# SAN DIEGO COUNTY
# REGIONAL AIRPORT AUTHORITY



## BOARD AGENDA

Thursday, December 7, 2017
9:00 A.M.

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

***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 Corporate & Information Governance 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 Corporate & Information Governance/Authority Clerk Department.

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM 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 Corporate & Information Governance /Authority Clerk Department with your request at (619) 400-2400 at least three (3) working days prior to the meeting.*

SAN DIEGO
INTERNATIONAL AIRPORT.
LET'S GO.

## CALL TO ORDER:

## PLEDGE OF ALLEGIANCE:

## ROLL CALL:

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

### *STANDING BOARD COMMITTEES*

- **AUDIT COMMITTEE:**
  Committee Members: Gleason, Hollingworth, Robinson (Chair), Schumacher, Sessom, Tartre, Van Sambeek

- **CAPITAL IMPROVEMENT PROGRAM OVERSIGHT COMMITTEE:**
  Committee Members: Gleason, Janney(Chair), Kersey, Robinson

- **EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE:**
  Committee Members: Boling, Cox, Desmond (Chair), Kersey, Schumacher

- **FINANCE COMMITTEE:**
  Committee Members: Boling (Chair), Cox, Janney, Sessom

### *ADVISORY COMMITTEES*

- **AUTHORITY ADVISORY COMMITTEE:**
  Liaison: Robinson (Primary), Boling

- **ART ADVISORY COMMITTEE:**
  Committee Member: Gleason

### *LIAISONS*

- **AIRPORT LAND USE COMPATIBILITY PLAN:**
  Liaison: Janney

- **CALTRANS:**
  Liaison: Binns

- **INTER-GOVERNMENTAL AFFAIRS:**
  Liaison: Cox

- **MILITARY AFFAIRS:**
  Liaison: Woodworth

- **PORT:**
  Liaisons: Boling, Cox, Gleason (Primary), Robinson

- **WORLD TRADE CENTER:**
  Representatives: Gleason (Primary)

***BOARD REPRESENTATIVES (EXTERNAL)***

- **SANDAG TRANSPORTATION COMMITTEE:**
  Representatives: Boling (Alternate), Janney (Primary)

**CHAIR'S REPORT:**

**PRESIDENT/CEO'S 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- 14):**
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:**
The Board is requested to approve minutes of prior meetings.
RECOMMENDATION: Approve the minutes of the November 2, 2017, regular 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:**
The Board is requested to accept the reports.
RECOMMENDATION: Accept the reports and pre-approve Board member attendance at other meetings, trainings and events not covered by the current resolution.
**(Corporate & Information Governance: Tony R. Russell, Director/Authority Clerk)**

3. **AWARDED CONTRACTS, APPROVED CHANGE ORDERS FROM OCTOBER 9, 2017 THROUGH NOVEMBER 12, 2017 AND REAL PROPERTY AGREEMENTS GRANTED AND ACCEPTED FROM OCTOBER 9, 2017 THROUGH NOVEMBER 12, 2017:**
The Board is requested to receive the report.
RECOMMENDATION: Receive the report.
**(Procurement: Jana Vargas, Director)**

4. **DECEMBER 2017 LEGISLATIVE REPORT:**
The Board is requested to approve the report.
RECOMMENDATION: Adopt Resolution No. 2017-0103, approving the December 2017 Legislative Report.
**(Inter-Governmental Relations: Michael Kulis, Director)**

5. **APPROVE ESTABLISHING THE DATE AND TIME OF BOARD AND ALUC MEETINGS FOR 2018, AS INDICATED IN THE PROPOSED 2018 MASTER CALENDAR OF BOARD AND COMMITTEE MEETINGS:**
The Board is requested to approve the proposed 2018 Master Calendar.
RECOMMENDATION: Adopt Resolution No. 2017-0104, establishing the date and time of Board and ALUC meetings for 2018 as indicated on the proposed 2018 Master Calendar of Board and Committee Meetings.
**(Corporate & Information Governance: Tony R. Russell, Director)**

6. **DISPOSITION OF SURPLUS PROPERTY:**
The Board is requested to authorize disposition of surplus property.
RECOMMENDATION: Adopt Resolution No. 2017-0105, authorizing the disposition of surplus property (materials and/or equipment) by: (1) donating electronics surplus to San Diego Futures Foundation [SDFF]; (2) sale to the highest bidder; and (3) recycling and disposing of unwanted items as scrap.
**(Procurement & Contract Services: Larry Rodriguez, Manager)**

***CLAIMS***

## *COMMITTEE RECOMMENDATIONS*

**7. EXTERNAL AUDITOR'S FISCAL YEAR ENDED JUNE 30, 2017, REPORTS: A) AUDITED FINANCIAL STATEMENTS, B) SINGLE AUDIT REPORTS, C) PASSENGER FACILITY CHARGE COMPLIANCE REPORT, D) CUSTOMER FACILITY CHARGE COMPLIANCE REPORT, AND E) LETTER TO THE BOARD:**

The Board is requested to accept the report.
RECOMMENDATION: The Audit Committee recommends that the Board accept the reports.
**(Chief Auditor: Mark Burchyett, Chief Auditor)**

**8. REVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2017:**

The Board is requested to accept the report.
RECOMMENDATION: The Audit Committee recommends that the Board accept the report.
**(Business & Financial Management: Scott Brickner, Vice President/Treasurer and Kathy Kiefer, Senior Director)**

**9. FISCAL YEAR 2018 FIRST QUARTER ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:**

The Board is requested to accept the report.
RECOMMENDATION: The Audit Committee recommends that the Board accept the report.
**(Chief Auditor: Mark Burchyett, Chief Auditor)**

**10. REVISION TO THE FISCAL YEAR 2018 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:**

The Board is requested to approve a revision to the plan.
RECOMMENDATION: The Audit Committee recommends that the Board adopt Resolution No. 2017-0112, approving a revision to the Fiscal Year 2018 Audit plan of the Office of the Chief Auditor.
**(Chief Auditor: Mark Burchyett, Chief Auditor)**

## *CONTRACTS AND AGREEMENTS*

**11. AUTHORIZE A REDUCTION IN THE AMOUNT OF RETENTION WITHHELD ON PROGRESS PAYMENTS TO SWINERTON BUILDERS, INC. FOR WORK PERFORMED ON THE TERMINAL 2 PARKING PLAZA:**

The Board is requested to authorize retainage on payments.
RECOMMENDATION: Adopt Resolution No. 2017-0106, authorizing a reduction in the amount of retention withheld on progress payments to Swinerton Builders, Inc. for work performed on the Terminal 2 Parking Plaza.
**(Airport Design & Construction: Bob Bolton, Director)**

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

**12. AWARD A CONTRACT TO S& L SPECIALTY CONSTRUCTION, INC., FOR QUIETER HOME PROGRAM PHASE 8, GROUP 11, PROJECT NO. 380811 (THIRTY-NINE (39) NON-HISTORIC SINGLE AND MULTI-FAMILY UNITS ON THIRTY-FIVE (35) RESIDENTIAL PROPERTIES LOCATED EAST AND WEST OF THE AIRPORT):**
The Board is requested to award a contract.
RECOMMENDATION: Adopt Resolution No. 2017-0107, awarding a contract to S&L Specialty Construction, Inc., in the amount of $1,293,000, for Phase 8, Group 11, Project No. 380811, of the San Diego County Regional Airport Authority's Quieter Home Program.
**(Planning & Environmental Affairs: Brendan Reed, Director)**

**13. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE ON-CALL AIRPORT PAVEMENT REPAIR SERVICES AGREEMENT WITH HAZARD CONSTRUCTION COMPANY:**
The Board is requested to approve the agreement.
RECOMMENDATION: Adopt Resolution No. 2017-0108, approving and authorizing the President/CEO to execute On-Call Airport Pavement Repair Services Agreement with Hazard Construction Company, for a term of three years, with the option for two one-year extensions exercisable at the discretion of the President/CEO, for a total not-to-exceed amount of $11,743,665, in support of the existing pavement surfaces, at San Diego International Airport ("SDIA").
**(Facilities Management: David LaGuardia, Director)**

**14. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE AN OTHER TRANSACTIONAL AGREEMENT (OTA) WITH THE U.S. DEPARTMENT OF HOMELAND SECURITY - TRANSPORTATION SECURITY ADMINISTRATION (TSA):**
The Board is requested to approve an agreement.
RECOMMENDATION: Adopt Resolution No. 2017-0114, approving and authorizing the President/CEO to execute an Other Transactional Agreement (OTA No. 70T04018T9CAP1007) with the U.S. Department of Homeland Security - Transportation Security Administration (TSA) and the San Diego County Regional Airport Authority, to reimburse costs not-to-exceed $1,140,834, for replacement of the existing three (3) Explosions Detection Devices located in Terminal 2 East Checked Baggage Inspections System area at San Diego International Airport.
**(Terminals & Tenants: Jeff Rasor, Director)**

**PUBLIC HEARINGS:**

**OLD BUSINESS:**

## NEW BUSINESS:

**Please note: The Board will hear *Item 15, followed by Closed Session,* at the start of the meeting.**

**15. ACTION PLAN FOR ADDRESSING THE AIRPORT NOISE ADVISORY COMMITTEE (ANAC) RECOMMENDATIONS:**
The Board is requested to accept the plan.
RECOMMENDATION: Adopt Resolution No. 2017-0109, accepting the action plan for the Airport Noise Advisory Committee (ANAC) recommendations.
**(Airport Planning & Environmental Affairs: Sjohnna Knack, Program Manager)**

**16. TRANSPORTATION NETWORK COMPANY (TNC) PERMIT APPLICATION UPDATE AND APPROVED CONTINUATION OF THE TNC PERMIT PROGRAM:**
The Board is requested to renew the permit.
RECOMMENDATION: Adopt Resolution No. 2017-0110 approving the continuation of the Transportation Network Company operations at San Diego International Airport and authorizing the President/CEO to negotiate and execute a TNC permit and authorizing Greenhouse reduction fees.
**(Ground Transportation: Marc Nichols, Director)**

**17. EXTENSION OF TAXI AND VEHICLE-FOR-HIRE MEMORANDUMS OF AGREEMENT:**
The Board is requested to extend the Memorandums of Agreement.
RECOMMENDATION: Adopt Resolution No. 2017-0113, authorizing the President/CEO to execute amendments to extend the Taxi and Vehicle-for-Hire Memorandums of Agreement (MOA) for a period of six (6) months, to expire on June 30, 2018.
**(Ground Transportation: Marc Nichols, Director)**

**18. AMEND AUTHORITY POLICY 8.30 – AIRPORT LAND USE COMMISSION:**
The Board is requested to amend Authority Policy 8.30.
RECOMMENDATION: Adopt Resolution No. 2017-0111, amending Authority Policy 8.30 to authorize Airport Land Use Commission staff to issue “conditionally consistent” determinations.
**(Planning & Environmental Affairs: Brendan Reed, Director)**

## PRESENTATIONS:

**A. AIRPORT DEVELOPMENT PLAN:**
Presented By: Kimberly J. Becker, President/CEO, Bob Bolton, Director, Airport Design & Construction, and Ted Anasis, Manager, Regional Planning

## CLOSED SESSION:

**Please note: The Board will go into *Closed Session* following discussion of Item 15**

**19. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:**
(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)
Name of Case: GGTW LLC v San Diego County Regional Airport Authority, et al., San Diego Superior Court Case No. 37-2016-00032646-CU-BC-CTL

**20. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:**
(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)
Name of Case: San Diego County Regional Airport Authority v. American Car Rental, Inc., San Diego Superior Court Case No. 37-2016-00024056-CL-BC-CTL

**21. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:**
(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)
Dryden Oaks, LLC v. San Diego County Regional Airport Authority, et al., San Diego Superior Court, North County, Case No. 37-2014-00004077-CU-EI-NC

**22. CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION:**
(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)
Name of Case: K.S.A.N. L.L.C v. San Diego County Regional Airport Authority, et al. San Diego Superior Court Case No. 37-2017-00024982-CU-NP-CTL

**23. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**
(Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Cal. Gov. Code §54956.9)
Investigative Order No. R9-2012-0009 by the California Regional Water Quality Control Board pertaining to an investigation of bay sediments at the Downtown Anchorage Area in San Diego.
Number of potential cases: 1

**24. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**
(Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Cal. Gov. Code §54956.9)
Navy Boat Channel Environmental Remediation
Number of potential cases: 1

**25. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**
(Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Cal. Gov. Code §54956.9)
Number of potential cases: 2

**26. CONFERENCE WITH LEGAL COUNSEL –ANTICIPATED LITIGATION:**
(Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Cal. Gov. Code §54956.9)
In re Seaport Airlines, Inc., U.S. Bankruptcy Court Case No. 16-30406-rld7
Number of potential cases: 1

**27. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**
(Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Cal. Gov. Code §54956.9)
Number of cases: 1

**REPORT ON CLOSED SESSION:**

**GENERAL COUNSEL REPORT:**

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

**BOARD COMMENT:**

**ADJOURNMENT:**

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

1) Persons wishing to address the Board, ALUC, and Committees shall complete a "Request to Speak" form prior to the initiation of the portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to complete a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
2) The Public Comment Section at the beginning of the agenda is limited to eighteen (18) minutes and 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. A second Public Comment period is reserved for general public comment later in the meeting for those who could not be heard during the first Public Comment period.
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. Public comment on specific items is limited to twenty (20) minutes – ten (10) minutes for those in favor and ten (10) minutes for those in opposition of an item. Each individual speaker will be allowed three (3) minutes, and applicants and groups will be allowed five (5) minutes.
4) If many persons have indicated a desire to address the Board, ALUC and Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.
6) After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

## Additional Meeting Information

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

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

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

**You may also reach the Administration Building by using public transit via the San Diego Metropolitan Transit System, Route 992. The MTS bus stop at Terminal 1 is a very short walking distance from the Administration Building. ADA paratransit operations will continue to serve the Administration Building as required by Federal regulation. For MTS route, fare and paratransit information, please call the San Diego MTS at (619) 233-3004 or 511. For other Airport related ground transportation questions, please call (619) 400- 2685.**

# ITEM 1

**DRAFT**
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD**
**MINUTES**
**THURSDAY, NOVEMBER 2, 2017**
**SAN DIEGO INTERNATIONAL AIRPORT**
**BOARD ROOM**

**CALL TO ORDER:** Chairman Boling called the regular meeting of the San Diego County Regional Airport Authority to order at 9:00 a.m. on Thursday, November 2, 2017, in the Board Room at the San Diego International Airport, Administration Building, 3225 North Harbor Drive, San Diego, CA 92101.

**PLEDGE OF ALLEGIANCE:** Board Member Schumacher led the Pledge of Allegiance.

**ROLL CALL:**

| | | |
|---|---|---|
| PRESENT: | Board Members: | Binns (Ex-Officio), Boling (Chairman), Desmond, Gleason, Janney, Kersey, Robinson, Schumacher, Sessom, Lt. Col. Christopher Robinson (Ex-Officio, for Col. Woodworth) |
| ABSENT: | Board Members: | Cox, Ortega (Ex Officio) |

ALSO PRESENT: Kimberly J. Becker, President/CEO; Amy Gonzalez, General Counsel; Tony R. Russell, Director, Corporate and Information Governance/Authority Clerk; Stephanie Heying, Assistant Authority Clerk II

**NON-AGENDA PUBLIC COMMENT:**

SANDY VALONE, SAN DIEGO, spoke regarding noise in her neighborhood, the flight path and the recent recommendations made by the Airport Noise Advisory Committee (ANAC).

LEONARD GROSS, LA JOLLA, spoke regarding the noise monitoring report and the recent recommendations made by ANAC.

RUSS VALONE, SAN DIEGO, ceded his time to Sandy Valone who continued to speak regarding the flight path and noise in her neighborhood.

BEATRICE PARDO, LA JOLLA, spoke regarding noise in her neighborhood, the flight path and the recent recommendations made by ANAC.

Chairman Boling announced that she was recusing herself on Item 11 due to a potential conflict of interest.

**NEW BUSINESS:**

**11. DISCUSSION AND POSSIBLE ACTION REGARDING STREET PRICING REQUIREMENT CONTAINED IN CONCESSION AGREEMENTS:**
Scott Brickner, Vice President, Finance & Asset Management/Treasurer, Business & Financial Management, provided a presentation regarding the Street Pricing Requirement Contained in Concession Agreements, which included Historical Information; Concessionaire Gross Sales; Concessionaire EBIT (% of sales); and Concessionaire EBIT (%) with Street +15%.

Board Member Desmond reported ex-parte communication with Mr. Lawson, Mr. Dadian and representatives from SSP.

Board Member Schumacher reported ex-parte communication with Mr. Lawson, Mr. Dadian, Mr. Clark, Mr. Welling and representatives from SSP.

Board Member Sessom reported ex-parte communication with Mr. Dadian.

Board Member Gleason reported ex-parte communication with Mr. Lawson and representatives from SSP.

Board Member Kersey reported ex-parte communication with Mr. Lawson and representatives from SSP.

Board Member Robinson reported ex-parte communication with representatives from SSP.

Board Member Janney reported ex-parte communication with representatives from SSP.

SCOTT WELDING, PHOENIX, ARIZONA, REPRESENTING SSP AMERICA, provided a presentation on SSP America at SAN; Cost Increases; Consumer Impact; Proposed Solutions; and their Request of SAN Airport Authority.

KEVIN WESTLYE, TRUCKEE, CALIFORNIA, PRESIDENT OF HIGH FLYING FOODS, spoke in support of staff's recommendation.

Board Member Sessom suggested that the cost for a bottle of water remain at the same price.

In response to Board Member Sessom regarding the type of food that can be brought through the checkpoint, Kimberly Becker, President/CEO, stated staff would work with TSA to identify the types of food that can and cannot be brought through the checkpoint to post on the Authority's website.

Board Member Gleason stated he would not be supporting the motion. He stated that companies are raising prices to cover the minimum wage increase. He also noted that the lease requirements are burdensome when it comes to verifying prices. He stated that this would have a negative impact on our community and customer strategies.

**ACTION: Moved by Board Member Desmond and seconded by Board Member Janney to approve and authorize the President/CEO to amend the Food & Beverage and Retail Concession Leases to allow Street Pricing + 15%, contingent upon the execution of outstanding amendments, effective January 1, 2018. Motion carried by the following votes: YES – Desmond, Janney, Kersey, Robinson, Schumacher, Sessom; NO – Gleason; ABSENT – Boling (Chair), Cox; (Weighted Vote Points: YES – 65; NO – 14; ABSENT – 21).**

**CLOSED SESSION**: The Board recessed into Closed Session at 9:48 a.m. to discuss Item 20.

**14. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:**
(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)
Name of Case: GGTW LLC v San Diego County Regional Airport Authority, et al., San Diego Superior Court Case No. 37-2016-00032646-CU-BC-CTL

**15. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:**
(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)
Name of Case: San Diego County Regional Airport Authority v. American Car Rental, Inc., San Diego Superior Court Case No. 37-2016-00024056-CL-BC-CTL

**16. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:**
(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)
Dryden Oaks, LLC v. San Diego County Regional Airport Authority, et al., San Diego Superior Court, North County, Case No. 37-2014-00004077-CU-EI-NC

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(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)
Name of Case: K.S.A.N. L.L.C v. San Diego County Regional Airport Authority, et al. San Diego Superior Court Case No. 37-2017-00024982-CU-NP-CTL

**18. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**
(Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Cal. Gov. Code §54956.9)
Investigative Order No. R9-2012-0009 by the California Regional Water Quality Control Board pertaining to an investigation of bay sediments at the Downtown Anchorage Area in San Diego.
Number of potential cases: 1

**19. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**
(Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Cal. Gov. Code §54956.9)
Navy Boat Channel Environmental Remediation
Number of potential cases: 1

**20. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**
(Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Cal. Gov. Code §54956.9)
Number of potential cases: 2

**21. CONFERENCE WITH LEGAL COUNSEL –ANTICIPATED LITIGATION:**
(Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Cal. Gov. Code §54956.9)
In re Seaport Airlines, Inc., U.S. Bankruptcy Court Case No. 16-30406-rld7
Number of potential cases: 1

**22. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**
(Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Cal. Gov. Code §54956.9)
Number of cases: 1

**REPORT ON CLOSED SESSION:** The Board reconvened into Open Session at 11:03 a.m. There was no report on the closed session.

*Board Member Desmond left the dais at 11:05 a.m.*

**NEW BUSINESS CONTINUED:**

**12. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE AN AGREEMENT WITH THE CITY OF SAN DIEGO FOR AIRCRAFT RESCUE AND FIREFIGHTING SERVICES:**
Dean Robbins, Manager, Air Operations, provided an overview of the staff report and recommendation.

RECOMMENDATION: Adopt Resolution No. 2017-0102, approving and authorizing the President/CEO to execute an agreement with the City of San Diego 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 $30,872,807 for Aircraft Rescue & Firefighting Services.

