for the allowable costs of approved projects. As of June 30, 2022 and 2021, the Airport Authority recovered \$13.0 million and \$14.0 million, respectively, for approved capital projects; and \$14.4 million and \$12.3 million, respectively, for the Quieter Home Program.

CARES Act: The *Coronavirus Aid, Relief, and Economic Security Act (CARES)*, was signed into law on March 27, 2020, to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. For the fiscal year ended June 30, 2021, the Airport Authority drew \$54.3 million.

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

CRRSAA: The *Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA)*, was signed into law on December 27, 2020, and includes nearly \$2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease pandemic. To distribute these funds, the FAA established the *Airport Coronavirus Response Grant Program (ACRGP)* to make grants to all airports that are part of the national airport system, including all commercial service airports, all reliever airports, and some public-owned general aviation airports. The Airport Authority was awarded \$22.9 million on March 26, 2021. For the fiscal year ended June 30, 2021, the Airport Authority drew \$22.9 million.

ARPA: The *American Rescue Plan Act of 2021 (ARPA)* was signed into law on March 11, 2021 and includes \$8 billion in funds to be awarded as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the coronavirus disease pandemic. To distribute these funds, the FAA has established the *Airport Rescue Grants* to make grants to all airports that are part of the national airport system, including all commercial service airports, all reliever airports, and some public-owned general aviation airports. The Airport Authority was awarded \$78.8 million on August 10, 2021. For the fiscal year ended June 30, 2022, the Airport Authority drew \$78.8 million.

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

In accordance with the program, PFC revenue must be used to pay allowable costs for approved capital projects, contribute to the Airport Authority's noise mitigation (Quieter Home Program), or to repay debt service issued to build eligible capital projects. As of June 30, 2022 and 2021, accrued PFC receivables totaled \$4.2 million and \$5.8 million respectively, and there were \$61.4 million and \$51.2 million PFC amounts collected but not yet applied for approved capital projects as of June 30, 2022 and 2021, respectively.

On May 20, 2003, the FAA approved an increase in the Airport Authority's PFC charge per enplaned passenger from \$3.00 to \$4.50, beginning August 2003. Currently, there are four active applications that allow the Airport Authority to impose and use \$1.2 billion in PFC revenue through April 2040.

The latest application was approved by the FAA in February 2019 (as amended in August 2020) providing collection authority with a charge effective date through April 2040. In accordance with the Aviation Investment Reform Act (AIR-21), airports imposing a \$4.50 collection level are required to reduce AIP Passenger Entitlement Apportionment to 75 percent.

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

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

The current CFC rate, which has been in effect since January 1, 2017, is \$9.00 per day for a maximum of five days. As of June 30, 2022 and 2021, accrued CFC receivables totaled \$2.9 million and \$2.4 million, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2022 and 2021, were \$25.2 million, and \$26.3 million, respectively.

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

- Employer Contributions – Pensions and OPEB– These contributions are those made after the measurement date through the fiscal year end (July 1st – June 30th) resulting in a cash outlay not yet recognized under GASB 68 or GASB 75. This amount is deferred and recognized in the following fiscal year. This item is presented as a deferred outflow of resources.
- Investment difference – Pensions and OPEB – These amounts represent the difference in projected and actual earnings on pension/OPEB plan assets. These differences are deferred and amortized over a closed five-year period. This item can be presented as both a deferred outflow and deferred inflow of resources and is combined annually as a single net unamortized balance.
- Experience difference – Pensions and OPEB – These amounts represent the difference in expected and actual pension/OPEB experience. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.
- Assumption changes – Pensions and OPEB – These amounts represent the difference resulting from a change in assumptions used to measure the underlying net pension/OPEB liability/asset. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.
- Debt Refunding - These amounts represent the gain or loss from the refunding of debt. These differences are deferred and recognized as interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.
- Leases – Represents the initial value of lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease.

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

The Airport Authority capitalizes incremental overhead costs associated with the construction of capital assets. Capital assets are defined by the Airport Authority as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater.

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

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are expensed as incurred. Major outlays for capital assets and improvements are capitalized as construction in progress as projects are constructed. The Airport Authority no longer capitalizes interest due to the adoption of GASB 89, Accounting for Interest Cost Incurred before the End of a Construction Period that eliminated the requirement to capitalized interest.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additionally, the Airport Authority has a single-employer defined benefit preservation of benefit pension plan administered through SDCERS. For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Accounting pronouncements adopted: The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2022:

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

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

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

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

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

GASB Statement No. 91, *Conduit Debt Obligations*, effective for the Airport Authority's year ending June 30, 2023.

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

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

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

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

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

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

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

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Investment requires collateralization

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

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

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

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

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

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

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

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

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

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

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

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

| Investment Type | 2021 | | | | Ratings |
|---|----------------|----------------------------------|---------------|--------------|-----------|
| | Total | Investment Maturities (in Years) | | | |
| | | 0-1 | 1-2 | 2-5 | |
| Investments subject to credit and interest rate risk: | | | | | |
| U.S. Treasury obligations | \$ 111,584,806 | \$ 62,013,108 | \$ 43,647,786 | \$ 5,923,912 | AA+ |
| U.S. Agency securities | 129,121,554 | 32,018,617 | 28,272,388 | 68,830,549 | AA+ |
| Non-U.S. Securities | 2,025,740 | 2,025,740 | - | - | AAA |
| Non-U.S. Securities | 5,536,955 | 5,536,955 | - | - | Not rated |
| Medium-term notes | 3,000,720 | 3,000,720 | - | - | AAA |
| Medium-term notes | 6,270,120 | - | 6,270,120 | - | AA |
| Medium-term notes | 12,502,610 | 3,009,030 | 7,421,280 | 2,072,300 | A+ |
| Medium-term notes | 21,236,805 | 5,051,320 | 5,684,385 | 10,501,100 | A |
| Medium-term notes | 2,027,160 | 2,027,160 | - | - | A- |
| Medium-term notes | 4,047,720 | 4,047,720 | - | - | AA+ |
| Municipal Bonds | 5,194,250 | - | - | 5,194,250 | AA+ |
| Negotiable Certificates of deposit | 2,222,300 | 2,222,300 | - | - | Not rated |
| Money market mutual funds | 117,578,335 | 117,578,335 | - | - | Not rated |
| Local Agency Investment Fund | 192,705,889 | 192,705,889 | - | - | Not rated |
| San Diego County Investment Pool | 270,367,612 | 270,367,612 | - | - | AAA |
| CalTrust Fund | 16,410,450 | 16,410,450 | - | - | AAA |
| Total investments subject to credit and interest rate risk: | 901,833,026 | 718,014,956 | 91,295,959 | 92,522,111 | |
| Investments not subject to credit or interest rate risk: | | | | | |
| Nonnegotiable certificates of deposit | \$ 16,615,890 | | | | |
| Total Investments | \$ 918,448,916 | | | | |

Ratings per Standard and Poor's

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

The Airport Authority requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity, issuer, or class of securities. The Airport Authority had no concentrations of credit risk at June 30, 2022 and 2021.

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

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

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at the fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021:

| June 30, 2022 | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|-------------------------|---|---|--|
| Investments by fair value level | | | | |
| U.S. Treasury obligations | \$ 231,211,065 | \$ 231,211,065 | \$ - | \$ - |
| U.S. agency securities | 97,162,627 | - | 97,162,627 | - |
| Non-U.S. Securities | 14,337,460 | 14,337,460 | - | - |
| Negotiable certificates of deposit | 2,222,300 | - | 2,222,300 | - |
| Municipal Bonds | 4,908,300 | - | 4,908,300 | - |
| Medium-term notes | 73,208,315 | - | 73,208,315 | - |
| Total investments by fair value level | 423,050,067 | <u>\$ 245,548,525</u> | <u>\$ 177,501,542</u> | \$ - |
| Investments measured at amortized cost | | | | |
| Money Market Mutual funds | 150,481,793 | | | |
| Investments measured at net asset value | | | | |
| Caltrust | 32,389,680 | | | |
| Local Agency Investment Fund | 349,923,926 | | | |
| San Diego County Investment Pool | 423,896,690 | | | |
| San Diego County Investment Pool Treasury | 1,373,116,904 | | | |
| Total investments | <u>\$ 2,752,859,060</u> | | | |

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

| June 30, 2021 | Fair Value | Quoted Prices in | Significant Other | Significant |
|---|----------------|--------------------|-------------------|--------------|
| | | Active Markets for | Observable Inputs | Unobservable |
| | | Identical Assets | (Level 2) | Inputs |
| | | (Level 1) | (Level 2) | (Level 3) |
| Investments by fair value level | | | | |
| U.S. Treasury obligations | \$ 111,584,806 | \$ 111,584,806 | \$ - | \$ - |
| U.S. agency securities | 129,121,554 | - | 129,121,554 | - |
| Non-U.S. Securities | 7,562,695 | 7,562,695 | - | - |
| Negotiable certificates of deposit | 2,222,300 | - | 2,222,300 | - |
| Municipal Bonds | 5,194,250 | - | 5,194,250 | - |
| Medium-term notes | 49,085,135 | - | 49,085,135 | - |
| Total investments by fair value level | 304,770,740 | \$ 119,147,501 | \$ 185,623,239 | \$ - |
| Investments measured at amortized cost | | | | |
| Money Market Mutual funds | 117,578,335 | | | |
| Non-negotiable certificate of deposit | 16,615,890 | | | |
| Investments measured at net asset value | | | | |
| Caltrust | 16,410,450 | | | |
| Local Agency Investment Fund | 192,705,889 | | | |
| San Diego County Investment Pool | 270,367,612 | | | |
| Total investments | \$ 918,448,916 | | | |

NOTE 3. LEASES**Lease Receivable**

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

Concession lease receivables for space within the terminals are typically based on the minimum annual guarantee plus a minimum 3 percent annual escalation, less rent holidays. Prior to the start of the economic downturn brought on by the COVID-19 pandemic, the Airport Authority had 85 retail and dining concessions open, all designed to provide a world class shopping and dining experience for the millions of passengers who use SDIA. Many locations closed temporarily because of the pandemic. Enplanements have continued to increase and many of the shops and restaurants that temporarily closed have since reopened. As of June 30, 2022, there are 62 terminal food services and retail concession locations open. The Board approved a Rent Forbearance and Abatement Program, which has provided abatement of certain rents and fees to qualifying concessionaires from April 1, 2020, through June 30, 2022.

NOTE 3. LEASES (CONTINUED)

The RCC facility sits on 24.85 acres of land and houses all the major and many small operator rental car tenants. The land rent leases for the RCC commenced on the opening date of the facility and are non-cancellable. Once the Bonds are repaid or defeased, in addition to Land Rent, the rental car operators will also pay Facility Rent.

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

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

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

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

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

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

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

NOTE 3. LEASES (CONTINUED)

Regulated Leases

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

Certain capital assets, such as loading bridges, airfield, and building space are leased to airlines as part of the Airport Authority's Airline Operating Lease Agreement (AOLA). On July 1, 2019, the Airport Authority entered into the current ten-year AOLA with passenger airlines and cargo carriers operating at SDIA. The AOLAs cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SDIA. Under the terms of the AOLA, landing fees and aircraft parking fees are calculated based on a residual rate-setting methodology, in which all costs of the facility and services are recovered from the airlines, and the airlines assume the financial risk. Terminal rental rates are based on a compensatory rate-setting methodology, in which the airlines each pay for only the actual cost of facilities and services they use; financial risk and control is assumed by the airport. The AOLA also includes signatory and non-signatory rate structures. Air Carriers that signed a non-signatory agreement are charged a 120 percent premium on all signatory rates, fees, and charges, except for the Federal Inspection Services fee, which all airlines pay the same rate for use of the immigration and customs facilities. Signatory carriers are required to pay a minimum amount each year (\$500,000 for passenger carriers, and \$250,000 for cargo carriers). The agreement has no provisions that grant the airlines direct approval rights over capital projects, with the limited exception of certain transportation projects that exceed a \$350 million threshold, as defined in the AOLA. It also allows flexibility to meet the demands of changing airline activity and to accommodate new entrant carriers. Terms of the new agreement financially support execution of the New Terminal 1, formerly referred to as the Airport Development Program. The Airport Authority does provide for preferential or exclusive use of certain assets to air carriers. As of June 30, 2022, 45 of the 60 terminal and cargo aircraft parking positions were subject to preferential use and 97,350 square feet of the 443,071 square feet of airline designated space was subject to exclusive use. As of June 30, 2021, 45 of the 60 terminal and cargo aircraft parking positions were subject to preferential use and 97,004 square feet of the 437,725 square feet of airline designated space was subject to exclusive use.

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

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

NOTE 3. LEASES (CONTINUED)

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

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

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

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

NOTE 4. NOTE RECEIVABLE

As part of the transfer of airport operations from the District to the Airport Authority, and pursuant to the associated MOU, the District issued a \$50,000,000 unsecured promissory note to the Airport Authority. According to an agreement with the District that commenced on January 1, 2006, the note will be amortized over 25 years, maturing on December 31, 2030. The note is subordinate to all bond indebtedness of the District and carried a rate of 5.5 percent per annum through October 31, 2021. An amendment to that agreement reduced the rate to 3.63 percent per annum, effective November 1, 2021, reducing the monthly payment. At June 30, 2022 and 2021, the balance of the note receivable was \$24,836,615 and \$27,208,867, respectively.

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

NOTE 4. NOTE RECEIVABLE (CONTINUED)

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

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

NOTE 5. CAPITAL ASSETS AND LEASES

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

San Diego County Regional Airport Authority

NOTE 5. CAPITAL ASSETS AND LEASES (CONTINUED)

| | Balance at July 1, 2020 | Increases | Decreases | Balance at June 30, 2021 |
|---|----------------------------|----------------|------------------|-----------------------------|
| Nondepreciable assets and leases: | | | | |
| Land | \$ 22,167,594 | \$ - | \$ - | \$ 22,167,594 |
| Land - right-to-use lease asset | 224,989,986 | - | - | 224,989,986 |
| Construction in progress | 288,353,299 | 173,462,464 | (213,276,895) | 248,538,868 |
| Intangible asset | 440,000 | - | - | 440,000 |
| Total nondepreciable assets and leases | 535,950,879 | 173,462,464 | (213,276,895) | 496,136,448 |
| Depreciable assets and leases: | | | | |
| Land improvements | 114,589,520 | 49,181,230 | - | 163,770,750 |
| Land improvements - right-to-use lease assets | - | 13,313,911 | - | 13,313,911 |
| Buildings and structures | 1,747,407,784 | 148,946,010 | (10,586,284) | 1,885,767,510 |
| Machinery and equipment | 135,435,875 | 3,324,571 | (15,777,887) | 122,982,559 |
| Runways, roads and parking lots | 708,999,286 | 12,709,855 | (1,734,320) | 719,974,821 |
| Total capital and lease assets being depreciated/amortized | 2,706,432,465 | 227,475,577 | (28,098,491) | 2,905,809,551 |
| Less accumulated depreciation and amortization for: | | | | |
| Land improvements | (35,941,711) | (9,533,871) | - | (45,475,582) |
| Building and structures | (752,724,619) | (81,869,286) | 10,586,287 | (824,007,618) |
| Right-to-use lease assets | - | (4,792,663) | - | (4,792,663) |
| Machinery and equipment | (84,805,802) | (11,671,187) | 15,540,927 | (80,936,062) |
| Runways, roads and parking lots | (355,320,220) | (29,759,445) | 1,568,624 | (383,511,041) |
| Total accumulated depreciation and amortization | (1,228,792,352) | (137,626,453) | 27,695,839 | (1,338,722,966) |
| Total capital and lease assets being depreciated/amortized, net | 1,477,640,113 | 89,849,125 | (402,653) | 1,567,086,585 |
| Capital and lease assets, net | \$ 2,013,590,992 | \$ 263,311,589 | \$ (213,679,548) | \$ 2,063,223,033 |

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

NOTE 6. LONG-TERM LIABILITIES

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

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

| | Principal Balance at July 1, 2020 | Additions /New Issuances | Reductions/ Repayments | Principal Balance at June 30, 2021 | Due Within One Year |
|-----------------------------|---|-----------------------------|---------------------------|--|------------------------|
| Variable Rate Debt | | | | | |
| Revolving LOC | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total variable rate debt | - | - | - | - | - |
| Bonds payable: | | | | | |
| Series 2010 Bonds | 10,865,000 | - | (10,865,000) | - | - |
| Series 2013 Bonds | 368,750,000 | - | (7,925,000) | 360,825,000 | 8,315,000 |
| Series 2014 Bonds | 293,985,000 | - | (5,890,000) | 288,095,000 | 6,090,000 |
| Series 2017 Bonds | 281,810,000 | - | (4,825,000) | 276,985,000 | 5,070,000 |
| Series 2019 Bonds | 463,680,000 | - | (1,235,000) | 462,445,000 | 3,420,000 |
| Series 2020 Bonds | 241,640,000 | - | (820,000) | 240,820,000 | 13,825,000 |
| Bond premiums | 220,478,470 | - | (14,050,587) | 206,427,883 | - |
| Total bonds payable | 1,881,208,470 | - | (45,610,587) | 1,835,597,883 | 36,720,000 |
| Lease Liabilities | 241,688,854 | - | (5,884,816) | 235,804,038 | 3,384,956 |
| Note Payable - CRDC | 6,497,108 | - | (295,134) | 6,201,974 | 323,293 |
| Compensated absences | 4,088,584 | 3,211,891 | (2,538,532) | 4,761,943 | 2,538,532 |
| Total long-term liabilities | \$ 1,891,794,162 | \$ 3,211,891 | \$ (48,444,253) | \$ 1,846,561,800 | \$ 39,581,825 |

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

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

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

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

As a result of the refunding, the Airport Authority reduced its total debt service requirements by \$84.4 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$52.7 million.

Subordinate Lien Series 2017, 2019, 2020 and 2021 Bonds: The Airport Authority issued \$291,210,000 of Series A and B Subordinate Airport Revenue Bonds on August 3, 2017. The Subordinate Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund \$32,550,000 of the Airport Authority's outstanding variable rate debt, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of \$48,423,688, which is being amortized over the life of the bonds. Interest on the Series 2017 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2022 and 2021, amounted to \$13,595,750 and \$13,849,250, respectively, including accrued interest of \$6,797,875 and \$6,924,625, respectively. The principal balance on the subordinate Series 2017 Bonds as of June 30, 2022 and 2021, was \$271,915,000 and \$276,985,000, respectively.

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

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2023 | 5,320,000 | 13,462,750 | 18,782,750 |
| 2024 | 5,585,000 | 13,190,125 | 18,775,125 |
| 2025 | 5,865,000 | 12,903,875 | 18,768,875 |
| 2026 | 6,155,000 | 12,603,375 | 18,758,375 |
| 2027 | 6,465,000 | 12,287,875 | 18,752,875 |
| 2028-2032 | 37,520,000 | 56,124,250 | 93,644,250 |
| 2033-2037 | 47,880,000 | 45,499,750 | 93,379,750 |
| 2038-2042 | 61,110,000 | 31,940,750 | 93,050,750 |
| 2043-2047 | 78,000,000 | 14,633,250 | 92,633,250 |
| 2048 | 18,015,000 | 450,375 | 18,465,375 |
| | <u>\$ 271,915,000</u> | <u>\$ 213,096,375</u> | <u>\$ 485,011,375</u> |

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

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

Interest for the fiscal years ended June 30, 2022 and 2021, amounted to \$22,121,100 and \$22,292,100, respectively, including accrued interest of \$11,060,550 and \$11,146,051, respectively. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2022 and 2021, was \$459,025,000 and \$462,445,000, respectively.

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

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2023 | \$ 4,440,000 | \$ 22,121,100 | \$ 26,561,100 |
| 2024 | 6,095,000 | 21,899,100 | 27,994,100 |
| 2025 | 6,400,000 | 21,594,350 | 27,994,350 |
| 2026 | 5,615,000 | 21,274,350 | 26,889,350 |
| 2027 | 5,895,000 | 20,993,600 | 26,888,600 |
| 2028-2032 | 44,040,000 | 100,239,500 | 144,279,500 |
| 2033-2037 | 121,345,000 | 81,805,500 | 203,150,500 |
| 2038-2042 | 145,830,000 | 47,748,700 | 193,578,700 |
| 2043-2047 | 69,210,000 | 22,879,700 | 92,089,700 |
| 2048-2051 | 50,155,000 | 5,097,000 | 55,252,000 |
| | <u>\$ 459,025,000</u> | <u>\$ 365,652,900</u> | <u>\$ 824,677,900</u> |

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

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

Interest for the fiscal years ended June 30, 2022 and 2021, amounted to \$11,480,563 and \$12,041,000, respectively, including accrued interest of \$5,805,688 and \$6,020,500, respectively. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2022 and 2021, was \$226,995,000 and \$240,820,000, respectively.

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

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2023 | \$ 14,520,000 | \$ 11,349,750 | \$ 25,869,750 |
| 2024 | 15,240,000 | 10,623,750 | 25,863,750 |
| 2025 | 16,005,000 | 9,861,750 | 25,866,750 |
| 2026 | 11,275,000 | 9,061,500 | 20,336,500 |
| 2027 | 11,830,000 | 8,497,750 | 20,327,750 |
| 2028-2032 | 66,345,000 | 32,999,000 | 99,344,000 |
| 2033-2037 | 53,440,000 | 16,993,500 | 70,433,500 |
| 2038-2041 | 38,340,000 | 4,910,000 | 43,250,000 |
| | <u>\$ 226,995,000</u> | <u>\$ 104,297,000</u> | <u>\$ 331,292,000</u> |

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

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

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

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

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

As subordinate lien bonds, the Series 2017, 2019, 2020 and 2021 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2022 and 2021, the amount held by the trustee was \$2,120,565,804 and \$326,663,469, respectively, which included the July 1 payment, a debt service reserve fund, construction fund, and a capitalized interest fund. The public ratings of the Subordinate Series Bonds as of June 30, 2022, are A/A2/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

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

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.5 percent to 5.6 percent. The bonds were issued at a premium of \$594,226, which is amortized over the life of the bonds. Interest on the Series 2014 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for fiscal years ended June 30, 2022 and 2021, was \$15,600,783 and \$15,827,940, respectively, including accrued interest of \$7,800,392 and \$7,913,970, respectively. The principal balance on the Series 2014 Bonds for fiscal years ended June 30, 2022 and 2021 was \$282,005,000 and \$288,095,000, respectively.

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

The Series 2014 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's net position, as shown previously in the notes. For the fiscal years ended June 30, 2022 and 2021, the amount held by the trustee was \$55,101,163 and \$53,063,404, respectively, which included the July 1 payment, the debt service reserve fund, the renewal and replace fund, and the rolling coverage fund.

The public ratings of the Senior Series Special Facility 2014 Bonds as of June 30, 2022, are BBB+/A3 by Standard & Poor's and Moody's Investors Service.

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

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2023 | \$ 6,320,000 | \$ 15,424,013 | \$ 21,744,013 |
| 2024 | 6,670,000 | 15,060,682 | 21,730,682 |
| 2025 | 7,045,000 | 14,677,074 | 21,722,074 |
| 2026 | 7,440,000 | 14,271,928 | 21,711,928 |
| 2027 | 7,855,000 | 13,844,127 | 21,699,127 |
| 2028-2032 | 46,385,000 | 61,917,390 | 108,302,390 |
| 2033-2037 | 60,890,000 | 47,003,086 | 107,893,086 |
| 2038-2042 | 79,935,000 | 27,424,786 | 107,359,786 |
| 2043-2045 | 59,465,000 | 4,721,599 | 64,186,599 |
| | <u>\$ 282,005,000</u> | <u>\$ 214,344,685</u> | <u>\$ 496,349,685</u> |

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

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

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

Line of credit: In fiscal year 2022, the Airport Authority maintained a \$2,000,000 line of credit held with US Bank, which is collateralized with a Treasury bond. This line is utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2022, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

The Airport Authority had the following used and unused balances in line of credit type debt instruments as of June 30, 2022 and 2021:

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

Event of Default: In the event of default of all general airport revenue bonds issued by the Airport Authority, acceleration is not a remedy. For the Letter of Credit and Reimbursement Agreement, an event of default could result in either an acceleration or an interest rate increase of 3.0 to 7.0 percent in addition to the base rate. Other than this, there are no significant finance-related consequences in the event of default on other debt instruments. The Airport Authority's Letter of Credit and Reimbursement Agreement is collateralized with a \$2,222,000 Treasury bond. Excluding general airport revenue bonds, special facility bonds, and capital leases, no other assets have been pledged or collateralized for any other debt instruments. General Airport revenue bonds are secured by a pledge of Net Revenues which are generally defined as all revenues and other cash receipts of the Airport Authority's operations less amounts required to pay for operations and maintenance expenses of the airport (net revenues do not include cash received from PFCs, CFCs or Federal Grants). The special facility bonds are secured by a pledge of the Trust Estate.

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)
NOTE PAYABLE

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

The following is a schedule of future lease payments applicable to the RDC installment purchase agreement, and the net present value of the future lease payments on June 30, 2022:

| <u>Years Ending June 30,</u> | <u>Amount</u> |
|--|----------------------------|
| 2023 | \$ 877,298 |
| 2024 | 877,298 |
| 2025 | 877,298 |
| 2026 | 877,298 |
| 2027-2031 | 4,386,489 |
| 2032-2033 | 1,242,839 |
| Total Lease Payments | <u>9,138,519</u> |
| Less amount representing interest | (3,259,838) |
| Present value of future lease payments | <u><u>\$ 5,878,682</u></u> |

LEASE LIABILITIES

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

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

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

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

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

NOTE 7. DEFINED BENEFIT PLAN

Introduction: The Airport Authority has two defined benefit pension plans which cumulatively represent the net pension liability or asset, related deferred inflows and deferred outflows of resource balances as reported on the statement of net position. The below schedule represents aggregating information as of and for the years ended June 30, 2022 and 2021:

| | Defined Benefit Plan (GASB No. 68) | Preservation of Benefits Trust Plan (GASB No. 73) | Total |
|---|--|---|---------------|
| Balances as of and for the year ended 6/30/2022 | | | |
| Pension expense | \$ 4,323,882 | \$ 329,788 | \$ 4,653,670 |
| Net pension liability (asset) | (8,995,046) | 2,373,440 | (6,621,606) |
| Deferred outflows of resources | 17,497,620 | 639,654 | 18,137,274 |
| Deferred inflows of resources | 26,976,052 | 282,242 | 27,258,294 |
| Balances as of and for the year ended 6/30/2021 | | | |
| Pension expense | \$ 12,879,899 | \$ 338,696 | \$ 13,218,595 |
| Net pension liability | 34,018,795 | 2,445,415 | 36,464,210 |
| Deferred outflows of resources | 30,748,781 | 908,672 | 31,657,453 |
| Deferred inflows of resources | 2,065,506 | 200,876 | 2,266,382 |

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

NOTE 7. DEFINED BENEFIT PLAN (CONTINUED)

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

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

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

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

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

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

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

NOTE 7. DEFINED BENEFIT PLAN (CONTINUED)

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

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

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

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

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

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

The actuarial valuation is completed as of June 30, of each year. Once accepted by the SDCERS Board, the approved rates for the Airport Authority apply to the fiscal year beginning 12 months after the valuation date. For June 30, 2022, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2021, actuarial valuation.

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

NOTE 7. DEFINED BENEFIT PLAN (CONTINUED)

For the years ended June 30, 2022 and 2021, employees contributed \$2,980,889 and \$3,123,119, respectively, and the Airport Authority contributed \$9,102,165 and \$8,522,311, respectively, to the Plan. Under the Plan, the Airport Authority pays a portion of the classic participant's contribution, referred to as the "off-set." The offset is equal to 7.0 percent or 8.5 percent of the general classic members' base compensation and 9.6 percent of the executive classic members' base compensation. These contributions are included in the employee contribution. There is no offset for PEPRA participants.

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

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

| | June 30, 2021 | June 30, 2020 |
|---|---------------------------------|---------------------------------|
| Valuation date | June 30, 2020 | June 30, 2019 |
| Measurement date | June 30, 2021 | June 30, 2020 |
| Actuarial cost method | Entry-age normal funding method | Entry-age normal funding method |
| Asset valuation method | Expected value with smoothing | Expected value with smoothing |
| Actuarial assumptions: | | |
| Investment rate of return ⁽¹⁾ | 6.50% | 6.50% |
| Inflation Rate | 3.05% | 3.05% |
| Interest Credited to Member Contributions | 6.50% | 6.50% |
| Projected salary increase ⁽²⁾ | 3.05% | 3.05% |
| Cost-of-living adjustment | 1.9% per annum, compounded | 1.9% per annum, compounded |
| Termination rate ⁽³⁾ | 2.0% - 16.0% | 2.0% - 16.0% |
| Disability rate ⁽⁴⁾ | 0.01% - 0.20% | 0.01% - 0.20% |
| Mortality ⁽⁵⁾ | 0.02% - 13.54% | 0.02% - 13.54% |

⁽¹⁾ Net of investment expense

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

⁽³⁾ Based on years of service

⁽⁴⁾ Based on age

⁽⁵⁾ All active and retired healthy members: CalPERS Mortality Tables from the CalPERS January 2014 Experience Study
Further details about the actuarial assumptions can be found in the SDCERS June 30, 2020 and June 30, 2019 actuarial reports.

Discount Rate: For the June 30, 2021, and June 30, 2020, actuarial valuations, the discount rates used to measure the total pension liability was 6.50 percent. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability (asset).

NOTE 7. DEFINED BENEFIT PLAN (CONTINUED)

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

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

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

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

NOTE 7. DEFINED BENEFIT PLAN (CONTINUED)

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

| | Increase (Decrease) | | |
|---|---------------------|----------------|---------------|
| | Total Pension | Fiduciary Net | Net Pension |
| Balances as of June 30, 2020 | \$ 218,788,911 | \$ 202,827,408 | \$ 15,961,503 |
| Changes for the year: | | | |
| Service cost | 7,857,035 | - | 7,857,035 |
| Interest on total pension liability | 14,257,205 | - | 14,257,205 |
| Difference between expected and actual experience | 925,862 | - | 925,862 |
| Changes in assumptions | 6,767,000 | - | 6,767,001 |
| Employer contributions | - | 8,424,834 | (8,424,834) |
| Member contributions | - | 3,321,661 | (3,321,661) |
| Net investment income | - | 390,013 | (390,013) |
| Benefit payments | (6,733,942) | (6,733,942) | - |
| Administrative expense | - | (386,697) | 386,697 |
| Net changes | 23,073,160 | 5,015,868 | 18,057,292 |
| Balances as of June 30, 2021 | \$ 241,862,071 | \$ 207,843,276 | \$ 34,018,795 |

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

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

NOTE 7. DEFINED BENEFIT PLAN (CONTINUED)

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

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

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

| For June 30, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 2,065,699 | \$ 2,065,506 |
| Net difference between projected and actual earnings | 7,836,405 | - |
| Changes in assumptions | 12,324,366 | - |
| Employer contributions made subsequent to June 30, 2020 measurement date | 8,522,311 | - |
| Total | <u>\$ 30,748,781</u> | <u>\$ 2,065,506</u> |

The deferred outflows of resources, at June 30, 2022, and June 30, 2021, resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end will be recognized as a reduction of the net pension liability (asset) at June 30, 2023 and 2022, respectively.

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

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

NOTE 8. PRESERVATION OF BENEFITS TRUST PLAN

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

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

Benefits provided: Retirement benefits are provided to POB members with retirement benefits in excess of Code Section 415(b) who have participated in in the Plan since establishment of the POB. Participation ends for a portion of a plan year in which the retirement benefit of a retiree or beneficiary is not limited by Code Section 415(b) or when all benefit obligations to the retiree or beneficiary have been satisfied. Benefit payments are equal to the amount of retirement income that would have been payable, less the amount payable by the Plan. Benefit payments for the years ended June 30, 2022, and June 30, 2021, were \$52,398 and \$42,682, respectively. The POB is unfunded and provides benefits on an annual basis as determined by SDCERS.

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

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

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

NOTE 8. PRESERVATION OF BENEFITS TRUST PLAN (CONTINUED)

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

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

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

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

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

| | Total Pension |
|--|---------------|
| Balances as of June 30, 2020 | \$ 1,767,232 |
| Changes for the year: | |
| Service cost | 55,276 |
| Interest on total pension liability | 62,061 |
| Difference between expected and actual exper | (57,318) |
| Changes in assumptions | 661,465 |
| Benefit payments | (43,301) |
| Net changes | 678,183 |
| Balances as of June 30, 2021 | \$ 2,445,415 |

NOTE 8. PRESERVATION OF BENEFITS TRUST PLAN (CONTINUED)

Sensitivity of the Total Pension Liability to Discount Rate Changes: The following presents the resulting total pension liability calculated using the discount rate of 2.16 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal year ended June 30, 2022:

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

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

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

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

| For June 30, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 225,947 | \$ 84,431 |
| Changes in assumptions | 640,043 | 116,445 |
| Employer contributions subsequent to June 30, 2020 measurement date | 42,682 | - |
| Total | <u>\$ 908,672</u> | <u>\$ 200,876</u> |

The deferred outflows of resources, at June 30, 2022, resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end will be recognized as a reduction of the net pension liability at June 30, 2023.

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

| Years ended June 30, | |
|----------------------|-------------------|
| 2022 | \$ 141,239 |
| 2023 | 112,314 |
| 2024 | 86,145 |
| 2025 | (34,685) |
| | <u>\$ 305,013</u> |

NOTE 9. EMPLOYEES' DEFERRED COMPENSATION PLAN

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

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

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

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

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

Plan description: As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for over two million California public employees, retirees, and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States. As of June 30, 2022, CalPERS managed \$440 billion in assets for more than 2,890 California employers. In 1988 and 2007, enabling statutes and regulations were enacted which permitted CalPERS to form the CERBT fund, an irrevocable Section 115 Trust, for the purpose of receiving employer contributions that will prefund health and other postemployment benefit costs for retirees and their beneficiaries. Financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding policy: CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the actuarially determined contributions (ADCs). As of May 9, 2009, the agreement with CERBT was approved. The retirees' contribution rate was raised from 5 percent to 10 percent of plan costs for single coverage and the entire cost of vision benefits, lowering the OPEB liabilities of the Airport Authority. Annually, the Airport Authority's goal is to fund 100 percent of the actuarially calculated ADC for its OPEB. In previous years, the Airport Authority has made contributions above the annual ADC which has resulted in a net OPEB asset. During the fiscal years ended June 30, 2022 and 2021, the Airport Authority's contributions were \$951,488 and \$919,462, respectively.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

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

| | |
|---|--|
| Actuarial Valuation Date | June 30, 2021 |
| Contribution Policy | Authority contributes at least the full ADC |
| Inflation | 2.50% |
| Projected salary increase | 2.75% |
| Investment rate of return | 5.25%; Expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust |
| Actuarial cost method | Entry Age Normal Level Percent of Pay |
| Asset valuation method | 5 year asset smoothing |
| Retirement age | SDCERS 2015-2019 Experience Study |
| Mortality | CalPERS 2000-2019 Experience Study |
| Mortality Improvement | Mortality projected fully generational with Scale MP-2021 |
| Medical Trend | Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076; Medicare - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 |
| Healthcare Participation of Future Retirees | 90% |
| Spousal Assumption for Future Retirees | Currently covered - 2-party coverage if currently have 2 party or family coverage; Currently waived - 50% cover spouses at retirement |

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

Discount Rate: The discount rate used to measure the net OPEB liability (asset) at June 30, 2022, and June 30, 2021, was 5.25 percent and 6.75 percent, respectively. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the net OPEB liability.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

| | Increase (Decrease) | | |
|---|---------------------|---------------|----------------|
| | Liability | Position | (Asset) |
| Balances as of June 30, 2020 | \$ 25,660,994 | \$ 27,797,488 | \$ (2,136,494) |
| Changes for the year: | | | |
| Service cost | 501,198 | - | 501,198 |
| Interest on total OPEB liability | 1,739,459 | - | 1,739,459 |
| Difference between expected and actual experience | - | - | - |
| Changes in assumptions | - | - | - |
| Employer contributions | - | 784,845 | (784,845) |
| Member contributions | - | - | - |
| Net investment income | - | 982,113 | (982,113) |
| Benefit payments | (784,845) | (784,845) | - |
| Administrative expense | - | (13,580) | 13,580 |
| Net changes | 1,455,812 | 968,533 | 487,279 |
| Balances as of June 30, 2021 | \$ 27,116,806 | \$ 28,766,021 | \$ (1,649,215) |

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Health Care

Cost Trend Rates: The net OPEB liability (asset) of the Authority has been calculated using a discount rate of 5.25 percent. The following presents the net OPEB liability (asset) using a discount rate 1 percent higher and 1 percent lower than the current discount rate.

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

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

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB:

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

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

| For June 30, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Net difference between projected and actual earnings | \$ 710,743 | \$ - |
| Net difference between expected and actual experience | - | 88,828 |
| Changes in assumptions | 183,690 | 802,145 |
| Employer contributions made subsequent to June 30, 2020 measurement date | 919,462 | - |
| Total | \$ 1,813,895 | \$ 890,973 |

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The deferred outflows of resources at June 30, 2022, related to OPEB resulting from Airport Authority contributions subsequent the measurement date and prior to year-end will be recognized as an addition to the net OPEB asset at June 30, 2023.

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

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

NOTE 11. RISK MANAGEMENT

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

Commercially issued insurance:

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

Self-insurance: Due to the exorbitant cost of earthquake insurance, the Airport Authority self-insures for losses due to earthquake damage. Effective July 1, 2007, the Airport Authority removed the purchase of commercial earthquake insurance from the Risk Management Program and increased reliance on the laws designed to assist public entities through the Federal Emergency Management Agency and the California Disaster Assistance Act. As of June 30, 2022 and 2021, the Airport Authority has designated \$13,121,946 and \$12,403,950, respectively, from its net position, as an insurance contingency.

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

NOTE 11. RISK MANAGEMENT (CONTINUED)

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

During fiscal year 2022, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

NOTE 12. COMMITMENTS AND CONTINGENCIES

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

The Airport Authority has funds which have been classified as noncurrent assets, primarily for the unpaid contractual portion of capital projects that are currently in progress and will not be funded by grants or additional debt but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. June 30, 2022 and 2021, these funds totaled \$1.1 million and \$8.1 million, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.

As part of the MOU, services provided by the District Harbor Police are required to be purchased by the Airport Authority as long as SDIA continues to operate at the current location. At the time of the transfer, the Airport Authority entered into a Master Services Agreement, a Police Services Agreement, and a Communications Services Agreement with the District, which described the services that the Airport Authority could purchase and the manner of calculating the payments for such services. The largest amount that became payable under any of these agreements is under the Police Services Agreement, which is for Harbor Police services. The District provides monthly billings to the Airport Authority, with payment generally due 30 days after the date of the invoice, and provision of appropriate supporting documentation. During the years ended June 30, 2022 and 2021, the Airport Authority expensed \$21.9 million and \$22.2 million respectively for these services.

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

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

NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

In fiscal year 2015, the Board approved a \$29.2 million contract with SP Plus Corporation to transport rental car companies' customers between the Rental Car Center facility and the terminals. The contract scope also includes the operation, management, and maintenance of the shuttle vehicles. In fiscal years 2016- 2022, the Board approved an additional \$27.8 million. As of June 30, 2022, \$51 million had been spent and the contract is scheduled for completion in fiscal year 2023. A new contract will be rebid at that time.

In fiscal year 2019, the Board approved a \$19.5 million contract with AECOM Technical Services, Inc. for on call program management, staffing support and consulting services. In fiscal year 2020, the board approved additional \$134.8 million. As of June 30, 2022, \$51 million has been spent and the contract is scheduled for completion in fiscal year 2024.

In fiscal year 2021, the Board approved a \$16.2 million contract with Granite Construction Company to provide a Construction of the West Refueler Loading Facility and the West Solid Waste Facility. In fiscal year 2022, the board approved additional \$1 million. As of June 30, 2022, \$13.8 million had been spent and the contract is scheduled for completion in early fiscal year 2023.

In fiscal year 2021, the Board approved an \$80 million contract with Turner-Flatiron, A Joint Venture for the design-build of terminal and roadways. In fiscal year 2022, the Board approved additional \$2.5 billion. As of June 30, 2022, \$211 million had been spent and the contract is scheduled for completion in early fiscal year 2028.

In fiscal year 2019, the Board approved an \$11.7 million contract with Pacific Rim Mechanical for HVAC repair and maintenance services. As of June 30, 2022, \$8.2 million had been spent and the contract was completed in late fiscal year 2022. A new contract will be rebid and issued in fiscal year 2023.

In fiscal year 2020, the Board approved a \$35 million contract with Jacobs Engineering Group, Inc. to provide Airside-Landside Engineering consulting services. As of June 30, 2022, \$23.7 million had been spent and the contract is scheduled for completion in fiscal year 2025.

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

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

NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

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

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

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

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

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

Required Supplementary Information (Unaudited)

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

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

Defined Benefit Plan

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Total Pension Liability: | | | | | | | | |
| Service cost | \$ 7,970,646 | \$ 7,857,035 | \$ 7,632,696 | \$ 7,390,428 | \$ 6,996,180 | \$ 6,205,263 | \$ 6,154,579 | \$ 6,099,481 |
| Interest (includes interest on service cost) | 15,693,834 | 14,257,205 | 13,355,418 | 12,621,226 | 11,416,679 | 10,277,610 | 9,327,538 | 8,465,485 |
| Differences between expected and actual experience | (2,239,695) | 925,862 | (645,462) | (2,630,285) | 3,975,029 | (2,178,527) | 345,661 | - |
| Effect of changes of assumptions | - | 6,767,000 | - | 6,416,088 | 5,871,218 | 10,473,890 | - | - |
| Benefit payments, including refunds of member contributions | (8,820,959) | (6,733,942) | (6,429,659) | (4,462,751) | (4,669,787) | (3,023,391) | (2,482,523) | (2,913,221) |
| Net change in total pension liability | 12,603,826 | 23,073,160 | 13,912,993 | 19,334,706 | 23,589,319 | 21,754,845 | 13,345,255 | 11,651,745 |
| Total pension liability - beginning | 241,862,071 | 218,788,911 | 204,875,918 | 185,541,212 | 161,951,893 | 140,197,048 | 126,851,793 | 115,200,048 |
| Total pension liability - ending | \$ 254,465,897 | \$241,862,071 | \$218,788,911 | \$204,875,918 | \$185,541,212 | \$161,951,893 | \$140,197,048 | \$126,851,793 |
| Plan Fiduciary Net Position: | | | | | | | | |
| Contributions - employer | \$ 8,596,163 | \$ 8,424,834 | \$ 7,848,712 | \$ 7,318,546 | \$ 5,480,984 | \$ 4,047,780 | \$ 3,897,545 | \$ 3,924,988 |
| Contributions - employee | 3,125,138 | 3,321,661 | 3,178,464 | 3,162,781 | 2,990,317 | 2,967,269 | 2,840,236 | 2,765,079 |
| Net investment income | 53,140,343 | 390,013 | 12,086,349 | 14,036,710 | 19,480,875 | 1,651,283 | 4,390,185 | 18,302,683 |
| Benefit payments, including refunds of member contributions | (8,820,959) | (6,733,942) | (6,429,659) | (4,462,751) | (4,669,786) | (3,023,391) | (2,482,523) | (2,913,221) |
| Administrative expense | (423,018) | (386,698) | (359,095) | (350,408) | (325,042) | (318,817) | (332,290) | (332,645) |
| Net change in plan fiduciary net position | 55,617,667 | 5,015,868 | 16,324,771 | 19,704,878 | 22,957,348 | 5,324,124 | 8,313,153 | 21,746,884 |
| Plan fiduciary net position - beginning | 207,843,276 | 202,827,408 | 186,502,637 | 166,797,759 | 143,840,411 | 138,516,287 | 130,203,134 | 108,456,250 |
| Plan fiduciary net position - ending | \$ 263,460,943 | \$207,843,276 | \$202,827,408 | \$186,502,637 | \$166,797,759 | \$143,840,411 | \$138,516,287 | \$130,203,134 |
| Net pension liability (asset) - ending | \$ (8,995,046) | \$ 34,018,795 | \$ 15,961,503 | \$ 18,373,281 | \$ 18,743,453 | \$ 18,111,482 | \$ 1,680,761 | \$ (3,351,341) |
| Plan fiduciary net position as a percentage of the total pension liability | 103.53% | 85.93% | 92.70% | 91.03% | 89.90% | 88.82% | 98.80% | 102.64% |
| Covered payroll | \$ 33,328,788 | \$ 32,828,449 | \$ 31,584,841 | \$ 31,628,301 | \$ 31,131,795 | \$ 29,189,357 | \$ 27,955,455 | \$ 26,380,323 |
| Net pension liability as a percentage of covered payroll | (26.99%) | 103.63% | 50.54% | 58.09% | 60.21% | 62.05% | 6.01% | (12.70%) |

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

San Diego County Regional Airport Authority

Schedule of Contributions (Pensions)

Last 10 fiscal years (dollars in thousands)

Defined Benefit Plan

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

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

* This schedule is presented for the fiscal year.

Schedule of Changes in the Net Pension Liability and Related Ratios
Last 10 fiscal years (plan year reported in subsequent fiscal year)

Preservation of Benefits Trust Plan

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Pension Liability | | | | | | |
| Service cost | \$ 88,557 | \$ 55,276 | \$ 49,343 | \$ 51,774 | \$ 60,994 | \$ 29,270 |
| Interest cost | 54,559 | 62,061 | 64,133 | 53,311 | 35,323 | 34,173 |
| Differences between expected and actual experience | (195,545) | (57,318) | (64,295) | 193,013 | 388,329 | - |
| Changes of assumptions | 22,116 | 661,465 | 109,070 | (89,712) | (214,765) | 272,579 |
| Benefit Payments | (41,662) | (43,301) | (47,081) | (31,329) | - | |
| Net Change in Total Pension Liability | (71,975) | 678,183 | 111,170 | 177,057 | 269,881 | 336,022 |
| Total pension liability -beginning | 2,445,415 | 1,767,232 | 1,656,062 | 1,479,005 | 1,209,124 | 873,102 |
| Total pension liability - ending | \$ 2,373,440 | \$ 2,445,415 | \$ 1,767,232 | \$ 1,656,062 | \$ 1,479,005 | \$ 1,209,124 |
| Covered payroll | \$ 33,328,788 | \$ 32,828,449 | \$ 31,584,841 | \$ 31,628,301 | \$ 31,131,795 | \$ 29,189,357 |
| Net Pension Liability as a percentage of payroll | 7.12% | 7.45% | 5.60% | 5.24% | 4.75% | 4.14% |

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

Schedule of Contributions (Pensions)
Last 10 fiscal years

Preservation of Benefits Trust Plan

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the actuarially determined contribution | 52,398 | 42,682 | 41,249 | 45,353 | 56,513 |
| Contribution deficiency (excess) | \$ (52,398) | \$ (42,682) | \$ (41,249) | \$ (45,353) | \$ (56,513) |
| Covered payroll | \$ 29,986,825 | \$ 33,328,788 | \$ 32,828,449 | \$ 31,584,841 | \$ 31,628,301 |
| Contributions as a percentage of covered payroll | 0.17% | 0.13% | 0.13% | 0.14% | 0.18% |

* This schedule is presented for the fiscal year.

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

Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios
Last 10 fiscal years (plan year reported in subsequent fiscal year)

Other Postemployment Benefits

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|----------------|----------------|----------------|---------------|---------------|
| Total OPEB Liability | | | | | |
| Service Cost | \$ 446,233 | \$ 501,198 | \$ 449,596 | \$ 436,501 | \$ 411,052 |
| Interest Cost | 1,829,473 | 1,739,459 | 1,883,080 | 1,772,578 | 1,606,959 |
| Difference between expected and actual experience | (3,669,756) | - | (169,582) | - | - |
| Changes of Assumptions | 4,568,725 | - | (1,531,369) | - | 766,830 |
| Benefit Payments | (919,462) | (784,845) | (775,225) | (622,425) | (451,189) |
| Net Change in Total OPEB Liability | 2,255,213 | 1,455,812 | (143,500) | 1,586,654 | 2,333,652 |
| Total OPEB Liability (Beginning) | 27,116,806 | 25,660,994 | 25,804,494 | 24,217,840 | 21,884,188 |
| Total OPEB Liability (Ending) | \$ 29,372,019 | \$ 27,116,806 | \$ 25,660,994 | \$ 25,804,494 | \$ 24,217,840 |
| Plan Fiduciary Net Position | | | | | |
| Contributions—Employer | \$ 919,462 | \$ 784,845 | \$ 775,225 | \$ 622,425 | \$ 2,012,419 |
| Net Investment Income | 4,973,926 | 982,113 | 1,604,058 | 1,896,351 | 2,175,582 |
| Benefit Payments | (919,462) | (784,845) | (775,225) | (622,425) | (451,189) |
| Administrative Expense | (10,452) | (13,580) | (5,611) | (12,568) | (10,578) |
| Net Change in Plan Fiduciary Net Position | 4,963,474 | 968,533 | 1,598,447 | 1,883,783 | 3,726,234 |
| Plan Fiduciary Net Position (Beginning) | 28,766,021 | 27,797,488 | 26,199,041 | 24,315,258 | 20,589,024 |
| Plan Fiduciary Net Position (Ending) | \$ 33,729,495 | \$ 28,766,021 | \$ 27,797,488 | \$ 26,199,041 | \$ 24,315,258 |
| Net OPEB Asset | \$ (4,357,476) | \$ (1,649,215) | \$ (2,136,494) | \$ (394,547) | \$ (97,418) |
| Net Position as a Percentage of OPEB Liability | 114.84% | 106.08% | 108.33% | 101.53% | 100.40% |
| Covered Payroll | \$ 12,786,000 | \$ 14,608,940 | \$ 13,869,000 | \$ 16,625,857 | \$ 16,141,609 |
| Net OPEB Asset as a Percentage of Payroll | (34.08%) | (11.29%) | (15.40%) | (2.37%) | (0.60%) |

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

Schedule of Contributions (OPEB)

Last 10 fiscal years (dollars in thousands)

Other Postemployment Benefits

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-----------|-----------|-----------|-----------|-----------|
| Actuarially determined contribution | \$ 326 | \$ 365 | \$ 427 | \$ 486 | \$ 472 |
| Contributions in relation to the actuarially determined contribution | 951 | 919 | 785 | 339 | 462 |
| Contribution deficiency (excess) | \$ (625) | \$ (554) | \$ (358) | \$ 147 | \$ 10 |
| Covered payroll | \$ 10,493 | \$ 12,786 | \$ 14,609 | \$ 13,869 | \$ 15,674 |
| Contributions as a percentage of covered payroll | 9.06% | 7.19% | 5.37% | 2.44% | 2.95% |

* This schedule is presented for the fiscal year.

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

San Diego County Regional Airport Authority

Single Audit Reports

June 30, 2022

San Diego County Regional Airport Authority

June 30, 2022

Contents

| | |
|---|----|
| Schedule of Expenditures of Federal Awards | 1 |
| Notes to the Schedule of Expenditures of Federal Awards | 2 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report | 3 |
| Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance – Independent Auditor’s Report | 5 |
| Schedule of Findings and Questioned Costs | 8 |
| Summary Schedule of Prior Audit Findings | 10 |

San Diego County Regional Airport Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/Pass – Through Grantor/Program or Cluster Title | Assistance Listing Number | Other Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
|--|----------------------------------|---------------------------------|--|-----------------------------|
| <u>U.S. Department of Transportation - Federal Aviation Administration:</u> | | | | |
| Direct Programs: | | | | |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-80 | \$ - | \$ 30,199 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-83 | - | 512,954 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-84 | - | 6,822,156 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-85 | - | 1,206,322 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-86 | - | 136,152 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-89 | - | 4,672,192 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-90 | - | 2,266,271 |
| COVID-19 - ACRGP – Airport Improvement Program (AIP) | 20.106 | 3-06-0214-91 | - | 18,254 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-93 | - | 632,145 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-94 | - | 2,726,074 |
| COVID-19 – Airport Improvement Program (AIP) | 20.106 | 3-06-0214-95 | - | 78,790,418 |
| COVID-19 – Airport Improvement Program (AIP) | 20.106 | 3-06-0214-96 | - | 10,836,081 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-100-2022 | - | 8,346,639 |
| Total Airport Improvement Program (AIP) | | | - | 116,995,857 |
| Law Enforcement Officer Reimbursement Agreement Program | 97.090 | | - | 292,000 |
| Total U.S. Department of Transportation – Federal Aviation Administration | | | \$ - | \$ 117,287,857 |

The accompanying notes are an integral part of this Schedule.

San Diego County Regional Airport Authority
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of San Diego County Regional Airport Authority (Airport Authority) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Airport Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Airport Authority.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

The Airport Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loan Programs

The Authority did not have any federal loan programs during the year ended June 30, 2022.

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the San Diego County Regional Airport Authority (Airport Authority), which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2022, which contained emphasis of matters regarding a change in accounting principle and correction of a misstatement.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

FORVIS,LLP

Dallas, Texas
November 1, 2022



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

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited San Diego County Regional Airport Authority's (Airport Authority) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Airport Authority's major federal program for the year ended June 30, 2022. The Airport Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Airport Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Airport Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Airport Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to its federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Airport Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Airport Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Airport Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Airport Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the Airport Authority as of and for the year ended June 30, 2022, and have issued our report thereon dated November 1, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

FORVIS,LLP

Dallas, Texas
November 1, 2022

San Diego County Regional Airport Authority
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Section II – Financial Statement Findings

| Reference Number | Finding |
|-----------------------------|----------------|
|-----------------------------|----------------|

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

| Reference Number | Finding |
|-------------------------|----------------|
|-------------------------|----------------|

No matters are reportable.

San Diego County Regional Airport Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

| Reference Number | Summary of Finding | Status |
|-------------------------|---------------------------|---------------|
|-------------------------|---------------------------|---------------|

No matters are reportable.

San Diego County Regional Airport Authority

Passenger Facility Charge Program

Compliance Report

Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

San Diego County Regional Airport Authority
Passenger Facility Charge Program
Table of Contents
June 30, 2022

Contents

| | |
|--|----------|
| Schedule of Passenger Facility Charge Collections and Expenditures | 1 |
| Note to the Schedule of Passenger Facility Charge Collections and Expenditures..... | 2 |
| Report on Compliance for the Passenger Facility Charge Program; Report on Internal Control Over Compliance; and Report on Schedule of Passenger Facility Charge Collections and Expenditures – Independent Auditor’s Report | 3 |
| Passenger Facility Charge Program Audit Summary | 6 |
| Schedule of Passenger Facility Charge Program Findings and Questioned Costs | 7 |
| Summary Schedule of Prior Audit Findings | 8 |

San Diego County Regional Airport Authority
Passenger Facility Charge Program
Schedule of Passenger Facility Charge Collections and Expenditures
Year Ended June 30, 2022

| Revenues | Date Approved | Amount Approved For Use | Cumulative Total – June 30, 2021 | Quarter Ended | | | | Year Ended June 30, 2022 | Cumulative Total – June 30, 2022 |
|---|---------------|-------------------------|----------------------------------|---------------------|---------------------|----------------------|----------------------|--------------------------|----------------------------------|
| | | | | September 30, 2021 | December 31, 2021 | March 31, 2022 | June 30, 2022 | | |
| Passenger facility charge collections | | | \$ 803,549,615 | \$ 9,813,742 | \$ 8,998,621 | \$ 10,891,785 | \$ 12,266,553 | \$ 41,970,701 | \$ 845,520,316 |
| Interest earned | | | 19,571,394 | 174,940 | 155,536 | 165,060 | 205,565 | 701,101 | 20,272,495 |
| Total passenger facility charge revenue received | | | \$ 823,121,009 | \$ 9,988,682 | \$ 9,154,157 | \$ 11,056,845 | \$ 12,472,118 | \$ 42,671,802 | \$ 865,792,811 |
| Expenditures | | | | | | | | | |
| Application 95-01-C-04-SAN | 7/26/1995 | \$ 103,804,864 | \$ 103,804,864 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 103,804,864 |
| Application 98-02-C-04-SAN | 7/24/1998 | 45,496,665 | 45,496,665 | - | - | - | - | - | 45,496,665 |
| Application 03-03-C-01-SAN | 5/20/2003 | 65,058,035 | 65,058,035 | - | - | - | - | - | 65,058,035 |
| Application 05-04-C-01-SAN | 11/22/2005 | 44,822,518 | 44,822,518 | - | - | - | - | - | 44,822,518 |
| Application 08-05-C-01-SAN | 6/27/2008 | 19,031,690 | 19,031,690 | - | - | - | - | - | 19,031,690 |
| Application 09-07-C-00-SAN | 9/30/2009 | 85,181,950 | 79,489,990 | - | - | - | - | - | 79,489,990 |
| Application 10-08-C-00-SAN | 11/24/2010 | 1,118,567,229 | 308,922,835 | 7,501,335 | 7,501,335 | 7,501,335 | 7,501,335 | 30,005,340 | 338,928,175 |
| Application 12-10-C-00-SAN | 7/3/2012 | 27,835,280 | 25,858,133 | - | - | - | - | - | 25,858,133 |
| Application 15-11-U-00-SAN | 7/1/2008 | 1,391,894 | 1,391,894 | - | - | - | - | - | 1,391,894 |
| Application 16-12-C-00-SAN | 10/28/2016 | 43,795,768 | 26,911,838 | 692,033 | 673,026 | 690,595 | 464,761 | 2,520,415 | 29,432,253 |
| Application 19-13-C-00-SAN | 2/14/2019 | 51,100,000 | 51,100,000 | - | - | - | - | - | 51,100,000 |
| Total passenger facility charge revenue expended | | \$ 1,606,085,893 | \$ 771,888,462 | \$ 8,193,368 | \$ 8,174,361 | \$ 8,191,930 | \$ 7,966,096 | \$ 32,525,755 | \$ 804,414,217 |

San Diego County Regional Airport Authority

Passenger Facility Charge Program

Note to the Schedule of Passenger Facility Charge Collections and Expenditures Year Ended June 30, 2022

Note 1: General

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

PFC expenditures may consist of direct project costs, administrative costs, debt service, and bond financing costs, as applicable to active applications. The accompanying schedule of Passenger Facility Charge Collections and Expenditures includes eligible expenditures that have been applied against PFCs collected as of June 30, 2022.



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

Independent Auditor's Report

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

Report on Compliance for Passenger Facility Charge Program

Opinion on Passenger Facility Charge Program

We have audited San Diego County Regional Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration that could have a direct and material effect on the passenger facility charge program for the year ended June 30, 2022.

In our opinion, the Airport Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2022.

Basis for Opinion on Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Our responsibilities under those standards and the Guide are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Airport Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance of the passenger facility charge program. Our audit does not provide a legal determination of the Airport Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to its passenger facility charge program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Airport Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Airport Authority's compliance with the requirements of the passenger facility charge program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Airport Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Airport Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis.

A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Passenger Facility Charge Collections and Expenditures

We have audited the financial statements of the Airport Authority as of and for the year ended June 30, 2022, and the related notes to the basic financial statements which collectively comprise the Airport Authority’s basic financial statements. We have issued our report thereon dated November 1, 2022, which contained an unmodified opinion on those financial statements and emphasis of matters paragraph regarding a change in accounting principle and correction of misstatement. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying *Schedule of Passenger Facility Charge Collections and Expenditures* is presented for purposes of additional analysis, as regulated by the Guide, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Passenger Facility Charge Collections and Expenditures* is fairly stated in all material respects in relation to the basic financial statements as a whole.

FORVIS,LLP

Dallas, Texas
November 1, 2022

San Diego County Regional Airport Authority
Passenger Facility Charge Program Audit Summary
Findings and Questioned Costs
Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

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

San Diego County Regional Airport Authority
Schedule of Passenger Facility Charge Program
Findings and Questioned Costs
Year Ended June 30, 2022

Section II – Findings Required to be Reported by the Guide

| Reference Number | Finding |
|-----------------------------|----------------------------|
| | No matters are reportable. |

San Diego County Regional Airport Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

| Reference Number | Summary of Finding | Status |
|-----------------------------|---------------------------|---------------|
|-----------------------------|---------------------------|---------------|

No matters are reportable.

San Diego County Regional Airport Authority

Customer Facility Charge Program

Compliance Report

Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

San Diego County Regional Airport Authority
Customer Facility Charge Program
June 30, 2022

Contents

Schedule of Customer Facility Charge Collections and Expenditures..... 1

Notes to Schedule of Customer Facility Charge Collections and Expenditures 2

Report on Compliance for the Customer Facility Charge Program; Report on Internal Control Over Compliance; and Report on Schedule of Customer Facility Charge Collections and Expenditures – Independent Auditor’s Report 3

San Diego County Regional Airport Authority
Customer Facility Charge Program
Schedule of Customer Facility Charge Collections and Expenditures
Year Ended June 30, 2022

| Description | Beginning Balance, Unapplied CFC | CFC Collections | Interest Earned | Expenditures | Ending Balance, Unapplied CFC |
|--|---|----------------------------|----------------------------|----------------------|--|
| Collections and expenditures, quarter ended September 30, 2021 | \$ 26,630,263 | \$ 8,052,895 | \$ 37,953 | \$ 7,796,988 | \$ 26,924,123 |
| Collections and expenditures, quarter ended December 31, 2021 | \$ 26,924,123 | 7,343,003 | 21,904 | 7,581,670 | \$ 26,707,360 |
| Collections and expenditures, quarter ended March 31, 2022 | \$ 26,707,360 | 7,137,501 | 25,029 | 8,805,283 | \$ 25,064,607 |
| Collections and expenditures, quarter ended June 30, 2022 | \$ 25,064,607 | <u>8,350,903</u> | <u>45,355</u> | <u>8,396,258</u> | \$ 25,064,607 |
| | | <u>\$ 30,884,302</u> | <u>\$ 130,241</u> | <u>\$ 32,580,199</u> | |

See Notes to Schedule of Customer Facility Charge Collections and Expenditures

San Diego County Regional Airport Authority
Customer Facility Charge Program
Notes to Schedule of Customer Facility Charge Collections and Expenditures
Year Ended June 30, 2022

Note 1: General

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

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

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

Note 2: Basis of Presentation

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

CFC expenditures may consist of direct project costs, administrative costs, debt service, and related financing costs. The accompanying Schedule of Customer Facility Charge Collections and Expenditures includes the eligible expenditures that have been applied against CFCs collected as of June 30, 2022.



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

Independent Auditor's Report

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

Report on Compliance for Customer Facility Charge Program

Opinion on Customer Facility Charge Program

We have audited San Diego County Regional Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the *California Civil Code Section 1949* (Code) that could have a direct and material effect on the customer facility charge program for the year ended June 30, 2022.

In our opinion, the San Diego County Regional Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its customer facility charge program for the year ended June 30, 2022.

Basis for Opinion on Customer Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Code. Our responsibilities under those standards and the Code are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Airport Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance of the customer facility charge program. Our audit does not provide a legal determination of the Airport Authority's compliance with the compliance requirements referred to above.

Management's Responsibility

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to its customer facility charge program.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Airport Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Code will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Airport Authority's compliance with the requirements of the customer facility charge program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Code, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Airport Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Airport Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Code, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the customer facility charge program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the customer facility charge program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the customer facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Customer Facility Charge Collections and Expenditures

We have audited the financial statements of the Airport Authority as of and for the year ended June 30, 2022, and the related notes to the basic financial statements which collectively comprise the Airport Authority’s basic financial statements. We have issued our report thereon dated November 1, 2022, which contained an unmodified opinion on those financial statements and emphasis of matters paragraph regarding a change in accounting principle and a correction of misstatement. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying *Schedule of Customer Facility Charge Collections and Expenditures* is presented for purposes of additional analysis, as specified in the Code, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Customer Facility Charge Collections and Expenditures* is fairly stated in all material respects in relation to the financial statements as a whole.

FORVIS,LLP

Dallas, Texas
November 1, 2022



14241 Dallas Parkway, Suite 1100 / Dallas, TX 75254

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forvis.com

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

As part of our audits of the financial statements and compliance of the San Diego County Regional Airport Authority as of and for the year ended June 30, 2022, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor’s Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) Issued by the Federal Aviation Administration; and the *California Civil Code Section 1939* (Code), an ordinance of the State of California

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

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

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

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The entity’s significant accounting policies are described in *Note 1* of the Annual Comprehensive Financial Report (ACFR).

GASB 87, Leases

In fiscal year 2022, the entity adopted GASB 87, *Leases*. GASB 87 creates one model for recognizing leases for both lessees and lessors. Substantially all leases are recognized on the lessees' statement of net position. In the activity statement, lessees no longer report rent expense for the previously classified operating leases but instead report interest expense on the liability and amortization expense related to the asset. Lessors recognize a lease receivable and corresponding deferred inflow of resources. Interest income associated with the receivable are recognized using the effective interest method.

Adoption of GASB 87 required significant time to identify a complete list of lease contracts for consideration of adoption and measure the lease assets and liabilities for recognition. In addition, due to adoption of the standard, the entity's key performance indicators related to the statement of net position (such as the current ratio) are likely not comparable to historical results.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

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

- Fair market value of investments
- Valuation allowance for various receivables
- Estimated useful lives of capital assets
- Discount rate and terms of lease assets and liabilities

Significant Unusual Transactions

No matters are reportable.

Financial Statement Disclosures

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

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

Audit Adjustments

No matters are reportable.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

No matters are reportable.

Significant Issues Discussed with Management

During the Audit Process

During the audit process, the following was discussed with management:

- Implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (*attached*)
- We orally communicated to management a deficiency in internal control identified during our audit that is not considered a material weakness or significant deficiency.

OTHER MATTERS

We observed the following matters related to ongoing standard setting by the GASB. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (GASB 94)*

This statement provides uniform guidance on accounting and financial reporting for public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use an infrastructure or other nonfinancial asset (the underlying PPP asset) for a period of time in an exchange or exchange-like transaction. Statement 94 also addresses APAs, which are arrangements where a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying infrastructure or other nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement requires governments to report assets and liabilities related to PPPs consistently and disclose information about PPP transactions.

The requirements of this Statement are effective for the entity's fiscal year 2023, and all reporting periods thereafter. The changes would be applied retrospectively, if practicable, for all prior fiscal years presented. PPPs would be recognized and measured using the facts and circumstances that exist at the beginning of the implementation period or, if applicable to earlier periods, the beginning of the earliest period restated. In the year of adoption, the financial statement notes should disclose the nature of the restatement and its effect or the reason for not restating prior years presented.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96)

This statement addresses the accounting for the costs related to cloud computing agreements. The standard defines a subscription-based information technology arrangement (SBITA), establishes that a SBITA would result in a right-to-use (RTU) asset and a corresponding liability, provides capitalization criteria, and requires new note disclosures. The statement's language and concepts closely mirror the lease guidance provided in Statement 87, *Leases*. This statement requires governments report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The requirements of this statement are effective for the entity's fiscal year 2023, and all reporting periods thereafter. The changes should be applied retroactively by restating financial statements, if practicable, for all prior fiscal years presented. If restatement is not practicable, the cumulative effect, if any, should be reported as a restatement of beginning net position for the earliest fiscal year restated. In the first fiscal year the amendments are applied, note disclosure is required for the nature of the restatement and its effect, as well as the reason for not restating prior fiscal years presented, if applicable. SBITA assets and liabilities should be recognized and measured using the facts and circumstances at the beginning of the fiscal year of implementation. If applied to earlier fiscal years, those assets and liabilities should be recognized and measured using the facts and circumstances at the beginning of the earliest fiscal year restated. Governments are permitted—but not required—to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation.

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

FORVIS,LLP

November 1, 2022



November 1, 2022

Representation of:

San Diego County Regional Airport Authority
Third Floor, Commuter Terminal
3225 North Harbor Drive
San Diego, California 92101

Provided to:

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

The undersigned ("We") are providing this letter in connection with FORVIS' audits of our financial statements as of and for the years ended June 30, 2022 and 2021 and your audit of our compliance with requirements applicable to our major federal awards program as of and for the year ended June 30, 2022.

Our representations are current and effective as of the date of FORVIS' report: November 1, 2022.

Our engagement with FORVIS is based on our contract for services dated: June 28, 2022.

Our Responsibility and Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to FORVIS' report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

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

Confirmation of Matters Specific to the Subject Matter of FORVIS' Report

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

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for the design, implementation, and maintenance of:
 - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
 - b. Internal control to prevent and detect fraud.
3. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
4. We have everything we need to keep our books and records.
5. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the San Diego County Regional Airport Authority (Airport Authority) from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of meetings of the governing body held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
 - e. All significant contracts and grants.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We have informed you of all current risks of a material amount known to us that are not adequately prevented or detected by our procedures with respect to:
 - a. Misappropriation of assets.
 - b. Misrepresented or misstated assets, deferred outflows of resources, liabilities, deferred inflows of resources, or net position.
8. We have no knowledge of any known or suspected fraudulent financial reporting or misappropriation of assets involving:
 - a. Management or employees who have significant roles in internal control, or
 - b. Others, where activities of others could have a material effect on the financial statements.

9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Airport Authority received in communications from employees, customers, regulators, suppliers, or others.
10. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.
11. We have disclosed to you the identity of all of the Airport Authority's related parties and all the related-party relationships of which we are aware. In addition, we have disclosed to you all related-party transactions of which we are aware. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

We understand that the term related party refers to an affiliate, management and members of their immediate families, component units, and any other party with which the Airport Authority may deal if the Airport Authority can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the Airport Authority.

12. We are not aware of any side agreements or other arrangements (either written or oral) that are in place.
13. Except as reflected in the financial statements, there are no:
 - a. Plans or intentions that may materially affect carrying values or classifications of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.
 - b. Material transactions omitted or improperly recorded in the financial records.
 - c. Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - d. Events occurring subsequent to the statement of net position date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - e. Agreements to purchase assets previously sold.
 - f. Restrictions on cash balances or compensating balance agreements.
 - g. Guarantees, whether written or oral, under which the Airport Authority is contingently liable.
 - h. Known or suspected asset retirement obligations.
14. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

15. We have no reason to believe the Airport Authority owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
16. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
17. Adequate provisions and allowances have been accrued for any material losses from:
 - a. Uncollectible receivables.
 - b. Sales/lease/service commitments, including those unable to be fulfilled.
 - c. Purchase commitments in excess of normal requirements or above prevailing market prices.
18. Except as disclosed in the financial statements, the Airport Authority has:
 - a. Satisfactory title to all recorded assets, and they are not subject to any liens, pledges, or other encumbrances.
 - b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
19. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of net position date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
20. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
21. Except as already disclosed, we have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
22. With respect to any nonattest services you have provided us during the year, including assistance with preparation of draft of financial statements and related notes, including supplementary information related to the schedule of expenditures of federal awards and related notes, completing the auditee portion of the Form SF-SAC (Data Collection Form) through the Federal Audit Clearinghouse, and consulting services to assist with the adoption of GASB 87, *Leases*, including LeaseVision excel tools:

- a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
 - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - d. We have evaluated the adequacy of the services performed and any findings that resulted.
 - e. We have received the deliverables from you and have stored these deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.
23. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.
24. With regard to deposit and investment activities:
- a. All deposit and investment transactions have been made in accordance with legal and contractual requirements.
 - b. Investments are properly valued.
 - c. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - d. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
25. We have identified and evaluated all potential fiduciary activities. The financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended.
26. Components of net position (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.
27. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
28. We have appropriately disclosed the Airport Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

29. With regard to pension and other postemployment benefit (OPEB) activities:

- a. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- b. We have provided you with the Airport Authority's most current pension and OPEB plan instrument for the audit period, including all plan amendments.
- c. The participant data provided to you related to pension and OPEB plans are true copies of the data submitted or electronically transmitted to the plan's actuary.
- d. The participant data that we provided the plan's actuary for the purposes of determining the actuarial present value of accumulated plan benefits and other actuarially determined amounts in the financial statements were complete.
- e. Specialists have been engaged to evaluate the net pension asset and OPEB asset, along with net pension liability, and investment valuations. We have adequately considered the qualification of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. To the best of our knowledge their findings appear reasonable and accurate.
- f. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.

30. The Airport Authority's ability to continue as a going concern was evaluated and that appropriate disclosures are made in the financial statements as necessary under GASB requirements.

31. As an entity subject to *Government Auditing Standards*:

- a. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.
- b. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
- c. We have identified and disclosed to you any violations or possible violations of laws, regulations, and provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
- d. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
- e. We have a process to track the status of audit findings and recommendations.

- f. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.
32. With regard to federal awards, passenger facility charge and customer facility charge programs:
- a. We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations, or in any other form.
 - b. We have reconciled the schedule of expenditures of federal awards (SEFA) to the financial statements.
 - c. Federal awards-related revenues and expenditures are fairly presented, both in form and content, in accordance with the applicable criteria in the Airport Authority's financial statements.
 - d. We have identified the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; period of performance of federal funds; procurement and suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to each of our federal awards programs. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations. We have also identified all compliance requirements of the passenger facility charge and customer facility charge programs.
 - e. We are responsible for complying, and have complied, with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Passenger Facility Charge Audit Guide for Public Agencies, and California Code 1949, as applicable to our Customer Facility Charge program...
 - f. We are responsible to understand and comply with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal awards, passenger facility charge and customer facility charge programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we believe the Airport Authority has complied with all applicable compliance requirements.
 - g. We are responsible for the design, implementation, and maintenance of internal controls over compliance that provide reasonable assurance we have administered each of our federal awards, passenger facility charge and customer facility charge

programs in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.

- h. We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.
 - i. The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.
 - j. The costs charged to federal awards are in accordance with applicable cost principles.
 - k. The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency and the applicable payment system.
 - l. Amounts claimed or used for matching were determined in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) regarding cost principles.
 - m. We have disclosed to you any communications from federal awarding agencies concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.
 - n. We have identified to you any previous compliance audits, attestation engagements, and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other monitoring.
 - o. The reporting package does not contain any protected personally identifiable information.
 - p. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance subsequent to the period covered by the auditor's report.
33. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis and pension/other postemployment benefit information), has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions, and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

34. With regard to supplementary information:
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
 - b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
 - c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
 - e. If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.
35. We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the Airport Authority's financial statements. Further, management and governance are solely responsible for all aspects of managing the Airport Authority, including questioning the quality and valuation of investments and other assets; reviewing allowances for uncollectible amounts; evaluating capital needs and liquidity plans.
36. With regard to other information that is presented in the form of our annual comprehensive financial report:
- a. We have provided you with the final draft of the annual comprehensive financial report.
 - b. We have exercised due care in the preparation of the introductory and statistical sections included in our ACFR and are not aware of any information contained therein that is inconsistent with the information contained in our basic financial statements.
37. The Authority has restated the 2021 Statement of Cash Flows to correct a misstatement. Management has provided you with all relevant information regarding the restatement. We are not aware of any other known matters that require correction in the financial statements.
38. In connection with the adoption of GASB Statement No. 87, *Leases*, we represent the following:
- a. We have identified a complete population of potential leases as of the implementation date.
 - b. We have reviewed all significant contracts to identify lease and nonlease components as of the earliest date of adoption. Allocation of contract prices

between lease and nonlease components are based upon standalone prices or other reasonable factors.

- c. Measurements of the lease assets and liabilities are based upon facts and circumstances that existed at the beginning of the period of implementation.
- d. The estimates related to any options to extend or terminate the lease terms within the measurement of lease assets and liabilities agree to management's plans for the leases.
- e. The discount rates for each lease are based upon what would have been obtained at the time by the Airport Authority for similar loans as an incremental rate.
- f. The classification and accounting of related-party leases between entities, for which separate financial statements are issued, have been modified to recognize the substance of the transaction rather than only its legal form.
- g. The Authority has classified certain leases as regulated and represent the leases meet the definition of a regulated lease under GASB Statement No. 87 and that all of the following requirements are applicable:
 - i. Lease rates cannot exceed a reasonable amount, with reasonableness being subject to determination by an external regulator
 - ii. Lease rates should be similar for lessees that are similarly situated
 - iii. The lessor cannot deny potential lessees the right to enter into leases if facilities are available, provided that the lessee's use of the facilities complies with generally applicable use restrictions
- h. We have adequate controls in place to prevent and/or detect errors in lease assets and liabilities on a recurring basis.
- i. The footnotes to the financial statements appropriately describe the adoption of GASB 87 and include all additional disclosures required under the Statement to the best of our knowledge and understanding.

Elizabeth Stewart

Elizabeth M. Stewart, Director, Accounting

Staff Report

Meeting Date: December 1, 2022

Subject:

Review of the Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended June 30, 2022

Recommendation:

The Audit Committee recommends that the Board accept the report.

Background/Justification:

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

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

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

The Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022, is submitted as Attachment A.

Fiscal Impact:

Adequate funding for the audit conducted by FORVIS, LLP is included in the adopted Fiscal Year 2022 and Adopted Fiscal Year 2023 Operating Expense Budgets within the Accounting Department Services – Other line item.

Authority Strategies/Focus Areas:

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

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

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

Application of Inclusionary Policies:

Not Applicable

Prepared by:

Scott Brickner
Chief Financial Officer

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2022 & 2021



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
SAN DIEGO, CALIFORNIA

ANNUAL COMPREHENSIVE
**FINANCIAL
REPORT**

FISCAL YEARS ENDED JUNE 30, 2022 & 2021

PREPARED BY

ACCOUNTING DEPARTMENT OF THE
SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

Scott Brickner

Vice President/Chief Financial Officer

Elizabeth Stewart

Director, Accounting

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
 SAN DIEGO, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
 FOR THE FISCAL YEARS ENDED JUNE 30, 2022 & 2021

TABLE OF CONTENTS

| | | | | | | |
|-----------------------------|---|-------------|--|--|--|-------|
| INTRODUCTORY SECTION | Letter of Transmittal | vi-xv | | STATISTICAL SECTION (UNAUDITED) | Terminal Rates Billed to Airlines | 81 |
| (UNAUDITED) | Authority Organization Chart | xvi | | <i>continued</i> | Airline Cost per Enplaned Passenger | 82 |
| | Authority Board Members and Executive Staff | xvii | | | Authority Employee Head Count | 83 |
| | GFOA Certificate of Achievement For Excellence in Financial Reporting | xviii-xviii | | | Aircraft Operations | 84 |
| | | | | | Aircraft Landed Weights | 85 |
| | | | | | Aircraft Landed Weights by Airline | 86-87 |
| | | | | | Passenger Enplanements | 88 |
| | | | | | Enplanement Market Share by Airline by Fiscal Year | 90-91 |
| | | | | | Capital Assets | 92 |
| | | | | | Population and Per Capita Personal Income - San Diego County | 92 |
| | | | | | Principal Employers in San Diego County | 93 |
| | | | | | Labor Force, Employment and Unemployment Rates | 94 |
| | | | | | Debt Service Coverage | 95 |
| | | | | | Debt Service Coverage - Series 2014 CFC Bonds | 96 |
| | | | | | Debt Per Enplaned Passenger | 97 |
| FINANCIAL SECTION | Independent Auditor's Report | 2-3 | | | | |
| | Management's Discussion and Analysis (Unaudited) | 4-17 | | | | |
| | Basic Financial Statements: | | | | | |
| | Statements of Net Position | 18-19 | | | | |
| | Statements of Revenues, Expenses and Changes in Net Position | 20-21 | | | | |
| | Statements of Cash Flows | 22-23 | | | | |
| | Notes to Financial Statements | 25-71 | | | | |
| | Required Supplementary Information (Unaudited) | 72-75 | | | | |
| STATISTICAL SECTION | Authority Operating Revenues and O&M Expenses | 78 | | | | |
| (UNAUDITED) | Authority Net Position by Component | 78 | | | | |
| | Authority Changes in Net Position | 79 | | | | |
| | Authority Largest Sources of Revenues | 80 | | | | |
| | Authority Landing Fee Rate | 80 | | | | |

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

AUTHORITY ORGANIZATION CHART

AUTHORITY BOARD MEMBERS AND EXECUTIVE STAFF

GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING





November 1, 2022.

To Members of the Board and the Public:

We are pleased to present the Annual Comprehensive Financial Report of the San Diego County Regional Airport Authority (Airport Authority) for the fiscal years ended June 30, 2022, and 2021. The purpose of this report is to provide the Airport Authority Board of Directors (Board), the public and other interested parties with reliable information concerning the financial condition and operational results of the Airport Authority. The Airport Authority's Accounting Department prepared this report following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). Responsibility for the accuracy, completeness and fairness of the presented data, including all disclosures, rests with Airport Authority management.

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

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

The Airport Authority engaged the Certified Public Accounting firm FORVIS, LLP to perform the annual independent audit of the basic financial statements contained in this report. The auditors issued an unmodified (or clean) opinion on the Airport Authority's financial statements for the fiscal years ended June 30, 2022 and 2021.

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



PROFILE OF AIRPORT AUTHORITY AND ORGANIZATIONAL STRUCTURE

The Airport Authority began operations on January 1, 2003, as an independent agency to manage the operations of San Diego International Airport (SAN) and address the region's long-term air transportation needs.

The legislation that created the Airport Authority mandates three main responsibilities:

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

The Airport Authority is governed by an appointed Board of Directors of nine members representing

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

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

The United States Census Bureau estimates the population of San Diego County to be 3.29 million as of July 1, 2021. The county is the second largest in California, in terms of population, and the City of San Diego ranks as the second largest city in the state. The majority of the county's population is concentrated in its western portion adjacent to the ocean. The largest cities in the county are San Diego (42 percent), Chula Vista (8 percent), Oceanside (5 percent), Escondido (5 percent), Carlsbad (4 percent), and El Cajon (3 percent). The combined San Diego/Tijuana metropolitan population is estimated to be approximately 5.5 million inhabitants. The Air Trade Area for SAN includes San Diego County as well as portions of neighboring Orange, Imperial and Riverside Counties, and Baja California, Mexico.

As the economy recovers from the pandemic, the San Diego region is faring favorably compared to other large US cities, due to its many strong

business sectors. These include innovation, manufacturing, construction, military and, once again, tourism. In 2022, economic measures have been somewhat volatile and at times inconsistent, showing strong employment, high inflation, slow or negative Gross Domestic Product growth, and unpredictable debt and equity markets.

The airline industry realized a stronger recovery in domestic capacity in the second half of 2021 compared to the first half. Despite the arrival of the new COVID-19 Omicron variant, capacity remained stable. Major cancellations became the main focus as airlines struggled with staff shortages. By June of 2022, leisure travel was experiencing a strong rebound, while business, convention and international travel were tracking at a more gradual trajectory. By the summer of 2022, passenger levels were approximately 90 percent of 2019 traffic, with holiday weekend travel periods even slightly exceeding pre-pandemic levels.

As the air travel industry continued on the path to recovery, through the 2022 fiscal year, the Airport Authority gradually deactivated its Financial Resiliency Plan, implemented in March 2020 in response to the COVID-19 pandemic. The Airport Authority resumed hiring and normal financial operations, while maintaining a conservative approach to spending. In addition, many of the proposed capital improvement projects that had been suspended because of the pandemic have now been placed back in the plan. San Diego has always been a desirable place to visit and do business and the Airport Authority is optimistic that recovery will continue and long-term growth prospects are positive.

MAJOR INITIATIVES, AWARDS, AND ACCOMPLISHMENTS

GROWING SAN'S AIR SERVICE OFFERINGS

With access to COVID-19 vaccinations and declining case numbers, people around the world were once again eager to take trips, visit friends and family, and conduct face-to-face meetings. During fiscal year 2022, SAN welcomed back some airline routes that had been suspended and added nonstop service to new cities.

International air service gained momentum after many countries began to lift travel restrictions, making it easier to travel between destinations. In August 2021, Air Canada resumed nonstop service to Vancouver, British Columbia, Canada. In October 2021, Westjet resumed nonstop service to Calgary, Alberta, Canada, and British Airways resumed nonstop service to London, England, United Kingdom. Lufthansa opted to offer nonstop service to Munich, Bavaria, Germany beginning in March 2022 instead of returning to Frankfurt,

Hesse, Germany where they provided service pre-pandemic. In May 2022, Westjet resumed seasonal nonstop flights to Vancouver, British Columbia, Canada and Air Canada began nonstop flights to Montreal, Quebec, Canada.

Domestic routes continued to be added as well. Southwest Airlines added non-stop service to Bozeman, Montana, beginning in November 2021, and at the same time resumed nonstop service to New Orleans, Louisiana, after the route was suspended in May 2022 due to the pandemic. Allegiant Air added service to Austin, Texas beginning April 2022. The airline also offered seasonal nonstop flights to Sioux Falls, South Dakota beginning in May 2022. Spirit Airlines began nonstop service to Oakland, California the same month.



AIRLINE SUPPORT BUILDING REACHES COMPLETION

In July 2021, the Airport Authority celebrated the completion of the Airline Support Building (ASB), a modern 93,000-square-foot building that houses airline belly cargo, ground service equipment maintenance, and serves as a storage area for aircraft provisioning items. It is located on the south side of SAN's airfield along the main roadway towards the airport entrance which improves access for the public and transport vehicles. Southwest Airlines, American Airlines, Alaska Airlines, Hawaiian Airlines, Sun Country Airlines, Delta Airlines, Lufthansa, and United Airlines are all housed in the facility.



BREAKING GROUND ON THE NEW T1

After several years of planning, on November 1, 2021, the Airport Authority began construction on the New Terminal 1 (New T1) project which includes the replacement of the outdated Terminal 1, improvements to the airfield, improved transportation connectivity to the airport, and a new facility for the Airport Authority administration. A ceremonial groundbreaking event was held in December 2021 where federal, state, and local officials were seen wearing hard hats and holding shovels commemorating the historic day.

The New T1 will feature pre-and post-security passenger connectors to Terminal 2, a new parking

plaza, an expansive security checkpoint, an outdoor patio area post-security providing views of the airfield, San Diego Bay, and downtown, up to two airline or common-use lounges/clubs, and a children's play area. Six artists have been commissioned to create integrated, site-specific public art for the New T1 and the façade is being designed by renowned artist James Carpenter.

An important feature of the New T1 project is a three-lane on-airport access roadway that will take traffic from Laurel Street directly to the airport, reducing 45,000 vehicles a day on Harbor Drive. A dual-level roadway and curb front to separate arriving and departing passenger traffic with an

elevated departures roadway and curbside check-in will also be integrated. The Airport Authority has preserved a space for a future transit station, giving the airport even more direct accessibility.

The airport has an economic impact of \$12 billion on the region and serves as a critical link to San Diego's top economic sectors. The total project budget is \$3.4 billion. The initial estimate is that the New T1 project will create between 15,000 to 20,000 construction-related jobs and maximize opportunities for small, local, veteran-owned small businesses, and disadvantaged business enterprises through the Airport Authority's Small Business Development program.

THE SAN DIEGO FLYER OFFERS PASSENGERS A LAST-MILE CONNECTION

The San Diego Flyer, a free-to-customers electric shuttle bus service between the airport and Old Town Transit Center, launched just before Thanksgiving 2021. The electric shuttle buses operate seven days a week, with an average arrival every 20 to 30 minutes. Pick-up and drop-offs are timed to meet the first and last Trolley, Coasters, Amtrak trains, and MTS busses.

The service is provided on six Electric Vehicle (EV) shuttles which are powered by 100 percent sustainable energy through charging stations located on airport property. The EV shuttles are equipped with air conditioning, luggage racks, bike racks, and an ADA ramp. In fiscal year 2022, daily ridership has been between 150-250 riders.



THE AIRPORT AUTHORITY COMPLETES THE LARGEST SINGLE BOND SALE BY A CALIFORNIA AIRPORT

The Airport Authority completed a major bond financing totaling \$1.94 billion, the largest single bond sale by a California airport, in December 2021.

Approximately \$1.58 billion of the bonds are being used to pay for a portion of the New T1 program and achieved a true interest cost of 3.3 percent. This has reduced financing costs on a present value basis by an estimated \$387 million over the life of the program when compared to the plan of finance approved by the Airport Authority Board in October 2021. Of the remaining portion of the bonds, approximately \$357 million was used to refinance existing debt that has been in place since 2013, resulting in net present value savings for the Airport Authority of approximately \$53 million.

SUSTAINABILITY REPORT

Each year, the Airport Authority releases a Sustainability Report which serves as a useful barometer for SAN's relationship to the environment, the traveling public, its stakeholders, and the greater San Diego community. The report is organized into three sections: Social, Economic, and Environmental.

The Social Sustainability section looks at ways in which the Airport Authority focuses on the customer experience, employee diversity, recruitment, retention, and training, and regional and industry leadership. The Economic Sustainability section focuses on ways in which the Airport Authority optimizes facilities, enhances revenue, reduces expenses, drives the regional economy, provides opportunities for small businesses, and plans for the future. The Environmental Sustainability section focuses on ways in which the Airport Authority is achieving

carbon neutrality, serving as water stewards, pursuing energy efficiency and innovation, working towards clean, accessible transportation, zero waste, protecting biodiversity, building resilience for future climate conditions, and addressing aircraft noise.

The 2020-2021 Sustainability Report traces the Airport Authority's journey from the early months of the pandemic when resilience was the watchword, to the early signs of recovery and a healthier, safer future for the region. It tells the story of recovery from two perspectives: the short-term and the long-term. In the short-term, the Airport Authority focused on continued health and safety, sustainable infrastructure development, and economic growth. The short-term strategy helped provide the means to realize longer-term benefits in the form of a more diverse and inclusive workplace, improved transportation options to and from the airport, cleaner air and water, energy independence, and climate change resilience.





AIRPORT AUTHORITY RECEIVES GFOA DISTINGUISHED BUDGET PRESENTATION AWARD FOR 17TH CONSECUTIVE YEAR

The Authority received its seventeenth consecutive Distinguished Budget Presentation Award from the GFOA for its annual budget for the fiscal year beginning July 1, 2021. The GFOA Distinguished Budget Presentation Awards Program (Budget Awards Program) was established to encourage and assist state and local governments to prepare

budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting, and the GFOA's best practices on budgeting, and then to recognize individual governments that succeed in achieving that goal. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.



AIRPORT AUTHORITY AWARDED ACHIEVEMENT OF EXCELLENCE IN PROCUREMENT

The Airport Authority was awarded the Achievement of Excellence in Procurement® (AEP) for 2022 from the National Procurement Institute, Inc. (NPI). The award recognizes organizations that demonstrate excellence in innovation, professionalism, productivity, leadership, and

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



THE AIRPORT AUTHORITY'S QUIETER HOME PROGRAM AWARDED \$26 MILLION IN FEDERAL GRANT

The Airport Authority received a total of \$26 million in two airport safety and infrastructure grants through the Federal Aviation Administration (FAA) for noise mitigation measures. The grants mark the largest annual amount given to the Airport Authority by the FAA for its Quieter Home Program (QHP) and one of the largest annual amounts given to any airport nationwide.

The QHP is San Diego International Airport's residential sound insulation program. Primarily, the funds will be used to sound-insulate approximately 400 to 500 homes per year. A portion of this grant will also treat two churches and preschool facilities in the areas most impacted by aircraft noise.

AIRPORT AUTHORITY AWARDED CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The GFOA awarded the Certificate of Achievement for Excellence in Financial Reporting to San Diego County Regional Airport Authority for its Annual Comprehensive Financial Reports (Annual Reports) for the fiscal years ended June 30, 2020 and June 30, 2021. The Annual Reports were judged by an impartial panel to meet the high standards

of the program, which includes demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the Annual Report. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The Airport Authority has received this award every year since its inception.



BUDGET PROCESS AND FINANCIAL PLAN



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

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

FINANCIAL INFORMATION



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

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

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

grant reimbursements (including the *Coronavirus Aid, Relief and Economic Security Act*, the Airport Coronavirus Response Grant Program and Airport Rescue Grant funding's in fiscal year 2021 and 2022).

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

The Airport Authority completed fiscal year 2022 with operating income (before depreciation) of \$149.3 million, an increase of 6.4 percent compared to fiscal year 2021. Enplanements increased 104.8 percent, and airport operations increased 45.5 percent in fiscal year 2022 compared to fiscal year 2021. These increases were a strong reflection of the steady recovery from the COVID-19 pandemic. The accompanying Management's Discussion and Analysis provides a detailed narrative overview.

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

Respectfully submitted,



Kimberly J. Becker
President | Chief Executive Officer

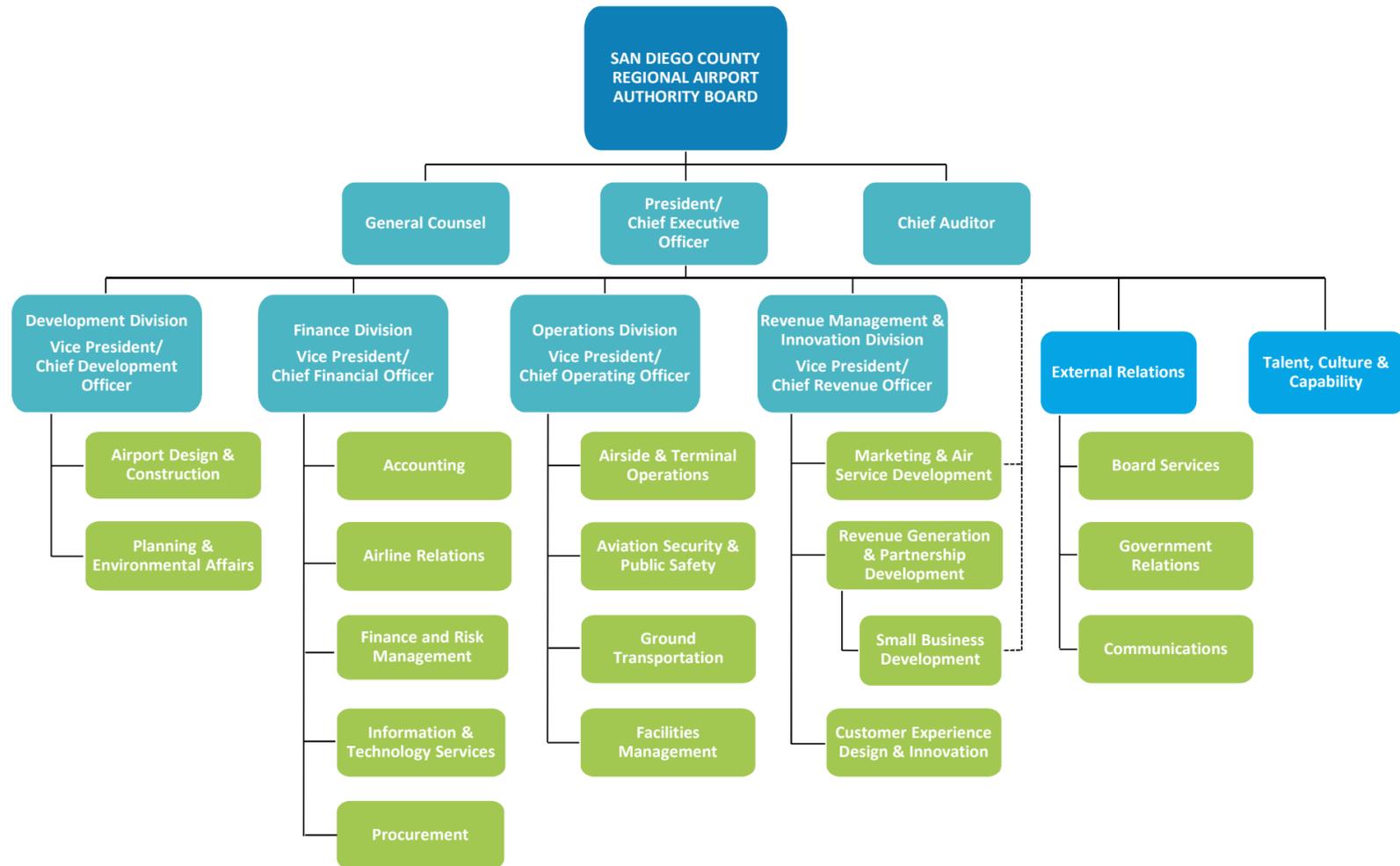
Finally, we would like to thank members of the Airport Authority Board for their continued leadership, guidance, and support towards the execution of our Mission to plan for and provide air transportation services to the region with safe, effective facilities that exceed customer expectations. We are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



Scott Brickner, CPA
Vice President | Chief Financial Officer

ACKNOWLEDGEMENTS





AIRPORT AUTHORITY BOARD

EXECUTIVE COMMITTEE:

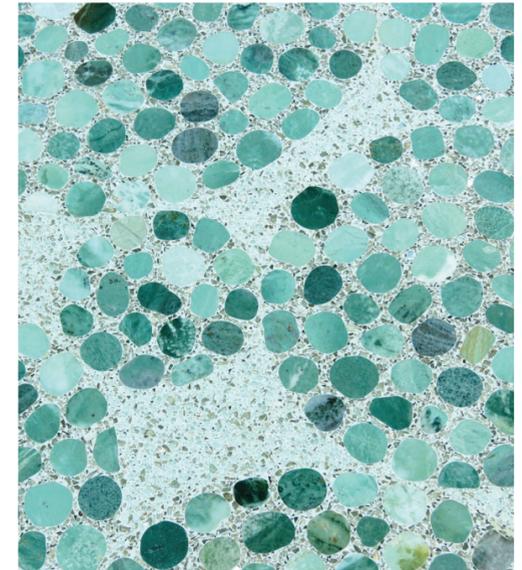
- GIL CABRERA**, CHAIR
- MARY CASILLAS SALAS**, VICE CHAIR
- PAUL ROBINSON**

EX-OFFICIO MEMBERS:

- COL. THOMAS M. BEDELL**
- GUSTAVO DALLARDS**
- GAYLE MILL**

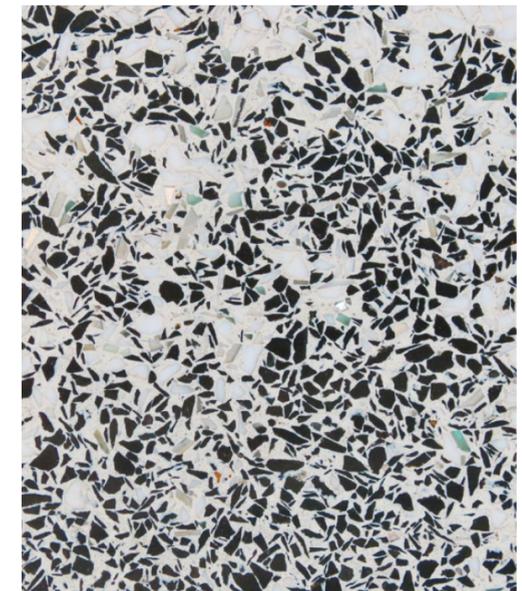
GENERAL MEMBERS:

- CATHERINE BLAKESPEAR**
- PAUL MCNAMARA**
- JOHANNA SCHIAVONI**
- JAMES SLY**
- NORA E. VARGAS**
- MARNI VON WILPERT**



EXECUTIVE STAFF

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



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to San Diego County Regional Airport Authority for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This was the nineteenth consecutive year that the Airport Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized

Annual Comprehensive Financial Report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

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



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**San Diego County Regional Airport Authority
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) BASIC FINANCIAL STATEMENTS:

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

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)



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

Opinion

We have audited the financial statements of the San Diego County Regional Airport Authority (Airport Authority), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Emphasis of Matters

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

FORVIS, LLP

Dallas, Texas
November 1, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Years Ended June 30, 2022 and 2021

INTRODUCTION

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

The Airport Authority is a self-sustaining entity receiving most of its revenues through user fees and rents from airline and non-airline business

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

The Airport Authority continued to be impacted by the COVID-19 pandemic through the current fiscal year, although increased demand for air travel has resulted in improved major activities. This followed the trend seen at most commercial airports across the country.

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

| | FY 2022 | FY 2021 | FY 2020 |
|------------------------------------|-------------------|-----------|------------|
| Enplaned passengers | 9,953,162 | 4,860,931 | 9,235,459 |
| % change from prior year | 104.8% | -47.4% | -25.3% |
| Total passengers | 19,830,645 | 9,701,311 | 18,450,599 |
| % change from prior year | 104.4% | -47.4% | -25.3% |
| Aircraft operations | 190,491 | 130,017 | 190,746 |
| % change from prior year | 46.5% | -31.8% | -16.4% |
| Freight and mail (in tons) | 151,160 | 151,327 | 154,380 |
| % change from prior year | -0.1% | -2.0% | -17.2% |
| Landed weight (in millions pounds) | 11,764 | 7,780 | 12,053 |
| % change from prior year | 51.2% | -35.5% | -16.8% |

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

recover. This is due in part because SDIA is an origin and destination airport and is not a hub for any airlines. Further, there is a balanced mixture of leisure and business travelers at SDIA. These factors generally add to the stability of SDIA enplanements in comparison to most airports.

SAN DIEGO INTERNATIONAL AIRPORT

HISTORY OF OWNERSHIP

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

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

LEGISLATIVE BACKGROUND

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

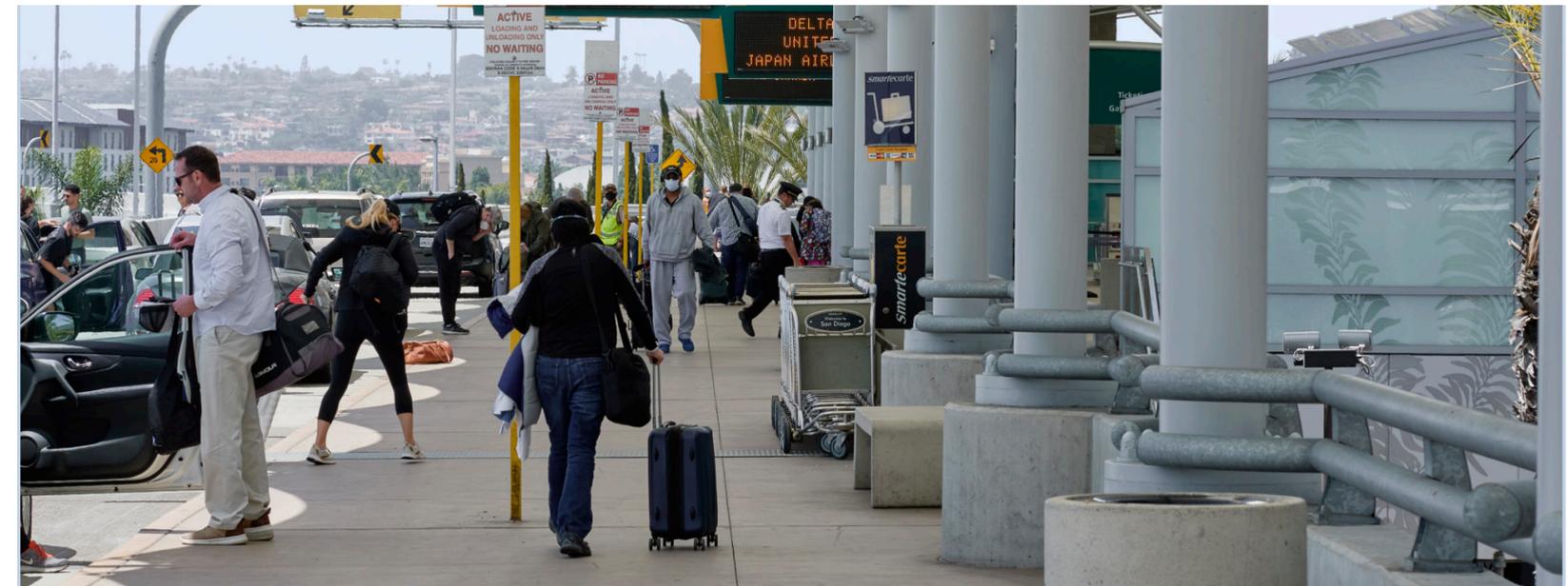
On January 1, 2008, Senate Bill 10 (SB 10), the San Diego County Regional Airport Authority Reform Act, was enacted into law expanding the responsibilities of the Airport Authority. The

Airport Authority is vested with five principal responsibilities:

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

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

AIRPORT ACTIVITIES HIGHLIGHTS (2020 - 2022)



FINANCIAL HIGHLIGHTS (2020 - 2022)

For the fiscal year ended June 30, 2022, the Airport Authority adopted GASB Statement No. 87, Leases (GASB 87). Fiscal year 2021 has been restated for the adoption of GASB 87. See Note 13 of the basic financial statements. Fiscal year 2020 has not been restated because it is not presented in the basic financial statements.

STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET POSITION

The metric 'Changes in Net Position' is an indicator of whether the Airport Authority's overall financial condition has improved or deteriorated during the fiscal year. Net position increased 3.7 percent in fiscal year 2020. Despite the negative effects of the pandemic, the Airport Authority was able to

manage a modest increase of 0.4 percent in fiscal year 2021, due to the significant dollars received from federal relief grants and implementation of GASB 87. As traffic recovery from the pandemic progressed, net position in fiscal year 2022 increased 2.6 percent.

The following is a summary of the statements of revenues, expenses, and changes in net position (in thousands):

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

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



OPERATING REVENUES (IN THOUSANDS)

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

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

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

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

FISCAL YEAR 2022 COMPARED TO 2021:

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

Concession revenue (terminal and rental car) increased by \$46.3 million, or 110.9 percent, due to increased passenger flow throughout the terminals. Parking and ground transportation revenue increased \$29.6 million, or 107.9 percent,

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

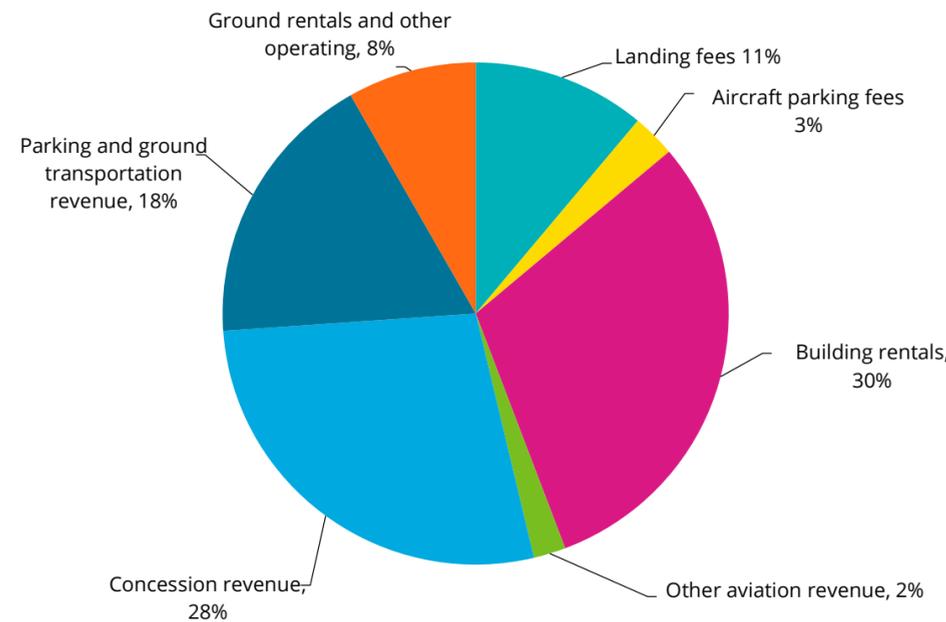
OPERATING REVENUES
(CONTINUED)

FISCAL YEAR 2021 COMPARED TO 2020:

Total airline revenues increased by \$2.0 million, or 1.5 percent, primarily due to increased cost recovery from the airlines in fiscal year 2021, which was a result of higher debt service and lower federal relief grants applied towards airlines cost centers, offset by a decrease in recoverable operating expenses. Landing fees increased \$804 thousand or 2.4 percent. Aircraft parking fees increased \$188 thousand or 2.3 percent. Building rentals increased by \$637 thousand or 0.8 percent. Other aviation revenue increased by \$403 thousand or 5.2 percent, primarily due to the Signatory air carriers paying the minimum guarantee required in the Airline Operating and Lease Agreement.

Concession revenue (terminal and rental car) decreased by \$15.4 million or 27.0 percent. This is due to the Airport Authority's Rent Forbearance

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



OPERATING EXPENSES
(IN THOUSANDS)

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

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

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

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

OPERATING EXPENSES
(CONTINUED)

FISCAL YEAR 2022 COMPARED TO 2021:

Total fiscal year 2022 operating expenses increased by \$13.4 million or 4.8 percent. Contractual services increased by \$9.5 million or 38.1 percent, primarily due to an increase in parking and shuttle operations and Rental Car Center (RCC) buses expenses due to increase in enplanements. Utilities increased by \$2.4 million or 21 percent due to increased gas & electric usage and rates. Maintenance expenses increased by \$1.6 million, or 18 percent, due to an increase in annual and major maintenance. Business Development increased by \$1.5 million or 752.2 percent, due to an increase in marketing and advertising costs.

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

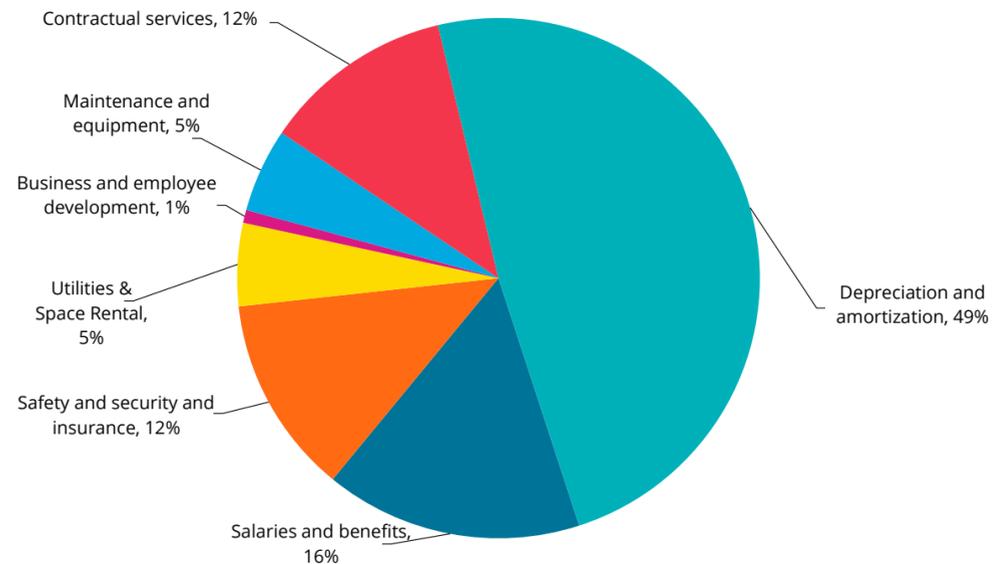
FISCAL YEAR 2021 COMPARED TO 2020:

Total fiscal year 2021 operating expenses decreased by \$16.0 million or 5.5 percent. The Airport Authority continued to operate under its

Financial Resilience Plan that was activated in March 2020, and eliminated, delayed, or reduced non-essential operating expenditures.

Contractual services decreased by \$12.7 million or 33.7 percent, mainly due to lower expenses in shuttle services, planning & environmental services, terminal operation services, legal services and IT services. Space rental decreased by \$10.1 million or 99.4 percent due to implementation of GASB 87. Utilities decreased by \$1.0 million or 8.0 percent due to decreased gas & electric usage. Maintenance expenses decreased by \$2.5 million, or 21.3 percent, due to a decrease in annual and major maintenance. Business Development decreased by \$1.8 million or 89.7 percent due to a decrease in Airport Authority marketing and promotional activity expenses.

Partially offsetting the decrease in operating expenses described above, salaries and benefits, increased by \$1.3 million or 2.4 percent, due to additional pension expense. In addition, safety and security increased by \$5.6 million or 19.1 percent due to an increase in expenses for law enforcement, aircraft rescue and firefighting and emergency medical services.



NONOPERATING REVENUES
(EXPENSES) (IN THOUSANDS)

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

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

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

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

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

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

is \$9.00 per day, up to five days for rental car transactions that originate at the Rental Car Center. For car rental transactions of non-RCC tenants, the CFC rate is \$3.41 per day, up to five days for rental car transactions.

Federal Relief Grants include *Coronavirus Aid, Relief and Economic Security Act* (CARES Act) grants, *Coronavirus Response and Relief Supplemental Appropriation Act* (CRRSAA) and *American Rescue Plan Act* (ARPA) funds received from the federal government.

CARES Act was approved by the United States Congress and signed into law on March 27, 2020, to address the crisis created by the COVID-19 pandemic and included direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Airport Authority was awarded \$91.2 million in CARES Act grant funds and drew \$54.3 million in fiscal year 2021 and \$36.9 million in fiscal year 2020.

NONOPERATING REVENUES (EXPENSES) (CONTINUED)

Authority has spent \$261.5 million and received reimbursement for \$209.8 million.

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

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

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

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

Fiscal year 2022 compared to 2021: nonoperating revenues (net) decreased by \$61.3 million or 140.0 percent. The increases in PFCs and CFCs are due to an increase in enplaned passengers. PFCs increased by \$18.3 million or 82.7 percent, and CFCs increased by \$14.6 million or 92.5 percent. Investment income (loss)

decreased by \$51.4 million or 2,059.3 percent. The decrease is due to unrealized loss on investments of \$61.3 million as market yields increased significantly decreasing the market value of fixed rate securities held by the Authority. The unrealized loss was offset partially by increased interest earnings due to higher yields and larger investment balances. Other nonoperating income (expenses) decreased by \$12.6 million or 1,788.8 percent, due to the loss on fixed asset disposals, caused by the demolition of various fixed asset necessary for the construction of the New Terminal 1.

Fiscal year 2021 compared to 2020: Nonoperating revenues (net) decreased by \$14.7 million or 25.2 percent. The increase in Federal Relief Grants in fiscal year 2021 was \$40.3 million or 109.3 percent. The increase in federal relief grant income was partially offset by decreases in PFCs and CFCs due to reduced enplaned passengers caused by the pandemic. PFCs decreased by \$12.3 million or 35.7 percent, and CFCs decreased by \$14.5 million or 47.9 percent. Other interest income increased by \$5.1 million or 302.9 percent due to the adoption of GASB 87 which requires lessors to recognize interest income. Investment income decreased by \$28.3 million or 91.5 percent, this was caused by a combination of lower yields on investments that resulted in a \$6.2 million decrease in interest income and \$22.1 million reversal of prior years' unrealized gains due to market fluctuations. Other nonoperating income (expenses) decreased by \$2.1 million or 148.9 percent, primarily due to legal settlement income received in fiscal year 2020.

CRRSAA was signed into law on December 27, 2020 and included nearly \$2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease pandemic. The Airport Authority was awarded \$22.9 million on March 26, 2021 and drew \$2.7 million in fiscal year 2022 and \$20.2 million in fiscal year 2021.

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

Quieter Home Program includes sound attenuation construction improvements at all eligible single-family and multi-family dwellings located in the Year 2020 65 dB Community Noise Equivalent Level contour. The project is eligible for the FAA's Airport Improvement Program (AIP) which awards grants for certain eligible Airport Authority expenditures. The \$2.5 million of expenses represents the authority's cost, net of the grant funds utilized in FY22. From inception through the end of fiscal year 2022, the Airport



FEDERAL GRANT CONTRIBUTIONS (IN THOUSANDS)

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

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

Federal Grant Contributions: are comprised of Airport Improvement Project (AIP) entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as

revenue as the work is completed on the eligible projects. In fiscal year 2021, federal grant contributions increased by \$9.9 million, or 242.1 percent compared to fiscal year 2020, due to a reduction in federally funded project costs.

The statements of net position present the financial position of the Airport Authority as of a period in time. The statements include all assets, deferred outflows, liabilities, deferred inflows, and net position of the Airport Authority. A summary

comparison of the Airport Authority's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2020, 2021 and 2022, is as follows:

ASSETS, LIABILITIES AND NET POSITION (IN THOUSANDS)

| | FY 2022 | FY 2021 | FY 2020 |
|---|------------|------------|------------|
| Assets and Deferred Outflows of Resources | | | |
| Current assets | \$ 477,126 | \$ 423,942 | \$ 349,617 |
| Capital and lease assets, net | 2,283,739 | 2,063,223 | 1,788,601 |
| Noncurrent assets | 2,593,804 | 782,615 | 773,751 |
| Total assets | 5,354,669 | 3,269,780 | 2,911,969 |
| Deferred outflows of resources | 22,390 | 33,471 | 22,761 |
| Total assets and deferred outflows of resources | 5,377,059 | 3,303,251 | 2,934,730 |
| Liabilities and Deferred Inflows of Resources | | | |
| Current liabilities | 252,815 | 157,563 | 162,269 |
| Long-term liabilities | 4,001,676 | 2,080,290 | 1,875,514 |
| Total liabilities | 4,254,491 | 2,237,853 | 2,037,783 |
| Deferred inflows of resources | 210,167 | 176,474 | 11,881 |
| Total liabilities and deferred inflows of resources | 4,464,658 | 2,414,327 | 2,049,665 |
| Net Position | | | |
| Net investment in capital assets | 418,349 | 324,926 | 266,213 |
| Restricted | 176,638 | 192,484 | 211,329 |
| Unrestricted | 317,414 | 371,514 | 407,524 |
| Total net position | \$ 912,401 | \$ 888,924 | \$ 885,066 |

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

ASSETS, LIABILITIES AND NET POSITION (CONTINUED)

As of June 30, 2022, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$912.4 million. This reflects a \$23.5 million or 2.6 percent increase in net position from June 30, 2021. The Airport Authority uses capital and lease assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital and lease assets is reported net of related debt, the

funds required to repay this debt must be provided annually from operations. The unrestricted net position of \$317.4 million as of June 30, 2022, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2022, 2021 and 2020, management has designated unrestricted funds in the amount of \$16.2 million, \$22.5 million, and \$43.4 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake self-insurance and operating contingency.

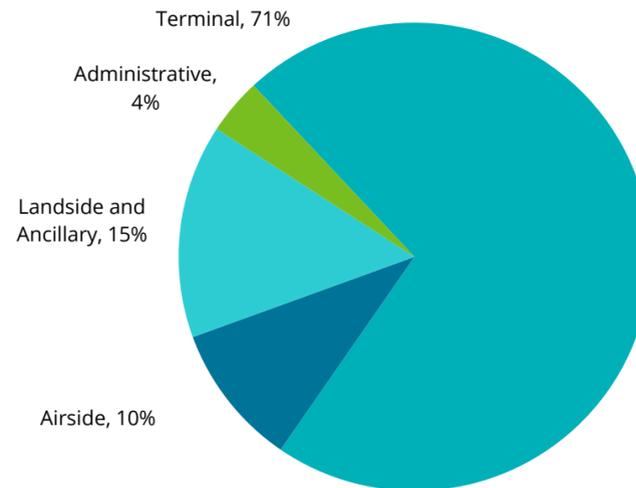
CAPITAL PROGRAM

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

facility bonds, and short-term borrowing using revolving lines of credit and drawdown bonds.

The current Capital Program, which includes projects through 2027, consists of \$382 million for airside projects, \$558 million for landside and ancillary projects, \$2.8 billion for terminal projects, which includes the replacement of Terminal 1, and \$150 million for administrative projects.

Capital Program Projects by Type



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

CAPITAL FINANCING AND DEBT MANAGEMENT

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

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

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

The Series 2014 A Bonds were structured as tax-exempt non-AMT term bonds that bear interest at 5.0 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.5 percent to 5.6 percent and mature in fiscal years 2019 to 2045. Interest expense for the fiscal year ended June 30, 2022, amounted to \$15.6 million, including accrued interest of \$7.8 million. As of June 30, 2022, the principal balance on the Series 2014 Bonds was \$282.0 million.

The Series 2014 Bonds are special limited obligations of the Airport Authority, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, Customer Facility Charges collected from the rental car companies operating at the Airport and remitted to the Trustee. No revenues of the Airport Authority other than the Customer Facility Charges and

the Bond Funding Supplemental Consideration (as defined in the Indenture), are pledged to the payment of the Series 2014 Bonds.

On August 3, 2017, the Airport Authority issued \$291.2 million of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds). The Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund \$32.6 million of the Airport Authority's outstanding variable rate debt, which was issued during 2017, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of \$48.4 million, which is being amortized over the life of the bonds. Interest on the senior Series 2017 Bonds is payable semiannually on January 1 and July 1, of each year. Interest expense for the fiscal year ended June 30, 2022, amounted to \$13.6 million, including accrued interest of \$6.8 million. As of June 30, 2022, the principal balance on the Series 2017 Bonds was \$271.9 million.

On December 11, 2019, the Airport Authority issued \$338.8 million of Series A Subordinate Airport Revenue and Revenue Refunding Bonds and \$124.9 million of Series B Subordinate Airport Revenue Bonds (Series 2019 Bonds). The Series 2019 Bonds were issued to finance certain capital improvements at SDIA including a new facilities maintenance building and storm water capture and reuse projects, fund a portion of the interest accruing on the Series 2019 Bonds, refund \$34.3 million of the Airport Authority's outstanding variable rate debt, fund the Series 2010C Escrow account to refund the 2010C bonds, fund the subordinate reserve fund, and pay the costs of issuance of the Series 2017 Bonds. The Series 2019 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2021 to 2050. The bonds were

CAPITAL FINANCING AND DEBT MANAGEMENT (CONTINUED)

issued at a premium of \$96.9 million, which is being amortized over the life of the bonds. Interest on the Series 2019 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal year ended June 30, 2022, amounted to \$22.1 million, including accrued interest of \$11.1 million. The principal balance on the Series 2019 Bonds as of June 30, 2022, was \$459 million.

The Airport Authority issued \$241.6 million of Series A, B and C Subordinate Airport Revenue Refunding Bonds (Series 2020 Bonds). The Authority entered into a Forward Delivery Purchase Contract on December 11, 2019, and delivered the Series 2020 Bonds Proceeds on April 8, 2020. Proceeds from the sale of the Series 2020 Bonds were used to fund the Series 2010 A and B Bonds escrow accounts to refund the 2010 A/B bonds and pay the costs of issuance of the Series 2020 Bonds. The Series 2020 Bonds are structured as serial bonds that bear interest rates of 5.0 percent and mature in fiscal years 2021 to 2041. The bonds were issued at a premium of \$49.4 million, which is being amortized over the life of the bonds. Interest on the Series 2020 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal year ended June 30, 2022, amounted to \$11.5 million, including accrued interest of \$5.8 million. The principal balance on the Series 2020 Bonds as of June 30, 2022, was \$227 million.

On December 8, 2021, the Airport Authority issued \$1,941.7 million of Series A, B and C Subordinate Airport Revenue Bonds (Series 2021 Bonds). The Series 2021 Bonds were issued to finance The New Terminal 1 development at SDIA, fund a portion of the interest accruing on the Series 2021 Bonds, fund the subordinate reserve fund, pay the costs of issuance of the Series 2021 Bonds and to refund the 2013 Series A and B bonds. The Series 2021 A and B Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2027 to 2057 and were issued at a premium of \$332.4 million, which is being amortized over the life of the bonds. The Series 2021 C Bonds are

federally Taxable Bonds and are structured as serial and term bonds that bear interest at rates ranging from 0.5 percent to 3.1 percent and mature in fiscal years 2023 to 2037. Interest on the Series 2021 Bonds is payable semiannually on January 1 and July 1, of each year. Interest for the fiscal year ended June 30, 2022, amounted to \$46.3 million, including accrued interest of \$46.3 million. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2022, was \$1,941.7 million.

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

The Airport Authority leases properties from various third parties and use that space to conduct its operations, the terms of which expire 2022 through 2072. The measurement of the lease payable is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee. Incremental Borrowing Rates of 1.1 percent to 3.8 percent were used by The Airport Authority to measure lease payables. Liabilities recorded under lease contracts during the years ended June 30, 2022, and 2021, were \$232.4 million and \$235.8 million, respectively, which includes both principal and interest.

On July 19, 2021, The Airport Authority and Bank of America agreed to a Revolving Credit Agreement. The Airport Authority is authorized to issue up to \$200.0 million in Subordinate Revolving Obligations. The revolving credit agreement is for a term of three years. At the end of fiscal year 2022, the Airport Authority had \$80.1 million in aggregate principal of Subordinate Revolving Obligations outstanding.

These obligations were used to finance the New Terminal 1. Obligations incurred under the Revolving Credit Agreement are payable solely from and secured by a pledge of "Subordinate Net Revenues." Subordinate Net Revenues are generally defined as all revenues and other cash receipts of the Airport Authority's Airport operations remaining after Senior Lien payments have been deposited by the Trustee in accordance with the Senior Lien Trust Indenture.

Additional information of the Airport Authority's long-term debt can be found in Note 6 to the financial statements.

The SDIA's PFC program was established in 1994, and currently authorizes the imposition of a \$4.50

fee on enplaning passengers. There are currently four active applications which provide the Airport Authority to impose and use PFC revenue through May 1, 2040.

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately \$83.4 million in grant awards for the federal fiscal year ended September 30, 2022, as compared to \$131.6 million for 2021. Grant awards are recognized as nonoperating revenue or capital contributions as eligible expenses are incurred.

CAPITAL FINANCING AND DEBT MANAGEMENT (CONTINUED)

This financial report is designed to provide a general overview of the Airport Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the San Diego County Regional Airport

Authority, Accounting Department, P.O. Box 82776, San Diego, CA 92138. The Accounting Department can also be reached at (619) 400-2806. A copy of the financial report is available at www.san.org

REQUEST FOR INFORMATION



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

See Notes to Financial Statements.

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

See Notes to Financial Statements.

SAN DIEGO COUNTY REGIONAL
AIRPORT AUTHORITY

STATEMENTS OF REVENUES,
EXPENSES AND CHANGES
IN NET POSITION
FOR THE FISCAL YEARS ENDED
JUNE 30, 2022 AND 2021

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

See Notes to Financial Statements.



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

See Notes to Financial Statements.



SAN DIEGO COUNTY REGIONAL
AIRPORT AUTHORITY

STATEMENTS OF REVENUES,
EXPENSES AND CHANGES
IN NET POSITION (CONTINUED)
FOR THE FISCAL YEARS ENDED
JUNE 30, 2022 AND 2021

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

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

See Notes to Financial Statements.



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

See Notes to Financial Statements.



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS, (CONTINUED) FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021



NOTE 1.

NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS:

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

INVESTMENTS:

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

TENANT RECEIVABLES:

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

REPORTING ENTITY:

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

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

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements should include all organizations, agencies, boards, commissions and authorities for which the Airport Authority is financially accountable. The Airport Authority has also considered all other potential organizations for which the nature and significance of their relationships with the Airport Authority are such that exclusion would cause the Airport Authority's financial statements to be misleading or

incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

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

USE OF ESTIMATES:

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

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



FEDERAL GRANTS:

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

AIRPORT IMPROVEMENT PROGRAM (AIP):

grants are authorized and disbursed by the FAA under the Airway Improvement Act of 1982, as amended, which provides funding for airport planning and development projects at airports included in the National Plan of Integrated Airport Systems. As such, the AIP grants must be used to pay for the allowable costs of approved projects. As of June 30, 2022, and 2021, the Airport Authority recovered \$13.0 million and \$14.0 million, respectively, for approved capital projects; and \$14.4 million and \$12.3 million, respectively, for the Quieter Home Program.

CARES ACT:

The Coronavirus Aid, Relief, and Economic Security Act (CARES), was signed into law on March 27, 2020, to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. For the fiscal year ended June 30, 2021, the Airport Authority drew \$54.3 million.

CRRSAA:

The Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA), was signed into law on December 27, 2020, and includes nearly \$2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease pandemic. To distribute these funds, the FAA established the Airport Coronavirus Response Grant Program

(ACRGP) to make grants to all airports that are part of the national airport system, including all commercial service airports, all reliever airports, and some public-owned general aviation airports. The Airport Authority was awarded \$22.9 million on March 26, 2021. For the fiscal year ended June 30, 2021, the Airport Authority drew \$22.9 million.

ARPA:

The American Rescue Plan Act of 2021 (ARPA) was signed into law on March 11, 2021 and includes \$8 billion in funds to be awarded as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the coronavirus disease pandemic. To distribute these funds, the FAA has established the Airport Rescue Grants to make grants to all airports that are part of the national airport system, including all commercial service airports, all reliever airports, and some public-owned general aviation airports. The Airport Authority was awarded \$78.8 million on August 10, 2021. For the fiscal year ended June 30, 2022, the Airport Authority drew \$78.8 million.

Passenger facility charges (PFC):

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

In accordance with the program, PFC revenue must be used to pay allowable costs for approved capital projects, contribute to the Airport Authority's noise mitigation (Quieter Home Program), or to repay debt service issued to build eligible capital projects. As of June 30, 2022, and 2021, accrued PFC receivables totaled \$4.2 million and \$5.8 million respectively, and there were \$61.4 million and \$51.2 million PFC amounts collected but not yet applied for approved capital projects as of June 30, 2022, and 2021, respectively.

On May 20, 2003, the FAA approved an increase in the Airport Authority's PFC charge per enplaned

passenger from \$3.00 to \$4.50, beginning August 2003. Currently, there are four active applications that allow the Airport Authority to impose and use \$1.2 billion in PFC revenue through April 2040. The latest application was approved by the FAA in February 2019 (as amended in August 2020) providing collection authority with a charge effective date through April 2040. In accordance with the Aviation Investment Reform Act (AIR-21), airports imposing a \$4.50 collection level are required to reduce AIP Passenger Entitlement Apportionment to 75 percent.

Customer facility charges (CFC):

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

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects and operate the related ground transportation system. The current CFC rate, which has been in effect since January 1, 2017, is \$9.00 per day for a maximum of five days. As of June 30, 2022, and 2021, accrued CFC receivables totaled \$2.9 million and \$2.4 million, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2022, and 2021, were \$25.2 million, and \$26.3 million, respectively.

Deferred Outflows/Inflows of Resources:

In addition to assets and liabilities, the statement of net position may report a separate section for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods and deferred inflows of resources represent an acquisition of net assets that applies to future periods, and as such will not be recognized as flows of resources (expenses/revenues) until then.

- Employer Contributions – Pensions and OPEB– These contributions are those made after the measurement date through the fiscal year end (July 1st – June 30th) resulting in a

cash outlay not yet recognized under GASB 68 or GASB 75. This amount is deferred and recognized in the following fiscal year. This item is presented as a deferred outflow of resources.

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

NOTE 1.

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

a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.

- Leases – Represent the initial value of lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease.

CAPITAL AND LEASE ASSETS:

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

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

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

**NATURE OF ORGANIZATION
& SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES
(CONTINUED)**

NOTE 1.

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are expensed as incurred. Major outlays for capital assets and improvements are capitalized as construction in progress as projects are constructed. The Airport Authority no longer capitalizes interest due to the adoption of GASB 89, Accounting for Interest Cost Incurred before the End of a Construction Period that eliminated the requirement to capitalized interest.

CAPITAL ASSET IMPAIRMENT:

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

be able to meet, technological development or evidence of obsolescence, a change in the manner or expected duration of use of a capital asset or construction stoppage. The Airport Authority reports the effects of capital asset impairments in its financial statements when they occur and accounts for insurance recoveries in the same manner. The Airport Authority's management has determined that no impairments of capital assets currently exist.

RETENTIONS PAYABLE:

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

COMPENSATED ABSENCES:

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

OTHER NONCURRENT LIABILITIES:

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

BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS:

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

AIRPORT AUTHORITY NET POSITION:

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

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

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

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

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

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

REVENUE AND EXPENSE RECOGNITION:

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

CONCENTRATIONS:

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

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

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

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

NOTE 1.

**NATURE OF ORGANIZATION
& SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES
(CONTINUED)**



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

NOTE 1.

DEFINED BENEFIT PENSION PLAN:

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

Additionally, the Airport Authority has a single-employer defined benefit preservation of benefit pension plan administered through SDCERS. For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plan and additions to/ deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OTHER POSTEMPLOYMENT BENEFIT PLAN:

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

and payable in accordance with the benefit terms. Investments are reported at fair value.

ACCOUNTING PRONOUNCEMENTS ADOPTED:

The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2022:

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

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

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

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

ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED:

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

GASB Statement No. 91, *Conduit Debt Obligations*, effective for the Airport Authority's year ended June 30, 2023.

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

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

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

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

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

RECLASSIFICATIONS:

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

NOTE 1.

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



CASH, CASH EQUIVALENTS & INVESTMENTS

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

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

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

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

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

INVESTMENTS AUTHORIZED IN ACCORDANCE WITH CALIFORNIA GOVERNMENT CODE SECTION 53601 AND UNDER THE PROVISIONS OF THE AIRPORT AUTHORITY'S INVESTMENT POLICY:

The table that follows identifies the investment types that are authorized by the Airport Authority's investment policy and State Government Code. The table also identifies certain provisions of the Airport Authority's investment policy that address interest

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

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

INVESTMENT IN STATE INVESTMENT POOLS:

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

rate risk, credit risk, and concentration of credit risk.

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

INVESTMENT IN COUNTY INVESTMENT POOL:

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

NOTE 2.

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

NOTE 2. INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS:

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

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

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

*Investment requires collateralization

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

INVESTMENTS HELD BY TRUSTEE:

The Airport Authority has monies held by trustees

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

pledged for the security and payment of certain debt instruments, the payment of bond interest during construction and the payment of capital project costs.

DISCLOSURES RELATED TO INTEREST RATE RISK:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, investments with longer maturities have greater fair value sensitivity to changes in market interest rates. One of the ways the Airport Authority manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities. These staggered maturities also provide consistent cash flow and fulfill liquidity needs for operations. The Airport Authority monitors interest rate risk inherent in its

portfolio by measuring the segmented time distribution of its portfolio. The Airport Authority has no specific limitations with respect to this metric.

CUSTODIAL CREDIT RISK (DEPOSITS):

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

Insurance through the Federal Deposit Insurance Corporation (FDIC) may be applicable to the first \$250,000 of institutional deposit accounts, with

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

CUSTODIAL CREDIT RISK (INVESTMENTS):

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

DISCLOSURES RELATED TO CREDIT RISK:

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

NOTE 2.

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)



NOTE 2. The maturity ranges and credit ratings for the Airport Authority's investment securities as of June 30 are presented in the following tables:

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

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

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

| Investment Type | Total | Investment Maturities (in Years) | | | Ratings |
|--|-----------------------|----------------------------------|-------------------|-------------------|-----------|
| | | 0-1 | 1-2 | 2-5 | |
| Investments subject to credit and interest rate risk: | | | | | |
| U.S. Treasury obligations | \$ 111,584,806 | \$ 62,013,108 | \$ 43,647,786 | \$ 5,923,912 | AA+ |
| U.S. Agency securities | 129,121,554 | 32,018,617 | 28,272,388 | 68,830,549 | AA+ |
| Non-U.S. Securities | 2,025,740 | 2,025,740 | - | - | AAA |
| Non-U.S. Securities | 5,536,955 | 5,536,955 | - | - | Not rated |
| Medium-term notes | 3,000,720 | 3,000,720 | - | - | AAA |
| Medium-term notes | 6,270,120 | - | 6,270,120 | - | AA |
| Medium-term notes | 12,502,610 | 3,009,030 | 7,421,280 | 2,072,300 | A+ |
| Medium-term notes | 21,236,805 | 5,051,320 | 5,684,385 | 10,501,100 | A |
| Medium-term notes | 2,027,160 | 2,027,160 | - | - | A- |
| Medium-term notes | 4,047,720 | 4,047,720 | - | - | AA+ |
| Municipal Bonds | 5,194,250 | - | - | 5,194,250 | AA+ |
| Negotiable Certificates of deposit | 2,222,300 | 2,222,300 | - | - | Not rated |
| Money market mutual funds | 117,578,335 | 117,578,335 | - | - | Not rated |
| Local Agency Investment Fund | 192,705,889 | 192,705,889 | - | - | Not rated |
| San Diego County Investment Pool | 270,367,612 | 270,367,612 | - | - | AAA |
| CalTrust Fund | 16,410,450 | 16,410,450 | - | - | AAA |
| Total investments subject to credit and interest rate risk: | 901,833,026 | 718,014,956 | 91,295,959 | 92,522,111 | |
| Investments not subject to credit or interest rate risk: | | | | | |
| Nonnegotiable certificates of deposit | \$ 16,615,890 | | | | |
| Total Investments | \$ 918,448,916 | | | | |

Ratings per Standard and Poor's

CONCENTRATION OF CREDIT RISK:

The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated in the table provided earlier in this note. The Airport Authority requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity, issuer, or class of securities. The Airport Authority had no concentrations of credit risk at June 30, 2022, and 2021.

FOREIGN CURRENCY RISK:

The Airport Authority's investment policy does not allow investments in foreign securities.

FAIR VALUE OF ASSETS:

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active;

or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.



NOTE 2. RECURRING MEASUREMENTS

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at the fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021:

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|------------------|--|---|---|
| June 30, 2022 | | | | |
| Investments by fair value level | | | | |
| U.S. Treasury obligations | \$ 231,211,065 | \$ 231,211,065 | \$ - | \$ - |
| U.S. agency securities | 97,162,627 | - | 97,162,627 | - |
| Non-U.S Securities | 14,337,460 | 14,337,460 | - | - |
| Negotiable certificates of deposit | 2,222,300 | - | 2,222,300 | - |
| Municipal Bonds | 4,908,300 | - | 4,908,300 | - |
| Medium-term notes | 73,208,315 | - | 73,208,315 | - |
| Total investments by fair value level | 423,050,067 | \$ 245,548,525 | \$ 177,501,542 | \$ - |
| Investments measured at amortized cost | | | | |
| Money Market Mutual funds | 150,481,793 | | | |
| Investments measured at net asset value | | | | |
| Caltrust | 32,389,680 | | | |
| Local Agency Investment Fund | 349,923,926 | | | |
| San Diego County Investment Pool | 423,896,690 | | | |
| San Diego County Investment Pool Treasury | 1,373,116,904 | | | |
| Total investments | \$ 2,752,859,060 | | | |
| June 30, 2021 | | | | |
| Investments by fair value level | | | | |
| U.S. Treasury obligations | \$ 111,584,806 | \$ 111,584,806 | \$ - | \$ - |
| U.S. agency securities | 129,121,554 | - | 129,121,554 | - |
| Non-U.S Securities | 7,562,695 | 7,562,695 | - | - |
| Negotiable certificates of deposit | 2,222,300 | - | 2,222,300 | - |
| Municipal Bonds | 5,194,250 | - | 5,194,250 | - |
| Medium-term notes | 49,085,135 | - | 49,085,135 | - |
| Total investments by fair value level | 304,770,740 | \$ 119,147,501 | \$ 185,623,239 | \$ - |
| Investments measured at amortized cost | | | | |
| Money Market Mutual funds | 117,578,335 | | | |
| Non-negotiable certificate of deposit | 16,615,890 | | | |
| Investments measured at net asset value | | | | |
| Caltrust | 16,410,450 | | | |
| Local Agency Investment Fund | 192,705,889 | | | |
| San Diego County Investment Pool | 270,367,612 | | | |
| Total investments | \$ 918,448,916 | | | |

LEASE RECEIVABLE

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

Concession lease receivables for space within the terminals are typically based on the minimum annual guarantee plus a minimum 3 percent annual escalation, less rent holidays. Prior to the start of the economic downturn brought on by the COVID-19 pandemic, the Airport Authority had 85 retail and dining concessions open, all designed to provide a world class shopping and dining experience for the millions of passengers who use SDIA. Many locations closed temporarily because of the pandemic. Enplanements have continued to increase and many of the shops and restaurants that temporarily closed have since reopened. As of June 30, 2022, there are 62 terminal food services and retail concession locations open. The Board approved a Rent Forbearance and Abatement Program, which has provided abatement of certain rents and fees to qualifying concessionaires from April 1, 2020, through June 30, 2022.

The Airport Authority's CFC revenues and Bonds funded construction of the Rental Car Center facility (RCC), which was completed and placed in service on January 20, 2016. The RCC facility sits

on 24.85 acres of land and houses all the major and many small operator rental car tenants. The land rent leases for the RCC commenced on the opening date of the facility and are non-cancellable. Once the Bonds are repaid or defeased, in addition to Land Rent, the rental car operators will also pay Facility Rent.

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

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

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

The Airport Authority reports leases receivable with a carrying amount of \$193,296,505 and \$181,707,260 as of June 30, 2022 and 2021, respectively, and a deferred inflow of resources in the amount of \$168,064,374 and \$169,448,031 as of June 30, 2022 and 2021, respectively, related to this agreement. The deferred inflow of resources will be recognized as revenue over the term of the agreement. Revenue recognized under lease contracts during the years ended June 30, 2022, and 2021, was \$23,742,030 and \$22,725,501, respectively, which includes both lease revenue and interest. The Airport recognized lease revenue of \$13,410,253 and \$7,802,199, for the years ended June 30, 2022, and 2021, respectively, for variable payments not previously included in the measurement of the lease receivable.

NOTE 3. LEASES

NOTE 3. The following is a schedule by year of minimum payments to be received under the Airport Authority's leases that are included in the measurement of the lease receivable as of June 30, 2022:

LEASES (CONTINUED)

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

REGULATED LEASES

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

Certain capital assets, such as loading bridges, airfield, and building space are leased to airlines as part of the Airport Authority's Airline Operating Lease Agreement (AOLA). On July 1, 2019, the Airport Authority entered into the current ten-year AOLA with passenger airlines and cargo carriers operating at SDIA. The AOLAs cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SDIA. Under the terms of the AOLA, landing fees and aircraft parking fees are calculated based on a residual rate-setting methodology, in which all costs of the facility and services are recovered from the airlines, and the airlines assume the financial risk. Terminal rental rates are based on a compensatory rate-setting methodology, in which the airlines each pay for

only the actual cost of facilities and services they use; financial risk and control is assumed by the airport. The AOLA also includes signatory and non-signatory rate structures. Air Carriers that signed a non-signatory agreement are charged a 120 percent premium on all signatory rates, fees, and charges, except for the Federal Inspection Services fee, which all airlines pay the same rate for use of the immigration and customs facilities. Signatory carriers are required to pay a minimum amount each year (\$500,000 for passenger carriers, and \$250,000 for cargo carriers). The agreement has no provisions that grant the airlines direct approval rights over capital projects, with the limited exception of certain transportation projects that exceed a \$350 million threshold, as defined in the AOLA. It also allows flexibility to meet the demands of changing airline activity and to accommodate new entrant carriers. Terms of the new agreement financially support execution of the New Terminal 1, formerly referred to as the Airport Development Program. The Airport Authority does provide for preferential or exclusive use of certain assets to air carriers. As of June 30, 2022, 45 of the 60 terminal

and cargo aircraft parking positions were subject to preferential use and 97,350 square feet of the 443,071 square feet of airline designated space was subject to exclusive use. As of June 30, 2021, 45 of the 60 terminal and cargo aircraft parking positions were subject to preferential use and 97,004 square feet of the 437,725 square feet of airline designated space was subject to exclusive use.

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

The Airline Support Building (ASB) is an Airport Authority facility leased by carriers to process

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

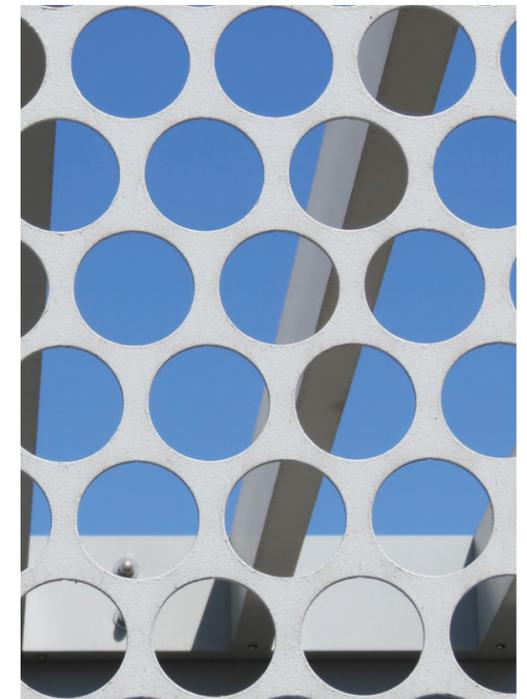
The Airport Authority recognized fixed revenue under regulated lease contracts of \$18,523,369 and \$14,267,452 for the years ended June 30, 2022, and 2021, respectively. Variable lease revenue not previously included in the future minimum payments under its regulated leases were \$141,033,844 and \$124,443,763, for the years ended June 30, 2022, and 2021, respectively.

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

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

NOTE 3.