**ACTION: Moved by Board Member Gleason and seconded by Board Member Robinson to approve staff's recommendation. Motion carried by the following votes: YES – Boling, Gleason, Janney, Kersey, Robinson, Schumacher, Sessom; NO – None; ABSENT – Cox, Desmond; (Weighted Vote Points: YES – 80; NO – 0; ABSENT – 20).**

**13. STRATEGY FOR COMMERCIAL SPACE AT RENTAL CAR CENTER:**
Dominique Sheck, Associate Real Estate Manager, Business & Financial Management provided a presentation on the Strategy for Commercial Space at the Rental Car Center, which included Historical Efforts; Alternative Use Analysis; and Options Considered.

Board Member Sessom suggested that staff monitor option 2 because there is a new economy evolving.

Board Member Kersey asked if the rental car companies might have use for the space in the future. Eric Podnieks, Program Manager, Business & Financial Management, responded that option is continually evaluated.

RECOMMENDATION: Suspend formal recruitment efforts for the Commercial Space at the Rental Car Center until market conditions improve.

**ACTION: Moved by Board Member Robinson and seconded by Board Member Kersey to approve staff's recommendation. Motion carried by the following votes: YES – Boling, Gleason, Janney, Kersey, Robinson, Schumacher, Sessom; NO – None; ABSENT – Cox, Desmond; (Weighted Vote Points: YES – 80; NO – 0; ABSENT – 20).**

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

***STANDING BOARD COMMITTEES***

- **AUDIT COMMITTEE:** Board Member Robinson reported that the Committee will have a recommendation for a new Chief Auditor in early spring.

- **CAPITAL IMPROVEMENT PROGRAM OVERSIGHT COMMITTEE**: Board Member Janney reported that the Committee met in October and received updates on ongoing projects.

- **EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE: None.**

- **FINANCE COMMITTEE:** Chairman Boling reported that the Finance Committee met last week and received a review of the financial statements, which were forwarded to the Board.

***ADVISORY COMMITTEES***

- **AUTHORITY ADVISORY COMMITTEE: None.**

- **ART ADVISORY COMMITTEE:** Board Member Gleason reported that the performing arts weekly series in Sunset Cove continues on Fridays from 11:30 a.m. – 1:30 p.m. He reported that the Performing Arts Residency, transcenDANCE, will be performing on November 21 and holiday performances will begin around the Thanksgiving weekend through December. He reported that both the Parking Plaza projects are in the fabrication phase. He reported that the Federal Inspection Station (FIS) projects are both moving forward with the Atrium Suspended Artwork and the Glass Partition Wall Artwork. He reported that phase two of the Arts Master Plan project will be completed November 30.

***LIAISONS***

- **AIRPORT LAND USE COMPATIBILITY PLAN:** None.

- **CALTRANS:** None.

- **INTER-GOVERNMENTAL AFFAIRS:** Mike Kulis, Director, Inter-Governmental Relations, reported that the House of Representatives unveiled a comprehensive tax reform package and Congressional leaders and the Administration are hoping to pass a final tax reform package by the end of the calendar year. He reported that Chairman Boling is scheduled to provide an update on airport issues to the San Diego City Council Economic Development and Intergovernmental Relations Committee on November 9th. He reported that on December 1st, Airport Authority staff will provide an airfield tour to committee members of the San Diego County Taxpayers Association.

- **MILITARY AFFAIRS:** None.

- **PORT:** None.

- **WORLD TRADE CENTER:** Board Member Gleason reported that materials from the September meeting, which included the draft for the 2017 Work Plan, were distributed to Board Members. He reported that the Committee would be meeting in the early part of 2018.

***BOARD REPRESENTATIVES (EXTERNAL)***

- **SANDAG TRANSPORTATION COMMITTEE:** None.

**CHAIR'S REPORT:** Chairman Boling reported that the Harbor Drive Mobility Committee held its third meeting and the Port is conducting a traffic study, which will go to SANDAG for modeling. She also reported that we are moving forward with the ADP.

**<u>PRESIDENT/CEO'S REPORT:</u>** Kimberly Becker, President/CEO, congratulated Susie Prieser and her team for putting on a very successful AirEx on October 25. She reported that about 500 people participated in this massive exercise, which stimulates an air disaster and then tests our responses. She reported that the exercise is required by the Federal Aviation Administration (FAA) once every three years to maintain the Airport's operating certificate. She reported that the AirEx was conducted on the former Commuter Terminal ramp, where emergency services agencies from the County responded to the simulated crash landing of a jet liner. She reported that the event also included an exercise at the USO, where a Family Resource Center was set up to provide a place for loved ones to gather while they waited for news on the victims. She reported that staff is now preparing an After Action Report highlighting lessons learned that will be shared with all participating agencies, including the FAA. She reported that the Employee Opinion Survey had an 86 percent participation rate among staff and the survey found the employee engagement level is at 83 percent – which is above the Public Service and U.S. National norms. She reported the next steps are to develop action plans to celebrate the bright spots and address any opportunities for improvements. She reported that the Alaska Airlines' inaugural Mexico City flight takes off on November 6, bringing the number of international markets served to 10. She reported that there is a 9.7 percent increase in seat capacity for the Thanksgiving holiday travel period, and a similar increase is expected for December travel. She reported that the Airport is trending up 6.2 percent in total passenger traffic for the year. She reported that a "Meet the Primes" event was held on October 18th with about 400 prime contractors and small businesses in attendance to learn about contracting opportunities and everything the Airport Authority does to support small and underrepresented businesses. She reported that there were over 50 tables staffed by prime contractors from throughout the region, Airport Authority departments and partners, small business support service centers and other agencies. She reported that the Airport Authority received the Industrial Environmental Association's "Environmental Excellence Award" recognizing the Terminal 2 Parking Plaza for the rainwater and condensate capture system. She reported that the runway project has begun and there are hard closures nightly at midnight. She reported that there are three RFPs coming out soon including the Duty Free Store, the Common Use Passenger Lounge, and the Advertising RFP.

**<u>CONSENT AGENDA (Items 1-10):</u>**

**ACTION; Moved by Board Member Gleason and seconded by Board Member Robinson to approve the Consent Agenda. Motion carried by the following votes: YES – Boling, Gleason, Janney, Kersey, Robinson, Schumacher, Sessom; NO – None; ABSENT – Cox, Desmond; (Weighted Vote Points: YES – 80; NO – 0; ABSENT – 20).**

**1. APPROVAL OF MINUTES:**
RECOMMENDATION: Approve the minutes of the October 5, 2017, regular meeting.

2. **ACCEPTANCE OF BOARD AND COMMITTEE MEMBERS WRITTEN REPORTS ON THEIR ATTENDANCE AT APPROVED MEETINGS AND PRE-APPROVAL OF ATTENDANCE AT OTHER MEETINGS NOT COVERED BY THE CURRENT RESOLUTION:**
RECOMMENDATION: Accept the reports and pre-approve Board member attendance at other meetings, trainings and events not covered by the current resolution.

3. **AWARDED CONTRACTS, APPROVED CHANGE ORDERS FROM SEPTEMBER 11, 2017 THROUGH OCTOBER 8, 2017 AND REAL PROPERTY AGREEMENTS GRANTED AND ACCEPTED FROM SEPTEMBER 11, 2017 THROUGH OCTOBER 8, 2017:**
RECOMMENDATION: Receive the report.

4. **NOVEMBER 2017 LEGISLATIVE REPORT:**
RECOMMENDATION: Adopt Resolution No. 2017-0097, approving the November 2017 Legislative Report.

***CLAIMS***

5. **REJECT THE CLAIM OF KESHAV LAKSHMANA:**
RECOMMENDATION: Adopt Resolution No. 2017-0098, rejecting the claim of Keshav Lakshmana.

***COMMITTEE RECOMMENDATIONS***

6. **ACCEPTANCE OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017:**
RECOMMENDATION: Accept the report.

7. **ACCEPTANCE OF THE AUTHORITY'S INVESTMENT REPORT FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017:**
RECOMMENDATION: Accept the report.

***CONTRACTS AND AGREEMENTS***

8. **AUTHORIZE REMOVAL OF THE WEST WING MODULAR BUILDING FROM THE AIRPORT PREMISES:**
RECOMMENDATION: Adopt Resolution No. 2017-0099, authorizing the President/CEO to negotiate and execute an agreement with Design Space Modular Buildings for the removal of the West Wing Modular Building from the Airport.

**9. AWARD A CONTRACT TO G&G SPECIALTY CONTRACTORS, INC. FOR QUIETER HOME PROGRAM PHASE 8, GROUP 10, PROJECT NO. 380810, TWELVE (12) HISTORIC SINGLE-FAMILY HOMES ON TWELVE (12) RESIDENTIAL PROPERTIES LOCATED EAST AND WEST OF THE AIRPORT:**
RECOMMENDATION: Adopt Resolution No. 2017-0100, awarding a contract to G&G Specialty Contractors, Inc. in the amount of $877,050.00 for Phase 8, Group 10, Project No. 380810, of the San Diego County Regional Airport Authority's Quieter Home Program.

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

**10. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE ON-CALL INDUSTRIAL HYGIENE SERVICES AGREEMENTS WITH AURORA INDUSTRIAL HYGIENE AND TETRA TECH, INCORPORATED:**
RECOMMENDATION: Adopt Resolution No. 2017-0101, approving and authorizing the President/CEO to execute On-Call Industrial Hygiene Services Agreements with Aurora Industrial Hygiene and Tetra Tech, Incorporated, each agreement for a term of three years with the option for two one-year extensions exercisable at the sole discretion of the President/CEO, for an aggregate total not-to-exceed amount of $1,250,000.

*Chairman Boling left the dais at 11:36 a.m.*

**PRESENTATIONS:**

**A. REVIEW OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017:**
Kathy Kiefer, Senior Director, Finance and Business Management, provided a presentation on the Unaudited Financial Statements for the Three Months Ended September 30, 2017, which included Operating Revenues; Operating Expenses; Non-operating Revenue & Expenses; Financial Summary; Statement of Net Position, Assets; and Statement of Net Position, Liabilities & Net Position.

**PUBLIC HEARINGS:**

**OLD BUSINESS:**

**GENERAL COUNSEL REPORT:** None.

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

**BOARD COMMENT:** None.

**ADJOURNMENT:** The meeting adjourned at 11:41 a.m.

APPROVED BY A MOTION OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD THIS 7th DAY OF DECEMBER, 2017.

______________________________
TONY R. RUSSELL
DIRECTOR, CORPORATE &
INFORMATION GOVERNANCE /
AUTHORITY CLERK

APPROVED AS TO FORM:

______________________________
AMY GONZALEZ
GENERAL COUNSEL

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

**Item No.**
**2**

# STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**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. 2009-0149R, 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.

***The Board is also being requested to pre-approve Board Member attendance at meetings of the multi-agency policy group addressing off-airport roadway access; and Board Member and Audit Committee member attendance at meetings of the ad hoc search committee to fill the position of the Chief Auditor.***

**Fiscal Impact:**

Board and Committee Member Compensation is included in the FY 2018 Budget.

**Authority Strategies:**

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

☒ Community Strategy ☐ Customer Strategy ☐ Employee Strategy ☐ Financial Strategy ☒ Operations Strategy

## Environmental Review:

A. 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. Section 15378. This Board action is not a "project" subject to CEQA. Pub. Res. Code Section 21065.

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

## Application of Inclusionary Policies:

Not applicable.

## Prepared by:

TONY R. RUSSELL
DIRECTOR, CORPORATE & INFORMATION GOVERNANCE/AUTHORITY CLERK

# APRIL BOLING

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
## Board Member Event/Meeting/Training Report Summary

Period Covered: November 2017

Directions: This Form permits Board Members to report their attendance at meetings, events, and training that qualify for "day of service" compensation pursuant to Cal. Pub. Util. Code §170017, Board Policy 1.10 and Board Resolution 2009-0149R. 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 Tony Russell, Authority Clerk.

| BOARD MEMBER NAME: | | DATE: |
|---|---|---|
| C. APRIL BOLING | | 11/28/17 |
| **TYPE OF MEETING** | **DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING** | **SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING** |
| ☑ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date: November 2, 2017<br>Time: 9:00 am<br>Location: Airport | ALUC Board Meeting |
| ☐ Brown Act<br>☑ Pre - approved<br>☐ Res.2009-0149R | Date: November 6, 2017<br>Time: 9:00 am<br>Location: Airport | Port Leadership Meeting |
| ☐ Brown Act<br>☑ Pre - approved<br>☐ Res.2009-0149R | Date: November 9, 2017<br>Time: 5:00 pm<br>Location: Hard Rock Hotel | San Diego Chamber of Commerce Legislative Lounge |
| ☑ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date: November 27, 2017<br>Time: 9:00 am<br>Location: Aiport | Exec./Finance Committee Meeting |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |

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

Signature: ____________

# GREG COX

SDCRAA
NOV 27 2017
Corporate & Information Governance

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**
**Board Member Event/Meeting/Training Report Summary**

Period Covered: NOV 1-30 2017

Directions: This Form permits Board Members to report their attendance at meetings, events, and training that qualify for "day of service" compensation pursuant to Cal. Pub. Util. Code §170017, Board Policy 1.10 and Board Resolution 2009-0149R. 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 Tony Russell, Authority Clerk.

| **BOARD MEMBER NAME:** | | **DATE:** |
|---|---|---|
| GREG COX | | NOVEMBER 27, 2017 |
| **TYPE OF MEETING** | **DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING** | **SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING** |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date: NOV. 6, 2017<br>Time: 9:00am<br>Location: SDUPD OFFICES | SDUPD/SDCRAA LEADERSHIP MEETING |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date: NOV. 27, 2017<br>Time: 9:00am<br>Location: SDIA | EXECUTIVE/FINANCE COMMITTEE SPECIAL BOARD MEETING |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |

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

Signature: Greg Cox

# Jim Desmond

## SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
### Board Member Event/Meeting/Training Report Summary

Period Covered: August - November 2017

Directions: This Form permits Board Members to report their attendance at meetings, events, and training that qualify for "day of service" compensation pursuant to Cal. Pub. Util. Code §170017, Board Policy 1.10 and Board Resolution 2009-0149R. 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 Tony Russell, Authority Clerk.

| BOARD MEMBER NAME: | | DATE: |
|---|---|---|
| Jim Desmond | | Nov 17, 2017 |
| **TYPE OF MEETING** | **DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING** | **SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING** |
| ☑ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date: Aug 28 2017<br>Time: 9am<br>Location: SDIA | Exec Committee Meeting |
| ☑ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date: Sept 7, 2017<br>Time: 9am<br>Location: SDIA | Board Meeting |
| ☑ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date: Oct 5, 2017<br>Time: 9am<br>Location: SDIA | Board Meeting |
| ☑ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date: Nov 2, 2017<br>Time: 9am<br>Location: SDIA | Board Meeting |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |

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

**Signature:** Jim Desmond

# ROBERT GLEASON

SDCRAA
NOV 28 2017
Corporate & Information Governance

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**
**Board Member Event/Meeting/Training Report Summary**
Period Covered: NOVEMBER 2017

Directions: This Form permits Board Members to report their attendance at meetings, events, and training that qualify for "day of service" compensation pursuant to Cal. Pub. Util. Code §170017, Board Policy 1.10 and Board Resolution 2009-0149R. 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 Tony Russell, Authority Clerk.

| **BOARD MEMBER NAME: (Please print)** | | **DATE OF THIS REPORT:** |
|---|---|---|
| ROBERT H. GLEASON | | November 22, 2017 |
| **TYPE OF MEETING** | **DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING** | **SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING** |
| ☑ Brown Act<br>☐ Pre-approved<br>☐ Res. 2009-0149R | Date: November 2, 2017<br>Time: 9:00 am<br>Location: SDCRAA offices | ALUC / Board meeting |
| ☐ Brown Act<br>☑ Pre-approved<br>☐ Res. 2009-0149R | Date: November 9, 2017<br>Time: 9:00 am<br>Location: SDCRAA offices | Performing Arts Residency Review Panel |
| ☑ Brown Act<br>☐ Pre-approved<br>☐ Res. 2009-0149R | Date: November 27, 2017<br>Time: 9:00 am<br>Location: SDCRAA offices | Executive / Finance Committee meeting |
| ☑ Brown Act<br>☐ Pre-approved<br>☐ Res. 2009-0149R | Date: November 28, 2017<br>Time: 3:30 pm<br>Location: SDCRAA offices | Art Advisory Committee meeting |
| ☐ Brown Act<br>☐ Pre-approved<br>☐ Res. 2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre-approved<br>☐ Res. 2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre-approved<br>☐ Res. 2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre-approved<br>☐ Res. 2009-0149R | Date:<br>Time:<br>Location: | |

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

Signature: R. Gleason

# ANDREW HOLLINGWORTH

SDCRAA
NOV 20 2017
Corporate & Information Governance

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**
**Board Member Event/Meeting/Training Report Summary**
Period Covered: November 2017

Directions: This Form permits Board Members to report their attendance at meetings, events, and training that qualify for "day of service" compensation pursuant to Cal. Pub. Util. Code §170017, Board Policy 1.10 and Board Resolution 2009-0149R. 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 Tony Russell, Authority Clerk.

| BOARD MEMBER NAME: | | DATE: |
|---|---|---|
| Andrew Hollingworth | | 11/20/2017 |
| **TYPE OF MEETING** | **DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING** | **SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING** |
| ☒ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date: 11-20-2017<br>Time: 10:00 - 12:00<br>Location: Board Room | November 2017 Audit Committee meeting |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |

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

**Signature:** Andrew Hollingworth

# JIM JANNEY

SDCRAA
NOV 27 2017
Corporate & Information Governance

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**
**Board Member Event/Meeting/Training Report Summary**
Period Covered: Nov

Directions: This Form permits Board Members to report their attendance at meetings, events, and training that qualify for "day of service" compensation pursuant to Cal. Pub. Util. Code §170017, Board Policy 1.10 and Board Resolution 2009-0007. 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 Tony Russell, Authority Clerk.

| BOARD MEMBER NAME: (Please print) | | DATE OF THIS REPORT: |
|---|---|---|
| James Janney | | 27 Nov 17 |
| **TYPE OF MEETING** | **DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING** | **SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING** |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date: Nov 2<br>Time: 0900<br>Location: SDRAA | Board mtg |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date: Nov 3<br>Time: 0900<br>Location: San Dag | SANDAG Transportation mtg |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date: Nov 7<br>Time: 1530<br>Location: Coronado | Coronado City Council |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date: Nov 27<br>Time: 0900<br>Location: SDCRAA | Exec mtg |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date:<br>Time:<br>Location: | |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date:<br>Time:<br>Location: | |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date:<br>Time:<br>Location: | |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date:<br>Time:<br>Location: | |

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

Signature: ______________

SDCRAA
NOV 27 2017
Corporate & Information Governance

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
## Board Member Event/Meeting/Training Report Summary
Period Covered: Oct 17

Directions: This Form permits Board Members to report their attendance at meetings, events, and training that qualify for "day of service" compensation pursuant to Cal. Pub. Util. Code §170017, Board Policy 1.10 and Board Resolution 2009-0007. 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 Tony Russell, Authority Clerk.

| BOARD MEMBER NAME: (Please print) | | DATE OF THIS REPORT: |
|---|---|---|
| Jane Janney | | 27 Nov 17 |
| TYPE OF MEETING | DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING | SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date: Oct 9<br>Time: 0900<br>Location: SDCRAA | Exec Board mtg |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date: Oct 6<br>Time: 0900<br>Location: SanDag | SANDAG Trans. mtg |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date: Oct 19<br>Time: 10<br>Location: SDCRAA | CIPOC mtg |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date: Oct 20<br>Time: 10<br>Location: SANDAG | SanDag Trans mtg |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date: Oct 23<br>Time: 0900<br>Location: SCRAA | ExeBoard mtg |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date:<br>Time:<br>Location: | |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date:<br>Time:<br>Location: | |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date:<br>Time:<br>Location: | |

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

Signature: [signature]

# MARK KERSEY

SDCRAA
NOV 09 2017
Corporate & Information Governance

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**
**Board Member Event/Meeting/Training Report Summary**

Period Covered: November 2017

Directions: This Form permits Board Members to report their attendance at meetings, events, and training that qualify for "day of service" compensation pursuant to Cal. Pub. Util. Code §170017, Board Policy 1.10 and Board Resolution 2009-0149R. 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 Tony Russell, Authority Clerk.

| BOARD MEMBER NAME: | | DATE: |
|---|---|---|
| Mark Kersey | | 11/9/17 |
| **TYPE OF MEETING** | **DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING** | **SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING** |
| ☑ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date: November 2, 2017<br>Time: 9:00 am<br>Location: 3225 Harbor Drive | Board and ALUC Meeting |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |

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

**Signature:** ______________________

# PAUL ROBINSON

| SDCRAA |
|---|
| NOV 27 2017 |
| Corporate & Information Governance |

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**
**Board Member Event/Meeting/Training Report Summary**

Period Covered: 11/30/17

Directions: This Form permits Board Members to report their attendance at meetings, events, and training that qualify for "day of service" compensation pursuant to Cal. Pub. Util. Code §170017, Board Policy 1.10 and Board Resolution 2009-0149R. 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 Tony Russell, Authority Clerk.