LEASES (CONTINUED)



**NOTE 4.
NOTE RECEIVABLE**

As part of the transfer of airport operations from the District to the Airport Authority, and pursuant to the associated MOU, the District issued a \$50,000,000 unsecured promissory note to the Airport Authority. According to an agreement with the District that commenced on January 1, 2006, the note will be amortized over 25 years, maturing on December 31, 2030. The note is subordinate to all bond indebtedness of the District and carried a rate of 5.5 percent per annum through October 31, 2021. An amendment to that agreement reduced the rate to 3.6 percent per annum, effective November 1, 2021, reducing the monthly payment. At June 30, 2022, and 2021, the balance of the note receivable was

\$24,836,615 and \$27,208,867, respectively.

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

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

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



NOTE 5.

CAPITAL AND LEASE ASSETS

Nondepreciable assets:
 Land
 Land - right-to-use lease asset
 Construction in progress
 Intangible asset
 Total nondepreciable assets
 Depreciable assets:
 Land improvements
 Land improvements - right-to-use lease assets
 Buildings and structures
 Machinery and equipment
 Runways, roads and parking lots
 Total capital and lease assets being depreciated/amortized
 Less accumulated depreciation and amortization for:
 Land improvements
 Building and structures
 Right-to-use lease assets
 Machinery and equipment
 Runways, roads and parking lots
 Total accumulated depreciation and amortization
 Total capital and lease assets being depreciated/amortized, net
 Capital and lease assets, net

| | Balance at July 1, 2021 | Increases | Decreases | Balance at June 30, 2022 |
|--|----------------------------|-----------------------|------------------------|-----------------------------|
| Nondepreciable assets: | | | | |
| Land | \$ 22,167,594 | \$ - | \$ - | \$ 22,167,594 |
| Land - right-to-use lease asset | 224,989,986 | - | - | 224,989,986 |
| Construction in progress | 248,538,868 | 377,043,444 | (47,457,592) | 578,124,720 |
| Intangible asset | 440,000 | - | - | 440,000 |
| Total nondepreciable assets | 496,136,448 | 377,043,444 | (47,457,592) | 825,722,300 |
| Depreciable assets: | | | | |
| Land improvements | 163,770,750 | - | (3,659,145) | 160,111,605 |
| Land improvements - right-to-use lease assets | 13,313,911 | - | - | 13,313,911 |
| Buildings and structures | 1,885,767,510 | 19,693,720 | (82,431,505) | 1,823,029,725 |
| Machinery and equipment | 122,982,559 | 6,130,853 | (4,405,013) | 122,708,399 |
| Runways, roads and parking lots | 719,974,821 | 18,769,256 | (101,724,339) | 637,019,738 |
| Total capital and lease assets being depreciated/amortized | 2,905,809,551 | 44,593,829 | (192,220,002) | 2,758,183,378 |
| Less accumulated depreciation and amortization for: | | | | |
| Land improvements | (45,475,582) | (10,384,845) | 5,152,634 | (50,707,793) |
| Building and structures | (824,007,618) | (83,738,691) | 75,628,246 | (832,118,063) |
| Right-to-use lease assets | (4,792,663) | (6,483,298) | - | (11,275,961) |
| Machinery and equipment | (80,936,062) | (11,309,899) | 4,347,581 | (87,898,380) |
| Runways, roads and parking lots | (383,511,041) | (31,577,753) | 96,922,445 | (318,166,349) |
| Total accumulated depreciation and amortization | (1,338,722,966) | (143,494,486) | 182,050,906 | (1,300,166,546) |
| Total capital and lease assets being depreciated/amortized, net | 1,567,086,585 | (98,900,657) | (10,169,096) | 1,458,016,832 |
| Capital and lease assets, net | \$ 2,063,223,033 | \$ 278,142,787 | \$ (57,626,688) | \$ 2,283,739,132 |

Nondepreciable assets:
 Land
 Land - right-to-use lease asset
 Construction in progress
 Intangible asset
 Total nondepreciable assets
 Depreciable assets:
 Land improvements
 Land improvements - right-to-use lease assets
 Buildings and structures
 Machinery and equipment
 Runways, roads and parking lots
 Total capital and lease assets being depreciated/amortized
 Less accumulated depreciation and amortization for:
 Land improvements
 Building and structures
 Right-to-use lease assets
 Machinery and equipment
 Runways, roads and parking lots
 Total accumulated depreciation and amortization
 Total capital and lease assets being depreciated/amortized, net
 Capital and lease assets, net

| | Balance at July 1, 2020 | Increases | Decreases | Balance at June 30, 2021 |
|--|----------------------------|-----------------------|-------------------------|-----------------------------|
| Nondepreciable assets: | | | | |
| Land | \$ 22,167,594 | \$ - | \$ - | \$ 22,167,594 |
| Land - right-to-use lease asset | 224,989,986 | - | - | 224,989,986 |
| Construction in progress | 288,353,299 | 173,462,464 | (213,276,895) | 248,538,868 |
| Intangible asset | 440,000 | - | - | 440,000 |
| Total nondepreciable assets | 535,950,879 | 173,462,464 | (213,276,895) | 496,136,448 |
| Depreciable assets: | | | | |
| Land improvements | 114,589,520 | 49,181,229 | - | 163,770,749 |
| Land improvements - right-to-use lease assets | - | 13,313,911 | - | 13,313,911 |
| Buildings and structures | 1,747,407,784 | 148,946,010 | (10,586,284) | 1,885,767,510 |
| Machinery and equipment | 135,435,875 | 3,324,571 | (15,777,887) | 122,982,559 |
| Runways, roads and parking lots | 708,999,286 | 12,709,855 | (1,734,320) | 719,974,821 |
| Total capital and lease assets being depreciated/amortized | 2,706,432,465 | 227,475,576 | (28,098,491) | 2,905,809,550 |
| Less accumulated depreciation and amortization for: | | | | |
| Land improvements | (35,941,711) | (9,533,871) | - | (45,475,582) |
| Building and structures | (752,724,619) | (81,869,287) | 10,586,287 | (824,007,618) |
| Right-to-use lease assets | (4,792,663) | - | - | (4,792,663) |
| Machinery and equipment | (84,805,802) | (11,671,187) | 15,540,927 | (80,936,062) |
| Runways, roads and parking lots | (355,320,220) | (29,759,445) | 1,568,624 | (383,511,041) |
| Total accumulated depreciation and amortization | (1,233,585,015) | (132,833,789) | 27,695,839 | (1,338,722,966) |
| Total capital and lease assets being depreciated/amortized, net | 1,472,847,450 | 94,641,787 | (402,653) | 1,567,086,584 |
| Capital and lease assets, net | \$ 2,008,798,329 | \$ 268,104,251 | \$ (213,679,548) | \$ 2,063,223,032 |

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

NOTE 6. The following is a summary of changes in the long-term liability activity for the years ended June 30, 2022 and 2021:

LONG-TERM LIABILITIES

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

| | Principal Balance at July 1, 2020 | Additions /New Issuances | Reductions/ Repayments | Principal Balance at June 30, 2021 | Due Within One Year |
|--------------------------|-----------------------------------|--------------------------|------------------------|------------------------------------|---------------------|
| Variable Rate Debt | | | | | |
| Revolving LOC | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total variable rate debt | - | - | - | - | - |
| Bonds payable: | | | | | |
| Series 2010 Bonds | 10,865,000 | - | (10,865,000) | - | - |
| Series 2013 Bonds | 368,750,000 | - | (7,925,000) | 360,825,000 | 8,315,000 |
| Series 2014 Bonds | 293,985,000 | - | (5,890,000) | 288,095,000 | 6,090,000 |
| Series 2017 Bonds | 281,810,000 | - | (4,825,000) | 276,985,000 | 5,070,000 |
| Series 2019 Bonds | 463,680,000 | - | (1,235,000) | 462,445,000 | 3,420,000 |
| Series 2020 Bonds | 241,640,000 | - | (820,000) | 240,820,000 | 13,825,000 |
| Bond premiums | 220,478,470 | - | (14,050,587) | 206,427,883 | - |
| Total bonds payable | 1,881,208,470 | - | (45,610,587) | 1,835,597,883 | 36,720,000 |
| Lease Liabilities | 241,688,854 | - | (5,884,816) | 235,804,038 | 3,384,956 |
| Note Payable - CRDC | 6,497,108 | - | (295,134) | 6,201,974 | 323,293 |
| Compensated absences | 4,088,584 | 3,211,891 | (2,538,532) | 4,761,943 | 2,538,532 |
| Total long-term | \$ 1,891,794,162 | \$ 3,211,891 | \$ (48,444,253) | \$ 1,846,561,800 | \$ 39,581,825 |

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

SENIOR LIEN AIRPORT REVENUE BONDS, SERIES 2013:

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

On December 8, 2021, the Airport Authority refunded and defeased all of its outstanding Series 2013 Bonds, by depositing proceeds Subordinate Series 2021C and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2013 Bonds until their call date of July 1, 2023. As of June 30, 2022, the amount held in escrow by the trustee was \$367.8 million, and the amount of the defeased Series 2013 Bonds still outstanding was \$352.5 million Interest for the fiscal years ended June 30, 2022 (interest before the refunding and defeasement) and 2021, was \$7,195,563 and \$17,685,100, respectively, including accrued interest of \$0 and \$8,842,550 for fiscal years ending June 30, 2022 and 2021, respectively.

As a result of the refunding, the Airport Authority reduced its total debt service requirements by \$84.4 million, which resulted in an economic gain

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

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|----------------|----------------|----------------|
| 2023 | 5,320,000 | 13,462,750 | 18,782,750 |
| 2024 | 5,585,000 | 13,190,125 | 18,775,125 |
| 2025 | 5,865,000 | 12,903,875 | 18,768,875 |
| 2026 | 6,155,000 | 12,603,375 | 18,758,375 |
| 2027 | 6,465,000 | 12,287,875 | 18,752,875 |
| 2028-2032 | 37,520,000 | 56,124,250 | 93,644,250 |
| 2033-2037 | 47,880,000 | 45,499,750 | 93,379,750 |
| 2038-2042 | 61,110,000 | 31,940,750 | 93,050,750 |
| 2043-2047 | 78,000,000 | 14,633,250 | 92,633,250 |
| 2048 | 18,015,000 | 450,375 | 18,465,375 |
| | \$ 271,915,000 | \$ 213,096,375 | \$ 485,011,375 |

(difference between the present value of the debt service payments on the old and new debt) of approximately \$52.7 million.

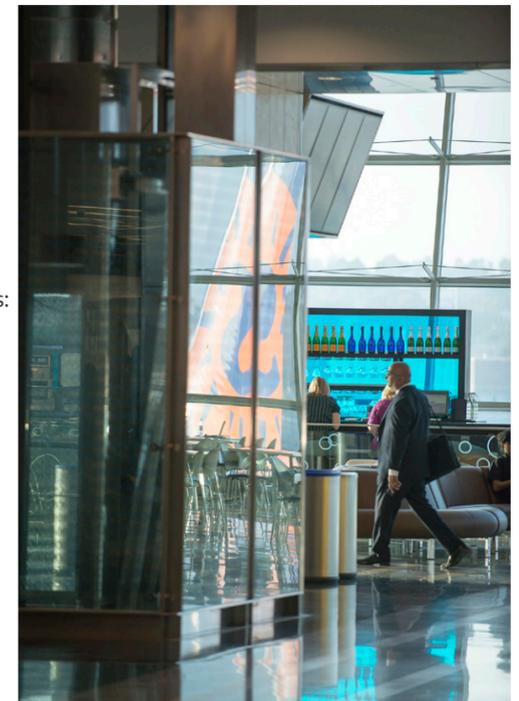
SUBORDINATE LIEN SERIES 2017, 2019, 2020 AND 2021 BONDS:

The Airport Authority issued \$291,210,000 of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds) on August 3, 2017. The Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the Series 2017 Bonds, refund \$32,550,000 of the Airport Authority's outstanding variable rate debt, fund the subordinate reserve fund and pay the costs of issuance of the Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of \$48,423,688, which is being amortized over the life of the bonds. Interest on the Series 2017 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2022, and 2021, amounted to \$13,595,750 and \$13,849,250, respectively, including accrued interest of \$6,797,875 and \$6,924,625, respectively. The principal balance on the Series 2017 Bonds as of June 30, 2022, and 2021, was \$271,915,000 and \$276,985,000, respectively.

NOTE 6.

LONG-TERM LIABILITIES (CONTINUED)



LONG-TERM LIABILITIES
(CONTINUED)

NOTE 6.

The Airport Authority issued \$338,775,000 of Series A Subordinate Airport Revenue and Revenue Refunding Bonds and \$124,905,000 of Series B Subordinate Airport Revenue Bonds on December 11, 2019 (Series 2019 Bonds). The Series 2019 Bonds were issued to finance certain capital improvements at SDIA including a new facilities maintenance building and storm water capture and reuse projects, fund a portion of the interest accruing on the Series 2019 Bonds, refund \$34,321,000 of the Airport Authority's outstanding variable rate debt, fund the Series 2010C Escrow account, fund the subordinate reserve fund, and pay the costs of issuance of the Series 2019 Bonds. The Series 2019 Bonds are structured as serial and term

bonds that bear interest at rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2021 to 2050. The bonds were issued at a premium of \$96,927,688, which is being amortized over the life of the bonds. Interest on the Series 2019 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2022, and 2021, amounted to \$22,121,100 and \$22,292,100, respectively, including accrued interest of \$11,060,550 and \$11,146,051, respectively. The principal balance on the Series 2019 Bonds as of June 30, 2022, and 2021, was \$459,025,000 and \$462,445,000, respectively.

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

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2023 | \$ 4,440,000 | \$ 22,121,100 | \$ 26,561,100 |
| 2024 | 6,095,000 | 21,899,100 | 27,994,100 |
| 2025 | 6,400,000 | 21,594,350 | 27,994,350 |
| 2026 | 5,615,000 | 21,274,350 | 26,889,350 |
| 2027 | 5,895,000 | 20,993,600 | 26,888,600 |
| 2028-2032 | 44,040,000 | 100,239,500 | 144,279,500 |
| 2033-2037 | 121,345,000 | 81,805,500 | 203,150,500 |
| 2038-2042 | 145,830,000 | 47,748,700 | 193,578,700 |
| 2043-2047 | 69,210,000 | 22,879,700 | 92,089,700 |
| 2048-2051 | 50,155,000 | 5,097,000 | 55,252,000 |
| | <u>\$ 459,025,000</u> | <u>\$ 365,652,900</u> | <u>\$ 824,677,900</u> |

The Airport Authority issued \$241,640,000 of Series A, B and C Subordinate Airport Revenue Refunding Bonds (Series 2020 Bonds). The Airport Authority entered into a Forward Delivery Purchase Contract on December 11, 2019 and delivered the 2020 Series Bonds Proceeds on April 8, 2020. Proceeds from the sale of the 2020 Series Bonds were used to fund the Series 2010 A and B bonds escrow accounts and pay the costs of issuance of the Series 2020 Bonds. The Series 2020 Bonds are structured as serial bonds that bear interest rates of 5.0 percent and mature in fiscal years 2021 to 2041. The

bonds were issued at a premium of \$49,414,175, which is being amortized over the life of the bonds. Interest on the Series 2020 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2022, and 2021, amounted to \$11,480,563 and \$12,041,000, respectively, including accrued interest of \$5,805,688 and \$6,020,500, respectively. The principal balance on the Series 2020 Bonds as of June 30, 2022, and 2021, was \$226,995,000 and \$240,820,000, respectively.

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

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2023 | \$ 14,520,000 | \$ 11,349,750 | \$ 25,869,750 |
| 2024 | 15,240,000 | 10,623,750 | 25,863,750 |
| 2025 | 16,005,000 | 9,861,750 | 25,866,750 |
| 2026 | 11,275,000 | 9,061,500 | 20,336,500 |
| 2027 | 11,830,000 | 8,497,750 | 20,327,750 |
| 2028-2032 | 66,345,000 | 32,999,000 | 99,344,000 |
| 2033-2037 | 53,440,000 | 16,993,500 | 70,433,500 |
| 2038-2041 | 38,340,000 | 4,910,000 | 43,250,000 |
| | <u>\$ 226,995,000</u> | <u>\$ 104,297,000</u> | <u>\$ 331,292,000</u> |

The Airport Authority issued \$1,941,745,000 of Series A, B and C Subordinate Airport Revenue and Revenue Refunding Bonds (Series 2021 Bonds). The Series 2021 Bonds were issued to finance certain capital improvements at SDIA including construction of the New Terminal 1, fund a portion of the interest accruing on the 2021 Bonds, fund the Series 2013 Escrow account, fund the subordinate reserve fund, and pay the costs of issuance of the Series 2021 Bonds. The Series 2021A and B Bonds are structured as serial bonds that bear interest rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2027 to 2057. The Series A and B bonds were issued at a

premium of \$332,380,831, which is being amortized over the life of the bonds. The Series 2021 C Bonds are federally Taxable Bonds and are structured as serial and term bonds that bear interest at rates ranging from 0.5 percent to 3.1 percent and mature in fiscal years 2023 to 2037. Interest on the Series 2021ABC Bonds is payable semiannually on January 1 and July 1 of each year.

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

The required debt service payments for the Series 2021 Bonds for the fiscal years ending June 30 are as follows:

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

NOTE 6.

LONG-TERM LIABILITIES
(CONTINUED)



LONG-TERM LIABILITIES
(CONTINUED)

NOTE 6.

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

As subordinate lien bonds, the Series 2017, 2019, 2020 and 2021 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2022, and 2021, the amount held by the trustee was \$2,120,565,804 and \$326,663,469, respectively, which included the July 1 payment, a debt service reserve fund, construction fund, and a capitalized interest fund. The public ratings of the Subordinate Series Bonds as of June 30, 2022, are A/A2/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

SENIOR LIEN SPECIAL FACILITIES REVENUE BONDS, SERIES 2014:

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

The Series 2014 A Bonds were structured as tax-exempt and non-AMT term bonds that bear

interest at 5.0 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.5 percent to 5.6 percent. The bonds were issued at a premium of \$594,226, which is amortized over the life of the bonds. Interest on the Series 2014 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for fiscal years ended June 30, 2022, and 2021, was \$15,600,783 and \$15,827,940, respectively, including accrued interest of \$7,800,392 and \$7,913,970, respectively. The principal balance on the Series 2014 Bonds for fiscal years ended June 30, 2022, and 2021 was \$282,005,000 and \$288,095,000, respectively.

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

The Series 2014 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's net position, as shown previously in the notes. For the fiscal years ended June 30, 2022, and 2021, the amount held by the trustee was \$55,101,163 and \$53,063,404, respectively, which included the July 1 payment, the debt service reserve fund, the renewal and replace fund, and the rolling coverage fund.

The public ratings of the Senior Series Special Facility 2014 Bonds as of June 30, 2022, are BBB+/A3 by Standard & Poor's and Moody's Investors Service.

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

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2023 | \$ 6,320,000 | \$ 15,424,013 | \$ 21,744,013 |
| 2024 | 6,670,000 | 15,060,682 | 21,730,682 |
| 2025 | 7,045,000 | 14,677,074 | 21,722,074 |
| 2026 | 7,440,000 | 14,271,928 | 21,711,928 |
| 2027 | 7,855,000 | 13,844,127 | 21,699,127 |
| 2028-2032 | 46,385,000 | 61,917,390 | 108,302,390 |
| 2033-2037 | 60,890,000 | 47,003,086 | 107,893,086 |
| 2038-2042 | 79,935,000 | 27,424,786 | 107,359,786 |
| 2043-2045 | 59,465,000 | 4,721,599 | 64,186,599 |
| | <u>\$ 282,005,000</u> | <u>\$ 214,344,685</u> | <u>\$ 496,349,685</u> |

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

SUBORDINATE SHORT-TERM DEBT PROGRAM:

On July 19, 2021, The Airport Authority and Bank of America entered into a Revolving Credit Agreement. The Airport Authority is authorized to issue up to \$200.0 million in Subordinate Revolving Obligations. The revolving credit agreement is for a term of three years. At the end of fiscal year 2022, the Airport Authority had \$80.1 million in aggregate principal of Subordinate Revolving Obligations outstanding. These obligations were used to finance the New Terminal 1. Obligations incurred under the Revolving Credit Agreement are payable solely

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

LINE OF CREDIT:

In fiscal year 2022, the Airport Authority maintained a \$2,000,000 line of credit held with US Bank, which is collateralized with a Treasury bond. This line is utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2022, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

The Airport Authority had the following used and unused balances in line of credit type debt instruments as of June 30, 2022, and 2021:

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

NOTE 6.

LONG-TERM LIABILITIES
(CONTINUED)

LONG-TERM LIABILITIES
(CONTINUED)

NOTE 6.

EVENT OF DEFAULT:

In the event of default of all general airport revenue bonds issued by the Airport Authority, acceleration is not a remedy. For the Letter of Credit and Reimbursement Agreement, an event of default could result in either an acceleration or an interest rate increase of 3.0 to 7.0 percent in addition to the base rate. Other than this, there are no significant finance-related consequences in the event of default on other debt instruments. The Airport Authority's Letter of Credit and Reimbursement Agreement is collateralized with a \$2,222,000 Treasury bond. Excluding general

airport revenue bonds, special facility bonds, and capital leases, no other assets have been pledged or collateralized for any other debt instruments. General Airport revenue bonds are secured by a pledge of Net Revenues which are generally defined as all revenues and other cash receipts of the Airport Authority's operations less amounts required to pay for operations and maintenance expenses of the airport (net revenues do not include cash received from PFCs, CFCs or Federal Grants). The special facility bonds are secured by a pledge of the Trust Estate.

NOTE PAYABLE

RECEIVING DISTRIBUTION CENTER LEASE:

The Airport Authority entered into an installment purchase agreement for a receiving and distribution center (RDC) in fiscal year 2013. This agreement has been determined to be a note

payable and requires monthly lease payments of \$73,108. The Airport Authority will become the owner of the RDC at the conclusion of the 20-year installment purchase agreement.

The following is a schedule of future lease payments applicable to the RDC installment purchase agreement, and the net present value of the future lease payments on June 30, 2022:

| Years Ending June 30, | Amount |
|--|--------------|
| 2023 | \$ 877,298 |
| 2024 | 877,298 |
| 2025 | 877,298 |
| 2026 | 877,298 |
| 2027-2031 | 4,386,489 |
| 2032-2033 | 1,242,839 |
| Total Lease Payments | 9,138,519 |
| Less amount representing interest | (3,259,838) |
| Present value of future lease payments | \$ 5,878,682 |

LEASE LIABILITIES

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

payments that are fixed in substance, and any lease incentives payable to the lessee.

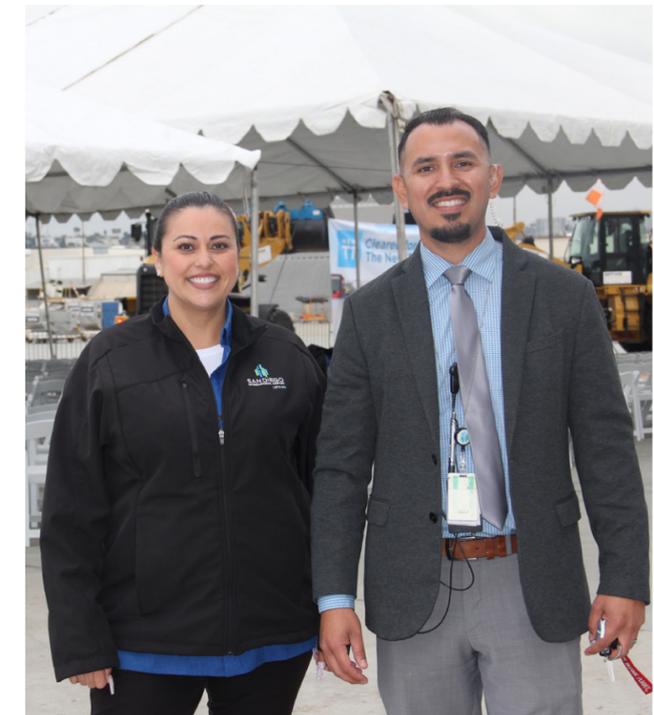
Incremental borrowing rates of 1.1 percent to 3.8 percent were used to measure lease payables. Lease liabilities recorded under lease contracts as of June 30, 2022, and 2021, were \$232,419,082 and \$235,804,038, respectively.

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

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

NOTE 6.

LONG-TERM LIABILITIES
(CONTINUED)



NOTE 7.
DEFINED BENEFIT PLAN

INTRODUCTION:

The Airport Authority has two defined benefit pension plans which cumulatively represent the net pension liability or asset, related deferred inflows and deferred outflows of resource balances as reported on the statement of net position. The below schedule represents aggregating information as of and for the years ended June 30, 2022, and 2021:

| | Defined Benefit Plan GASB 68) | Preservation of Benefits Trust Plan GASB 73 | Total |
|---|----------------------------------|--|---------------|
| Balances as of and for the year ended 6/30/2022 | | | |
| Pension expense | \$ 4,323,882 | \$ 329,788 | \$ 4,653,670 |
| Net pension liability (asset) | (8,995,046) | 2,373,440 | (6,621,606) |
| Deferred outflows of resources | 17,497,620 | 639,654 | 18,137,274 |
| Deferred inflows of resources | 26,976,052 | 282,242 | 27,258,294 |
| Balances as of and for the year ended 6/30/2021 | | | |
| Pension expense | \$ 12,879,899 | \$ 338,696 | \$ 13,218,595 |
| Net pension liability | 34,018,795 | 2,445,415 | 36,464,210 |
| Deferred outflows of resources | 30,748,781 | 908,672 | 31,657,453 |
| Deferred inflows of resources | 2,065,506 | 200,876 | 2,266,382 |

PLAN DESCRIPTION:

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

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

SDCERS is governed by a 13-member Board, responsible for the administration of retirement

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

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

The San Diego City Charter Section 144 and San Diego Municipal Code Sections 24.0100 et seq. assign the authority to establish and amend the benefit provisions of the plans that participate in SDCERS to the SDCERS Board. The Airport Authority contributes to the Federal Social Security Program. The SDCERS Board issues a publicly available financial report that includes financial statements and required supplementary information for

SDCERS. The financial report may be found on the San Diego City Employees' Retirement System website at www.sdcers.org.

BENEFITS PROVIDED:

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

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

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

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

Employees with ten years of continuous service are eligible to receive non-industrial disability

and employees with no service requirement can receive industrial disability.

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

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

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

CONTRIBUTIONS:

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

The actuarial valuation is completed as of June 30, of each year. Once accepted by the SDCERS Board, the approved rates for the Airport Authority apply to the fiscal year beginning 12 months after the valuation date. For June 30, 2022, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2021, actuarial valuation.

NOTE 7.
DEFINED BENEFIT PLAN

DEFINED BENEFIT PLAN
(CONTINUED)

NOTE 7. The funding objective of SDCERS is to fully fund the plan's actuarially accrued liability with contributions, which over time will remain as a level percent of payroll for the Airport Authority. Under this approach, the contribution rate is based on the normal cost rate and an amortization of any unfunded actuarial liability.

For the years ended June 30, 2022, and 2021, employees contributed \$2,980,889 and \$3,123,119, respectively, and the Airport Authority contributed \$9,102,165 and \$8,522,311, respectively, to the Plan. Under the Plan, the Airport Authority pays a portion of the classic participant's contribution, referred to as the "off-set." The offset is equal to 7.0 percent or 8.5 percent of the general classic members' base compensation and 9.6

ACTUARIAL ASSUMPTIONS:

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

| | June 30, 2021 | June 30, 2020 |
|---|---------------------------------|---------------------------------|
| Valuation date | June 30, 2020 | June 30, 2019 |
| Measurement date | June 30, 2021 | June 30, 2020 |
| Actuarial cost method | Entry-age normal funding method | Entry-age normal funding method |
| Asset valuation method | Expected value with smoothing | Expected value with smoothing |
| Actuarial assumptions: | | |
| Investment rate of return ⁽¹⁾ | 6.50% | 6.50% |
| Inflation Rate | 3.05% | 3.05% |
| Interest Credited to Member Contributions | 6.50% | 6.50% |
| Projected salary increase ⁽²⁾ | 3.05% | 3.05% |
| Cost-of-living adjustment | 1.9% per annum, compounded | 1.9% per annum, compounded |
| Termination rate ⁽³⁾ | 2.0% - 16.0% | 2.0% - 16.0% |
| Disability rate ⁽⁴⁾ | 0.01% - 0.20% | 0.01% - 0.20% |
| Mortality ⁽⁵⁾ | 0.02% - 13.54% | 0.02% - 13.54% |

⁽¹⁾ Net of investment expense

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

⁽³⁾ Based on years of service

⁽⁴⁾ Based on age

⁽⁵⁾ All active and retired healthy members: CalPERS Mortality Tables from the CalPERS January 2014 Experience Study. Further details about the actuarial assumptions can be found in the SDCERS June 30, 2020 and June 30, 2019 actuarial reports.

percent of the executive classic members' base compensation. These contributions are included in the employee contribution. There is no offset for PEPRAs participants.

NET PENSION LIABILITY (ASSET):

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

DISCOUNT RATE:

For the June 30, 2021, and June 30, 2020, actuarial valuations, the discount rates used to measure the total pension liability was 6.50 percent. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability (asset).

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

Best estimates of geometric long-term real rates and nominal rates of return for each major asset class are summarized below:

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

NOTE 7.
DEFINED BENEFIT PLAN
(CONTINUED)



DEFINED BENEFIT PLAN
(CONTINUED)

NOTE 7. CHANGES IN THE NET PENSION LIABILITY (ASSET):

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

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

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

| | Increase (Decrease) | | |
|---|---------------------|----------------|---------------|
| | Total Pension | Fiduciary Net | Net Pension |
| Balances as of June 30, 2020 | \$ 218,788,911 | \$ 202,827,408 | \$ 15,961,503 |
| Changes for the year: | | | |
| Service cost | 7,857,035 | - | 7,857,035 |
| Interest on total pension liability | 14,257,205 | - | 14,257,205 |
| Difference between expected and actual experience | 925,862 | - | 925,862 |
| Changes in assumptions | 6,767,000 | - | 6,767,001 |
| Employer contributions | - | 8,424,834 | (8,424,834) |
| Member contributions | - | 3,321,661 | (3,321,661) |
| Net investment income | - | 390,013 | (390,013) |
| Benefit payments | (6,733,942) | (6,733,942) | - |
| Administrative expense | - | (386,697) | 386,697 |
| Net changes | 23,073,160 | 5,015,868 | 18,057,292 |
| Balances as of June 30, 2021 | \$ 241,862,071 | \$ 207,843,276 | \$ 34,018,795 |

SENSITIVITY OF THE NET PENSION LIABILITY (ASSET) TO DISCOUNT RATE CHANGES:

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

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

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

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

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

| For June 30, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 2,065,699 | \$ 2,065,506 |
| Net difference between projected and actual earnings | 7,836,405 | - |
| Changes in assumptions | 12,324,366 | - |
| Employer contributions made subsequent to June 30, 2020 measurement date | 8,522,311 | - |
| Total | \$ 30,748,781 | \$ 2,065,506 |

NOTE 7.

DEFINED BENEFIT PLAN
(CONTINUED)

NOTE 7.
DEFINED BENEFIT PLAN
(CONTINUED)

The deferred outflows of resources, at June 30, 2022, and June 30, 2021, resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end will be recognized as a reduction of the net pension liability (asset) at June 30, 2023, and 2022, respectively.

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

| Years ended June 30, | | |
|----------------------|----|---------------------|
| 2023 | \$ | (2,463,403) |
| 2024 | | (3,611,508) |
| 2025 | | (4,172,590) |
| 2026 | | (8,333,096) |
| | \$ | <u>(18,580,597)</u> |

NOTE 8.
PRESERVATION OF BENEFITS
TRUST PLAN

PRESERVATION OF BENEFITS TRUST PLAN (POB) DESCRIPTION:

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

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

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

| | 2021 | 2020 |
|--|----------|----------|
| Active employees | 2 | 2 |
| Inactive employees or beneficiaries currently receiving benefits | 1 | 2 |
| Total | <u>3</u> | <u>4</u> |

TOTAL PENSION LIABILITY:

The Airport Authority's total pension liability as of June 30, 2022, and June 30, 2021, was \$2,373,440 and \$2,445,415, respectively. The pension liability as of June 30, 2022, is measured as of June 30,

BENEFITS PROVIDED:

Retirement benefits are provided to POB members with retirement benefits in excess of Code Section 415(b) who have participated in the Plan since establishment of the POB. Participation ends for a portion of a plan year in which the retirement benefit of a retiree or beneficiary is not limited by Code Section 415(b) or when all benefit obligations to the retiree or beneficiary have been satisfied. Benefit payments are equal to the amount of retirement income that would have been payable, less the amount payable by the Plan. Benefit payments for the years ended June 30, 2022, and June 30, 2021, were \$52,398 and \$42,682, respectively. The POB is unfunded and provides benefits on an annual basis as determined by SDCERS.

2021, using an annual actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability follow.

ACTUARIAL ASSUMPTIONS:

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

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

CHANGES IN THE TOTAL PENSION LIABILITY:

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

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

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

| | Total Pension |
|---|---------------------|
| Balances as of June 30, 2020 | \$ 1,767,232 |
| Changes for the year: | |
| Service cost | 55,276 |
| Interest on total pension liability | 62,061 |
| Difference between expected and actual experience | (57,318) |
| Changes in assumptions | 661,465 |
| Benefit payments | (43,301) |
| Net changes | 678,183 |
| Balances as of June 30, 2021 | <u>\$ 2,445,415</u> |

NOTE 8.
PRESERVATION OF BENEFITS
TRUST PLAN (CONTINUED)



PRESERVATION OF BENEFITS TRUST PLAN (CONTINUED)

NOTE 8. SENSITIVITY OF THE TOTAL PENSION LIABILITY TO DISCOUNT RATE CHANGES:

The following presents the resulting total pension liability calculated using the discount rate of 2.2 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal year ended June 30, 2022:

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

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO THE POB

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

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

| For June 30, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 225,947 | \$ 84,431 |
| Changes in assumptions | 640,043 | 116,445 |
| Employer contributions subsequent to June 30, 2020 measurement date | 42,682 | - |
| Total | \$ 908,672 | \$ 200,876 |

The deferred outflows of resources, at June 30, 2022, resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end will be recognized as a reduction of the net pension liability at June 30, 2023.

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

| Years ended June 30, | |
|----------------------|------------|
| 2023 | \$ 141,239 |
| 2024 | 112,314 |
| 2025 | 86,145 |
| 2026 | (34,685) |
| | \$ 305,013 |

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

The plan is administered by the Airport Authority and contracted to an unrelated financial institution. Under the terms of an IRC Section

457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are held in trust for employees.

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

NOTE 9.

EMPLOYEES' DEFERRED COMPENSATION PLAN



NOTE 10.
OTHER POSTEMPLOYMENT
BENEFITS

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

PLAN DESCRIPTION:

As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for over two million California public employees, retirees, and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States. As of June 30, 2022, CalPERS managed \$440 billion in assets for more than 2,890 California employers. In 1988 and 2007, enabling statutes and regulations were enacted which permitted CalPERS to form the CERBT fund, an irrevocable Section 115 Trust, for the purpose of receiving employer contributions that will prefund health and other postemployment benefit costs for retirees and

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

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

their beneficiaries. Financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

FUNDING POLICY:

CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the actuarially determined contributions (ADCs). As of May 9, 2009, the agreement with CERBT was approved. The retirees' contribution rate was raised from 5 percent to 10 percent of plan costs for single coverage and the entire cost of vision benefits, lowering the OPEB liabilities of the Airport Authority. Annually, the Airport Authority's goal is to fund 100 percent of the actuarially calculated ADC for its OPEB. In previous years, the Airport Authority has made contributions above the annual ADC which has resulted in a net OPEB asset. During the fiscal years ended June 30, 2022, and 2021, the Airport Authority's contributions were \$951,488 and \$919,462, respectively.

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

ACTUARIAL ASSUMPTIONS:

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

| | |
|---|--|
| Actuarial Valuation Date | June 30, 2021 |
| Contribution Policy | Authority contributes at least the full ADC |
| Inflation | 2.50% |
| Projected salary increase | 2.75% |
| Investment rate of return | 5.25%; Expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust |
| Actuarial cost method | Entry Age Normal Level Percent of Pay |
| Asset valuation method | 5 year asset smoothing |
| Retirement age | SDCERS 2015-2019 Experience Study |
| Mortality | CalPERS 2000-2019 Experience Study |
| Mortality Improvement | Mortality projected fully generational with Scale MP-2021 |
| Medical Trend | Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076; Medicare - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 |
| Healthcare Participation of Future Retirees | 90% |
| Spousal Assumption for Future Retirees | Currently covered - 2-party coverage if currently have 2 party or family coverage; Currently waived - 50% cover spouses at retirement |

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

| Asset Class | Target Allocation | Long-term Expected Real Rates of Return |
|---------------------------------------|-------------------|---|
| Global Equity | 23% | 4.56% |
| Long US Treasuries | 11% | 0.29% |
| Mortgage-Backed Securities | 11% | 0.49% |
| Investment Grade Corporate | 9% | 1.56% |
| High Yeild | 9% | 3.00% |
| Sovereigns | 11% | 2.76% |
| TIPS | 9% | -0.08% |
| Comodities | 3% | 1.22% |
| REITs | 14% | 4.06% |
| | 100% | |
| Assumed Long-Term Rate of Inflation | | 2.50% |
| Expected Long-Term Net Rate of Return | | 5.25% |

NOTE 10.
OTHER POSTEMPLOYMENT
BENEFITS (CONTINUED)



OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

NOTE 10.

DISCOUNT RATE:

The discount rate used to measure the net OPEB liability (asset) at June 30, 2022, and June 30, 2021, was 5.25 percent and 6.75 percent, respectively. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the net OPEB liability.

CHANGES IN THE NET OPEB LIABILITY (ASSET):

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

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



NOTE 10.

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

| | Increase (Decrease) | | |
|---|----------------------|------------------------|-----------------------------|
| | Total OPEB Liability | Fiduciary Net Position | Net OPEB Liability/ (Asset) |
| Balances as of June 30, 2020 | \$ 25,660,994 | \$ 27,797,488 | \$ (2,136,494) |
| Changes for the year: | | | |
| Service cost | 501,198 | - | 501,198 |
| Interest on total OPEB liability | 1,739,459 | - | 1,739,459 |
| Difference between expected and actual experience | - | - | - |
| Changes in assumptions | - | - | - |
| Employer contributions | - | 784,845 | (784,845) |
| Member contributions | - | - | - |
| Net investment income | - | 982,113 | (982,113) |
| Benefit payments | (784,845) | (784,845) | - |
| Administrative expense | - | (13,580) | 13,580 |
| Net changes | 1,455,812 | 968,533 | 487,279 |
| Balances as of June 30, 2021 | \$ 27,116,806 | \$ 28,766,021 | \$ (1,649,215) |

SENSITIVITY OF THE NET OPEB LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE AND HEALTH CARE COST TREND RATES:

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

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

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

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

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

NOTE 10. OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO THE OPEB:

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

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

| For June 30, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Net difference between projected and actual earnings | \$ 710,743 | \$ - |
| Net difference between expected and actual experience | - | 88,828 |
| Changes in assumptions | 183,690 | 802,145 |
| Employer contributions made subsequent to June 30, 2020 measurement date | 919,462 | - |
| Total | \$ 1,813,895 | \$ 890,973 |

The deferred outflows of resources at June 30, 2022, related to OPEB resulting from Airport Authority contributions subsequent the measurement date and prior to year-end will be recognized as an addition to the net OPEB asset at June 30, 2023.

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

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

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

COMMERCIALLY ISSUED INSURANCE:

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

SELF-INSURANCE:

Due to the exorbitant cost of earthquake insurance, the Airport Authority self-insures for losses due to earthquake damage. Effective July 1, 2007, the Airport Authority removed the purchase of commercial earthquake insurance from the Risk Management Program and increased reliance on the laws designed to assist

public entities through the Federal Emergency Management Agency and the California Disaster Assistance Act. As of June 30, 2022, and 2021, the Airport Authority has designated \$13,121,946 and \$12,403,950, respectively, from its net position, as an insurance contingency.

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

LOSS PREVENTION:

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

During fiscal year 2022, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

NOTE 11. RISK MANAGEMENT



NOTE 12.
COMMITMENTS AND
CONTINGENCIES

COMMITMENTS:

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

The Airport Authority has funds which have been classified as noncurrent assets, primarily for the unpaid contractual portion of capital projects that are currently in progress and will not be funded by grants or additional debt but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. June 30, 2022, and 2021, these funds totaled \$1.1 million and \$8.1 million, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.

As part of the MOU, services provided by the District Harbor Police are required to be purchased by the Airport Authority as long as SDIA continues to operate at the current location. At the time of the transfer, the Airport Authority entered into a Master Services Agreement, a Police Services Agreement, and a Communications Services Agreement with the District, which described the services that the Airport Authority could purchase and the manner of calculating the payments for such services. The largest amount that became payable under any of these agreements is under the Police Services Agreement, which is for Harbor Police services. The District provides monthly billings to the Airport Authority, with payment generally due 30 days after the date of the invoice, and provision of appropriate supporting documentation. During the years ended June 30, 2022, and 2021, the Airport Authority expensed \$21.9 million and \$22.2 million respectively for these services.

In fiscal year 2019, the Board approved \$38 million contract with Ace Parking Management Inc., for parking management services. As of June 30, 2022, \$18.4 million has been spent and the contract is

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

In fiscal year 2015, the Board approved a \$29.2 million contract with SP Plus Corporation to transport rental car companies' customers between the Rental Car Center facility and the terminals. The contract scope also includes the operation, management, and maintenance of the shuttle vehicles. In fiscal years 2016- 2022, the Board approved an additional \$27.8 million. As of June 30, 2022, \$51 million had been spent and the contract is scheduled for completion in fiscal year 2023. A new contract will be rebid at that time.

In fiscal year 2019, the Board approved a \$19.5 million contract with AECOM Technical Services, Inc. for on call program management, staffing support and consulting services. In fiscal year 2020, the board approved additional \$134.8 million. As of June 30, 2022, \$51 million has been spent and the contract is scheduled for completion in fiscal year 2024.

In fiscal year 2021, the Board approved a \$16.2 million contract with Granite Construction Company to provide a Construction of the West Refueler Loading Facility and the West Solid Waste Facility. In fiscal year 2022, the board approved additional \$1 million. As of June 30, 2022, \$13.8 million had been spent and the contract is scheduled for completion in early fiscal year 2023. In fiscal year 2021, the Board approved an \$80 million contract with Turner-Flatiron, A Joint Venture for the design-build of terminal and roadways. In fiscal year 2022, the Board approved additional \$2.5 billion. As of June 30, 2022, \$211 million had been spent and the contract is scheduled for completion in early fiscal year 2028.

In fiscal year 2019, the Board approved an \$11.7 million contract with Pacific Rim Mechanical for HVAC repair and maintenance services. As of June 30, 2022, \$8.2 million had been spent and the contract was completed in late fiscal year 2022. A new contract will be rebid and issued in fiscal year 2023.

In fiscal year 2020, the Board approved a \$35 million contract with Jacobs Engineering Group, Inc. to provide Airside-Landside Engineering consulting services. As of June 30, 2022, \$23.7 million had been spent and the contract is scheduled for completion in fiscal year 2025.

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

CONTINGENCIES:

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

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

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

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

NOTE 12.
COMMITMENTS AND
CONTINGENCIES (CONTINUED)



NOTE 13. For the fiscal year ended June 30, 2022, the Airport Authority implemented GASB 87, Leases. As required when presenting prior period comparative statements, the financial statements of the fiscal year ended June 30, 2021, have been retrospectively restated. Additionally, the beginning of year cash included within the accompanying statement of cash flows has been corrected due to an understatement reported in the previous year. The effects of the restatement are as follows:

CHANGE IN ACCOUNTING PRINCIPLE & CORRECTION OF STATEMENT OF CASH FLOWS

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

| | As Previously | | |
|--|---------------|------------------|------------------|
| | Reported | 2021 as restated | Effect of Change |
| Statement of Revenues, Expenses and Changes in Net Position: | | | |
| Ground and non-airline terminal rentals | 21,848,936 | 19,176,623 | (2,672,313) |
| Concession revenue | 31,096,870 | 41,801,386 | 10,704,516 |
| Other operating revenue | 1,682,151 | 1,679,512 | (2,639) |
| Space rental | 10,266,657 | 63,790 | 10,202,867 |
| Depreciation expense | 132,833,789 | 137,495,515 | (4,661,726) |
| Other Interest Income | 1,680,390 | 6,748,239 | 5,067,849 |
| Interest expense | 68,067,154 | 76,627,532 | (8,560,378) |
| Change in net position | (6,218,846) | 3,859,328 | 10,078,174 |

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

| | As Previously | | |
|--|----------------|------------------|------------------|
| | Reported | 2021 as restated | Effect of Change |
| Statements of Cash Flows: | | | |
| Receipts from customers | \$ 200,250,036 | \$ 207,566,897 | \$ 7,316,861 |
| Payments to suppliers | (86,798,975) | (77,488,153) | 9,310,822 |
| Other receipts (payments) | 1,683,852 | 1,681,213 | (2,639) |
| Net cash provided by operating activities | 66,469,492 | 83,094,535 | 16,625,043 |
| Capital outlay | (180,332,423) | (193,518,799) | (13,186,376) |
| Other interest income | - | 6,748,240 | 6,748,240 |
| Interest and debt fees paid | (81,239,634) | (89,746,146) | (8,506,512) |
| Net cash used in financing activities | (157,286,629) | (172,231,276) | (14,944,648) |
| Purchases of investments | (312,867,581) | (297,741,464) | 15,126,117 |
| Interest received on investments and note receivable | 4,175,353 | 11,790,929 | 7,615,576 |
| Net cash provided by (used in) investing activities | 53,103,664 | 75,845,357 | 22,741,693 |
| Net increase (decrease) in cash and cash equivalents | (37,713,473) | (13,291,384) | 24,422,088 |
| Cash and cash equivalents, end of year | 63,404,285 | 87,826,370 | 24,422,085 |
| Cash and cash equivalents designated for specific capital projects and other commitments | 22,494,254 | 46,916,337 | 24,422,083 |
| Total cash and cash equivalents | 63,404,286 | 87,826,370 | 24,422,084 |
| Operating loss | (67,404,954) | (53,834,247) | 13,570,707 |
| Depreciation expense | 132,833,789 | 137,495,515 | 4,661,726 |
| Other assets | 1,380,047 | 541,863 | (838,184) |
| Lease receivables | - | 4,067,252 | 4,067,252 |
| Other liabilities | (13,743,101) | (18,579,561) | (4,836,460) |
| Net cash provided by operating activities | 53,065,781 | 69,690,822 | 16,625,041 |

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSETS) AND RELATED RATIOS LAST 10 FISCAL YEARS (PLAN YEAR REPORTED IN
SUBSEQUENT FISCAL YEAR) DEFINED BENEFIT PLAN**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Pension Liability: | | | | | | | | |
| Service cost | \$ 7,970,646 | \$ 7,857,035 | \$ 7,632,696 | \$ 7,390,428 | \$ 6,996,180 | \$ 6,205,263 | \$ 6,154,579 | \$ 6,099,481 |
| Interest (includes interest on service cost) | 15,693,834 | 14,257,205 | 13,355,418 | 12,621,226 | 11,416,679 | 10,277,610 | 9,327,538 | 8,465,485 |
| Differences between expected and actual experience | (2,239,695) | 925,862 | (645,462) | (2,630,285) | 3,975,029 | (2,178,527) | 345,661 | - |
| Effect of changes of assumptions | - | 6,767,000 | - | 6,416,088 | 5,871,218 | 10,473,890 | - | - |
| Benefit payments, including refunds of member contributions | (8,820,959) | (6,733,942) | (6,429,659) | (4,462,751) | (4,669,787) | (3,023,391) | (2,482,523) | (2,913,221) |
| Net change in total pension liability | 12,603,826 | 23,073,160 | 13,912,993 | 19,334,706 | 23,589,319 | 21,754,845 | 13,345,255 | 11,651,745 |
| Total pension liability - beginning | 241,862,071 | 218,788,911 | 204,875,918 | 185,541,212 | 161,951,893 | 140,197,048 | 126,851,793 | 115,200,048 |
| Total pension liability - ending | \$ 254,465,897 | \$ 241,862,071 | \$ 218,788,911 | \$ 204,875,918 | \$ 185,541,212 | \$ 161,951,893 | \$ 140,197,048 | \$ 126,851,793 |
| Plan Fiduciary Net Position: | | | | | | | | |
| Contributions - employer | \$ 8,596,163 | \$ 8,424,834 | \$ 7,848,712 | \$ 7,318,546 | \$ 5,480,984 | \$ 4,047,780 | \$ 3,897,545 | \$ 3,924,988 |
| Contributions - employee | 3,125,138 | 3,321,661 | 3,178,464 | 3,162,781 | 2,990,317 | 2,967,269 | 2,840,236 | 2,765,079 |
| Net investment income | 53,140,343 | 390,013 | 12,086,349 | 14,036,710 | 19,480,875 | 1,651,283 | 4,390,185 | 18,302,683 |
| Benefit payments, including refunds of member contributions | (8,820,959) | (6,733,942) | (6,429,659) | (4,462,751) | (4,669,786) | (3,023,391) | (2,482,523) | (2,913,221) |
| Administrative expense | (423,018) | (386,698) | (359,095) | (350,408) | (325,042) | (318,817) | (332,290) | (332,645) |
| Net change in plan fiduciary net position | 55,617,667 | 5,015,868 | 16,324,771 | 19,704,878 | 22,957,348 | 5,324,124 | 8,313,153 | 21,746,884 |
| Plan fiduciary net position - beginning | 207,843,276 | 202,827,408 | 186,502,637 | 166,797,759 | 143,840,411 | 138,516,287 | 130,203,134 | 108,456,250 |
| Plan fiduciary net position - ending | \$ 263,460,943 | \$ 207,843,276 | \$ 202,827,408 | \$ 186,502,637 | \$ 166,797,759 | \$ 143,840,411 | \$ 138,516,287 | \$ 130,203,134 |
| Net pension liability (asset) - ending | \$ (8,995,046) | \$ 34,018,795 | \$ 15,961,503 | \$ 18,373,281 | \$ 18,743,453 | \$ 18,111,482 | \$ 1,680,761 | \$ (3,351,341) |
| Plan fiduciary net position as a percentage of the total pension liability | 103.53% | 85.93% | 92.70% | 91.03% | 89.90% | 88.82% | 98.80% | 102.64% |
| Covered payroll | \$ 33,328,788 | \$ 32,828,449 | \$ 31,584,841 | \$ 31,628,301 | \$ 31,131,795 | \$ 29,189,357 | \$ 27,955,455 | \$ 26,380,323 |
| Net pension liability as a percentage of covered payroll | (26.99%) | 103.63% | 50.54% | 58.09% | 60.21% | 62.05% | 6.01% | (12.70%) |

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

**SCHEDULE OF CONTRIBUTIONS (PENSIONS) LAST 10 FISCAL YEARS (DOLLARS IN THOUSANDS):
DEFINED BENEFIT PLAN**

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

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

* This schedule is presented for the fiscal year.



REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FISCAL YEAR ENDED JUNE 30, 2022
(CONTINUED)

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (PLAN YEAR REPORTED IN SUBSEQUENT FISCAL YEAR)
PRESERVATION OF BENEFITS TRUST PLAN

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Pension Liability | | | | | | |
| Service cost | \$ 88,557 | \$ 55,276 | \$ 49,343 | \$ 51,774 | \$ 60,994 | \$ 29,270 |
| Interest cost | 54,559 | 62,061 | 64,133 | 53,311 | 35,323 | 34,173 |
| Differences between expected and actual experience | (195,545) | (57,318) | (64,295) | 193,013 | 388,329 | - |
| Changes of assumptions | 22,116 | 661,465 | 109,070 | (89,712) | (214,765) | 272,579 |
| Benefit Payments | (41,662) | (43,301) | (47,081) | (31,329) | - | - |
| Net Change in Total Pension Liability | (71,975) | 678,183 | 111,170 | 177,057 | 269,881 | 336,022 |
| Total pension liability -beginning | 2,445,415 | 1,767,232 | 1,656,062 | 1,479,005 | 1,209,124 | 873,102 |
| Total pension liability - ending | \$ 2,373,440 | \$ 2,445,415 | \$ 1,767,232 | \$ 1,656,062 | \$ 1,479,005 | \$ 1,209,124 |
| Covered payroll | \$ 33,328,788 | \$ 32,828,449 | \$ 31,584,841 | \$ 31,628,301 | \$ 31,131,795 | \$ 29,189,357 |
| Net Pension Liability as a percentage of payroll | 7.12% | 7.45% | 5.60% | 5.24% | 4.75% | 4.14% |

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

SCHEDULE OF CONTRIBUTIONS (PENSIONS), LAST 10 FISCAL YEARS:
PRESERVATION OF BENEFITS TRUST PLAN

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the actuarially determined contribution | 52,398 | 42,682 | 41,249 | 45,353 | 56,513 |
| Contribution deficiency (excess) | \$ (52,398) | \$ (42,682) | \$ (41,249) | \$ (45,353) | \$ (56,513) |
| Covered payroll | \$ 29,986,825 | \$ 33,328,788 | \$ 32,828,449 | \$ 31,584,841 | \$ 31,628,301 |
| Contributions as a percentage of covered payroll | 0.17% | 0.13% | 0.13% | 0.14% | 0.18% |

* This schedule is presented for the fiscal year.

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

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET) AND RELATED RATIOS LAST 10 FISCAL YEARS (PLAN YEAR REPORTED IN SUBSEQUENT FISCAL YEAR): OTHER
POSTEMPLOYMENT BENEFITS

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FISCAL YEAR ENDED JUNE 30, 2022
(CONTINUED)

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|----------------|----------------|----------------|---------------|---------------|
| Total OPEB Liability | | | | | |
| Service Cost | \$ 446,233 | \$ 501,198 | \$ 449,596 | \$ 436,501 | \$ 411,052 |
| Interest Cost | 1,829,473 | 1,739,459 | 1,883,080 | 1,772,578 | 1,606,959 |
| Difference between expected and actual experience | (3,669,756) | - | (169,582) | - | - |
| Changes of Assumptions | 4,568,725 | - | (1,531,369) | - | 766,830 |
| Benefit Payments | (919,462) | (784,845) | (775,225) | (622,425) | (451,189) |
| Net Change in Total OPEB Liability | 2,255,213 | 1,455,812 | (143,500) | 1,586,654 | 2,333,652 |
| Total OPEB Liability (Beginning) | 27,116,806 | 25,660,994 | 25,804,494 | 24,217,840 | 21,884,188 |
| Total OPEB Liability (Ending) | \$ 29,372,019 | \$ 27,116,806 | \$ 25,660,994 | \$ 25,804,494 | \$ 24,217,840 |
| Plan Fiduciary Net Position | | | | | |
| Contributions—Employer | \$ 919,462 | \$ 784,845 | \$ 775,225 | \$ 622,425 | \$ 2,012,419 |
| Net Investment Income | 4,973,926 | 982,113 | 1,604,058 | 1,896,351 | 2,175,582 |
| Benefit Payments | (919,462) | (784,845) | (775,225) | (622,425) | (451,189) |
| Administrative Expense | (10,452) | (13,580) | (5,611) | (12,568) | (10,578) |
| Net Change in Plan Fiduciary Net Position | 4,963,474 | 968,533 | 1,598,447 | 1,883,783 | 3,726,234 |
| Plan Fiduciary Net Position (Beginning) | 28,766,021 | 27,797,488 | 26,199,041 | 24,315,258 | 20,589,024 |
| Plan Fiduciary Net Position (Ending) | \$ 33,729,495 | \$ 28,766,021 | \$ 27,797,488 | \$ 26,199,041 | \$ 24,315,258 |
| Net OPEB Asset | \$ (4,357,476) | \$ (1,649,215) | \$ (2,136,494) | \$ (394,547) | \$ (97,418) |
| Net Position as a Percentage of OPEB Liability | 114.84% | 106.08% | 108.33% | 101.53% | 100.40% |
| Covered Payroll | \$ 12,786,000 | \$ 14,608,940 | \$ 13,869,000 | \$ 16,625,857 | \$ 16,141,609 |
| Net OPEB Asset as a Percentage of Payroll | (34.08%) | (11.29%) | (15.40%) | (2.37%) | (0.60%) |

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

SCHEDULE OF CONTRIBUTIONS (OPEB) LAST 10 FISCAL YEARS (DOLLARS IN THOUSANDS): OTHER
POSTEMPLOYMENT BENEFITS

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-----------|-----------|-----------|-----------|-----------|
| Actuarially determined contribution | \$ 326 | \$ 365 | \$ 427 | \$ 486 | \$ 472 |
| Contributions in relation to the actuarially determined contribution | 951 | 919 | 785 | 339 | 462 |
| Contribution deficiency (excess) | \$ (625) | \$ (554) | \$ (358) | \$ 147 | \$ 10 |
| Covered payroll | \$ 10,493 | \$ 12,786 | \$ 14,609 | \$ 13,869 | \$ 15,674 |
| Contributions as a percentage of covered payroll | 9.06% | 7.19% | 5.37% | 2.44% | 2.95% |

* This schedule is presented for the fiscal year.

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



STATISTICAL SECTION

This part of the Airport Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends Data – These tables contain trend information to help the reader understand how the Airport Authority's financial performance and well-being have changed over time.

- Authority operating revenues and O&M expenses Exhibit S-1
- Authority net position by component Exhibit S-2
- Authority changes in net position Exhibit S-3
- Authority largest sources of revenue Exhibit S-4

Revenue Capacity – These tables contain information to help the reader assess the Airport Authority's most significant revenue sources.

- Authority landing fee rate Exhibit S-5
- Terminal rates billed to airlines Exhibit S-6
- Airline cost per enplaned passenger Exhibit S-7

Operating Information – These tables are intended to provide contextual information about the Airport Authority's operations and resources in order for readers to understand and assess its economic condition.

- Authority employee head count Exhibit S-8
- Aircraft operations Exhibit S-9
- Aircraft landed weight Exhibit S-10
- Aircraft landed weight by airline Exhibit S-11
- Passenger enplanements Exhibit S-12
- Enplanement market share by airline by fiscal year Exhibit S-13
- Capital assets Exhibit S-14

Demographic and Economic Information – These tables offer demographic and economic indicators to help the reader understand the environment within which the Airport Authority's financial activities take place.

- Population & per capita personal income – San Diego County Exhibit S-15
- Principal employers in San Diego County Exhibit S-16
- Labor force, employment and unemployment rates Exhibit S-17

Debt Capacity – These tables present information to help the reader assess the affordability of the Airport Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

- Debt service coverage Exhibit S-18
- Debt services coverage – Series 2014 CFC Bonds Exhibit S-19
- Debt per enplaned passenger Exhibit S-20

EXHIBIT S-1 AUTHORITY REVENUES AND O&M EXPENSES (\$000)

Fiscal Years Ended June 30,

| Operating Revenues | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Airline revenue | | | | | | | | | | |
| Landing fees | \$ 19,658 | \$ 19,107 | \$ 21,390 | \$ 23,985 | \$ 24,612 | \$ 23,900 | \$ 24,816 | \$ 33,242 | \$ 34,046 | \$ 35,354 |
| Aircraft parking fees | 3,191 | 2,503 | 2,716 | 2,701 | 2,927 | 3,236 | 3,471 | 8,354 | 8,542 | 8,856 |
| Building rentals | 41,840 | 46,001 | 48,153 | 53,536 | 56,575 | 62,241 | 70,912 | 82,453 | 83,090 | 97,047 |
| Security surcharge | 23,360 | 25,777 | 25,180 | 29,223 | 29,468 | 32,303 | 33,559 | - | - | - |
| Other aviation revenue | 1,591 | 4,488 | 4,893 | 2,760 | 2,799 | 1,477 | 1,596 | 7,789 | 8,192 | 6,518 |
| Concession revenue | 42,041 | 47,770 | 52,496 | 29,249 | 61,256 | 71,256 | 57,243 | 41,801 | 41,801 | 88,138 |
| Parking and ground transportation revenue | 35,750 | 38,959 | 41,632 | 75,131 | 49,407 | 53,254 | 62,818 | 50,751 | 27,447 | 57,076 |
| Ground rentals | 9,162 | 9,603 | 13,074 | 16,226 | 20,053 | 22,109 | 22,810 | 21,386 | 19,177 | 23,265 |
| Other operating revenue | 905 | 1,529 | 971 | 1,183 | 1,750 | 1,949 | 2,441 | 1,818 | 1,680 | 2,999 |
| Total Operating Revenues | \$ 177,498 | \$ 195,737 | \$ 210,505 | \$ 233,994 | \$ 248,847 | \$ 266,079 | \$ 293,679 | \$ 263,036 | \$ 223,975 | \$ 319,253 |

| Operating Expenses Before Depreciation | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Salaries and benefits | \$ 38,092 | \$ 39,135 | \$ 39,211 | \$ 42,025 | \$ 46,874 | \$ 47,866 | \$ 49,578 | \$ 51,667 | \$ 52,922 | \$ 46,373 |
| Contractual services | 29,284 | 31,559 | 32,422 | 38,215 | 44,372 | 45,249 | 49,903 | 37,694 | 24,977 | 34,491 |
| Safety and security | 23,994 | 24,151 | 23,464 | 28,721 | 28,422 | 30,733 | 31,397 | 29,457 | 35,086 | 34,191 |
| Space rental | 10,897 | 10,478 | 10,433 | 10,367 | 10,190 | 10,190 | 10,191 | 10,207 | 64 | 839 |
| Utilities | 6,659 | 8,680 | 10,152 | 11,480 | 10,736 | 12,509 | 13,194 | 12,748 | 11,730 | 14,193 |
| Maintenance | 11,204 | 13,982 | 14,516 | 14,122 | 14,270 | 12,603 | 13,436 | 11,584 | 9,111 | 10,747 |
| Equipment and systems | 469 | 643 | 1,805 | 708 | 506 | 598 | 375 | 336 | 425 | 340 |
| Materials and supplies | 406 | 440 | 519 | 536 | 611 | 655 | 656 | 651 | 450 | 496 |
| Insurance | 795 | 988 | 1,145 | 949 | 956 | 1,098 | 1,200 | 1,308 | 1,519 | 1,741 |
| Employee development and support | 1,235 | 1,171 | 1,136 | 1,242 | 1,347 | 1,248 | 1,045 | 967 | 442 | 537 |
| Business development | 2,444 | 2,661 | 2,493 | 2,390 | 2,347 | 3,246 | 2,630 | 2,033 | 209 | 1,781 |
| Equipment rentals and repairs | 1,317 | 2,932 | 2,951 | 2,852 | 3,095 | 3,124 | 3,614 | 3,598 | 3,380 | 3,585 |
| Total Operating Expenses Before Depreciation | \$ 126,796 | \$ 136,820 | \$ 140,248 | \$ 153,607 | \$ 163,725 | \$ 169,119 | \$ 177,219 | \$ 162,250 | \$ 140,315 | \$ 149,314 |

EXHIBIT S-2 AUTHORITY NET POSITION BY COMPONENT (\$000)

Fiscal Years Ended June 30,

| | 2013 | 2014 | 2015 | 2016 ¹ | 2017 | 2018 ² | 2019 | 2020 | 2021 ³ | 2022 |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net investment in capital assets | \$ 359,640 | \$ 312,780 | \$ 316,250 | \$ 310,339 | \$ 263,952 | \$ 294,937 | \$ 281,491 | \$ 266,213 | \$ 324,926 | \$ 418,349 |
| Other restricted net position | 167,384 | 204,642 | 215,968 | 214,533 | 225,088 | 230,954 | 246,508 | 211,329 | 192,484 | 176,638 |
| Unrestricted net position | 200,040 | 209,594 | 210,522 | 251,076 | 294,133 | 284,034 | 325,303 | 407,524 | 371,514 | 317,414 |
| Total net position | \$ 727,064 | \$ 727,016 | \$ 742,740 | \$ 775,949 | \$ 783,173 | \$ 809,925 | \$ 853,302 | \$ 885,066 | \$ 888,924 | \$ 912,401 |

¹ Amounts for 2016 were restated as per GASB 68

² Amounts for 2018 were restated as per GASB 75

³ Amounts for 2021 were restated as per GASB 87

EXHIBIT S-3 AUTHORITY CHANGES IN NET POSITION (\$000)

Fiscal Years Ended June 30,

| | 2013 | 2014 | 2015 | 2016 ¹ | 2017 | 2018 ² | 2019 | 2020 | 2021 ³ | 2022 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Operating revenues: | | | | | | | | | | |
| Airline revenue: | | | | | | | | | | |
| Landing fees | \$ 19,658 | \$ 19,107 | \$ 21,390 | \$ 23,985 | \$ 24,612 | \$ 23,900 | \$ 24,816 | \$ 33,242 | \$ 34,046 | \$ 35,354 |
| Aircraft parking fees | 3,191 | 2,503 | 2,716 | 2,701 | 2,927 | 3,236 | 3,471 | 8,354 | 8,542 | 8,856 |
| Building rentals | 41,840 | 46,001 | 48,153 | 53,536 | 56,575 | 62,241 | 70,912 | 82,453 | 83,090 | 97,047 |
| Security surcharge | 23,360 | 25,777 | 25,180 | 29,223 | 29,468 | 32,303 | 33,559 | - | - | - |
| Other aviation revenue | 1,591 | 4,488 | 4,893 | 2,760 | 2,799 | 1,477 | 1,596 | 7,789 | 8,192 | 6,518 |
| Concession revenue | 42,041 | 47,770 | 52,496 | 56,274 | 61,256 | 65,610 | 71,256 | 57,243 | 41,801 | 88,138 |
| Parking and ground transportation revenue | 35,750 | 38,959 | 41,632 | 48,106 | 49,407 | 53,254 | 62,818 | 50,751 | 27,447 | 57,076 |
| Ground rentals | 9,162 | 9,603 | 13,074 | 16,226 | 20,053 | 22,109 | 22,810 | 21,386 | 19,177 | 23,265 |
| Other operating revenue | 905 | 1,529 | 971 | 1,183 | 1,750 | 1,949 | 2,441 | 1,818 | 1,680 | 2,999 |
| Total operating revenues | 177,498 | 195,737 | 210,505 | 233,994 | 248,847 | 266,079 | 293,679 | 263,036 | 223,975 | 319,253 |
| Operating expenses before depreciation and amortization: | | | | | | | | | | |
| Salaries and benefits | 38,092 | 39,135 | 39,211 | 42,025 | 46,874 | 47,866 | 49,578 | 51,667 | 52,922 | 46,373 |
| Contractual services | 29,284 | 31,559 | 32,422 | 38,215 | 44,372 | 45,249 | 49,903 | 37,694 | 24,977 | 34,491 |
| Safety and security | 23,994 | 24,151 | 23,465 | 28,721 | 28,422 | 30,733 | 31,397 | 29,457 | 35,086 | 34,191 |
| Space rental | 10,897 | 10,478 | 10,433 | 10,367 | 10,190 | 10,190 | 10,191 | 10,207 | 64 | 839 |
| Utilities | 6,659 | 8,680 | 10,152 | 11,480 | 10,736 | 12,509 | 13,194 | 12,748 | 11,730 | 14,193 |
| Maintenance | 11,204 | 13,982 | 14,516 | 14,122 | 14,270 | 12,603 | 13,436 | 11,584 | 9,111 | 10,747 |
| Equipment and systems | 469 | 643 | 1,805 | 708 | 506 | 598 | 375 | 336 | 425 | 340 |
| Materials and supplies | 406 | 440 | 519 | 536 | 611 | 655 | 656 | 651 | 450 | 496 |
| Insurance | 795 | 988 | 1,145 | 949 | 956 | 1,098 | 1,200 | 1,308 | 1,519 | 1,741 |
| Employee development and support | 1,235 | 1,171 | 1,136 | 1,242 | 1,347 | 1,248 | 1,045 | 967 | 442 | 537 |
| Business development | 2,444 | 2,661 | 2,493 | 2,390 | 2,347 | 3,246 | 2,630 | 2,033 | 209 | 1,781 |
| Equipment rentals and repairs | 1,317 | 2,932 | 2,951 | 2,852 | 3,095 | 3,124 | 3,614 | 3,598 | 3,380 | 3,585 |
| Total operating expenses before depreciation and amortization | 126,796 | 136,820 | 140,248 | 153,607 | 163,726 | 169,119 | 177,219 | 162,250 | 140,315 | 149,314 |
| Income from operations before depreciation and amortization | 50,702 | 58,917 | 70,257 | 80,387 | 85,121 | 96,960 | 116,460 | 100,786 | 83,660 | 169,939 |
| Depreciation and amortization expense | 46,100 | 81,598 | 81,887 | 87,821 | 95,229 | 105,532 | 124,329 | 131,587 | 137,496 | 141,919 |
| Operating income (loss) | 4,602 | (22,681) | (11,630) | (7,434) | (10,108) | (8,572) | (7,869) | (30,801) | (53,836) | 28,020 |
| Nonoperating revenues (expenses): | | | | | | | | | | |
| Passenger facility charges | 35,437 | 35,770 | 38,517 | 40,258 | 42,200 | 46,953 | 49,198 | 34,393 | 22,110 | 40,394 |
| Customer facility charges | 19,117 | 27,545 | 32,465 | 33,208 | 36,528 | 41,036 | 41,918 | 30,240 | 15,755 | 30,333 |
| CARES Act/ACRGP Act Grants | - | - | - | - | - | - | - | 36,895 | 77,219 | 78,922 |
| Quieter Home Program, net | (1,589) | (2,750) | (2,811) | (3,698) | (785) | (2,747) | (3,192) | (3,295) | (3,233) | (2,541) |
| Joint Studies Program | (55) | (152) | (145) | (101) | - | (114) | (99) | - | - | - |
| Other interest income | - | - | - | - | - | - | - | - | 6,748 | 7,263 |
| Investment income | 4,140 | 5,211 | 5,747 | 5,999 | 5,689 | 9,426 | 25,533 | 32,430 | 2,495 | (48,884) |
| Interest expense | (12,054) | (51,984) | (55,187) | (50,636) | (58,179) | (68,411) | (74,501) | (73,612) | (76,628) | (109,675) |
| Build America Bonds Rebate | 4,779 | 4,636 | 4,631 | 4,656 | 4,651 | 4,666 | 4,686 | - | - | - |
| Other revenues (expenses), net | (4,279) | 434 | 1,367 | 2,247 | (14,676) | (9,281) | (510) | 1,442 | (705) | (13,316) |
| Nonoperating revenue, net | 45,496 | 18,710 | 24,584 | 31,933 | 15,428 | 21,528 | 43,033 | 58,493 | 43,761 | (17,503) |
| Income before capital grant contributions | 50,098 | (3,971) | 12,954 | 24,499 | 5,320 | 12,956 | 35,164 | 27,692 | (10,075) | 10,518 |
| Capital grant contributions | 16,077 | 3,924 | 10,765 | 10,477 | 1,904 | 13,079 | 8,213 | 4,072 | 13,932 | 12,958 |
| Change in net position | 66,175 | (47) | 23,719 | 34,976 | 7,224 | 26,035 | 43,377 | 31,764 | 3,857 | 23,476 |
| Prior Period Adjustment | - | - | (7,993) | (1,767) | - | 717 | - | - | - | - |
| Net position, beginning of year | 660,889 | 727,064 | 727,016 | 742,740 | 775,949 | 783,173 | 809,925 | 853,302 | 885,066 | 888,925 |
| Net position, end of year | \$ 727,064 | \$ 727,017 | \$ 742,742 | \$ 775,949 | \$ 783,173 | \$ 809,925 | \$ 853,302 | \$ 885,066 | \$ 888,923 | \$ 912,401 |

¹ Amounts for 2016 were restated as per GASB 68

² Amounts for 2018 were restated as per GASB 75

³ Amounts for 2021 were restated as per GASB 87

EXHIBIT S-4 AUTHORITY LARGEST SOURCES OF REVENUE (\$'000)

Fiscal Years Ended June 30,

| Tenant | 2013 | 2014 | 2015 | 2016 ¹ | 2017 | 2018 ² | 2019 | 2020 | 2021 ³ | 2022 |
|--------------------------------|---------------|---------------|---------------|-------------------|---------------|-------------------|---------------|---------------|-------------------|---------------|
| Southwest Airlines | \$ 27,598,908 | \$ 29,548,565 | \$ 33,107,335 | \$ 33,838,686 | \$ 35,960,638 | \$ 38,403,919 | \$ 42,358,547 | \$ 44,940,626 | \$ 32,981,547 | \$ 46,676,116 |
| Alaska Airlines ⁵ | 6,167,257 | 8,008,057 | 9,712,564 | 10,612,367 | 11,705,334 | 16,352,834 | 17,436,299 | 20,633,199 | 19,163,465 | 25,229,826 |
| Delta Airlines | 10,898,540 | 12,005,146 | 13,560,515 | 14,418,056 | 16,123,110 | 17,007,240 | 18,367,799 | 22,063,736 | 16,637,440 | 23,051,398 |
| United Airlines | 15,817,886 | 15,364,094 | 15,687,045 | 14,518,119 | 16,227,363 | 17,520,412 | 18,335,068 | 20,204,377 | 16,629,587 | 19,809,053 |
| American Airlines ⁴ | 15,173,458 | 15,785,140 | 15,888,023 | 15,321,505 | 17,075,112 | 16,581,217 | 17,073,172 | 17,150,267 | 17,009,804 | 19,653,281 |
| Avis Rent-A-Car ⁶ | - | - | - | - | - | - | - | 8,446,736 | 4,666,097 | 14,247,125 |
| Enterprise Rent-A-Car | 6,934,784 | 7,162,116 | 7,998,222 | 9,451,127 | 11,188,393 | 12,285,652 | 12,779,605 | 12,238,158 | 5,913,051 | 12,725,271 |
| Hertz Rent-A-Car | 5,961,730 | 6,149,759 | 6,236,082 | 8,225,179 | 11,142,905 | 11,017,486 | 11,538,847 | 10,829,239 | 5,303,020 | 11,065,293 |
| Uber Technologies, Inc | - | - | - | - | - | - | - | - | - | 6,805,565 |
| Signature Flight Support | - | - | - | - | - | - | - | - | 4,919,025 | 6,759,992 |

¹ Amounts for 2016 were restated as per GASB 68

² Amounts for 2018 were restated as per GASB 75

³ Amounts for 2021 were restated as per GASB 87

⁴ On December 9, 2013, AMR Corporation (American Airlines) merged with US Airways Group, forming American Airlines Group. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. Data for US Airways and American Airlines have been combined in this table.

⁵ Alaska Airlines and Virgin America received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. Data for Alaska Airlines and Virgin America have been combined in this table.

⁶ On February 2, 2020 Avis Budget Car Rental LLC entered into a purchase agreement with BW-Budget-SDA LLC acquiring all agreements at SAN. Data for BW-Budget and Avis have been combined on this table.

Note: Amounts depicted in this exhibit reflect principal and interest payments for leases subject to GASB Statement No.87, leases outside the scope of the standard reflect revenue

EXHIBIT S-6 TERMINAL RATES BILLED TO AIRLINES

Fiscal Years Ended June 30,

TERMINAL RATE PER SQUARE FOOT



*Signatory Rate

Terminal Rate is the rate billed to the airlines for the rent of terminal space per square foot.

EXHIBIT S-5 AUTHORITY LANDING FEE RATE RATE (\$ PER 1,000 LBS)

Fiscal Years Ended June 30,

AUTHORITY LANDING FEE RATE



*Signatory Rate

Terminal Rate is the rate billed to the airlines for the rent of terminal space per square foot.

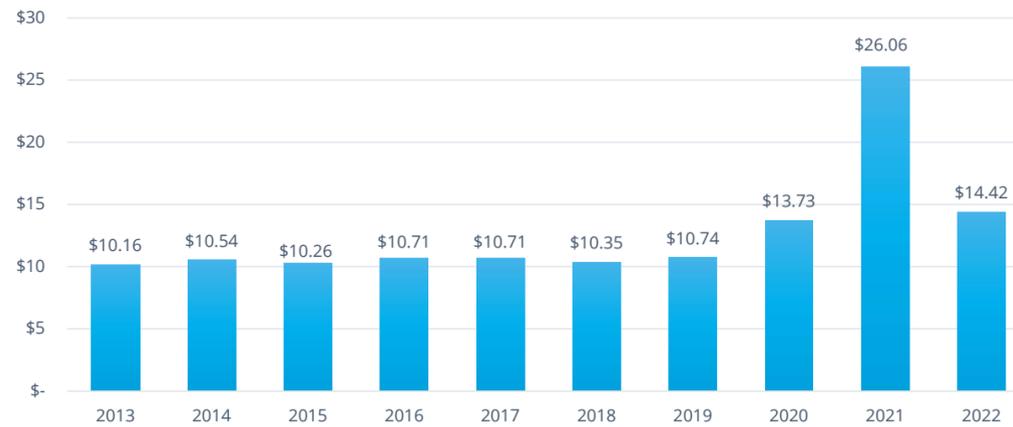


EXHIBIT S-7
AIRLINE COST PER
ENPLANED PASSENGER

Fiscal Years Ended June 30,

COST PER ENPLANED PASSENGER

| Fiscal Year | Enplaned | Cost per |
|-------------|----------|----------|
| 2013 | 8,738 | \$10.16 |
| 2014 | 9,082 | \$10.54 |
| 2015 | 9,713 | \$10.26 |
| 2016 | 10,206 | \$10.71 |
| 2017 | 10,596 | \$10.71 |
| 2018 | 11,732 | \$10.35 |
| 2019 | 12,356 | \$10.74 |
| 2020 | 9,235 | \$13.73 |
| 2021 | 4,861 | \$26.06 |
| 2022 | 9,953 | \$14.42 |



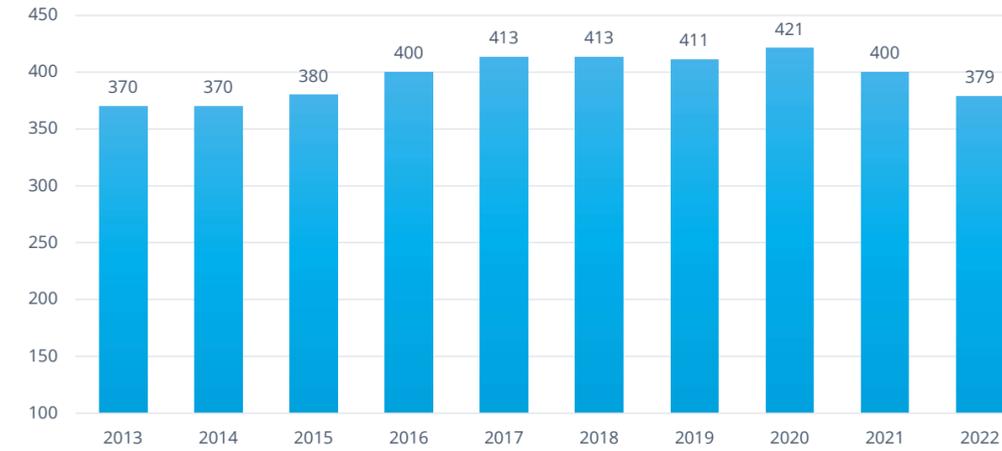
Airline Cost per Enplaned Passenger is the total annual cost of fees and charges paid by the airlines divided by the total fiscal year enplanements.



EXHIBIT S-8
AUTHORITY EMPLOYEE
HEAD COUNT

Fiscal Years Ended June 30,

AUTHORITY EMPLOYEE HEAD COUNT



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



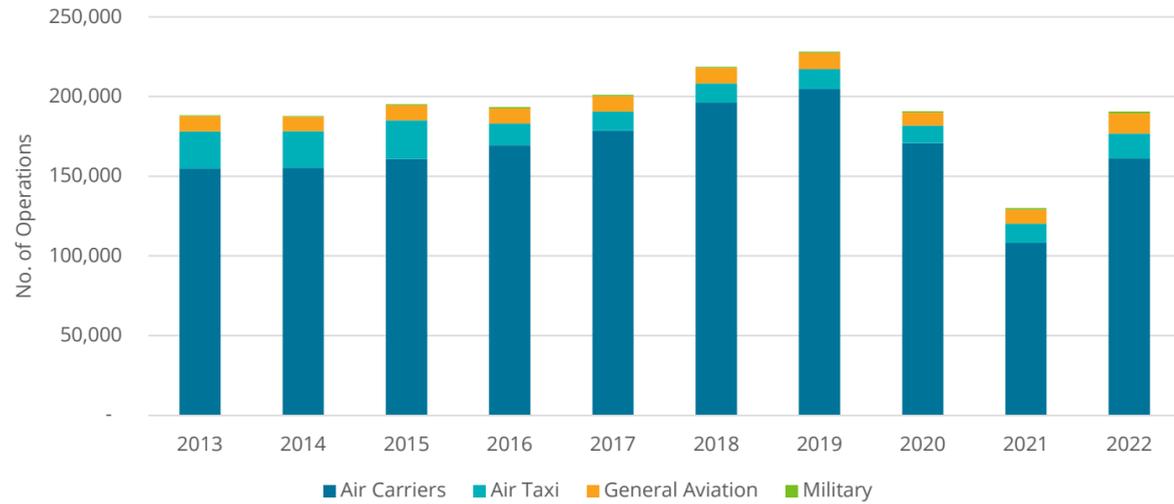
EXHIBIT S-9
AIRCRAFT OPERATIONS
(TAKEOFFS & LANDINGS)

Fiscal Years Ended June 30,

| Fiscal Year | Air Carriers | Air Taxi | General | Military | Total |
|-------------|----------------|---------------|---------------|--------------|----------------|
| 2013 | 154,781 | 23,370 | 9,586 | 567 | 188,304 |
| 2014 | 155,310 | 22,953 | 8,930 | 597 | 187,790 |
| 2015 | 160,726 | 24,336 | 9,534 | 669 | 195,265 |
| 2016 | 169,365 | 13,741 | 9,439 | 906 | 193,451 |
| 2017 | 178,579 | 11,899 | 9,719 | 814 | 201,011 |
| 2018 | 196,253 | 11,903 | 9,816 | 699 | 218,671 |
| 2019 | 204,627 | 12,539 | 10,167 | 759 | 228,092 |
| 2020 | 170,757 | 10,990 | 8,174 | 825 | 190,746 |
| 2021 | 108,240 | 11,844 | 8,835 | 1,098 | 130,017 |
| 2022 | 161,150 | 15,547 | 12,611 | 1,177 | 190,485 |

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

AIRCRAFT OPERATIONS

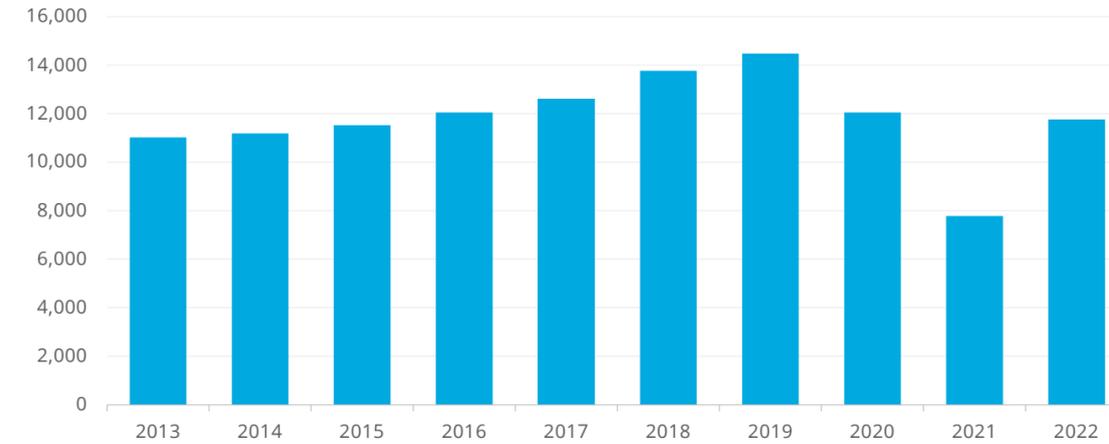


Aircraft Operations are the takeoffs and landings at SDIA. They represent the level of demand for air service by the airlines operating at SDIA.

EXHIBIT S-10
AIRCRAFT LANDED WEIGHTS
(IN MILLIONS LBS)

Fiscal Years Ended June 30,

AIRCRAFT LANDED WEIGHTS (IN MILLIONS LBS)



Landed Weight is the maximum gross certificated landed weight in one million pound units as stated in the airlines' flight operational manual. Landed weight is used to calculate landing fees for both airline and general aviation aircraft operated at the airport.



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

Fiscal Years Ended June 30,

| Airline | Landed Weight (in thousands) | | | | | | | | | |
|--------------------------------|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Southwest Airlines | 3,907,554 | 3,925,362 | 4,214,314 | 4,257,162 | 4,470,104 | 4,924,451 | 5,180,064 | 4,422,096 | 2,277,011 | 3,688,292 |
| Delta Airlines | 1,023,608 | 1,016,878 | 1,077,103 | 1,153,074 | 1,175,285 | 1,183,702 | 1,389,312 | 1,221,773 | 1,049,374 | 1,497,160 |
| American Airlines ² | 1,339,751 | 1,349,554 | 1,359,911 | 1,467,922 | 1,428,538 | 1,471,318 | 1,415,134 | 1,201,659 | 917,691 | 1,238,946 |
| Alaska Airlines ³ | 750,000 | 884,727 | 888,065 | 924,310 | 999,875 | 1,131,807 | 1,411,255 | 1,162,582 | 769,364 | 1,196,955 |
| United Airlines ¹ | 1,387,854 | 1,340,736 | 1,227,974 | 1,250,500 | 1,355,185 | 1,492,873 | 1,566,148 | 1,201,192 | 694,980 | 1,260,134 |
| Skywest Airlines | 428,595 | 396,054 | 408,608 | 359,197 | 465,023 | 627,038 | 637,117 | 481,705 | 504,012 | 709,412 |
| Federal Express | 451,797 | 419,127 | 384,686 | 444,038 | 390,716 | 388,782 | 375,807 | 394,288 | 466,734 | 476,195 |
| Frontier Airlines | 196,614 | 192,493 | 153,880 | 115,238 | 167,590 | 232,794 | 247,145 | 204,924 | 199,836 | 264,830 |
| JetBlue Airlines | 168,080 | 189,979 | 193,848 | 199,232 | 244,364 | 293,160 | 281,715 | 260,940 | 171,957 | 292,311 |
| Horizon Air- Alaska Airlines | 86,478 | 94,972 | 88,241 | 60,268 | 54,799 | 100,303 | 82,650 | 146,100 | 145,050 | 166,950 |
| United Parcel | 118,180 | 121,742 | 127,660 | 135,318 | 146,778 | 143,678 | 138,860 | 146,624 | 138,926 | 138,064 |
| Spirit Airlines | 208,200 | 245,669 | 296,925 | 351,977 | 286,162 | 328,424 | 331,366 | 230,911 | 125,589 | 165,464 |
| Hawaiian Airlines | 140,637 | 147,325 | 146,284 | 147,406 | 147,568 | 161,486 | 237,560 | 155,345 | 122,574 | 211,844 |
| ABX Air | 53,656 | 70,039 | 42,666 | - | - | - | - | 42,542 | 83,216 | 6,068 |
| Allegiant | 14,963 | 7,790 | 7,053 | 17,403 | 57,227 | 47,516 | 31,927 | 19,387 | 38,889 | 53,883 |
| Subtotal | 10,275,968 | 10,402,446 | 10,617,218 | 10,883,044 | 11,389,213 | 12,527,333 | 13,326,060 | 11,292,068 | 7,705,202 | 11,366,508 |
| All Others | 739,748 | 784,320 | 906,502 | 1,165,098 | 1,226,855 | 1,242,613 | 1,155,169 | 761,012 | 74,326 | 397,577 |
| Total | 11,015,716 | 11,186,766 | 11,523,720 | 12,048,142 | 12,616,068 | 13,769,945 | 14,481,229 | 12,053,080 | 7,779,528 | 11,764,085 |
| Annual % Change | 1.8% | 1.6% | 3.0% | 4.6% | 4.7% | 9.1% | 5.2% | -16.8% | -16.8% | -16.8% |

¹ United and Continental completed their merger on October 1, 2010 and began operating as United on November 30, 2011. The enplanements are combined for the purpose of this table.

² US Airways merged with American Airlines on December 9, 2013. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. The enplanements are combined for the purpose of this table.

³ Alaska Airlines and Virgin America received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. The enplanements are combined for the purpose of this table.

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

Fiscal Years Ended June 30,

| Airline | Market Share | | | | | | | | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Southwest Airlines | 35.5% | 35.1% | 36.6% | 35.3% | 35.4% | 35.8% | 35.8% | 36.7% | 29.3% | 31.4% |
| Delta Airlines | 9.3% | 9.1% | 9.3% | 9.6% | 9.3% | 8.6% | 9.6% | 10.1% | 13.5% | 12.7% |
| American Airlines ² | 12.2% | 12.1% | 11.8% | 12.2% | 11.3% | 10.7% | 9.8% | 10.0% | 11.8% | 10.5% |
| Alaska Airlines ³ | 6.8% | 7.9% | 7.7% | 7.7% | 7.9% | 8.2% | 9.7% | 9.6% | 9.9% | 10.2% |
| United Airlines ¹ | 12.6% | 12.0% | 10.7% | 10.4% | 10.7% | 10.8% | 10.8% | 10.0% | 8.9% | 10.7% |
| Skywest Airlines | 3.9% | 3.5% | 3.5% | 3.0% | 3.7% | 4.6% | 4.4% | 4.0% | 6.5% | 6.0% |
| Federal Express | 4.1% | 3.7% | 3.3% | 3.7% | 3.1% | 2.8% | 2.6% | 3.3% | 6.0% | 4.0% |
| Frontier Airlines | 1.8% | 1.7% | 1.3% | 1.0% | 1.5% | 1.7% | 1.7% | 1.7% | 2.6% | 2.3% |
| JetBlue Airlines | 1.5% | 1.7% | 1.7% | 1.7% | 1.9% | 2.1% | 1.9% | 2.2% | 2.2% | 2.5% |
| Horizon Air- Alaska Airlines | 0.8% | 0.8% | 0.8% | 0.5% | 0.4% | 0.7% | 0.6% | 1.2% | 1.9% | 1.4% |
| United Parcel | 1.1% | 1.1% | 1.1% | 1.1% | 1.2% | 1.0% | 1.0% | 1.2% | 1.8% | 1.2% |
| Spirit Airlines | 1.9% | 2.2% | 2.6% | 2.9% | 2.3% | 2.4% | 2.3% | 1.9% | 1.6% | 1.4% |
| Hawaiian Airlines | 1.3% | 1.3% | 1.3% | 1.2% | 1.2% | 1.2% | 1.6% | 1.3% | 1.6% | 1.8% |
| ABX Air | 0.5% | 0.6% | 0.4% | - | - | - | - | 0.4% | 1.1% | 0.1% |
| Allegiant | 0.1% | 0.1% | 0.1% | 0.2% | 0.5% | 0.3% | 0.2% | 0.2% | 0.5% | 0.5% |
| Subtotal | 93.3% | 93.0% | 92.1% | 90.3% | 90.3% | 91.0% | 92.0% | 93.7% | 99.0% | 96.6% |
| All Others | 6.7% | 7.0% | 7.9% | 9.7% | 9.7% | 9.0% | 8.0% | 6.3% | 1.0% | 3.4% |
| Total | 100.0% |



EXHIBIT S-12
PASSENGER
ENPLANEMENTS

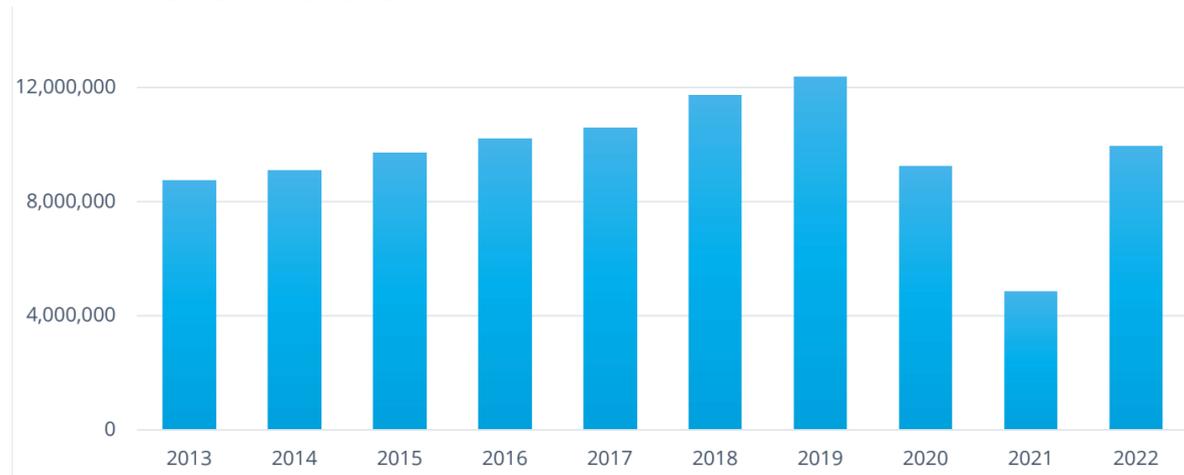
Fiscal Years Ended June 30,

| Fiscal Year | Enplaned Passengers | % Change SAN | % Change US Average |
|-------------|---------------------|----------------|---------------------------|
| 2012 | 8,575,475 | 1.6 % | 1.7 % |
| 2013 | 8,737,617 | 1.9 % | 0.5 % |
| 2014 | 9,082,244 | 3.9 % | 2.2 % |
| 2015 | 9,713,066 | 6.9 % | 3.7 % |
| 2016 | 10,206,222 | 5.1 % | 5.4 % |
| 2017 | 10,596,483 | 3.8 % | 3.4 % |
| 2018 | 11,731,833 | 10.7 % | 4.3 % |
| 2019 | 12,356,286 | 5.3 % | 4.3 % |
| 2020 | 9,235,459 | (25.3)% | (25.9)% |
| 2021 | 4,860,931 | (47.4)% | (41.5)% |
| 2022 | 9,953,162 | 104.8 % | 91.8% ¹ |

Source: U.S. Department of Transportation T-100

¹ International data for April - June 2022 not available at time of publication.

PASSENGER ENPLANEMENTS



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



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

Fiscal Years Ended June 30,

| Air Carrier | Enplanements | | | | | | | | | |
|--------------------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Air Canada | 45,058 | 36,636 | 41,175 | 48,985 | 93,274 | 110,684 | 130,404 | 90,425 | - | 43,376 |
| Alaska Airlines ¹ | 673,731 | 830,349 | 871,775 | 902,705 | 918,841 | 1,031,537 | 1,253,433 | 976,326 | 474,179 | 1,099,999 |
| Allegiant Airlines | 15,466 | 7,859 | 7,406 | 16,825 | 49,480 | 44,934 | 30,750 | 13,162 | 22,391 | 49,355 |
| American Airlines ² | 650,826 | 693,995 | 747,493 | 1,369,003 | 1,339,489 | 1,366,634 | 1,339,334 | 1,050,613 | 767,833 | 1,238,336 |
| British Airways | 81,534 | 84,600 | 84,263 | 89,723 | 90,200 | 82,543 | 83,492 | 57,998 | - | 41,417 |
| Condor | - | - | - | - | 3,902 | 7,815 | - | - | - | - |
| Delta Air Lines | 904,734 | 915,907 | 992,498 | 1,061,889 | 1,088,647 | 1,126,873 | 1,336,885 | 1,058,188 | 567,589 | 1,215,201 |
| Edelweiss | - | - | - | - | 1,215 | 6,990 | 6,271 | 2,317 | - | - |
| Frontier Airlines | 184,020 | 185,270 | 150,595 | 118,990 | 180,235 | 254,760 | 277,320 | 201,280 | 180,181 | 272,802 |
| Hawaiian Airlines | 94,283 | 98,667 | 96,963 | 102,462 | 107,776 | 108,971 | 149,744 | 102,759 | 61,754 | 133,525 |
| Japan Airlines | 18,249 | 54,213 | 59,372 | 59,647 | 59,916 | 62,034 | 66,688 | 43,596 | 1,027 | 12,784 |
| JetBlue Airways | 152,571 | 173,282 | 178,590 | 182,605 | 224,700 | 248,325 | 230,909 | 195,279 | 90,332 | 249,217 |
| Lufthansa | - | - | - | - | - | 13,037 | 49,974 | 34,654 | - | 13,695 |
| Southwest Airlines | 3,253,225 | 3,352,870 | 3,736,688 | 3,840,455 | 3,967,487 | 4,457,984 | 4,656,029 | 3,474,860 | 1,627,594 | 3,393,713 |
| Spirit Airlines | 164,189 | 201,414 | 252,219 | 327,183 | 287,208 | 318,201 | 323,623 | 225,279 | 111,604 | 168,192 |
| Sun Country Airlines | 23,836 | 27,276 | 28,732 | 34,886 | 40,109 | 41,466 | 40,167 | 37,073 | 23,461 | 35,962 |
| Swoop, Inc. | - | - | - | - | - | - | - | - | - | 3,637 |
| United Airlines ³ | 1,175,869 | 1,167,661 | 1,113,510 | 1,165,565 | 1,266,055 | 1,405,663 | 1,481,166 | 1,043,393 | 552,709 | 1,256,748 |
| US Airways ² | 560,738 | 554,244 | 523,034 | - | - | - | - | - | - | - |
| Virgin America ¹ | 168,297 | 156,729 | 175,973 | 211,075 | 212,158 | 183,672 | - | - | - | - |
| Volaris | 30,885 | 23,285 | 20,004 | 21,343 | 3,948 | - | - | - | - | - |
| Westjet | 27,746 | 31,805 | 33,723 | 34,516 | 41,043 | 39,285 | 42,939 | 28,905 | - | 11,836 |
| Total Air Carrier | 8,225,257 | 8,596,062 | 9,114,013 | 9,587,857 | 9,975,683 | 10,911,408 | 11,499,128 | 8,636,107 | 4,480,654 | 9,239,795 |
| Regional | | | | | | | | | | |
| Compass | - | 8,563 | 140,012 | 249,723 | 195,126 | 251,066 | 296,091 | 161,113 | - | - |
| Horizon Air | 77,392 | 84,000 | 83,764 | 64,758 | 53,517 | 82,131 | 64,135 | 107,373 | 89,894 | 137,421 |
| Skywest Airlines | 352,189 | 341,365 | 371,979 | 301,592 | 372,157 | 487,228 | 496,932 | 330,866 | 290,383 | 575,946 |
| Other | 82,779 | 52,254 | 3,298 | 2,292 | - | - | - | - | - | - |
| Total Regional | 512,360 | 486,182 | 599,053 | 618,365 | 620,800 | 820,425 | 857,158 | 599,352 | 380,277 | 713,367 |
| Total Passengers | 8,737,617 | 9,082,244 | 9,713,066 | 10,206,222 | 10,596,483 | 11,731,833 | 12,356,286 | 9,235,459 | 4,860,931 | 9,953,162 |

¹ Alaska Airlines and Virgin America received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. The enplanements are combined for the purpose of this table.

² US Airways merged with American Airlines on December 9, 2013. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. The enplanements are combined for the purpose of this table.

³ United and Continental completed their merger on October 1, 2010 and began operating as United on November 30, 2011. The enplanements are combined for the purpose of this table.

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

Fiscal Years Ended June 30,

| Air Carrier | Enplanements | | | | | | | | | |
|--------------------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Air Canada | 45,058 | 36,636 | 41,175 | 48,985 | 93,274 | 110,684 | 130,404 | 90,425 | - | 43,376 |
| Alaska Airlines ¹ | 673,731 | 830,349 | 871,775 | 902,705 | 918,841 | 1,031,537 | 1,253,433 | 976,326 | 474,179 | 1,099,999 |
| Allegiant Airlines | 15,466 | 7,859 | 7,406 | 16,825 | 49,480 | 44,934 | 30,750 | 13,162 | 22,391 | 49,355 |
| American Airlines ² | 650,826 | 693,995 | 747,493 | 1,369,003 | 1,339,489 | 1,366,634 | 1,339,334 | 1,050,613 | 767,833 | 1,238,336 |
| British Airways | 81,534 | 84,600 | 84,263 | 89,723 | 90,200 | 82,543 | 83,492 | 57,998 | - | 41,417 |
| Condor | - | - | - | - | 3,902 | 7,815 | - | - | - | - |
| Delta Air Lines | 904,734 | 915,907 | 992,498 | 1,061,889 | 1,088,647 | 1,126,873 | 1,336,885 | 1,058,188 | 567,589 | 1,215,201 |
| Edelweiss | - | - | - | - | 1,215 | 6,990 | 6,271 | 2,317 | - | - |
| Frontier Airlines | 184,020 | 185,270 | 150,595 | 118,990 | 180,235 | 254,760 | 277,320 | 201,280 | 180,181 | 272,802 |
| Hawaiian Airlines | 94,283 | 98,667 | 96,963 | 102,462 | 107,776 | 108,971 | 149,744 | 102,759 | 61,754 | 133,525 |
| Japan Airlines | 18,249 | 54,213 | 59,372 | 59,647 | 59,916 | 62,034 | 66,688 | 43,596 | 1,027 | 12,784 |
| JetBlue Airways | 152,571 | 173,282 | 178,590 | 182,605 | 224,700 | 248,325 | 230,909 | 195,279 | 90,332 | 249,217 |
| Lufthansa | - | - | - | - | - | 13,037 | 49,974 | 34,654 | - | 13,695 |
| Southwest Airlines | 3,253,225 | 3,352,870 | 3,736,688 | 3,840,455 | 3,967,487 | 4,457,984 | 4,656,029 | 3,474,860 | 1,627,594 | 3,393,713 |
| Spirit Airlines | 164,189 | 201,414 | 252,219 | 327,183 | 287,208 | 318,201 | 323,623 | 225,279 | 111,604 | 168,192 |
| Sun Country Airlines | 23,836 | 27,276 | 28,732 | 34,886 | 40,109 | 41,466 | 40,167 | 37,073 | 23,461 | 35,962 |
| Swoop, Inc. | - | - | - | - | - | - | - | - | - | 3,637 |
| United Airlines ³ | 1,175,869 | 1,167,661 | 1,113,510 | 1,165,565 | 1,266,055 | 1,405,663 | 1,481,166 | 1,043,393 | 552,709 | 1,256,748 |
| US Airways ² | 560,738 | 554,244 | 523,034 | - | - | - | - | - | - | - |
| Virgin America ¹ | 168,297 | 156,729 | 175,973 | 211,075 | 212,158 | 183,672 | - | - | - | - |
| Volaris | 30,885 | 23,285 | 20,004 | 21,343 | 3,948 | - | - | - | - | - |
| Westjet | 27,746 | 31,805 | 33,723 | 34,516 | 41,043 | 39,285 | 42,939 | 28,905 | - | 11,836 |
| Total Air Carrier | 8,225,257 | 8,596,062 | 9,114,013 | 9,587,857 | 9,975,683 | 10,911,408 | 11,499,128 | 8,636,107 | 4,480,654 | 9,239,795 |
| Regional | | | | | | | | | | |
| Compass | - | 8,563 | 140,012 | 249,723 | 195,126 | 251,066 | 296,091 | 161,113 | - | - |
| Horizon Air | 77,392 | 84,000 | 83,764 | 64,758 | 53,517 | 82,131 | 64,135 | 107,373 | 89,894 | 137,421 |
| Skywest Airlines | 352,189 | 341,365 | 371,979 | 301,592 | 372,157 | 487,228 | 496,932 | 330,866 | 290,383 | 575,946 |
| Other | 82,779 | 52,254 | 3,298 | 2,292 | - | - | - | - | - | - |
| Total Regional | 512,360 | 486,182 | 599,053 | 618,365 | 620,800 | 820,425 | 857,158 | 599,352 | 380,277 | 713,367 |
| Total Passengers | 8,737,617 | 9,082,244 | 9,713,066 | 10,206,222 | 10,596,483 | 11,731,833 | 12,356,286 | 9,235,459 | 4,860,931 | 9,953,162 |

¹ Alaska Airlines and Virgin America received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. The enplanements are combined for the purpose of this table.

² US Airways merged with American Airlines on December 9, 2013. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. The enplanements are combined for the purpose of this table.

³ United and Continental completed their merger on October 1, 2010 and began operating as United on November 30, 2011. The enplanements are combined for the purpose of this table.

| San Diego International Airport | |
|-------------------------------------|------------|
| Number of runways | 1 |
| Length of runway (feet) | 9,401 feet |
| Number of gates | 49 |
| Remote aircraft parking positions | 28 |
| Terminal rentable square footage | 587,683 |
| Airport Land Area | 661 acres |
| On airport parking spaces (public) | 3,356 |
| Off airport parking spaces (public) | 837 |

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

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

| November 2020 | | | |
|--------------------------------------|-----------------|------|---|
| Employer | Local Employees | Rank | Percentage of Total Industry Employment |
| University of California, San Diego | 35,802 | 1 | 2.3% |
| Naval Base San Diego | 34,534 | 2 | 2.3% |
| Sharp Health Care | 19,468 | 3 | 1.3% |
| Scripps Health | 16,295 | 4 | 1.1% |
| General Atomics Aeronautical | 6,745 | 5 | 0.4% |
| San Diego State University | 6,454 | 6 | 0.4% |
| Rady's Children Hospital | 5,711 | 7 | 0.4% |
| San Diego Community College District | 5,400 | 8 | 0.4% |
| Sempra Energy | 5,063 | 9 | 0.3% |
| YMCA of San Diego | 5,057 | 10 | 0.3% |

| August 2011 | | | |
|-------------------------------------|-----------------|------|---|
| Employer | Local Employees | Rank | Percentage of Total Industry Employment |
| U.S. Federal Government | 46,300 | 1 | 3.0% |
| State of California | 45,500 | 2 | 3.0% |
| University of California, San Diego | 27,393 | 3 | 1.8% |
| County of San Diego | 15,109 | 4 | 1.0% |
| Sharp Health Care | 14,696 | 5 | 1.0% |
| Scripps Health | 13,830 | 6 | 0.9% |
| San Diego Unified School District | 13,730 | 7 | 0.9% |
| Qualcomm Inc. | 10,509 | 8 | 0.7% |
| City of San Diego | 10,211 | 9 | 0.7% |
| Kaiser Permanente | 8,200 | 10 | 0.5% |

Source: Employers - San Diego Journal Book of Lists: 2021 & 2012
Total Industry Employment - California Employment Development Dept., Labor Market Info.

| Calendar Year | Estimated Population | % Change | Per Capita Personal Income | % Change | Total Personal Income (in billions) | % Change |
|---------------|----------------------|----------|----------------------------|----------|-------------------------------------|----------|
| 2012 | 3,174,446 | 1.2 % | \$50,670 | 1.5 % | \$152.7 | 4.8 % |
| 2013 | 3,208,946 | 1.1 % | \$51,223 | 1.1 % | \$157.8 | 3.3 % |
| 2014 | 3,248,547 | 1.2 % | \$52,889 | 3.3 % | \$167.1 | 5.9 % |
| 2015 | 3,275,084 | 0.8 % | \$54,708 | 3.4 % | \$175.9 | 5.3 % |
| 2016 | 3,300,891 | 0.8 % | \$55,797 | 2.0 % | \$184.2 | 4.7 % |
| 2017 | 3,327,564 | 0.8 % | \$56,437 | 1.1 % | \$192.5 | 4.5 % |
| 2018 | 3,352,564 | 0.8 % | \$57,473 | 1.8 % | \$202.8 | 5.4 % |
| 2019 | 3,357,442 | 0.1 % | \$64,862 | 12.9 % | \$217.8 | 7.4 % |
| 2020 | 3,362,150 | 0.1 % | \$63,169 | (2.6)% | \$213.8 | (1.8)% |
| 2021 | 3,366,072 | 0.1 % | \$63,971 | 1.3 % | \$221.3 | 3.5 % |

Source: California Department of Transportation - San Diego County

| Year | Labor Force | Employment | Unemployment | Unemployment Rate | |
|-------------|------------------|------------------|---------------|-------------------|-------------|
| | | | | SD County | State |
| 2013 | 1,537,600 | 1,415,600 | 122,000 | 7.9% | 9.0% |
| 2014 | 1,537,500 | 1,437,400 | 100,100 | 6.5% | 7.6% |
| 2015 | 1,548,800 | 1,467,700 | 81,100 | 5.2% | 6.3% |
| 2016 | 1,563,200 | 1,489,100 | 74,100 | 4.7% | 5.5% |
| 2017 | 1,570,800 | 1,507,200 | 63,600 | 4.0% | 4.8% |
| 2018 | 1,579,600 | 1,526,100 | 53,500 | 3.4% | 4.3% |
| 2019 | 1,582,900 | 1,531,000 | 51,800 | 3.3% | 4.1% |
| 2020 | 1,542,000 | 1,395,700 | 146,200 | 9.5% | 10.2% |
| 2021 | 1,543,700 | 1,443,800 | 99,900 | 6.5% | 7.3% |
| 2022 | 1,578,467 | 1,523,067 | 55,400 | 3.5% | 4.3% |

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

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



Fiscal Years Ended June 30,

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Senior Bonds | | | | | | | | | | |
| Revenues ¹ | \$ 181,051,929 | \$ 199,834,430 | \$ 214,770,544 | \$ 238,640,326 | \$ 255,540,858 | \$ 276,983,726 | \$ 306,683,097 | \$ 280,572,989 | \$ 227,573,518 | \$ 324,096,640 |
| Operating and Maintenance Expenses | (126,662,546) | (136,604,105) | (142,781,639) | (151,327,220) | (154,455,699) | (157,246,523) | (165,925,555) | (136,297,647) | (88,039,540) | (96,134,968) |
| Net Revenues ² | \$ 54,389,383 | \$ 63,230,325 | \$ 71,988,905 | \$ 87,313,106 | \$ 101,085,159 | \$ 119,737,204 | \$ 140,757,542 | \$ 144,275,342 | \$ 139,533,978 | \$ 227,961,672 |
| Senior Bond Debt Service³ | | | | | | | | | | |
| Principal | \$ - | \$ - | \$ 2,030,000 | \$ 2,090,000 | \$ 2,155,000 | \$ 2,240,000 | \$ 2,320,000 | \$ 7,925,000 | \$ 8,315,000 | \$ 3,635,598 |
| Interest | 2,478,489 | 16,645,435 | 18,034,575 | 18,414,600 | 18,349,950 | 18,263,750 | 18,174,150 | 18,081,350 | 17,685,100 | 7,195,563 |
| PFCs used to pay debt service | (714,077) | (7,140,301) | (8,669,966) | (9,490,326) | (9,548,626) | (9,547,482) | (9,544,261) | (11,260,741) | (11,172,249) | (4,691,941) |
| Federal Relief used to pay debt service | - | - | - | - | - | - | - | (6,501,585) | (3,406,934) | (1,539,286) |
| Total Debt Service for the Senior Bond | \$ 1,764,412 | \$ 9,505,134 | \$ 11,394,609 | \$ 11,014,274 | \$ 10,956,324 | \$ 10,956,268 | \$ 10,949,889 | \$ 8,244,024 | \$ 11,420,918 | \$ 4,599,934 |
| Senior Bonds Debt Service Coverage | 30.83 | 6.65 | 6.32 | 7.93 | 9.23 | 10.93 | 12.85 | 17.50 | 12.22 | 49.56 |
| Subordinate Debt | | | | | | | | | | |
| Subordinate Net Revenues ² | \$ 52,624,971 | \$ 53,725,191 | \$ 60,594,296 | \$ 76,298,832 | \$ 90,128,835 | \$ 108,780,936 | \$ 129,807,653 | \$ 136,031,318 | \$ 128,113,061 | \$ 223,361,738 |
| Subordinate Annual Debt Service ⁴ | | | | | | | | | | |
| Principal | \$ 1,000,000 | \$ 5,785,000 | \$ 8,665,000 | \$ 9,000,000 | \$ 9,430,000 | \$ 14,830,000 | \$ 15,895,000 | \$ 17,745,000 | \$ 22,315,000 | \$ 34,040,000 |
| Interest | 26,194,616 | 27,069,283 | 26,853,179 | 26,495,600 | 26,085,029 | 37,197,656 | 37,917,500 | 39,404,449 | 41,720,733 | 48,876,516 |
| Variable Rate Debt ⁵ | 5,519,872 | 6,446,951 | 6,736,945 | 6,760,189 | 7,000,066 | 7,335,123 | 7,497,649 | 1,894,813 | - | - |
| PFCs used to pay debt service | (20,061,962) | (20,718,863) | (21,554,245) | (20,331,674) | (20,456,707) | (20,457,851) | (20,461,072) | (18,744,592) | (8,833,085) | (25,313,393) |
| Federal Relief used to pay debt service | - | - | - | - | - | - | - | (14,313,843) | (22,593,066) | (16,460,714) |
| Total Subordinate Annual Debt Service | \$ 12,652,526 | \$ 18,582,371 | \$ 20,700,879 | \$ 21,864,115 | \$ 22,058,389 | \$ 38,904,928 | \$ 40,849,077 | \$ 25,985,827 | \$ 32,609,582 | \$ 41,142,409 |
| Subordinate Obligations Debt Service Coverage | 4.16 | 2.89 | 2.93 | 3.48 | 4.09 | 2.80 | 3.18 | 5.23 | 3.93 | 5.43 |
| Aggregate Debt | | | | | | | | | | |
| Aggregate Net Revenues | \$ 54,389,383 | \$ 63,230,325 | \$ 71,988,905 | \$ 87,313,106 | \$ 101,085,159 | \$ 119,737,204 | \$ 140,757,542 | \$ 144,275,342 | \$ 139,533,978 | \$ 227,961,672 |
| Aggregate Annual Debt Service | | | | | | | | | | |
| Principal | 1,000,000 | 5,785,000 | 10,695,000 | 11,090,000 | 11,585,000 | 17,070,000 | 18,215,000 | 25,670,000 | 30,630,000 | 37,675,598 |
| Interest | 28,673,105 | 43,714,718 | 44,887,754 | 44,910,200 | 44,434,979 | 55,461,406 | 56,091,650 | 57,485,799 | 59,405,833 | 56,072,079 |
| Variable Rate Debt ⁵ | 5,519,872 | 6,446,951 | 6,736,945 | 6,760,189 | 7,000,066 | 7,335,123 | 7,497,649 | 1,894,813 | - | - |
| PFC Funds Applied to Debt Service | (20,776,039) | (27,859,164) | (30,224,211) | (29,822,000) | (30,005,333) | (30,005,333) | (30,005,333) | (30,005,333) | (20,005,333) | (30,005,334) |
| CARES Act used to pay debt service | - | - | - | - | - | - | - | (20,815,428) | (26,000,000) | (18,000,000) |
| Total Annual Debt Service | \$ 14,416,938 | \$ 28,087,505 | \$ 32,095,488 | \$ 32,938,389 | \$ 33,014,712 | \$ 49,861,196 | \$ 51,798,966 | \$ 34,229,851 | \$ 44,030,500 | \$ 45,742,343 |
| Aggregate Obligations Debt Service Coverage | 3.77 | 2.25 | 2.24 | 2.65 | 3.06 | 2.40 | 2.72 | 4.21 | 3.17 | 4.98 |
| Aggregate Net Revenues (Including PFC, BAB Subsidy and CARES Act Grant) | \$ 79,944,021 | \$ 95,725,704 | \$ 106,844,335 | \$ 121,791,304 | \$ 135,721,711 | \$ 154,408,727 | \$ 175,449,049 | \$ 197,185,501 | \$ 185,539,311 | \$ 275,967,006 |
| Total Annual Debt Service (Excluding PFC, BAB Subsidy and CARES Act Grant) | 39,971,576 | 60,582,884 | 66,950,918 | 67,416,588 | 67,651,265 | 84,532,719 | 86,490,473 | 87,140,009 | 90,035,833 | 93,747,677 |
| Revenue Method - Debt Service Coverage on Aggregate Debt | 2.00 | 1.58 | 1.60 | 1.81 | 2.01 | 1.83 | 2.03 | 2.26 | 2.06 | 2.94 |

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

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

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

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

⁵ Includes principal and interest.

⁶ Information regarding Subordinate Obligations Debt Service Coverage provided in connection with the first fiscal year for which Subordinate Annual Debt Service was due with respect to the 2010 Bonds. Subordinate Annual Debt Service for prior years consisted of debt service on the Authority's Subordinate Commercial Paper Notes and is not presented for Fiscal Years 2009-2010.

EXHIBIT S-19
DEBT SERVICE COVERAGE -
SERIES 2014 CFC BONDS

Fiscal Years Ended June 30,

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| CFC Collections | \$ 27,545,001 | \$ 32,464,843 | \$ 33,207,946 | \$ 36,527,853 | \$ 41,036,526 | \$ 41,918,554 | \$ 30,239,698 | \$ 15,755,254 | \$ 30,333,350 |
| Bond Funding Supplemental Consideration | - | - | - | - | - | - | - | - | - |
| Transfers from CFC Stabilization Fund | - | - | - | - | - | - | 3,563,874 | 9,540,452 | 14,357 |
| Interest Earnings ¹ | 204,194 | 295,726 | 332,761 | 466,134 | 919,740 | 1,544,474 | 1,502,382 | 855,813 | 324,938 |
| Total Amounts Available | 27,749,195 | 32,760,569 | 33,540,707 | 36,993,987 | 41,956,266 | 43,463,028 | 35,305,954 | 26,151,519 | 30,672,645 |
| Rolling Coverage Fund Balance ² | - | - | 2,451,182 | 4,902,363 | 6,576,363 | 6,575,894 | 6,575,637 | 6,575,382 | 6,576,235 |
| Total Amounts Available, plus Rolling Coverage Fund Balance | \$ 27,749,195 | \$ 27,749,195 | \$ 35,991,889 | \$ 41,896,350 | \$ 48,532,629 | \$ 50,038,922 | \$ 41,881,591 | \$ 32,726,901 | \$ 37,248,880 |
| Series 2014 Debt Service Requirements | - | - | 8,170,605 | 16,341,210 | 21,921,210 | 21,919,646 | 21,918,789 | 21,917,940 | 21,930,783 |
| Coverage excluding Rolling Coverage Fund | N/A | N/A | 4.11 | 2.26 | 1.91 | 1.98 | 1.61 | 1.19 | 1.40 |
| Coverage including Rolling Coverage Fund | N/A | N/A | 4.41 | 2.56 | 2.21 | 2.28 | 1.91 | 1.49 | 1.70 |

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

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

EXHIBIT S-20
DEBT PER ENPLANED
PASSENGER

Fiscal Years Ended June 30,

| Fiscal Year | Outstanding Bond Debt ¹ | Outstanding Short-Term Debt | Capital Leases | Total Outstanding Debt | Enplaned Passengers | Debt per Enplaned Passenger |
|-------------------|------------------------------------|-----------------------------|------------------|------------------------|---------------------|-----------------------------|
| 2013 | \$ 1,027,411,188 | \$ 50,969,000 | \$ 8,152,588 | \$ 1,086,532,776 | 8,737,617 | \$ 124.35 |
| 2014 ² | 1,327,897,591 | 44,884,000 | 7,810,927 | 1,380,592,518 | 9,082,244 | 152.01 |
| 2015 | 1,317,784,291 | 38,705,000 | 7,971,993 | 1,364,461,284 | 9,713,066 | 140.48 |
| 2016 | 1,302,846,043 | 32,581,000 | 7,717,734 | 1,343,144,777 | 10,206,222 | 131.60 |
| 2017 | 1,287,602,498 | 58,998,000 | 7,442,314 | 1,354,042,812 | 10,596,483 | 127.78 |
| 2018 | 1,609,960,696 | 20,163,000 | 7,143,865 | 1,637,267,561 | 11,731,833 | 139.56 |
| 2019 | 1,581,628,919 | 13,719,000 | 6,820,351 | 1,602,168,270 | 12,356,286 | 129.66 |
| 2020 | 1,881,208,470 | - | 6,496,837 | 1,887,705,307 | 9,235,459 | 204.40 |
| 2021 | 1,835,597,883 | - | 6,201,974 | 1,841,799,857 | 4,860,931 | 378.90 |
| 2022 | 3,667,843,691 | 80,100,000 | 5,878,682 | 3,753,822,373 | 9,953,162 | 377.15 |

¹ Outstanding Bond Debt includes unamortized bond premium

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





SAN DIEGO
INTERNATIONAL AIRPORT

Staff Report

Meeting Date: December 1, 2022

Subject:

Fiscal Year 2022 Annual 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.

Additionally, the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (*Standards*) requires the Office of the Chief Auditor to make disclosures to the Audit Committee and Board at least annually.

The Fiscal Year 2022 Annual Report from the Office of the Chief Auditor is submitted to the Board as Attachment A. The report describes the activities and accomplishments of the OCA during the period July 1, 2021, through June 30, 2022, and includes details on all recommendations completed or in progress during the 4th Quarter of Fiscal Year 2022.

In addition, the report provides required disclosures in conformance with the *Standards* or as required in the Charter for the Office of the Chief Auditor.

During a Special Meeting of the Audit Committee on November 21, 2022, the Committee reviewed the Fiscal Year 2022 Annual Report and unanimously moved to forward the report to the Board for their 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 Annual Report

ATTACHMENT A

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY



By The Numbers



Recommendations Issued



Auditee Customer Satisfaction Rating



Audit Engagements Completed Under Budget



Auditor Utilization Percentage



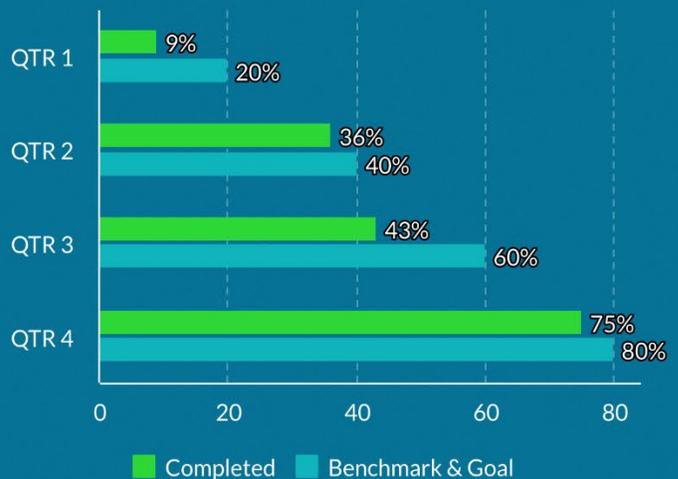
Recommendations Accepted By Management

Audit Engagement Progress



■ Completed (75%) ■ In Progress (25%)

Audit Engagements Completed vs. Benchmark & Goal





Fiscal Year 2022

ANNUAL REPORT

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Issue Date: September 12, 2022

OFFICE OF THE CHIEF AUDITOR

Table of Contents

Summary 1

Audit and Consulting Engagements..... 4

General Audit Activities..... 5

Administrative..... 9

Quality Assurance and Improvement Program 12

Appendix A - Fiscal Year 2022 Audit Plan 14

Appendix B - Status of OCA Recommendations 15

Appendix C - Performance Measures Historical Data 30

Appendix D - Disclosures 31

Summary

Executive Summary

The purpose of the Fiscal Year 2022 Annual Report is to provide information regarding the activities performed by the Office of the Chief Auditor (OCA) and to communicate required disclosures in conformance with The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*).

Fiscal Year 2022 was a very productive year for the OCA even with the numerous challenges posed by the continued coronavirus pandemic. Aside from the continued audit assurances, the OCA had several notable accomplishments in the year. In Fiscal Year 2022 we began working in partnership with the outside construction auditing firm Baker Tilly to provide assurances related to the New Terminal 1, we successfully transitioned from a data analytics concept to a data collection and analysis phase for auditing rental car companies, and we increased the number of professional certifications held by the OCA by adding the Certified Fraud Examiner designation.

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 below and are presented to the Audit Committee/Board quarterly unless noted otherwise.

Table 1: Status of Performance Measures as of June 30, 2022

| # | Performance Measure | Goal | Actual | Benchmark |
|---|--|------|-------------------------------|-----------|
| 1 | Conduct engagements that add value measured by: a) Customer Satisfaction Ratings from i. Audit Committee/Board (reported annually) ii. Executive Management (reported annually) iii. Auditee | 4.0 | i) 4.8 ii) 5.0 iii) 4.4 | 4.0 |
| | b) Number of Recommendations | 25 | 37 | 25 |
| 2 | Percentage of audit and consulting engagements completed. | 80% | 75% | 80% |
| 3 | Percentage of recommendations accepted. | 95% | 100% | 83% |
| 4 | Provide tools and training for staff measured by: a) Percentage of staff meeting CPE requirements (reported annually) | 100% | 100% | 99% |
| | b) Percent of staff with at least one professional certification (reported annually) | 100% | 83% | 40% |
| | c) Number of non-CPE training hours per staff (reported annually) | 6 | 6.1 | n/a |
| 5 | Percentage of staff time spent on audit and consulting engagements and general audit activities. | 70% | 66% | 70% |
| 6 | Percentage of audit and consulting engagements completed within budget. | 80% | 89% | 75% |

Customer Satisfaction Rating

The OCA sends surveys to the following three customer categories:

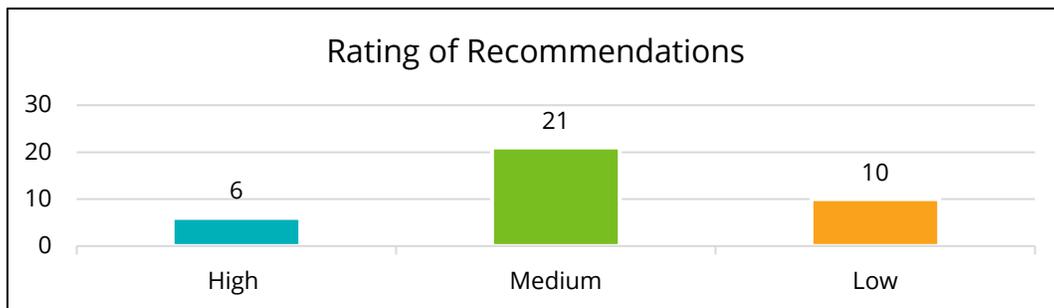
- Authority Board/Audit Committee
- Executive Management
- Auditee

Each survey response provides constructive feedback on the function of the OCA and is a gauge on the performance of audits and activities completed. Annually, in the 4th Quarter, the Authority Board, Audit Committee, and the Authority's Executive Management are surveyed. Following the completion of each audit (or consulting engagement) auditees are sent a "post-audit" survey questionnaire. Survey results from the auditees are presented quarterly to the Audit Committee and Board. The OCA tracks each customer category separately. For Fiscal Year 2022 aggregate category scores of 4.8, 5.0, and 4.4, respectively, were received, which exceeded the goal of 4.0 for each category.

Number of Recommendations

One of the OCAs primary objectives is to identify risks that could pose a threat to the Authority. During the fiscal year, the OCA provided 37 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 is shown below in Table 2.

Table 2: Rating of Recommendations



Percentage of Audit and Consulting Engagements Completed

The OCA completed 9 audit reports, or 75%¹, of audit and consulting engagements on the Fiscal Year 2022 Audit Plan.

For the status of all Fiscal Year 2022 Audit Plan activities on June 30, 2022, see Appendix A.

¹ The 75% is equal to 9 completed audits divided by 12 (16 total audit and consulting engagements minus 4 that were approved to be completed in Fiscal Year 2023: 1.) Tenant Lease Administration & Management – All Rent A Car Companies, 2.) Terminals & Roadway Validation Phase Cost Controls, 3.) Tenant Lease Administration & Management Food & Beverage 2% Surcharge, and 4.) Grant, PFC & CFC Administration – Grant Funding).

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. In Fiscal Year 2022, management accepted 100% of all audit recommendations.

Percentage of Staff that Meet Continuing Professional Education (CPE) Requirements

During the year, 100% of staff met their education requirements.

Percentage of Staff with at Least One Professional Certification

The OCA has six full time auditors. Five of the six full-time auditors have *at least* one professional certification, resulting in a percentage of 83%. A listing of the professional certifications held by the OCA are included in the Administrative section of this report.

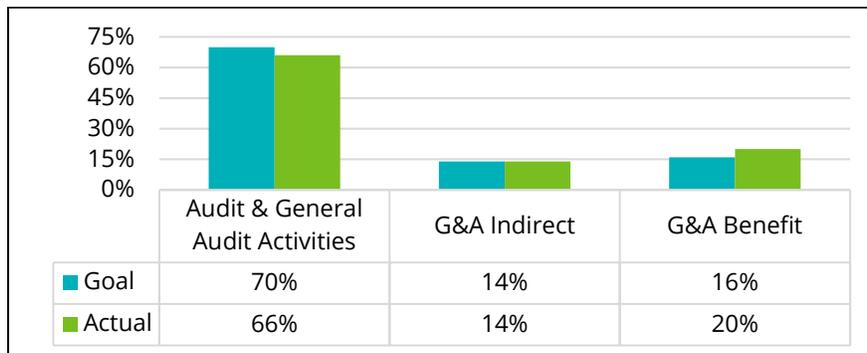
Number of Non-Continuing Professional Education Training Hours per Staff

The OCA provides non-CPE training to audit staff to emphasize or enhance skills on a particular topic. In Fiscal Year 2022 the OCA provided 6.1 hours of training per staff. Training included topics such as Cybersecurity, Quality Assurance and Improvements Programs, Construction, Risk Assessments, and Ethics.

Percentage of Staff Time Spent on Audit and Consulting Engagements and General Audit Activities

This measure tracks the time spent on audit and consulting engagements and general audit activities.² The OCAs goal for Fiscal Year 2022 was 70%. The OCA actually spent 66% of time on audit and consulting engagements and on general audit activities. The OCA was under its goal largely due to staff using accrued vacation time that had not been utilized due to the COVID-19 pandemic. As shown in Table 3, 20% of staff time was recorded as “G&A Benefit” time, which includes vacation time used by staff, and exceeds the amount planned by 4%.

Table 3: Percent of Staff Time Spent on Audit Activities



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. In Fiscal Year 2022, the OCA completed 89% of its projects within the budgeted time, exceeding the benchmark and the OCAs goal.

² Appendix A details all planned activities in these categories for Fiscal Year 2022.

Audit and Consulting Engagements

The Fiscal Year 2022 Audit Plan had 16 total audit and consulting engagements that were to be initiated. Of these, four engagements were not anticipated to be completed in the fiscal year due to the reporting deadline requirements of the auditee or when an engagement is added later in the fiscal year. These four engagements are included in the Fiscal Year 2023 Audit Plan. This left 12 engagements for the OCA to complete.

During Fiscal Year 2022, the OCA initiated work on all of the 12 engagements and completed 9. This resulted in the OCA completing 75% of engagements, falling just short of its 80% goal. The three remaining audits carry over to the Fiscal Year 2023 Audit Plan for completion. An agenda item included in the September 12, 2022, Audit Committee meeting will add the audits to the Fiscal Year 2023 Audit Plan.

Below are highlights from the audits completed by the OCA during the fourth quarter of Fiscal Year 2022. Audits completed in the first three quarters were provided to the Audit Committee and Board in the OCAs quarterly activity reports. Also, when completed audit reports are distributed electronically by the OCA to specified recipients.

Employee Training & Development: The objective of this audit was to evaluate the administration and management of Authority employee training and professional development. The audit concluded that the administration of employee training and development is functioning based upon the training needs identified by the Talent Culture and Capability department and the other individual departments within the Authority. However, we identified improvements to better administer the program. The audit provided four recommendations, all of which were accepted by management.



Turner-Flatiron, a Joint Venture, Direct Labor During Validation Phase: The objective of this audit was to determine if labor billed by Turner-Flatiron and consultants during the audit period complied with contract terms. The audit concluded that Turner-Flatiron and its consultants were generally compliant with the terms of the contract. However, we did identify opportunities to improve the efficiency of direct labor contract administration. The audit furnished nine recommendations, which were all accepted by management. This audit was done in partnership with an on-call construction audit consultant Baker Tilly.

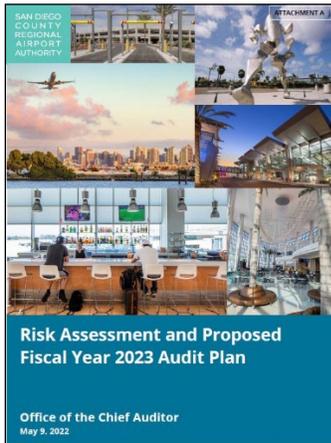
Turner-Flatiron, a Joint Venture, Payment Applications During Validation Phase: The objective of this audit was to determine if the amounts billed by Turner-Flatiron were reasonable, accurate, appropriately supported, and properly reviewed by the Airport Design & Construction Department. The audit concluded that the costs submitted were generally accurate and properly supported by documentation. The audit identified four recommendations, which were all accepted by management.

General Audit Activities

In addition to performing audit and consulting 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 required³ to perform these activities, or believes completion of these activities to be in the best interest of the Authority. A summary of the *General Audit Activities* is presented below. See Appendix A for a listing of all General Audit Activities.

Risk Assessment and Audit Plan

The OCA is required to submit a risk-based internal Audit Plan to the Audit Committee annually. Performing the Fiscal Year 2023 Risk Assessment included obtaining input from the Board, Audit Committee, Authority Management, and staff. During Fiscal Year 2022, the OCA worked with Authority Management to identify and rank the likelihood and impact of a risk event occurring for each Key Work Activity within the Authority. The resulting Fiscal Year 2023 Audit Plan was then developed, based on the results of the Risk Assessment process and the discussions with key stakeholders. The Fiscal Year 2023 Risk Assessment and Audit Plan was submitted to the Audit Committee on May 9, 2022, and subsequently approved by the Board on June 2, 2022.



The Griffith Company Pre-Audit Activities

The Griffith Company is performing the airfield improvements related to the New T1 project. The OCAs efforts related to these activities consisted of obtaining relevant contract documents, creating abstracts, and attending meetings related to the project. These efforts will be used in future fiscal years to create risk assessments and audit programs.

Sundt Construction Pre-Audit Activities

Sundt Construction is constructing the new administration building related to the New T1 project. The OCAs efforts related to these activities consisted of obtaining relevant contract documents, creating abstracts, and attending meetings related to the project. These efforts will be utilized in fiscal year 2023 to create the risk assessment and audit program for the audit on the Fiscal Year 2023 Audit Plan specific to “Construction Monitoring”. The preliminary objective of this audit is to determine if the construction of the new administration building is properly managed.

³ 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.

Construction Activities

Construction audit activities for Fiscal Year 2022 consisted of attending meetings regarding the New T1 Terminal & Roadway, the Airport Administration Building, the Airside Improvements, and other airport construction projects. Audits of the Direct Labor Billings and the Payment Applications of the Validation Phase of the agreement between Turner-Flatiron, a Joint Venture, were completed as part of the Fiscal Year 2022 OCA Audit Plan. The Direct Labor Billings audit was completed in partnership with Baker Tilly, the on-call construction audit consultant. Additionally, an audit of the Validation Phase Cost Controls of the agreement with Turner-Flatiron, a Joint Venture, was initiated and will be completed as part of the Fiscal Year 2023 OCA Audit Plan.

The OCA Construction Auditor continues to work closely with the Airport Design & Construction team to address any issues with the increase in personnel and with processes, as construction on the New T1 project ramps up. The OCA remains involved with any issues identified by Authority Management, provides assistance, and attends meetings specific to the aspects of the Authority's construction activities.

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. Fiscal Year 2022 activity consisted of attending meetings related to the security assessment for Aviation Security (AVSEC) and a previously planned san.org website audit.

Development of Data Analytics

The OCA successfully transitioned its data analytics audit work from an envisioned concept to a data collection and analysis phase. This effort was in collaboration with Authority Management and key departments that included Revenue Generation & Partnership Development, Information & Technology Services, and the Data Analytics team.

The OCA is currently working with the Data Analytics team to import rental car data into an interactive data visualization software. The OCA anticipates issuing an audit report in Fiscal Year 2023 on rental car companies that relied on utilizing data analytics for the audit.

The OCA is planning to use the efforts related to the rental car company data analytics project to develop future audits.

Ethics Program Activities

The OCA continues to run the Authority's Ethics Program that includes a confidential reporting hotline. During Fiscal Year 2022, there were 23 tips/reports received. Three required a preliminary investigation and one required a full investigation. The investigation results supported a Code violation (Ethics or Workplace). Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate.

FISCAL YEAR 2022 ANNUAL REPORT

The hotline also allows individuals to ask questions about possible ethics matters, thus allowing individuals to make an informed and ethical decision. During Fiscal Year 2022, two questions were received. The OCA appreciates the efforts made by these individuals whose goal was to ensure ethical decisions are reached. A summary of the tips/reports received in Fiscal Year 2022 is shown in Table 4 below.

Table 4: Ethics Program 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) |
|--|-----------------------------------|------------------------------------|------------------------------|---|--|
| Category | | | | | |
| Human Resource, Diversity, and Workplace Respect | 17 | - | - | - | - |
| Business Integrity | 3 ⁴ | 2 | - | - | - |
| Environment, Health and Safety | 3 ⁵ | 1 | 1 | 1 | - |
| Total | 23 | 3 | 1 | 1 | - |

*As required by the Charter for the Office of the Chief Auditor, any fraud or illegal acts that the Chief Auditor becomes aware of are communicated to the Chair of the Audit Committee, General Counsel, and the President/CEO.

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). 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.

During Fiscal Year 2022, the OCA issued 37 recommendations that are being tracked for implementation along with any open recommendations issued during prior fiscal years. Appendix B contains a current status on recommendations *Completed* or *In Progress* as of the fourth quarter (Note, recommendations in confidential audit reports are not tracked

⁴ One tip received in this category falls under Authority Code Section 2.16 and is not investigated by the OCA.

⁵ One tip received in this category falls under Authority Code Section 2.16 and is not investigated by the OCA.

publicly.) The Audit Committee is updated each quarter on the status of recommendations. The recommendations that have been remediated by management in prior quarters of Fiscal Year 2022 were presented to the Audit Committee on the following Committee Meeting dates: November 15, 2021, February 7, 2022, and May 9, 2022.

Table 5 below shows the number of recommendations that were *Completed* or *In Progress* as of the fourth quarter of Fiscal Year 2022, along with the estimated/actual implementation timeframes based on the audit report issue date. Of the Completed recommendations, 3 were implemented within the initial timeframe identified when the recommendations were issued. Of the In Progress recommendations, 19 recommendations were still within the initial timeframe identified for implementation. Additionally, 17 of the 31 In Progress recommendations were issued in the fourth quarter of Fiscal Year 2022.

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 5: Recommendations with Estimated/Actual Implementation Timeframe

| Recommendations | Zero to 7 Months | 7 Months to 1 Year | Over 1 Year | Total |
|-----------------|------------------|--------------------|-------------|-------|
| Completed | - | 3 | 2 | 5 |
| In Progress | 1 | 17 | 13 | 31 |

Quality Assurance and Improvement Program

The Institute of Internal Auditors’ (IIA) *Standards* require the OCA to maintain a Quality Assurance and Improvement Program (QAIP). Comprehensive details are included under the *Quality Assurance and Improvement Program* section of this report.

Peer Review Participation

A QAIP requires that the OCA undergo an external Quality Assurance Review (QAR) at least every five years by a qualified, independent, assessor or assessment team from outside the organization to determine if the OCA conforms to the *Standards*. The Association of Local Government Auditors (ALGA) conducted the most recent external QAR in 2019. ALGA is a professional organization committed to improving government auditing and is comprised of audit groups from various government jurisdictions throughout the United States.

The 2019 QAR peer review performed by ALGA contains a reciprocal provision that requires the OCA to volunteer two audit staff to serve on future QAR peer reviews in other organizations within a five-year period. The OCA has been in communication with ALGAs peer review coordinator to satisfy this requirement. One OCA staff is scheduled to perform on a peer review in the fall of 2022, and the other staff member has yet to be assigned by the peer review coordinator. The OCA is committed to fulfilling this requirement when requested by ALGA.

Administrative

The activities that reside within the Administrative classification of the Fiscal Year 2022 Audit Plan include meeting attendance by the OCA, holiday and vacation time, and the fulfillment of Continuing Professional Education (CPE) requirements.

Qualifications and Training

Proficiency and due care for the OCA are the responsibility of the Chief Auditor. Cumulatively, the OCA has over 110 years of auditing experience. The OCA staff maintains 14 professional certifications. During the year an OCA staff member successfully passes the Certified Fraud Examiners (CFE) exam. Having a CFE on staff assists the Authority in preventing, detecting, and investigating fraud. The types of professional certifications and number of staff with each certification are as follows:

- 5 - Certified Internal Auditors (CIA)
- 2 - Certified Public Accountants (CPA)
- 2 - Certified Construction Auditors (CCA)
- 1 - Certified Information Systems Auditor (CISA)
- 1 - Certified Government Auditing Professional (CGAP)
- 1 - Certification in Risk Management Assurance (CRMA)
- 1 - Chartered Global Management Accountant (CGMA)
- 1 - Certified Fraud Examiner (CFE)



Certified Information Systems Auditor.
An ISACA® Certification



Each of these certifications requires that the holder complete a specified number of hours of CPE. As noted above, all CPE requirements were met for all OCA staff during calendar year 2021.⁶

⁶ Some professional organizations track Continuing Professional Education (CPE) by calendar year, not fiscal year. The OCA verifies CPE compliance on a calendar year basis.

Audit Committee Support

During Fiscal Year 2022, the Audit Committee met four times for regularly scheduled meetings on the following dates:

- September 13, 2021
- November 15, 2021
- February 7, 2022
- May 9, 2022

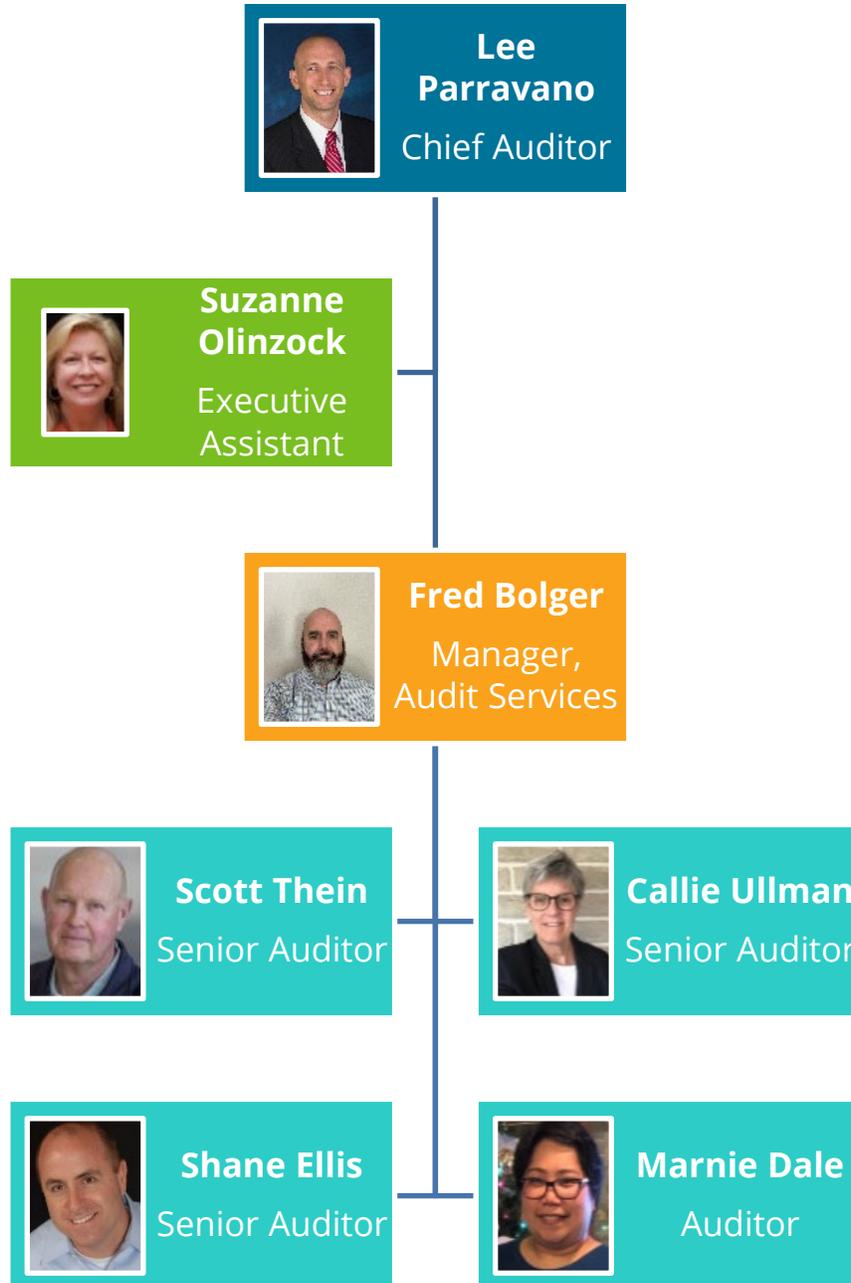
Before each meeting of the Audit Committee the OCA coordinated all activities with the Committee Chair and the Board Services Department relating to agenda preparation and materials required.