| BOARD MEMBER NAME: | | DATE: |
|---|---|---|
| Paul Robinson | | |
| **TYPE OF MEETING** | **DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING** | **SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING** |
| ☒ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date: 11/2/17<br>Time: 9:00 – 12:00 pm.<br>Location: SDCRAA Bd. Rm | SDCRAA Bd/ALUC Mtgs |
| ☐ Brown Act<br>☒ Pre - approved<br>☐ Res.2009-0149R | Date: 11/6/17<br>Time: 9:00 – 10:00 a.m.<br>Location: Port of S.D | Mtg w/ Port (Rafael et al |
| ☐ Brown Act<br>☒ Pre - approved<br>☐ Res.2009-0149R | Date: 11/13/17<br>Time: 10:00 a.m – 11:30 a.m<br>Location: Women In Aviation | Chief Auditor Ad Hoc ~~Comm Mtg~~. Search Comm Mtg |
| ☒ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date: 11/20/17<br>Time: 10:00 a.m – 10:30 a.m.<br>Location: SDCRAA Bd Rm | SDCRAA Audit Comm Mtg. |
| ☒ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date: 11/27/17<br>Time: 9:00 a.m – 10:00 a.m.<br>Location: SDCRAA Bd Rm | SDCRAA Exec/Finan Comm. Mtgs |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |

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

**Signature:** P E Robinson

# M. SCHUMACHER

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
## Board Member Event/Meeting/Training Report Summary

Period Covered: Nov 1-30, 2017

Directions: This Form permits Board Members to report their attendance at meetings, events, and training that qualify for "day of service" compensation pursuant to Cal. Pub. Util. Code §170017, Board Policy 1.10 and Board Resolution 2009-0149R. 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 Tony Russell, Authority Clerk.

| BOARD MEMBER NAME: | | DATE: |
|---|---|---|
| Michael Schumacher | | 11/1/17 |
| **TYPE OF MEETING** | **DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING** | **SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING** |
| ☐ Brown Act<br>☑ Pre - approved<br>☐ Res.2009-0149R | Date: November 2, 2017<br>Time: 9:00 am<br>Location: SDCRAA Office | Board meeting/ALUC |
| ☐ Brown Act<br>☑ Pre - approved<br>☐ Res.2009-0149R | Date: November 20, 2017<br>Time: 10:00 am<br>Location: SDCRAA Office | Audit Committee Meeting |
| ☐ Brown Act<br>☑ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☑ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |
| ☐ Brown Act<br>☐ Pre - approved<br>☐ Res.2009-0149R | Date:<br>Time:<br>Location: | |

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

**Signature:** Michael Schumacher Digitally signed by Michael Schumacher Date: 2017.03.29 08:32:08 -07'00'

# MARY SESSOM

SDCRAA
NOV 28 2017
Corporate & Information Governance

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
## Board Member Event/Meeting/Training Report Summary
Period Covered: NOVEMBER, 2017

Directions: This Form permits Board Members to report their attendance at meetings, events, and training that qualify for "day of service" compensation pursuant to Cal. Pub. Util. Code §170017, Board Policy 1.10 and Board Resolution 2009-0149R. 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 Tony Russell, Authority Clerk.

| BOARD MEMBER NAME: (Please print) | | DATE OF THIS REPORT: |
|---|---|---|
| MARY SESSOM | | 11-28-17 |
| **TYPE OF MEETING** | **DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING** | **SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING** |
| ☐ Brown Act<br>☐ Pre-approved<br>☐ Res. 2009-0149R | Date: 11-2-17<br>Time: 9:00 AM<br>Location: SDCRAA | BOARD/AWC MTGS. |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date: 11-14-17<br>Time: 2:30 PM<br>Location: CITY OF LEMON GROVE OFFICE | EAST COUNTY TOUR WITH CEO; MEETING WITH LEMON GROVE City Manager |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date: 11-20-17<br>Time: 10:00 A.M.<br>Location: SDCRAA | AUDIT COMMITTEE MTG. |
| ☐ Brown Act<br>☐ Pre-approved<br>☐ Res. 2009-0149R | Date:<br>Time:<br>Location: | |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date:<br>Time:<br>Location: | |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date:<br>Time:<br>Location: | |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date:<br>Time:<br>Location: | |
| Brown Act<br>Pre-approved<br>Res. 2009-0149R | Date:<br>Time:<br>Location: | |

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

Signature: Mary Sessom

# SAN DIEGO COUNTY
# REGIONAL AIRPORT AUTHORITY

Item No.
**3**

## STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**Awarded Contracts, Approved Change Orders from October 9, 2017 through November 12, 2017 and Real Property Agreements Granted and Accepted from October 9, 2017 through November 12, 2017**

**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:**

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

☐ Community Strategy ☐ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

## 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.

## 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 9, 2017 - November 12, 2017

### New Contracts

| Date Signed | CIP # | Company | Description | Solicitation Method | Owner | Contract Value | End Date |
|---|---|---|---|---|---|---|---|
| 10/9/2017 | | Vigilant Technologies | The Contractor is one of three contractors pre-qualified and approved to bid on on-call Information Technology Network Services at San Diego International Airport. The contract value reflects the total not-to-exceed cost for the entire pool of contractors for this service. | RFQ | Information Technology | $900,000.00 | 9/30/2020 |
| 10/9/2017 | | ePlus Technology, Inc. | The Contractor is one of three contractors pre-qualified and approved to bid on on-call Information Technology Network Services at San Diego International Airport. The contract value reflects the total not-to-exceed cost for the entire pool of contractors for this service. | RFQ | Information Technology | $900,000.00 | 9/30/2020 |
| 10/9/2017 | | VectorUSA | The Contractor is one of three contractors pre-qualified and approved to bid on on-call Information Technology Network Services at San Diego International Airport. The contract value reflects the total not-to-exceed cost for the entire pool of contractors for this service. | RFQ | Information Technology | $900,000.00 | 9/30/2020 |
| 10/9/2017 | | Fueling and Technologies, Inc. | The Contractor will provide 50 hp blower systems to twelve existing car wash bays, modify 15 car wash systems and add chemical drying agent pumps to the existing rinse cycle in 3 locations at the Rental Car Center at San Diego International Airport. | RFB | Facilities Development | $541,722.00 | 9/25/2018 |
| 10/23/2017 | | Clarity Ventures, Inc. | The Contractor will provide On-call Technical Support Services for Intranet and Internet websites at San Diego County Regional Airport Authority. | Informal RFP | Information Technology | $49,920.00 | 9/30/2020 |

## AWARDED CONTRACTS AND CHANGE ORDERS SIGNED BETWEEN October 9 2017 - November 12, 2017

### New Contracts Approved by the Board

| Date Signed | CIP # | Company | Description | Solicitation Method | Owner | Contract Value | End Date |
|---|---|---|---|---|---|---|---|
| 10/9/2017 | | G&G Specialty Contractors, Inc. | The contract was approved by the Board at the October 5, 2017 Board Meeting. The Contractor will install new acoustical windows, doors, and ventilation improvements to reduce air-craft related noise levels and provide sound attenuation to 35 non-Historic multi-family units on 7 residential properties located east and west of San Diego International Airport. | RFB | Quieter Home Program | $852,318.00 | 8/8/2018 |
| 10/10/2017 | | Best Best & Krieger | The contract was approved by the Board at the September 7, 2017 Board Meeting. The Contractor will provide Legal Services at the direction of the General Counsel's Office for the San Diego County Regional Airport Authority. | RFP | General Counsel | $500,000.00 | 9/30/2020 |

## Attachment "A"

## AWARDED CONTRACTS AND CHANGE ORDERS SIGNED BETWEEN October 9 2017 - November 12, 2017

### New Contracts Approved by the Board

| Date Signed | CIP # | Company | Description | Solicitation Method | Owner | Contract Value | End Date |
|---|---|---|---|---|---|---|---|
| 10/10/2017 | | Morrison & Foerster LLP | The contract was approved by the Board at the September 7, 2017 Board Meeting. The Contractor will provide Legal Services at the direction of the General Counsel's Office for the San Diego County Regional Airport Authority. | RFP | General Counsel | $500,000.00 | 9/30/2020 |
| 10/10/2017 | | Granite Construction Company | The contract was approved by the Board at the July 6, 2017 Board Meeting. The Contractor will complete the Rehabilitate Runway 9-27 & Cross Taxiway B-1, B4-B7, C3, C4 & C6 at San Diego International Airport. | RFB | Facilities Development | $22,839,002.50 | 10/31/2018 |

# Attachment "A"

**AWARDED CONTRACTS AND CHANGE ORDERS SIGNED BETWEEN October 9, 2017 - November 12, 2017**

## 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 |
|---|---|---|---|---|---|---|---|---|---|
| 10/16/2017 | | CPR1, LLC | The First Amendment revises the Contractor's response time and invoice submittal requirements. There is no increase in compensation. | Security & Public Safety | $ 100,000.00 | $0.00 | 0% | $100,000.00 | 6/30/2020 |
| 10/20/2017 | | Allied Waste Systems Inc. dba Republic Services of San Diego | The First Amendment exercises the 2nd option to extend the term of the agreement for one year and added language to "Exhibit B" for the new recycling fees imposed by the city of San Diego. There is no increase in compensation | Terminal Operations | $3,000,000.00 | $0.00 | 0% | $3,000,000.00 | 10/5/2018 |

**AWARDED CONTRACTS AND CHANGE ORDERS SIGNED BETWEEN October 9, 2017- November 12, 2017**

## 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |

**Attachment "B"**

**REAL PROPERTY AGREEMENTS EXECUTED FROM OCTOBER 9, 2017 through NOVEMBER 12, 2017**

## Real Property Agreements

| Begin/End Dates | Authority Doc. # | Tenant/Company | Agreement Type | Property Location | Use | Property Area (s.f) | Consideration | Comments |
|---|---|---|---|---|---|---|---|---|
| 10/15/17-12/31/17 | LE-0936 | AT&T | Right of Entry Permit | T2W Area | Access AT&T Equipment | N/A | N/A | N/A |
| 10/15/17-12/31/17 | LE-0937 | AT&T | Right of Entry Permit | Cargo Building Along Stillwater Road | Access AT&T Equipment | N/A | N/A | N/A |
| 9/1/17-5/31/17 | LE-0935 | ATYOURGATE | Use & Occupancy Permit | Innovation Lab | Office Space within the Innovation Lab | 100 SF | $30K for the term of the Permit | N/A |
| 11/1/17-10/31/22 | LE-0938 | ATYOURGATE | Non-Exclusive License Agreement for Support Services | Terminals | Develop and implement a web and mobile ordering and in-airport delivery service | N/A | 7% on all gross revenue | N/A |
| 12/11/17-12/22/17 | LE-0876 | UPS | Right of Entry Permit | Capital Space on Northside of Airport | Commerical air cargo operations | N/A | $5,542.00 lump sum | N/A |
| 10/15/17-12/31/17 | LE-0934 | Sundt Construction | Right of Entry Permit | Rental Car Center | Repair to 4th floor | N/A | N/A | N/A |
| 10/23/17-10/22/22 | LE-0933 | The Classic Shine Company | Concession Lease | Terminals | Operation of Shoeshine Services | N/A | MAG $24,000 and Percentage Rent is 10% | N/A |

## Real Property Agreement Amendments and Assignments

| Effective Date | Authority Doc. # | Tenant/Company | Agreement Type | Property Location | Use | Property Area (s.f) | Consideration | Comments |
|---|---|---|---|---|---|---|---|---|
| 10/23/2017 | LE-0719 should be affiliated with LE-0762 | Advantage Opco, LLC | Concession Agreement | Rental Car Center | authorize Advantage Rent a Car brand under existing contract with Advantage Opco, LLC; updated Exhibit S | N/A | N/A | N/A |
| 5/1/2017 | LE-0843 | Southwest Airlines | Use & Occupancy Permit | Belly Cargo Space | Belly Cargo | Reduce SF by 220 SF | Reduced rent by $80.00 per month | N/A |

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

**Item No.**
**4**

# STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**December 2017 Legislative Report**

**Recommendation:**

Adopt Resolution No. 2017-0103, approving the December 2017 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 2017 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.

**State Legislative Action**
The Authority's legislative team does not recommend that the Board adopt any new positions on state legislation.

The State Legislature is scheduled to reconvene on January 3, 2018.

**Federal Legislative Action**
The Authority's legislative team recommends that the Board adopt an Oppose position on H.R. 1, the "Tax Cuts and Jobs Act." This comprehensive tax reform legislation includes a provision to repeal the federal tax exemption for private activity bonds and prohibit the issuance of a tax-exempt bond to advance refund an existing bond. If enacted, interest on any private activity bonds - an important financing tool for airports – issued on January 1, 2018 or thereafter, would be included in income and subject to taxation.

The legislative team also recommends that the Board adopt a Watch position on the Senate version of the tax reform bill. Although the Senate bill would continue the tax emption for private activity bonds, this legislation includes a provision to eliminate the advance refunding option.

On November 14th, the Senate Homeland Security and Governmental Affairs Committee approved the nomination of Kirstjen Nielsen to serve as the Secretary of the Department of Homeland Security on a vote of 11 to 4. This nomination will now be considered by the full Senate.

The Administration announced new restrictions on travel to Cuba that will begin next summer. Under the new restrictions, individuals traveling to Cuba will be required to travel with an organization that sponsors exchanges to promote people-to-people contact.

**Fiscal Impact:**

Not applicable.

**Authority Strategies:**

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

☒ Community Strategy ☐ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

**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.

**Application of Inclusionary Policies:**

Not applicable.

**Prepared by:**

MICHAEL KULIS
DIRECTOR, INTER-GOVERNMENTAL RELATIONS

# RESOLUTION NO. 2017-0103

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY APPROVING THE DECEMBER 2017 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 2017 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") (Cal. Pub. Res. Code § 21065); and is not a "development" as defined by the California Coastal Act (Cal. Pub. Res. Code § 30106).

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of December, 2017, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY RUSSELL
DIRECTOR, CORPORATE
& INFORMATION GOVERNANCE/
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

**(Attachment A)**

**December 2017 Legislative Report**

**State Legislation**

**New Assembly Bills**
There are no new Assembly Bills to report.

**Assembly Bills from Previous Report**

**Legislation/Topic**
**AB 302 (Gipson) – South Coast Air Quality Management District: fleets**

**Background/Summary**
AB 302 would authorize the governing board of the South Coast Air Quality Management District (SCAQMD) to adopt rules and regulations that require specified operators of public and commercial fleet vehicles consisting of one or more vehicles to purchase zero emission and near-zero emission vehicles, and further require that those zero-emission and near-zero emission vehicles to be operated to the fullest extent possible in the south coast district.

**Anticipated Impact/Discussion**
San Diego International Airport (SDIA), is not within the jurisdiction of the SCAQMD, therefore this bill would not directly impact our operations. However, the Authority's legislative team is concerned that if enacted, AB 302 could create difficult and costly requirements for fleet operators because there are no zero or near-zero emission versions for some airport off-road equipment.

**Status:** 5/8/17 – Re-referred to Assembly Committee on Transportation. This bill is expected to be considered by the State Legislature in 2018.

**Position:** Watch (6/1/17)

**New Senate Bills**
There are no new Senate bills to report.

**Shaded text represents new or updated legislative information*

## Federal Legislation

**New House Bills**
**H.R. 1 (Brady) – Tax Cuts and Jobs Act**

**Background/Summary**
H.R. 1 is a comprehensive tax reform bill that would consolidate the seven income tax brackets for individuals into four brackets of 12%, 25%, 35% and 39.6%. The bill would also reduce the corporate tax rate from a maximum of 35% to a flat rate of 20%. Of interest to airports, H.R. 1 would repeal the federal tax exemption for private activity bonds – an important financing tool for airport improvement projects. This bill would also prohibit the issuance of a tax exempt bond to advance refund an existing bond.

**Anticipated Impact/Discussion**
Since 2010, the Airport Authority has issued over $637 million in private activity bonds to finance airport improvement projects. Enactment of this legislation is expected to result in additional costs in the hundreds of millions alone if private activity bonds are used to finance the Airport Development Plan. This would significantly reduce the available resources that the Airport Authority will have to fund major improvement projects at San Diego International Airport.

**Status:** 11/16/17 – Approved by House on a vote of 227 to 205

**Position:** Oppose

**House Bills from Previous Report**

**Legislation/Topic**
**H.R. 598 (Lynch) – Airplane Impacts Mitigation Act of 2017**

**Background/Summary**
H.R. 598, the "Airplane Impacts Mitigation Act of 2017", would require the Federal Aviation Administration (FAA) to enter into an agreement with an eligible institution of higher education to conduct a study of the health impacts of airplane flights on residents exposed to a range of noise and air pollution levels from flights. The study is directed to:

- Focus on residents in Boston, Chicago, New York, the northern California Metroplex, Phoenix, and not more than three additional metropolitan areas each containing an international airport.
- Consider the health impacts on residents living partly, or entirely within the land underneath the flight paths most frequently used by aircraft flying below 10,000 feet.
- Consider only the health impacts that manifest during the physical implementation of the NextGen program on flights departing from or arriving to an international airport located in one of the designated metropolitan areas.

**Shaded text represents new or updated legislative information*

**Anticipated Impact/Discussion**
Although this bill is not expected to directly impact operations at San Diego International Airport (SDIA), the information collected by the study may be useful in helping the Authority accurately describe any environmental and health impacts of the FAA's recently implemented NextGen program.

**Status:** 1/20/17 – Introduced in the House and referred to the House Committee on Transportation and Infrastructure

**Position:** Support (3/2/17)

**Legislation/Topic**
**H.R. 665 (Keating) – Airport Perimeter and Access Control Security Act of 2017**

**Background/Summary**
H.R. 665, the "Airport Perimeter and Access Control Security Act of 2017," would direct the Transportation Security Administration (TSA) to update:

- The Transportation Sector Security Risk Assessment for the aviation sector
- The Comprehensive Risk Assessment of Perimeter and Access Control Security for airports (as well as conduct a system-wide assessment of airport access control points and airport perimeter security)
- The 2012 National Strategy for Airport Perimeter and Access Control Security

**Anticipated Impact/Discussion**
Although this bill is not expected to impact operations at San Diego International Airport (SDIA), the updating of assessments by the TSA may lead to the future implementation of new security requirements. The Authority's legislative team will identify any unfunded mandates resulting from these proposed actions.

**Status:** 1/31/17 – Approved by the House on a voice vote and Referred to the Senate Committee on Commerce, Science and Transportation

**Position:** Watch (3/2/17)

**Legislation/Topic**
**H.R. 678 (McSally) – Department of Homeland Security Support to Fusion Centers Act of 2017**

**Background/Summary**
Fusion centers were created to promote information sharing at the federal level between agencies such as the Central Intelligence Agency, the U.S. Department of Justice, the U.S. military and state and local governments. H.R. 678, the "Department of Homeland Security Support to Fusion Centers Act of 2017" would:

- Direct the Comptroller General to conduct an assessment of Department of Homeland Security (DHS) personnel assigned to fusion centers
- Direct the Under Secretary of Intelligence and Analysis of the Department of Homeland Security to provide eligibility for access to information classified as Top Secret for analysts at fusion centers, and submit a report to the Committee on Homeland Security, Permanent House Select Committee on Intelligence, Committee on Homeland Security and Government Affairs and Senate Select Committee on Intelligence
- Direct the Chief Information officer of the Department of Homeland Security to conduct an assessment of information systems used to share homeland security information between fusion centers and the Department.

**Anticipated Impact/Discussion**

Although this bill is not expected to impact operations at San Diego International Airport (SDIA), it will be monitored closely for any potential impact to Department of Homeland Security or Customs and Border Protection procedures.

**Status:** 1/31/17 – Approved by the House on a voice vote and Referred to Senate Committee on Homeland Security and Governmental Affairs

**Position:** Watch (3/2/17)

**Legislation/Topic**

**H.R. 1265 (DeFazio) – Investing in America: Rebuilding America's Airport Infrastructure Act**

**Background/Summary**

H.R. 1265, the "Investing in America: Rebuilding America's Airport Infrastructure Act", would provide airports the Authority to establish a passenger facility charge (PFC) of their choosing by eliminating the current $4.50 Congressionally-set PFC limit. This bill would also reduce Airport Improvement Program (AIP) funding by $400 million annually and eliminate large hub airports' entitlement to AIP grants if those airports collect PFCs greater than $4.50.

**Anticipated Impact/Discussion**

H.R. 1265 would provide the Airport Authority with the ability to establish a PFC based on San Diego International Airport funding needs rather than relying on the current PFC limit of $4.50 per passenger established by Congress in 2000.

**Status:** 3/2/17 – Referred to House Committee on Transportation and Infrastructure

**Position:** Support (4/6/17)

**Legislation/Topic**
**H.R. 2800 (DeFazio)** – Aviation Funding Stability Act

**Background/Summary**
This legislation would take the Airport and Airway Trust Fund off budget in an effort to protect Trust Fund revenue from sequestration and potential budget cuts. This bill would also require the Federal Aviation Administration (FAA) to develop a streamlined procurement system for the acquisition of NextGen technology and update its personnel management system. In addition, H.R. 2800 would elevate the role of the Management Advisory Council and authorize funds to rebuild and modernize U.S. air traffic control facilities.