Outside Activities

In addition to the services provided to the San Diego County Regional Airport Authority, OCA staff are involved in various audit related organizations and activities in their personal time. As of June 30, 2022, one OCA staff serves as an Audit Committee Member for the San Diego Girl Scouts, and another staff serves on the Board of Directors for the Association of Airport Internal Auditors.

Organization Chart

As of June 30, 2022, the OCA organizational structure was as follows.



Quality Assurance and Improvement Program

Background

The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*) require the OCA to maintain a Quality Assurance and Improvement Program that includes external assessments and internal (self) assessments.

- **External Assessment:** Known as a Quality Assessment Review (QAR), or peer review; must be conducted at least once every five years by an independent assessor or an assessment team from outside the organization that is qualified in the practice of internal auditing, as well as the quality assessment process. QAR results are required to be reported to the Board.
- **Internal Assessment:** Comprised of two interrelated parts, 1) ongoing monitoring, and 2) periodic self-assessments. The results of a periodic self-assessment and the level of conformance to the *Standards* must be reported to the Board at the completion of the self-assessment. The results of ongoing monitoring are required to be reported to the Board at least annually.

The *Standards* also contain other mandatory reporting requirements as documented in Appendix D.

External Assessment - Quality Assessment Review

The most recent external assessment of the OCA was performed by the Association of Local Government Auditors (ALGA) for the five-year period from July 1, 2013, through June 30, 2018. The peer review was performed in April 2019, with results presented to the Audit Committee during its May 13, 2019, meeting. The peer review determined that the OCA is providing reasonable assurance of compliance with the *Standards*. This is the highest level of conformance an internal audit function can achieve. The next external assessment will be required for the five-year period ending June 30, 2023.



In a companion letter, the peer review team identified areas where the OCA excels, and offered observations and suggestions to enhance the OCAs conformance with the *Standards*. The peer review team noted that the OCA has actively addressed and corrected the observations.

Internal Assessment - Ongoing Monitoring

In July 2022, the OCA conducted an assessment of its Fiscal Year 2022 operations, as required by the *Standards* for ongoing monitoring. The results of our ongoing monitoring are provided below.

Scope and Objectives of Ongoing Monitoring

The objective of ongoing monitoring is to provide assurance that the processes in place, within the OCA, are working effectively to ensure that quality is derived on an audit-by-audit basis. The scope of this activity included an examination of the following:

- Performance Measures
- Engagement Planning and Supervision
- Work Paper Reviews and Sign-offs
- Feedback from Audit Clients
- General Audit Practices
- Standard Working Practices
- Audit Report Reviews
- Prior Recommendations

Results of Ongoing Monitoring

There are numerous processes in place to ensure that quality is consistently delivered on each audit engagement. There were no items identified within the OCA that would impact audit report quality.

QAIP Recommendations Identified

As stated above, the QAIP did not identify any items that would impact audit report quality. However, the OCA did note the following items during our examination of selected Authority Codes and Policies:

1. Authority Policy 1.50 titled “Governance and Committees” establishes the principles and practices for the governance of the Authority, including standing committees of the Board. Policy 1.50 specifies the roles for both the Audit Committee and the Finance Committee. In general, the Finance Committee is responsible for *overseeing* the financial performance of the Authority, while the Audit Committee is responsible for *review* of the financial performance. Limiting the Board Members that serve concurrently on both the Audit Committee and the Finance Committee reduces any conflicts that may arise in the performance of their duties as members of those Committees.

[The OCA is collaborating with other departments to amend Policy 1.50 to limit the number of Board Members that are appointed to serve on both the Audit Committee and Finance Committee at the same time, to the extent possible.](#)

2. Authority Code 2.16 titled “Ethics and Conduct – Enforcement” describes procedures for ethics complaints that are lodged against Board Members, the President/CEO, General Counsel, or the Chief Auditor. Currently, Code 2.16 requires the Board to either form an ad hoc committee or to retain an outside independent party to investigate all allegations.

However, Code 2.16 does not give consideration to performing a preliminary review of an allegation prior to forming an ad hoc committee or retaining an outside independent party. A preliminary review of a complaint would determine, amongst other items, if the allegation is even plausible and not frivolous, or if the allegation involves the official duties of the accused.

[The OCA is collaborating with other departments to amend Authority Code 2.16 to clarify procedures related to ethics complaints.](#)

Appendix A – Fiscal Year 2022 Audit Plan

| # | Activity | Status as of 6/30/2022 | Over/Under Budget | No. of Recs. |
|------------------------------|---|--------------------------|-------------------|--------------|
| Audit Engagement | | | | |
| 1 | Harbor Police Contract Management – Appropriateness of Costs FY 2018, 2019, and 2020 | In Progress | | |
| 2 | System Security – AVSEC Penetration Test | Completed | Under | 2 |
| 3 | Records Management | Completed | Under | 7 |
| 4 | Accounts Receivable / Collections – Revenue Abatement | Completed | Under | 2 |
| 5 | Contractor Monitoring – Engineered Materials Arresting System | Completed | Under | - |
| 6 | Harbor Police Contract Management – FY 2020 True Up | In Progress | | - |
| 7 | Employee Training and Development | Completed | Under | 4 |
| 8 | Tenant Lease Administration and Management – Terminal Space | Completed | Under | 5 |
| 9 | Terminal Maintenance – Fire Extinguishers | Completed | Under | 4 |
| 10 | Turner-Flatiron Validation Phase Payment Applications | Completed | Over | 4 |
| 11 | Turner-Flatiron Direct Labor Validation Phase | Completed | Under | 9 |
| 12 | Tenant Lease Administration & Management – Avis-Budget | In Progress | | - |
| 13 | Tenant Lease Administration & Management – All Rent A Car Companies | In Progress ⁷ | | |
| 14 | Terminals and Roadway Validation Phase Cost Controls | In Progress ⁷ | | |
| 15 | Tenant Lease Administration & Management – Food & Beverage 2% Surcharge | In Progress ⁷ | | |
| | Totals | | | 37 |
| Consulting Engagement | | | | |
| 16 | Grant, PFC & CFC Administration – Grant Funding | In Progress ⁷ | | n/a |
| General Audit | | | | |
| 17 | Risk Assessment & Audit Plan | Completed | | |
| 18 | The Griffith Company Pre-Audit Activities | Completed | | |
| 19 | Sundt Construction Pre-Audit Activities | Completed | | |
| 20 | Construction Meeting Attendance | Completed | | |
| 21 | Information Technology Meeting Attendance | Completed | | |
| 22 | Development of Data Analytics | Completed | | |
| 23 | Ethics Program | Completed | | |
| 24 | Recommendation Follow-up | Completed | | |
| 25 | Quality Assurance & Improvement Program | Completed | | |
| 26 | Peer Review Participation | | | |
| Administrative | | | | |
| 26 | Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other | Completed | | |
| 27 | Benefit - Vacation, Holiday Time, and Other Leave/Time Off | Completed | | |

⁷ Engagement was not planned to be completed in Fiscal Year 2022. It has been carried forward to the FY 2023 Audit Plan.

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 June 30, 2022 |
|------------------|--|-----------------|--|-----------------------------------|---|---|
| Completed | | | | | | |
| 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 | A)Accounting has removed the AP Accountant role in the Authority’s E1 financial system from the Accounting Manager’s menu. B)The Accounting and I&TS teams worked together to test functionality in E1 that is designed to require that changes to VMF data fields must be approved in E1 prior to the vendor being paid. We found issues that negated the reliability of the function. The issues were reported to Oracle, who acknowledged them and indicated that they would work to resolve them in a future update. It has been determined that, at this time, E1 does not have the ability to require changes to the VMF be approved by another individual. We will continue to use the alternative procedures to verify that changes made to the VMF are valid. |
| 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 | 6/30/2022 | Airport Operations determines door identifiers and the priority given to numbering doors which may not be currently numbered. No further effort is likely to be expended to add identifiers to existing T1, while T2 numbering is largely captured. |

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 June 30, 2022 |
|------------------|--|-----------------|---|-----------------------------------|---|--|
| Completed | | | | | | |
| 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 | 6/30/2022 | ADC currently has the lead role for this effort. Active and inactive (closed) locations have been updated. |
| 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 | 6/30/2022 | ADC has developed a procedure to assure that space management is uniform across the various platforms, and this procedure is now being followed. |

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 June 30, 2022 |
|------------------|--|-----------------|--|-----------------------------------|---|--|
| Completed | | | | | | |
| 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 | A)The procedure to run the vendor setup verification report has been added to the check run procedures. B)The Accounting and I&TS teams worked together and were unable to develop a report that accurately captures changes made in E1 related to employee and Board/Committee Member banking information. We will continue to use the alternative procedures to verify that changes made to the VMF are valid and accurate. |

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 June 30, 2022 |
|--------------------|---|-----------------|---|-----------------------------------|---|--|
| In Progress | | | | | | |
| 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 | 12/31/2022 | The Property Management Software system has been selected and final negotiations with the vendor have taken place. Board review anticipated on September 1, 2022. Implementation estimated to occur October 2022. |
| 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 | The new property management software will provide trigger dates for review of security deposits. Since most relevant leases will expire in the next 12-24 months, a working group is currently addressing potential amended language regarding security deposit reviews. |

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 June 30, 2022 |
|--------------------|--|-----------------|--|-----------------------------------|---|---|
| In Progress | | | | | | |
| 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 | 9/30/2022 | (1) GT will attempt to reconcile the the cause of the \$54,867 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 | 9/30/2022 | GT/ATO staff is communicating with CoSD to see what citation reporting detail is available. GT requisitioned new citation devices/software compatible with CoSD systems. Once rolled-out, reports can be configured to address this issue. |

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 June 30, 2022 |
|--------------------|--|-----------------|---|-----------------------------------|---|--|
| In Progress | | | | | | |
| 22-29 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | High | We recommend that ADC work with the JV to develop a process to ensure all billing rate submissions are accurate to facilitate the payment application review process by the JV and ADC. This could include limiting the billing rate information to when a current employee receives a rate change or a new employee is added to the project. | 2/1/2023 | 2/1/2023 | This audit was issued on the last day of the quarter and, therefore, no follow-up activity was performed. However, at the time of report issuance ADC stated that it will set JV's billing rates in accordance with the contract. ADC will work with JV to reconcile for both over-charges and under-charges, and to re-establish consistent record keeping methodology. For JV consultants, ADC will work with JV to establish an annual date for billing rate changes from each consultant, such that the only approvals outside of the annual rate changes will be for when a new staff member is required to be added. |
| 22-30 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | High | We recommend that ADC notify the JV concerning the over-billing based on the actual payroll hours and determine the most appropriate method to receive the \$37,525 incorrectly billed to the Authority. | 2/1/2023 | 2/1/2023 | This audit was issued on the last day of the quarter and, therefore, no follow-up activity was performed. However, at the time of report issuance ADC stated that it will notify the JV of billing discrepancies and work with JV to receive reimbursement for over-billing. |

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 June 30, 2022 |
|--------------------|--|-----------------|---|-----------------------------------|---|---|
| In Progress | | | | | | |
| 22-32 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | High | We recommend ADC require the JV to specifically review all future payment applications for inappropriate billing of holiday or paid time-off hours prior to submission. | 2/1/2023 | 2/1/2023 | This audit was issued on the last day of the quarter and, therefore, no follow-up activity was performed. However, at the time of report issuance ADC stated that it will notify the JV of the overcharges for JV staff and determine the most appropriate method for recovering the over-billing. For JV consultants, ADC will first verify with the JV for their consultant’s billing rate policies, if burden is included in payment for holidays and vacation/PTO time. If consultant’s burden rate does include holidays and PTO in the billing rates than ADC will request reimbursement for the over-billing of those instances. |
| 22-33 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | High | We recommend that ADC notify the JV of the \$4,814 overcharge for holiday and paid time-off for the JV staff and the \$12,917 overcharge for the consultants to determine the most appropriate method to receive the total incorrectly billed to the Authority. | 2/1/2023 | 2/1/2023 | This audit was issued on the last day of the quarter and, therefore, no follow-up activity was performed. However, at the time of report issuance ADC stated that it will notify the JV of the overcharge for holiday and paid time-off to determine the most appropriate method to receive reimbursement for cost incorrectly billed 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 June 30, 2022 |
|--------------------|--|-----------------|---|-----------------------------------|---|---|
| In Progress | | | | | | |
| 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 | 9/30/2022 | GT requisitioned new citation devices/software compatible with CoSD systems. GT is in the process of rolling out the new Citation software and devices. GT is also updating the citation process flowchart based on this new methodology. a) SOP have been completed for the Issuance Process and Export/Import Process. Still working on SOP for Monthly reconciliations, Appeals process, and Quarterly management review. b) SOPs are currently being updated in alignment with the new software workflow. |
| 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 | 9/30/2022 | 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. |

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 June 30, 2022 |
|--------------------|--|-----------------|--|-----------------------------------|---|---|
| In Progress | | | | | | |
| 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 | 9/30/2022 | (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. |
| 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 | 9/30/2022 | (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 by September 30, 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 | While work with ADC Technical Services team and Finance is continuing, there will be a need for an additional clean up in conjunction with implementation of the new property management software, Civix. |

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 June 30, 2022 |
|--------------------|--|-----------------|--|-----------------------------------|---|---|
| In Progress | | | | | | |
| 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 | 12/1/2022 | 6/30/2023 | The physical inventory of Terminal 2 is complete with the exception of some near-term anticipated changes. Changes to plats are infrequent. The new property management software can be programmed to flag for the need of inventory on a periodic basis. |
| 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. |
| 22-31 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Medium | We recommend that ADC notify the JV concerning the underbilling based on the actual payroll register pay rates and determine the most appropriate method to address the \$1,750 that was not billed to the Authority. | 2/1/2023 | 2/1/2023 | This audit was issued on the last day of the quarter and, therefore, no follow-up activity was performed. However, at the time of report issuance ADC stated that it will immediately notify JV to reconcile actual payroll rates. |

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 June 30, 2022 |
|--------------------|--|-----------------|--|-----------------------------------|---|---|
| In Progress | | | | | | |
| 22-35 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Medium | We recommend ADC require the JV to specifically review all future payment applications for inappropriate billing of professional staff lacking Authority approved billing rates. | 2/1/2023 | 2/1/2023 | This audit was issued on the last day of the quarter and, therefore, no follow-up activity was performed. However, at the time of report issuance ADC stated that it will notify the JV to specifically review all future payment applications for inappropriate billings of professional staff with billing rates that are not approved by the Authority, and communicate those future charges, for unapproved staff, will be rejected. |
| 22-36 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Medium | We recommend that ADC notify the JV of the charges for professional staff who did not have approved billing rates and communicate that future charges for unapproved professional staff will be rejected until ADC receives and approves the required documentation. | 2/1/2023 | 2/1/2023 | This audit was issued on the last day of the quarter and, therefore, no follow-up activity was performed. However, at the time of report issuance ADC stated that it will immediately notify the JV to specifically review all future payment applications for inappropriate billings of professional staff with billing rates that are not approved by the Authority, and communicate those future charges for unapproved staff will be rejected until ADC receives and approves the required documentation. |
| 22-37 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Medium | We recommend that ADC require the JV to provide the applicable billing rate information for the employees identified without approved rates to allow ADC to determine the appropriateness of the rates charged. | 2/1/2023 | 2/1/2023 | This audit was issued on the last day of the quarter and, therefore, no follow-up activity was performed. However, at the time of report issuance ADC stated that it will immediately require the JV to provide information on the employees identified without approved rates, to allow ADC to determine the appropriateness of the rate charged. |

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 June 30, 2022 |
|--------------------|--|-----------------|---|-----------------------------------|---|---|
| In Progress | | | | | | |
| 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 | 9/30/2022 | 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 | 9/30/2022 | Partially Completed: a) Current citation process addresses uploading citations within 48 hours b) New citation software will automatically address reporting on % of citations uploaded daily. c) GT has requisitioned new citation/devices and is in the process of rolling these out and SOPs are currently being updated in alignment with the new software workflow. |
| 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 | 9/30/2022 | GT staff is currently drafting the Appeals Process SOP. |

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 June 30, 2022 |
|--------------------|---|-----------------|--|-----------------------------------|---|--|
| In Progress | | | | | | |
| 22-21 | Audit Report 22004 Issued: May 25, 2022 Title: Employee Training & Development Department: TALENT, CULTURE & CAPABILITY | Low | TCC should update the Career Development Standard to meet the operational needs and current practices of the Authority. | 12/31/2022 | 12/31/2022 | TCC is in the process of implementing this recommendation. |
| 22-22 | Audit Report 22004 Issued: May 25, 2022 Title: Employee Training & Development Department: TALENT, CULTURE & CAPABILITY | Low | The training hours contained in the Sustainability Report (or other public documents) should aggregate both internal and external trainings completed by employees. Additionally, management should determine if the new LMS365 will be used by TCC to track both internal and external training completed by employees. | 12/31/2022 | 12/31/2022 | TCC is in the process of implementing this recommendation. |
| 22-23 | Audit Report 22004 Issued: May 25, 2022 Title: Employee Training & Development Department: TALENT, CULTURE & CAPABILITY | Low | TCC should evaluate and track the results of trainings completed to determine if they were effective in meeting the need identified and for which the training was developed. | 12/31/2022 | 12/31/2022 | TCC is in the process of implementing this recommendation. |

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 June 30, 2022 |
|--------------------|--|-----------------|---|-----------------------------------|---|--|
| In Progress | | | | | | |
| 22-24 | Audit Report 22004 Issued: May 25, 2022 Title: Employee Training & Development Department: TALENT, CULTURE & CAPABILITY | Low | TCC should provide guidance on mandatory trainings. The guidance should include the steps needed for a training to be deemed “mandatory”, how attendance is tracked, and the repercussion for non-attendance. | 12/31/2022 | 12/31/2022 | TCC plans on working towards implementation of this recommendation, but, has not yet begun. |
| 22-25 | Audit Report 22008 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Payment Applications During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Low | We recommend that ADC ensure their internal controls over review of the payment applications are continually operating effectively. | 2/1/2023 | 2/1/2023 | This audit was issued on the last day of the quarter and, therefore, no follow-up activity was performed. However, at the time of report issuance ADC stated that it would ensure that internal controls are implemented consistently. |
| 22-26 | Audit Report 22008 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Payment Applications During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Low | We recommend that ADC request submission of all missing supporting documentation and seek reimbursement of any unsupported amounts paid. | 11/1/2022 | 11/1/2022 | This audit was issued on the last day of the quarter and, therefore, no follow-up activity was performed. However, at the time of report issuance ADC indicated that it had already requested substantiation for missing documentation and will request reimbursement for any amounts that the JV is unable to substantiate. |

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 June 30, 2022 |
|--------------------|--|-----------------|--|-----------------------------------|---|--|
| In Progress | | | | | | |
| 22-27 | Audit Report 22008 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Payment Applications During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Low | We recommend ADC consider charging the JV the audit costs in the amount of \$46,810 if supporting documentation cannot be obtained for the five charges noted above. | 2/1/2023 | 2/1/2023 | This audit was issued on the last day of the quarter and, therefore, no follow-up activity was performed. However, at the time of report issuance ADC stated that it will consider requesting reimbursement of audit costs in the future. If subsequent audit findings reveal similar issues ADC will charge them appropriately. |
| 22-28 | Audit Report 22008 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Payment Applications During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Low | We recommend that ADC verify the fee calculations on all future payment applications to ensure the JV has accurately billed the Authority. | 2/1/2023 | 2/1/2023 | This audit was issued on the last day of the quarter and, therefore, no follow-up activity was performed. However, at the time of report issuance ADC stated that it will notify the JV of the under-billing of the fee and will verify the fee calculation on all future payment applications to ensure JV has accurately billed the Authority. |
| 22-34 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Low | We recommend that ADC consider charging the JV for the audit costs in the amount of \$87,804. | 2/1/2023 | 2/1/2023 | This audit was issued on the last day of the quarter and, therefore, no follow-up activity was performed. However, at the time of report issuance ADC stated that it would, with Management concurrence, consider requesting reimbursement of audit costs in the future. If subsequent audit findings reveal similar issues, ADC will charge them appropriately. |

Appendix C – Performance Measures Historical Data

| Performance Measure | Fiscal Year | | | | | |
|--|-------------|------|-----------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Customer satisfaction ratings from: i. Audit Committee/Board ii. Executive Management iii. Auditee ⁸ | | | i) ii) iii) 4.6 | i) 5.0 ii) 4.5 iii) 4.6 | i) 4.4 ii) 4.3 iii) 4.6 | i) 4.8 ii) 5.0 iii) 4.4 |
| Number of recommendations | 17 | 28 | 35 | 37 | 33 | 37 |
| Percentage of audit and consulting engagements completed annually | 83% | 72% | 76% | 81% | 88% | 75% |
| Percentage of audit recommendations accepted ⁹ | | 100% | 100% | 100% | 100% | 100% |
| Percentage of staff meeting educational requirements ¹⁰ | | | 100% | 100% | 100% | 100% |
| Number of non-CPE training hours per staff ¹¹ | | | | 6.1 | 6.1 | 6.1 |
| Percentage of staff time spent on audit and consulting engagements and general audit activities ¹² | | | 71% | 70% | 71% | 66% |
| Percentage of audit and consulting engagements completed within budget | 86% | 52% | 45% | 59% | 86% | 89% |

⁸ This performance measure was added in Fiscal Year 2019. In Fiscal Year 2020 the OCA began sending surveys to the Audit Committee/Board and to Executive Management.

⁹ This performance measure was added in Fiscal Year 2019. Historical information was available for FY 2018 and is included for reference.

¹⁰ This performance measure was added in Fiscal Year 2019.

¹¹ This performance measure was added in Fiscal Year 2020.

¹² Beginning in Fiscal Year 2019 all staff hours (audit, consulting, general audit hours, and administrative hours) are tracked and accounted for. In prior years certain hours were excluded. Therefore, prior year data has been omitted, as it is not comparable to this performance measure. Percentage excludes the Chief Auditor's hours.

Appendix D – Disclosures

The following items are being disclosed in conformance with the *Standards*.

Organizational Independence

The OCA must confirm to the Board, at least annually, the organizational independence of the internal audit activity.

- ✓ The OCA reports directly to the Board through the Audit Committee, which provides the independence necessary for the OCA to adequately perform its function, separate from the Airport Authority organization.

Impairments to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed based on the International Professional Practices Framework (IPPF) Standard 1130.

- ✓ There were no audits or consulting engagements conducted during Fiscal Year 2022 that had any impairment of independence or objectivity in fact or appearance.

Disclosure of Nonconformance

Occasionally, circumstances require the completion of projects/engagements in a manner that is not consistent with the *Standards*. When this occurs, the OCA must disclose the non-conformance and the impact to senior management and the Board.

- ✓ During Fiscal Year 2022 there were no instances in which projects were performed in a manner that did not comply with the *Standards*.

Resolution of Management's Acceptance of Risks

Each audit engagement can potentially identify items that may pose risks to the Authority's operations. Some items may require management's attention, while others may be situations in which management decides to accept the risk associated with continuing the current practice. The OCA is required to disclose to senior management and the Board any situations in which it is believed Authority personnel has accepted a level of residual risk that may not adequately reduce/mitigate the risk of loss.

- ✓ There were no such instances related to risk during the 2022 Fiscal Year.

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

Staff Report

Meeting Date: December 1, 2022

Subject:

Fiscal Year 2023 First 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 2023 First Quarter Report from the OCA (Attachment A) is submitted to the Board to provide an account of activities and undertakings of the OCA during the period July 1, 2022, through September 30, 2022, and includes details on all recommendations completed or in progress during the first quarter.

A presentation was provided to the Audit Committee on November 21, 2022, by the OCA on its first quarter activities. Upon receiving the Fiscal Year 2023 First Quarter Report the Audit Committee voted unanimously to forward the item to the Board.

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

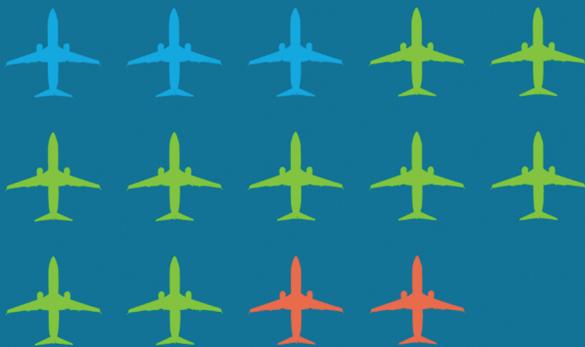
Prepared by:

Lee M. Parravano
Chief Auditor

Office of the Chief Auditor Fiscal Year 2023 1st Quarter Report



Audit Engagement Progress



■ Completed (21.43%)
 ■ In Progress (64.29%)
 ■ Not Started (14.29%)

Audit Engagements Completed vs. Benchmark & Goal



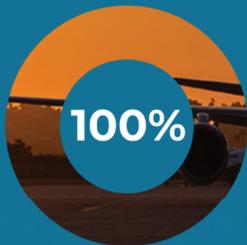
By The Numbers



Recommendations Issued



Customer Satisfaction Rating



Engagements Completed Under Budget



Auditor Utilization Percentage



Recommendations Accepted By Management



Fiscal Year 2023

First Quarter Report

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Issue Date: November 14, 2022

OFFICE OF THE CHIEF AUDITOR

First Quarter Summary

Executive Summary

During the first quarter the Office of the Chief Auditor (OCA) began work on the Fiscal Year 2023 Audit Plan. The quarter has been very active and successful as the OCA has issued three audit reports and, as of the end of the quarter, the OCA has 10 audit and consulting engagements in process. Also, as part of the Audit Plan, the OCA completed the ongoing monitoring component of the Quality Assurance and Improvement Program covering Fiscal Year 2022 activities and operations. Through our monitoring, the OCA found that numerous processes are in place to ensure that quality is consistently delivered on each audit engagement and no items were identified that would impact audit report quality. Details on all activities included in the Fiscal Year 2023 Audit Plan are included below.

Performance Measures

For Fiscal Year 2023, six major performance measures were developed to evaluate the OCA. The OCAs performance against the selected performance measures is displayed in Table 1.¹

Table 1: Status of Performance Measures as of September 30, 2022

| # | Performance Measure | Goal | Actual | Benchmark |
|---|---|------|--------|-----------|
| 1 | Customer satisfaction ratings from auditee | 4.0 | 5.0 | 4.0 |
| 2 | Number of recommendations | 8 | 8 | 8 |
| 3 | Percentage of audit and consulting engagements completed | 20% | 21% | 20% |
| 4 | Percentage of recommendations accepted | 95% | 100% | 83% |
| 5 | Percentage of staff time spent on audit and consulting engagements and general audit activities | 81% | 86% | 81% |
| 6 | Percentage of audit and consulting engagements completed within budget | 80% | 100% | 73% |

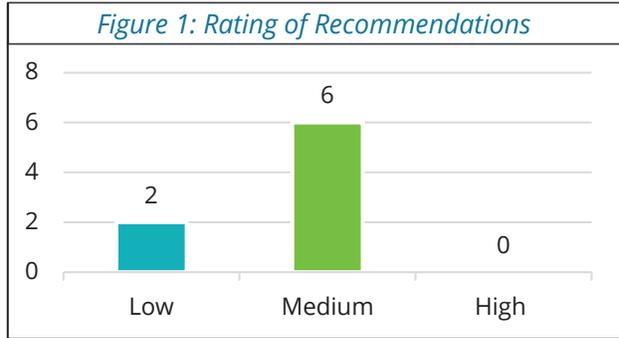
Customer Satisfaction Rating:

After the completion of an audit or consulting engagement, a survey is sent to the 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 5.0.

¹ The OCA tracks additional performance measures that are not shown above. Their results are compiled and shared with the Audit Committee annually.

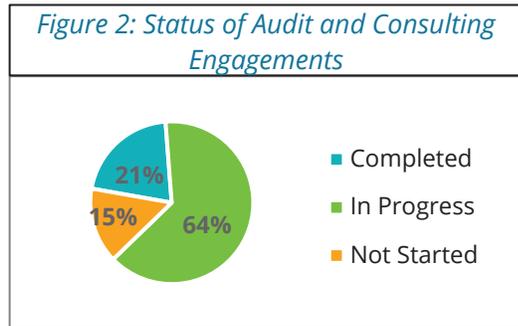
Number of Recommendations:

One of the OCAs primary objectives is to identify risks that could pose a threat to the Authority. As of September 30, 2022, the OCA provided 8 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 is shown in Figure 1.



Percentage of Audit and Consulting Engagements Completed:

As of the first quarter, the OCA completed 3 audit engagements, or 21%, of audit and consulting engagements (3/14 = 21%) that are to be completed on the Fiscal Year 2023 Audit Plan.² In addition to the three engagements completed, the OCA had 64% of engagements in progress as of the end of the first quarter, as shown in Figure 2. The engagements completed in the first quarter are summarized in the upcoming section titled Audit Engagements Issued.



The status of all activities in the Fiscal Year 2023 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 first quarter, management accepted 100% of all audit recommendations.

Percentage of Staff Time Spent on Audit & Consulting Engagements and General Audit Activities:

This measure tracks the time spent on audit and consulting engagements and general audit activities.³ The OCAs goal is for staff to spend 81% of their working hours⁴ on audit engagements, consulting engagements, and general audit activities. The OCA is currently exceeding the goal established, spending 86% of time on audit engagements, consulting engagements, and general audit activities.

² The Fiscal Year 2023 Audit Plan has 14 audits and 1 consulting engagement. However, the audit identified as “Tenant Lease Administration and Management – FY2023 Rental Car Companies” will be carried forward, as anticipated, into Fiscal Year 2024, when required data is captured to complete the audit. This results in 13 audits and 1 consulting engagement on the Fiscal Year 2023 Audit Plan to be completed in the fiscal year.

³ Appendix A details all planned activities in these categories for Fiscal Year 2023.

⁴ All Time Off (e.g., Holidays, Paid Time off) has been excluded from this calculation.

FISCAL YEAR 2023 FIRST QUARTER REPORT

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 first quarter of Fiscal Year 2023, the OCA completed 100% of its projects within the budgeted time, exceeding the benchmark and the OCAs goal.

Audit Engagements Issued

The Office of the Chief Auditor completed three audits during the first quarter. Below is a summary of these engagements.



2% Surcharge Program Compliance: The objective of this audit was to determine if In-Terminal Food and Beverage concessionaires are complying with the Program requirements when adding a 2% surcharge to purchases. F&B concessionaires largely comply with the requirements of the Program. However, we found that 13 food and beverage locations are not in full compliance with the requirement that the 2% surcharge notification be included on every menu. The audit identified 2 findings and provided 4 recommendations.



AVIS Budget Car Rental, LLC: The objectives of this audit were to determine whether Avis Budget Car Rental, LLC accurately paid concession fees and Customer Facility Charges (CFCs). We determined that the calculation, reporting, and payment of concession fees and CFCs, as required by the Concession Agreement were generally accurate. The audit identified \$42,327 in net underpayments to the Authority. Additionally, the audit identified 3 findings and provided 4 recommendations.



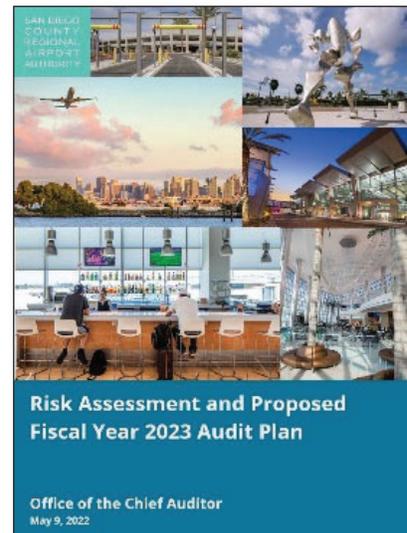
Harbor Police True-Up Controls - Fiscal Year 2020: The objective of this audit was to determine if the controls surrounding the Accounting Department's review of the Fiscal Year 2020 true-up of Harbor Police costs and services were adequate, effective, and operating as designed. We found the Accounting Department's controls surrounding the Fiscal Year 2020 true-up review of the Harbor Police costs and services for the Airport were adequate, effective, and operating as designed. The audit did not identify any findings or provide any recommendations.

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 required⁵ 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 formal 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. The annual Risk Assessment and Audit Plan is generally initiated during the third quarter of each Fiscal Year. However, informally, the OCA is constantly assessing risk and adjusting the Audit Plan as needed.



Construction Activities

Construction audit activity for the first quarter of Fiscal Year 2023 consisted of attending meetings regarding the New Terminal 1 (New T1) terminal and roadways, the new administration building, and the New T1 airside improvements projects. A task authorization was issued to Baker Tilly, U.S., LLP (Baker Tilly) for development of the risk assessment and proposed audit plan for the Guaranteed Maximum Price development phase of the design-build terminal and roadways contract. The OCA's Construction Auditor has been working on the validation phase cost controls audit, identified in the Fiscal Year 2022 audit plan developed with Baker Tilly. Additionally, the Construction Auditor has worked with Baker Tilly and the Airport Design & Construction Department (ADC) in identifying additional areas for improvement in the payment application processes. The OCA remains involved with issues identified by ADC 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 2023, meetings have been focused on the audit related to the Authority's web facing sites.

Development of Data Analytics

The OCA is actively exploring options to increase its audit coverage through data analytics and to identify where in-depth audits should be initiated. The Fiscal Year 2023 Audit Plan has

⁵ 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.

FISCAL YEAR 2023 FIRST QUARTER REPORT

two data analytics audits related to rental car companies. These audits are serving as a foundation to explore other areas where data analytics could benefit the Authority and the OCA.

The development of the data analytics platform within the OCA has already proven to be successful. Last year, during the OCAs validation of rental car data received, the OCA identified that an audit of AVIS Budget should be initiated. An audit was added to the FY 2022 Audit Plan and was completed in the first quarter of Fiscal Year 2023. The use of data analytics directly resulted in the identification of this audit engagement. The engagement resulted in \$42,327 due to the Authority.

Ethics Program Activities

The OCA manages the Authority’s Ethics Program that includes a confidential reporting hotline. During the first quarter of Fiscal Year 2023, 16 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.

A summary of the tips/reports received in Fiscal Year 2023 is shown in Table 2 below.

Table 2: Ethics Hotline Tips/Reports Received in Fiscal Year 2023

| | Number of Tips / Reports Received | Preliminary Investigation Required | Full Investigation Initiated | Investigation Results Supported Code Violation (Ethics or Workplace)* | Response (email or phone to non-anonymous reports) |
|--|-----------------------------------|------------------------------------|------------------------------|---|--|
| Category | | | | | |
| Human Resource, Diversity, and Workplace Respect | 15 | - | - | - | - |
| Environment, Health and Safety | 1 | - | - | - | - |
| Total | 16 | - | - | - | - |

*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.

In addition to the tips received above, the OCA currently has two ethics investigations open that were reported in Fiscal Year 2022.

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 first quarter of Fiscal Year 2023, along with the estimated/actual implementation timeframes based on the audit report issue date. Of the Completed recommendations, seven were implemented within the initial timeframe identified when the recommendations were issued. Of the In Progress recommendations, twenty 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 ⁶ |
|-----------------|------------------|--------------------|-------------|--------------------|
| Completed | 7 | - | 7 | 14 |
| In Progress | 8 | 11 | 6 | 25 |

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 2022 activities and operations during the first quarter of Fiscal Year 2023. The OCA found no items that would impact audit report quality. Full results are included in the Fiscal Year 2022 OCA Annual Report, a part of the November 14, 2022, Audit Committee Meeting materials.⁷

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.

⁶ Recommendation(s) contained in confidential audit reports are not included in Table 3 or in Appendix B. They are tracked separately by the OCA.

⁷ The results of on-going monitoring were also included in the September 12, 2022, Audit Committee Meeting materials. The agenda item did not have the five votes required to forward the item to the Board and is being re-submitted.

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*. Shane Ellis, OCA Senior Auditor, completed a peer review of the Greater Orlando Aviation Authority in September 2022. The OCA has been in contact with the regional coordinator of ALGA to schedule the remaining staff member on an appropriate peer review team.

Administrative

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 \$312,000 through the end of the first quarter, which represents 24% of the Fiscal Year 2023 budget. No unexpected or large outlays occurred within the department during the first quarter of Fiscal Year 2023. The OCA expects to remain close to 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 2021 all OCA staff met their respective CPE requirements. In the first quarter, staff attended training on topics that included fraud, government accounting principles, government financial reporting, and assessing data reliability.

Procedural/Supervisory

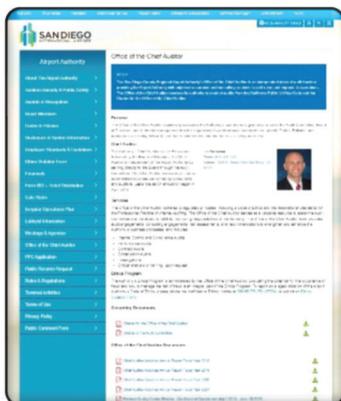
One Audit Committee meeting took place during the first quarter, which occurred September 12, 2022. The meeting contained all regularly scheduled agenda items, of which the OCA assisted in coordination with the Committee Chair and Board Services.

Contract Language

The OCA has been collaborating with the Revenue Generation & Partnership Development Department and other Authority departments to examine audit related language in contracts. The OCA appreciates the opportunity to be included in these discussions as they have the potential to impact future concessionaires and audit activities.

Webpage

The OCA collaborated with the Marketing Department to develop a webpage specific to internal audit that features information and details related to the OCA. The webpage was successfully launched in the first quarter of the Fiscal Year, and includes:



- Contact information for the OCA
- Information on submitting ethics violations
- Charters for both the OCA and the Audit Committee
- Information related to Quality Assessment Reviews
- Audit Plan information for the last 5 fiscal years

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

FISCAL YEAR 2023 FIRST QUARTER REPORT

Appendix A – Fiscal Year 2023 Audit Plan

| # | Activity | Status as of 9/30/2022 | Over/Under Budget | No. of Recs. |
|-----------------------|---|------------------------|-------------------|--------------|
| Audit | | | | |
| 1 | Tenant Lease Admin. & Management – FY 2022 Rental Car Companies | In Progress | | |
| 2 | Terminals and Roadway Validation Phase Cost Controls | In Progress | | |
| 3 | Tenant Lease Admin. & Management – 2% Surcharge | Completed | Under | 4 |
| 4 | Tenant Lease Admin. & Management – FY 2023 Rental Car Companies ⁸ | In Progress | | |
| 5 | System Security –Web Facing Sites | In Progress | | |
| 6 | Harbor Police Contract Management – Fiscal Year 2021 Costs | In Progress | | |
| 7 | Contractor Monitoring – Administration Building | In Progress | | |
| 8 | Employee Benefits – Payroll Deductions | Not Started | | |
| 9 | Records Management – Official Records & Electronic Signatures | In Progress | | |
| 10 | Parking Management- Ace Parking | In Progress | | |
| 11 | Small Business Management | Not Started | | |
| 12 | Harbor Police Contract Management – Fiscal Year 2018, 2019, 2020 Costs ⁹ | In Progress | | |
| 13 | Harbor Police Contract Management –True -Up Controls ⁹ | Completed | Under | - |
| 14 | Tenant Lease Admin. & Management – Avis ⁹ | Completed | Under | 4 |
| | To Be Determined – Construction | N/A | | |
| | To Be Determined - Discretionary | N/A | | |
| | Total | | | 8 |
| Consulting | | | | |
| 15 | Grant, PFC & CFC Administration - Grants | In Progress | | |
| General Audit | | | | |
| 16 | Risk Assessment & Audit Plan | In Progress | | |
| 17 | Construction Meeting Attendance & Coordination | In Progress | | |
| 18 | Information Technology Meeting Attendance | In Progress | | |
| 19 | Development of Data Analytics | In Progress | | |
| 20 | Ethics Program | In Progress | | |
| 21 | Recommendation Follow-up | In Progress | | |
| 22 | Quality Assurance & Improvement Program | In Progress | | |
| 23 | Peer Review Participation | In Progress | | |
| Administrative | | | | |
| 24 | Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other | In Progress | | |
| 25 | Benefit - Vacation, Holiday Time, and Other Leave/Time Off | In Progress | | |

⁸ Audit engagement is not anticipated to be completed in Fiscal Year 2023 and will be carried forward to Fiscal Year 2024.

⁹ Audit Engagement is included on the November 12, 2022, Audit Committee Agenda Item: Revision to the Fiscal Year 2023 Audit Plan of the Office of the Chief Auditor

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|------------------|--|-----------------|--|-----------------------------------|---|--|
| Completed | | | | | | |
| 22-32 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | High | We recommend ADC require the JV to specifically review all future payment applications for inappropriate billing of holiday or paid time-off hours prior to submission. | 2/1/2023 | 9/30/2022 | ADC has communicated this to the JV in pay app meetings. ADC to continue monitoring during pay app submission process. ADC and JV have worked to define policy for 40 hour work week, which has been transmitted in PMWeb to officially document. |
| 22-35 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Medium | We recommend ADC require the JV to specifically review all future payment applications for inappropriate billing of professional staff lacking Authority approved billing rates. | 2/1/2023 | 9/30/2022 | ADC has communicated this to the JV in pay app meetings. ADC to continue monitoring during pay app submission process. |
| 22-36 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Medium | We recommend that ADC notify the JV of the charges for professional staff who did not have approved billing rates and communicate that future charges for unapproved professional staff will be rejected until ADC receives and approves the required documentation. | 2/1/2023 | 9/30/2022 | ADC has communicated this to the JV in pay app meetings. ADC to continue monitoring during pay app submission process. |

Appendix B - Status of Recommendations

Fiscal Year 2023 First Quarter Report

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|------------------|--|-----------------|--|-----------------------------------|---|--|
| Completed | | | | | | |
| 22-26 | Audit Report 22008 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Payment Applications During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Low | We recommend that ADC request submission of all missing supporting documentation and seek reimbursement of any unsupported amounts paid. | 11/1/2022 | 9/30/2022 | JV provided missing documentation and was validated by ADC Cost Analyst. Missing backup files were transmitted to Document Control for filing with official record of Pay App #11 August 2021. |
| 22-27 | Audit Report 22008 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Payment Applications During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Low | We recommend ADC consider charging the JV the audit costs in the amount of \$46,810 if supporting documentation cannot be obtained for the five charges noted above. | 2/1/2023 | 9/30/2022 | Credit of \$46,810 was issued in Pay App #18 March 2022 and was validated by ADC Cost Analyst. |
| 22-28 | Audit Report 22008 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Payment Applications During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Low | We recommend that ADC verify the fee calculations on all future payment applications to ensure the JV has accurately billed the Authority. | 2/1/2023 | 9/30/2022 | ADC has notified the JV of the underbilling of the fee. ADC & JV's Pay app Team are ensuring calculation of Fee for additional Change orders are calculated correctly. |

Appendix B - Status of Recommendations

Fiscal Year 2023 First Quarter Report

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|------------------|--|-----------------|---|-----------------------------------|---|--|
| Completed | | | | | | |
| 22-34 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Low | We recommend that ADC consider charging the JV for the audit costs in the amount of \$87,804. | 2/1/2023 | 9/30/2022 | ADC will, with Management concurrence, consider requesting reimbursement of audit costs in the future. If subsequent audit findings reveal similar issues, ADC will charge them appropriately. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|------------------|---|-----------------|--|-----------------------------------|---|--|
| Completed | | | | | | |
| 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 | 9/30/2022 | 1) After diligent efforts, CoSD and GT were unable to reconcile the \$54.9 K in underpayments and the \$26.1 K in duplicate fees charged. CoSD lumps SDCRAA citation revenue received in with all other agencies, making reconciliation untenable; 2) GT has procured new citation devices and software that are compatible with CoSD systems; 3) GT has developed new SOPs to reconcile the number of citations, revenue reported, and revenue received; 4) Going forward, GT will follow the monthly reconciliation SOPs to analyze the average amount of deficient citation revenue received and report each month, quarter, and year; 5) Going forward, GT will use the reconciliation and KPIs to identify trends and anomalies in citation processing by CoSD; 6) GT has not changed processors; but has procured new citation devices and software that is compatible with CoSD systems to better reconcile citation information and revenue with CoSD information. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|------------------|---|-----------------|---|-----------------------------------|---|---|
| Completed | | | | | | |
| 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 | 9/30/2022 | GT/ATO staff has: 1) Implemented new citation software and hardware devices, 2) Developed updated SOPs for the new software and hardware devices, 3) Requested that CoSD provide detailed support of the gross figures provided monthly, and 4) Identified SOP items to reconcile the amounts of citations paid to the amount remitted as citation revenue to the Authority. GT has developed the following reports: Automated Report - Monthly - \$ Value of citation revenue transmitted to CoSD, \$ Value of citation revenue collected, \$ Value of citation revenue transmitted to SDCRAA - by month, by Qtr, Annually. GT will report differences identified each month. GT will tie to amounts remitted to individual citations where possible. If not, then GT will identify lump sum amounts by month. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|------------------|--|-----------------|---|-----------------------------------|---|---|
| Completed | | | | | | |
| 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 | 9/30/2022 | GT/ATO staff has: 1) Implemented new citation software and hardware devices, and 2) Developed updated SOPs for the new software and hardware devices. These SOPs address the following citation processes: (A) Issuance process, (B) Export/upload process, (C) Monthly reconciliations, (D) Appeals process, (E) Quarterly management review, (F) Citation Process Flowchart - Software, and (G) Citation Process Flowchart - ATO Processes. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|------------------|---|-----------------|---|-----------------------------------|---|--|
| Completed | | | | | | |
| 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 | 9/30/2022 | GT/ATO staff has: 1) Implemented new citation software and hardware devices, and 2) Developed updated SOPs for the new software and hardware devices. These SOPs address citation processing and reporting and outline the development of the following KPIs to be generated: A) Automated Report - Citations Issued by Day, Uploaded by Day, % Uploaded Same Day; B) Manual Report - # of citations issued w/errors - by day, by Month, by Qtr; C) Manual Report - % of citations appealed - by month; D) Manual Report - # of citation appeals upheld; E) Automated Report - \$ Value of citations issued each month; F) Automated Report - # and \$ Value of Citations issued - by month; G. Automated Report - List of citation by infraction (SDCRAA Code); H) Automated Report - List of citation upload errors by device, by day. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|------------------|---|-----------------|--|-----------------------------------|---|---|
| Completed | | | | | | |
| 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 | 9/30/2022 | GT/ATO staff has: 1) Implemented new citation software and hardware devices, 2) Developed updated SOPs for the new software and hardware devices, 3) Requested that CoSD provide detailed support of the gross figures provided monthly, and 4) Identified SOP items to reconcile the amounts of citations paid to the amount remitted as citation revenue to the Authority. GT has developed the following reports: a) Manual Report - Monthly - No. of citation issued vs. No. of citations received by CoSD; b) Manual Report - Monthly - \$ Value of citation issued vs. \$ Value of citations received by CoSD; c) Manual Report - Monthly - \$ Value of citation fees charged vs. # of Citations received by CoSD. GT will report differences identified each month. GT will tie to amounts remitted to individual citations where possible. If not, then GT will identify lump sum amounts by month. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|------------------|--|-----------------|---|-----------------------------------|---|--|
| Completed | | | | | | |
| 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 | 9/30/2022 | GT/ATO staff has: 1) Implemented new citation software and hardware devices, and 2) Developed updated SOPs for the new software and hardware devices. These SOPs address citation processing with the following parameters: 1) Issued citations are uploaded to the PEMS system in real-time; 2) ATO Supervisors review citations daily at 0800; 3) All citations are to be uploaded within 48 hours; 4) Automated reports will show a) Citations Issued by day, % uploaded by day,% uploaded same day; and b) List of citation upload errors by device, by day. |

Appendix B - Status of Recommendations

Fiscal Year 2023 First Quarter Report

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|------------------|---|-----------------|---|-----------------------------------|---|--|
| Completed | | | | | | |
| 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 | 9/30/2022 | GT/ATO staff has: 1) Implemented new citation software and hardware devices; and 2) Developed updated SOPs for the new software and hardware devices. These SOPs address the following citation processes: (A) Issuance process, (B) Export/upload process, (C) Monthly reconciliations, (D) Appeals process, (E) Quarterly management review, (F) Citation Process Flowchart - Software, and (G) Citation Process Flowchart - ATO Processes. The Appeals Process SOP Includes a formal appeals decision standardized form and identifies all necessary processes. The form includes all relevant items as listed: a) Citation No. and Date, b) Date appeal received, c) Date appeal reviewed, d) Appeal decision and date, e) Reviewing Manager signature and date, f) Reviewing Director signature and date, g) Date of appeal notification. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|--------------------|---|-----------------|---|-----------------------------------|---|--|
| In Progress | | | | | | |
| 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 | 12/31/2022 | Approved by the board on September 1. Contract is pending execution. |
| 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 | The new property management software will provide trigger dates for review of security deposits. Since most relevant leases will expire in the next 12-24 months, a working group is currently addressing potential amended language regarding security deposit reviews. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|--------------------|--|-----------------|---|-----------------------------------|---|---|
| In Progress | | | | | | |
| 22-29 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | High | We recommend that ADC work with the JV to develop a process to ensure all billing rate submissions are accurate to facilitate the payment application review process by the JV and ADC. This could include limiting the billing rate information to when a current employee receives a rate change or a new employee is added to the project. | 2/1/2023 | 2/1/2023 | Partially Completed: Revised billing rates were established for annual increases for Gensler and subconsultants. Gensler rate changes will be allowed on an annual basis on April and subconsultants in September. Work in Progress. JV has developed a master list of rates for their personnel. ADC continues to review this. JV rate changes will continue to occur on a case by case basis because this is not a billing rate. |
| 22-30 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | High | We recommend that ADC notify the JV concerning the over-billing based on the actual payroll hours and determine the most appropriate method to receive the \$37,525 incorrectly billed to the Authority. | 2/1/2023 | 2/1/2023 | Work in progress. JV has been notified, ADC and JV continue to work 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 September 30, 2022 |
|--------------------|--|-----------------|---|-----------------------------------|---|--|
| In Progress | | | | | | |
| 22-33 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | High | We recommend that ADC notify the JV of the \$4,814 overcharge for holiday and paid time-off for the JV staff and the \$12,917 overcharge for the consultants to determine the most appropriate method to receive the total incorrectly billed to the Authority. | 2/1/2023 | 2/1/2023 | Work in progress. JV has been notified, ADC and JV continue to work to resolve this item. |
| 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 | 11/30/2022 | GT/ATO staff has: 1) Implemented new citation software and hardware devices, and 2) Developed updated SOPs for the new software and hardware devices. The Citation SOP specifies that citation amounts are reviewed annually and benchmarked against other County of San Diego agencies and other California airports. GT will perform the first review in November 2022. Subsequent reviews will be performed annually in April 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 | Staff intends to complete the cleaup process by June 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 September 30, 2022 |
|--------------------|--|-----------------|---|-----------------------------------|---|---|
| In Progress | | | | | | |
| 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 | The new property management software will provide additional safeguards. |
| 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. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|--------------------|--|-----------------|---|-----------------------------------|---|---|
| In Progress | | | | | | |
| 22-31 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Medium | We recommend that ADC notify the JV concerning the underbilling based on the actual payroll register pay rates and determine the most appropriate method to address the \$1,750 that was not billed to the Authority. | 2/1/2023 | 2/1/2023 | Work in progress. JV has been notified, ADC and JV continue to work to resolve this item. |
| 22-37 | Audit Report 22010 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Direct Labor Billing During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Medium | We recommend that ADC require the JV to provide the applicable billing rate information for the employees identified without approved rates to allow ADC to determine the appropriateness of the rates charged. | 2/1/2023 | 2/1/2023 | Work in Progress. JV has developed a master list of rates for their personnel. ADC continues to review this. JV rate changes will continue to occur on a case by case basis because this is not a billing rate. |
| 23-01 | Audit Report 22011 Issued: August 10, 2022 Title: Avis Budget Car Rental, LLC Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT | Medium | RG&PD should request the Accounting Department to issue a credit to Avis-Budget in the amount of \$2,534 for the overpayment of concession fees under the Avis brand. | 10/31/2022 | 11/30/2022 | Credit process in E1 has been initiated. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|--------------------|--|-----------------|--|-----------------------------------|---|--|
| In Progress | | | | | | |
| 23-02 | Audit Report 22011 Issued: August 10, 2022 Title: Avis Budget Car Rental, LLC Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT | Medium | RG&PD should request the Accounting Department issue an invoice to Avis-Budget in the amount of \$54,320 for the underpayment of concession fees under the Budget brand. | 10/31/2022 | 11/30/2022 | Letter to Avis/Budget in draft review after in-person meeting that took place in late September about the audit results. |
| 23-03 | Audit Report 22011 Issued: August 10, 2022 Title: Avis Budget Car Rental, LLC Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT | Medium | RG&PD should request both Avis and Budget to refund car rental customers \$21,146 and \$7,156, respectively, for the over collection of CFCs. | 10/31/2022 | 11/30/2022 | RGPD drafting notification to Avis/Budget regarding overcollection. |
| 23-04 | Audit Report 22011 Issued: August 10, 2022 Title: Avis Budget Car Rental, LLC Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT | Medium | RG&PD should request the Accounting Department to issue a credit to Avis and Budget in the amount of \$2,475 and \$6,984, respectively, for the overpayment of CFCs. | 10/31/2022 | 11/30/2022 | Credit process initiated in E1. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|--------------------|---|-----------------|---|-----------------------------------|---|--|
| In Progress | | | | | | |
| 23-05 | Audit Report 22016 Issued: Sept. 29, 2022 Title: 2% Surcharge Program Compliance Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT | Medium | RG&PD should remind all F&B concessionaires that the 2% surcharge must be displayed on every menu, or they may incur a fine. In addition, RG&PD should verify compliance to this requirement on a regular basis. Alternately, if the 2% Surcharge Program is continued, RG&PD could consider removing the requirement for the surcharge notification to be on every menu if there is adequate signage notifying the customer. | 12/31/2022 | 1/31/2023 | The recent audit of the surcharge illustrated that in some cases displaying the surcharge on “every” menu was impractical. RGPD is proposing revisions to the notification requirements of the program. |
| 23-08 | Audit Report 22016 Issued: Sept. 29, 2022 Title: 2% Surcharge Program Compliance Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT | Medium | If the 2% Surcharge Program is continued, the Authority should consider the timeframe in which employees are paid and disallow any plan that results in excessive wait times. | 1/1/2023 | 1/31/2023 | RGPD proposes that in a continuation of the program, if supported by the Board, Concessionaires will be required to use the surcharge funds only for incentive pay that must be distributed to employees without unreasonable delay. |
| 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 | 11/3/2022 | Amendments to update Policies 5.01 and 5.02 are scheduled for approval at the November 3, 2022, Board Meeting. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|--------------------|---|-----------------|--|-----------------------------------|---|--|
| In Progress | | | | | | |
| 22-21 | Audit Report 22004 Issued: May 25, 2022 Title: Employee Training & Development Department: TALENT, CULTURE & CAPABILITY | Low | TCC should update the Career Development Standard to meet the operational needs and current practices of the Authority. | 12/31/2022 | 3/1/2023 | TCC is in the process of implementing this recommendation. |
| 22-22 | Audit Report 22004 Issued: May 25, 2022 Title: Employee Training & Development Department: TALENT, CULTURE & CAPABILITY | Low | The training hours contained in the Sustainability Report (or other public documents) should aggregate both internal and external trainings completed by employees. Additionally, management should determine if the new LMS365 will be used by TCC to track both internal and external training completed by employees. | 12/31/2022 | 12/31/2022 | TCC is in the process of implementing this recommendation. |
| 22-23 | Audit Report 22004 Issued: May 25, 2022 Title: Employee Training & Development Department: TALENT, CULTURE & CAPABILITY | Low | TCC should evaluate and track the results of trainings completed to determine if they were effective in meeting the need identified and for which the training was developed. | 12/31/2022 | 12/31/2022 | TCC is in the process of implementing this recommendation. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|--------------------|--|-----------------|---|-----------------------------------|---|---|
| In Progress | | | | | | |
| 22-24 | Audit Report 22004 Issued: May 25, 2022 Title: Employee Training & Development Department: TALENT, CULTURE & CAPABILITY | Low | TCC should provide guidance on mandatory trainings. The guidance should include the steps needed for a training to be deemed “mandatory”, how attendance is tracked, and the repercussion for non-attendance. | 12/31/2022 | 12/31/2022 | TCC is in the process of implementing this recommendation. Forms sent out to all departments to provide information on mandatory trainings. |
| 22-25 | Audit Report 22008 Issued: June 30, 2022 Title: Turner-Flatiron, a Joint Venture, Payment Applications During Validation Phase Department: AIRPORT DESIGN & CONSTRUCTION | Low | We recommend that ADC ensure their internal controls over review of the payment applications are continually operating effectively. | 2/1/2023 | 2/1/2023 | Work in Progress. ADC & JV's Pay App Team are in constant communication and collaboration to ensure all supporting documentations are included within a pay application. Billings without supporting documentation or proper approvals will be disallowed from the pay app. |
| 23-06 | Audit Report 22016 Issued: Sept. 29, 2022 Title: 2% Surcharge Program Compliance Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT | Low | If the 2% Surcharge Program is continued, RG&PD should provide specifications (e.g., font size, placement, etc.) to the F&B concessionaires on what signage appropriately notifies a customer of the surcharge. | 12/31/2022 | 1/31/2023 | RGPD intends to develop a new standard for signage in collaboration with Marketing and the concessionaires. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2022 |
|--------------------|---|-----------------|--|-----------------------------------|---|--|
| In Progress | | | | | | |
| 23-07 | Audit Report 22016 Issued: Sept. 29, 2022 Title: 2% Surcharge Program Compliance Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT | Low | If the 2% Surcharge Program is continued, RG&PD should provide guidance to the F&B concessionaires how on the surcharge is to be labeled on customer receipts. | 11/30/2022 | 1/31/2023 | RGPD will work with concessionaires to determine the constraints in payments systems for the number of characters on receipts, and what they should state. |

Staff Report

Meeting Date: December 1, 2022

Subject:

Revision to the Fiscal Year 2023 Audit Plan of the Office of the Chief Auditor

Recommendation:

The Audit Committee recommends that the Board adopt Resolution No. 2022-0111 approving the revision to the Fiscal Year 2023 Audit Plan of the Office of the Chief Auditor

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 Audit Plan for Fiscal Year 2023 was approved by the Audit Committee during its May 9, 2022, meeting, and was subsequently approved on June 2, 2022, by Board Resolution No. 2022-0056. This initial Audit Plan estimates the hours required to complete the new Fiscal Year 2023 audits and estimates audits from the Fiscal Year 2022 Audit Plan that will be issued by Fiscal Year-end June 30, 2022, or will carry forward to the Fiscal Year 2023 Audit Plan.

During the first and second quarter of Fiscal Year 2023 a review of the Audit Plan was undertaken by the OCA. At this time, a revision is requested. The proposed revision precisely accounts for the audits that carried over from Fiscal Year 2022 and adjusts the allocation of audit hours to reflect the OCAs current operational requirements.

Meeting Date: December 1, 2022

On November 21, 2022, staff presented the proposed Audit Plan revision to the Audit Committee; and the Committee voted unanimously to forward it to the Board for subsequent approval. The proposed revision to the Fiscal Year 2023 Audit Plan is provided as Attachment A. The Fiscal Year 2023 Audit Plan with all changes incorporated is provided as Attachment B.

Fiscal Impact:

Adequate funding for FY 2023 Audit Plan is included in the adopted FY 2023 and conceptually approved FY 2024 Operating Expense Budgets within the Office of the Chief Auditor's 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.

Staff Report

Meeting Date: December 1, 2022

Page 3 of 3

Application of Inclusionary Policies:

Not Applicable

Prepared by:

Lee M. Parravano
Chief Auditor

Office of the Chief Auditor
Fiscal Year 2023
Proposed Audit Plan November 14, 2022

ATTACHMENT B

| Key Work Activity | Objective ¹ | Revised Hours |
|---|---|---------------|
| Audit Hours | | |
| Tenant Lease Administration and Management ² | 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. | 425 |
| Terminals and Roadway Validation Phase Cost Controls ² | To determine if the controls surrounding the Validation Phase costs are adequate and operating as designed. ³ | 350 |
| Tenant Lease Administration and Management ² | To determine if the food and beverage concessionaire surcharge is administered appropriately. | 90 |
| Tenant Lease Administration and Management ⁴ | 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 |
| Tenant Lease Administration and Management ² | 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. | 40 |
| Harbor Police Contract Mgmt. ² | To determine if Harbor Police costs and services are appropriate and equitable for the fiscal years 2018, 2019, and 2020. | 400 |
| Harbor Police Contract Mgmt. ² | To determine if controls surrounding the Accounting Department's review of the Fiscal Year 2020 True-up of Harbor Police costs are appropriate. | 25 |
| System Security | To evaluate the Authority's security posture by performing penetration testing of the Authority's web facing sites. | 250 |
| Harbor Police Contract Mgmt. | To determine if selected Harbor Police costs or services are appropriate related to fiscal year 2021. | 425 |
| Contractor Monitoring | To determine if the construction of the new administration building is properly managed. | 450 |
| Employee Benefits | To determine if employee payroll deductions are administered appropriately. | 550 |
| Records Management | To determine if official records and electronic signatures meet Authority requirements. | 500 |
| Parking Management Contract Admin. | To determine if Ace Parking is compliant with the agreement. | 600 |
| Small Business Management | To determine if commitments to small businesses are met and reported. | 500 |

¹ Objective may change based on the preliminary survey performed by the OCA.

² Audit activity has been carried forward from fiscal year 2022.

³ 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.

⁴ 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
 Fiscal Year 2023
 Proposed Audit Plan November 14, 2022

ATTACHMENT B

| | | |
|---|--|--------------|
| Change Orders | To determine if the construction change order process is effective and efficient. | 400 |
| To Be Determined - Construction | To initiate audits related to the New T1 based on a Risk Assessment(s) performed by Baker Tilly. | 302 |
| To Be Determined | To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor. | 244 |
| | Total Audit Hours | 6,051 |
| Consulting Hours | | |
| Grant, PFC, & CFC Administration ⁵ | 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 |
| | Total Consulting Hours | 75 |

⁵Consulting activity has been carried forward from Fiscal Year 2022.

Office of the Chief Auditor
Fiscal Year 2023
Proposed Audit Plan November 14, 2022

ATTACHMENT B

| General Audit Hours | | |
|--|--|---------------|
| Risk Assessment and Audit Plan ⁶ | To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan. | 232 |
| 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 |
| Information Technology Meeting Attendance | Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits, if needed. | 40 |
| 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 |
| Development of Data Analytics | Develop a data analytics program for in-terminal concessions or other programs. | 200 |
| Ethics Program ⁶ | To review ethics policies, perform training, and investigate reported incidents. | 300 |
| Recommendation Follow-up ⁶ | To verify that internal and external audit recommendations have been implemented as intended. | 160 |
| Quality Assurance & Improvement Program ⁶ | 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 |
| | Total General Audit Hours | 1,812 |
| Administrative Hours | | |
| Administrative - Indirect | Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other. | 2,390 |
| Administrative - Benefit | Vacation, Holiday Time, and Other Time Off. | 2,152 |
| | Total Administrative Hours | 4,542 |
| | Total Hours | 12,480 |

⁶ 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
Proposed Audit Plan November 14, 2022

ATTACHMENT B

| Key Work Activity | Objective ⁷ | Revised Hours |
|---|---|---------------|
| Contingent Audit Hours | | |
| 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 |
| 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 |
| Social Media/Website / Webmaster | To determine if the controls around social media and/or website administration are appropriate and adequate. | 450 |
| Accounts Payable | To determine if the controls related to the Accounts Payable automated payment files are appropriate. | 450 |
| Account Provisioning /De-Provisioning | To determine if account provisioning and de-provisioning are performed timely. | 450 |
| Rental Car Shuttle Service Contract Administration | To determine if the Shuttle Service operations are administered appropriately. | 650 |
| Contractor Monitoring | To determine if the AECOM contract is administered appropriately. | 500 |
| Asset Management | To determine if computer imaging is administered appropriately. | 500 |
| Curfew Violations | To determine if curfew violations are administered appropriately | 450 |
| TNC Contract Administration & Revenue Collection | To determine if the TNC contract is administered appropriately. | 475 |
| Employee & Parking Card and Policy Administration | To determine if Parking Cards are administered appropriately. | 550 |
| Leaves of Absence / Catastrophic Leave | To determine leaves of absences are administered appropriately. | 525 |
| Accounts Payable | To determine if the controls for Paymode X are appropriate. | 500 |
| | Total Contingent Audit Hours | 6,400 |

⁷ Objective may change based on the preliminary survey performed by the OCA.

RESOLUTION NO. 2022-0111

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, APPROVING THE REVISION TO THE FISCAL YEAR 2023 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 9, 2022, the Audit Committee was presented with the Fiscal Year 2023 Proposed Audit Plan and voted to accept the plan and forward it to the Board for approval, as adopted by Board Resolution No. 2022-0056 on June 2, 2022; and

WHEREAS, on November 21, 2022, during a Special Meeting of the Audit Committee, the Committee unanimously agreed to revise the Fiscal Year 2023 Audit Plan to precisely account for the audits that carried over from Fiscal Year 2022 and to adjust the allocation of audit hours to reflect the Office of the Chief Auditor's current operational requirements 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 2023 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 1st day of December 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

Office of the Chief Auditor
Fiscal Year 2023
Proposed Audit Plan November 14, 2022

ATTACHMENT A

| Key Work Activity | Objective ¹ | Original Estimated Hours | Change Requested | Revised Hours |
|---|---|--------------------------|------------------|---------------|
| Audit Hours | | | | |
| Tenant Lease Administration and Management ² | 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 | 50 | 425 |
| Terminals and Roadway Validation Phase Cost Controls ² | To determine if the controls surrounding the Validation Phase costs are adequate and operating as designed. ³ | 100 | 250 | 350 |
| Tenant Lease Administration and Management ² | To determine if the food and beverage concessionaire surcharge is administered appropriately. | 125 | (35) | 90 |
| Tenant Lease Administration and Management ⁴ | 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 | - | 500 |
| Tenant Lease Administration and Management ² | 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. | - | 40 | 40 |
| Harbor Police Contract Mgmt. ² | To determine if Harbor Police costs and services are appropriate and equitable for the fiscal years 2018, 2019, and 2020. | - | 400 | 400 |
| Harbor Police Contract Mgmt. ² | To determine if controls surrounding the Accounting Department's review of the Fiscal Year 2020 True-up of Harbor Police costs are appropriate. | - | 25 | 25 |
| System Security | To evaluate the Authority's security posture by performing penetration testing of the Authority's web facing sites. | 400 | (150) | 250 |
| Harbor Police Contract Mgmt. | To determine if selected Harbor Police costs or services are appropriate related to fiscal year 2021. | 425 | - | 425 |
| Contractor Monitoring | To determine if the construction of the new administration building is properly managed. | 450 | - | 450 |
| Employee Benefits | To determine if employee payroll deductions are administered appropriately. | 550 | - | 550 |

¹ Objective may change based on the preliminary survey performed by the OCA.

² Audit activity has been carried forward from fiscal year 2022.

³ 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.

⁴ 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
Fiscal Year 2023
Proposed Audit Plan November 14, 2022

ATTACHMENT A

| Key Work Activity | Objective ¹ | Original Estimated Hours | Change Requested | Revised Hours |
|---|--|--------------------------|------------------|---------------|
| Records Management | To determine if official records and electronic signatures meet Authority requirements. | 500 | - | 500 |
| Parking Management Contract Admin. | To determine if Ace Parking is compliant with the agreement. | 600 | - | 600 |
| Small Business Management | To determine if commitments to small businesses are met and reported. | 500 | - | 500 |
| Change Orders | To determine if the construction change order process is effective and efficient. | - | 400 | 400 |
| To Be Determined - Construction | To initiate audits related to the New T1 based on a Risk Assessment(s) performed by Baker Tilly. | 1,100 | (798) | 302 |
| To Be Determined | To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor. | 474 | (230) | 244 |
| | Total Audit Hours | 6,099 | (48) | 6,051 |
| Consulting Hours | | | | |
| Grant, PFC, & CFC Administration ⁵ | 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 | - | 75 |
| | Total Consulting Hours | 75 | - | 75 |

⁵Consulting activity has been carried forward from Fiscal Year 2022.

Office of the Chief Auditor
Fiscal Year 2023
Proposed Audit Plan November 14, 2022

ATTACHMENT A

| Key Work Activity | Objective ¹ | Original Estimated Hours | Change Requested | Revised Hours |
|--|--|--------------------------|------------------|---------------|
| General Audit Hours | | | | |
| Risk Assessment and Audit Plan ⁶ | To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan. | 232 | - | 232 |
| 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 | - | 380 |
| Information Technology Meeting Attendance | Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits, if needed. | 40 | - | 40 |
| 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 |
| Development of Data Analytics | Develop a data analytics program for in-terminal concessions or other programs. | 200 | - | 200 |
| Ethics Program ⁶ | To review ethics policies, perform training, and investigate reported incidents. | 300 | - | 300 |
| Recommendation Follow-up ⁶ | To verify that internal and external audit recommendations have been implemented as intended. | 160 | - | 160 |
| Quality Assurance & Improvement Program ⁶ | 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 |
| Total General Audit Hours | | 1,812 | - | 1,812 |
| Administrative Hours | | | | |
| Administrative - Indirect | Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other. | 2,390 | - | 2,390 |
| Administrative - Benefit | Vacation, Holiday Time, and Other Time Off. | 2,104 | 48 | 2,152 |
| Total Administrative Hours | | 4,494 | 48 | 4,542 |
| Total Hours | | 12,480 | - | 12,480 |

⁶ 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
Proposed Audit Plan November 14, 2022

ATTACHMENT A

| Key Work Activity | Objective ⁷ | Original Estimated Hours | Change Requested | Revised Hours |
|---|---|--------------------------|------------------|---------------|
| Contingent Audit Hours | | | | |
| 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 | - | 400 |
| 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 |
| Social Media/Website / Webmaster | To determine if the controls around social media and/or website administration are appropriate and adequate. | 450 | - | 450 |
| Accounts Payable | To determine if the controls related to the Accounts Payable automated payment files are appropriate. | 450 | - | 450 |
| 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 |
| Contractor Monitoring | To determine if the AECOM contract is administered appropriately. | 500 | - | 500 |
| Asset Management | To determine if computer imaging is administered appropriately. | 500 | - | 500 |
| Curfew Violations | To determine if curfew violations are administered appropriately | 450 | - | 450 |
| 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 |
| Accounts Payable | To determine if the controls for Paymode X are appropriate. | - | 500 | 500 |
| Total Contingent Audit Hours | | 5,900 | 500 | 6,400 |

⁷ Objective may change based on the preliminary survey performed by the OCA.

Staff Report

Meeting Date: December 1, 2022

Subject:

Amendment to Authority Code 2.16 - Enforcement (Ethics and Conduct)

Recommendation:

The Audit Committee recommends that the Board adopt Resolution No. 2022-0112 approving the proposed amendments to Authority Code 2.16 – Enforcement (Ethics and Conduct)

Background/Justification:

The San Diego County Regional Airport Authority was created on January 1, 2003, through California State legislation as an independent agency to manage the day-to-day operations of San Diego International Airport.

An appointed Board of nine members governs the Airport Authority. The Board and its Committees are guided by California legislation in the Public Utilities Codes (PUC).

The PUC established the Audit Committee and outlined its responsibilities. PUC 170018(e) charges the Audit Committee with oversight responsibilities that include reviewing ethical behavior at the Authority.

In addition, the Charter of the Audit Committee further outlines the requirement for the Committee to oversee established Authority Policies, Codes, and practices pertaining to ethics and to provide oversight of the mechanisms established by management to maintain high ethical standards of its employees.

During the first quarter of Fiscal Year 2023, the Office of the Chief Auditor's Quality Assurance and Improvement Program included researching best practices utilized by other organizations, and it was noted that some requirements in Authority Code Article 2, Section 2.16 – Enforcement, require changes to detail the Authority's procedures when potential violations of the Ethics Code exist.

The table below provides details on three organizations examined and their process when they receive an allegation/tip related to potential wrongdoings. All three organizations cited below perform a preliminary review to determine if a full investigation is warranted.

| City of San Diego | University of California Board of Regents | The United States Department of Justice - Office of Professional Responsibility (OPR) |
|--|--|---|
| <p>Fraud Hotline reports are reviewed by the City Auditor's Fraud Hotline Intake and Review Committee. This committee is composed of the following members or their designees (1) City Auditor, (2) Assistant City Auditor, (3) City Auditor's Fraud Investigators, (4) Personnel Director, (5) Human Resources Director, and (6) Chief Compliance Officer. This committee will review reports and determine whether investigation is necessary.¹</p> | <p>The Complaint Resolution Officer shall initiate a formal investigation if, on the basis of its preliminary review, it finds (a) the allegations are plausible and not frivolous, (b) the alleged conduct, if substantiated, would constitute a breach of the Regent's duties or responsibilities or otherwise be cause for sanctions, and (c) the allegations concern conduct by the Regent in his or her official capacity. If either the preliminary review determines that these criteria are not satisfied or it is determined that it is not possible, based on the reasonable investigative methods available to the Complaint Resolution Officer, to reach a conclusion, no further action shall be taken.²</p> | <p>Because OPRs inquiries and investigations involve a wide range of allegations, its investigative methods vary accordingly. Generally, however, the first step after receiving an allegation is to conduct an initial review of the allegations to determine whether further review is warranted.³</p> |

¹Fraud, Waste, and Abuse Hotline. (retrieved October 24, 2022). City of San Diego. <https://www.sandiego.gov/auditor/resources/fraudhotline>

² Regents Policy 1112: Policy on Review of Allegations of Board Misconduct. (retrieved June 3, 2022). University of California. <https://regents.universityofcalifornia.edu/governance/policies/1112.html>

³ Office of Professional Responsibility Frequently asked questions. (September 13, 2022). The United States Department of Justice. <https://www.justice.gov/opr/frequently-asked-questions>

Meeting Date: December 1, 2022

Further the Certified Fraud Examiners Manual: 2022 Edition states, “Usually, when an allegation of fraud arises, there are not enough known and verified facts to begin a formal investigation; therefore, management and the response team should conduct an initial assessment to determine whether an investigation is needed and what steps, if any, are required to respond in an appropriate manner. This is perhaps the most critical question that management must answer when an allegation of fraud arises.”

Authority Codes Article 2, Section 2.16 was last Amended by Board Resolution No. 2019-0015 on February 7, 2019.

At this time, staff requests a revision to Section 2.16, as follows:

- Establish the practice of a preliminary review of a reported wrongdoing to determine if a full investigation is warranted.
 - Currently, the Board must either form an Ad Hoc Committee to investigate the matter or refer the matter to outside counsel for investigation. For example, there is no requirement to assess whether allegations are frivolous or plausible.
- Create a review panel identifying the individuals involved in the preliminary review and their designation of alternates.
- Clarify procedures that distinctively address when alleged wrongdoing involves either an employee, a Board Member, or an employee that is appointed by the Board; including steps of action to take, when warranted.
- Update language in conformity with Diversity, Equity, and Inclusion standards.

During a Special Meeting of the Audit Committee on November 21, 2022, staff presented a proposed revision to Section 2.16. The Audit Committee recommended adding a provision to Section 2.16 for staff to communicate to the Audit Committee and Board when an allegation does not warrant a full investigation and no further action will be taken.

All proposed changes to Authority Codes Article 2, Section 2.16 are highlighted in red within Attachment A. The revision with all edits incorporated is Attachment B. The original version of Section 2.16 is Attachment C.

The Audit Committee unanimously voted to accept the revision presented by staff, with the Audit Committee’s recommended provision incorporated, and forwarded the item to the Board for approval.

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

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

CODES

ARTICLE 2 - ETHICS
PART 2.0 - ETHICS AND CONDUCT
SECTION 2.16 - ENFORCEMENT

(a) In addition to the criminal, civil and administrative penalties provided in California statutes, including the California Political Reform Act, the Authority shall enforce this Ethics Code to achieve its intended purposes.

(b) Except for Board Members and employees appointed by the Board, potential violations of this Ethics Code by Authority employees shall be investigated promptly and impartially by the Authority's Ethics Officer or referred to departments for investigation.

- 1) Upon completion of the investigation the President/CEO or their designee shall take appropriate action.

(c) Allegations related to potential violations of this Ethics Code by individual Board Members shall be sent to the Authority's Ethics Officer.

- 1) The Ethics Officer will promptly notify the General Counsel and the Board Chair of the allegation. If the allegation concerns the Board Chair, the Vice Chair will be contacted.
- 2) The Ethics Officer shall conduct a preliminary review of the allegation. The preliminary review will be conducted in a manner designed to minimize any intrusion into the Board Member's personal or non-Authority affairs.
- 3) The preliminary review will be designed to determine if a full investigation is warranted. For example, criteria in the preliminary review will determine if:
 - A. The allegation(s) are plausible and not frivolous,
 - B. The alleged conduct, if substantiated, would constitute a breach of the Ethics Code, the Board Member's duties or responsibilities, or otherwise be cause for sanctions, and
 - C. The allegation(s) concerns conduct by the Board Member in their official capacity.
- 4) Upon completion of the preliminary review, results will be shared with the General Counsel and the Board Chair/Vice Chair.
 - A. If the Ethics Officer, General Counsel, and Board Chair/Vice Chair determine a full investigation is not warranted, no further action will be taken regarding this allegation, and that decision will be communicated to the Audit Committee and Board at or before their next regularly scheduled meetings.
 - B. If the Ethics Officer, General Counsel, or Board Chair/Vice Chair believe a full investigation is warranted, the allegation and results of the

preliminary review will be forwarded to the full Board. The Board shall then take the following action:

- i) Form an appropriate ad hoc committee, which may or may not include members of the Board, not including the Board member or members to be investigated for allegedly violating this Ethics Code, or retain an outside independent party;
 - ii) The appropriate ad hoc committee, or outside independent party, shall investigate the alleged ethical violation, make public findings and if a violation is found, recommend penalties;
 - iii) The full Board, less the Board member(s) subject to the investigation, if any, shall determine the appropriate penalty if a violation of this Ethics Code is found to have occurred; and
 - iv) Penalties for violating this Ethics Code may include censure, fine, providing restitution and recommending that the person be removed from office, all to the extent permitted and authorized by law.
- 5) Actions to enforce violations of this Ethics Code shall be commenced promptly but in no event more than four years after the date on which the full Board, less any Board Member(s) subject to the investigation, found that a violation occurred.

(d) Allegations related to potential violations of this Ethics Code by employees appointed by the Board (i.e., President/CEO, General Counsel, Chief Auditor) shall be sent to the Authority's Ethics Officer.

- 1) The Ethics Officer will promptly notify the Board Chair and the General Counsel, if appropriate, of the allegation.
- 2) If the allegation concerns the Chief Auditor, or if the Ethics Officer determines there is a conflict of interest that would prevent the Ethics Officer from rendering a fair and impartial determination, the Ethics Officer may appoint the General Counsel or an outside independent party to act as the interim Ethics Officer.
- 3) The Ethics Officer then shall conduct a preliminary review of the allegation. The preliminary review will be conducted in a manner designed to minimize any intrusion into the President/CEO, General Counsel, or Chief Auditor's personal or non-Authority affairs. The preliminary review will be designed to determine if full investigation is warranted. For example, the preliminary review will determine if:
 - A. The allegation(s) are plausible and not frivolous,
 - B. The alleged conduct, if substantiated, would constitute a breach of the Ethics Code, the employee's duties or responsibilities, or otherwise be cause for sanctions, and
 - C. The allegation(s) concerns conduct by the employee in their official capacity.

- 4) Upon completion of the preliminary review, results will be shared with the General Counsel, if appropriate, and the Board Chair.
 - A. If the Ethics Officer, General Counsel, and Board Chair determine a full investigation is not warranted, no further action will be taken regarding this allegation, and that decision will be communicated to the Audit Committee and Board at or before their next regularly scheduled meetings.
 - B. If the Ethics Officer, General Counsel, or Board Chair believe a full investigation is warranted the allegation and results of the preliminary review will be forwarded to the full Board. The Board shall then take the following action:
 - i. Form an appropriate ad hoc committee, which may or may not include members of the Board, or retain an outside independent party;
 - ii. The appropriate ad hoc committee, or outside independent party, shall investigate the alleged ethical violation, make public findings and if a violation is found, recommend penalties;
 - iii. The full Board shall determine the appropriate penalty if a violation of this Ethics Code is found to have occurred; and
 - iv. Penalties for violating this Ethics Code may include censure, fine, providing restitution and recommending that the person be removed from office, all to the extent permitted and authorized by law.
- 5) Actions to enforce violations of this Ethics Code shall be commenced promptly but in no event more than four years from the date on which the Board found that a violation occurred.

(e) Any meeting of the Board pertaining to an alleged violation by a Board Member, the President/CEO, General Counsel, or Chief Auditor shall comply with the Brown Act.

[Amended by Resolution No. 2022-xxx dated xxx, 2022.]

[Amended by Resolution No. 2019-0015 dated February 7, 2019.]

[Adopted by Resolution No. 2002-02 dated September 20, 2002.]

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**CODES**

- ARTICLE 2 - ETHICS**
PART 2.0 - ETHICS AND CONDUCT
SECTION 2.16 - ENFORCEMENT
-

(a) In addition to the criminal, civil and administrative penalties provided in California statutes, including the California Political Reform Act, the Authority shall enforce this Ethics Code to achieve its intended purposes.

(b) Potential violations of this Ethics Code by individual Board Members or the President/CEO, General Counsel, or Chief Auditor shall be investigated impartially and promptly as directed by the Board. The Board shall determine whether a violation has been committed only after a hearing at which the person or persons alleged to have committed the violation shall, with reasonable prior notice of the allegations, be given an opportunity to present a defense. Any meeting of the Board pertaining to an alleged violation by the President/CEO, General Counsel, or Chief Auditor shall comply with the Brown Act.

(c) Except for employees appointed by the Board, potential violations of this Ethics Code by Authority employees shall be investigated promptly and impartially by the Authority Ethics Officer.

i) The President/CEO or his or her designee shall take appropriate action upon completion of the investigation.

(d) The Board shall take the following action upon learning that a violation of this Ethics Code by individual members of the Board or employees appointed by the Board may have occurred:

(1) Form an appropriate ad hoc committee, which may or may not include members of the Board, not including the Board member or members to be investigated for allegedly violating this Ethics Code, or retain an outside independent party;

(2) The appropriate ad hoc committee, or outside independent party, shall investigate the alleged ethical violation, make public findings and recommend penalties;

(3) The full Board, less the Board member (s) subject to the investigation, if any, shall determine the appropriate penalty if a violation of this Ethics Code is found to have occurred; and

(4) Penalties for violating this Ethics Code may include censure, fine, providing restitution and recommending that the person be removed from office, all to the extent permitted and authorized by law.

(5) Actions to enforce violations of this Ethics Code shall be commenced within four years after the date on which the violation occurred or is discovered.

[Amended by Resolution No. 2019-0015 dated February 7, 2019.]
[Adopted by Resolution No. 2002-02 dated September 20, 2002.]

RESOLUTION NO. 2022-0112

A RESOLUTION OF THE BOARD OF THE SAN DIEGO
COUNTY REGIONAL AIRPORT AUTHORITY,
APPROVING THE PROPOSED AMENDMENTS TO
AUTHORITY CODE 2.16 – ENFORCEMENT (ETHICS
AND CONDUCT)

WHEREAS, the California Public Utilities Code specifies the San Diego County Regional Airport Authority as an independent agency to manage the day to day operations of San Diego International Airport with oversight by an appointed Board and its Committees governing the Airport Authority; and

WHEREAS, California Public Utilities Code §170018(e) specifies the San Diego County Regional Airport Authority's Audit Committee with monitoring responsibilities that include reviewing ethical behavior at the Authority; and

WHEREAS, the Charter of the Audit Committee outlines the requirement for the Audit Committee to oversee the established Authority Codes, Policies, and practices pertaining to ethics and to provide oversight of the mechanisms at the Authority used to maintain ethical standards; and

WHEREAS, Authority Codes Article 2, Section 2.16 was last amended by Board Resolution No. 2019-0015 on February 7, 2019; and

WHEREAS, during a review performed by the Office of the Chief Auditor's Quality Assurance and Improvement Program that included researching best practices utilized by other entities, it was noted that some requirements in Authority Code Article 2, Section 2.16 – Enforcement require changes to detail Authority practices when potential violations of the Ethics Code exist; and

WHEREAS, on November 21, 2022, during a Special Meeting of the Audit Committee, staff presented the proposed changes to the Audit Committee, which unanimously voted to accept the changes with minor revisions and to forward the item to the Board for approval.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the amendments to Authority Code 2.16 – Enforcement (Ethics and Conduct) (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 1st day of December 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

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

CODES

- ARTICLE 2 - ETHICS
 PART 2.0 - ETHICS AND CONDUCT
 SECTION 2.16 - ENFORCEMENT

(a) In addition to the criminal, civil and administrative penalties provided in California statutes, including the California Political Reform Act, the Authority shall enforce this Ethics Code to achieve its intended purposes.

~~(b) Potential violations of this Ethics Code by individual Board Members or the President/CEO, General Counsel, or Chief Auditor shall be investigated impartially and promptly as directed by the Board. The Board shall determine whether a violation has been committed only after a hearing at which the person or persons alleged to have committed the violation shall, with reasonable prior notice of the allegations, be given an opportunity to present a defense. Any meeting of the Board pertaining to an alleged violation by the President/CEO, General Counsel, or Chief Auditor shall comply with the Brown Act.~~

~~(e) Except for~~ (b) Except for Board Members and employees appointed by the Board, potential violations of this Ethics Code by Authority employees shall be investigated promptly and impartially by the ~~Authority~~ Authority's Ethics Officer or referred to departments for investigation.

- 1) ~~i) The~~ Upon completion of the investigation the President/CEO or ~~his or her~~ their designee shall take appropriate action ~~upon completion of the investigation.~~

~~(d) The Board shall take the following action upon learning that a violation~~ (c) Allegations related to potential violations of this Ethics Code by individual ~~members~~ Board Members shall be sent to the Authority's Ethics Officer.

- 1) The Ethics Officer will promptly notify the General Counsel and the Board Chair of the Board allegation. If the allegation concerns the Board Chair, the Vice Chair will be contacted.
- 2) The Ethics Officer shall conduct a preliminary review of the allegation. The preliminary review will be conducted in a manner designed to minimize any intrusion into the Board Member's personal or employees appointed non-Authority affairs.
- 3) The preliminary review will be designed to determine if a full investigation is warranted. For example, criteria in the preliminary review will determine if:
 - A. The allegation(s) are plausible and not frivolous,
 - B. The alleged conduct, if substantiated, would constitute a breach of the Ethics Code, the Board Member's duties or responsibilities, or otherwise be cause for sanctions, and

C. The allegation(s) concerns conduct by the Board ~~may have occurred~~ Member in their official capacity.

4) Upon completion of the preliminary review, results will be shared with the General Counsel and the Board Chair/Vice Chair.

A. If the Ethics Officer, General Counsel, and Board Chair/Vice Chair determine a full investigation is not warranted, no further action will be taken regarding this allegation, and that decision will be communicated to the Audit Committee and Board respectfully at or before their next regularly scheduled meetings.

B. If the Ethics Officer, General Counsel, or Board Chair/Vice Chair believe a full investigation is warranted, the allegation and results of the preliminary review will be forwarded to the full Board. The Board shall then take the following action:

- i) ~~(1)~~ Form an appropriate ad hoc committee, which may or may not include members of the Board, not including the Board member or members to be investigated for allegedly violating this Ethics Code, or retain an outside independent party;
- ii) ~~(2)~~ The appropriate ad hoc committee, or outside independent party, shall investigate the alleged ethical violation, make public findings and if a violation is found, recommend penalties;
- iii) ~~(3)~~ The full Board, less the Board member(s) subject to the investigation, if any, shall determine the appropriate penalty if a violation of this Ethics Code is found to have occurred; and
- iv) ~~(4)~~ Penalties for violating this Ethics Code may include censure, fine, providing restitution and recommending that the person be removed from office, all to the extent permitted and authorized by law.

5) Actions to enforce violations of this Ethics Code shall be commenced promptly but in no event more than four years after the date on which the full Board, less any Board Member(s) subject to the investigation, found that a violation occurred.

(d) Allegations related to potential violations of this Ethics Code by employees appointed by the Board (i.e., President/CEO, General Counsel, Chief Auditor) shall be sent to the Authority's Ethics Officer.

- 1) The Ethics Officer will promptly notify the Board Chair and the General Counsel, if appropriate, of the allegation.
- 2) If the allegation concerns the Chief Auditor, or if the Ethics Officer determines there is a conflict of interest that would prevent the Ethics Officer from rendering a fair and impartial determination, the Ethics Officer may appoint the General Counsel or an outside independent party to act as the interim Ethics Officer.
- 3) The Ethics Officer then shall conduct a preliminary review of the allegation. The preliminary review will be conducted in a manner designed to minimize any intrusion into the President/CEO, General Counsel, or Chief Auditor's personal or non-Authority affairs. The preliminary review will be designed to

determine if full investigation is warranted. For example, the preliminary review will determine if:

- A. The allegation(s) are plausible and not frivolous,
 - B. The alleged conduct, if substantiated, would constitute a breach of the Ethics Code, the employee's duties or responsibilities, or otherwise be cause for sanctions, and
 - C. The allegation(s) concerns conduct by the employee in their official capacity.
- 4) Upon completion of the preliminary review, results will be shared with the General Counsel, if appropriate, and the Board Chair.
- A. If the Ethics Officer, General Counsel, and Board Chair determine a full investigation is not warranted, no further action will be taken regarding this allegation, and that decision will be communicated to the Audit Committee and Board respectfully at or before their next regularly scheduled meetings.
 - B. If the Ethics Officer, General Counsel, or Board Chair believe a full investigation is warranted the allegation and results of the preliminary review will be forwarded to the full Board. The Board shall then take the following action:
 - i. Form an appropriate ad hoc committee, which may or may not include members of the Board, or retain an outside independent party;
 - ii. The appropriate ad hoc committee, or outside independent party, shall investigate the alleged ethical violation, make public findings and if a violation is found, recommend penalties;
 - iii. The full Board shall determine the appropriate penalty if a violation of this Ethics Code is found to have occurred; and
 - iv. Penalties for violating this Ethics Code may include censure, fine, providing restitution and recommending that the person be removed from office, all to the extent permitted and authorized by law.
- 5) Actions to enforce violations of this Ethics Code shall be commenced promptly but in no event more than four years from the date on which the Board found that a violation occurred.

(e) Any meeting of the Board pertaining to an alleged violation by a Board Member, the President/CEO, General Counsel, or Chief Auditor shall comply with the Brown Act.

[Amended by Resolution No. 2022-xxx dated xxx, 2022.]

[Amended by Resolution No. 2019-0015 dated February 7, 2019.]

[Adopted by Resolution No. 2002-02 dated September 20, 2002.]

Staff Report

Meeting Date: December 1, 2022

Subject:

Approve and Authorize the President/CEO to execute Agreements for General Legal Services

Recommendation:

Adopt Resolution No. 2022-0113 approving and authorizing the President/CEO to execute general legal services agreements with Anderson Kreiger LP, Best Best & Krieger LLP, Devaney Pate Morris & Cameron LLP, Gatzke Dillon & Ballance LLP, Kaplan Kirsch Rockwell LLP, and Procopio, Cory, Hargreaves & Savitch LLP each for a term of three (3) years with two (2) one-year options to renew and a not to exceed compensation amount of \$650,000.

Background/Justification:

On August 9, 2022, the Authority released a Request for Proposals ("RFP) to obtain legal services from one or more qualified law firms to assist the General Counsel with general legal issues that arise at the Airport. Responses to the RFP were due on September 14, 2022.

Seven law firms submitted timely proposals in response to the RFP. They were: Anderson Kreiger LP, Best Best & Krieger LLP, Devaney Pate Morris & Cameron LLP, Gatzke Dillon & Ballance LLP, Kaplan Kirsch Rockwell LLP, Orrick Herrington & Sutcliffe LLP and Procopio Cory, Hargreaves & Savitch LLP.

All firms were invited to interview. On October 12 and 13, 2022, an evaluation panel (Panel) comprised of three attorneys from the Office of General Counsel and the Senior Director External Relations and Communications interviewed all firms. The evaluation criteria used to evaluate the firms was a weighted criteria of 4 factors: General Counsel Questionnaire Form, Interview, Proposed Fees/Costs and Policy 5.12.

Each firm was required to complete a General Counsel Questionnaire Form as part of their proposal. The Questionnaire required the law firms to provide the following information: outside counsel experience to a government agency/airport, total attorney staffing, municipal law specialists, hourly fees, mechanisms to minimize billing, ability to work with smaller firms, including minority, women and other firms, commitment to diversity, equity and inclusion, unique qualifications that would benefit the Airport and references. In addition, during the interviews, each firm was asked to provide responses to a specific list of questions prepared by the Panel.

At the conclusion of the interviews, the evaluation panel scored the firms and concluded that the best and most responsive proposers were ; Anderson Kreiger LP, Best Best & Krieger LLP, Devaney Pate Morris & Cameron LLP, Gatzke Dillon & Ballance LLP, Kaplan Kirsch Rockwell LLP, and Procopio, Cory, Hargreaves & Savitch LLP. Below are the final scores given by the panel. The firms were ranked as follows:

| Final Rankings | Panelist 1 | Panelist 2 | Panelist 3 | Panelist 4 | Total | Rank |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|--------------|-------------|
| Anderson Krieger | 1 | 1 | 1 | 1 | 4 | 1 |
| Best Best & Krieger | 3 | 4 | 3 | 3 | 13 | 3 |
| Devaney Pate Morris & Cameron | 4 | 6 | 6 | 4 | 20 | 5 |
| Gatzke Dillon & Ballance | 5 | 3 | 4 | 5 | 17 | 4 |
| Kaplan Kirsch & Rockwell | 2 | 1 | 2 | 1 | 6 | 2 |
| Orrick Herrington & Sutcliffe | 6 | 6 | 6 | 6 | 24 | 7 |
| Procopio | 6 | 5 | 4 | 5 | 20 | 5 |

| Combined Final Scores | SB | Local | Vet. | Cost | Counsel | | Total |
|-------------------------------|-----------|--------------|-------------|-------------|----------------------|------------------|--------------|
| | | | | | Questionnaire | Interview | |
| Anderson Krieger | 0 | 0 | 0 | 200 | 1900 | 1600 | 3700 |
| Best Best & Krieger | 0 | 0 | 0 | 280 | 1700 | 1280 | 3260 |
| Devaney Pate Morris & Cameron | 0 | 0 | 0 | 400 | 1500 | 1200 | 3100 |
| Gatzke Dillon & Ballance | 0 | 0 | 0 | 240 | 1650 | 1240 | 3130 |
| Kaplan Kirsch & Rockwell | 0 | 0 | 0 | 200 | 1900 | 1520 | 3620 |
| Orrick Herrington & Sutcliffe | 0 | 0 | 0 | 80 | 1300 | 1080 | 2460 |
| Procopio | 0 | 0 | 0 | 240 | 1550 | 1280 | 3070 |

The General Counsel recommends that the Board award agreements for general legal services to Anderson Kreiger LP, Best Best & Krieger LLP, Devaney Pate Morris & Cameron LLP, Gatzke Dillon & Ballance LLP, Kaplan Kirsch Rockwell LLP, and Procopio Cory, Hargreaves & Savitch LLP each for a term of three years with two one-year options to renew and a not to exceed compensation amount of six hundred fifty thousand dollars (\$650,000). It is requested that the Board authorize the President/CEO to execute these agreements upon approval as to legal form by the General Counsel.

The background and experience of each recommended firm is attached to this staff report as Exhibit A.

Fiscal Impact:

Adequate funding for this agreement is included in the adopted FY 2023 and conceptually approved FY 2024 Operating Expense Budgets within the Contractual Services line item.

Authority Strategies/Focus Areas:

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

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

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

Application of Inclusionary Policies:

The Authority has the following inclusionary programs and policy: a Disadvantaged Business Enterprise (DBE) Program, an Airport Concession Disadvantaged Business Enterprise (ACDBE) Program and Policy 5.12. These programs and 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 or policy named above can be used in any single contracting opportunity.

This contract does not utilize federal funds and provides limited opportunities for sub-contractor participation; therefore; at the option of the Authority, Policy 5.12 was applied to promote the participation of qualified small businesses, service disabled/veteran owned small businesses, and local businesses. Policy 5.12 provides a preference of up to seven percent (7%) 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 to Policy 5.12, the recommended firms Anderson Kreiger LP, Best Best & Krieger LLP, Devaney Pate Morris & Cameron LLP, Gatzke Dillon & Balance LLP, Kaplan Kirsch Rockwell LLP, and Procopio, Coy, Hargreaves & Savitch LLP did not receive small business, local business, and service disabled/veteran owned small business preference.

Prepared by:

Amy Gonzalez
General Counsel

EXHIBIT A

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Attachment E – Counsel Questionnaire Form

Respondent shall submit with its proposal “Attachment E” herein, to include written responses to each of the questions, and requests for information, in the order presented below.

- 1. Office Locations:** Include Respondent’s name, principal office address, telephone, and e-mail; satellite offices (if any), telephone and e-mail; and state whether the law firm is an individual, a joint venture, or other form of legal entity (specify type).

Anderson & Kreiger LLP
Timothy (“TJ”) Roskelley
50 Milk Street
21st Floor
Boston, MA 02109
Phone: (617) 621- 6539
Email: troskelley@andersonkreiger.com

Anderson & Kreiger LLP is a Partnership.

- 2. Total Counsel Staffing:** Include the number of partners and associates; state specifically the names of the professionals who will provide services and estimate the percentage of time they will serve the Authority; and provide as an attachment, an organization chart delineating who would have overall and daily responsibility for performing the services under this Agreement.

| Attorney Name | Position | Percentage of Time that they will serve the Authority | Legal Service Subject Matters |
|---------------------------------|------------------------------|--|--|
| Timothy (“TJ”) Roskelley | Partner, Lead Counsel | Variable* | Airline agreement; grant assurance compliance; revenue use; land use |
| Melissa C. Allison | Partner | | Litigation; DBE/ACDBE |
| David S. Mackey | Partner | | Litigation |
| Mina S. Makarious | Partner | | Fuel agreement and other leases; grant assurance compliance; land use |

| | | | |
|-------------------------------|------------------|--|--|
| Christina S. Marshall | Partner | | Litigation |
| Scott P. Lewis | Counsel | | Litigation and grant assurance compliance |
| Michelle N. Kalowski | Counsel | | Grant assurance compliance |
| Sean M. Grammel | Associate | | Litigation |
| Ezra Dunkle-Polier | Associate | | Grant assurance compliance |
| Nina L. Pickering-Cook | Partner | | Construction law |
| Jonathan T. Elder | Partner | | Construction law |
| David L. Wiener | Partner | | Leasing |

** Due to the nature of our work for our airport clients, our work for the Authority will vary depending on the matters that are assigned to us by the Authority and how that matches with the specific experience of our team members. Prior to working on any matter, we will discuss a staffing plan with the Authority.*

Additionally, we have not provided an organization chart because a graphical depiction would not adequately capture how we work with our airport clients. While T.J. Roskelley will be the primary point of contact in order to keep a clear line of communication, the staffing of particular matters will depend on the experience of the attorneys and the Authority's preferences. We tend to staff our matters lean, often with a single partner or senior counsel. We will bring in associate help when needed and after consulting first with the Authority.

- 3. Staffing from Non-Local Office (> 60 miles from Authority's office):** If your firm does not have the necessary expertise or resources in a San Diego area office, describe the arrangements your firm will make to provide counsel services on a continuous and uninterrupted basis.

While Anderson & Kreiger does not have an office in San Diego, we have effectively provided legal services to our airports clients around the country, including the Authority, from our Boston office for many years. This has continued without interruption during the COVID-19 pandemic. As we do with all our airport clients, when issues of local law arise, the team at Anderson & Kreiger will happily work with in-house counsel or local lawyers approved by the Authority.

- 4. Municipal Law Specialists:** Do you have any municipal law specialists in your firm? If so, list the names, specialty practiced, and length of time of the specialty practiced.

Anderson & Kreiger has a robust and well-respected municipal law practice. We serve as counsel to several towns in our home state of Massachusetts on all municipal law matters, and cities and governmental entities like the Authority around the Country on airport law matters.

Our municipal law expertise is indispensable in helping us understand the intersection between airport issues and local issues. As noted above, when local municipal issues arise, we work well with in-house or local counsel to resolve them.

- 5. Outside Counsel Experience - Counsel for Government Entity:** Please describe your relevant experience since 2012 acting as legal counsel to a California public agency.

Over the last decade, we have acted as legal counsel to the Authority on its current airline agreement, its fuel lease and a threatened challenge to an airport project under the National Environmental Policy Act (NEPA). Prior to that, we successfully defended the Authority in Part 16 claim brought by Jimsair, an incumbent FBO.

In addition to the Authority, Anderson & Kreiger has acted as legal counsel on airport issues to following California public agencies since 2012:

- *City of Los Angeles, City Attorney Business Office*
- *City of San Francisco, Office of the City*
- *City of San Jose*
- *City of Santa Monica*
- *County of Orange*
- *Ontario International Airport Authority*
- *Port of Oakland*
- *Sacramento County Counsel*

Our relationship with many of these clients – Los Angeles, San Francisco, San Jose, Oakland and Sacramento – spans well beyond ten years and our experience with these California agencies includes work in all of the areas detailed in our Proposal.

- 6. Outside Counsel Experience- Counsel for Airports:** Describe your relevant experience since 2012 wherein you acted as counsel for an airport or an entity that operated an airport.

Our airport clients include a diverse array of airports including large hub airports, medium hub airports, general aviation airports and municipal airports. We represent several state-created airport authorities with multi-airport systems that include commercial, reliever and general aviation airports, including MWAA, the Massachusetts Port Authority, the Wayne County Airport Authority (Detroit), the Metropolitan Airports Commission (Minneapolis-St. Paul), and the Metropolitan Nashville Airport Authority.

We are proud of our work for our airport clients generally and our work for the Authority in particular. While you may know the work we have done for Authority, our attached Proposal provides a more detailed explanation of airport experience around the country.

- 7. E & O Insurance [Professional Liability Insurance]:** Do you carry an “error and omissions” or other malpractice insurance policy? If so, state:

Policy Limits = \$5MM
Deductibles = \$50,000

Self-Insured Retention (SIR) = 0

Discovery period = NA

Exceptions to coverage = NA

Collateral Securing deductible/SIR = 0

Policy Exclusions = Intentional acts, bodily injury/property damage, status as, beneficiary or distribute, contractual liability, insured v. insured, capacity as director, officer, fiduciary, capacity as public official, owned entity, insurance policy or bonds.

8. Hourly Fees: List and describe your firm's fee schedule:

- a) List hourly rates for each professional who will provide services.

| Name | Title | Hourly Rate |
|--------------------------|----------------|-------------|
| Timothy ("TJ") Roskelley | Partner | \$550 |
| Melissa C. Allison | Partner | \$550 |
| David S. Mackey | Partner | \$590 |
| Mina S. Makarious | Partner | \$510 |
| Christina S. Marshall | Partner | \$475 |
| David L. Wiener | Partner | \$550 |
| Nina L. Pickering-Cook | Partner | \$510 |
| Jonathan T. Elder | Partner | \$510 |
| Scott P. Lewis | Senior Counsel | \$590 |
| Michelle N. Kalowski | Counsel | \$510 |
| Sean M. Grammel | Associate | \$405 |
| Ezra Dunkle-Polier | Associate | \$310 |

- b) If you offer a blended rate for professionals, state the rate and the professionals covered.

We do not typically offer a blended rate but are happy to discuss that and other alternative fee approaches with the Authority.

- c) Paralegals/law clerks. List hourly rates for paralegals and law clerks. If you employ both categories describe the work each performs.

| Name | Title | Hourly Rate |
|--------------------|-----------------------|-------------|
| Alex Peebles-Capin | Litigation Paralegal | \$180 |
| Deborah Andrews | Real Estate Paralegal | \$265 |

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- d) Clerical. Note that the Authority does NOT pay separately for clerical work, including but not limited to word processing, filing, copying – all of which is deemed to be part of firm overhead.
 - e) Westlaw/Lexis. Note that the Authority does NOT pay for Westlaw or Lexis service.
 - f) Change of Personnel and Avoidance of Doubling Billing. If a firm member providing services to the Authority is replaced for any reason or leaves your firm, how will you assure that the Authority will not be double billed as a result of replacement persons familiarizing themselves with the work and/or duplicating earlier efforts?

One of the benefits of an experienced airport team with a deep bench is that if one member of our team leaves the firm or must be replaced on a matter, another attorney with equivalent experience is able to take on the matter with limited disruption. If this were to occur, we would discuss the staffing with the Authority and we would ensure that the Authority is not double-billed for any duplication of effort.

9. **Expenses:** Confirm that you have read the Authority's limitation on billable expenses as set forth in "Exhibit B" to the draft Law Firm Agreement set forth in this RFP and provide a statement that Respondent is agreeable to such limitations.

If you feel the Authority expense limitation does not address an expense of concern to you, state what your concern is.

If your firm does not have a San Diego area office, state whether expenses in traveling to and from San Diego are included within your fee schedule, or whether you expect to be reimbursed separately for such expenses.

We have read Exhibit B and are agreeable to the limitations. Anderson & Kreiger does not have a regional office in San Diego. We limit our travel through use of video conferencing and traditional conference calls. When in-person meetings are necessary, travel expenses are separately invoiced (travel expenses are not included within our fees).

10. **Mechanisms to Minimize Billings and Provide Quality Service:** Describe in detail any procedures, tools, or work methods you have used since 2012 to increase the efficiency of your services and to minimize billings to your clients. Identify specifically any client contacts who can attest to efficient and cost-effective services provided.

Anderson & Kreiger's experience and approach to the delivery of services make it possible for us to deliver the highest quality legal services efficiently and cost-effectively. We are well aware that our clients, especially when they come from the public sector, engage counsel for favorable results at a reasonable cost. It is always our goal to control costs by using the most effective combination of lawyers to staff each project. We assign experienced lawyers with pertinent specialized skills to each matter. We work in small teams. We give you quick, practical advice. We try to solve problems, not create them, and we have a consistent track record of success. We know, and appreciate, the pressures that face governmental airport operators, and work tirelessly to respond to them in ways that best serve the airports we represent and the public they serve. Each of the contacts referenced in our answer to #16 can attest to our efficient and effective staffing and the overall value that we provide to our airport clients.

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- 11. Ability to Work with Smaller Firms including Minority Women, and Other Firms:** Describe the working relationship you have had with smaller firms including minority, women owned, and other firms since 2012 to the present. State the number of times which you have worked with such counsel, the type of work allocations that have been made, and the percentage of work assigned to such firms.

Due to the specialized, narrow and often intermittent nature of the work that we do for our airport clients, it is difficult to have agreements in place with smaller firms, such as minor, women-owned or local firms, particularly arrangements with specific allocations or percentages. However, we are always eager to work with such smaller firms and would be willing to work with the Authority to identify matters where bringing a smaller firm onto the team meets the needs and goals of the Authority.

Provide a statement confirming that you have reviewed "Exhibit A – Scope of Work" to the draft Law Firm Agreement included in this RFP and can comply with such provisions.

We have reviewed Exhibit A. While we do not have expertise in every category of the Scope of Work, we have extensive experience in many as detailed in our Proposal.

- 12. Commitment to Diversity, Equity and Inclusion:** Describe the commitment of your firm to diversity, equity, inclusion and nondiscrimination.

A commitment to diversity, equity and inclusion is at the core of A&K's work. In 2017, A&K formed an in-house Diversity, Equity, and Inclusion Committee ("DEI") to increase and support diversity at A&K, within the legal profession, and in our community. Our DEI Committee's first tasks, working with the Firm's Hiring Committee and Associate Development Committee, were to establish hiring practices to ensure we attract the best talent from a variety of backgrounds, and to develop workplace practices that help all lawyers and staff thrive. We instituted regular, mandatory DEI trainings, including implicit bias, bystander awareness, and bias against women in the workplace. In addition to our formal DEI trainings with outside consultants, we regularly hold firm-wide DEI town halls to discuss topics related to racism, discrimination, inequality in the legal profession and in our community, and what we can do as a firm to drive change.

We have also standardized our hiring procedures to make sure that we hire for talent, not familiarity. Each resume received by the firm is reviewed by the entire hiring committee, and the firm utilizes a standard set of pre-determined interview questions to make sure we are finding out as much as we can about each candidates' skills. We know we have work to do before our leadership reflects the work we have put in to attract and retain diverse attorneys, but we are taking many intentional steps to be a more diverse firm, and our efforts have begun to bear fruit. As of January 2022, half of our fourteen partners are women, and two are people of color. We are also proud to have hosted the most diverse summer associate and incoming associate classes in the firm's history over the past three years.

A&K is also using our resources to expand opportunities and to diversify the legal profession. Last year, we launched the A&K Diversity Fund through which we directly invested in the future of aspiring lawyers from underrepresented racial and ethnic groups by awarding a \$100,000 in stipends to three current law school students and six college students interested in pursuing a legal career in the Greater Boston area. This year, we awarded \$100,000 in stipends to six law students and eight

college students. More information regarding the program is available at <https://andersonkreiger.com/about-ak/diversity-equity-inclusion/>.

13. Actual or Potential Conflicts of Interest:

- a) In the last seven (7) years, has your firm or any attorney in the firm who would provide legal services to the Authority, or the San Diego Unified Port District (“Port District”) sued or filed a claim with the Authority or the Port District? If so, give the particulars.

No.

- b) In the last seven (7) years, has your firm or any member of your firm who would provide general legal services to the Authority or the Port District, represented a client in a transaction in which Authority or the Port District were on opposing sides? If so, give the particulars.

No.

- c) Does your firm currently represent or has it within the last seven (7) years represented any of Authority’s tenants, employees or bargaining units? If so, give the particulars.

No.

- d) Does your firm currently represent or has it within the last seven (7) years represented any of the contractors who constructed improvements on Authority property? If so, give the particulars.

No.

- e) Does your firm currently represent or has it within the last seven (7) years represented any domestic or international air carrier (passenger/cargo)? If so, give the particulars.

No.

14. Unique Qualifications: Recognizing that many law firms have superior qualifications, why should the Authority select your firm as outside counsel?

Anderson & Kreiger has nationally recognized expertise in the representation of public airport owners and operators, including the Authority. We are a 43-lawyer law firm located in Boston, Massachusetts and we have one of the largest and most diverse airport practices in the country. We represent airport owners and operators in a wide variety of significant legal matters, with a distinct focus on the negotiation and drafting of airline use and lease agreements, federal regulatory compliance, and airport-related litigation. Our firm is deeply committed to our airport practice. We never represent airlines, FBOs, aeronautical services providers or citizens adverse to airport development.

Our Proposal provides more detail on our unique experience and approach to representing airports.

15. Subcontracting: If subcontracting is involved in performing this Agreement, Respondent shall identify which services will be provided by in-house resources and which will be provided by subcontractors. If one or more subcontractors will be used, Respondent shall provide a list of the subcontractors with their qualifications, experience, services they will provide, and all reference information as required herein.

N/A

16. References: Describe three (3) similar contracts with public agencies for legal services completed or being completed over the past three (3) years, including the specific role of Respondent, the dates of work performed, contact persons, company, address and telephone number for each identified. Verify that all reference information is current especially that of the contacts and telephone numbers prior to submitting to Authority.

We provide a similar broad array of airport legal services to a number of airports around the country. At each of these airports, we play the same role that we are proposing here for the Authority: counsel as needed on wide variety of airport-specific issues. We encourage you to reach out to the following references, whom we have worked with for many years, to learn about the quality, breadth, responsiveness and efficiency of our work:

Timothy Daze
Los Angeles World Airports
Assistant General Counsel
1 World Way
Room 104, Airport Division
Los Angeles, CA 90045
Phone: (424) 646-5010
Email: tdaze@lawa.org

Leila Lahbabi
Charlotte Douglas International Airport
Senior Assistant City Attorney-Lead Counsel
5601 Wilkinson Blvd.
Charlotte, NC 28208-3557
Phone: (704) 359-1911
Email: lalahbabi@cltairport.com

Theodore Morrissey
Metropolitan Nashville Airport Authority
Assistant General Counsel
140 BNA Park Drive, Suite 520
Nashville, TN 37214-4110
Phone: (615) 275-1638
Email: ted_morrissey@nashintl.com

17. Licenses: Please state whether Respondent has all licenses, permits and approvals required by law and regulations to perform the scope of work.

Anderson & Krieger has all licenses, permits and approvals required by law and regulations to perform the scope of work.

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VII. ATTACHMENT E – COUNSEL QUESTIONNAIRE FORM

The following are BB&K’s written responses to each of the questions and the request for information provided in the Counsel Questionnaire form.

1. Office Locations:

BB&K is a Limited Liability Partnership. Mary Beth Coburn, lead attorney and main contact for the purpose of the San Diego County Regional Airport Authority’s (Authority) RFP, practices out of the firm’s **San Diego office**. Ms. Coburn may be reached at:

Mary Beth Coburn, Partner
 Direct: (619) 525-1369
 Cell: (619) 517- 0013
[Email: Marybeth.Coburn@bbklaw.com](mailto:Marybeth.Coburn@bbklaw.com)

| | | |
|---|--|--|
| Del Mar Office | Bend, Oregon Office | Houston, Texas Office |
| 12750 High Bluff Drive, Ste. 450 San Diego, CA 92130 Phone: (858) 300-9950 Fax: (858) 300-9951 | 360 SW Bond St., Suite 400 Bend, OR 97702 Phone: (541) 382-3011 Fax: (541) 388-5410 | 3730 Kirby Drive, Suite 1200 Houston, TX 77098 Phone: (713) 834-1109 Fax: (619) 233-6118 |
| Indian Wells Office | Irvine Office | Los Angeles Office |
| 74-760 Hwy. 111, Suite 200 Indian Wells, CA 92210 Phone: (760) 568-2611 Fax: (760) 340-6698 | 18101 Von Karman Ave., Suite 1000 Irvine, CA 92612 Phone: (949) 263-2600 Fax: (949) 260-0972 | 300 S. Grand Ave., 25th Fl. Los Angeles, CA 90071 Phone: (213) 617-8100 Fax: (213) 617-7480 |
| Ontario Office | Riverside Office | Sacramento Office |
| 2855 Guasti Rd., Suite 400 Ontario, CA 91761 Phone: (909) 989-8584 Fax: (909) 944-1441 | 3390 University Ave., 5th Fl. Riverside, CA 92501 Phone: (951) 686-1450 Fax: (951) 686-3083 <i>Firm’s Principal Office</i> | 500 Capitol Mall, Suite 1700 Sacramento, CA 95814 Phone: (916) 325-4000 Fax: (916) 325-4010 |
| San Diego Office | Walnut Creek Office | Washington, D.C. Office |
| 655 West Broadway, 15th Floor San Diego, CA 92101 Phone: (619) 525-1300 Fax: (619) 233-6118 | 2001 N. Main St., Suite 390 Walnut Creek, CA 94596 Phone: (925) 977-3300 Fax: (925) 977-1870 | 1800 Pennsylvania NW, Ste. 725 Washington, DC 20006 Phone: (202) 785-0600 Fax: (202) 785-1234 |

2. Total Counsel Staffing:

The firm currently employs 206 attorneys, which includes 99 partners, 47 of counsel attorneys, and 60 associates. Below is a list of attorneys we have designated to work on Authority matters. Our proposed legal team consists of 21 partners, 3 of counsel attorneys and 3 associates, as shown below. The Authority’s RFP requested an estimate of the percentage of time each attorney will serve the Authority. Mary Beth Coburn will continue to work with the Authority to determine the appropriate staffing, and we are confident that the individuals included in this proposal will be fully available to the Authority on an as-needed basis.

| Legal Service | Legal Specialist(s) |
|---|--|
| 1.a. Litigation (federal and state court) | James B. Gilpin, Partner Matthew L. Green, Of Counsel |
| 1.b. Federal Grants and Airport Revenue Diversion | Lowry Crook, Partner A. Haviva Shane, Of Counsel |
| 1.c. 14 CFR Parts 13 and 16 | Lowry Crook, Partner |
| 1.d. Airport Use and Lease Agreements | Elizabeth W. Hull, Partner Thomas Rice, Partner |
| 1.e. Airport Concessions | James Gilpin, Partner |
| 1.f. Disadvantaged Business Enterprise (DBE) and Airport Concessions Disadvantaged Business | A. Haviva Shane, Of Counsel Rebecca Chaparro, Partner |
| 1.g. Airport parking, ground transportation | James B. Gilpin, Partner |
| 1.h. Contracts, Leases, Licenses, and permits | Lutfi Kharuf, Partner Elizabeth Hull, Partner |
| 1.i. Trademark and Copyright Law | G. Henry Welles, Partner |
| 1.j. Government Claims | James B. Gilpin, Partner Matthew L. Green, Of Counsel |
| 1.k. Bankruptcy | Dustin Nirschl, Associate |
| 1.l. Americans with Disabilities Act (ADA) | Alison D. Alpert, Partner Shauna Amon, Associate |
| 1.m. Brown Act | Ruben Duran, Partner Nicholaus Norvell, Partner |

Proposal to San Diego County Regional Airport Authority

| Legal Service | Legal Specialist(s) |
|---|---|
| 1.n. Public Record Act | Christine Wood, Partner Nancy G. Stubbs, Senior Paralegal |
| 1.o. Information Technology | Glen W. Price, Partner |
| | G. Henry Welles, Partner |
| 1.p. Human Resources | Alison D. Alpert, Partner Shauna Amon, Associate |
| 1.q. Privacy | Leeann Habte, Partner |
| | Arlene Prater, Partner |
| 1.r. Construction Law and Construction Defect Law | Mary Beth Coburn, Partner Rebecca Chaparro, Partner Nabeal Sunna, Associate |
| 1.s. California State Lands Commission | Scott Campbell, Partner |
| | Roderick E. Walston, Partner |
| 1.t. California Coastal Commission | Trevor Rusin, Partner |
| 1.u. Land Use | Seth Merewitz, Partner |
| | Melissa Crothwaite, Of Counsel |
| 1.v. Public Contracting, Public Bidding, Procurement | Mary Beth Coburn, Partner A. Haviva Shane, Of Counsel Rebecca Chaparro, Partner |
| 1.w. San Diego City Employees' Retirement System | John D. Wahlin, Partner |
| | Isabel C. Safie, Partner |
| 1.x. Artist Rights | G. Henry Welles, Partner |
| 1.y. Other Authority-Related Business | Mary Beth Coburn, Partner |
| | James B. Gilpin, Partner |
| 1.z. Public-Private Partnerships (P3) | Seth Merewitz, Partner |
| | Mary Beth Coburn, Partner |
| 2. Attend and Participate in Authority Board Meetings | Mary Beth Coburn, Partner |
| | Any other Partner at the request of the Authority |

Attached as **Appendix A** is an Organization Chart delineating who would have overall and daily responsibility for performing legal services on Authority matters. In addition, professional resumes for each of the attorneys proposed to assist the Authority are attached as **Appendix B**. Resumes have been placed in alphabetical order by last name.

In addition to the attorneys listed in this Proposal, BB&K has a large group of partners, associates and paralegals at every experience level to serve the Authority in an effective and efficient manner. Biographies of all BB&K attorneys are available on the firm's Website: www.BBKlaw.com.

3. Staffing from Non-Local Office (>60 miles from Authority):

As mentioned above, we will staff Authority matters primarily from our San Diego office. However, we intend to dedicate our firm-wide experts to each of the Authority's substantive legal questions. Our firm's technology allows our offices to function as one large coordinated office through the use of a centralized server.

This ensures that all BB&K team members will have near instantaneous access to Authority files and documentation. With our core service team located less than 5 miles from the Authority offices, we are confident that we are able to provide the Authority with legal counsel services on a continuous and uninterrupted basis.

4. Municipal Law Specialists:

BB&K is a recognized leader in California Municipal Law. Approximately 75 percent of the firm's work is for municipalities, public agencies, and special districts. As such, there are 128 members in our Municipal Law Practice Group. Attached as **Appendix C** is a list of our Municipal Law Specialists, including their area of expertise and length of time in practice.

5. Outside Counsel Experience – Counsel for Governmental Entity:

Our experience with local public agencies combined with our nationally recognized practice in infrastructure law will allow us to efficiently, intelligently, and meaningfully continue to assist the Authority. Through BB&K's long history working for various public agencies, including the Authority, we have developed many efficiencies in order to keep legal costs down.

Our primary goal as outside counsel is to understand the expectations and needs of our clients, provide timely and accurate response to requests, anticipate and avoid potential legal pitfalls, and cultivate an effective and efficient working relationship. BB&K attorneys are always available and accessible to accommodate client needs, and we understand that time-sensitive demands require special attention.

Our attorneys understand public entities because serving public entities is what we do. We are proud to have served several Southern California regional airports on a wide variety of matters for the past decade, including the Authority. In addition to summarizing our work for the Authority, we have described our relevant experience with the laws that affect airports, including the 26 substantive areas of law listed in the RFP at Exhibit A.

We maintain a current understanding of developments and effects caused by new court decisions and laws with software that tracks all court decisions and any new or amended federal, state, or

local laws and regulations. A dedicated research staff regularly prepares and distributes e-bulletins on important cases and legislation. This information is used to keep our attorneys and clients up to date on current issues in public law, which pertain to them. We also have resources that allow us to receive alerts and conduct research for Federal and 50-State information regarding legislative monitoring (code sections, topics, track changes, and committee reports & analysis), regulations (rulemakings, topics, and track changes), and case law (topics and specific parties).

6. Outside Counsel Experience – Counsel for Airports:

Through our long history of serving public agencies, BB&K has experience with several airports, and airport-related entities. For example, the attorneys in our San Diego office have represented the San Diego International Airport (SDIA) prior to the formation of the Authority, and we currently serve the Authority as special legal counsel (from 2012 to present). BB&K's proposed lead attorney, Mary Beth Coburn, served as a law clerk and contract attorney to the San Diego Unified Port District from 1997 until 2000 and was primarily dedicated to airport construction projects associated with SDIA's Immediate Action Plan. As detailed in examples below, BB&K also has extensive experience representing our airport clients in their dealings with the Federal Aviation Administration.

March Inland Port Authority, March Joint Powers Authority, and March JPA Redevelopment Agency

BB&K serves as general counsel to the March Inland Port Authority, the March Joint Powers Authority (JPA) and the March JPA Redevelopment Agency, the local reuse authorities for the former March Air Force Base in Riverside County (March JPA). Our work with the March Joint Powers Authority has involved all aspects of redevelopment of the former base. The legal issues range from disposition and development agreements with developers of the base, ground leases and subleases with airport tenants, including the California Department of Forestry, and complex CEQA-related compliance for new development projects located on the former base. In fact, our firm just recently successfully defended a CEQA lawsuit brought by a local group opposed to the location of Tesco's "Fresh and Easy" distribution center at the former base.

Corona Municipal Airport

We are the Special Counsel for the City of Corona, which has its own municipal airport. BB&K is frequently called upon to assist the Corona Municipal Airport in legal issues involved in the sale and leasing of airport property.

World Airway's Ontario International Airport

The World Airway's Ontario International Airport is located in the City of Ontario. As longtime City Attorney for Ontario, BB&K regularly reviews and issues Federal Aviation Administration (FAA) grant funding opinion letters and agreements. Our firm also assists the City in all aspects of its FAA "Part 150" Sound Insulation projects, ranging from FAA contract administration to property acquisition and relocation.

Specifically, as part of the Part 150 Program, our office has developed a set of standard form contract documents, which are used to administer the program and which contain all FAA-required legal provisions. The use of these standard form contracts has increased the efficiency of the program and cut legal costs as well.

Santa Paula Airport Association

The firm is also the general counsel for the Santa Paula Airport Association (SPAA), the private corporation that owns and operates the public general aviation Santa Paula Airport. SPAA is a C-corporation that functions financially as a nonprofit. The shareholders are all ground lessees from

SPAA for hangar spaces.

While the airport is privately owned, under FAA regulations and the recently-completed public access covenant, it is open to the public for general aviation use. SPAA also owns hangars in its own right, which it leases to commercial operators, owns and operates an aviation fuel dealership, leases space to a restaurant, and leases runway access rights to neighboring private hangar developments on the land of others. The firm's legal services to the SPAA include land use matters, relationship with City of Santa Paula (zoning and general plan issues), and interaction with the FAA and City on an airport conservation easement process that was completed last year.

Other Relevant Experience

We deal routinely with airport operating agreements, CEQA/NEPA review for those agreements, analysis of noise/air quality impacts, dealings with the FAA regarding debarment and local land use restrictions, airport land use commission issues, and procedures under the State Aeronautics Act.

BB&K has also assisted the March JPA with FAA funded professional services agreements including request for proposal/bidding documents and consulting and construction contracts. We have negotiated and drafted numerous contracts with the FAA, the United States Air Force Reserves, the United States Department of Veterans Affairs and private cargo carriers, such as DHL, on behalf of March JPA.

We work with many cities and local public agencies to provide environmental review for their projects. Environmental review regularly involves working to ensure that projects are consistent with Airport Land Use Plans (ALUPs), working through Airport Land Use Commission (ALUC) issues, and dealing with the procedural requirements under the State Aeronautics Act (for example, the procedures dealing with overriding any unavoidable findings of inconsistency with the ALUP).

We routinely provide legal advice and opinions regarding Part 150 noise abatement, mitigation, and property acquisition matters. We have assisted clients in drafting all types of agreements with fixed based operators and other airport service providers. We have drafted numerous airport leases and hanger agreements.

BB&K attorneys worked extensively for Los Angeles World Airports (LAWA) on the LAX Master Plan EIR and on relocation issues associated with that master plan. Our attorneys also represented LAWA in heavily contested ALUC proceedings and administrative appeals regarding consistency of the proposed LAX Master Plan with the county ALUC. BB&K also serves as City Attorney for the City of Shafter, where Minter Field Airport District is located.

7. E & O Insurance. [Professional Liability Insurance]:

BB&K carries professional liability coverage with Lloyd's of London and certain London Companies (Policy No. LDUSA1500774) with a total limit of liability in excess of \$1,000,000 per claim. BB&K does not self-insure.

Policy Limits = \$25 million
Deductibles = \$250,000
Self-Insured Retention (SIR) = N/A
Discovery period = N/A
Exceptions to coverage = N/A
Collateral Securing deductible/SIR = N/A
Policy Exclusions = N/A

8. Hourly Fees:

As one of the leading municipal law firms in California, BB&K has a longstanding commitment to the efficient and cost-effective delivery of legal services. We believe that the depth and quality of our expertise and personnel experience in the public law field is second to none. We are able, therefore, to address complex legal issues with creativity, speed, efficiency, and accuracy at a fair and reasonable cost.

BB&K's current rates for the Authority were set in 2017 and have remained unchanged for the last five years. As such, the rates are well below firm and industry average. In consideration of our long relationship with the Authority, we are proposing rates that remain extremely competitive and only take into account the cost of living adjustment as calculated by the U.S. Department of Labor in its' All Consumer Price Index since 2017. Further, we are proposing to split the associate rates in consideration of experience level, reducing the rate for our junior associates and only applying one-half the cost of living increase to that junior level. We are proposing a similar increase with our paralegal and litigation analyst personnel in that we are proposing rates with only one-half of the cost of living increase applied.

We propose the following rates to the Authority:

| Personnel | Hourly Rate |
|---|--------------------|
| Partners and Of Counsel | \$358 per hour |
| Associates | \$327 per hour |
| Junior Associates | \$304 per hour |
| Paralegals, Clerks, Consultants and Litigation Analysts | \$192 per hour |

We propose to keep these rates frozen for the first two years of service. At the beginning of the third year, BB&K proposes to increase rates for the increase for cost of living as indicated by the

Bureau of Labor Consumer Price Index for the San Diego area, with prior written notice, in an effort to keep pace with costs on a more timely basis. And, in light of the volatility of the current economic climate, BB&K will agree to limit the increase to ensure it will not exceed 5% annually.

9. Expenses

We have read the Authority's limitation on billable expenses as set forth in "Exhibit B" to the draft Law Firm Agreement set forth in RFP, and BB&K is agreeable to such limitations.

10. Mechanisms to Minimize Billings and Provide Quality Service:

BB&K has provided efficient and cost-effective legal services for more than 130 years. We are committed to working within legal budgets. We suggest that you speak with the Authority's General Counsel Office to discuss the efficiency of the legal services we have provided to the Authority since 2012.

Through our long history working for various public agencies, we have developed many efficiencies in order to keep legal costs down, including:

- **Attendance Only at Mandatory Meetings; Telephone Attendance:** BB&K will work with in-house counsel and key staff to ensure that we attend only those meetings at which we are needed, or phone into meetings when sensible.
- **Reimbursement Agreements:** BB&K has standard reimbursement agreements, which provide a detailed and enforceable method for other third parties to reimburse the Authority for certain legal service fees and expert costs. This could arise during litigation or for project processing, such as CEQA or other unique review needs.
- **Use of Paralegals; BB&K Team Approach:** BB&K has the finest team of public agency paralegals in the state – period – and our clients should benefit from this cost effective legal service delivery method. We have paralegals who are experts in core public law issues, such as the following: (1) the Brown Act; (2) the Public Records Act and document retention requirements; and (3) conflicts of interest, such as the Political Reform Act. BB&K's "team" approach to providing cost-effective legal services to our clients is greatly enhanced when paralegals are used extensively to provide these sorts of legal services.
- **Training to Reduce Need:** BB&K can provide training in certain areas so that Authority staff can perform certain services rather than special counsel, as well as to reduce liability risk. Areas of training can include of model contracts, agreements, and amendments; and CEQA training (more costly when we are brought in after problems arise).
- **Litigation (Telephone Appearances):** BB&K will use telephonic court appearances whenever possible, to save on travel and court waiting time.
- **Monthly Accounting Summaries:** For many clients, including the Authority, each month we provide a detailed (matter by matter) accounting summary which assists them in tracking where they spend their legal service dollars. The summary can also be tied to budgets, in order to create and assist in meeting goals. This information can be produced and provided to any client.

- Special technology such as computer scanning programs to minimize clerical expense and to expedite document processing? If so, what scanner and software do you use and how efficient is it?

BB&K's scanning software includes Xerox multi-function devices and Kofax Power PDF. BB&K utilizes a wide variety of leading-edge technology systems to assist its attorneys and staff in providing highly effective and efficient legal services. The firm frequently upgrades its technology and strives to stay on the cutting edge of technology.

In addition to desktop computers, many BB&K attorneys have laptop computers, iPads, iPhones, or other PDAs. Through Internet e-mail connections, our clients can easily transmit files between any of our offices, attorneys and staff, eliminating costs for unnecessary printing, copying, and mailing. BB&K uses Microsoft Exchange and Outlook as our e-mail, calendar, and contact management platform.

We have found that the use of e-mail communication expedites our services. BB&K and many of its clients utilize the firm's secure client Extranet portal. Through this portal, our clients are able to specify the level of access to its custom Extranet provided to different client staff. Various types of client/attorney reports memos and logs can all be accessed on the Extranet.

In addition, the Extranet can be used for working documents between the client and BB&K, saving time, expense, and the potential for confusion of sending edited hardcopies back and forth.

The use of legal issue "white papers" to avoid clients repetitively paying for the same general advice.

BB&K's unique and unmatched combination of size and experience in every area of municipal law ensures the availability of an expert for any issue confronted by our public agency clients, thereby eliminating the need for costly additional research or the expense and time required to hire additional expert counsel. We do not believe in "reinventing the wheel" on routine matters. Our intellectual property is vast, and routine matters can often be responded to immediately (saving time and expense), as it is likely that one of our attorneys has already handled a matter of the same or similar nature.

Further, BB&K can provide training in certain areas so that Authority staff can perform certain services rather than our attorneys or paralegals. Our firm also regularly prepares and distributes E-bulletins and Project Memos on important cases and legislation to further educate client staff, reducing liability risk.

11. Ability to Work with Smaller Firms including Minority Women, and Other Firms:

Due to BB&K depth and experience, as well as our client base of public agencies, we generally do not "team" with other firms. We do have working relationships with several other firms where we refer matters, when conflicts or specific areas of legal specialty warrant such an arrangement.

However, BBK has a long standing relationship with DBE firms. Specifically, the firm routinely utilizes the services of Aguirre & Associates for land surveying for matters involving real property acquisition, eminent domain, and public works construction. Jane Wiggans, of Wiggans & Associates has assisted our eminent domain and real property attorneys for over a decade and

is fully integrated with our team to provide assistance if and when right of way issues arise. Our existing relationship with these and other firms, including printing companies and court reporters, allows us to offer the Authority efficient, seamless services while recognizing DBE goals.

We have reviewed "Exhibit A" – "Scope of Work" to the Authority's draft Law Firm Agreement included in the RFP and we can comply with such provisions.

12. Commitment to Nondiscrimination:

BB&K's culture respects differences and recognizes the value of unique perspectives. BB&K is committed to recruiting, hiring, developing, and promoting attorneys and staff of diverse backgrounds. These efforts are led by the BB&K Diversity, Equity, and Inclusion Committee.

We prioritize working in a diverse environment that reflects the communities, organizations, businesses and individuals we represent, fostering mutual respect and collaboration. The value of diversity for our clients comes from the melding of differing experiences, cultures, talents, viewpoints, and styles that drive creative and innovative solutions. We aim to structure our legal teams to service the unique needs and reflect the diversity of the clients and communities we serve. Our diversity allows us to take advantage of different perspectives to approach complex legal issues in a way that provides the best outcome for our clients.

A wide range of education and enrichment programming is offered to our firm community. The firm has had mandatory implicit bias trainings focusing on race, gender and ally-ship. We regularly host voluntary trainings, discussions and book clubs tackling topics of race, gender, generational differences, and sexual orientation.

We provide internal professional development and mentorship programs with sensitivity to the diverse needs of all participants. For instance, we maintain affinity groups for Latinx and women attorneys. We also support our attorneys' outside professional development goals and activities, including through sponsorship of their membership in diversity-minded organizations.

Additionally, BB&K works closely and frequently with clients and elected officials to provide opportunities to young people from historically underrepresented communities to learn about the law and public service.

Our recruiting committee and staff actively look for opportunities to attract individuals with a wide range of backgrounds as summer clerk, entry-level, and lateral hires. We conduct outreach to law-focused student groups; engage in formal mentoring efforts; recruit at schools with large minority populations; and participate in bar-sponsored programs. BB&K encourages qualified applicants of every race, religious creed, color, national origin, ancestry, non-job related physical disability or medical condition, marital status, gender, and sexual orientation to apply for employment with the firm. BB&K also offers a First Year Law Student Diversity Fellowship/Scholarship Program open to all first year law students enrolled and in good standing at an American Bar Association-accredited law school.

13. Actual or Potential Conflicts of Interest:

BB&K maintains a comprehensive database on client representation, including our frequent representation of the Authority since 2012. Prior to accepting any representation, the database is

accessed to determine whether there are any existing conflicts. Additionally, each attorney is separately e-mailed a description of the proposed representation and asked to comment on any potential conflicts. Based on the results of that check, BB&K does not have any current or potential conflicts with the Authority that would preclude us from serving as special counsel.

In the last 7 years, has your firm or any member of your firm, who would provide general legal services to the Authority or the Port District, represented a client in a transaction in which the Authority or the Port District were on opposing sides? If so, give the particulars.

To the best of our knowledge and belief we are not aware of any matters actually opposing the Authority or the Port District. To the contrary, as previously discussed, the firm is currently providing joint representation to the Authority and the Port District.

Does your firm currently represent or has it within the last 7 years represented any of Authority's or the Port District's tenants, employees or bargaining units? If so, give the particulars.

To the best of our knowledge and belief, no.

Does your firm currently represent or has it within the last 7 years represented any of the contractors who constructed improvements on Authority or Port District property? If so, give the particulars.

To the best of our knowledge and belief we are unaware of any representation of any general contractors that have constructed improvements for the Authority or the Port District.

Does your firm currently represent or has it within the last 7 years represented any domestic or international air carrier (passenger/cargo)? If so, give the particulars.

To the best of our knowledge and belief BB&K has not represented any domestic or international air carrier (passenger/cargo) within the last seven years.

14. Unique Qualifications:

BB&K is uniquely qualified to provide legal counsel to the Authority because of our on-going service to the Authority. We offer continuity of legal service, and that means reliability. Our attorneys have had the opportunity to build strong working relationships with the Governing Board and staff. We believe that the Governing Board knows our firm and that our attorneys will work tirelessly to bring matters to a close quickly. We get results and we are the local law firm that can offer experienced representation in all 26 of the areas listed in the Scope of Services. The Authority would not have to look to multiple law firms to obtain legal representation if BB&K were awarded this contract.

We have been honored to provide legal services to the Authority and understand the current legal needs and future goals of the Authority.

This experience makes BB&K the best choice for the Authority's legal counsel. In addition, we live and work in San Diego, giving us a solid understanding of the San Diego community, the unique value of the Authority to San Diego, and the Authority's relationship with the cities and other San Diego County agencies.

Because BB&K has a history of extensive involvement in all aspects of public law, we have pioneered methods to deliver advisory and litigation services in a comprehensive and cost-effective manner. Our approach ensures the highest quality and most timely representation available in California. Our protocol is proactive, not reactive. Not only do we track current trends in both state and federal law, we are frequently involved in creating those trends. Our advice to the Authority would be based on the cumulative knowledge of one of the largest public agency law firms in the state plus our intimate knowledge of trends and developments in San Diego County. No other firm combines our nationwide depth and resources with our San Diego presence.

We frequently host seminars on issues of concern to public agencies, and our lawyers regularly write and lecture on topics of interest to public agencies, including the Brown Act, the Public Records Act, public finance issues, labor and employment issues, toxic cleanup and environmental remediation, eminent domain, the Political Reform Act and other conflict of interest laws, CEQA, public contracting and construction, and other 'hot off the presses' developments impacting our public agency clients. Locally, BB&K supports and participates in various legal associations such as the San Diego Bar Foundation and Association, Lawyer's Club and La Raza, as well as community organizations like the San Diego Blood Bank, Ronald McDonald House, Susan G. Komen Foundation, the Senior Community Center, and San Diego Youth Services. Like the associations we support, BB&K's lawyers and staff reflect the spectrum of the San Diego community that we represent. Mary Beth Coburn and other BB&K infrastructure attorneys routinely attend local CMAA, APWA, CSDA, ULI, and BIA meetings and functions and have their finger on the pulse of local infrastructure issues and developments.

In addition to our commitment to the San Diego community, our knowledge and experience in public agency law is unsurpassed, and we hope you will recognize the value BB&K has brought to the Authority and will continue to allow us the privilege of providing service to the Authority.

15. Subcontracting:

BB&K plans to provide the attorney services required under this agreement without subcontractors. However, BB&K takes the Authority's need to meet DBE requirements seriously; therefore, we have hired a specialist to perform DBE good faith effort outreach and help us locate certified DBE subcontractors. Non-attorney services such as deposition services, expert witnesses, and copy services provide a good opportunity to utilize DBE subcontractors. We will analyze the appropriateness to utilize subcontractors on a matter-by-matter basis. Should we determine that subcontracting non-legal services is in the best interest of the Authority on a given matter, we will discuss any suggested subcontractor vendor with the Authority and reach consensus on scope and fee structure prior to engagement of the subcontractor. We can provide the results of our good faith outreach upon request.

16. References:

Please do not hesitate to contact any of the following references for a more in-depth discussion of our ability to provide legal services for the Authority.

BB&K References

Ryan Kohut, Director of Strategic Projects
San Diego Association of Governments (SANDAG)
401 B Street, Suite 800
San Diego, CA 92101
Phone: (619) 595-5339
Email: ryan.kohut@sandag.org

Description of work and dates work performed: BB&K has provided a myriad of outside counsel services to SANDAG since 2010, including, but not limited to public records act requests/litigation, real property disputes, inverse condemnation claims and construction contracting/claims resolution. BB&K's public infrastructure team currently serves as outside counsel on the \$1.2 billion Mid-Coast Trolley Expansion Project. The project, which is being procured pursuant to an alternate delivery method, includes multiple state and federal funding sources and extensive DBE goals. Most recently, we assisted SANDAG on the Mid-Coast Corridor Improvement Projects, which extends Blue Line Trolley service approximately eight miles from Santa Fe Depot in Downtown San Diego to the University City community. The project was complete in Spring 2022, on time and on budget. The \$1.5 billion project was the first Construction Manager/General Contract (CM/GC) procurement by a local agency in California. BB&K was retained as Special Counsel to draft the contract documents and provide legal support during construction. We were heavily involved in change order drafting and negotiation, and compliance with the Federal Transit Administration funding requirements, including disadvantaged business enterprise issues.

Erik A. Eriksson, Chief Legal Officer
Port Houston
111 East Loop North
Houston, Texas 77029
Phone: (713) 203-3059
Email: eeriksson@porthouston.com

Description of work and dates work performed: BBK has assisted the Port of Houston with navigating the Federal legal and policy requirements for their \$1 billion ship channel expansion project in partnership with the U.S. Army Corps of Engineers, and with negotiating the associated utility relocations and removals. September 2020 to present.

Anne Mayer, Executive Director
Riverside County Transportation Commission
4080 Lemon Street, 3rd Floor
P.O. Box 12008
Riverside, CA 92502
Phone: (951) 787-7141
Email: amayer@rctc.org

Description of work and dates work performed:

BB&K has acted as general counsel to Riverside County Transportation Commission (RCTC) for approximately 30 years. As such, we have assisted RCTC with numerous transportation matters, including express lanes development, funding issues, civil rights claims, property acquisition for highways and rail projects (including extensive corridor-wide eminent domain), personnel matters, construction contracts and litigation, procurement policies and procedures, railroad liability, and environmental compliance. We wish to highlight our experience serving as general counsel to the Riverside County Transportation Commission assisting with as well as supervising special counsel services provided by Nossaman LLP on the delivery of the \$1.4 billion State Route 91 Corridor Improvement Project via design-build project delivery.

17. Licenses:

BB&K and the proposed attorney team for the Authority have all licenses, permits, and approvals required by law and regulations to perform the requested scope of work.

Attachment E

1. Office Locations:

| | | | |
|--|--|--|---|
| William C. Pate (Bill) Office: (619) 354-5030 Direct: (619) 354-5022 wpate@dpmclaw.com | Christina M. Cameron Office: (619) 354-5030 Direct: (619) 354-5024 ccameron@dpmclaw.com | Ralph T. Hicks Office: (951) 262-4491 Direct: (951) 262-4498 rhicks@dpmclaw.com | Richard E. Romero Office: (619) 354-5030 Direct: (619) 354-5031 rromero@dpmclaw.com |
|--|--|--|---|

402 W. Broadway, Suite 1300
San Diego, CA 92101

41955 Fourth Street, Suite 210
Temecula, CA 92590

Devaney Pate Morris & Cameron is a limited liability partnership.

2. Total Counsel Staffing

| | | |
|----------------------|-----------|-----|
| William C. Pate | Partner | 30% |
| Ralph T. Hicks | Partner | 40% |
| Richard E. Romero | Partner | 25% |
| Christina M. Cameron | Partner | 10% |
| Barry J. Schultz | Partner | 10% |
| Lesley A. Ionescu | Associate | 10% |
| Daniel J. Anello | Associate | 10% |

Possible Additional Team Members

| | |
|--------------------|-----------|
| Leslie E. Devaney | Partner |
| Jeffery A. Morris | Partner |
| Wendy L. House | Associate |
| David R. Plancarte | Associate |
| Nathan D. Andersen | Associate |
| Sabrina Scialpi | Paralegal |
| Angela Sullivan | Paralegal |

Organization chart attached.