**Anticipated Impact/Discussion**
Enactment of H.R. 2800 might benefit the Airport Authority by insulating the Airport and Airway Trust fund from potential reductions in funding for FAA-related operations. In addition, this legislation could expedite the modernization of the national air traffic control system.

**Status:** 6/7/17 – Introduced and Referred to the House Committees on Transportation and Infrastructure, Armed Services, the Budget, and Appropriations

**Position:** Watch (7/6/17)

**Legislation/Topic**
**H.R. 2997 (Shuster)** – 21st Century Aviation Innovation, Reform, & Reauthorization Act

**Background/Summary**
This legislation would authorize FAA operations and related programs for the next six years. Specifically, this bill would:

- Transfer air traffic control functions from the FAA to a new not-for-profit corporation
- Include one airport representative to serve on the 13-member board of directors for the new ATC corporation
- Increase annual Airport Improvement Program (AIP) funding to a level of $3.8 billion in Fiscal Year 2023
- Retain the current $4.50 Passenger Facility Charge (PFC) cap
- Streamline and expedite the PFC reporting and review process
- Eliminate the PFC significant contribution test for large and medium hub airports

**Anticipated Impact/Discussion**
Although San Diego International Airport (SDIA) might potentially benefit from the AIP increases included in H.R. 2997, this bill does not include any adjustment to the current $4.50 PFC limit established by Congress in 2000. As a result, this legislation would essentially maintain the status quo for the financing of airport infrastructure projects

**Shaded text represents new or updated legislative information*

instead of providing new funding opportunities for SDIA improvement projects. In addition, this bill does not include any provision that could position SDIA to compete for nonstop service to Ronald Reagan Washington National Airport.

**Status:** 6/27/17 – Approved by House Transportation and Infrastructure Committee by a vote of 32 to 25

**Position:** Oppose Unless Amended (7/6/17)

**New Senate Bills**

**Legislation/Topic**
**(Hatch) – Tax Cuts and Jobs Act**

**Background/Summary**
Although this comprehensive tax reform bill would maintain seven income tax brackets for individuals, it would adjust the rates of those brackets. Similar to H.R. 1, the House tax reform bill, the Senate bill would reduce the corporate tax rate from 35% to 20%, however this would not begin until 2019. Of interest to airports, the Senate bill would preserve the tax exemption for private activity bonds. However, the Senate bill would eliminate advance refunding bonds, as is proposed in the House bill.

**Anticipated Impact/Discussion**
Because the Senate tax reform bill would not repeal the current tax exemption for private activity bonds, this important financing tool for airport projects would remain an option for the Airport Authority to fund the Airport Development Plan and other major improvements. Per the direction provided in the 2017 Legislative Agenda, the Authority's legislative team has begun to coordinate with airport advocacy groups to preserve the tax exempt status of private activity bonds as proposed in the Senate tax reform bill.

**Status:** 11/16/17 – Approved by Senate Finance Committee on a vote of 14 to 12

**Position:** Watch

**Senate Bills from Previous Report**

**Legislation/Topic**
**S. 271 (Fischer) – Build USA Infrastructure Act**

**Background/Summary**
S. 271, the "Build USA Infrastructure Act" would divert $21.4 billion annually in Customs and Border Protection (CBP) passenger and freight user fees to the Highway Trust Fund. This funding would be diverted for a five-year period, beginning October 1, 2020.

**Anticipated Impact/Discussion**
Airports Council International – North America (ACI-NA) strongly opposes this bill. User fees should be applied for their intended use, not diverted to subsidize other programs, especially as CBP continues to face significant staffing shortfalls and technological challenges. As San Diego International Airport (SDIA) continues to expand international air service, this bill could have a negative impact on CBP's ability to effectively process international passengers.

**Status:** 2/1/17 – Introduced and Referred to Senate Committee on Homeland Security and Governmental Affairs

**Position:** Oppose (3/2/17)

**Legislation/Topic**
**S. 1405 (Thune)** – Federal Aviation Administration Reauthorization Act of 2017

**Background/Summary**
This legislation would authorize FAA operations and related programs for the next four years. Specifically, this bill would:

- Increase annual Airport Improvement Program (AIP) funding to a level of $3.75 billion in Fiscal Years 2019-2021
- Retain the current $4.50 Passenger Facility Charge (PFC) cap
- Streamline and expedite the PFC reporting and review process
- Eliminate the PFC significant contribution test for large and medium hub airports
- Require the Department of Transportation to hire an independent organization to conduct a study on upgrading and restoring the nation's airport infrastructure

**Anticipated Impact/Discussion**
Although San Diego International Airport (SDIA) might potentially benefit from the AIP increases included in S. 1405, this bill does not include any adjustment to the current $4.50 PFC limit established by Congress in 2000. As a result, this legislation would essentially maintain the status quo for the financing of airport infrastructure projects instead of providing new funding opportunities for SDIA improvement projects. In addition, this bill does not include any provision that could position SDIA to compete for nonstop service to Ronald Reagan Washington National Airport.

**Status:** 6/29/17 – Approved by Senate Committee on Commerce, Science and Transportation by voice vote

**Position:** Oppose Unless Amended (7/6/17)

**Legislation/Topic**

**S. 1655 (Collins)** – Fiscal Year 2018 Transportation and Housing and Development Appropriations Act

**Background/Summary**

This bill would provide annual funding for federal transportation programs including Federal Aviation Administration activities and programs. The bill would increase the Passenger Facility Charge (PFC) limit from the current level of $4.50 to a new level of $8.50 for originating passengers. This bill would also increase Airport Improvement Program (AIP) funding by $250 million to a new level of $3.6 billion in FY 2018.

**Anticipated Impact/Discussion**

Passage of an annual spending bill would provide airports certainty concerning the annual funding levels for FAA and its programs. While the proposed increase in the AIP could result in some additional revenue to the Airport Authority, the proposed $4 increase in the PFC limit could result in a significant increase in revenue for San Diego International Airport improvement projects, including funding for the Airport Development Program.

**Status:** 7/27/17 – Approved by Senate Committee on Appropriations on a vote of 31 to 0

**Position:** Support (9/7/17)

**Legislation/Topic**

**S. 1757 (Cornyn)** – Building America's Trust Act

**Background/Summary**

S. 1757 would authorize approximately $15 billion over four years for border security and enforcement activities. Specific actions include:

- Requires the deployment of multi-layered tactical infrastructure across the southern U.S. border which, at the Secretary of DHS's discretion, could include a wall system, fencing. Levees, technology, or other physical barriers
- Increases the number of Border Patrol agents, Customs and Border Protection (CBP) Officers at ports, agricultural inspectors, Immigration and Customs Enforcement officers, immigration judges and federal prosecutors
- Streamline the CBP hiring process for military veterans and law enforcement personnel
- Requires CBP to deploy a biometric entry system at fifteen U.S. airports within 18 months and at all U.S. airports within five years

**Anticipated Impact/Discussion**

While several provisions in S. 1757 could provide additional CBP staffing resources at CBP's San Diego port, some elements of this bill may be considered by community leaders to be a deterrent to the cross-border trade and tourism that currently benefits the regional economy.

**Status:** 8/3/17 – Introduced in the Senate

**Position:** Watch (9/7/17)

**Legislation/Topic**
**S. 1733 (Van Hollen) – Customers Not Cargo Act**

**Background/Summary**
This proposed legislation would prohibit airlines from forcibly removing passengers after they have already boarded the plane due to overbooking or airline staff seeking to fly as passengers. It would also require the establishment of standards to resolve oversales once an aircraft has been boarded.

**Anticipated Impact/Discussion**
This bill is not expected to directly impact operations at San Diego International Airport (SDIA).

**Status:** 4/12/17 – Introduced and Referred to Senate Committee on Commerce, Science and Transportation

**Position:** Watch (5/4/17)

**Legislation/Topic**
**S. 1872 (Thune) – TSA Modernization Act**

**Background/Summary**
This legislation would reauthorize Transportation Security Administration (TSA) programs for three years. The bill includes several provisions that would benefit airports, including $55 million in additional funding for the law enforcement officer (LEO) reimbursement program and continued funding that would allow TSA officers to continue to staff airport exit lanes instead of shifting that responsibility to airports as proposed by the Trump Administration. The bill would also establish a five-year term for the TSA Administrator, similar to the FAA Administrator's term and requires TSA to significantly expand the PreCheck program.

**Anticipated Impact/Discussion**
Enactment of this legislation would ensure the availability of federal funding for several programs of importance to SDIA and while enhancing the development and acquisition of new security technologies which could be incorporated into the SDIA security process.

**Status:** 10/4/17 – Approved by Senate Commerce Committee

**Position:** Support (11/2/17)

**Shaded text represents new or updated legislative information*

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

**Item No.**
**5**

# Staff Report

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**Approve Establishing the Date and Time of Board and ALUC Meetings for 2018, as Indicated in the Proposed 2018 Master Calendar of Board and Committee Meetings**

**Recommendation:**

Adopt Resolution No. 2017-0104, establishing the date and time of Board and ALUC meetings for 2018 as indicated on the proposed 2018 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 regular meetings by ordinance, resolution, or by-laws. Resolution No. 2015-0105R set the current date and time for Board and ALUC 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 and Executive Personnel and Compensation Committee are scheduled to accommodate review of external audits and the performance evaluations for the President/CEO, Chief Auditor and General Counsel, respectively.

A Special Board Meeting has been scheduled in March, to accommodate the anticipated Board Retreat.

The proposed 2018 Master Calendar of Board and Committee meetings is attached as Exhibit A.

## Fiscal Impact:

Not applicable.

## Authority Strategies:

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

☒ Community Strategy ☐ Customer Strategy ☐ Employee Strategy ☐ Financial Strategy ☒ Operations Strategy

## Environmental Review:

A. 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. Section 15378. This Board action is not a “project” subject to CEQA. Pub. Res. Code Section 21065.

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

## Application of Inclusionary Policies:

Not applicable.

## Prepared by:

TONY R. RUSSELL
DIRECTOR, CORPORATE & INFORMATION GOVERNANCE/AUTHORITY CLERK

RESOLUTION NO. 2017-0104

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY ESTABLISHING THE DATE AND TIME OF BOARD AND ALUC MEETINGS FOR 2018 AS INDICATED ON THE PROPOSED 2018 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 regular meetings by ordinance, resolution, or by-laws; and

WHEREAS, Resolution No. 2015-0105R set the current date and time for Board and ALUC Meetings; and

WHEREAS, in accordance with Authority Policy 1.30(2), regular meetings shall be held at least once each month; regular meeting dates, time and location shall be set annually by Board resolution; and 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 establishing the date and time of Board and ALUC meetings for 2018, as indicated on the proposed 2018 Master Calendar of Board and Committee Meetings (Exhibit 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 is not a “development” as defined by the California Coastal Act (California Public Resources Code §30106).

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of December, 2017, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

______________________________
TONY R. RUSSELL
DIRECTOR, CORPORATE &
INFORMATION GOVERNANCE /
AUTHORITY CLERK

APPROVED AS TO FORM:

________________________
AMY GONZALEZ
GENERAL COUNSEL

# DRAFT - 2018 MASTER CALENDAR OF BOARD AND COMMITTEE MEETINGS

| | ALUC/BOARD<br>1st Thursday of Month | EXECUTIVE COMMITTEE<br>(Monday in Week Preceding the Board meeting) | AUDIT COMMITTEE<br>Monday (Quarterly) | EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE<br>Thursday | FINANCE COMMITTEE<br>Meets with the Executive Committee<br>Monday | CAPITAL IMPROVEMENT PROGRAM OVERSIGHT COMMITTEE<br>Quarterly<br>Thursday |
|---|---|---|---|---|---|---|
| **Month** | **9:00 AM** | **9:00 AM** | **10:00 AM** | **10:00 AM** | **9:00 AM** | **10:00 AM** |
| **January** | 4 | 22 | | 11 | 22 | 18 |
| **February** | 1 | **15** | 12 | | **15** | |
| **March** | 1 | 26 | | | 26 | |
| **March** | 9 & 10<br>Retreat | | | | | |
| **April** | 5 | 23 | | | 23 | 19<br>Special Board Meeting<br>Capital Budget Workshop |
| **May** | 3 | **24** | 14 | 31 | **24** | |
| **May** | 17<br>Budget Workshop | | | | | |
| **June** | 7 | 25 | | | 25 | |
| **July** | **12** | | | | | 19 |
| **August** | | 27 | | 30 | 27 | |
| **September** | 6 | 24 | 10 | | 24 | |
| **October** | 4 | 22 | | | 22 | 18 |
| **November** | 1 | 26 | 5 | | 26 | |
| **December** | 6 | **20** | | | **20** | |

**BOLD - Denotes a change in the regular schedule due to holidays and conflicts with other Board or Committee meetings.**

Revised: 11/14/2017

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

**Item No.**
**6**

## STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**Disposition of Surplus Property**

**Recommendation:**

Adopt Resolution No.2017-0105, authorizing the disposition of surplus property (materials and/or equipment) by: (1) donating electronics surplus to San Diego Futures Foundation [SDFF]; (2) sale to the highest bidder; and, (3) recycling and disposing of unwanted items as scrap.

**Background/Justification:**

Authority Policy 8.21, *Surplus Materials and Equipment*, requires that a listing of all surplus items be submitted to the Authority's Board for approval to dispose of items which are no longer needed by the Authority.

Surplus items in excess of the Authority's needs are sent to the Procurement Department for final disposition. The Authority has surplus property stored in various locations. The surplus property is listed on Exhibits A, B, C, D, and E.

Exhibit A: Electronic items.
Exhibit B: ARFF Silvers (Fire Suits).
Exhibit C: Maintenance equipment and vehicles.
Exhibit D: Trash cans, phone cylinder, planters, filing system.
Exhibit E: Office cubicle panels and furniture.

These items occupy much-needed space and interfere with day-to-day operations.

Competitive solicitations were conducted for auction and electronic recycling services, resulting in agreements awarded to Public Surplus, LLC and Ken Porter Auctions for auction and IMS Electronic Recycling Incorporated for the recycling of surplus electronic equipment and accessories not donated to SDFF.

Items listed in Exhibit A, *San Diego Futures Foundation Computer-Related Equipment*, are in poor condition or are obsolete and past their useful life. In accordance with Board Policy, the items will be donated to the San Diego Futures Foundation. The San Diego Futures Foundation will provide a certificate of acknowledgement and recognition to the Authority for the donation.

In accordance with the National Fire Protection Association (NFPA) regulations, items listed in Exhibit B, *ARFF Silvers*, exceed 10 years old cannot be sold or donated. These items will be disposed of as scrap.

Items listed in Exhibits C, D, and E, *Surplus Items*, are in mostly poor or fair condition, or obsolete, and past their useful life. A few items on Exhibit C - E remain in good condition but are no longer required by the Authority and are occupying needed space. The Authority maintains a reasonable quantity of used cubicle furniture to assist with office build outs, reconfigurations and moves. These items may contain some residual value and would be sold at auction or e-auction to the highest bidder; unwanted items would be recycled or disposed of as scrap.

**Fiscal Impact:**

Fees and associated costs for the transportation and sale of miscellaneous surplus property will be paid from the gross sales received by the auction services contractors, Ken Porter Auctions and Public Surplus, LLC. The Authority used policy 5.04 to attach to cooperatively bid contracts that allow the Authority to receive 100% of the gross sales of auctioned items. There is no cost associated with the donation or recycling of surplus electronic equipment.

**Authority Strategies:**

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

☒ Community Strategy ☐ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

**Environmental Review:**

A. California Environmental Quality Act. 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. Pub. Res. Code §21065.

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

**Application of Inclusionary Policies:**

The Authority has the following inclusionary programs/policies: a Disadvantaged Business Enterprise (DBE) Program, an Airport Concession Disadvantaged Business Enterprise (ACDBE) Program, Policy 5.12 and Policy 5.14. These programs/policies are intended to promote the inclusion of small, local, service disabled veteran owned, historically underrepresented businesses and other business enterprises, on all contracts. Only one of the programs/policies named above can be used in any single contracting opportunity.

There is no cost to the Authority associated with the provision of this service; an informal selection process was used to identify the service provider.

**Prepared by:**

JANA VARGAS
DIRECTOR, PROCUREMENT

RESOLUTION NO. 2017-0105

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY AUTHORIZING THE DIPOSITION OF SURPLUS PROPERTY (MATERIALS AND/OR EQUIPMENT) BY: (1) DONATING ELECTRONIC SURPLUS TO SAN DIEGO FUTURES FOUNDATION [SDFF]; (2) SALE TO THE HIGHEST BIDDER; (3) RECYCLING AND DISPOSING OF UNWANTED ITEMS AS SCRAP

WHEREAS, Authority Policy 8.21, Surplus Materials and Equipment, requires that before the disposal of surplus items, a list of said items shall be submitted to the Authority's Board for approval to sell and dispose of the items; and

WHEREAS, Exhibits A, B, C, D, and E attached hereto, contain descriptions of the items for disposal following the Board's approval; and

WHEREAS, these items are in mostly poor or fair condition, are either broken or obsolete, or past their useful life. A few items remain in good condition but are no longer required at the Authority and are occupying needed space; and

WHEREAS, items listed in Exhibit B, ARFF Silvers, exceed 10 years old and cannot be sold or donated, in accordance with NFPA regulations. These items will be disposed of as scrap; and

WHEREAS, under these circumstances, using authorized contractors for recycling and auction services is the most efficient and economical way to dispose of surplus items; and

WHEREAS, Ken Porter Auctions, Public Surplus, LLC., and IMS Recycling Inc. meet the Authority's objectives to facilitate ongoing requirements for the disposition of surplus materials and or equipment; and

WHEREAS, San Diego Futures Foundation is a state –certified collection point for electronic hazardous waste and a non-profit 501(c)3 organization benefiting the San Diego County region; and

NOW, THEREFORE, BE IT RESOLVED that the Board herby authorizes the disposition of surplus property (materials and/or equipment) by: (1) donating electronic surplus to San Diego Futures Foundation [SDFF]; (2) sale to the highest bidder; and (3) recycling and disposing of unwanted items as scrap.

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 is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106).

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of December, 2017, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE &
INFORMATION GOVERNANCE /
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

# Exhibit A

| SURPLUS EQUIPMENT DESCRIPTION | CONDITION OF ITEM | QTY. |
|---|---|---|
| DELL CPU | NO HARD DRIVE | 92 |
| HP CPU | NO HARD DRIVE | 1 |
| DELL LAPTOP | NO HARD DRIVE | 50 |
| HP LAPTOP | NO HARD DRIVE | 1 |
| LENOVO LAPTOP | NO HARD DRIVE | 1 |
| TOSHIBA LAPTOP | NO HARD DRIVE | 1 |
| SAMSUNG TV | POOR | 1 |
| CISCO SWITCHES | POOR | 3 |
| CISCO ACCESS POINT | POOR | 10 |
| HP PRINTERS | NOT WORKING | 23 |
| DELL MONITORS | POOR | 5 |
| GATEWAY MONITOR | POOR | 6 |
| NEC MONITOR | POOR | 2 |
| NETGEAR SWITCH | POOR | 2 |
| HP MONITOR | POOR | 1 |
| LG PRINTER | POOR | 1 |
| TICKETMAN UNITS | OBSOLETE/POOR | 44 |
| TICKETMAN CHARGING CRADLES | OBSOLETE/GOOD | 10 |
| NVR/DVR | OBSOLETE/POOR | 17 |
| CAMARAS | OBSOLETE/POOR | 52 |
| T520 PLOTTER | NOT WORKING | 1 |
| SAMSUNG MONITOR | NOT WORKING | 1 |
| SONY MONITOR | NOT WORKING | 2 |
| DVI-T MONITOR | NOT WORKING | 1 |
| WESTINGWAY MONITOR | POOR | 1 |
| RICOH PRINTER | NOT WORKING | 1 |
| CONON PRINTER | NOT WORKING | 1 |
| BROTHER TYPWRITER | POOR | 1 |

# Exhibit B

| SURPLUS EQUIPMENT DESCRIPTION | CONDITION OF ITEM | QTY. |
|---|---|---|
| ARFF SILVERS (FIRE SUITS) JACKETS | 10 YEAR OLD.EXCEED NFPA REGULATIONS | 12 |
| ARFF SILVERS (FIRE SUITS) TROUSERS | 10 YEAR OLD.EXCEED NFPA REGULATIONS | 18 |
| ARFF SILVERS (FIRE SUITS) GLOVES | 10 YEAR OLD.EXCEED NFPA REGULATIONS | 23 PAIRS |
| ARFF SILVERS (FIRE SUITS) HELMET SHIELDS | 10 YEAR OLD.EXCEED NFPA REGULATIONS | 24 |
| ARFF SILVERS (FIRE SUITS) BOOTS | 10 YEAR OLD.EXCEED NFPA REGULATIONS | 18 PAIRS |
| ARFF SILVERS (FIRE SUITS) HELMETS | 10 YEAR OLD.EXCEED NFPA REGULATIONS | 34 |

## Exhibit C

| SURPLUS EQUIPMENT DESCRIPTION | CONDITION | VIN NUMBER OR SERIAL NUMBER | ASSET NUMBER |
|---|---|---|---|
| INGERSOLL-RAND GOLF CART | POOR | K9937-802438 | 100579 |
| UNITED TRACTOR, TOW TUG | POOR | 16184 | 7577/100633 |
| GENIE AERIAL BOOM LIFT | POOR | 30-90-2158 | 100626/7511 |
| MULTIQUIP NIGHT HAWK 2007 LIGHT TOWER | POOR | 4GNLT09128B905944 | 100792 |
| MULTIQUIP NIGHT HAWK 2007 LIGHT TOWER | POOR | 4GNLT09177B905808 | 100789 |
| MULTIQUIP NIGHT HAWK 2007 LIGHT TOWER | POOR | 4GNLT09188B905947 | 100790 |
| MULTIQUIP NIGHT HAWK 2007 LIGHT TOWER | POOR | 4GNLT09168B905946 | 100794 |
| MULTIQUIP NIGHT HAWK 2007 LIGHT TOWER | POOR | 4GNLT09X5B902205 | 100624 |
| MULTIQUIP NIGHT HAWK 2007 LIGHT TOWER | POOR | 4GNLT09148B905945 | 100793 |
| FORD F350 1 TON UTILITY BED | POOR | 1FDSF34L92ED13630 | 100264 |
| FORD CROWN VICTORIA,POLICE INTERCEPTOR, 2001 | POOR | 2FAFP71991X191101 | 100645 |
| CHEVROLET CAVALIER, 1997 | POOR | 1G1JC5248V7247069 | 100110/7097 |
| FORD F350 TRUCK WITH CRANE, 1998 | POOR | 1FDSF34L02ED13631 | 100267/7287 |
| GMC C35 STAKE BED TRUCK WITH TAILLIFT, 1998 | POOR | 1GDHC34R1WF053313 | 100297 |
| CHEVY 3500 UTILITY, 1999 | FAIR | 1GBGC34R8XR709608 | 100300/7337 |
| FORD RANGER, 2004 | POOR | 1FTYR14U14PB51566 | 100293 |
| FORD RANGER, 2008 | POOR | 1FTYR14U48PA51340 | 100779 |
| FORD RANGER, 2008 | POOR | 1FTYR14U68PA51341 | 100780 |
| CHEVY 3500 UTILITY, 2000 | POOR | 1GBGC34R5YF454080 | 100305 |
| FORD F150 CNG FUEL, 2002 | FAIR | 2FDPF17M72CA36299 | 100159 |
| PARKAN BAGGAGE CART, 1998 | BAD | N/A | 100898 |
| TUG-LEKTRO, ELECTRIC AIRCRAFT TOWER, 1995 | FAIR | A8687-1294D | 100572 |
| JLG 40 ELECTRIC BOOM LIFT | FAIR | 300029816 | 100021/7010 |
| ARFF RIG E-ONE TI-1500,2003 | GOOD | 4ENGAAA8231005513 | 100177 |
| ARFF RIG OSHKOSK T3000, SNOZZEL | GOOD | 10TBK8712XS065956 | 100640 |

*Revised 2/28/14*

| Exhibit D | | |
|---|---|---|
| **DESCRIPTION** | **CONDITION OF ITEM** | **Qty.** |
| STAINLESS STEEL LARGE TRASH CANS | FAIR | 10 |
| RUBBERMAID RANGER WEIGHTED BASES BLACK | CAME WITH TRASH RECEPTACLES CAN NOT USE | 65 |
| STAINLESS STEEL PHONE CYLINDER | DISCONTINUED USE | 1 |
| SMALL, MEDIUM, LARGE PLANTERS | FAIR | 24 |
| KARDEX REMSTAR FILING SYSTEM | POOR | 1 UNIT |
| TEMPORARY CANVAS BUILDING | POOR | 1 |

| Exhibit E | | |
|---|---|---|
| **DESCRIPTION** | **CONDITION OF ITEM** | **Qty.** |
| METAL FILE CBINETS | POOR, DENTED | 69 |
| SWIVEL OFFICE CHAIRS | BROKEN | 49 |
| FILE FOR PLANS | POOR/DAMAGED | 7 |
| CHAIRS | POOR | 57 |
| COMPLETE OFFICE CHERRY UNITS | DAMAGED | 12 |
| DRAFTING TABLE | GOOD | 2 |
| **PANELS, ACCESSORIES** | | |
| 30"X57" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 16 |
| 36"X57" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 9 |
| 48"X57" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 60 |
| 37"X59" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 1 |
| 24"X34" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 1 |
| 24"X59" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 1 |
| 36"X57" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 5 |
| 24"X57" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 32 |
| 42"X57" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 5 |
| 36"X59" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 1 |
| 48"X59" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 6 |
| 48"X37" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 13 |
| 30"X37" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 10 |
| 24"X37" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 3 |
| 73"X48" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 1 |
| 57"X60" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 1 |
| 18"X37" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 2 |
| 35"X24" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 2 |
| 50"X57" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 1 |
| 30"X35" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 2 |
| 42"X36" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 3 |
| 48"X30" PANELS | OBSOLETE/OLD CUBICLE SYSTEM | 2 |
| **OVERHEAD STORAGE BINS** | | |
| OVERHEAD STORAGE BINS | POOR/DAMAGED | 70 |
| METAL STORAGE CABINETS | POOR | 13 |
| **OTHER** | | |
| CHERRYWOOD, ROUND END | SCRATCHED | 2 |
| CHERRYWOOD, RIGHT SIDE UNIT | SCRATCHED | 2 |
| CHERRYWOOD, LEFT SIDE UNIT | SCRATCHED | 6 |
| CHERRYWOOD, HUTCH | SCRATCHED | 8 |
| CHERRYWOOD, CADENZA | SCRATCHED | 15 |
| CHERRYWOOD, BOOK SHELF | SCRATCHED | 13 |
| BLONDEWOOD, ROUND END | SCRATCHED | 2 |
| BLONDEWOOD, RIGHT SIDE | SCRATCHED | 2 |
| BLONDEWOOD, LEFT SIDE | SCRATCHED | 2 |
| BLONDEWOOD, HUTCH | SCRATCHED | 3 |
| BLONDEWOOD, BOOK SHELF | SCRATCHED | 2 |
| BLONDEWOOD, CADENZA | SCRATCHED | 1 |
| GLASS TABLE TOP, LARGE | GOOD | 2 |
| OAK BOOKCASE, TALL | POOR | 2 |
| WOOD TABLE | POOR | 2 |
| GLASS TABLE | GOOD | 1 |
| METAL BOOKCASE TALL | POOR | 2 |
| METAL FILE CBINETS, LATERAL | POOR | 5 |

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

**Item No.**
**7**

# STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**External Auditor's Fiscal Year Ended June 30, 2017, Reports: A) Audited Financial Statements, B) Single Audit Reports, C) Passenger Facility Charge 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's (Authority) financial statements.

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

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

On May 1, 2014, the Board adopted Resolution No. 2014-0039, approving and authorizing the President/CEO to execute an agreement with BKD, LLP, as the Authority's external auditor for a three year term with an option for two (2) one year extensions.

On November 20, 2017, the Authority's external auditor, BKD, LLP, presented the Fiscal Year Ended June 30, 2017, audited financial statements and reports (Attachments A through E) to the Audit Committee for their review and acceptance. The Audit Committee voted unanimously to forward the reports to the Board.

## Fiscal Impact:

Adequate funding for the audit conducted by BKD, LLP, is included in the adopted Fiscal Year 2018 and conceptually approved Fiscal Year 2019 Operating Expense Budgets within the Accounting Department Services – Auditing line item.

## Authority Strategies:

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

- ☐ Community Strategy
- ☒ Customer Strategy
- ☐ Employee Strategy
- ☒ Financial Strategy
- ☒ Operations Strategy

## 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.

## Application of Inclusionary Policies:

Not Applicable

## Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

ATTACHMENT A

# San Diego County Regional Airport Authority

Financial Statement

For the Fiscal Years Ended

June 30, 2017 and 2016

BKD LLP

CPAs & Advisors

# San Diego County Regional Airport Authority

## June 30, 2017 and 2016

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

# Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the San Diego County Regional Airport Authority (Airport Authority) which are comprised of a statements of net position as of June 30, 2017 and 2016, and statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the financial statements, as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

BKD, LLP

Dallas, Texas
October 23, 2017

# Management's Discussion and Analysis

## For The Period July 1, 2016 to June 30, 2017

### *INTRODUCTION*

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

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

### *SAN DIEGO INTERNATIONAL AIRPORT*

#### *History of Ownership*

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

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

#### *Legislative Background*

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

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

(1) Operation of SDIA;

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

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

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

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

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

***Airport Activities Highlights (2015 – 2017)***

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

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

| | FY 2015 | FY 2016 | **FY 2017** |
|---|---|---|---|
| Enplaned passengers | 9,713,066 | 10,206,222 | **10,596,483** |
| % increase | 6.9% | 5.1% | **3.8%** |
| Total passengers | 19,409,683 | 20,397,170 | **21,140,067** |
| % increase | 7.0% | 5.1% | **3.6%** |
| Aircraft operations | 195,268 | 193,451 | **201,011** |
| % increase | 4.0% | (0.9%) | **3.9%** |
| Freight and mail (in tons) | 178,615 | 185,655 | **188,607** |
| % increase | 8.3% | 3.9% | **1.6%** |
| Landed weight (in thousands) | 11,524 | 12,048 | **12,456** |
| % increase | 3.0% | 4.6% | **3.4%** |

Overall, the strong economy is reflected in the aircraft operation results at SDIA. There was an increase in enplaned passengers in fiscal year 2017 of 3.8 percent. Also, total passengers increased by 3.6 percent and freight and mail tons increased slightly by 1.6 percent. New airline routes factored into the increases of aircraft operations and landed weight.

### *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 in 2015, followed by a 4.7 percent increase in 2016, and was followed by a slight .9 percent increase in 2017. Following is a summary of the statements of revenues, expenses and changes in net position (in thousands):

| | FY 2015 | FY 2016 | **FY 2017** |
|---|---|---|---|
| Operating revenues | $ 210,505 | $ 233,994 | **$ 248,847** |
| Operating expenses | (222,136) | (241,429) | **(258,955)** |
| Nonoperating revenues, net | 24,583 | 31,933 | **15,428** |
| Capital contributions and grants | 10,765 | 10,477 | **1,904** |
| Increase in net position | 23,717 | 34,975 | **7,224** |
| Net position, beginning of year | 727,017 | 742,741 | **775,949** |
| Prior-period adjustment | (7,993) | (1,767) | **-** |
| Net position, end of year | $ 742,741 | $ 775,949 | **$ 783,173** |

Detailed descriptions of the components of operating revenues and expenses, and nonoperating revenues and expenses are described in the sections that follow. The implementation of GASB 68 in fiscal year 2015 caused a prior-period adjustment in that year. The cumulative changes in accounting for pension liabilities are reflected in this adjustment.

## *FINANCIAL HIGHLIGHTS*

### *Operating Revenues (in thousands)*

| | | | From 2016 to 2017 | |
|---|---|---|---|---|
| | FY 2016 | **FY 2017** | Increase (Decrease) | % Change |
| Airline revenue: | | | | |
| Landing fees | $ 23,985 | **$ 24,612** | $ 627 | 2.6% |
| Aircraft parking fees | 2,701 | **2,927** | 226 | 8.4% |
| Building rentals | 51,273 | **54,283** | 3,010 | 5.9% |
| Security surcharge | 29,223 | **29,468** | 245 | 0.8% |
| Other aviation revenue | 5,023 | **5,091** | 68 | 1.4% |
| Total airline revenue | 112,205 | **116,381** | 4,176 | 3.7% |
| Concession revenue | 56,274 | **61,256** | 4,982 | 8.9% |
| Parking and ground transportation revenue | 48,106 | **49,407** | 1,301 | 2.7% |
| Ground and non-airline terminal rentals | 16,226 | **20,053** | 3,827 | 23.6% |
| Other operating revenue | 1,183 | **1,750** | 567 | 47.8% |
| Total operating revenue | $ 233,994 | **$ 248,847** | $ 14,853 | 6.3% |

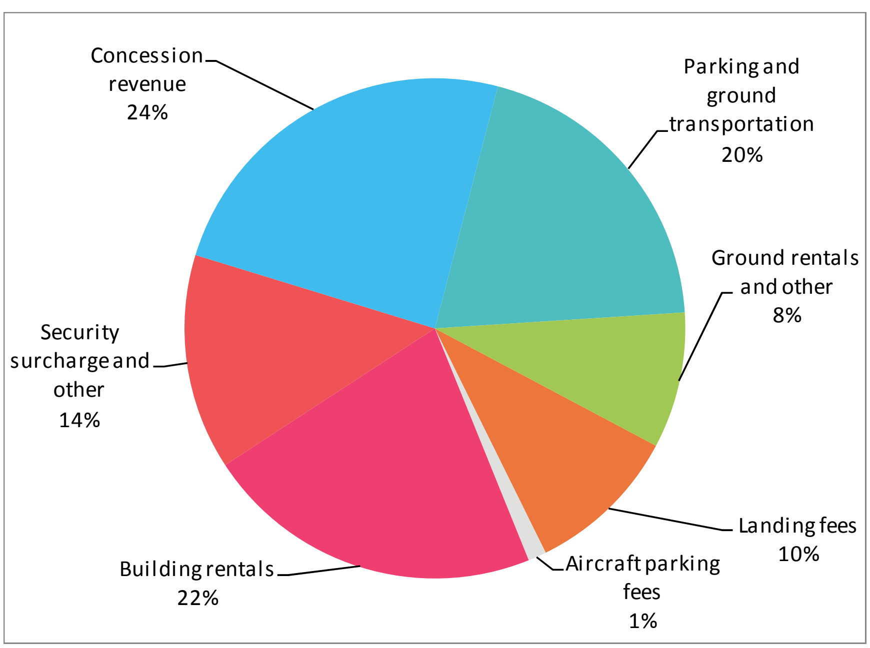
| | | | From 2015 to 2016 | |
|---|---|---|---|---|
| | FY 2015 | FY 2016 | Increase (Decrease) | % Change |
| Airline revenue: | | | | |
| Landing fees | $ 21,390 | $ 23,985 | $ 2,595 | 12.1% |
| Aircraft parking fees | 2,716 | 2,701 | (15) | (0.6%) |
| Building rentals | 48,153 | 51,273 | 3,120 | 6.5% |
| Security surcharge | 25,180 | 29,223 | 4,043 | 16.1% |
| Other aviation revenue | 4,893 | 5,023 | 130 | 2.7% |
| Total airline revenue | 102,332 | 112,205 | 9,873 | 9.6% |
| Concession revenue | 52,496 | 56,274 | 3,778 | 7.2% |
| Parking and ground transportation revenue | 41,633 | 48,106 | 6,473 | 15.5% |
| Ground and non-airline terminal rentals | 13,073 | 16,226 | 3,153 | 24.1% |
| Other operating revenue | 971 | 1,183 | 212 | 21.8% |
| Total operating revenue | $ 210,505 | $ 233,994 | $ 23,489 | 11.2% |

### *Operating Revenues, Continued*

*Fiscal year 2017 compared to 2016:* Total airline revenues increased by $4.2 million, or 3.7 percent, primarily due to an increased cost recovery from the airlines which was higher in fiscal year 2017, compared to 2016. Landing fees increased by $627 thousand or 2.6 percent due to increased airfield operating costs and new capital projects. Aircraft parking fees increased by $226 thousand or 8.4 percent, due to increased airfield-related costs. Building rentals increased by $3.0 million or 5.9 percent due to higher terminal maintenance costs and changes in rentable square footage. Security surcharge increased slightly by $245 thousand or .8 percent, partially due to increased security checkpoint expenses and increased security equipment costs. Concession revenue increased by $5.0 million or 8.9 percent, reflecting higher sales per enplaned passenger. Parking and ground transportation increased by $1.3 million or 2.7 percent, due to higher enplanements, valet revenue, and permits. Ground and non-airline terminal rentals increased by $3.8 million or 23.6 percent, due in part to new non-tenant agreements and increased FBO rents. Other operating revenue increased by $567 thousand or 47.8 percent, primarily due to higher landing fees at the Fixed Base Operator, and higher fees for miscellaneous services.

*Fiscal year 2016 compared to 2015:* Total airline revenues increased by $9.9 million, or 9.6 percent, primarily due to an increased cost recovery for the airlines which was higher in fiscal year 2016, compared to 2015. Landing fees increased by $2.6 million or 12.1 percent due to increased airfield costs. Building rentals increased by $3.1 million or 6.5 percent due to increased terminal costs. Security surcharge increased by $4.0 million or 16.1 percent, primarily due to increased Harbor Police expenses and higher terminal rental rate for security checkpoints. Non-airline terminal rent decreased by $473 thousand or 31.4 percent, primarily due to consolidation of ground servicing companies. Concession revenue increased by $3.8 million or 7.2 percent, reflecting increased enplanements and higher sales per enplaned passenger. Parking and ground transportation increased by $6.5 million or 15.5 percent, due to higher enplanements and higher cost recovery on ground transportation. Ground rentals increased by $3.6 million or 31.3 percent, primarily due to the Rental Car Center land lease starting January 2016. Other operating revenue increased by $212 thousand or 21.8 percent, primarily due to higher landing fees at the Fixed Base Operator, higher utility reimbursements, and higher fees for miscellaneous services.

**San Diego County Regional Airport Authority**
**Fiscal Year Ended June 30, 2017**
**Operating Revenues**



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

| | FY 2016 | **FY 2017** | From 2016 to 2017 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Salaries and benefits | $ 42,025 | **$ 46,874** | $ 4,849 | 11.5% |
| Contractual services | 38,215 | **44,927** | 6,712 | 17.6% |
| Safety and security | 28,721 | **28,422** | (299) | (1.0%) |
| Space rental | 10,367 | **10,190** | (177) | (1.7%) |
| Utilities | 11,480 | **10,736** | (744) | (6.5%) |
| Maintenance | 14,122 | **14,270** | 148 | 1.0% |
| Equipment and systems | 708 | **502** | (206) | (29.1%) |
| Materials and supplies | 536 | **651** | 115 | 21.5% |
| Insurance | 950 | **956** | 6 | 0.6% |
| Employee development and support | 1,242 | **1,393** | 151 | 12.2% |
| Business development | 2,390 | **2,351** | (39) | (1.6%) |
| Equipment rentals and repairs | 2,852 | **2,454** | (398) | (14.0%) |
| Total operating expenses before depreciation | 153,608 | **163,726** | 10,118 | 6.6% |
| Depreciation | 87,821 | **95,229** | 7,408 | 8.4% |
| Total operating expense | $ 241,429 | **$ 258,955** | 17,526 | 7.3% |

| | FY 2015 | FY 2016 | From 2015 to 2016 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Salaries and benefits | $ 39,212 | $ 42,025 | $ 2,813 | 7.2% |
| Contractual services | 32,422 | 38,215 | 5,793 | 17.9% |
| Safety and security | 23,466 | 28,721 | 5,255 | 22.4% |
| Space rental | 10,433 | 10,367 | (66) | (0.6%) |
| Utilities | 10,152 | 11,480 | 1,328 | 13.1% |
| Maintenance | 14,516 | 14,122 | (394) | (2.7%) |
| Equipment and systems | 1,805 | 708 | (1,097) | (60.8%) |
| Materials and supplies | 519 | 536 | 17 | 3.3% |
| Insurance | 1,145 | 950 | (195) | (17.0%) |
| Employee development and support | 1,136 | 1,242 | 106 | 9.3% |
| Business development | 2,493 | 2,390 | (103) | (4.1%) |
| Equipment rentals and repairs | 2,951 | 2,852 | (99) | (3.4%) |
| Total operating expenses before depreciation | 140,250 | 153,608 | 13,358 | 9.5% |
| Depreciation | 87,887 | 87,821 | (66) | (0.1%) |
| Total operating expense | $ 228,137 | $ 241,429 | $ 13,292 | 5.8% |

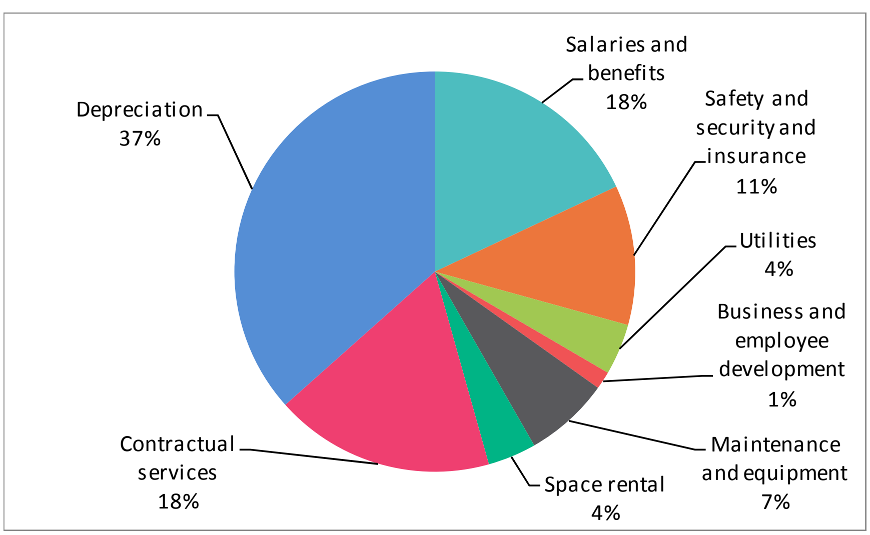
*Fiscal year 2017 compared to 2016:* Total fiscal year 2017 operating expenses increased by $17.5 million or 7.3 percent. Salaries and benefits increased by $4.8 million or 11.5 percent, due to a GASB 68 valuation adjustment and planned wage and benefit increases. Contractual services increased by $6.7 million or 17.6 percent, mainly due to higher expenses in parking, noise monitoring, and a full year of RCC bussing. Maintenance expenses increased $148 thousand, or 1.0 percent, due in part to slightly higher major maintenance projects. Materials and supplies increased $115 thousand or 21.5% due to higher expenditures. Employee development and support increased by $150 thousand or 12.1 percent, mainly due to higher recruitment and training expenses. Depreciation increased by $7.4 million or 8.4 percent, due to the Rental Car Center being in service for a full year.