3. Staffing from Non-Local Office

None. DPMC headquarters is located in downtown San Diego. Because of this, DPMC has the necessary expertise and resources in San Diego to provide all services on a continuous and uninterrupted basis. The primary attorneys William C. Pate, Ralph T. Hicks, Richard E. Romero and Christina M. Cameron all reside in the San Diego County.

4. Municipal Law Specialist

| | |
|--|-----------------|
| William C. Pate | 22 Years |
| PUBLIC ENTITY, LITIGATION DEFENSE, PUBLIC WORKS / CONTRACTING, TORTS, CIVIL RIGHTS, LAND USE, EMINENT DOMAIN | |
| Ralph T. Hicks | 14 Years |
| PUBLIC AGENCY LAW, REAL ESTATE DEVELOPMENT, LAND USE, CONSTRUCTION AND ENVIRONMENTAL | |
| Christina M. Cameron | 14 Years |
| GOVERNMENTAL ETHICS, GOVERNMENT RELATIONS, LAND USE/REAL ESTATE, PUBLIC EMPLOYMENT, PUBLIC WORKS, CIVIL RIGHTS | |
| Richard E. Romero | 15 Years |
| PUBLIC ENTITY, PUBLIC AGENCY LAW, WATER NATURAL RESOURCES, PUBLIC WORKS & CONSTRUCTION, ELECTIONS, LABOR & EMPLOYMENT, CIVIL LITIGATION, CEQA/NEPA ENVIRONMENTAL PUBLIC EMPLOYMENT | |
| Barry J. Schultz | 13 Years |
| PUBLIC AGENCY LAW, REAL ESTATE, LAND USE, AFFORDABLE HOUSING & REDEVELOPMENT, CEQA/NEPA ENVIRONMENTAL | |
| Wendy L. House | 12 Years |
| MUNICIPAL LAW, PUBLIC ENTITY LAW, GOVERNANCE, PUBLIC EMPLOYMENT | |
| Leslie E. Devaney | 38 Years |
| PUBLIC ENTITY, MUNICIPAL LAW / GOVERNMENT RELATIONS | |

Jeffery A. Morris

34 Years

PUBLIC ENTITY LITIGATION DEFENSE, PUBLIC ENTITY, MUNICIPAL LAW,
GOVERNMENT RELATIONS, PUBLIC EMPLOYMENT, INSURANCE, EMINENT
DOMAIN

5. Outside Counsel Experience – Counsel for Government Entity

Since DPMC began operations in 2016, we have maintained a long standing relationships with former public agency clients, as well as acquired new ones. We have included a list of current and former public agencies to whom DPMC has provided legal services since 2016 when the firm opened its doors. Here is a synopsis of some of the specialty areas and relevant experience DPMC possesses. The firm is devoted almost exclusively to public agency work and has developed a “deep bench” of lawyers who specialize in all facets of public agency law.

Land Use and Planning Law

DPMC’s attorneys routinely advise on land use and planning issues. This includes zoning issues, interpretation of local zoning laws, affordable housing matters, drafting zoning or local coastal plan amendments, marijuana uses, firearm uses, adult establishments, taverns and liquor uses, residential density, complex development agreements and other related areas. DPMC attorneys Ralph Hicks, Wendy House and Barry Schultz are subject matter experts on Land Use and Planning issues and have extensive experience advising planning commissions and special districts.

- This work has included developing a 2035 General Plan update and associated environmental impact report, including revisions to all elements to accommodate the new City vision including extensive economic development policies and programs.
- Preparation of a Village Specific Plan and associated environmental documents for its 40-acre, central business district and its related environmental documents.
- Regularly represent and advise the City and Successor agencies in Department of Finance ROPS matters, including litigation to defend and retain former redevelopment agency assets and transfers.

Real Estate Law

DPMC attorneys have advised on public right of way issues, purchase and sale of real estate, eminent domain, easements, public right of way, title issues, removal of real estate liens and encroachment issues. The firm has overseen complex real estate exchanges in local development projects and the acquisition of open space for parks and land preservation. DPMC attorneys Ralph Hicks, Wendy House and Barry Schultz are subject matter experts in all matters concerning real property.

Fair Political Practices Commission Regulations

Governmental ethics laws and regulations require diligence and strict monitoring to ensure compliance. DPMC attorneys work with elected and appointed officials on FPPC issues. This includes

*Response to Request for General Legal Services for the
San Diego County Regional Airport Authority*

advising on conflicts of interest and filing issues. Christina Cameron currently serves as the general counsel for the San Diego Ethics Commission and is an expert in this area. She provides training in governmental ethics and previously served on the League of California Cities' FPPC committee.

Environmental Law

Agencies face environmental issues each day. DPMC attorneys Ralph Hicks, Wendy House and Barry Schultz are subject matter experts on environmental legal issues. They routinely advise cities on CEQA, NEPA, California Department of Fish and Game issues, as well as land conservation and endangered species matters. They are highly qualified to advise on any area of environmental law. Further, the firm's litigation attorneys, including Bill Pate and Richard Romero, have successfully litigated numerous CEQA cases in defense of environmental decisions and findings made by local agencies. This included CEQA litigation to obtain a regional master settlement and negotiations of future development regulation including state lands trust property.

Elections Law

Elections law can offer distinctive challenges. Christina Cameron has worked on a wide variety of issues involving elections, including citizen-initiated ballot measures, as well as city initiated ballot measures. In addition, the firm's attorneys routinely work with cities concerning the election of councilmembers, mayors and, in some cases, city clerks and city treasurers. DPMC's attorneys understand this complex area of law and work with City staff to apply the rules fairly and efficiently. Ms. Cameron serves on the League of California Cities' FPPC committee responsible for revising and updating Chapter 3 – Elections. Attorneys Christina Cameron and Richard Romero have presented in the following area of law at the League of California Cities. This work has also included administrative enforcement of complex conflict of interest and campaign law violations, and successfully defend writ challenges to San Diego Ethics Commission administrative determinations in superior court.

Contract Law

Public agencies run on contracts. From the smallest procurement contract to large public works contracts, DPMC's attorneys provide sound legal advice to the City, and negotiate fairly with suppliers and contractors. DPMC is also expert in the area of telecommunications contracts and has negotiated reasonable contracts with many of the large telecommunications companies for the leasing of public land for telecommunications facilities. In addition, DPMC routinely negotiates and enforces complex development agreements with subdivision developers. Attorney Richard Romero would be the DPMC team's primary contact in this area.

Municipal Tort Law

California agencies face an ever-increasing burden of potential municipal tort litigation. DPMC's litigation department is expert at defending government tort claims. The firm has successfully defended lawsuits involving wrongful death, dangerous conditions of public property, injuries caused by defective roadways, automobile accidents involving public property, bicycle accidents involving public property, train versus pedestrian accidents, as well as other torts.

Despite its successful litigation track record, DPMC takes pride in proactively avoiding tort liability. It is the firm's experience that many tort situations can be avoided by a combination of diligence on the part of the

*Response to Request for General Legal Services for the
San Diego County Regional Airport Authority*

agency, and by timely legal advice. DPMC ensures that its attorneys are on top of the latest changes in governmental tort law and provides such timely advice. DPMC's two primary litigation attorneys are Bill Pate and Jeff Morris. Each has extensive municipal and public agency litigation defense experience.

The Brown Act

The Brown Act can present challenges to local government. All of DPMC's municipal attorneys are highly skilled in interpreting and applying the provisions of the Brown Act. The firm routinely advises city councils and staff concerning open meetings, agenda timing and posting, closed session requirements, the Act's Safe Harbor provisions, and the handling of litigation and personnel matters pursuant to the Act. Like most areas of municipal law, proactive legal advice is key to avoiding Brown Act issues. DPMC ensures it reviews each item on city council agendas in order to avoid Brown Act issues, and that staff are complying with posting requirements and procedures and properly agendaing closed session matters.

Conflict of Interest Law

California's conflict of interest laws are some of the most stringent in the nation. Government Code Section 1090 often raises serious legal issues because of its criminal provisions. DPMC's proactive legal advice can assist the City in avoiding any potential conflicts under Section 1090. In addition to Section 1090, the City must be cognizant of other laws concerning conflicts including the common law, contractual provisions prohibiting conflicts, conflicts involving the disposition of city property, and conflict provisions in the Political Reform Act. DPMC's attorneys frequently advise public agencies concerning conflict laws. The firm currently represents the City of San Diego Ethics Commission as well as several other public agencies, and routinely advises in this area. Proposed City Attorney Christina Cameron has been general counsel to the San Diego Ethics Commission since 2011 and has served as special counsel to the Los Angeles and Oakland Ethics Commissions.

Public Construction

Partner Bill Pate handled one of the largest bond construction programs for a community college within the State of California. This involvement included review of contract documents, drafting contract documents, scope of project services, challenges on public construction contracts for prompt payment, negotiate with suppliers and contractors, procurement contracts and the complexities of large public work contracts. Mr. Pate has also overseen the construction of myriad other public works projects using all manner of delivery methods.

Government Relations

DPMC attorneys including Christina Cameron, represent or have represented, multiple agencies and special districts, providing a range of services including independent investigations into employment and Title 9 (discrimination) and employment matters, compliance with public records requests, and district renewals.

6. Outside Counsel Experience – Counsel for Airports

Attorneys William Pate, Richard Romero, and Christina Cameron have provided legal services to the Authority dating back to 2014 when Breton Lobner served as General Counsel. We have since had the pleasure of continuing to provide outside legal services to General Counsel Amy Gonzalez and Director of Legal Services Lee Kaminetz. The following summarizes select matters in which we have had the honor and privilege to represent the Authority:

2015 INJUNCTION AGAINST THE CALIFORNIA JUDICIAL COUNCIL—Served as counsel for record on a lawsuit for a mandatory injunction, writ of mandate and abatement of a hazardous condition in the navigable airspace due to the installation of three luffing cranes during construction of the new San Diego Superior Court when only one boom crane was approved. The crane operator agreed to lower the cranes during the pendency of the emergency lawsuit following directives from the FAA and a NOTAM. The cranes were ultimately removed and/or brought into compliance with the height limitations set by the FAA. (San Diego Superior Court Case No. 37-2015-00035258-CU-WM-CTL)

2016 GREEN BUILD CLAIM—Advised and represented the Authority in claims involving the storm drain system and outfall piping in connection with the Terminal 2 expansion. This included working with counsel for joint venture Turner/PCL/Flatiron to retain expert consultants through insurance carrier Zurich to independently evaluate the problems associated with the new drainage improvements, and the flap gate repairs. This involved extensive meetings and correspondence to establish the “Work Plan” moving forward, and minimize any exposure to the Authority while ensuring the drainage and tarmac were not compromised.

2016 SALT MINE LAWSUIT—Successfully defended the Authority in a lawsuit concerning performance and requirements under a lease with GGTW for a salt mining operation in Chula Vista. The Authority cross-complained against GGTW, and ultimately prevailed with GGTW agreeing to reimburse the Authority for \$50,000.00 of legal fees and costs under the terms of the Lease. (San Diego Superior Court Case No. 37-2016-00032646-CU-BC-CTL).

2018 RENTAL CAR CENTER—Advised and represented the Authority regarding the RCC cracking and coating failures along the concrete deck structures, issues with expansion joints, and rental car operations. Representation included big room meetings with Austin-Sundt and correspondence with Demattei Wong architecture. All the while the Authority’s interests were protected with respect to the repair methodology and minimizing liability exposure from the rental car companies.

2018 TAXIWAY B LAWSUIT—The Authority remains embroiled in a lawsuit brought by a contractor named Future DB International who was terminated for convenience on a construction project awarded in November 2016. The Authority was sued for breach of contract and alleged discrimination arising out of the termination. The Authority has been vigorously defended since the suit’s inception in 2018. The action remains pending with a jury trial expected this year, or early 2023. (San Diego Superior Court Case No. 37-2018-00001531-CU-CR-CTL)

*Response to Request for General Legal Services for the
San Diego County Regional Airport Authority*

The above matters are not the only matters in which the Authority has sought professional services. Some other examples of legal advice and consultation on discrete issues include surety bonds, design-build and alternative project deliver methods, and disputes with a terminal vendor. In each instance, the attorneys at DPMC have taken great pride in protecting the Authority from liability, minimizing risk, and also being efficient and mindful of costs while providing timely and professional outside services.

7. E & O Insurance [Professional Liability Insurance]

- Policy Limits \$4,000,000 (\$2,000,000 each claim)
 - Deductibles \$25,000
 - Self-Insured Retention(SIR) None
 - Discovery period None
 - Exceptions to coverage None
 - Collateral Securing deductible/SIR None
 - Policy Exclusions None
-

8. Hourly Fees

a) Hourly Rates for Each Professional

| | |
|--------------------------|---|
| \$ 270/ hr. Partner | William C. Pate, Ralph T. Hicks, Christina M. Cameron, Richard E. Romero, Barry J. Schultz, Jeffery A. Morris and Leslie E. Devaney |
| \$ 240/ hr. Associate | Lesley A. Ionescu, Wendy L. House, Daniel J. Anello, Nathan D. Andersen and David R. Plancarte |
| \$ 125/ hr. Paralegal | Angela Sullivan and Sabrina Scialpi |

b) Blended Rate for Professionals

\$ 260 Blended rate (both Partners and Associates)

c) Paralegals/law Clerks

Paralegals (2)

*Response to Request for General Legal Services for the
San Diego County Regional Airport Authority*

Issuing/tracking subpoenas; drafting/filling out court issued forms for filing; draft deposition notices; communication with other/outside/opposing counsel and/or client; researching experts

d) Clerical

DPMC is aware and in agreement, that the Authority does not pay for clerical work. As a part of our effort to provide efficient customer care and support, DPMC will also provide the Authority with a support staff contact to assist with administrative support functions, such as providing status updates, tracking, scheduling, and billing inquiries. DPMC considers these functions to be a part of the normal course and scope of our work at no additional charge.

e) Westlaw/Lexis

DPMC is aware and in agreement, that the Authority does not pay for westlaw/lexis, nor does DPMC charge any public sector clients for this service.

f) Change of Personnel / Avoidance of Doubling Billing

DPMC ensures double billing does not occur as we have a two (2) step review process. Prior to invoices being sent out they are first reviewed by accounting. A second review by the supervising attorney who is familiar with the case/matter/project.

Further, it is standard practice at DPMC to not charge a client when a new team member is familiarizing themselves and/or 'getting up to speed' on the case/matter/project.

9. Expenses

DPMC confirms that we have read the Authority's limitation on billable expenses as forth in Exhibit B, and are agreeable to such limitations.

10. Mechanisms to Minimize Billings and Provide Quality Services

While DPMC will be thorough and thoughtful in our legal work, we always strive to be efficient and cost-effective for the work that we do for our clients. For example, all of our recommendations and opinions will be in writing via email or letter. As a result, any attorney in our office will be able to pick up a matter and quickly get up to speed without incurring additional review time and preparation to handle whatever issue may arise.

For the same reasons, as the representation proceeds, we will ensure that personnel most familiar with the issues are consulted and involved, i.e., if a CEQA issues arises, personnel most familiar with environmental law will be involved in addressing the issues, providing quality assurance and control issue by issue. Such

*Response to Request for General Legal Services for the
San Diego County Regional Airport Authority*

efficiencies and cost-effectiveness are aided by the firm's practice management software, which tracks legal fees and costs, tasks, contact information, and a variety of other matters. All items, meetings, court dates, etc., are tracked and managed through the practice management software.

Also, DPMC encourages and seeks to cultivate effective working relationships with our clients and key staff members. DPMC understands the importance of developing and fostering open communication with our clients. In doing so we can provide input and assist in formulating viable options before a project even begins. Effective communication results in a more effective, cost-efficient, process

As a part of our effort to provide efficient customer care and support, DPMC also provides support staff contact to assist with administrative support functions, such as providing status updates, tracking, scheduling, and billing inquiries. DPMC considers these functions to be a to be part of the normal course and scope of our work at no additional charge.

11. Ability to Work with Smaller Firms Including Minority Women, and Other Firms

We have reviewed the Scope of Work listed in Exhibit A, and can comply will all such provisions.

12. Commitment to Diversity, Equity and Inclusion

We are proud of our commitment to diversity. Our firm has signed on to the San Diego County Bar Association Diversity Pledge for 2021. The goal of the Diversity Pledge is to elevate underrepresented attorneys in management and leadership within our firm and the legal community. Further, 25% of our attorneys are part of underrepresented minority groups.

Further, in our effort to continuously serve our community, we routinely represent non-profit companies such as Serving Seniors, Bethel AME, Community Advancement corporation and Lito & Gerard Associates.

13. Actual or Potential Conflicts of Interest

- a) In the last seven (7) years, DPMC has not, nor any attorney of DPMC, filed suit or a claim with the Authority or the Port District.
-

*Response to Request for General Legal Services for the
San Diego County Regional Airport Authority*

- b) In the last seven (7) years, DPMC has not, nor any attorney of DPMC, represented a client adverse to the Authority and/or the Port District.
 - c) DPMC currently represent the Authority in an active litigation matter. *Future DB International, Inv. V. San Diego County Regional Airport Authority* (San Diego Superior Court Case No.: 37-2018-00001531)
 - d) In the last seven (7) years, DPMC has not, nor any attorney of DPMC, represented a contractor who constructed improvements on Authority property.
 - e) In the last seven (7) years, DPMC has not, nor any attorney of DPMC, represented any domestic or international air carrier.
-

14. Unique Qualifications

The founding partners intentionally created a firm with a deep bench of municipal legal professionals in order to provide a level of service to entities not often provided by other law firms. DPMC is a full-service, public agency law firm whose lawyers have a combined 200 years of complex public agency experience. DPMC is as knowledgeable and experienced as any full-time public entity office in the State. We look for communities and clients seeking lawyers who strive to do more than merely set forth “the rules” – clients seeking lawyers who suggest new ideas and solve problems and are intimately involved in all the aspects of running a California public agency, including the highest protection from liability to the most creative way “to get things done.” You deserve, and we insist upon prompt responses for even your most complex legal issues.

Our goal is to provide the same or better level of service that a public agency or other similar special district would expect from a fully staffed in-house General Counsel’s office. We have subject matter experts in virtually every area of municipal law including, but not limited to, municipal litigation, water law, the Brown Act, the Public Records Act, government ethics, election law, environmental, public works, construction, public contracts, CEQA, land use, public finance, municipal taxation, public employment and other areas.

In addition, many of our firm’s attorneys have real-world experience in government service, having served as Chief of Staff for Council members, advisors to elected officials, planning commission members or chairs, leading affordable housing corporations and even running for elected office themselves. This invaluable experience gives DPMC a unique perspective into the operations of a city. Our Firm’s experience of providing City Attorney services for 14+ years, including working remotely through the unprecedented times of the pandemic, gives us a special history and understanding of a city’s operations. We offer a talented and experienced team for all the qualifications and Scope of Services identified in this RFP

*Response to Request for General Legal Services for the
San Diego County Regional Airport Authority*

15. Subcontracting

Due to the extensive expertise, in multiple areas of law/municipality of our team, DPMC will not be utilizing subcontractors for services provided to the Authority.

16. References

| | |
|---|---|
| Sharon Spivak, Executive Director San Diego Ethics Commission 451 A Street, Suite 1410 San Diego, CA 92101 Phone: (619) 533-3477 sbspivak@sandiego.gov | General Counsel; |
| Ljubisa Kostic, Director, Legal & EEO San Diego Community College District LKostic@sdccd.edu Phone: (619) 388-6591 | Special & Litigation Counsel |
| Brad Raulston, City Manager City of National City braulston@nationalcityca.gov Phone: (619) 818-8500 | Inter City Attorney and Special Litigation Counsel, Office of City attorney |

17. Licenses

DPMC confirms it has all the licenses, permits and approvals required by law and regulations to perform the scope of work.

ATTACHMENT E: COUNSEL QUESTIONNAIRE FORM

1. Office Locations

Gatzke Dillon & Ballance LLP (GDB or the firm) is a limited liability partnership. The firm's contact information is provided below:

Gatzke Dillon & Ballance LLP
Attn: Lori D. Ballance
2762 Gateway Road
Carlsbad, California 92009
760.431.9501
lbalance@gdandb.com

2. Total Counsel Staffing

GDB is comprised of eight partners and two associates. The partners of the firm include Mark J. Dillon, Lori D. Ballance, Stephen F. Tee, Michael S. Haberkorn, David P. Hubbard, Danielle K. Morone, Kevin P. Sullivan, and Kimberly A. Foy. The associates for the firm include Yana L. Ridge and Kendall F. Teal.

The following attorneys would be responsible for performing legal services for the San Diego County Regional Airport Authority (the Authority) on the matters contemplated by the Request for Proposal (RFP):

- Lori D. Ballance
- Stephen F. Tee
- David P. Hubbard
- Danielle K. Morone
- Kevin P. Sullivan
- Yana L. Ridge
- Kendall F. Teal

The requested organizational chart is attached as **Exhibit E.1**. The chart identifies the attorneys who are expected to provide services for the areas identified in Exhibit A (Scope of Work) to Part 11 of the RFP and provides the percentage of time that each attorney will serve the Authority relative to each service area. Overall and daily responsibility for performing services under the agreement will fall to Lori D. Ballance.

3. Staffing from Non-Local Office

GDB is based in the City of Carlsbad, which is located in the northern coastal portion of the County of San Diego, and has the necessary expertise and resources in its Carlsbad office to provide the services contemplated by the RFP. As a locally-based law firm, GDB is familiar with the San Diego region's legal and cultural landscapes, which will inform its counsel on the matters contemplated by the RFP.

ATTACHMENT E: COUNSEL QUESTIONNAIRE FORM

4. Municipal Law Specialists

Lori Ballance and Kevin Sullivan are municipal law specialists on matters associated with and arising from the operation of public use airports. In addition, all other attorneys that would be responsible for representing the Authority have substantial experience in municipal law due to the nature of the firm's practice areas. Since the firm's inception more than forty (40) years ago, attorneys at the firm have provided counsel to public agencies and project applicants regarding the various legal requirements that affect their interests and operations.

The firm's experience includes Brown Act compliance; public meeting protocols; public records requests and related exemptions to disclosure; conflicts of interest and financial interest; resolution of Fair Political Practices Commission complaints; public property acquisition and disposition; findings required to be approved by the California Department of Housing and Community Development for the sale or lease of exempt surplus airport property; exclusive negotiating agreements; and prevailing wage. In particular, the firm has experience preparing agenda reports, staff reports, attendance at open and closed meetings, and preparing ordinances and resolutions for adoption.

For more information regarding the qualifications of GDB's attorneys, please see the Firm Resume attached hereto as **Exhibit E.2**.

5. Outside Counsel Experience - Counsel for Government Entity

GDB has been continuously employed by numerous public agencies as outside counsel for advisory and litigation services on airport, environmental, land use, real estate, and municipal matters since approximately 1980. Our long-standing experience with public agencies provides us with the unique ability to respond to the needs associated with representing public agencies in both an efficient and cost-effective manner.

Over the years, we have established a reputation for providing quality work product and excellent representation. As a snapshot, the firm successfully has worked with the County of Orange regarding John Wayne Airport on Airport Noise and Capacity Act of 1990 (ANCA) and related regulatory matters, as well as regulations and requirements of the Federal Aviation Administration (FAA), lease and related transactional matters, and land use planning matters.

Since 2017, GDB has been the outside General Counsel for the Ontario International Airport Authority (OIAA), where we have provided daily counsel to OIAA representatives on a full range of municipal law and other legal matters as discussed below. We also have developed strong working relationships with numerous clients that own and operate other airports in California, including: (a) Long Beach Airport; (c) Monterey Regional Airport; (d) Norman Y. Mineta San Jose International Airport; (e) Bob Hope Airport; (f) Lake Tahoe Airport; and, (g) various general aviation airports. Based on the firm's depth of experience, we are committed to providing representation to the Authority on issues involving the Airport and related matters in a professional manner, with a continued emphasis on the best interests of the Authority.

ATTACHMENT E: COUNSEL QUESTIONNAIRE FORM

For a robust description of our firm's experience acting as legal counsel on behalf of government entities, public agencies, and private sector clients, please refer to **Exhibit E.2**. These exhibits describe the firm's experience with projects and/or litigation that fall within the scope of the RFP, including: litigation (federal and state court); various federal aviation issues; contracts, leases, licenses, and permits; construction law and construction defect law; land use; and public contracting, public bidding, and procurement. As the RFP specifically requests information regarding the firm's experience acting as general counsel in these areas, the following summary focuses on several, particular aspects of the firm's practice.

Litigation (Federal And State Court)

As demonstrated in **Exhibit E.2** (Firm Resume), GDB has extensive background and experience in a broad range of complex civil litigation matters in both trial and appellate courts at the state and federal levels. The firm's litigation lawyers bring together knowledge, experience, commitments, efficiency, passion, and creativity and have an established reputation for handling a broad array of civil litigation matters. Using a small group of experienced lawyers, the firm is recognized in San Diego for its tenacity, integrity, and forceful advocacy, and one that possesses the expertise necessary to successfully provide the highest level of representation through completion. The firm's litigation lawyers are highly experienced in various alternative dispute resolution forums, including arbitration, judicial reference, and mediation, which are used regularly and successfully to resolve various types of litigation matters quickly and in a cost-effective manner that often is not possible through traditional civil litigation. For those disputes where resolution is simply not possible, the firm has a successful record of providing the highest level of representation through trial and appellate courts.

Attorneys at GDB are currently defending an international airport client in federal court litigation with a worldwide airport vendor in a dispute over revenue share obligations and the scope of reimbursement of unamortized capital expenditures. In 2021, other GDB attorneys successfully represented the world's second largest wireless telecommunications carrier in federal court litigation against the City of Los Angeles.

Federal Aviation Issues

The firm's aviation and airport law practice brings together the firm's extensive regulatory and transactional expertise with a dynamic litigation team able to serve clients covering the full spectrum of the aviation industry, including airport operators, fixed base operators (FBOs), as well as landowners and developers affected by airport operations. The firm's airport lawyers advise and guide airports through often contentious FAA regulatory compliance arena. The firm's ability to help its airport clients stems from a close working relationship with FAA personnel at both the FAA's regional office and at headquarters. This close working relationship has allowed the firm to coordinate with and obtain approval from the FAA on environmental and regulatory compliance matters for airport clients. These coordination and approval efforts have included, but are not limited to, working with the FAA on Part 150 studies and ANCA compliance matters. The firm also has worked closely with the FAA on revisions to airspace routes, revisions to departure and arrival procedures and issues relating to wildlife hazards.

ATTACHMENT E: COUNSEL QUESTIONNAIRE FORM

For further details regarding the firm's airport and related matters, please reference **Exhibit E.2**.

Contracts, Leases, Licenses, And Permits

As reflected in **Exhibit E.2** (Firm Resume), the firm routinely drafts, reviews, and negotiates diverse instruments, such as contracts, leases, and licenses, and assists with a range of permit issues. For example, the firm has specific experience with airport leases and licenses with FBOs and other aviation service businesses. As to permits, the firm has extensive experience in obtaining federal, state, and local permits and approvals, including conditional use permits, variances, and non-conforming uses; and, the firm regularly advises its clients on conditions of approval and the application of various federal and state regulations and regulatory exemptions. When disputes arise, the firm has achieved success enforcing its clients' rights, through the prosecution or defense of proceedings involving breach of contract, breach of lease, and license/easement actions.

Currently, as General Counsel, the firm works closely and daily with the OIAA to draft, review, and negotiate leases for concessionaries and rental car companies; contracts for vendors and professional consultants; and various agreements relating to airport property, including leases for air cargo services and exclusive negotiating agreements for potential airport development projects. GDB also reviews and negotiates facility use agreements with passenger carriers. Additionally, the firm interfaces with OIAA staff and airport stakeholders to prepare and negotiate non-exclusive license agreements with charter transportation companies, airfield service providers, and transportation network companies. The firm consults on issues regarding the disposition and acquisition of airport property, air carrier services, airport operators, and the traveling public. The firm's work includes developing and preparing findings required to be approved by the California Department of Housing and Community Development for the sale or lease of exempt surplus airport property.

Construction Law and Construction Defect Law

GDB has a well-established and recognized practice involving the representation of government entities, private real estate development and general contractor firms, subcontractors, and individuals in construction litigation matters. The firm's lawyers have handled construction-related litigation arising from payment disputes, mechanics lien claims, and construction defect claims related to projects involving both commercial and residential construction, and land development and grading operations. The firm's experience with construction defect claims has included, among others, design and construction defect claims relating to geotechnical and structural engineering issues, building envelope claims, and claims involving plumbing/mechanical building components. Because the firm's lawyers have developed substantial background regarding both design/construction processes and the broad range of legal issues that can arise in relation to a variety of construction projects, GDB also has been retained to assist clients in pre-litigation counseling involving the preparation and review of construction contract documents, including key indemnity and insurance requirements.

ATTACHMENT E: COUNSEL QUESTIONNAIRE FORM

Land Use

Land use development often requires complex discretionary permits, variances, special use permits, and other entitlements from local, state, regional, and federal agencies. The lawyers in the firm's land use practice group specialize in assisting clients in identifying, preparing, and reviewing all land use permits and approvals that will be needed for various types of development projects. Additionally, the firm has the capability and expertise to defend those project approvals from challenges by project opponents in every judicial forum. The firm's lawyers have extensive experience in all land use issues, including amending general plans, initiating zone changes, negotiating development rights, obtaining land use permits, securing dedication of lands, obtaining conditional use permits, and processing complex subdivision projects; managing land located in environmentally sensitive areas, including land affected by the coastal zone, multiple species planning areas, and significant ecological overlays; developing land containing designated historic structures and cultural or natural resources; and assisting owners and operators of airports with airport land use compatibility plans.

Of additional note, the firm has advised and represented the Authority, since its inception in 2003, in connection with the adoption and amendment of Airport Land Use Compatibility Plans (ALUCPs). To date, the firm has assisted in the Authority's adoption of ALUCPs for rural, urban, and military airports located in the County of San Diego.

Procedures for Identifying Issues with Potential to Affect Clients and Mechanisms to Maintain Abreast of Legal Developments

The firm routinely identifies and addresses issues having potential impacts on clients and their operations by maintaining a current understanding of developments and effects caused by new court/administrative decisions and by new and amended federal, state, and local laws and regulations. Environmental laws and regulations are revised regularly; and those that appear constant are routinely "reinterpreted" by published court decisions. To keep up with these shifts in the law, the firm subscribes to a number of reporting services whose express task is to identify changes in land use/environmental statutes and case authority. In addition, members of the firm attend and participate in conferences where the latest environmental policies and laws are discussed. Moreover, when a new case or new statute has the potential to affect the interests of one or more clients, the firm prepares a "white paper," in which the issue is discussed. Note also that the firm is continually preparing environmental documentation and/or litigating environmental cases. This work requires that the firm's lawyers stay abreast of the many environmental issues that are implicated either by the project or by the lawsuit. When a novel issue arises – or when a common issue is given a new spin – the firm makes note of it and immediately incorporates it into an analytical framework that can be applied to those clients who may be affected.

6. Outside Counsel Experience - Counsel for Airports

The RFP requests information on the firm's background, since 2012, in acting as legal counsel for airport proprietors and operators. In addition to the experience identified in **Response 5**, above, the following experience specific to airport proprietors and operators is provided below.

ATTACHMENT E: COUNSEL QUESTIONNAIRE FORM

Ontario International Airport Authority (OIAA)

In 2017, the firm was retained as General Counsel for OIAA to address a wide range of legal and regulatory issues during OIAA's transition to an independent airport operation, previously controlled by Los Angeles World Airports. As noted in **Response 5** above, the firm assists OIAA on a daily basis by providing general legal guidance to OIAA's Board of Commissioners, executive officers and other staff on matters involving OIAA's policies and procedures, agreements, and documents affecting the administration and operation of Ontario International Airport. The firm provides legal advice on matters involving a range of agreements and contracts, rules and regulations of the FAA, non-FAA federal and state airport regulatory issues, representation of OIAA before judicial and administrative bodies, and environmental resource and compliance issues.

GDB's General Counsel work for the OIAA also includes Brown Act compliance; public meeting protocols; public records requests and related exemptions to disclosure; conflicts of interest and financial interest; resolution of Fair Political Practices Commission complaints; public property acquisition and disposition; findings required to be approved by the California Department of Housing and Community Development for the sale or lease of exempt surplus airport property; exclusive negotiating agreements; and prevailing wage. In particular, the firm has experience preparing agenda reports, staff reports, attendance at open and closed meetings, and preparing ordinances and resolutions for adoption.

San Diego International Airport (SDIA)

This firm has worked with the San Diego County Regional Airport Authority in its capacity as the Airport Land Use Commission (ALUC) for San Diego County for nearly twenty years. In doing so, the firm has assisted the Authority with the preparation and amendment of new Airport Land Use Compatibility Plans (ALUCPs) for many of the San Diego County airports.

In addition, the firm previously was retained to represent the Authority, acting in its capacity as the ALUC, in an inverse condemnation lawsuit brought by the owners of two separate properties adjacent to the McClellan-Palomar Airport, an airport owned and operated by the County of San Diego. The property owners sued the Authority, claiming the Authority's 2010 adoption of an updated ALUCP constituted a "taking," because it identified the plaintiffs' properties as located within the airport's Runway Protection Zone. The firm successfully obtained summary judgment in favor of the Airport Authority, avoiding the time and expense of a trial. Specifically, the San Diego County Superior Court found that the evidence did not support a claim for inverse condemnation in relation to the plaintiffs' properties, and, therefore, awarded judgment in favor of the Authority on all claims and causes of action asserted by the plaintiffs. The plaintiffs appealed the Superior Court's decision, and the Fourth District Court of Appeal ultimately affirmed the decision in favor of the Authority.

The firm also successfully represented the Authority in recent litigation brought by the City of Coronado against the Authority's official actions on the ALUCP for Naval Air Station North Island (NASNI). The firm worked with the Authority to settle the litigation, which resulted in a dismissal, with prejudice, of the lawsuit.

ATTACHMENT E: COUNSEL QUESTIONNAIRE FORM

In addition to the ALUC/ALUCP work, the firm has successfully represented the Authority (and its predecessor, the San Diego Unified Port District (the Port District)) on issues relating to SDIA's compliance with the California Noise Standards (Cal. Code Regs., tit. 21, §5000 et seq.), and has obtained variances from the State's noise standards for continued operations at SDIA. One of the conditions of the variances for SDIA is implementation of the Quieter Home Program for the noise impacted area surrounding SDIA. The firm has worked with the Authority in defining and implementing the terms of this program.

Historically, the firm has played a significant role in the Part 150 process in connection with SDIA. The process resulted in the approval and adoption of a Part 150 Program and related Airport Use Regulations (Regulations) by the Port District on December 13, 1988, and the issuance of a Record of Approval of the Noise Compatibility Program (NCP) by the FAA. As part of the Part 150 process, the firm assisted in the preparation of written studies and analysis, including a 4-volume study, responses to public comments submitted on the study, the staff report and amendments to the Regulations. The firm assisted in the Part 150 hearing process, consultation with interested parties, and the preparation of necessary Board resolutions and submittals to FAA.

The firm also assisted in the preparation of two revisions to the NCP, which resulted in the amendment of elements to provide for the sound attenuation of five area schools and the implementation of a sound attenuation program for residential development within the 65-75 dB CNEL contour. These revisions to the NCP were approved by the FAA.

John Wayne Airport

As explained in great detail in **Exhibit E.2** (Firm Resume), the firm has advised and represented the County of Orange on a number of issues relating to John Wayne Airport since approximately 1980. In connection with that representation, GDB represented the County in precedent-setting federal litigation that resulted in the negotiation of a settlement agreement that regulates, among other things, the Airport's capacity levels, terminal and airfield infrastructure, and noise limits (including a curfew). As a result of the referenced settlement agreement, the County has a comprehensive Access Plan for the Airport. The firm continues to assist the County in the preparation, amendment, implementation, and enforcement of the Access Plan. GDB also assists the County on matters relating to its general aviation noise ordinance, which regulates the hours of operation and the maximum permitted noise levels associated with general aviation operations. Additionally, the firm assists the County on issues relating to the Airport's compliance with the California Noise Standards.

Long Beach Airport

GDB has represented the City of Long Beach, the proprietor of Long Beach Airport, on various matters since 2002. The Airport is subject to limitations on the permitted number of daily flights by various classes of commercial aircraft for noise control purposes. Initially, the firm was retained to represent the City in connection with a dispute between two of its incumbent airlines and a new entrant airline regarding allocation of flights among the airlines under the City's airport noise ordinance. Although litigation was threatened, the controversy was resolved

ATTACHMENT E: COUNSEL QUESTIONNAIRE FORM

between the airlines and City by a written agreement that preserved the regulatory limit on the number of flights. This agreement remains in effect, and the firm has continued to advise the City on various airport regulatory and environmental issues since that agreement was concluded.

The firm is currently advising the Airport on proposed amendments to its Airport Noise Ordinance and Resolution relating to administrative penalty provisions for noise and curfew violations, slot allocation procedures, and related compliance and allocation matters.

City of Torrance

GDB has recently been retained by the City of Torrance as aviation counsel for the Torrance Municipal Airport. At the City's request, GDB analyzed the enforceability of the City's left turn restriction for aircraft, which is part of the City's noise abatement program, under the federal preemption doctrine and applicable FAA guidance. GDB also prepared a legal opinion to the FAA supporting its conclusion that the restriction is enforceable because it is grandfathered in for purposes of compliance with the Airport Noise and Capacity Act of 1990 and is reasonable as it is the only option to provide noise relief to the residential area in light of the steeply rising terrain in the vicinity of the airport.

City of Marina

GDB successfully defended the City of Marina, as owner and operator of the Marina Municipal Airport, against two Part 16 Complaints that alleged the City violated its federal grant assurances when the City declined the request to extend the ground lease, in one case, and when the City did not enter into a lease due to the lack of a detailed proposal from a potential tenant but continued to engage in lease discussions in good faith. In both actions, the FAA Director agreed with the City that it was in compliance with its obligations and issued a decision in the City's favor. On appeal, the dismissal of the complaints was affirmed by the FAA Associate Administrator. To date, one of the two FAA rulings was appealed to the Ninth Circuit, and GDB is ready to defend the ruling and is confident about the record and its arguments in the City's favor.

Monterey Peninsula Airport District (MPAD)

Since 2011, GDB has represented MPAD on various airport matters, including preparation and adoption of an airport master plan and an airport safety enhancement project. GDB has provided both advisory and litigation counsel to MPAD, and worked with the FAA and other regional stakeholders on airport-related issues.

County of Riverside

GDB has been providing a variety of aviation-related legal services to the County of Riverside's Aviation Division as the owner and operator of five airports located within the County.

Recently, GDB prepared a response to the FAA request regarding a Part 13 complaint from a user of the Jacqueline Cochran Regional Airport who claimed she was excluded from FBO premises in violation of the airport's federal grant assurances. GDB is also assisting the County

ATTACHMENT E: COUNSEL QUESTIONNAIRE FORM

on compliance with the FAA requirements for allowing the improvement and use of the airport access road by the new non-airport neighbor, KTM. As part of that project, GDB guided the County on the request for the FAA determination on land release or easement rights and execution of a license agreement with KTM as a temporary solution. GDB is preparing to further assist the County with a land release process through the FAA, which will require compliance with NEPA and update to the Airport Layout Plan.

The firm also successfully negotiated, on behalf of the County, a joint development and lease agreement with the California Department of Forestry and Fire Protection (Cal Fire) for the improvement of the Hemet-Ryan Air Attack Base. The firm worked closely with the County and Cal Fire officials to reach an agreement on the funding, contracting, and management of a \$23 million improvement project. Additionally, the firm assisted the County in terminating leasehold interests at Jacqueline Cochran Regional Airport in order to facilitate redevelopment efforts.

City of Oceanside

GDB was retained to represent the City of Oceanside, in its capacity as proprietor of Oceanside Municipal Airport, in federal litigation relating to grant assurances incurred by the City as a condition of receiving federal funds pursuant to the FAA's Airport Improvement Program. At issue in the litigation was a settlement agreement entered into between the City and a third party that, if enforced, would impair the City's performance of its federal airport-related obligations and result in the transfer of airport property from public to private ownership without the consent of the FAA. Following the filing of cross-motions for summary judgment, the firm secured a favorable preemption ruling, which held that certain provisions of the settlement agreement were void and unenforceable due to preemption, and disposed of the majority of claims and counter-claims. The parties subsequently negotiated a settlement agreement that was favorable to all parties and disposed of the entire action.

7. E & O Insurance

GDB's professional liability insurance provider is National Fire and Marine Insurance Company. Additional requested information is provided below:

- a. Policy Limits: \$3,000,000/\$6,000,000
- b. Deductibles: \$25,000
- c. Self-Insured Retention: None
- d. Discovery Period: Unlimited
- e. Exceptions to Coverage: None
- f. Collateral Securing Deductible/Self-Insured Retention: None
- g. Policy Exclusions: Any negligent act, error or omission which occurred prior to June 01, 1981.

ATTACHMENT E: COUNSEL QUESTIONNAIRE FORM

8. Hourly Fees

The firm's current schedule for legal fees for this type of matter is as follows:

| | |
|------------|--------------------|
| Partners | \$400 – \$425/hour |
| Associates | \$330 – \$375/hour |
| Paralegals | \$150/hour |

The hourly rates set forth above are presented as a range in recognition of the fact that any contract for legal services will likely contemplate a multi-year engagement period. For Partners, it is anticipated that any "year one" legal services would be billed at \$400 per hour, with the rate gradually increasing over any multi-year engagement period, subject to the ultimate maximum of \$425 per hour. For Associates, Ms. Teal and Ms. Ridge would be billed at \$330 and \$350 per hour in "year one," respectively, based on their background and expertise. The Associates' hourly rates would similarly escalate over any multi-year engagement period within the range provided.

9. Expenses

GDB has read the Authority's limitation on billable expenses as set forth in Exhibit B to the RFP and the firm is agreeable to the limitations placed on billable expenses. No exceptions are taken to the compensation scheme outlined in Exhibit B to Part 11 of the RFP. Additionally, GDB acknowledges the Authority's policies with respect to travel-related expenses as presented in Exhibit B.

10. Mechanisms to Minimize Billings and Provide Quality Service

GDB utilizes a number of mechanisms to maximize the efficiency of the firm's legal services and minimize the corresponding client billings. First, the firm maintains a comprehensive and consolidated e-mail and work product database that is readily searchable by both attorneys and staff. When issues are raised that have been dealt with in the past, it is the firm's practice to first retrieve previous analysis and research, and evaluate whether the state of the law has been changed such that further work is required. Second, the firm's server houses legal research and memoranda (aka, "white papers") that could be applicable in a discrete location. For example, research relating to airports, including orders and advisory circulars issued by the FAA, are saved in a separate, distinct location. In summary, by consolidating generally applicable materials on a subject matter basis, in lieu of on a client basis, the firm's attorneys are able to more efficiently process various legal issues.

The program most frequently utilized by GDB to facilitate efficient work efforts is Adobe (<http://www.adobe.com/>) software. This program allows documents to be easily scanned into an electronic *and* searchable format. In addition, the firm uses the PDF-Viewer program, which allows the user to conduct key term searches in selected file directories.

Specific client contacts who can attest to the efficient and cost-effective nature of the firm's legal services include the individuals identified below under **Response 16**.

ATTACHMENT E: COUNSEL QUESTIONNAIRE FORM

11. Ability to Work with Smaller Firms, including Minority-Owned, Women-Owned and Others

Preliminarily, GDB itself may be characterized as a boutique firm that specializes in a limited, though diverse and well-rounded, number of practice areas. GDB is accustomed to coordinating with other law firms and other counsel of record on various matters, particularly as GDB routinely represents public agencies and other large entities that work with various law firms to ensure that all of their interests are adequately represented. For example, GDB has coordinated with Scott Huber at Cole Huber LLP in connection with litigation and other work related to the Monterey Peninsula Airport District; please contact Mr. Huber at 916.223.3434.

GDB also has reviewed Exhibit A of the RFP and can comply with all provisions enumerated therein.

12. Commitment to Diversity, Equity and Inclusion

GDB is committed to creating an environment in which diversity is a fundamental value. As such, GDB is an equal opportunity employer. GDB prohibits discrimination on the basis of race, national origin, religion or creed, sex, age, marital status, sexual orientation, and political belief or affiliation.

13. Actual or Potential Conflicts of Interest

During the last seven years, neither GDB nor any attorney in the firm who would provide legal services to the Authority has represented: (i) a client that has sued or filed a claim with the Authority or Port District; (ii) a client in a transaction in which the Authority or Port District were on opposing sides; (iii) any of the Authority's tenants, employees or bargaining units; (iv) any contractors who constructed improvements on Authority's property; and (v) any domestic or international air carrier. In summary, no actual or potential conflicts of interest exist relative to an attorney-client relationship between GDB and the Authority.

Of note, GDB has a computerized system and procedures for identifying and resolving potential or actual conflicts of interest. The system includes cross-checking of former, existing or potential clients, and partner discussion and approval prior to undertaking new matters for potential new clients. This system continues to be effective in identifying, avoiding, or resolving potential or actual conflicts of interest.

14. Unique Qualifications

We believe that the firm's long-standing relationship with the Authority, and its predecessor (the Port District), shows that the firm is uniquely qualified to provide the requested legal services in an efficient and cost-effective manner. By way of example, GDB has successfully represented and/or provided counsel to the Authority, since its inception in 2003, on matters relating to: (i) its responsibilities as the Airport Land Use Commission for San Diego County; (ii) the attainment of noise variances from California's noise standards for SDIA, and related matters (including

ATTACHMENT E: COUNSEL QUESTIONNAIRE FORM

implementation of the Quieter Home Program); and, (iii) airport master planning efforts (such as the redevelopment of Terminal 1). Due to GDB's affiliation with the Authority and familiarity with SDIA and the San Diego region at large, the firm can provide legal services in a more cost-efficient manner than other legal service providers. Not only is the firm familiar with the relevant personnel, it has experience with the Airport's operating environment, the Authority's organizational structure, and pertinent aspects of the historical setting that may influence the legal matters at issue in the RFP.

Additionally, the firm specializes in the legal issues contemplated by the RFP. As illustrated in **Exhibit E.2**, the firm routinely provides counsel to airport proprietors on varied legal matters. The qualifications of the firm's attorneys, including their speaking engagements and publications, are a testament to the expertise of the firm.

15. Subcontracting

GDB does not anticipate utilizing subcontractors when performing the services called for by the RFP.

16. References

As requested, please find below a summary description of three similar contracts with public agencies for the provision of legal services completed or being completed within the past three years. The examples provided are intended to depict the diverse scope of GDB's airport, environmental, and land use practice groups. Additional information regarding GDB's representation of each client can be found in **Exhibit E.2**.

References include:

Ontario International Airport
Atif Elkadi, Chief Executive Officer
1923 E. Avion Street
Ontario, California 91761
aelkadi@flyontario.com
909.544.5432

John Wayne Airport
Eric Freed, Deputy Airport Director, Public Affairs
3160 Airway Avenue
Costa Mesa, California 92626
efreed@ocair.com
949.252.5043

ATTACHMENT E: COUNSEL QUESTIONNAIRE FORM

Monterey Regional Airport
Michael La Pier, Executive Director
200 Fred Kane Drive, Suite 200
Monterey, California 93940
mike@montereyairport.com
831.648.7000

17. Licenses

GDB has all necessary licenses, permits, and approvals required by law to perform the requested legal services. All GDB attorneys are admitted to practice law in the State of California and the United States District Court, Southern District of California, as well as other federal courts. GDB also possesses a business license from the City of Carlsbad.

ATTACHMENT E

1. Office Locations

Kaplan Kirsch & Rockwell LLP (the Firm) is a limited liability partnership headquartered in Denver, Colorado with additional offices in Boston, New York, San Francisco, and Washington DC. The addresses for our five offices are provided below. Our website is kaplankirsch.com and the e-mail address for the proposed Partner-in-Charge, Peter Kirsch, is pkirsch@kaplankirsch.com.

| | | | | |
|---|--|--|---|---|
| Denver* 1675 Broadway, Ste. 2300 Denver, CO 80202 303.825.7000 * <i>Principal Office</i> | Boston 101 Federal St., Suite 1900 Boston, MA 02110 617.329.4687 | New York 450 7 th Ave., Ste. 1401 New York, NY 10123 646.883.5119 | San Francisco One Sansome St. Suite 2910 San Francisco, CA 94104 415.907.8704 | Washington, DC 1634 I St., NW, Ste. 300 Washington, DC 20006 202.955.5600 |
|---|--|--|---|---|

2. Total Counsel Staffing

While all of the Firm’s attorneys would be available on an as-needed basis, we propose a team of six seasoned partners, supported by four associates to deliver the proposed scope of services. A brief description of each proposed team member’s relevant experience is provided below, and resumes are provided as attachments under **Tab I** of this Proposal.

In our experience, the role of specialized counsel can be unpredictable and is often based upon addressing unanticipated matters; therefore, it is difficult to estimate a precise percentage of time that proposed team members would serve the Authority. Firm Partner Peter Kirsch would serve as the Partner-In-Charge and would supervise all legal services. One of the principal advantages we offer our clients, however, is the breadth and depth of relevant expertise – expertise which would be available to call upon for brainstorming, providing guidance on strategy, and assisting with substance, as necessary. Our bench strength also ensures that a qualified, experienced partner is always available to provide immediate responses to client needs. Therefore, as depicted in **Figure 1**, while we anticipate that Peter would manage the work on this project, he would be assisted on an as needed basis by the following attorneys:

Figure 1: Organization Chart





Peter J. Kirsch | Partner-in-Charge

Peter Kirsch's practice focuses on regulation and development of transportation infrastructure and other public sector projects. Peter represents clients ranging from local governments to the private sector and public interest groups in negotiations and litigation over land use entitlements, the environmental impacts of infrastructure projects, and compliance with federal transportation law and regulations. He litigates cases before administrative agencies, numerous state and federal trial and appellate courts, and the U.S. Supreme Court. He represents airport sponsors and local governments before Congress and federal administrative agencies.



Matthew G. Adams | Partner

Matt Adams helps clients address environmental issues related to energy, transportation, infrastructure, and natural resource development projects. He advises on a full range of transactional, regulatory, and litigation matters, with a specialized focus on issues arising under the National Environmental Policy Act (NEPA), the National Historic Preservation Act (NHPA), the California Environmental Quality Act (CEQA), state and federal endangered species acts, and other environmental impact assessment laws. He counsels airport sponsors on noise, air, water, land use, and historic resources issues, including state and federal litigation. Matt also advises a variety of stakeholders on matters related to tribal engagement and the protection of indigenous cultural and historic resources.



Heather J. Haney | Partner

Heather Haney practices in Colorado and California and advises clients on real estate, land use, finance, and regulatory compliance. Heather has advised developers and/or their lenders on compliance with CEQA and other state environmental, land use, and real estate laws for various utility-scale photovoltaic solar projects and distributed generation wind projects. Heather has in-depth experience with CEQA and California environmental laws and regulations and has been involved in the drafting of myriad EIR/EIS reports for large development and energy projects. She was a field biologist and environmental consultant based in San Diego for many years prior to attending law school. During that period, she represented both public and private entities in the preparation of environmental impact reports, habitat conservation plans, and other technical documents in accordance with related federal and state environmental laws and regulations. Heather also has airport-specific experience. She assisted the City of Denver's Department of Aviation with regard to the public-private partnership for the development of the Peña Station rail station, and more recently, she ...



Nathaniel Hunt | Partner

Nate's experience includes a broad range of environmental and administrative law issues relating to transportation and infrastructure matters. He counsels public clients in permitting, regulatory compliance, and litigation under federal and state environmental laws in state courts and federal district and appellate courts across the country. He has extensive experience in federal litigation and regulatory compliance regarding NEPA, the Clean Water Act, the ESA, and the National Historic Preservation. Nate regularly represents airports in environmental litigation, including recently representing the City of Los Angeles in two proceedings against FAA at the Court of Appeals for the Ninth Circuit and in a Freedom of Information Act challenge against FAA at the federal court for the Central District of California. Prior to joining the Firm, Nate served as a senior attorney at the Southern Environmental Law Center where his practice focused on NEPA and Clean Water Act litigation along the Georgia Coast.



Steven L. Osit | Partner

Steve Osit represents public entities with respect to the development and operation of airports, including counseling airport sponsors on compliance with their federal obligations, drafting and negotiating complex airport development agreements and airline use and lease agreements, and representing airport sponsors in administrative and judicial litigation. Before joining the Firm, Steve served as an attorney in the U.S. Department of Transportation Office of the General Counsel, Office of Operations, where he was responsible for advising the Office of the Secretary on a wide array of legal matters pertaining to the economic regulation of the aviation industry. Steve has provided legal support on several high-profile matters pertaining to airline competition, the Airport Improvement Program, the Passenger Facility Charge Program, and the use of airport revenues

with respect to various projects, including air carrier incentive programs. Steve has also served in the Litigation Division of the Federal Aviation Administration. Steve previously served as the Associate Member of the Airports Council International-North America (ACI-NA) Legal Committee Steering Group, and as the chair of the board of the Federal Bar Association's Transportation and Transportation Security Law section. He is a certificated private pilot.



Catherine van Heuven | Partner

Katie van Heuven has been representing airports for almost twenty years. She is an expert on a broad range of environmental and land use issues and specializes in airport and transportation projects. She has advised several airport clients on pending environmental reviews for ongoing development projects, including the Chicago O'Hare Modernization Program, the Los Angeles International Airport (LAX) Airport Terminal Modernization Project, the new parallel runway at Charlotte International Airport, and the development of a new, supplemental commercial service airport in Las Vegas. Increasingly, Katie has been advising airport clients on the implications of Section 163 of the FAA Reauthorization Act on land use and development at airports. Katie has extensive experience litigating airport issues including representation of the City of Philadelphia as an intervenor in the successful defense against claims arising under the National Environmental Policy Act (NEPA) and the Clean Air Act related to the Capacity Enhancement Program at Philadelphia International Airport. In addition, she was the lead author for the consolidated brief in the 2013 federal litigation brought by a coalition of several dozen airports challenging the proposal to end funding for federal contract towers. Katie has also represented the Town of East Hampton in both federal and administrative litigation regarding the development of access restrictions to address local concerns regarding noise and disturbance from aircraft operations.



Tiffany N. Evans | Associate

Tiffany Evans works with airport operators, public entities, and private sector companies on all aspects of operations, from concessions and contracts to procurement, audits, and agreements with federal agencies, including the Federal Aviation Administration (FAA) and the Transportation Security Administration (TSA). Before joining Kaplan Kirsch & Rockwell, Tiffany was the Senior Assistant City Attorney with the Houston Airport System, bringing the client's perspective to her practice. In that role, Tiffany provided legal counsel to the director of the Houston Airport System, the mayor's office, city council members, and senior staff on legislation, procurement, contracts, intellectual property, and IT agreements. She was also responsible for drafting and negotiating multimillion dollar agreements between the Houston Airport System and private, local, and state government entities.



Slone Isselhard | Associate

Slone Isselhard represents airport operators, municipalities, and private businesses in the aviation industry on aviation, environmental, regulatory, and contractual matters. She offers clients inside industry experience, having served as the Assistant Corporation Counsel Supervisor for the City of Chicago, Department of Law, Aviation, Environmental, Regulatory, and Contracts Division. At the City of Chicago, Slone advised and represented the City on legal matters involving O'Hare and Midway International Airports, including compliance issues with Transportation Security Administration (TSA), Federal Aviation Administration (FAA), Department of Homeland Security (DHS), and Department of Justice (DOJ) regulations. She also drafted and revised City ordinances, rules, regulations, policies, and standard operating procedures for both O'Hare and Midway.



William C. Mumby | Associate

Wil Mumby provides strategic advice and litigation counsel on CEQA and other environmental review matters. He joined the Firm this year, after developing extensive experience analyzing the sufficiency of CEQA documents, including projects and programs implicating highly technical air quality, greenhouse gas emissions, and transportation concerns.



Sarah E. Wilbanks | Associate

Sarah Wilbanks concentrates her practice on representing airport clients, which involves advising public and private entities on a wide range of issues. She has particular experience negotiating and litigating contract disputes, negotiating and drafting use and lease agreements, drafting settlement agreements, advising on federal, state and local regulatory compliance, and conducting internal investigations. She has also been involved in litigation concerning airport operations. Prior to joining Kaplan Kirsch & Rockwell, Sarah served as an Assistant Corporation Counsel for the City of Chicago Department of Law in the Aviation, Environmental, Regulatory & Contracts Division. While with the City of Chicago, her responsibilities focused on providing counsel to the Chicago Department of Aviation, the proprietor of Chicago O'Hare International, and Midway International Airport.

3. Staffing from Non-Local Office

The Firm does not currently have an office in San Diego. We maintain an office in San Francisco, from which we regularly represent clients throughout the State – including Southern California. Consistent with the Authority's standard Law Firm Agreement, we would not bill for time or travel expenses between any of our offices and the Authority's offices in San Diego. Three (3) of the attorneys on our proposed team are members of the California bar and eight (8) attorneys firmwide are admitted in California. And all of our attorneys travel regularly and can be available at a moment's notice if personal attendance is desirable or necessary.

4. Municipal Law Specialists

The Firm has developed a national practice in representing governmental entities in solving the kinds of disputes that arise when governments are called upon to regulate, approve, and often oppose, substantial public projects, development endeavors, or transportation infrastructure. We have developed considerable experience in negotiating intergovernmental agreements that resolve complex, difficult issues among governments.

Many of our attorneys have broad municipal law experience. In particular:

Matt Adams has represented cities, counties, and other California public agencies on a broad range of land use and environmental issues, including water, endangered species and sensitive habitats, climate change and resiliency, historic and cultural resources, soil and groundwater contamination, and state (CEQA) and federal (NEPA, NHPA, Section 4(f)) environmental review requirements, as well as related legal and strategic considerations arising from the Public Records Act, the Brown Act, the California Administrative Procedure Act, and other, similar requirements.

Peter Kirsch has represented government agencies, including multiple California government agencies, as the focus of his practice for the last 35 years. His representation has ranged from states and state agencies to cities, towns and special purpose districts. While most of his practice has been in matters related to transportation infrastructure or environmental law, his focus on representing government agencies means that he has developed considerable expertise in a wide range of municipal law issues including open records and open meetings, election law, real property transactions, zoning and land use, regulation of public utilities and transportation providers, and transactions with private sector entities.

5. Outside Counsel Experience – Counsel for Government Entity

Over eighty percent (80%) of the Firm's clients are public entities, and we have wide-ranging experience providing advice and representation to public agencies. We have highlighted below relevant experience since 2012 where Firm attorneys have acted as legal counsel to California public agencies – both airports and also other government entities.

Public Airport Industry Clients

City of Burbank, California

- The Firm has advised the City on a range of issues related to the relationship between the City and the Burbank-Glendale-Pasadena Airport Authority. (The City appoints one third of the Authority Commissioners.) We represented the City in litigation resolving issues related to the respective governance authority between the Airport Authority and the City over airport operations, land use, regulatory matters and airport expansion. The Firm represented the City in the negotiation, drafting and successful adoption of a complex intergovernmental agreement that resolved almost 40 years of controversy over airport decision-making. The Firm assisted in the permitting, environmental reviews, and innovative clean energy requirements for the passenger facility charge (PFC) funded Regional Intermodal Transit Center at the Hollywood Burbank Airport. The facility, which opened in 2014, combines a rental car center, urban bus facility, and parking for an adjacent regional transit station and includes innovative clean energy components. The Firm also led the City's successful negotiations for a development agreement that paved the way for the construction of a replacement passenger terminal and the development of 70 acres of airport-adjacent property as an Airport City development. (That project is currently underway.) In addition, the Firm has represented the City in a decades-long effort (including more than a dozen lawsuits) to secure noise relief and to control growth.

Relevant Scope of Work Elements:
Litigation (federal and state court)
Federal Grants and Revenue Use
Private Public Partnerships

City of Los Angeles, Los Angeles World Airports

- **Los Angeles International Airport.** Our team has worked with LAWA since 2010 on federal regulatory and environmental law issues. In recent years, work has included advising LAWA in connection with the environmental reviews of the Airfield and Terminal Modernization Project, which addresses airfield, terminal and landside improvements within the airport's existing footprint, and development of on-airport property. In addition, the Firm has also advised on matters regarding requirements associated with other airfield, terminal, support, and landside projects, including the Midfield Satellite Concourse and Northside area. The Firm is assisting LAWA with construction contract administration and disputes for the Landside Access Modernization Program being undertaken at Los Angeles International Airport, including for the Automated People Mover and Consolidated Rental Car Facility P3 Projects. The Firm was just awarded a new contract to provide comprehensive legal advice concerning private sector investment in, and development of, a proposed new cargo development. The Firm successfully represented the City in federal court litigation challenging the environmental review for changes to LAX arrival patterns and is providing continuing counsel on addressing community concerns about noise impacts for flight track changes throughout the City. More recently, LAWA advised the firm that it has been selected, on the basis of a competitive procurement process, as counsel to advise on a major new cargo modernization PPP project. Project procurement is anticipated to begin prior to the end of 2022.

Relevant Scope of Work Elements:
Litigation (federal and state court)
Federal Grants and Revenue Use
Land Use
Private Public Partnerships

Los Angeles County, California

- **Brackett Field Airport, Compton/Woodley Airport, San Gabriel Valley Airport, General William J. Fox Airfield, and Whiteman Airport.** Kaplan Kirsch & Rockwell advises Los Angeles County on a range of FAA grant compliance issues related to the five general aviation airports the County operates. Firm attorneys have defended the County in Part 16 and Part 13 proceedings before the FAA, and provided counsel on revenue use, rates and charges, hangar redevelopment, and community use issues.

Relevant Scope of Work Elements:
14 CFR Parts 13 & 16
Federal Grants and Revenue Use
Land Use

City of Palo Alto, California

- **Palo Alto Municipal Airport.** We advised the City in developing and implementing a strategy for acquiring the Palo Alto Municipal Airport from Santa Clara County and crafting a long-term strategic plan for remedying deferred maintenance and enhancing the economic value of the airport to the City. The Firm not only led negotiations between the City and the County, but also secured FAA approval for the transfer of the Grant Assurance obligations in light of serious compliance issues by the County. The Firm has assisted the City in professionalizing the airport operations through adoption of new Minimum Standards, Rules and Regulations, and standardized leases. As a corollary to the Firm's work for the Airport, Firm lawyers have been providing counsel to the City on addressing community concerns about the impact of changed flight tracks on residential areas and the City's legal, policy, legislative and political options for securing meaningful noise relief, which work has included substantial work with FAA policy makers, regional decision makers and members of the Congressional delegation.

Relevant Scope of Work Elements:
Federal Grants and Revenue Use
Contracts, Leases, Licenses &
Permits
Land Use

Santa Clara County, California

- **Reid Hillview Airport and South County Airport.** The Firm advises Santa Clara County on a number of FAA grant compliance issues at the County's two general aviation airports. Firm attorneys are advising the county regarding land release, airport closure, and related issues. As the County aggressively pursues a policy of transitioning its airports to unleaded fuel for aircraft, the Firm has assisted in policy advocacy before every level of the FAA and in conjunction with the Congressional delegation. Firm attorneys have also represented the County regarding a dispute with a skydive operator and FBO lease issues.

Relevant Scope of Work Elements:
Federal Grants and Revenue Use
14 CFR Parts 13 & 16
Land Use

Truckee-Tahoe Airport District

- **Truckee Tahoe Airport.** The Firm has assisted the District for decades in a wide range of regulatory, land use and environmental issues related to regulation of airport operators, development of non-aeronautical property, preservation of the District's proprietary exclusive right as the solo FBO, revenue use and diversion issues, acquisition of property for noise mitigation, and development and implementation of noise abatement flight tracks. The Firm worked with the District to secure additional FAA grant funding based upon passenger enplanements on noncommercial operations.

Relevant Scope of Work Elements:
Federal Grants and Revenue Use
Land Use

Other California Public Agency Clients

- **Arvin-Edison Water Storage District:** The Firm represents the District on environmental matters under the National Environmental Policy Act (NEPA), the California Environmental Quality Act (CEQA), and federal Clean Water Act (CWA) matters, including litigation, arising from water banking projects; advise on protection of infrastructure against climate and subsidence risks.
- **California Attorney General and California Department of Toxic Substances (DTCS).** The Firm advises this client regarding cost recovery and financial aspects of the post closure of four hazardous waste landfills located in Northern California, permitted pursuant to the Resource Conservation and Recovery Act (RCRA).
- **Contra Costa Transportation Authority.** We represent the Contra Costa Transportation Authority on its procurement of a proposed fully-autonomous dynamic transit project in the East Bay area, which will link East County communities to Bay Area Rapid Transit (BART) stations. The procurement utilizes portions of California's Infrastructure Finance Act (IFA) and other legal authorizations to enable a progressive DBFOM procurement that contemplates undertaking project development and environmental reviews collaboratively between CCTA and the selected private partner.
- **Friant Water Authority.** The Firm represents the Friant Water Authority, a California public agency charged with operating and overseeing the Central Valley Project's Friant Division water infrastructure,

on state (CEQA) and federal (NEPA, Endangered Species Act) litigation addressing the joint operation of the Central Valley Project and State Water Project.

- **Los Angeles Department of Water & Power (LADWP).** The Firm represents LADWP on major CERCLA matters in the San Fernando Basin and Sylmar Basin.
- **San Bernardino County.** The Firm represents the County in connection with ongoing compliance with order from Regional Water Quality Control Board in connection with a groundwater plume in the vicinity of the Chino Airport (including VOCs and emerging contaminants such as 1,2,3 TCP). In addition, the Firm continues to advise the County regarding ongoing permitting, environmental remediation, and major landfill expansion plans.
- **San Bernardino County Transportation Authority.** We advise SBCTA on the procurement of a tunneled, fully autonomous on-demand transit connection from the Rancho Cucamonga Metrolink Station to the Ontario International Airport. The tunnel is anticipated to connect to anticipated Brightline West high speed rail service, connecting Southern California to Las Vegas, and the West Valley Connector Bus Rapid Transit service, ahead of the 2028 Summer Olympics. We also advise SBCTA on construction period claims related to the I-10 Express Lanes Project, which includes approximately 10 miles of new express lanes construction stretching from the Los Angeles County line to I-15. Our representation includes advising SBCTA on strategies related to significant ‘total cost claims’, COVID-related claims, and other schedule-related claims on this \$930 million project. In addition, our Firm represented SBCTA on the procurement to replace the Mount Vernon Viaduct as a design-build. The viaduct spans the largest intermodal rail yard in California’s Inland Empire. This technically challenging project required incorporation P3 risk allocation provisions and other contracting best practices in light of California design-build contracting and existing SBCTA forms of agreement, as well as project specific needs (e.g. railroad interface issues).

6. Outside Counsel Experience – Airports

Our attorneys have worked on airport legal matters at over 100 publicly owned airports across the country. As a result, we are subject matter experts who understand not only the full regulatory context facing airports today (including grant assurances, transit, revenue, rates and charges, funding and financing, procurement, development, property acquisition, approvals and entitlements, public participation, and litigation). The Firm’s airport attorneys are also industry leaders in keeping airport attorneys nation-wide apprised of latest developments in airport law – including environmental matters impacting airports. Firm lawyers have served as principal investigators and members of the research team for a score of National Academy of Sciences Transportation Research Board legal research digests and reports. For example, Peter Kirsch frequently presents at the Aviation Noise and Emissions Symposium, hosted by UC Davis Air Quality Research Center. As another example, Katie van Heuven worked with industry experts to prepare a new guide to airport land use and non-aeronautical development in light of Section 163 of the FAA Reauthorization Act of 2018 (see www.section163.com for the guide). In addition, twice each year, we publish for our clients and colleagues a digest of new developments in law affecting airports. Our most recent update is available at: [Semi-Annual Airport Law 2021 Mid-Year Update](#). We also issue Airport Law Alerts as warranted when there are new legal developments in court decisions, regulatory matters, legislation, or FAA policy. Finally, for fifteen years – and as an illustration of the Firm’s reputation in the airport community – the Firm has provided the faculty, the course textbook, and the organizational support for the annual American Association of Airport Executives (AAAE) and International Municipal Lawyers Association [Airport Law Workshop](#), the definitive three-day training course for airport lawyers. The Firm-authored *Airport Law Desk Reference*, now in its 13th edition, has become the industry-standard legal textbook for airport law. These processes ensure that our attorneys maintain a current understanding of all developments that affect our airport clients.

The following sections describe our recent experience acting as counsel for public agencies or entities that operate an airport. This is in addition to our work for myriad California airport clients which is highlighted above.

Airline Bankruptcy Coalitions

- **Multiple Airport Sponsors.** The Firm represented two consortia with a total of 21 separate airports in the Hertz and Advantage rental car bankruptcies, resulting in the Bankruptcy Courts holding in both cases, for the first time, that customer facility charges (CFCs) are property of the airports for whom they were collected being held in trust by the rental car companies, and not assets of the debtor rental car companies. The Advantage bankruptcy has essentially concluded, but we continue to monitor the Hertz plan to emerge from bankruptcy protection and assist our clients with issues relating to the assumption and assignment of agreements, collecting pre- and post-petition obligations and the like. The Firm has represented many other airport sponsors in smaller airline and airport industry bankruptcies over the last 20 years.

Relevant Scope of Work Elements:
Bankruptcy

Allegheny County Airport Authority

- **Pittsburgh International Airport.** The Firm served as the Authority's counsel for the negotiation of a new Airline Operating Agreement (AOA) with the airlines operating at PIT. The first new AOA in 30 years, this agreement will serve as the financial foundation for the Authority's over \$1 billion Terminal Modernization Program (TMP). The AOA had been finalized just prior to the impact of COVID-19 in the U.S., and as a result, the airlines were not able to sign it. Accordingly, we worked with the Authority to negotiate a shorter term agreement that included the new rate methodology and then an amendment that will extend the term and approve construction of the TMP and issuance of bonds secured by airport revenues.

Relevant Scope of Work Elements:
Airline Use and Lease Agreements

Atlanta, Georgia

- **Hartsfield-Jackson International Airport.** The Firm provides continuing counsel to the City of Atlanta on federal regulatory issues and legal issues unique to airport operations and development. Among the wide range of issues for which Firm attorneys have provided counsel are matters involving particularly complex and unprecedented legal issues related to leasing, revenue use, and commercial development; developing and implementing a corrective action plan arising from an adverse finding in Part 16 complaint relating to its ACDBE program; counsel in a complex revenue use investigation; providing lead counsel in litigation related to an on-airport hotel concerning the proper level of rent payments to be made under the lease and the potential applicability of the federal grant assurances; and negotiation of an amended lease that was coupled with a complex property swap transaction, resulting in the acquisition of a new parcel of land that was valuable—both monetarily and logistically—to Atlanta.

Relevant Scope of Work Elements:
Litigation (federal and state court)
Federal Grants and Revenue Use
14 C.F.R. Parts 13 and 16
DBE and ACDBE
Contracts, Leases, Licenses and Permits
Land Use

Austin, Texas

- **Austin-Bergstrom International Airport.** The Firm has helped the City of Austin's Airport Department negotiate a new fuel farm lease with a consortium of the air carriers serving the airport. We have provided bankruptcy counsel in both the Hertz and Advantage bankruptcies. We have helped the Airport address federal regulatory compliance issues, including with respect to providing liquidity to the on-airport hotel, and we have provided counsel regarding planning and development of a new Use and Lease Agreement.

Relevant Scope of Work Elements:
Bankruptcy
Airline Use and Lease Agreements

Chicago, Illinois

- **O'Hare International Airport Modernization Program (OMP).** Over the past twenty years, the Firm has assisted the City of Chicago in a wide range of regulatory and compliance matters concerning airport development projects. We have provided counsel as Chicago implements the OMP and its O'Hare 21 vision, including a

Relevant Scope of Work Elements:
Litigation (federal and state court)
Federal Grants and Revenue Use
Land Use
Public Contracting, Public Bidding and Procurement

comprehensive terminal update and proposed new O'Hare Global Terminal. This representation has included a range of issues related to the OMP, including financing of airport capital improvements, planning for airport transportation infrastructure, and assisting with the reviews of proposed Terminal Area Plan under NEPA and the National Historic Preservation Act (NHPA). Our NEPA and NHPA work is ongoing.