Offsetting this increase in operating expenses were the following decreases: Safety and security decreased by $299 thousand or 1 percent due to a retroactive adjustment recorded in fiscal year 2016 pertaining to expenses incurred in 2015. Space rental decreased by $177 thousand or 1.7 percent, due to the termination of the taxi hold lot lease. Utilities decreased by $744 thousand or 6.5 percent, mainly due to lower rates and usage, as well as state energy credits. Equipment and systems decreased by $206 thousand or 29.1 percent, mainly due to lower office movement and reconfiguration expenses. Equipment rentals and repairs decreased by $398 thousand or 14.0 percent, mainly due to lower maintenance contract and computer licensing expenses.

*Fiscal year 2016 compared to 2015:* Total fiscal year 2016 operating expenses increased by $13.3 million or 5.8 percent. Salaries and benefits increased $2.8 million or 7.2 percent, mostly due to planned wage and benefit increases. Contractual services increased by $5.8 or 17.9 percent, resulting in higher bussing costs of the Rental Car Center that opened in January 2016. Safety and Security increased $5.3 million or 22.4 percent, reflecting an increase in law enforcement training and benefit costs. Utilities increased $1.3 million or 13.1 percent, due to higher rates and increased power usage of the Rental Car Center. Materials and supplies increased slightly by $17 thousand or 3.3 percent, mainly due to higher purchases of small equipment and operating supplies. Employee development and support increased by $106 thousand or 9.3 percent, primarily due to higher training costs.

Offsetting this increase in operating expenses were the following decreases: Maintenance of $394 thousand or 2.7 percent, due to access control expenses being transferred to the Safety and security category; Equipment and systems of $1.1 million or 60.8 percent, due to lower office equipment purchases; Insurance of $195 thousand or 17.0 percent, primarily due to lower property insurance rates; Business development of $103 thousand or 4.1 percent, due to a delay in planned advertising; Equipment rentals and repairs of $99 thousand or 3.4 percent, due primarily to lower IT maintenance contracts and lower printer costs.

**San Diego County Regional Airport Authority**
**Fiscal Year Ended June 30, 2017**
**Operating Expenses**



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

| | FY 2016 | **FY 2017** | From 2016 to 2017: Increase (Decrease) | From 2016 to 2017: % Change |
|---|---|---|---|---|
| Passenger facility charges | $ 40,258 | **$ 42,200** | $ 1,942 | 4.8% |
| Customer facility charges | 33,208 | **36,528** | 3,320 | 10.0% |
| Quieter Home Program, net | (3,698) | **(785)** | 2,913 | 78.8% |
| Joint studies program | (101) | **-** | 101 | 100.0% |
| Interest income | 5,999 | **8,134** | 2,135 | 35.6% |
| Interest expense, net | (45,979) | **(53,528)** | (7,549) | (16.4%) |
| Other nonoperating income (expenses) | 2,246 | **(17,121)** | (19,367) | (862.3%) |
| Nonoperating revenues, net | $ 31,933 | **$ 15,428** | $ (16,505) | (51.7%) |

| | FY 2015 | FY 2016 | From 2015 to 2016: Increase (Decrease) | From 2015 to 2016: % Change |
|---|---|---|---|---|
| Passenger facility charges | $ 38,517 | $ 40,258 | $ 1,741 | 4.5% |
| Customer facility charges | 32,465 | 33,208 | 743 | 2.3% |
| Quieter Home Program, net | (2,811) | (3,698) | (887) | (31.6%) |
| Joint studies program | (145) | (101) | 44 | 30.3% |
| Interest income | 5,747 | 5,999 | 252 | 4.4% |
| Interest expense, net | (50,557) | (45,979) | 4,663 | 8.5% |
| Other nonoperating income (expenses) | 1,367 | 2,246 | 879 | 64.3% |
| Nonoperating revenues, net | $ 24,583 | $ 31,933 | $ 7,435 | 36.7% |

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

**Customer Facility Charges (CFCs)** are authorized under Section 1936 of the California Civil Code and approved by legislation under Senate Bill 1510. The revenues collected have been used to plan and construct a consolidated rental car facility and related ground transportation system. The rental car agencies remit to the Airport Authority collection of the fee monthly. In January 2017 the fee was increased from $7.50 to $9.00 per day, up to five days for rental car transactions. This fee applies to transactions that originated at the Rental Car Center. For car rental transactions of non-RCC tenants, the CFC rate was increased from $2.17 to $2.42 per day, up to five days for rental car transactions.

**Quieter Home Program** includes sound attenuation construction improvements at all eligible single-family and multifamily dwellings with six or fewer units located in the Year 2000 65 dB Community Noise Equivalent Level contour. The project is eligible for the Airport Improvement Program (AIP). From inception through the end of fiscal year 2017, the Airport Authority has spent $191.9 million and received reimbursement for $154.6 million.

**Interest income** is derived from interest earned by the Airport Authority on investments and notes receivable from the District.

**Interest expense** includes interest paid and accrued on the 2010, 2013 and 2014 Series Bonds, Variable Debt, and Lease Interest. This is netted with the capitalization of bond interest to the construction in progress assets that the bond and variable debt finances. The capitalized interest in fiscal years ended

June 30, 2017 and 2016 was $4.8 million and $12.4 million, respectively. The bond premium amortization from all three bond series is also netted with interest expense. The 2010 Series C Bonds were issued as Build America Bonds and, as such, the Airport Authority receives a cash subsidy from the U.S. Treasury equal to 32.59 percent of the interest payable. The interest subsidy for the fiscal years ended June 30, 2017 and 2016 was $4.7 million.

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

*Fiscal year 2017 compared to 2016:* Nonoperating revenues (net) decreased by $16.5 million or 51.7 percent. Passenger facility charges increased by $1.9 million or 4.8 percent, mainly due to a 3.8 percent increase in enplaned passengers. Customer facility charges increased by $3.3 million or 10.0 percent, due to a corresponding increase in rental car transactions and increase in fee effective January 1, 2017. Quieter Home Program expenses (net) decreased by 2.9 million or 78.8 percent, due to lower sound attenuation activity. Interest income increased by $2.1 million or 35.6 percent, due to an increase in dollars invested as well as improved market performance compared to fiscal year 2016.

Offsetting the nonoperating income was a higher net interest expense of $7.5 million or 16.4 percent, mainly due to lower capitalized interest. Other nonoperating expense increased by $19.4 million or 862.3 percent, primarily due to a loss on fixed asset disposal resulting from the new FIS project.

*Fiscal year 2016 compared to 2015:* Nonoperating revenues (net) increased by $7.4 million or 36.7 percent. Passenger facility charges increased by $1.7 million or 4.5 percent, due to a 5.1 percent increase in enplaned passengers. Customer facility charges increased by $743 thousand or 2.3 percent, due to an overall increase in rental car transactions. Interest income increased by $252 thousand or 4.4 percent, primarily due to improved market performance compared to fiscal year 2015, though dollars invested had decreased. Net Interest expense decreased by $4.7 million or 8.5 percent, mainly due to higher capitalized interest. Other nonoperating income increased by $879 thousand or 64.3 percent, mainly due to unrealized gains on investments.

Offsetting the nonoperating income was a higher net expense in the Quieter Home Program of $887 thousand or 31.6 percent, due to increased program activity.

***Capital Grant Contributions (in thousands)***

| | | | From 2016 to 2017 | |
|---|---|---|---|---|
| | FY 2016 | **FY 2017** | Increase (Decrease) | % Change |
| Federal grants | $ 10,477 | **$ 1,903** | $ (8,574) | (81.8%) |

| | | | From 2015 to 2016 | |
|---|---|---|---|---|
| | FY 2015 | **FY 2016** | Increase (Decrease) | % Change |
| Federal grants | $ 10,765 | **$ 10,477** | $ (288) | (2.7%) |

**Capital Grant Contributions** are comprised of AIP entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. In fiscal year 2017 capital grant contributions decreased by $8.6 million or 81.8% compared to fiscal year 2016, and in fiscal year 2016, capital grant contributions decreased by $288 thousand or 2.7%, compared to fiscal year 2015. Variances from year to year relate to the amount of work completed on eligible projects during the fiscal year. In fiscal year 2017, the storm drain project and taxiway project were completed.

### *Assets, Liabilities and Net Position (in thousands)*

The statements of net position present the financial position of the Airport Authority as of a period in time. The statements include all assets, deferred outflows, liabilities, deferred inflows and net position of the Airport Authority. A summary comparison of the Airport Authority's assets, liabilities and net position at June 30, 2015, 2016 and 2017, is as follows:

| | FY 2015 | FY 2016 | **FY 2017** |
|---|---|---|---|
| Assets and Deferred Outflows of Resources | | | |
| Current assets | $ 204,491 | $ 169,078 | **$ 217,077** |
| Capital assets, net | 1,544,909 | 1,551,007 | **1,544,909** |
| Noncurrent assets | 540,472 | 491,362 | **468,270** |
| Total assets | 2,231,673 | 2,211,447 | **2,230,256** |
| Deferred outflows of resources | 5,853 | 4,260 | **20,245** |
| Total assets and deferred outflows of resources | 2,237,526 | 2,215,707 | **2,250,501** |
| Liabilities and Deferred Inflows of Resources | | | |
| Current liabilities | 131,457 | 103,136 | **136,975** |
| Long-term liabilities | 1,355,160 | 1,334,816 | **1,328,538** |
| Total liabilities | 1,486,617 | 1,437,952 | **1,465,513** |
| Deferred inflows of resources | 8,168 | 1,807 | **1,815** |
| Total liabilities and deferred inflows of resources | 1,494,785 | 1,439,759 | **1,467,328** |
| Net Position | | | |
| Net investment in capital assets | 316,251 | 310,339 | **263,952** |
| Restricted | 215,968 | 214,533 | **225,088** |
| Unrestricted | 210,522 | 251,076 | **294,133** |
| Total net position | $ 742,741 | $ 775,948 | **$ 783,173** |

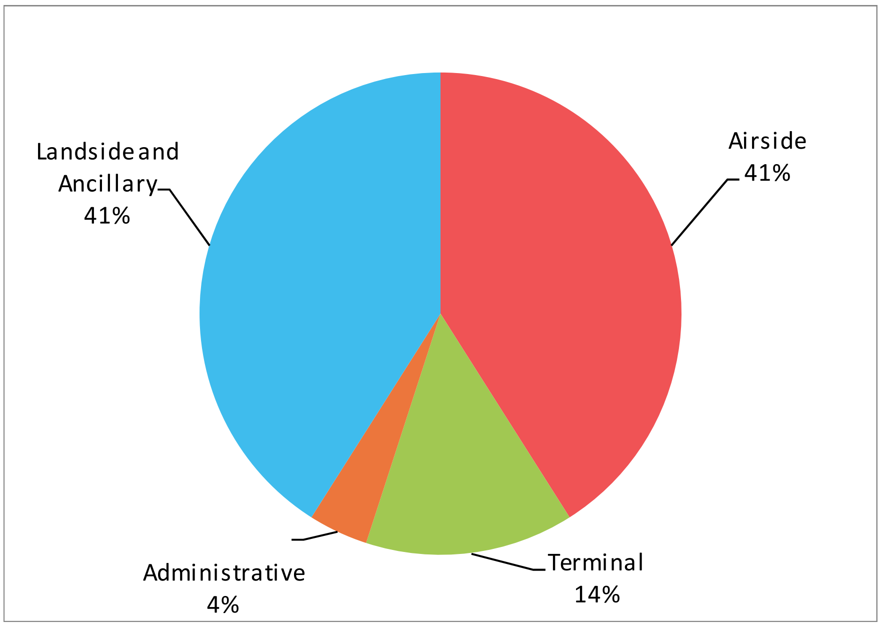
As of June 30, 2017, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $783.2 million. This reflects a $7.2 million increase in net position from June 30, 2016. The Airport Authority uses the capital assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital assets is reported net of related debt, it is noted that the funds required to repay this debt must be provided annually from operations. The unrestricted net position of $294.1 million as of June 30, 2017, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2017, 2016 and 2015, management has designated unrestricted funds in the amount of $25.8 million, $31.3 million, $22.6 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance and operating contingency.

### *Capital Improvement Program (CIP)*

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

The current CIP, which includes projects through 2022, consists of $424.3 million for airside projects, $422.0 million for landside and ancillary projects, $140.3 million for terminal projects, and $45.6 million for administrative projects. The current SDIA CIP does not include noise reduction and related projects.

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




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

### *Capital Financing and Debt Management*

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

The Series 2010 A and B bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years 2012 to 2041. The Series 2010 C Bonds were issued as Build America Bonds and include a cash subsidy payment from the U. S. Treasury; currently, 32.62 percent of interest payable. The interest rate on the Series 2010 C Bonds, net of subsidy, is 4.48 percent and the bonds mature in fiscal year 2041.

The Subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate trustee under the subordinate indenture. The Subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues on parity with the Airport Authority's subordinate commercial paper notes. As of June 30, 2017, the principal balance on the subordinate Series 2010 Bonds was $546.4 million.

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

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of $55.9 million, which is being amortized over the life of the bonds. Interest on the Senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal year ended June 30, 2017, amounted to $18.35 million, including accrued interest of $9.2 million. The principal balance on the Series 2013 Bonds as of June 30, 2017 was $375.5 million.

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

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

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

The Series 2014 A Bonds were structured as tax-exempt non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent and mature in fiscal years 2019 to 2045. As of June 30, 2017, the principal balance on the Series 2014 Bonds was $305.3 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 September 5, 2014, the Airport Authority replaced its commercial paper program with a $125,000,000 revolving line of credit, issued by US Bank, which was used to refund the outstanding Series B and Series C commercial paper balances. The revolving line of credit is a three year facility. As of June 30, 2017, the Airport Authority's outstanding debt under this agreement consists of $15.8 million of Series B (AMT) and $10.6 million Series C (taxable).

Subsequent to end of the fiscal year end, on August 3, 2017, the Airport Authority issued $291,210,000 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 $32,550,000 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 $48,423,687, 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.

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

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

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

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately $24.7 million in grant awards for the federal fiscal year ended September 30, 2017, as compared to $500 thousand for 2016. Grant awards are recognized as nonoperating revenue or capital contributions as eligible expenses are incurred.

***REQUEST FOR INFORMATION***

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

## San Diego County Regional Airport Authority

**Statements of Net Position**
**June 30, 2017 and 2016**

| **Assets and Deferred Outflows of Resources** | **2017** | 2016 |
|---|---|---|
| Current Assets | | |
| Unrestricted: | | |
| Cash and cash equivalents (*Note 2*) | **$ 10,743,557** | $ 16,244,182 |
| Investments (*Notes 2 and 10*) | **97,353,685** | 74,354,944 |
| Tenant lease receivables, net | **9,321,940** | 8,528,816 |
| Grants receivable | **3,354,396** | 7,623,419 |
| Note receivable, current portion (*Note 3*) | **1,801,694** | 1,705,491 |
| Other current assets | **4,433,986** | 3,392,579 |
| **Total unrestricted current assets** | **127,009,258** | 111,849,431 |
| | | |
| Restricted cash, cash equivalents and investments with trustees (*Notes 2 and 5*) | **64,297,770** | 57,228,146 |
| **Total current assets** | **191,307,028** | 169,077,577 |
| | | |
| Noncurrent Assets | | |
| Restricted assets (*Notes 2 and 5*): | | |
| Restricted cash, cash equivalents and investments not with trustees | **175,907,551** | 168,074,212 |
| Restricted investments with trustees | **97,763,717** | 127,070,127 |
| Passenger facility charges receivable (*Note 1*) | **6,155,618** | 4,497,657 |
| Customer facility charges receivable (*Note 1*) | **3,717,575** | 2,968,920 |
| Other restricted assets | **2,791,385** | 3,033,990 |
| **Total restricted assets** | **286,335,846** | 305,644,906 |
| | | |
| Other noncurrent assets: | | |
| Investments, noncurrent (*Note 2*) | **148,319,754** | 119,052,416 |
| Note receivable, long-term portion (*Note 3*) | **33,242,085** | 35,043,779 |
| Cash and cash equivalents designated for specific capital projects and other commitments (*Notes 2 and 10*) | **25,792,246** | 31,270,718 |
| Workers' compensation security deposits | **349,943** | 349,943 |
| **Total other noncurrent assets** | **207,704,028** | 185,716,856 |
| | | |
| Capital assets (*Note 4*): | | |
| Land, land improvements and nondepreciable assets | **111,041,142** | 109,974,224 |
| Buildings and structures | **1,431,417,373** | 1,415,691,585 |
| Machinery and equipment | **98,289,644** | 94,326,157 |
| Runways, roads and parking lots | **626,871,756** | 590,772,032 |
| Construction in progress | **171,498,031** | 152,703,001 |
| | **2,439,117,946** | 2,363,466,999 |
| Less accumulated depreciation | **(894,209,246)** | (812,459,642) |
| Capital assets, net | **1,544,908,700** | 1,551,007,357 |
| | | |
| **Total noncurrent assets** | **2,038,948,574** | 2,042,369,119 |
| **Total assets** | **2,230,255,602** | 2,211,446,696 |
| | | |
| Deferred outflows of resources | | |
| Deferred pension contributions (*Note 6*) | **5,197,849** | 3,972,596 |
| Deferred pension investment loss (*Note 6*) | **6,089,002** | - |
| Deferred pension change of assumptions (*Note 6*) | **8,728,242** | - |
| Deferred pension experience loss (*Note 6*) | **230,441** | 288,051 |
| **Total deferred outflows of resources** | **20,245,534** | 4,260,647 |
| | | |
| **Total assets and deferred outflows of resources** | **$ 2,250,501,136** | $ 2,215,707,343 |

See Notes to Financial Statements.

**Statements of Net Position**
**June 30, 2017 and 2016**

| **Liabilities, Deferred Inflows of Resources and Net Position** | **2017** | 2016 |
|---|---|---|
| Current Liabilities | | |
| Payable from unrestricted assets: | | |
| Accounts payable | **$ 7,195,303** | $ 9,643,474 |
| Accrued liabilities | **29,254,589** | 33,062,074 |
| Compensated absences, current portion (*Note 5*) | **3,217,748** | 2,833,970 |
| Other current liabilities | **160,600** | 92,887 |
| Long-term debt, current portion (*Note 5*) | **298,449** | 275,421 |
| **Total payable from unrestricted assets** | **40,126,689** | 45,907,826 |
| Payable from restricted assets: | | |
| Accounts payable | **1,135,312** | 3,168,316 |
| Accrued liabilities | **18,873,753** | 10,016,026 |
| Long-term debt, current portion (*Note 5*) | **11,585,000** | 11,090,000 |
| Accrued interest on bonds and commercial paper (*Note 5*) | **32,703,705** | 32,953,804 |
| **Total payable from restricted assets** | **64,297,770** | 57,228,146 |
| **Total current liabilities** | **104,424,459** | 103,135,972 |
| Long-Term Liabilities | | |
| Compensated absences, net of current portion (*Note 5*) | **13,278** | 528,143 |
| Other noncurrent liabilities | **804,082** | 827,143 |
| Long-term debt, net of current portion (*Note 5*) | **1,342,159,363** | 1,331,779,357 |
| Net pension liability (*Note 6*) | **18,111,482** | 1,680,759 |
| **Total long-term liabilities** | **1,361,088,205** | 1,334,815,402 |
| **Total liabilities** | **1,465,512,664** | 1,437,951,374 |
| Deferred inflows of resources | | |
| Deferred pension experience gains *(Note 6)* | **1,815,440** | - |
| Deferred pension investment gains *(Note 6)* | **-** | 1,807,420 |
| **Total liabilities and deferred inflows of resources** | **$ 1,467,328,104** | $ 1,439,758,794 |
| Net Position | | |
| Net investment in capital assets (*Note 1*) | **263,951,847** | 310,339,489 |
| Restricted: | | |
| Debt Service | **83,274,140** | 80,712,157 |
| Construction | **121,177,898** | 113,669,206 |
| Operation and maintenance expenses | **13,844,912** | 13,118,064 |
| Small business bond guarantee | **4,000,000** | 4,000,000 |
| OCIP loss reserve | **2,791,385** | 3,033,990 |
| Total restricted net position | **225,088,335** | 214,533,417 |
| Unrestricted net position | **294,132,850** | 251,075,643 |
| **Total net position** | **$ 783,173,032** | $ 775,948,549 |

See Notes to Financial Statements.