- **Midway Airport - Title VI Compliance Review.** Firm attorneys provided advice and counsel to Chicago in connection with an FAA-initiated Title VI compliance review at Midway Airport. We prepared detailed responses to FAA inquiries made in advance of the on-site audit. Our attorneys had extensive interactions with the FAA during and after the on-site review and provided guidance to Chicago on post-review matters, including designing "best practices" for the airport to implement going forward.
- **Part 139 Enforcement Investigation Reports (EIRs).** The Firm assisted the City with investigating and responding to several FAA EIRs. These matters involve compliance with airport safety regulations, recordkeeping obligations, and personnel training. The Firm conducted factual investigations, witness interviews, and legal analysis to assist CDA in responding to FAA allegations of noncompliance.
- ***Riser v. City of Chicago, 2015-L-009955 (Cook Cty., Ill. Dec. 19, 2018), aff'd, 2020 IL App (1st) 190143-U (June 9, 2020).*** The Firm successfully defended the City, in its capacity as the sponsor of O'Hare International Airport, in state inverse condemnation litigation concerning construction and use of a new runway at O'Hare International Airport. The case required lengthy discovery, including over 60 depositions of individual plaintiffs, as well as document discovery and expert depositions. It also involved extensive motions practice, including multiple rounds of motions to dismiss that narrowed the case substantially and an ultimately successful motion for summary judgment on statute of limitations grounds.

Clark County, Nevada

- **Harry Reid International Airport (LAS).** The Firm has been engaged by Clark County for almost two decades regarding a suite of federal regulatory and compliance issues at LAS. Firm attorneys have advised the Clark County Department of Aviation on a broad array of issues, including land use and development issues, specifically relating to the real estate policies and practices for concurrent commercial development of aeronautical property to generate revenue from property reserved for airspace protection at LAS. The Firm has also represented the County on revising its use and lease agreements at LAS and in connection with collection of Passenger Facility Charges by Part 135 operators. In addition, we assisted the Department of Aviation in securing a favorable FAA opinion that allowed the County to incentivize so-called up-gauging (replacing smaller aircraft with larger aircraft) at LAS. The program was designed to improve airfield efficiency and to allow increased passenger traffic as LAS approaches its practical airfield capacity. The Firm prepared a formal request for an FAA decision and assisted in drafting the interpretation of the rule and in implementing the program following the favorable FAA determination.
- **Proposed Southern Nevada Supplemental Airport.** We represent Clark County in all aspects of planning for the proposed Southern Nevada Supplemental Airport, including NEPA and early project financial feasibility and delivery structuring. Included in our work is assisting Clark County in evaluating approaches for delivery of the airport through public-private partnership models.
- **Other Clark County Airports.** We have advised Clark County on myriad issues that arise in its operation of a system of general aviation airports in addition to LAS. These issues have included development of a proposed heliport; regulation of small commercial passenger operations, accommodation of Grand Canyon tourist flights (many of which originate at one of the Clark County airports); noise issues in the rapidly developing city of Henderson; review and revision of operating standards and rules and regulations; and use and regulation of airport buffer lands.

Relevant Scope of Work Elements:

Litigation (federal and state court)
Federal Grants and Revenue Use
Airport Use and Lease Agreements
Contracts, Leases, Licenses &
Permits
Land Use
Public Contracting, Public Bidding,
and Procurement
Private Public-Partnerships

Dallas/Fort Worth, Texas

- **Dallas Fort Worth International Airport (DFW).** The Firm represents the D/FW Airport Board as its federal aviation regulatory counsel. Over the past decade, we have provided extensive advice regarding regulatory compliance issues arising from the COVID-19 pandemic, including assisting with structuring its financial assistance programs for airlines and concessions tenants and developing form certifications for concessions relief required under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). In addition, the Firm has provided counsel on financial compliance issues, incentive programs and airport land use development.

Relevant Scope of Work Elements:
Federal Grants and Revenue Use
Land Use

Denver, Colorado

- **Denver International Airport (DEN).** The Firm has represented the City on a range of issues for DEN over the years, including: representing the City/DEN in litigation in Colorado state court against neighboring Adams County over the interpretation of the noise measurement requirements of the 1988 Intergovernmental Agreement that facilitated the creation of Denver International Airport; representing the City/DEN on the public-private partnership for the development of the on-airport Peña Boulevard rail station as a transit-oriented development project, including preparation of the master agreement between the City/DEN and Rail Stop LLC related to development and infrastructure funding for this approximately 60 acres of property surrounding the transit station; and representing DEN Real Estate on a new major commercial, non-aeronautical development project. We also assisted the City on multiple aspects of the DEN Concessions Program, including local geographic preference and concentration of ownership policies implicating ACDBE requirements under 49 C.F.R. Part 23.

Relevant Scope of Work Elements:
Litigation (federal and state court)
Federal Grants and Revenue Use
Land Use
Airport Concessions
DBE and ACDBE
Airport Parking, Ground
Transportation and Rental Cars
Public Contracting, Public Bidding and
Procurement

Hillsboro County Airport Authority (Florida)

- **Tampa International Airport (TPA).** The Firm served as the Authority's counsel in negotiation of a new Use and Lease Agreement (ULA) that, due to the exigencies of the COVID-19 pandemic, became negotiation of a new rates by resolution. We worked with the Authority and its consultants to develop a new ratemaking methodology and a strategy for negotiating a new ULA incorporating that methodology. We negotiated with the airlines serving TPA for nearly 18 months, but after air traffic dropped precipitously due to COVID-19, we assisted the Authority in negotiating a new rates resolution that was adopted by the Authority less than 6 months later and just before the former ULA expired. We also advised the Hillsborough County Airport Authority on matters related to the solicitation of a new concessions program, including a review of all proposed concessions contracts for compliance with applicable law, including FAA-based ACDBE requirements.

Relevant Scope of Work Elements:
Federal Grants and Revenue Use
Airline Use and Lease Agreements
Airport Concessions
DBE and ACDBE

Lehigh-Northampton Airport Authority (Pennsylvania)

- **Lehigh-Northampton Airport.** Firm lawyers have represented Lehigh-Northampton Airport Authority on a wide range of matters for a number of years related to the airport in Allentown, Pennsylvania. One focus of our representation has been negotiating a multi-million dollar non-aeronautical development project, which includes work to obtain the release of airport property. We have also assisted with various aspects of COVID-19 response (rent deferrals, compliance with public health orders, etc.) and drafted and negotiated lease renewals, updates to minimum standards, and updates to airline rates and charges.

Relevant Scope of Work Elements:
Federal Grants and Revenue Use
Land Use

Maryland Aviation Administration (MAA)

- **Baltimore/Washington International Thurgood Marshall Airport (BWI).** The Firm has advised MAA on general federal environmental and regulatory issues in connection with BWI and general aviation airports operated by MAA. In addition, the Firm has provided on-demand advice regarding revenue use, grant compliance, and community noise issues.
- **Howard County v. Federal Aviation Admin., 970 F. 3d 441 (4th Cir. 2020).** Firm lawyers advised MAA on NEPA and related environmental issues for a new mid-field cargo project, and successfully represented MAA in litigation from a neighboring jurisdiction challenging the sufficiency of the environmental review.
- **Metroplex Litigation.** The Firm represented MAA in inter-related cases involving Metroplex and NextGen implementation issues. In two of those cases, Maryland sued the FAA challenging new flight procedures at BWI and Washington Reagan National, respectively, that impacted residents under the new flight paths.

Relevant Scope of Work Elements:
Litigation (federal and state)
Federal Grants and Revenue Use

City of Philadelphia

- **Philadelphia International Airport.** Firm attorneys have represented the City of Philadelphia with regard to matters involving the Philadelphia International Airport for more than two decades, including environmental review and implementation of the Capacity Enhancement Program. Most recently, the Firm assisted the City in designing an innovative incentive program designed to accelerate the recovery of air service that was lost or reduced as a result of the COVID-19 pandemic. We worked closely with the City's in-house legal counsel and air service development staff to design a robust and targeted program to achieve the City's goals. Firm lawyers have assisted in eminent domain litigation for development of new cargo facilities to accommodate the United Parcel Service hub at Philadelphia International Airport.

Relevant Scope of Work Elements:
Litigation (federal and state)
Federal Grants and Revenue Use
Land Use

Phoenix, Arizona

- **Phoenix Sky Harbor International Airport.** The Firm has provided counsel to the City of Phoenix's Airport Department on a wide variety of matters over the past decade, including issues arising from Part 135 (air taxi) operations and passengers transferring to commercial carriers, advice regarding structuring financial relief in to concessionaires in response to the COVID-19 pandemic, and serving as bankruptcy counsel in both the Hertz and Advantage bankruptcies. The Firm successfully represented the City in precedent-setting litigation against FAA flight tracks in *City of Phoenix v. FAA*.

Relevant Scope of Work Elements:
Litigation (federal and state)
Federal Grants and Revenue Use
Bankruptcy

Raleigh-Durham Airport Authority (North Carolina)

- **Raleigh-Durham International Airport (RDU).** The Firm has advised RDU on federal compliance matters and litigation relating to the lease of a stone quarry located in a portion of the airport not designated for aeronautical purposes to a third party. For more than 30 years, Firm lawyers have represented the Airport Authority in its efforts to design, and then defend, a precedent-setting land use compatibility protocol to protect nearby communities from adverse noise impacts. More recently, the Firm has been helping the Authority respond to the impacts of the COVID-19 pandemic on concessionaires, especially ACDBEs. We have helped the Authority restructure their concessions program and negotiate a resolution of a complaint to the FAA's Civil Right Division brought by on-airport ACDBEs.

Relevant Scope of Work Elements:
Litigation (federal and state)
Federal Grants and Revenue Use
Airport Concessions
DBE and ACDBE
Land Use

State of Hawaii

- The Firm represents the State in its operation of its 14-airport system in a wide range of federal regulatory and compliance issues. In addition to providing almost continuous counsel on matters related to the COVID 19 pandemic in recent years, the Firm is advising the State on efforts to reform the arrangement with the Department of Defense which governs operation of its small Dillingham Airfield; is assisting in design of an incentive program to encourage post-pandemic operations at the smaller commercial airports in the state' and is working to develop a FBO and cargo facility at Kona.

Relevant Scope of Work Elements:
Federal Grants and Revenue Use
14 C.F.R. Parts 13 and 16
Land Use

Tweed New Haven Airport Authority (Connecticut)

- **Tweed New Haven Airport.** The Firm represents the Tweed-New Haven Airport Authority on an approximately \$100 million private investment and private sector partnership. The project, which includes structuring as a facility lease and management contract, includes operation of the existing terminal and development of an entirely new terminal and initiating new service by a start-up low cost airline. The Firm is advising the Authority on related land use and environmental reviews necessary for a runway extension and the new terminal development.

Relevant Scope of Work Elements:
Federal Grants and Revenue Use
Land Use
Public Private Partnerships

Snohomish County (Washington)

- **Paine Field/Snohomish County Airport.** The Firm assisted the County on the development and coordination strategy for the introduction of commercial service for the first time at Paine Field. This work included advice on securing necessary FAA approvals, changes to airline operations specifications, and environmental review for those changes and for development of the new passenger terminal. The Firm then represented the County on negotiations of a lease for a commercial terminal operator, the negotiations and development of the plan for aeronautical and quasi-aeronautical development on the last remaining vacant parcels at the Airport, and the negotiation among competing bidders for airfield access and commercial development opportunities. The Firm also structured and help implement a litigation strategy concerning challenges to the lease in federal and state courts. More recently, the Firm has represented the County in negotiations for purchase of the sole FBO and in miscellaneous federal compliance issues that have arisen during the COVID 19 pandemic.

Relevant Scope of Work Elements:
Federal Grants and Revenue Use
Contracts, Leases, Licenses and Permits
Land Use
Public Private Partnerships

7. E&O - Professional Liability Insurance

By submitting this proposal, the Firm confirms that it carries a Primary Lawyers Professional Liability Insurance policy. The information requested in the RFP is presented in Table 1 below:

Table 1: Professional Liability Insurance

| | |
|--------------------------------------|---|
| Policy Limits | \$5M each claim/aggregate, \$5M excess, \$10M total |
| Deductibles | \$50,000 per claim/aggregate |
| Self-Insured Retention | None |
| Discovery Period | N/A |
| Exceptions to Coverage | N/A |
| Collateral Securing Deductible / SIR | N/A |
| Policy Exclusions | See below. |

Policy Exclusions

The Firm's policy does not apply to any of the following claims. (Capitalized terms herein are those defined in our policy):

- A. Claims arising out of a Wrongful Act, Privacy Breach, Security Event, Social Engineering Incident, or Expense Event occurring prior to the effective date of the first Lawyers' Professional Liability Insurance Policy issued by the Insurer to the Named Insured which was continuously renewed and maintained, if:
 - 1. any Insured gave notice to any prior insurer of any Claim or Potential Claim, Wrongful Act, Privacy Breach, Security Event, Social Engineering Incident or Expense Event; or
 - 2. any Insured had a reasonable basis to believe that an Insured had committed a Wrongful Act, violated a disciplinary rule, or engaged in professional misconduct.

- B. Claims arising out of any actual or alleged intentional, criminal, dishonest, malicious or fraudulent act, error or omission by any Insured if such intentional, criminal, dishonest, malicious or fraudulent act, error or omission is established by a final adjudication in any judicial, administrative or alternative dispute resolution proceeding.

This Exclusion B. does not apply to any Personal Injury Offense that results from any Professional Services by any Insured.

For purposes of this Exclusion, the act of any Insured shall not be imputed to any other Insured(s) who was not aware of and did not participate in such act.

- C. Claims arising out of any Insured's services provided on behalf of or capacity as an officer, director, partner, owner, or employee of any corporation, partnership, association or any other business enterprise or charitable organization of any kind or nature other than that of the Named Insured.

This Exclusion C. does not apply to any Claim that results directly from the rendering of or failure to render Professional Services by any Insured to such corporation, partnership, association or other business enterprise or charitable organization.

- D. Claims arising out of any Insured's services as a public official, or as an employee of a governmental body, subdivision, or agency.
- E. Claims arising out of any actual or alleged violation or breach by any Insured as a fiduciary under the Employee Retirement Income Security Act of 1974 ("ERISA") and its amendments or any regulation or order issued pursuant thereto or any other similar state or local law.
- F. Claims arising out of Bodily Injury or Property Damage. (However, Exclusion F. does not apply to the extent that any such Bodily Injury or Property Damage results from any Insured's rendering of or failure to render Professional Services.
- G. Claims arising out of any actual or alleged liability assumed by any Insured under any written or oral contract or agreement including, without limitation, any indemnification agreement, provided that this exclusion does not apply to any liability that would have attached to any Insured in the absence of such contract or agreement and is otherwise covered under this policy.
- H. Claims by or on behalf of any Insured against any other Insured unless such Claim arises out of Professional Services by any Insured rendered to such other Insured as a client.
- I. Claims arising out of Professional Services rendered, or that should have been rendered, to or on behalf of a Controlled Enterprise.

8. Proposed Hourly Fees

The Firm has worked assiduously to control its fees charged to public entities. To that end, the Firm is prepared to continue to offer the Authority a substantial discount on our published hourly rates, as reflected in the following table.

| Attorney | Published 2022 Hourly Rates | FEE PROPOSAL: Discounted, Blended Hourly Rates |
|---------------------|-----------------------------|--|
| Senior Partner | \$950 | \$565 |
| Partner | \$850 | \$550 |
| Junior Partner | \$750 | \$535 |
| Senior Associate | \$625 | \$405 |
| Associate | \$525 | \$395 |
| Law Clerk/Paralegal | \$225 | \$225 |

We would request the opportunity to raise rates after two years by no more than five percent.

The Firm closely monitors and limits direct expenses. We do not charge for routine office administrative work or materials. Unusual costs (e.g., assembly of multi-volume, hard-bound documents) are billed at actual cost of materials, without mark-up or other administrative fees.

We are familiar with and will comply with Authority requirements on reimbursable expenses and understand the need to ensure that expenses be appropriate to the representation of a public entity. Specifically, we acknowledge that the Authority does not pay separately for clerical work; nor does it pay for Westlaw or Lexis service. Further, while we do not anticipate any change in personnel, we acknowledge that should any attorneys staffing the Authority need to be replaced, the Authority would not be charged for the time/effort spent by a new attorney familiarizing themselves with our work for the Authority.

9. Expenses

By submitting this proposal, the Firm confirms that it has read the Authority's limitation on billable expenses (as set forth in Exhibit B to the draft Law Firm Agreement) and that it would comply with such limitations. Specifically, we acknowledge, consistent with the Authority's standard Law Firm Agreement, we would not bill for time or travel expenses between any of our offices and the Authority's offices in San Diego.

10. Mechanisms to Minimize Billings and Provide Quality Service

Efficient and Cost-Effective Service

Because most of the Firm's clients are public entities, we are acutely sensitive to ensuring that our work is efficient, cost-effective, and can withstand public scrutiny. We are familiar with and will comply with local requirements on reimbursable expenses and understand the need to ensure that expenses be appropriate to the representation of a public entity.

In addition, as noted above, one of our greatest assets is our bench strength. This means that at any given point, the Firm is able to respond swiftly, and with the necessary resources, to any matter that arises. One example illustrates how we successfully respond to and address client needs. The City of Philadelphia sought our counsel regarding a new issue that the Mayor had requested a briefing the following day. Beginning on a Sunday evening, Firm attorneys researched the key issues, provided informal counsel via telephone and, by mid-day Monday, supplied talking points for the briefing. We

precisely produced the work product needed and tailored to the circumstances within 18 hours. That experience is typical of our legal services and our work ethic.

Ultimately, our indicator of success—for both individual tasks and for our representation more generally—is that our clients receive competent, sophisticated, thorough, and thoughtful legal advice in a timely and cost-effective manner.

Special Technology

The Firm employs state of the art technology to minimize clerical and document processing time. For example, all client files are kept electronically, rather than maintaining cumbersome paper copies. In addition, our Nuance E-Copy Pro software technology allows any document to be scanned in optical character recognition (OCR) format so that the entire client file can be searched and indexed. All attorneys have access to all client files 24 hours-a-day and seven days-a-week from any location with internet access. The Firm has recently converted all of its information technology systems to a cloud-based system so that all attorneys and clients can access material from anywhere at any time. The efficiency benefits for our Firm are significant. Not only do we save substantial copying and document management costs, but also are able to share documents, drafts, and internal notes in real time (both within the Firm and also with our clients) while ensuring that we satisfy best practices for maintaining document security.

The Firm employs latest technology legal research tools, including not only LexisAdvance but also digested and indexed sources of airport law that are not generally available on commercial databases. For example, we have created an indexed digest of all FAA Part 16 decisions and we maintain a robust and thorough electronic library of FAA Orders, Directives, Policy Statements, Guidance Letters, Advisory Circulars, and informal determinations that are generally not available on commercial databases. Our attorneys also regularly monitor the Federal Register or subscribe to lists maintained by state or federal regulatory agencies so that they receive notifications of recent or upcoming regulatory actions.

The Firm also has been keeping our clients informed about policy developments in the new federal administration. As a result of these efforts, Firm attorneys are always up to date on relevant matters and are not put in the position of learning the issues at our clients' expense.

The references we have provided in Paragraph 16 below can attest to the efficiency and cost effectiveness of our services. In addition, we offer the following reference:

Port of Seattle

The Firm assisted the Port in evaluating the federal regulatory implications of implementing and regulating the use biometric technology at the Seattle-Tacoma International Airport. The Firm also assisted the Port in navigating rapidly evolving federal mandates issued in the immediate wake of the COVID-19 pandemic, and has also assisted the Port with federal compliance and adoption of policies to address political protests.

Reference: **John McLaughlin**, Senior Port Counsel, 206.787.3893, mclaughlin.i@portseattle.org

11. Ability to Work with Smaller Firms Including Minority Women and Other Firms

As a national firm, we can only be effective if we work in a team with local counsel. The Firm has a proven track-record of supplementing local and in-house legal resources and has provided counseling, transactional and litigation services that support and complement, rather than duplicate, in-house resources. Most of the firms with whom we have had the privilege of teaming over the last twenty years have been small, local or regional firms. We have found that we work most effectively with small firms because they are more likely to mimic Kaplan Kirsch & Rockwell priorities and culture, i.e., placing a strong emphasis on client responsiveness and treating each client as indispensable. As members of a small firm ourselves, we appreciate both the lack of bureaucracy and also the personal responsiveness that is more readily available in small firms.

As noted above, over 80% of the Firm's clients are public sector clients. As a result, we typically contract directly with specific government entities. In many such cases, we are involved with larger teams that include small business enterprises (SBEs) as well as MBE, WBE and or DBE entities. However, we are not often involved in formal joint ventures and/or subcontracting relationships. We often work closely with specialized consultants, many of whom are WBE/DBE firms, including, for example, [KB Environmental Sciences](#), [HMMH](#), [Montgomery Consulting Group Inc.](#) and [ASRC](#), as well as individuals. We actively promote working with MBE/WBEs and are happy to team with expert local SBE and/or MBE/WBE firms. The Firm is actively involved in industry efforts to promote diversity and equity in the airport industry, as a member of the Airport Minority Advisory Council (AMAC) and as an active leader in Airport Consultants Council (ACC), AAE and ACI-NA efforts.

Given that our relationship with such MBE, WBE and DBE firms is rarely conducted under a formal subconsultant agreement, it is not possible for us to report precise work allocations. However, we can report that we have been a subcontractor to The Sohagi Law Group, a certified WBE based in California, related to legal services provided to Los Angeles World Airports (LAWA). On that project, the Sohagi Law Group was the main consultant and performed approximately 80% of the legal services; our Firm provided the remaining 20% of the legal services. We continue to collaborate with The Sohagi Group for LAWA under separate contracts. In addition, we recently teamed with The Sohagi Group to respond to a bid for legal services for another California public agency.

By submitting this proposal, the Firm confirms that it has read the Scope of Work (as set forth in Exhibit A to the draft Law Firm Agreement) and can comply with such provisions.

12. Commitment to Diversity, Equity, and Inclusion

Today, 19 of our 39 attorneys (49%) are female. Of our 22 partners, 9 (41%) are women, one of whom is a named partner of the Firm. One partner is Native American. Among our total attorney roster, 13% represent minorities, 8% identify as LGBTQ and 3% have a disability. Our professional staff of 19 includes 16 (84%) women, 42% representing minorities.

We continue to seek opportunities to promote diversity and inclusiveness. The following is our Firm's formally adopted statement of diversity principles:

"Kaplan Kirsch & Rockwell is committed to fostering diversity in our Firm and in the legal profession more generally. Diversity is an inclusive concept and encompasses, without limitation, race, color, ethnicity, gender, sexual orientation, gender identity, and expression, religion, nationality, age, disability, and marital and parental status. With a diverse firm, we can be more creative, effective, and just, bringing more varied perspectives, experiences, backgrounds, talents, and interests to the practice of law and the administration of justice. A diverse group of talented legal professionals is critically important to the success of every law firm, corporate or government law department, law school, public service organization and every other organization that includes attorneys. Diversity is not about quotas or different standards. Rather, the opportunity to increase diversity should be one important consideration in the decision-making process. We want to hire, retain, and promote our attorneys and staff based on each of our attorneys' unique strengths, while simultaneously maintaining our commitment to diversity. To this end, we pledge to support and facilitate diversity in the hiring, retention, and promotion of attorneys and legal professionals and in the elevation of attorneys to leadership positions within our Firm. We believe that all members of the bar should have the opportunity to participate equally and fully in our profession without limitations related to their race, color, ethnicity, gender, sexual orientation, gender identity and expression, religion, nationality, age, disability, and marital and parental status.

We recognize that achieving diversity is an evolutionary process that requires a continued renewal of our commitment to strategies of inclusion. Accordingly, we reaffirm our commitment to the following principles and best practices. We further agree to continue to participate in, and increase our participation in, programs that enable us to pursue these principles."

In furtherance of the Statement of Diversity Principles, the Firm has adopted specific principles with regard to hiring and retention; promotions; and leadership. Our overall goal is to identify and eliminate any barriers to the success of the diverse group of legal talent we intend to foster and grow. The Firm

has participated in the annual Rocky Mountain Diversity Legal Career Fair for over a decade, and we have sponsored and hired attorneys and law clerks through that fair. We also participate in the Colorado Pledge for Diversity, a program to facilitate summer associate hiring.

To realize the Statement of Diversity Goals, the Firm established an active diversity committee, engages in on-going diversity training and awareness, maintains programs to promote the success of hires among diverse backgrounds, and offers viable work/life programs such as maternity/paternity leave. We operate in a continual improvement environment where we are continually evaluating our employment practices with an aim for constant improvement.

13. Actual or Potential Conflicts of Interest

By submitting this proposal, the Firm confirms that it has run a preliminary conflict check and has determined that:

- neither the Firm nor any attorney in the Firm has sued or filed a claim with the Authority or the Port District within the last 7 years;
- neither the Firm nor any attorney in the Firm has represented a client in a transaction opposed to the Authority or the Port District within the last 7 years;
- the Firm does not, and has not within the last 7 years, represented any of the Authority's or Port District's tenants, employees or bargaining units;
- the Firm does not, and has not within the last 7 years, represented any of the contractors who constructed improvements on Authority or Port District property; and
- the Firm does not, and has not within the last 7 years, represented any domestic or international air carrier.

In fact, the Firm deliberately avoids representation of airlines, fractional interests, and financial firms from the aircraft industry, corporate flight departments, and other airport users who pose a high risk of potential conflicts within an airport setting.

14. Unique Qualifications

We respectfully offer five ways in which our Firm is uniquely qualified to serve the Authority.

- **We know the Authority and the Airport.** The Firm has represented the SDCRAA for more than five years on a variety of federal regulatory, environmental and compliance matters. Among the issues on which we have provided counsel are compliance with COVID-19 requirements and measures to address terminal operations in connection with pandemic protections (including vaccine requirements); lease of property from the U.S. Navy; revenue use requirements and unique restrictions applicable to SDCRAA; AIP eligibility for capital projects; operations by an operator that is not a traditional air carrier; applicability of section 163 of the FAA Reauthorization Act of 2018; bankruptcy claims; historic preservation obligations; and investigation of an ethics complaint.
- **We understand airports.** Our attorneys understand the airport industry – not just within one or two discrete legal disciplines, but in the actual, practical manner that problems arise. Our cumulative airport experience allows us to give advice that is practically useful in a highly-regulated and financially-challenging environment. We understand the issues, are familiar with the business, and can find creative solutions to complex airport legal issues quickly and responsively. Whether the specific tasks involve client counseling, transactional work, negotiating with federal regulators, or litigation, we have the industry-leading experience and the strategic and creative thinking required to help our airport clients achieve their objectives.
- **Legal and Strategic Advisors.** We have found that our clients need not only legal, but also strategic advice. We provide both. Our attorneys work with small and large clients seeking legal counsel to craft innovative solutions to complex, often difficult, matters. Our clients' endeavors frequently involve multifaceted questions that mix law, policy, economics, environmental sciences, and engineering. While we are attorneys, we are comfortable understanding other disciplines and integrating these fields into meaningful, practical, and actionable strategic advice.

- **Collaborative, Team-based Approach.** In most law firms, one or two attorneys represent a client or work on a specific project and call on assistance as needed. The integrated nature of our practice and the complexity of the projects on which we work requires that our attorneys take a collective approach. This enables us to provide a depth of experience that comes from expertise in multiple legal disciplines.
- **Public Sector Focus.** We understand the unique needs of public sector clients. Nearly 80% of our clients are public sector entities, and several of our attorneys have served in public agencies or on planning boards. We appreciate that policy considerations are not always driven by the same financial and economic imperatives that affect the private sector. We understand policymaking at every level – many of our attorneys have served as senior government policymakers themselves. This perspective is reflected through our work in several ways, including our focus on confronting both the public policy issues and the narrow legal and technical questions that arise in controversial or complex undertakings.
- **We provide superior and cost-effective legal services.** Every law firm says they are responsive and cost-effective. We do too. The difference we bring is that our small size and narrow focus means that our clients do not have to teach us how airports work or how environmental problems arise. We already know. In addition, we do not have layers of internal bureaucracy. We are always available and understand that legal questions don't necessarily respect the 9-to-5 workday. Airport sponsors, like all public officials, need answers that are not just immediate, but concise and comprehensible, in order to make timely and informed decisions. We understand that and that's what we deliver.

15. Subcontracting

The Firm does not propose any express subcontracting. However, the Firm is open to subcontracting with (or to) any local firm or team selected by the Authority.

16. References

We have provided below three references for similar contracts for airport clients over the past three years.

Los Angeles, California

The Firm successfully represented the City of Los Angeles (the City) in litigation in which the Ninth Circuit Court of Appeals held in July 2021 that the Federal Aviation Administration (FAA) violated federal environmental laws when it changed flight procedures at Los Angeles International Airport (LAX) without conducting an adequate environmental review. The court remanded the flight procedures to FAA to conduct an environmental review. The Firm continues to represent the City during the FAA's environmental review of the LAX flight procedures, as well as other FAA flight procedure decisions at Hollywood Burbank Airport and Van Nuys Airport.

Reference: **David Michaelson**, Chief Assistant City Attorney, City of Los Angeles City Attorney's Office, david.michaelson@lacity.org
Ruth Kwon, Deputy City Attorney, City of Los Angeles City Attorney's Office, ruth.kwon@lacity.org

Phoenix, Arizona

The Firm has provided counsel to the City of Phoenix's Airport Department on a wide variety of matters over the past three years, including our successful and precedent-setting against FAA regarding noise impacts caused by FAA implementation of new flight tracks at the Phoenix Sky Harbor International Airport in *City of Phoenix v. Huerta*.

Reference: **Carolina Potts**, Assistant City Attorney, 602.273.4580, carolina.potts@phoenix.gov
Brad Holm, Assistant Aviation Director and General Counsel, 602.273.4579, brad.holm@phoenix.gov

Clark County, Nevada

The Firm is assisting the County with the planning and comprehensive environmental review for a proposed supplemental commercial service airport south of Las Vegas. Work has included legal advice

related to and strategy for compliance with NEPA, efforts to secure a conformity determination under the Clean Air Act, resolution of issues relating to endangered species in the context of an existing Multi-Species Habitat Conservation Plan, and potential noise impacts including impacts to National Parks.

Reference: **Rosemary Vassiliadis**, Director of Aviation, 702.261.5100, rosemaryv@lasairport.com
James Chrisley, Deputy Director, 702.261.5321, jamesc@lasairport.com

17. Licenses

Peter J. Kirsch | Partner-in-Charge

Peter received his J.D. from the University of Chicago Law School. He is a member of the bar in Colorado, Washington State, Maryland, and the District of Columbia. He is admitted to practice in the U.S. Supreme Court and many federal District Courts and Circuit Courts of Appeals, including the D.C. Circuit and the Ninth Circuit (the two venues for any litigation regarding FAA actions in California).

Matthew G. Adams | Partner

Matt received his J.D. from the University of California – Berkeley School of Law. He is a member of the California bar. He is admitted to practice in the Central, Northern, Southern, and Eastern Districts of California and the Eastern District of Wisconsin. He is also admitted to practice in D.C. Circuit Court of Appeals and the Ninth Circuit.

Heather J. Haney | Partner

Heather received her J.D. from the University of California – Berkeley School of Law. She is a member of the bar in California and Colorado.

Nathaniel Hunt | Partner

Nate received his J.D. from the University of Georgia School of Law. He is a member of the bar in Colorado and Georgia. He is admitted to practice in the Middle and Southern District of Georgia. He is also admitted to practice in Circuit Court of Appeals for the Ninth, Tenth, and Eleventh Circuit.

Steven L. Osit | Partner

Steven received his J.D. from Yeshiva University – Benjamin N. Cardozo School of Law. He is a member of the New York, Colorado and District of Columbia bars. He is admitted to practice before the U.S. Supreme Court, the U.S. Courts of Appeals for the D.C. Circuit and Eleventh Circuit, and the Southern District of New York.

Catherine van Heuven | Partner

Katie received her J.D. from the University of Virginia School of Law. She is a member of the bar in Colorado, Maryland and the District of Columbia. She is admitted to practice in several federal Circuit Courts of Appeals, including the D.C. Circuit Court of Appeals and the Ninth Circuit.

Tiffany N. Evans | Associate

Tiffany received her J.D. from Texas Southern University – Thurgood Marshall School of Law. She is a member of the Texas bar. She is admitted to practice before the United States Patent and Trademark Office.

Slone Isselhard | Associate

Slone received her J.D. from Northwestern University School of Law. She is a member of the Illinois bar.

William C. Mumby | Associate

Wil received his J.D. from the University of California – Berkeley School of Law. He is a member of the California bar. He is admitted to practice before the U.S. Court of Appeals for the Federal Circuit.

Sarah E. Wilbanks | Associate

Sarah received her J.D. from the University of Chicago Law School. She is a member of the bar in Illinois and Colorado, and is admitted to practice in the U.S. District Court for the Northern District of Illinois and the 11th Circuit Court of Appeals.

Attachment E – Counsel Questionnaire Form

1. Procopio's Office Locations:

Adriana R. Ochoa, Partner
Procopio, Cory, Hargreaves & Savitch LLP
525 B Street, Suite 2200
San Diego, CA 92101
T. 619.525.3861
E. adriana.ochoa@Procopio.com

Additional Locations:

12544 High Bluff Drive, Suite 400
San Diego, CA 92130
P. 858.720.6300

200 Spectrum Center Drive, Suite 1650
Irvine, CA 92618
P. 949.383.2997

1117 S. California Ave., Suite 200
Palo Alto, CA 94304-1106
P. 650.645.9000

10000 W. Charleston Blvd., Suite 140
Las Vegas, NV 89135
P. 702.216.2684

8355 East Hartford Drive, Suite 207
Scottsdale, AZ 85255
P. 480.682.4320

1050 Connecticut Ave., NW, Suite 500
Washington, DC 20036
P. 202.830.0707

Procopio, Cory, Hargreaves & Savitch LLP is a registered Limited Liability Partnership, registered in the State of California.

2. Total Counsel Staffing: Include the number of partners and associates; state specifically the names of the professionals who will provide services and estimate the percentage of time they

will serve the Authority; and provide as an attachment, an organization chart delineating who would have overall and daily responsibility for performing the services under this Agreement.

Professional Support for the Authority

Total Counsel Partners: 11
 Total Associates: 8
 Total Of Counsel: 3
 Total Senior Counsel: 3
 Land Use Planner: 1

Our team will be led by Procopio partner, Adriana Ochoa, who is the Team Leader for Procopio’s Healthcare, Education and Government team. Adriana brings tremendous experience advising public agencies on issues relating to governance, the Ralph M. Brown Act, California Public Records Act, the Political Reform Act, the Government Claims Act, Government Code 1090, the California Voting Rights Act, Proposition 218, public works contracting, operational and business matters, as well as litigation.

Upon review of the scope of services covered under this RFP we anticipate the following Procopio attorneys will form our core team to support the Authority. We are able to provide support in the many areas of need listed within the scope of work.

Our core team to support the Authority includes:

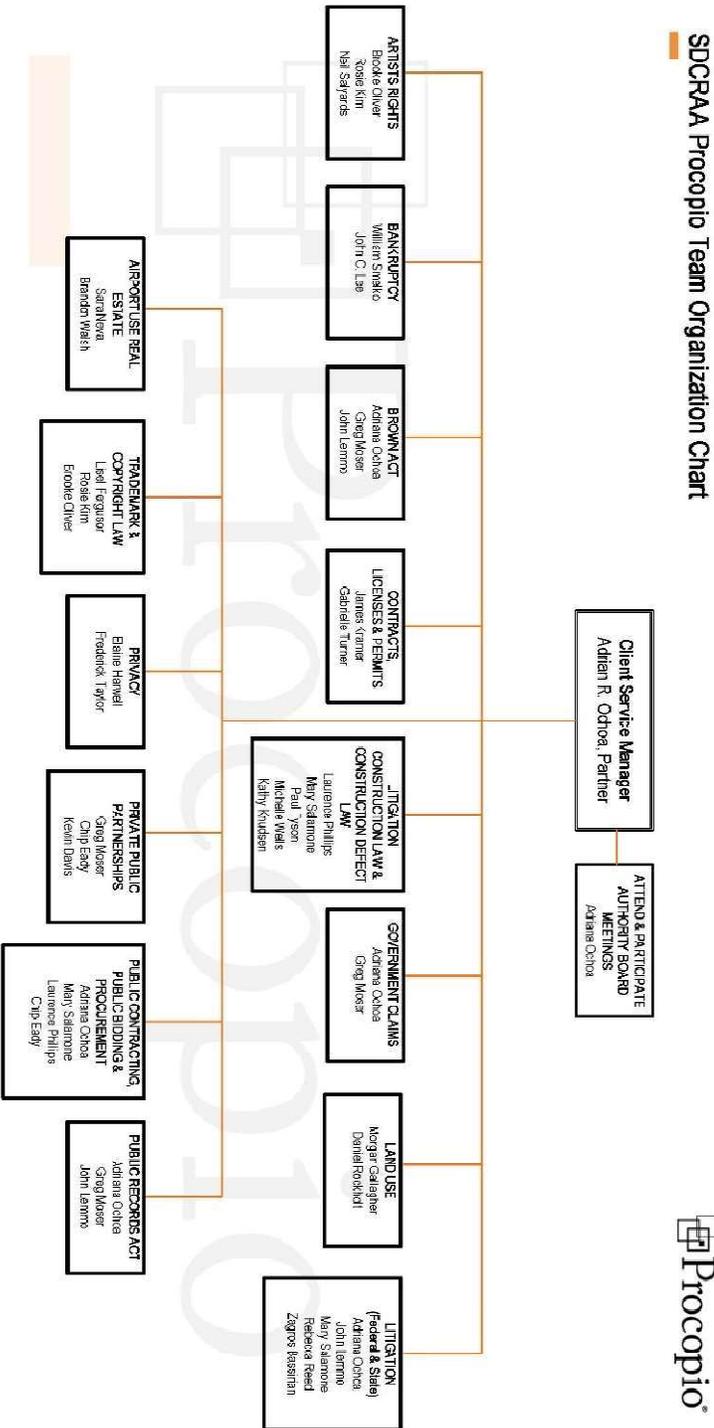
| Area of Practice | Attorney | Seniority |
|---|--|--|
| Litigation (Federal & State court) | Adriana Ochoa John Lemmo Mary Salamone Rebecca Reed Zagros Bassirian | Partner Partner Partner Partner Senior Associate |
| Litigation, Construction & Defect Law | Laurence Phillips Mary Salamone Paul Tyson Michelle Wells | Partner Partner Senior Associate Senior Associate |
| Public Records Act | Adriana Ochoa John Lemmo Greg Moser | Partner Partner Of Counsel |
| Airport Use and Real Estate Leases Agreements | Sara Neva Brandon Walsh | Partner Associate |
| Land Use | Morgan Gallagher Daniel Rockholt | Partner Land Use Planner |
| Contracts, Licenses & Permits | James Kramer Gabrielle Turner | Partner Associate |

| Area of Practice | Attorney | Seniority |
|--|---|---|
| Artists Rights | Brooke Oliver Rosie Kim Neil Salyards | Senior Counsel Senior Associate Associate |
| Trademark & Copyright Law | Lisel Ferguson Rosie Kim Brooke Oliver | Partner Senior Associate Senior Counsel |
| Government Claims | Adriana Ochoa Greg Moser | Partner Of Counsel |
| Bankruptcy | William Smelko John C. Lee | Partner Senior Counsel |
| Private Public Partnerships | Greg Moser Chip Eady Kevin Davis | Of Counsel Of Counsel Senior Associate |
| Brown Act, Public Records | Adriana Ochoa Greg Moser John Lemmo | Partner Of Counsel Partner |
| Privacy | Elaine Harwell Frederick Taylor | Senior Counsel Partner |
| Public Contracting, Bidding & Procurement, Private Public Partnerships | Adriana Ochoa Mary Salamone Laurence Philips Chip Eady | Partner Partner Partner Of Counsel |
| Attend and Participate in Authority Board Meetings | Adriana Ochoa | Partner |

Estimate of the percentage of time each attorney will serve the Authority. Until we are able to gain a greater appreciation of the Authority’s legal needs, we are unable to estimate the percentage of time each attorney will serve the authority.

ORGANIZATIONAL CHART

SDCRRA Procopio Team Organization Chart



3. Staffing from Non-Local Office (> 60 miles from Authority’s office):

The majority of Procopio attorneys identified to support the Authority are located in our two San Diego area locations. Two members of our team are located in Orange County and they are available to meet with the Authority onsite at the airport when needed. No charges for travel time would be levied.

4. Our Municipal Law Specialists

Procopio’s Public Agency practice is comprised of more than a dozen attorneys who have represented public entities for over 30 years. Our Public Agency attorneys have extensive experience working in Southern California, representing many public agencies, cities, counties, special districts and joint powers authorities such as: City of Carlsbad, City of San Marcos, City of El Cajon, City of Chula Vista, City of San Diego, Encina Wastewater Authority, San Elijo Joint Powers Authority, San Diego County Water Authority, and the University of California San Diego.

We regularly advise public agencies and their boards regarding their rights and obligations, regarding such matters as utility rate setting and charges, development of regulations and policies, public works projects, construction contract counseling and litigation, employment questions and pursuit of legislative solutions. We have broad experience with general public agency law, with expertise in the Brown Act, Public Records Act, the Government Claims Act, the Political Reform Act, Proposition 218, Government Code § 1090, laws governing proceedings before the Local Agency Formation Commission, public contracting, and the web of environmental, energy and climate rules, permitting and regulations triggered by the development of any public or public/private project.

Procopio attorneys frequently provide guidance and assistance with the construction of new facilities or the renovation of existing ones. We have attorneys highly experienced with drafting and negotiating construction and engineering contracts. Our attorneys also handle all aspects of competitive bidding for public works projects. We provide oversight and contract administration assistance during the course of construction, as well as handling complex claims that may develop relating to schedule delays, change order work and defective workmanship. When necessary, we also represent clients through all stages of any alternative dispute resolution process and litigation.

Procopio’s Public Agency Attorneys:

| Attorney | Specialty | Length of Practice |
|---------------------------|---|---------------------------|
| Adriana Ochoa, Partner | Public Agency Law, Litigation | 15 years |
| Wendy Tucker, Partner | Public Agency Law, Labor & Employment | 28 years |
| Greg Moser, Partner | Public Agency Law, Land Use, Environmental and Natural Resources | 41 years |

| | | |
|-------------------------------------|---|---|
| John Lemmo, Partner | Education, Land Use, Public Agency Law, Environmental law, Nonprofits | 25 years |
| Greta Proctor, Partner | Education, public Agency Law, Nonprofits | 15 years |
| Kevin Davis, Senior Associate | Land Use, Public Agency Law, Public Finance, Nonprofits | 14 years |
| Chip Eady, Jr. Of Counsel | Public Agency Law, Public Finance, Nonprofits | 42 years |
| Rachael Harrington, Associate | Public Agency Law, Health Care | 8 years |
| Maryam Rastegar, Associate | Labor & Employment, Nonprofits, Public Agency Law, | 6 years |
| Jon Schimmer, Partner | Tax, Public Agency Law, | 20 years |
| Matthew Shields, Associate | Public Agency Law, Litigation | 6 years |
| William Smelko, Of Counsel | Appellate Law, Litigation, Bankruptcy, Insurance Recovery, Public Agency Law, | 41 years |
| Jeff Stoke, Partner | Public Agency Law, Real Estate | 14 years |
| Tiffany Salayer, Senior Counsel | | 19 years copyright and TM, licensing, claims |

5. Outside Counsel Experience - Counsel for Government Entity: Please describe your relevant experience since 2012 acting as legal counsel to a California public agency.

Examples of our experience supporting public agencies with general counsel services, public contracting, real estate/land use and labor & employment law are included below.

| Client | Dates of Service | General Counsel | Public Contracting | Labor & Employment | Land Use/Real Estate/Environmental |
|--|------------------|-----------------|--------------------|--------------------|------------------------------------|
| San Elijo Joint Powers Authority | 1992 - present | ✓ | ✓ | ✓ | ✓ |
| Encina Wastewater Authority | 1990 - present | ✓ | ✓ | ✓ | ✓ |
| Lakeside Water District | 1990 - present | ✓ | ✓ | | |
| Rainbow Municipal Water District | 2007 - 2017 | ✓ | ✓ | ✓ | |
| City of Lake Forest | 2007 - 2008 | ✓ | ✓ | | |
| San Diego County Water Authority | 2014 - present | | ✓ | | |
| Ramona Municipal Water District | 2014 - present | | ✓ | | |
| Descanso Community Water District | 2015 - present | ✓ | | | |
| South Orange County Wastewater Authority | 2018 - present | ✓ | ✓ | | |

| Client | Dates of Service | General Counsel | Public Contracting | Labor & Employment | Land Use/Real Estate/Environmental |
|---------------------|------------------|-----------------|--------------------|--------------------|------------------------------------|
| Imperial County | 2016-2018 | | | | ✓ |
| City of Chula Vista | 1998-2006 | | | | ✓ |

Below is a summary of some of the services provided to the clients listed above.

- Serves or served as general counsel to the Encina Wastewater Authority, San Elijo Joint Powers Authority, Metro Wastewater Joint Powers Authority, Rainbow Municipal Water District, Lakeside Water District, KIPP Public Schools Northern California, Descanso Community Water District and South Orange County Wastewater Authority.
- Served as special counsel to the City of Lake Forest City Council with regard to permit revocation and violation appeal hearings.
- Represented Rainbow Municipal Water District in direct and inverse condemnation litigation. Successfully represented Rainbow Municipal Water District through an attempted LAFCO reorganization initiated by Fallbrook Public Utility District.
- Managed public works contracting, including bid protests, for Encina Wastewater Authority, San Elijo Joint Powers Authority, KIPP Public Schools Northern California, High Tech High, Vista Unified School District, South Orange County Wastewater Authority, Rainbow Municipal Water District, Alpine Union School District, and many other agencies.
- Provided Ramona Municipal Water District with counseling related to Proposition 218 compliance. Successfully defended Ramona Municipal Water District in a class-action lawsuit relating to Proposition 218. This case is currently pending before the California Court of Appeal (we are handling the appellate review).
- Negotiated recycled water supply contracts with neighboring water agencies on behalf of the San Elijo Joint Powers Authority.
- Negotiated agreements for the operation of water recycling facilities for municipalities, as general counsel to the Encina Wastewater Authority. Also negotiated alternative fuel agreements with private entities as general counsel to Encina Wastewater Authority.
- Advised the San Diego County Water Authority on the California WaterFix validation and related reverse validation action against the Metropolitan Water District.

- Served as Energy and Environmental Special Counsel to Imperial County on PUC Integrated Resources Planning proceedings regarding geothermal energy.
- Advised the City of Chula Vista on the South Bay Power Plant.
- Served the City of El Cajon regarding hazardous waste and redevelopment issues.
- Advised the City of Oceanside on its Regional Water Board and Army Corps compliance.
- Counseled the Port of San Diego on coastal and environmental permitting issues.
- Counseled Encina Wastewater Authority through a Progressive Design Build Climate Control Rehabilitation Procurement for the design and construction of a cogeneration building heating, ventilation, and air conditioning upgrades project worth \$4 million.
- Executed a bond financing for SEJPA in 2017 and drafted a progressive lease purchase agreement for SEJPA's successful water campus improvement project.
- Counseled a public agency in connection with the preparation and negotiation of a design-build contract relating to the design and construction of a \$100 million wastewater treatment facility.
- Counseled public agencies concerning the application of California Prevailing Wage Law to construction performed by private developers on land leased by the public agencies.
- Represented a public agency in a lawsuit against the project designer, major equipment manufacturer/supplier, and general contractor arising from a \$100M Emergency Storage Project. The claims were in excess of \$30M and included delay claims, cost overruns, and alleged violations of the California False Claims Act. The matter settled for \$30 million in favor of the public agency prior to trial.
- Assisted Honolulu Authority for Rapid Transportation (HART) with contractor claims on a \$10 billion project has experienced schedule delays and significant budget overruns with a myriad of contractor claims for differing site conditions and the like scaling into tens of millions of dollars. This megaproject is the largest, most expensive project in the State of Hawaii's history.
- For the Port's \$1 billion Middle Harbor Redevelopment, a modernization of two aging shipping Terminals. At one point, the total claims on the Middle Harbor project exceeded \$60 million and advised the City in connection with significant claims concerning the construction of the Pier G Administration and Operations Building and the Pier G Maintenance and repair Complex Building, leading to the insurance carrier finally yielding and settling on the City's terms.

6. Outside Counsel Experience- Counsel for Airports: Describe your relevant experience since 2012 wherein you acted as counsel for an airport or an entity that operated an airport.

Procopio’s attorneys have provided support on environmental matters for the Authority’s predecessor, The Port authority of San Diego and the Carlsbad Airport. While our Airport counsel support is limited, we trust you will agree that our breadth of experience providing general legal counsel to dozens of public agency clients will prove extremely valuable should we be selected to support the Authority.

7. E & O Insurance [Professional Liability Insurance]: Do you carry an “error and omissions” or other malpractice insurance policy? If so, state:

- a. Policy Limits = Primary coverage \$10,000,000
- b. Deductibles = N/A
- c. Self-Insured Retention (SIR) = \$1,000,000
- d. Discovery period = Up to three years after expiration of the last policy renewed
- e. Exceptions to coverage = Policy covers all members for the firm for acts committed as firm attorneys/employees.
- f. Collateral Securing deductible/SIR = Firm’s Revenues
- g. Policy Exclusions = See attachment of pages 14 to 18 of our policy

8. Hourly Fees: List and describe your firm’s fee schedule:

While we believe our rates are competitive, more important than the hourly rates is the total cost of representation. Comparing the total cost of our work as legal counsel for public agencies to those of our competition, we believe you will find us to be highly competitive – and cost-effective. We are pleased to provide a blended hourly rate schedule:

San Diego County Regional Airport Authority Hourly Rates

| SENIORITY LEVEL | REGULAR HOURLY RATES | SDCRAA DISCOUNTED BLENDED HOURLY RATES* |
|----------------------------------|-----------------------------|--|
| Partners/Of Counsel | \$575 to \$1050 | \$425 |
| Senior Counsel/Senior Associates | \$495 to \$595 | \$375 |
| Associates | \$395 to \$595 | \$350 |
| Paralegals | \$200 to \$290 | \$200 |

*Hourly rates are subject to change annually on January 1st.

Change of Personnel and Avoidance of Doubling Billing

Our goal is to develop a trusted, long-term relationship with the Authority via the provision of effective, quality and efficient legal support. We utilize a Time and Expense tracking software specifically designed for law firms to ensure that only appropriate entries are entered and charged to the client. Any time incurred by a new-to-the-team attorney in getting up-to-date on the Authority’s matters will be removed from our tracking program and not billed to the Authority.

9. **Expenses:** Confirm that you have read the Authority's limitation on billable expenses as set forth in "Exhibit B" to the draft Law Firm Agreement set forth in this RFP and provide a statement that Respondent is agreeable to such limitations.

We have reviewed the Authority's limitation on billable expenses in Exhibit B in the draft Law Firm Agreement, and we are agreeable to such limitations.

10. **Mechanisms to Minimize Billings and Provide Quality Service:** Describe in detail any procedures, tools, or work methods you have used since 2012 to increase the efficiency of your services and to minimize billings to your clients. Identify specifically any client contacts who can attest to efficient and cost-effective services provided.

As a firm, we are constantly reviewing, evaluating and updating our business processes to ensure efficiency in production to reduce legal costs for our clients. The firm uses project management software and oversight in order to assess the workflows of practice teams and attorneys.

As stated above, we utilize a Time and Expense tracking software specifically designed for law firms to ensure that only appropriate entries are entered and charged to the client.

Our familiarity with public agencies means that many questions are answered efficiently and often in real-time, and often we have sample contracts, policies, ordinances and approaches to handling matters so that we are not reinventing the wheel each time. For example, we have prepared and guided agencies through many public works contracts and conflict of interest code adoptions. For special projects or areas of work, we create separate billing matters to help our clients track costs against budgets.

We frequently engage our public agency clients on the latest legal developments, and seek to do so at a frequency and method desirable to the individual client. Our attorneys stay up with legal developments by participation in various associations. We let our agencies know, typically by mentioning the new law during General Counsel's Reports at monthly Board meetings. If the development is more complex, we may do more. For example, if an important new law is passed that impacts our clients (such as the various Covid-19 related laws that were affected in recent years), we may draft and send a short email or memo summarizing the new rules for all of our public agency clients without solicitation, and divide the cost for creating the memo among all of our public agency clients, providing this important advice for a fraction of the price to create it.

Our proactive approach to risk management helps the public agencies we represent minimize costly litigation and administrative hearings. By partnering with your Board and staff in the formulation of policies, preparation of contracts and through early discussion of employment matters, we aim to substantially reduce the risk of litigation, without sacrificing flexibility or achievement of agency objectives. Indeed, we have substantial experience obtaining coverage from reluctant insurers. Our emphasis is on promoting best practices. At the same time, when we must litigate, we do so aggressively and with confidence. In sum, we emphasize quality over quantity, prevention over litigation and partnering rather than separation of management from legal review. Our experience is that this approach minimizes the overall cost of all legal services for agencies we serve as general counsel.

Our written advice tends to be brief and to the point. We know that when Agency clients need advice, they often can't afford to wait days or weeks for an answer. Procopio believes our team approach to providing advice is essential. We urge you to contact our references and ask about our responsiveness.

Identify specifically any client contacts who can attest to efficient and cost-effective services provided.

Betty Burnett

General Manager
South Orange County Wastewater Authority
34156 Del Obispo Street
Dana Point, CA 92629
949.234.5420
bburnett@socwa.vom

Scott McClelland

General Manager
Encina Wastewater Authority
6200 Avenida Encinas
Carlsbad, CA 92011
760.438.3941 x3706
smcclelland@encinajpa.com

Cory Harris

Chief Financial Officer
KIPP Public Schools Northern California
1000 Broadway Street
Oakland, CA 994607
510.431.2498
Cory.harris@kippnorcal.org

- 11. Ability to Work with Smaller Firms including Minority Women, and Other Firms: Describe the working relationship you have had with smaller firms including minority, women owned, and other firms since 2012 to the present. State the number of times which you have worked with such counsel, the type of work allocations that have been made, and the percentage of work assigned to such firms.**

We have many years of experience in collaborating on legal matters with smaller women and minority-owned firms. Typically, it occurs when a matter arises outside the scope of our practice, so we work with attorneys at minority owned firms who have more experience or know how in a unique specialty area of law. We also utilize these firms during busy periods, and their proficiency and facility greatly contribute to resolving matters with high quality legal outcomes, on time, and on budget.

Here are examples of long-term collaborations over the years:

- 1) Janice Brown, formerly founder of Brown Law Group, now with Meyer Nave. The Brown firm specialized in contract law and their business philosophy is the same as

Procopio's: to leave clients in a better place than we found them after a contract dispute. After the matter is resolved, additional preventative counseling goes a long way so that client's business issues don't become a lawsuit again.

- 2) We have a long-standing relationship with Ken Ruthenberg. Ruthenberg heads a small firm that specializes in employee benefits. When our clients have benefits questions, which many do, we call on Ken for assistance.

Provide a statement confirming that you have reviewed "Exhibit A – Scope of Work" to the draft Law Firm Agreement included in this RFP and can comply with such provisions.

Statement of Understanding

Our Approach to General Legal Services for San Diego County Regional Airport Authority

We have reviewed the scope of work called for in the RFP and are able to meet many areas of the Authority's and the Airport Land Use Commission for San Diego County legal needs set forth under Exhibit A- Scope of Work.

We are well versed in providing Public Works, Public contracting, public bidding and procurement, Land Use, Contracts, leases, licenses, and permits, Americans with Disabilities Act, and Construction Law legal services. We are available to and experienced with attending and participating in Authority Board meetings and regularly serve as authority general and special counsel to many Joint Powers Authorities and other public agencies in California. Serving as an agency's outside legal counsel is in our DNA. It is our responsibility to provide prompt, clear guidance on whatever legal issues an agency is facing. Outside legal counsel should be familiar with the governing laws, local, state and federal ordinances, agency processes, and political climate applicable to its client.

We would establish, develop, and maintain effective working relationships starting with the General Counsel and staff, in order to develop and provide legal guidance, assistance and representation for legal issues that may potentially affect the Authority.

As a matter of practice, Procopio assigns a responsible partner for overall supervision of services rendered on behalf of a particular client. The assignment of specific attorneys and paralegals to any matter will vary depending on the nature and complexity of the issue, the degree of expertise required to complete the assignment, and the needs of any specific task. In assigning attorneys and paralegals to a particular matter, Procopio endeavors to provide its clients with attorneys who are best skilled and suited in that particular area. To effectively and efficiently support the Authority, our focus will be to utilize those Procopio lawyers with the most appropriate skill and experience level. By doing so we won't "over lawyer" your matters. Procopio proposes to maintain this type of management, oversight and responsibility in connection with any matter referred to it by the Authority.

We propose that Procopio partner Adriana R. Ochoa will serve as lead counsel and have primary responsibility for leading our team to support the Authority. Ms. Ochoa has 15 years of legal experience and is the Team Leader for Procopio's Health, Education and Government team. Adriana brings tremendous experience advising public agencies on issues relating to governance, the Ralph M. Brown Act, California Public Records Act, Government Claims Act,

the Political Reform Act, Government Code 1090, the California Voting Rights Act, Proposition 218, public works contracting, eminent domain, operational and business matters, as well as litigation. She has provided legal services to various public agencies, municipalities, water districts, and developers to advise and assist in their operational and business matters, public works contracting, community planning and development, governance and litigation.

Ms. Ochoa will conduct an initial conference with the Authority's General Counsel to obtain general information and background as to the nature of each particular matter. In consultation with and approval by the General Counsel, she will determine the appropriate attorney and staff assignments. Ms. Ochoa will formulate a legal strategy and act as the "gatekeeper" for all assignments given to Procopio.

Any successful project is dependent upon proper lines of communication. In this vein, as the Authority team leader, Ms. Ochoa will be responsible for primary interface with the General Counsel for the Authority. Ms. Ochoa has assembled a support team of accomplished and skilled attorneys from the firm to assist her with carrying out projects in the most cost-effective means.

Our philosophy is to provide timely advice that supports the City Attorney and helps the Building, Planning, Engineering/Public Works Departments achieve their goals. At Procopio, calls and emails are responded to in real time. Our written advice is generally brief, accessible to the layperson and the public, yet thorough and accurate. When you ask a question, we believe you are entitled to an answer, not a dissertation. We have a track record of providing superior service at a bottom-line actual cost comparable to or below that of our competitors.

Procopio's philosophy about customer service and quality assurance starts with a focus on excellent client service and has resulted in the firm's continued success for 76 years. It starts with a Procopio Pledge:

We pledge to put our clients first. Procopio is built upon genuine relationships with all that we serve. By extending trust, building lasting relationships and exceeding expectations, we will achieve our overall purpose as a firm.

Our best testimonial is the extensive list of clients who stay with the firm for years, sometimes decades, because our attorneys and staff are responsive and anticipate our client's changing needs. We work hard to advise our clients on the legal issues so that they can make the most informed business decision. We are not just in the business of law. We are professional problem solvers who understand that no two clients or solutions are the same. Our attorneys serve our clients by applying fresh thinking and unmatched dedication to shape innovative thoughtful solutions that support clients' goals, while creating ways to improve scale, efficiencies, and cost savings.

12. Commitment to Diversity, Equity and Inclusion: Describe the commitment of your firm to diversity, equity, inclusion and nondiscrimination.

We believe that a diverse and inclusive workforce at all levels fosters an environment that supports innovation and creative problem solving to better serve our clients. Diversity, equity and inclusion provides a wide range of viewpoints and perspectives to the issues that our

clients face, and helps contribute to innovative solutions. We focus on recruitment, retention and advancement. Our Diversity, Equity & Inclusion Committee works hand in hand with our Racial Equality Task Force, Team Leaders and Management Committee to execute on that mission.

Procopio is proactive in ensuring diversity during our recruitment process, acting long before a job listing is posted. We recruit and on-board several diverse legal interns each year through multiple programs including the local bar associations named above, law schools and our own programs. Our attorneys actively engage with and support those diverse bar associations to connect with up-and-coming diverse attorneys and promote firm openings. We also insist our external recruiters have plans to emphasize diversity in recruiting.

Procopio hosted five diversity-focused interns in 2021, and in 2022 we may have as many as nine. For a decade our Native American Practice group has hosted up to two law school student interns, customarily from indigenous communities.

We have since its inception hosted a summer law student intern through a diversity initiative sponsored by the San Diego County Bar Association.

We also participate in the Diverse Attorney Pipeline Program. And in 2020 we created two new Scholarship and Internship positions, one each to promising law school students at the University of San Diego School of Law and the California Western University of Law. The Procopio Scholarship and Internship Award is available for law students of color with an initial emphasis on Black candidates and/or candidates who have made significant contributions to the Black community. Procopio Scholars receive an initial \$15,000 for the first year of law school; an internship at Procopio after their first and second years in law school, where the student will be mentored and trained by Procopio partners, attorneys, and staff; and an additional \$15,000 for each of the Procopio Scholar's remaining years in law school, with the goal of hiring the student following the successful completion of the California State Bar exam. One of our interns from this summer is currently clerking with us, and the other will return as an intern next summer.

It is our ongoing mission to create and maintain a firm wide culture and environment that supports and promotes diversity so that all employees, regardless of their background, feel welcome, included, valued, supported and able to succeed and reach their potential of excellence at Procopio. We also seek to promote diversity, equity and inclusion across the broader legal community.

Our focus on retention and advancement is reflected in our 2021 and now 2022 certification by Diversity Lab as a Mansfield Certification Plus law firm. Procopio achieved Mansfield certification in 2020, recognizing that the firm considered at least 30% women, lawyers from underrepresented racial/ethnic groups, lawyers with disabilities, and LGBTQ+ lawyers for top leadership roles, senior-level lateral hiring, promotions into the equity partnership, and participation in client pitches. Mansfield Plus certification in 2021 confirms Procopio not only considered diverse candidates but also achieved at least 30% diversity in key leadership positions and billed attorney hours among those participating in client pitches.

Our Mansfield Certification Plus is the latest accolade Procopio has received for its focus on diversity and inclusion. Those include:

- 2017-2021: Listed among Top Law Firms for Diversity, ranking of 200+ largest law firms, *American Lawyer Magazine* (creators of the AmLaw 200 list)
- 2017-2021: Best Law Firm for Minority Attorneys, ranking of mid-size law firms, *Law360*
- 2020: Diversity, Equity and Inclusion Award winner, *San Diego Business Journal*

We came into 2021 with a headwind from significant efforts the previous year. During 2020 we created a Racial Equality Task Force including equity partners and other firm leaders, launched the annual Procopio Scholarship and Internship program described above, partnered with the Law Firm Antiracism Alliance, and instituted mandatory Elimination of Bias training for all attorneys. This year we created a Diversity, Equity and Inclusion Committee vice chair position for an Associate, giving that individual an opportunity to play an active leadership role, working alongside a Chair who is an equity partner. We also began a series of internal forums where partners share struggles, they have encountered in their careers and lives as part of an underrepresented group. Elimination of Bias training was mandated not just for attorneys but also all staff. We also continued to support and engage with diverse bar associations across San Diego County, Orange County, and Silicon Valley, with several attorneys holding leadership positions in them.

13. Actual or Potential Conflicts of Interest:

- a) **In the last seven (7) years, has your firm or any attorney in the firm who would provide legal services to the Authority, or the San Diego Unified Port District (“Port District”) sued or filed a claim with the Authority or the Port District? If so, give the particulars.**

Procopio has not filed a claim with the Authority or the Port District within the past seven years.

- b) **In the last seven (7) years, has your firm or any member of your firm who would provide general legal services to the Authority or the Port District, represented a client in a transaction in which Authority or the Port District were on opposing sides? If so, give the particulars.**

To the best of our knowledge, Procopio has not represented a client in a transaction in which the Authority or the Port District were on the opposing side within the last seven years.

- c) **Does your firm currently represent or has it within the last seven (7) years represented any of Authority’s tenants, employees or bargaining units? If so, give the particulars.**

To the best of our knowledge, Procopio has not represented any of Authority’s tenants, employees or bargaining units within the last seven years.

- d) **Does your firm currently represent or has it within the last seven (7) years represented any of the contractors who constructed improvements on Authority property? If so, give the particulars.**

To the best of our knowledge, Procopio has not represented any of the contractors who constructed improvements on Authority property within the last seven years.

- e) **Does your firm currently represent or has it within the last seven (7) years represented any domestic or international air carrier (passenger/cargo)? If so, give the particulars.**

Procopio has not represented any domestic or international air carriers (passenger/cargo) during the last seven year.

- 14. Unique Qualifications:** Recognizing that many law firms have superior qualifications, why should the Authority select your firm as outside counsel?

1) Our Experience Representing Public Agencies

Procopio partner, Adriana Ochoa, whom we have selected to lead our relationship with the Authority, was admitted to practice in California in 2008, and has been on Procopio's public agency team since 2013. Adriana is currently team leader for Procopio's Health, Education and Government Team. Adriana serves as General Counsel and Special Counsel to multiple public agencies in issues relating to governance, the Ralph M. Brown Act, California Public Records Act, the Political Reform Act, the Government Claims Act, Government Code 1090, the California Voting Rights Act, Proposition 218, LAFCO, conflicts of interest, public works contracting, operational and business matters, and elections issues. She is also experienced in handling litigation matters including construction litigation, contract disputes, eminent domain litigation and administrative hearing for public agencies.

Prior to Procopio, Adriana spent over three years at Best, Best & Krieger LLP, where she advised public agencies on eminent domain, construction litigation and other general litigation matters. Adriana previously spent three years in private practice representing property owners in eminent domain litigation against public agencies.

2) Efficiency and Value

As previously described, Procopio brings tremendous experience in representing Public Agency clients. We understand the rules and regulations impacting Agencies and are generally able to provide concise, effective responses to legal items in short order. We have also substantially discounted our billing rates to meet the financial constraints under which the Authority operates.

3) A One-Stop-Shop

As a full-service, local law firm, Procopio can provide the Authority legal support across most areas of need in a timely manner, and we can meet with you onsite when you need us, at short notice. We will quickly become familiar with your team and your legal issues. The cross functional team which we have assigned to support Authority will

work collaboratively to ensure you receive the highest quality support in the most efficient manner.

4) Our Experience with regards to Public & Private Construction Projects

Procopio's construction project and litigation team brings deep knowledge and experience to our clients in all aspects of both public and private construction projects and disputes. We regularly counsel counties, municipalities and other governmental agencies in California on alternative project delivery methods, competitive bidding, contract drafting, project management and contract administration, scheduling and delay issues, lost productivity, differing site conditions, change orders for added scope, cost overruns, mechanics lien, stop payment notice and bond rights, risk management, claims resolution, and more. Our team has handled multimillion-dollar disputes on high profile, complex construction projects, achieving favorable settlements and judgments on behalf of our clients.

5) Real Estate & Land Use Experience

Procopio's Real Estate attorneys know the market and provide you a wealth of experience for all types of transactions regardless of complexity. We provide a full range of value-added services to real estate owners, investors, lenders, developers, property managers and real estate professionals, including services such as acquisitions and dispositions, land use entitlements and project management, landlord and tenant lease representation, rural and urban development projects, real estate finance, and environmental law compliance.

Our Land Use attorneys bring specialized expertise to meet all land use, planning and entitlement matters. We work as an integral part of your development team of architects, engineers, and other consultants to successfully guide projects from conception to completion. implement our clients' goals. Clients benefit from our specialized experience in zoning, land use, planning, entitlements, and California Environmental Quality Act (CEQA) for all product types including residential, commercial, industrial, institutional, and mixed-use projects, as well as project advocacy before local, regional and state agencies. We can also assist in negotiating and drafting Development Agreements and by reviewing and drafting legally defensible environmental documents, land use ordinances, permit findings, and similar land use regulatory documents.

Our Land Use team includes planning specialists who can provide entitlement project management services, including coordination and management of the development team, preparation and coordination of permit application packages at the inception of a development project, through the entitlement process including coordination of public outreach, and negotiation with local, regional and state agency staff and decision makers, to defending hard-won project approvals in court.

In addition to broad experience and legal and technical expertise in environmental and land use issues, our attorneys have trusted working relationships with regulators, key

legislators, city officials, community activists, and non-governmental organizations—all of whom influence environmental and land use policy and enforcement.

15. **Subcontracting:** If subcontracting is involved in performing this Agreement, Respondent shall identify which services will be provided by in-house resources and which will be provided by subcontractors. If one or more subcontractors will be used, Respondent shall provide a list of the subcontractors with their qualifications, experience, services they will provide, and all reference information as required herein.

Procopio does not anticipate subcontracting will be involved in the provision of legal services to the Authority.

16. **References:** Describe three (3) similar contracts with public agencies for legal services completed or being completed over the past three (3) years, including the specific role of Respondent, the dates of work performed, contact persons, company, address and telephone number for each identified. Verify that all reference information is current especially that of the contacts and telephone numbers prior to submitting to Authority.

As requested, below are three client references. We are happy to provide more references.

Scott McClelland
General Manager
Encina Wastewater Authority
6200 Avenida Encinas
Carlsbad, CA 92011
760.438.3941 x3706
kevin@encinajpa.com

Brett Sanders
General Manager
Lakeside Water District
10375 Vine Street
Lakeside, CA 92040-0638
619.443.3806
lwdbsanders@sbcglobal.net

Mike Thornton
General Manager
San Elijo Joint Powers Authority
2695 Manchester Avenue
Cardiff by the Sea, CA 92007-7077
thornton@sejpa.org

17. **Licenses:** Please state whether Respondent has all licenses, permits and approvals required by law and regulations to perform the scope of work.

We hereby confirm that Procopio has all required licenses, permits and approvals required by law and regulations to perform the scope of work.

RESOLUTION NO. 2022-0113

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY APPROVING AND AUTHORIZING THE PRESIDENT/CEO TO EXECUTE GENERAL LEGAL SERVICES AGREEMENTS WITH ANDERSON KREIGER LP, BEST BEST & KRIEGER LLP, DEVANEY PATE MORRIS & CAMERON LLP, GATZKE DILLON & BALLANCE LLP, KAPLAN KIRSCH ROCKWELL LLP AND PROCOPIO, CORY, HARGREVES & SAVITCH LLP EACH FOR A TERM OF THREE (3) YEARS WITH TWO (2) ONE-YEAR OPTIONS TO RENEW AND A NOT TO EXCEED AMOUNT OF \$650,000

WHEREAS, the Authority has a continuing need for professional legal services in matters pertaining to general legal issues at the Airport; and

WHEREAS, on August 9, 2022, the Authority released a Request for Proposals ("RFP) to obtain the legal services of one or more qualified law firms to assist the General Counsel with regard to general legal issues at the Airport; and

WHEREAS, the RFP specified that the Authority intended to enter an agreement with one or more law firms to provide general legal services; and

WHEREAS, the Authority received seven proposals in response to the RFP; and

WHEREAS, the Authority's evaluation panel, after reviewing the proposals and interviewing seven law firms, recommended awarding agreements to Anderson Kreiger LP, Best Best & Krieger LLP, Devaney Pate Morris & Cameron LLP, Gatzke Dillon & Ballance LLP, Kaplan Kirsch Rockwell LLP, and Procopio, Cory, Hargreaves and Savitch LLP; and

WHEREAS, the Board determines that awarding agreements to Anderson Kreiger LP, Best Best & Krieger LLP, Devaney Pate Morris & Cameron LLP, Gatzke Dillon & Ballance LLP, Kaplan Kirsch Rockwell LLP, and Procopio, Cory, Hargreaves and Savitch LLP.

NOW THEREFORE BE IT RESOLVED, that the Board hereby approves and authorizes the President/CEO to execute general legal services agreements with Anderson Kreiger LP, Best Best & Krieger LLP, Devaney Pate Morris & Cameron LLP, Gatzke Dillon & Ballance LLP, Kaplan Kirsch Rockwell LLP, and Procopio, Cory, Hargreaves and Savitch LLP each for a term of three (3) years with two (2) one-year options to renew at the discretion of the General Counsel and the President/CEO, with a compensation amount not to exceed \$650,000; 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 1st day of December 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