**Statements of Revenues, Expenses, and Changes in Net Position**
**June 30, 2017 and 2016**

| | 2017 | 2016 |
|---|---|---|
| Operating revenues: | | |
| Airline revenue: | | |
| Landing fees | $ **24,612,412** | $ 23,984,793 |
| Aircraft parking fees | **2,926,972** | 2,701,219 |
| Building rentals (*Note 11* ) | **54,283,330** | 51,273,320 |
| Security surcharge | **29,468,089** | 29,223,097 |
| Other aviation revenue | **5,090,654** | 5,022,809 |
| Concession revenue | **61,255,811** | 56,274,089 |
| Parking and ground transportation revenue | **49,407,235** | 48,105,641 |
| Ground and non-airlilne terminal rentals (*Note 11* ) | **20,053,031** | 16,225,648 |
| Other operating revenue | **1,749,405** | 1,183,435 |
| **Total operating revenues** | **248,846,939** | 233,994,051 |
| | | |
| Operating expenses: | | |
| Salaries and benefits (*Notes 6, 7 and 8* ) | **46,873,859** | 42,024,678 |
| Contractual services (*Note 13* ) | **44,927,419** | 38,215,315 |
| Safety and security | **28,421,603** | 28,721,250 |
| Space rental (*Note 12* ) | **10,189,944** | 10,367,148 |
| Utilities | **10,735,957** | 11,479,888 |
| Maintenance | **14,269,953** | 14,121,738 |
| Equipment and systems | **501,897** | 708,404 |
| Materials and supplies | **650,706** | 536,006 |
| Insurance | **956,358** | 949,491 |
| Employee development and support | **1,392,564** | 1,242,336 |
| Business development | **2,351,124** | 2,390,028 |
| Equipment rentals and repairs | **2,454,148** | 2,852,173 |
| **Total operating expenses before depreciation** | **163,725,532** | 153,608,455 |
| | | |
| **Income from operations before depreciation** | **85,121,407** | 80,385,596 |
| | | |
| Depreciation expense | **95,229,026** | 87,820,864 |
| | | |
| **Operating loss** | **(10,107,619)** | (7,435,268) |

(Continued)

See Notes to Financial Statements.

**Statements of Revenues, Expenses and Change in Net Position, Continued**
**June 30, 2017 and 2016**

| | 2017 | 2016 |
|---|---|---|
| Nonoperating revenues (expenses): | | |
| Passenger facility charges | **$ 42,199,763** | $ 40,257,993 |
| Customer facility charges | **36,527,853** | 33,207,946 |
| Quieter Home Program grant revenue (*Note 1*) | **1,413,999** | 8,573,133 |
| Quieter Home Program expenses (*Note 1*) | **(2,198,744)** | (12,270,742) |
| Joint Studies Program | **-** | (101,360) |
| Interest income | **8,133,765** | 5,998,970 |
| Interest expense (*Note 5*) | **(58,178,865)** | (50,635,027) |
| Build America Bonds subsidy (*Note 5*) | **4,651,203** | 4,656,199 |
| Other revenues (expenses), net | **(17,120,558)** | 2,246,541 |
| Nonoperating revenue, net | **15,428,416** | 31,933,653 |
| Income before federal grants | **5,320,797** | 24,498,385 |
| Federal grants (*Note 1*) | **1,903,686** | 10,477,054 |
| Change in net position | **7,224,483** | 34,975,439 |
| Net position, as previously reported* | **775,948,549** | 742,740,318 |
| Prior-period adjustment | **-** | (1,767,208) |
| Net position, beginning of year | **775,948,549** | 740,973,110 |
| Net position, end of year | **$ 783,173,032** | $ 775,948,549 |

See Notes to Financial Statements.

**Statements of Cash Flows**
**Years Ended June 30, 2017 and 2016**

| | 2017 | 2016 |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Receipts from customers | $ 247,823,092 | $ 233,448,605 |
| Payments to suppliers | (122,079,920) | (108,629,115) |
| Payments to employees | (49,487,337) | (43,605,962) |
| Other receipts | 1,793,123 | 10,801,571 |
| **Net cash provided by operating activities** | 78,048,958 | 92,015,099 |
| Cash Flows From Noncapital Financing Activities | | |
| Settlement receipts (payments) | (2,350,067) | 377,167 |
| Quieter Home Program grant receipts | 1,413,999 | 5,784,088 |
| Quieter Home Program payments | (2,198,744) | (12,270,742) |
| Joint Studies Program payments | - | (101,360) |
| **Net cash used in noncapital financing activities** | (3,134,812) | (6,210,847) |
| Cash Flows From Capital and Related Financing Activities | | |
| Capital outlay | (97,053,113) | (190,233,095) |
| Proceeds on Build America Bonds subsidy | 4,651,203 | 4,656,199 |
| Proceeds from sale of capital assets | - | 248,255 |
| Proceeds from variable debt | 32,550,000 | - |
| Federal grants received (excluding Quieter Home Program) | 6,172,709 | 16,552,478 |
| Proceeds from passenger facility charges | 40,541,802 | 42,064,330 |
| Proceeds from customer facility charges | 35,779,198 | 34,090,936 |
| Payment of principal on bonds | (17,223,000) | (16,819,000) |
| Payment of capital lease | (275,421) | (254,258) |
| Interest and debt fees paid | (62,605,537) | (54,720,481) |
| **Net cash used in capital and related financing activities** | (57,462,159) | (164,414,636) |
| Cash Flows From Investing Activities | | |
| Sales and maturities of investments | 106,870,324 | 250,352,658 |
| Purchases of investments | (144,732,956) | (162,296,751) |
| Interest received on investments and note receivable | 7,726,057 | 5,998,970 |
| Principal payments received on notes receivable | 1,705,491 | 1,608,986 |
| **Net cash provided by (used in) investing activities** | (28,431,084) | 95,663,863 |
| **Net increase (decrease) in cash and cash equivalents** | (10,979,097) | 17,053,479 |
| Cash and cash equivalents, beginning of year | 47,514,900 | 30,461,421 |
| Cash and cash equivalents, end of year | $ 36,535,803 | $ 47,514,900 |

(Continued)

See Notes to Financial Statements.

**Statements of Cash Flows, Continued**
**Years Ended June 30, 2017 and 2016**

| | 2017 | 2016 |
|---|---|---|
| Reconciliation of Cash and Cash Equivalents to the Statements of Net Position | | |
| Unrestricted cash and cash equivalents | **$ 10,743,557** | $ 16,244,182 |
| Cash and cash equivalents designated for specific capital projects and other commitments | **25,792,246** | 31,270,718 |
| Total cash and cash equivalents | **$ 36,535,803** | $ 47,514,900 |
| | | |
| Reconciliation of Operating Loss to Net Cash Provided by Operating Activities | | |
| Operating loss | **$ (10,107,619)** | $ (7,435,268) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation expense | **95,229,030** | 87,820,864 |
| Change in pension expense | **453,856** | (1,503,558) |
| Changes in assets and liabilities: | | |
| Tenant lease receivables | **(793,124)** | 633,506 |
| Other assets | **(391,094)** | 1,833,936 |
| Accounts payable | **(2,448,171)** | 159,929 |
| Accrued liabilities | **(3,807,485)** | 9,465,402 |
| Compensated absences | **(131,087)** | 185,602 |
| Other liabilities | **44,652** | 854,686 |
| **Net cash provided by operating activities** | **$ 78,048,958** | $ 92,015,099 |
| | | |
| Supplemental Disclosure of Noncash Investing, Capital and Financing Activities | | |
| Additions to capital assets included in accounts payable | **$ 20,009,065** | $ 13,184,342 |

See Notes to Financial Statements.

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

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

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

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

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

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

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

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

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

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

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

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

**Airport Improvement Program (AIP):** AIP grants are authorized and disbursed by the FAA under the Airway Improvement Act of 1982, as amended, which provides funding for airport planning and development projects at airports included in the National Plan of Integrated Airport Systems. As such, the AIP grants must be used to pay for the allowable costs of approved projects. As of June 30, 2017 and 2016, the Airport Authority recovered $1,903,686 and $10,477,054, respectively, for approved capital projects and $1,413,999 and $8,573,133 respectively, for the Quieter Home Program. Related recoverable costs as of June 30, 2017 and 2016 were $2,443,112 and $10,454,351 respectively, for capital projects and $1,767,499 and $12,270,742, respectively, for the Quieter Home Program.

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

In accordance with the program, PFC revenue must be used to pay allowable costs for approved capital projects. As of June 30, 2017 and 2016, accrued PFC receivables totaled $6,155,618 and $4,497,657, respectively, and there were $73,311,046 and $73,279,889 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2017 and 2016, respectively.

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

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

**Customer facility charges (CFC):** The Airport Authority received approval in May 2009 from the State of California under Section 1936 of the California Civil Code to impose a $10.00 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. Effective January 1, 2017, the CFC rate went from $7.50 to $9.00 per day for a maximum of five days. As of June 30, 2017 and 2016, accrued CFC receivables totaled $3,717,575 and $2,968,920, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2017 and 2016, were $37,830,593 and $32,922,068, respectively.

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

- Employer Contributions – Pensions – 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. This amount is deferred and recognized in the following fiscal year. This item is presented as a deferred outflow of resources.

- Investment difference – Pensions – These amounts represent the difference in projected and actual earnings on pension 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 – These amounts represent the difference in expected and actual pension 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 – These amounts represent the difference resulting from a change in assumptions used to measure the underlying net pension liability. 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.

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

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

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are expensed as incurred. Major outlays for capital assets and improvements are capitalized as construction in progress as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For the fiscal years ended June 30, 2017 and 2016, the Airport Authority capitalized interest of $4,774,693 and $12,387,044, respectively.

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

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

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

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

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

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

Restricted net position represents amounts that are appropriated or legally segregated for a specific purpose. 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, 2017 and 2016 includes designations of net position that represent tentative management plans that are subject to change, consisting of:

| | **2017** | 2016 |
|---|---|---|
| Operating contingency | **$ 2,000,000** | $ 2,000,000 |
| Insurance contingency | **9,531,966** | 8,813,970 |
| Capital projects and other commitments | **14,260,280** | 20,456,748 |
| Total designated net position | **$ 25,792,246** | $ 31,270,718 |

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.

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

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

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

| | **2017** | 2016 |
|---|---|---|
| Southwest Airlines | **37.4%** | 37.6% |
| American Airlines | **12.6%** | 13.4% |
| United Airlines | **11.9%** | 11.4% |
| Delta | **10.3%** | 10.4% |

**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.

**Reclassifications:** Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. The reclassifications had no effect on the changes in financial position.

**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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the Airport Authority's year ending June 30, 2018.

**Pronouncements adopted:** The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2017:

- GASB Statement No. 82, *Pension Issues –an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the Airport Authority's year ending June 30, 2017.

The implementation of Statement No. 82 resulted in a restatement of beginning net position as of July 1, 2016, which is the beginning of the earliest period presented. This restatement reclassifies a portion of amounts previously classified as deferred outflows of resources for employer contributions to retirement expense. Based on application of this statement, member contributions paid by the employer should be recorded similar to salaries or fringe benefits in the period paid. Adjustments to beginning net position for the adoption of this statement follow:

| | | |
|---|---|---|
| Net position, July 1, 2016 | 1,767,208 | |
| Deferred pension contributions | | 1,724,510 |
| Retirement expense | | 42,698 |

## 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:

| | 2017 | 2016 |
|---|---|---|
| Unrestricted and Undesignated: | | |
| Cash and cash equivalents | $ 10,743,557 | $ 16,244,182 |
| Current investments | 97,353,685 | 74,354,944 |
| Noncurrent investments | 148,319,754 | 119,052,416 |
| Total unrestricted and undesignated | 256,416,996 | 209,651,542 |
| Designated for specific capital projects and other commitments: cash and cash equivalents | 25,792,246 | 31,270,718 |
| Restricted: | | |
| Current cash, cash equivalents and investments, with trustees | 90,068,047 | 57,228,146 |
| Noncurrent cash, cash equivalents and investments, not with trustees | 175,907,551 | 168,074,212 |
| Noncurrent investments, with trustees | 71,993,440 | 127,070,127 |
| Total restricted cash, cash equivalents and investments | 337,969,038 | 352,372,485 |
| Total cash, cash equivalents and investments | $ 620,178,280 | $ 593,294,745 |

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

| | 2017 | 2016 |
|---|---|---|
| Restricted cash, cash equivalents and investments: | | |
| Bond reserves: | | |
| Operation and maintenance reserve subaccount | $ 41,534,736 | $ 39,354,191 |
| Operation and maintenance subaccount | 13,844,912 | 13,118,064 |
| Renewal and replacement account | 5,400,000 | 5,400,000 |
| Total bonds reserves | 60,779,648 | 57,872,255 |
| Passenger facility charges unapplied | 73,311,497 | 73,279,889 |
| Customer facility charges unapplied | 37,830,593 | 32,922,068 |
| Customer facility charges unapplied | - | 672 |
| Small business development bond guarantee | 4,000,000 | 4,000,000 |
| Revolving Line of credit Construction Fund | 162,616 | - |
| 2010 Series debt service reserve fund | 51,512,762 | 51,351,322 |
| 2010 Series debt service account | 25,001,407 | 24,660,324 |
| 2013 Series construction fund | 1,720,948 | 13,037,611 |
| 2013 Series debt service reserve fund | 33,322,247 | 33,460,392 |
| 2013 Series debt service account | 11,338,002 | 11,297,645 |
| 2014 Series construction fund | 37,044 | 13,582,767 |
| 2014 Series debt service reserve fund | 22,180,178 | 22,170,728 |
| 2014 Series capital interest account | - | 8,087,171 |
| 2014 Series debt service account | 8,153,925 | - |
| 2014 Series rolling coverage fund | 6,718,716 | 6,649,641 |
| 2014 Series renew and replace | 1,899,455 | - |
| Total restricted cash, cash equivalents and investments | $ 337,969,038 | $ 352,372,485 |

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

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

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

| Authorized Investment Type | Maximum Maturity | Minimum Quality Requirements | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|---|
| U.S. Treasury obligations | 5 years | N/A | None | None |
| U.S. agency securities | 5 years | N/A | None | None |
| Supranationals | 5 years | AA | 30 percent | None |
| Bankers' acceptances | 180 days | AAA/Aaa | 40 percent | 10 percent |
| Commercial paper | 270 days | A-1; P-1; F-1 | 25 percent | 10 percent |
| Negotiable certificates of deposit | 5 years | A | 30 percent | 10 percent |
| Medium-term notes | 5 years | A | 15 percent | 10 percent |
| Money market mutual funds | N/A | AAA/Aaa | 20 percent | 10 percent |
| Repurchase agreements | 1 year | A | None | None |
| Local Agency Investment Fund | N/A | N/A | None | $65 million |
| San Diego County Investment Pool | N/A | N/A | None | $65 million |
| Local Government Investment Pool | N/A | N/A | None | $65 million |
| U.S. State and California agency indebtedness | 5 years | A | 20 percent | 5 percent |
| Placement service certificates of deposits | 3 years | N/A | 30 percent | 10 percent |
| Time certificates of deposit | 3 years | * | 20 percent | 10 percent |
| Bank deposits | N/A | * | None | None |

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

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

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

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

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

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

*Investment requires collateralization

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

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

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

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

**Custodial credit risk (deposits):** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Airport Authority maintains deposits at several institutions in order to minimize custodial credit risk. These deposits are collateralized by various instruments such as U.S. government securities (guaranteed) or U.S. agency securities (government sponsored). California Government Code requires that a financial institution secure deposits made by a state or local government by pledging securities in an undivided collateral pool held by a depository regulated under state law. The 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:

| | 2017 | | | | |
|---|---|---|---|---|---|
| | | Investment Maturities (in Years) | | | |
| **Investment Type** | **Total** | **0 - 1** | **1 - 2** | **2 - 5** | **Ratings** |
| Investments subject to credit and interest rate risk: | | | | | |
| U.S. Treasury obligations | $ 85,201,348 | $ 9,973,800 | $ 49,865,262 | $ 25,362,286 | AAA (1) |
| U.S. agency securities | 109,436,513 | 4,438,252 | 41,168,904 | 63,829,357 | AAA (1) |
| Supranationals | 5,982,120 | - | 2,968,080 | 3,014,040 | AAA (1) |
| Commercial paper | 8,485,280 | 8,485,280 | - | - | A-1+/P-1 |
| Negotiable certicates of deposit | 46,592,680 | 25,528,280 | 21,064,400 | - | A-1+/P-1 |
| Medium-term notes | 22,457,198 | 10,443,358 | 7,497,765 | 4,516,075 | AA |
| | 17,107,339 | 1,501,860 | 7,603,761 | 8,001,718 | A |
| Money market mutual funds | 630,996 | 630,996 | - | - | AAA (1) |
| Local Agency Investment Fund | 48,182,813 | 48,182,813 | - | - | Unrated |
| San Diego County Investment Pool | 157,252,092 | 157,252,092 | - | - | AAA (1) |
| CalTrust Fund | 15,297,173 | 15,297,173 | - | - | AAA (1) |
| Total investments subject to credit and interest rate risk: | 516,625,552 | 281,733,904 | 130,168,172 | 104,723,476 | |
| Investments not subject to credit or interest rate risk: | | | | | |
| Nonnegotiable certificates of deposit | 15,413,828 | | | | |
| Total Investments | $532,039,380 | | | | |

| | 2016 | | | | |
|---|---|---|---|---|---|
| | | Investment Maturities (in Years) | | | |
| **Investment Type** | **Total** | **0 - 1** | **1 - 2** | **2 - 5** | **Ratings** |
| Investments subject to credit and interest rate risk: | | | | | |
| U.S. Treasury obligations | $ 95,094,109 | $ - | $ 47,437,150 | $ 47,656,959 | AAA (1) |
| U.S. agency securities | 50,679,745 | - | 21,004,503 | 29,675,242 | AAA (1) |
| Supranationals | 3,010,290 | - | - | 3,010,290 | AAA (1) |
| Commercial paper | 13,942,250 | 13,942,250 | - | - | A-1+/P-1 |
| Negotiable certicates of deposit | 3,999,640 | 3,999,640 | - | - | A-1+/P-1 |
| | 21,013,400 | 4,000,000 | 17,013,400 | - | AA |
| | 17,500,000 | 9,000,000 | 8,500,000 | - | A |
| Medium-term notes | 25,955,952 | 800,272 | 19,057,880 | 6,097,800 | AA |
| | 12,742,165 | - | 5,039,500 | 7,702,665 | A |
| Money market mutual funds | 40,427,839 | 40,427,839 | - | - | AAA (1) |
| Local Agency Investment Fund | 47,906,365 | 47,906,365 | - | - | Unrated |
| San Diego County Investment Pool | 172,695,968 | 172,695,968 | - | - | AAA (1) |
| CalTrust Fund | 15,177,301 | 15,177,301 | - | - | AAA (1) |
| Total investments subject to credit and interest rate risk: | 520,145,024 | 307,949,635 | 118,052,433 | 94,142,956 | |
| Investments not subject to credit or interest rate risk: | | | | | |
| Nonnegotiable certificates of deposit | 36,247,049 | | | | |
| Total Investments | $556,392,073 | | | | |

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

(1) Includes investments that have split ratings betw een S&P (AA+), Moodys (AAA) and Fitch (AAA)

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

**Concentration of credit risk:** The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated in the table provided earlier in this note. The Airport Authority requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity, issuer or class of securities. The Airport Authority had no concentrations of credit risk at June 30, 2017 and 2016.

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

## Note 3. Note Receivable

As part of the transfer of airport operations from the District to the Airport Authority, and pursuant to the associated MOU, the District issued a $50,000,000 unsecured promissory note to the Airport Authority. According to an agreement with the District that commenced on January 1, 2006, the note will be amortized over 25 years, maturing on December 31, 2030. The note is subordinate to all bond indebtedness of the District and carries a fixed interest rate of 5.5 percent per annum. At June 30, 2017 and 2016, the balance of the note receivable was $35,043,779 and $36,749,270, respectively.

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

| Years Ending June 30, | Amount |
|---|---|
| 2018 | $ 1,801,694 |
| 2019 | 1,903,323 |
| 2020 | 2,006,052 |
| 2021 | 2,123,843 |
| 2022 | 2,243,644 |
| 2023-2027 | 13,261,730 |
| 2028-2031 | 11,703,493 |
| | $ 35,043,779 |

## Note 4. Capital Assets

Capital asset activity for the years ended June 30, 2017 and 2016 are as follows:

| | Balance at June 30, 2016 | Increases | Decreases | **Balance at June 30, 2017** |
|---|---|---|---|---|
| Nondepreciable assets: | | | | |
| Land | $ 22,167,595 | | | **$ 22,167,595** |
| Construction in progress | 152,703,001 | 100,687,513 | (81,892,482) | **171,498,032** |
| Intangible asset | 440,000 | | | **440,000** |
| Total nondepreciable assets | 175,310,596 | 100,687,513 | (81,892,482) | **194,105,627** |
| Depreciable assets: | | | | |
| Land improvements | 87,806,629 | 1,066,918 | | **88,873,547** |
| Buildings and structures (1) | 1,415,251,585 | 38,732,334 | (23,006,546) | **1,430,977,373** |
| Machinery and equipment (2) | 94,326,157 | 3,963,486 | | **98,289,643** |
| Runways, roads and parking lots | 590,772,032 | 41,343,092 | (5,243,368) | **626,871,756** |
| Total capital assets being depreciated | 2,188,156,403 | 85,105,830 | (28,249,914) | **2,245,012,319** |
| Less accumulated depreciation for: | | | | |
| Land improvements | (9,315,258) | (4,279,999) | | **(13,595,257)** |
| Building and structures | (492,481,777) | (63,647,619) | 8,476,841 | **(547,652,555)** |
| Machinery and equipment | (49,619,914) | (6,772,742) | | **(56,392,656)** |
| Runways, roads and parking lots | (261,042,693) | (20,528,667) | 5,002,582 | **(276,568,778)** |
| Total accumulated depreciation | (812,459,642) | (95,229,026) | 13,479,423 | **(894,209,246)** |
| Total capital assets being depreciated, net | 1,375,696,761 | (10,123,196) | (14,770,492) | **1,350,803,073** |
| Capital assets, net | $ 1,551,007,357 | $ 90,564,317 | $ (96,662,974) | **$ 1,544,908,700** |

(1) Includes capitalized lease of building with a net present value of future lease payments of $7,237,033

(2) Includes capitalized leases of office equipment with a net present value of future lease payments of $205,281

## Note 4. Capital Assets (Continued)

| | Balance at June 30, 2015 | Increases | Decreases | Balance at June 30, 2016 |
|---|---|---|---|---|
| Nondepreciable assets: | | | | |
| Land | $ 22,415,850 | $ - | $ (248,255) | $ 22,167,595 |
| Construction in progress | 387,054,944 | 150,231,346 | (384,583,289) | 152,703,001 |
| Intangible asset | 440,000 | - | - | 440,000 |
| Total nondepreciable assets | 409,910,794 | 150,231,346 | (384,831,544) | 175,310,596 |
| Depreciable assets: | | | | |
| Land improvements | 50,147,668 | 37,658,961 | - | 87,806,629 |
| Buildings and structures (1) | 1,115,012,539 | 307,002,484 | (6,763,438) | 1,415,251,585 |
| Machinery and equipment (2) | 53,700,294 | 41,027,046 | (401,183) | 94,326,157 |
| Runways, roads and parking lots | 590,459,084 | 1,252,586 | (939,638) | 590,772,032 |
| Total capital assets being depreciated | 1,809,319,585 | 386,941,077 | (8,104,259) | 2,188,156,403 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (6,249,662) | (3,065,596) | - | (9,315,258) |
| Building and structures | (441,622,939) | (57,470,295) | 6,611,457 | (492,481,777) |
| Machinery and equipment | (44,701,987) | (5,327,455) | 409,528 | (49,619,914) |
| Runways, roads and parking lots | (239,946,253) | (21,957,518) | 861,078 | (261,042,693) |
| Total accumulated depreciation | (732,520,841) | (87,820,864) | 7,882,063 | (812,459,642) |
| Total capital assets being depreciated, net | 1,076,798,744 | 299,120,213 | (222,196) | 1,375,696,761 |
| Capital assets, net | $ 1,486,709,538 | $ 449,351,559 | $ (385,053,740) | $ 1,551,007,357 |

(1) Includes capitalized lease of building with a net present value of future lease payments of $7,442,013

(2) Includes capitalized leases of office equipment with a net present value of future lease payments of $275,723

## Note 5. Long-Term Liabilities

The following is a summary of changes in the long-term liability activity for the years ended June 30, 2017 and 2016:

| | Balance at June 30, 2016 | Additions /New Issuances | Reductions/ Repayments | **Balance at June 30, 2017** | Due Within One Year |
|---|---|---|---|---|---|
| Variable Rate Debt | | | | | |
| Series A tax-exempt | $ - | $ 32,550,000 | $ - | **$ 32,550,000** | $ - |
| Series B tax-exempt | 16,884,000 | - | (1,035,000) | **15,849,000** | - |
| Series C taxable | 15,697,000 | | (5,098,000) | **10,599,000** | - |
| Total variable rate debt | 32,581,000 | 32,550,000 | (6,133,000) | **58,998,000** | - |
| Bonds payable: | | | | | |
| Series 2010 Bonds | 555,420,000 | - | (9,000,000) | **546,420,000** | 9,430,000 |
| Series 2013 Bonds | 377,555,000 | - | (2,090,000) | **375,465,000** | 2,155,000 |
| Series 2014 Bonds | 305,285,000 | - | - | **305,285,000** | - |
| Bond premiums | 64,586,043 | - | (4,153,545) | **60,432,498** | - |
| Total bonds payable | 1,302,846,043 | - | (15,243,545) | **1,287,602,498** | 11,585,000 |
| Capital leases | 7,717,734 | - | (275,420) | **7,442,314** | 298,449 |
| Total capital leases | 1,343,144,777 | 32,550,000 | (21,651,965) | **1,354,042,812** | 11,883,449 |
| Other liabilities | | | | | |
| Compensated absences | 3,362,113 | 3,086,661 | (3,217,748) | **3,231,026** | 3,217,748 |
| Net pension liability | 1,680,759 | 27,275,582 | (10,844,859) | **18,111,482** | - |
| Total other liabilities | 5,042,872 | 30,362,243 | (14,062,607) | **21,342,508** | 3,217,748 |
| Total long-term liabilities | $ 1,348,187,649 | $ 62,912,243 | $ (35,714,572) | **$ 1,375,385,320** | $ 15,101,197 |

| | Balance at June 30, 2015 | Additions /New Issuances | Reductions/ Repayments | Balance at June 30, 2016 | Due Within One Year |
|---|---|---|---|---|---|
| Variable Rate Debt | | | | | |
| Series B tax-exempt | $ 17,909,000 | $ - | $ (1,025,000) | $ 16,884,000 | $ - |
| Series C taxable | 20,796,000 | | (5,099,000) | 15,697,000 | - |
| Total variable rate debt | 38,705,000 | - | (6,124,000) | 32,581,000 | - |
| Bonds payable: | | | | | |
| Series 2010 Bonds | 564,085,000 | - | (8,665,000) | 555,420,000 | 9,000,000 |
| Series 2013 Bonds | 379,585,000 | - | (2,030,000) | 377,555,000 | 2,090,000 |
| Series 2014 Bonds | 305,285,000 | - | - | 305,285,000 | - |
| Bond premiums | 68,829,291 | - | (4,243,248) | 64,586,043 | - |
| Total bonds payable | 1,317,784,291 | - | (14,938,248) | 1,302,846,043 | 11,090,000 |
| Capital Leases | 7,971,993 | - | (254,259) | 7,717,734 | 275,421 |
| Total capital leases | 1,364,461,284 | - | (21,316,507) | 1,343,144,777 | 11,365,421 |
| Other liabilities | | | | | |
| Compensated absences | 3,176,511 | 3,019,571 | (2,833,969) | 3,362,113 | 2,833,970 |
| Net Pension Liability | (3,351,341) | 16,160,068 | (11,127,968) | 1,680,759 | - |
| Total other liabilities | (174,830) | 19,179,639 | (13,961,937) | 5,042,872 | 2,833,970 |
| Total long-term liabilities | $ 1,364,286,454 | $ 19,179,639 | $ (35,278,444) | $ 1,348,187,649 | $ 14,199,391 |

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

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

On December 21, 2012, the Airport Authority defeased all of its outstanding Series 2005 Bonds, by depositing proceeds of Subordinate CP Notes and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2005 Bonds until their final maturity date of July 1, 2020. As of June 30, 2017 and 2016, the amount held in escrow by the trustee was $20,603,125 and $25,668,549, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was $18,985,000 and $23,145,000, respectively.

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

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of $55,934,101, which is being amortized over the life of the bonds. Interest on the senior Series 2013 Bonds is payable semiannually on January 1 and July 1, of each year. Interest for the fiscal years ended June 30, 2017 and 2016, was $18,349,950 and $18,414,600, respectively, including accrued interest of $9,174,975 and $9,207,300 for fiscal years ending June 30, 2017 and 2016, respectively. The principal balance on the Series 2013 Bonds as of June 30, 2017 and 2016, was $375,465,000 and $377,555,000, respectively.

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

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's books, as shown previously in the notes. For the fiscal years ended June 30, 2017 and 2016, the amount held by the trustee was $46,381,196 and $57,795,652, respectively, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund and capitalized interest funds. The total additional amounts reserved by the Airport Authority for fiscal years 2017 and 2016 was $60,779,648 and $57,782,255, respectively. The public ratings of the Series 2013 Bonds as of June 30, 2017, are A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

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

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

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ 2,155,000 | $ 18,306,850 | $ 20,461,850 |
| 2019 | 2,240,000 | 18,218,950 | 20,458,950 |
| 2020 | 2,320,000 | 18,127,750 | 20,447,750 |
| 2021 | 7,925,000 | 17,883,225 | 25,808,225 |
| 2022 | 8,315,000 | 17,477,225 | 25,792,225 |
| 2023-2027 | 48,240,000 | 80,552,500 | 128,792,500 |
| 2028-2032 | 51,890,000 | 67,536,775 | 119,426,775 |
| 2033-2037 | 28,990,000 | 58,678,000 | 87,668,000 |
| 2038-2042 | 97,485,000 | 47,728,375 | 145,213,375 |
| 2043-2045 | 125,905,000 | 6,220,125 | 132,125,125 |
| | $ 375,465,000 | $ 350,729,775 | $ 726,194,775 |

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

The Series 2010 A and 2010 B Bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years 2012 to 2041. The Series 2010 C Bonds were issued as taxable Build America Bonds (BAB), which benefit from periodic cash subsidy payments from the U.S. Treasury, originally equal to 35 percent of interest payable on such bonds. As a result of the automatic spending cuts imposed under the Budget Control Act of 2011, the Airport Authority's BAB subsidies were reduced by 7.2 percent (the BAB Sequester) from October 2013 through September 2014 and 7.3 percent from October 2014 through September 2015. Due to the continued extension of the BAB Sequester, BAB subsidies for the remainder of fiscal year 2016 were reduced by 6.8 percent and such reduction will remain in place through September 2016. The BAB interest subsidies received by the Airport Authority for fiscal years ended June 30, 2017 and 2016, amounted to $4,651,203 and $4,656,199, respectively. The interest rate on the Series 2010 C Bonds, net of the subsidy, is 4.47 percent and the bonds mature in fiscal year 2041. The bonds were issued at a premium of $26,154,344, which is being amortized over the life of the bonds. Interest on the subordinate Series 2010 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2017 and 2016, amounted to $30,716,248 and $31,151,799, respectively, including accrued interest of $15,358,125 and $15,575,899, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2017 and 2016 was $546,420,000 and $555,420,000, respectively.

The subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and

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

accounts held by the subordinate trustee under the subordinate indenture. The subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues. The irrevocably committed PFC amount $19,209,338 was fully utilized in fiscal year 2016, there was no irrevocable pledge of PFCs in FY 2017.

As subordinate lien bonds, the Series 2010 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Series 2010 Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2017 and 2016, the amount held by the trustee was $76,514,170 and $76,011,647, respectively, which included the July 1 payment and a debt service reserve fund.

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

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ 9,430,000 | $ 30,487,998 | $ 39,917,998 |
| 2019 | 9,890,000 | 30,020,298 | 39,910,298 |
| 2020 | 10,365,000 | 29,529,823 | 39,894,823 |
| 2021 | 10,865,000 | 29,007,173 | 39,872,173 |
| 2022 | 11,415,000 | 28,463,486 | 39,878,486 |
| 2023-2027 | 66,060,000 | 133,041,898 | 199,101,898 |
| 2028-2032 | 94,955,000 | 114,089,164 | 209,044,164 |
| 2033-2037 | 168,560,000 | 76,049,488 | 244,609,488 |
| 2038-2041 | 164,880,000 | 20,516,434 | 185,396,434 |
| | $ 546,420,000 | $ 491,205,763 | $ 1,037,625,763 |

**Subordinate Variable Rate Debt Program:** During fiscal year 2015, the Airport Authority replaced its commercial paper program with a $125,000,000 Revolving Line Of Credit issued by US Bank. The Revolving Line Of Credit was used to refund the outstanding Series B and Series C CP Note balances. The Revolving Line Of Credit is a three-year agreement that took effect on September 5, 2014. The agreement was amended on June 29, 2017 to extend the commitment through June 29, 2020.

At June 30, 2017 the Authority had an outstanding principal balance on Series A Revolving Obligations of $32,550,000 (the balance was $0 as at June 30 2016). At June 30, 2017 and 2016, the outstanding principal balances of the Series B Revolving Obligations were $15,849,000 and $16,884,000, respectively. The Series A and Series B Revolving Obligations bear interest at the tax-exempt rate which is based on a spread to LIBOR. The outstanding principal balances of the Series C Revolving Obligations at June 30, 2017 and 2016 were $10,599,000 and $15,697,000 respectively, and bear interest at the taxable rate, also based on a spread to LIBOR.

In April of 2017 the Authority established a Subordinate Drawdown Bond program with RBC Municipal Products of up to $100,000,000. On April 1, 2017 the Authority and RBC Municipal Products agreed upon a Bondholders Agreement and on April 19, 2017 the Authority and RBC Capital Markets LLC agreed upon a Subordinate Drawdown Bond Purchase Agreement. When issued, all Subordinate Drawdown Bonds will be purchased by the Subordinate Drawdown Bond Purchaser in accordance with the terms of the Subordinate Drawdown Bondholder’s Agreement and the Subordinate Drawdown Bond Purchase Agreement. The Authority currently has no Subordinate Drawdown Bonds outstanding. This commitment will expire on April 17, 2020.

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

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

**Subordinate Lien Series 2017 Bonds**: Subsequent to the end of the fiscal year, the Airport Authority issued $291,210,000 of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds) on August 3, 2017. The Subordinate Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund $32,550,000 of the Airport Authority's outstanding variable rate debt, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of $48,423,687, 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.

The public ratings of the Series 2010 Bonds as of June 30, 2017, 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 1, 2014, the Airport Authority issued $305,285,000 of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest accruing on the Series 2014 Bonds through January 1, 2016, fund deposits to the senior reserve fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt and non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent. The bonds were issued at a premium of $594,226, which is amortized over the life of the bonds. Interest on the Series 2014 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for fiscal years ended June 30, 2017 and 2016, was $16,341,210, including accrued interest of $8,170,605 each year. The principal balance on the Series 2014 Bonds for fiscal years ended June 30, 2017 and 2016 was $305,385,000.

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 show previously in the notes. For the fiscal years ended June 30, 2017 and 2016, the amount held by the trustee was $38,989,317 and $50,490,303, respectively, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund, capitalized interest funds and the rolling coverage fund.

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

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

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ - | $ 16,341,210 | $ 16,341,210 |
| 2019 | 5,580,000 | 16,270,428 | 21,850,428 |
| 2020 | 5,720,000 | 16,114,217 | 21,834,217 |
| 2021 | 5,890,000 | 15,928,365 | 21,818,365 |
| 2022 | 6,090,000 | 15,714,362 | 21,804,362 |
| 2023-2027 | 35,330,000 | 73,277,825 | 108,607,825 |
| 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 |
| | $ 305,285,000 | $ 294,713,267 | $ 599,998,267 |

**Line of credit:** In fiscal year 2017, the Airport Authority maintained a $4,000,000 line of credit held with US Bank, which is collateralized with a bank certificate of deposit. This line is utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2017, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

**Capital Leases**

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

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

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

The following is a schedule of future lease payments applicable to the RDC installment purchase agreement, the office equipment capital leases, and the net present value of the future lease payments at June 30, 2017:

| Years Ending June 30, | | Amount |
|---|---|---|
| 2018 | $ | 959,486 |
| 2019 | | 959,486 |
| 2020 | | 932,090 |
| 2021 | | 877,298 |
| 2022 | | 877,298 |
| 2023-2027 | | 4,386,489 |
| 2028-2032 | | 4,386,489 |
| 2033 | | 365,541 |
| Total lease payments | | 13,744,177 |
| Less amount representing interest | | (6,301,863) |
| Present value of future lease payments | $ | 7,442,314 |

## Note 6. Defined Benefit Plan

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

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

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

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

The San Diego City Charter Section 144 and San Diego Municipal Code Sections 24.0100 et seq. assign the authority to establish and amend the benefit provisions of the plans that participate in SDCERS to the SDCERS Board. The Airport Authority contributes to the Federal Social Security Program. The SDCERS

## Note 6. Defined Benefit Plan (Continued)

Board issues a publicly available financial report that includes financial statements and required supplementary information for SDCERS. The financial report may be obtained by writing to the San Diego City Employees' Retirement System, 401 B Street, Suite 400, San Diego, California 92101.

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

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

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

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

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

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

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

As of the measurement dates June 30, 2016 and June 30, 2015, Plan membership was as follows:

| | 2016 | 2015 |
|---|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 90 | 76 |
| Inactive employees entitled to but not yet receiving benefits | 112 | 99 |
| Active employees | 385 | 369 |
| Total | 587 | 544 |

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

The actuarial valuation is completed as of June 30, of each year. Once accepted by the SDCERS Board, the approved rates for Airport Authority apply to the fiscal year beginning 12 months after the valuation date. For June 30, 2017, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2015 actuarial valuation.

## Note 6. Defined Benefit Plan (Continued)

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, 2017 and 2016, employees contributed $2,967,269 and $2,840,236 respectively, and the Airport Authority contributed $4,047,780 and $3,897,545, respectively, to the Plan. For the years ended June 30, 2017 and 2016, the Airport Authority paid 7.00% or 8.50% of general member contributions and 10.48% of executive member contributions. These contributions are included in the employee contribution.

**Net Pension Liability:** The Airport Authority's net pension liability as of June 30, 2017 is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability as of June 30, 2017 is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2016 and 2015, actuarial valuations were determined using the following actuarial assumptions, applied to all period included in the measurement:

**Summary of Key Actuarial Assumptions**
**Per actuarial valuation as of June 30, 2016 and June 30, 2015**

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Valuation date | June 30, 2015 | June 30, 2014 |
| Measurement date | June 30, 2016 | June 30, 2015 |
| Actarial 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) | 7.00% | 7.125% |
| Projected salary increase (2) | 3.05% | 3.175% |
| Cost-of-living adjustment | 1.90% | 2.000% |
| Termination rate (3) | 3.0% - 11.0% | 3.0% - 11.0% |
| Disability rate (4) | 0.01% - 0.30% | 0.02% - 0.45% |
| Mortality | 0.02% - 13.54% (5) | 0.02% - 18.34% (6) |

(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, projected 20 years from the 2009 base year using variation of scale MP-2015, with a 10% increase to healthy retired female rates. Disabled: CalPERS Work Related Diability Mortality Table, projected 20 years from 2009 base year using a variation of scale MP-2015.

(6) All active and retired healthy members: RP2000 Combined Mortality Table. Disabled retirees are variations of the CalPERS Disability Tables.

Further details of the mortality rates can be found in the SDCERS June 30, 2016 and June 30 , 2015 actuarial reports.

## Note 6. Defined Benefit Plan (Continued)

**Discount Rate:** For the June 30, 2016 and 2015 actuarial valuations, the discount rates used to measure the total pension liability were 7.0 percent and 7.125 percent, respectively. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability (asset).

The long-term expected rate of return estimates for equity and fixed income are developed using a geometric (long-term compounded) building block approach: 1) expected returns based on observable information in the equity and fixed income markets and consensus estimates for major economic and capital market inputs, such as earnings and inflation, and 2) where necessary, 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 |
|---|---|---|---|
| U.S. equity | 21.0% | 4.5% | 6.7% |
| Non-U.S. developed equity | 15.0% | 5.5% | 7.8% |
| Global equity | 5.0% | 5.1% | 7.3% |
| U.S. fixed income | 22.0% | 0.9% | 3.0% |
| Emerging market debt | 5.0% | 3.7% | 5.9% |
| Real estate | 11.0% | 3.6% | 5.8% |
| Private equity and infrastructure | 13.0% | 6.6% | 8.8% |
| Opportunity fund | 8.0% | 4.4% | 6.6% |
| | 100.0% | | |

**Changes in the Net Pension Liability:** Changes in the total pension liability, plan fiduciary net position and the net pension liability (asset) through the year ended June 30, 2016 were as follows:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances as of 6/30/15 | $ 140,197,047 | $ 138,516,288 | $ 1,680,759 |
| Changes for the year: | | | |
| Service cost | 6,205,263 | - | 6,205,263 |
| Interest on total pension liability | 10,277,611 | - | 10,277,611 |
| Difference between expected and | | | - |
| actual experience | (2,178,527) | - | (2,178,527) |
| Changes in assumptions | 10,473,890 | | 10,473,890 |
| Employer contributions | - | 4,047,780 | (4,047,780) |
| Member contributions | - | 2,967,269 | (2,967,269) |
| Net investment income | - | 1,651,283 | (1,651,283) |
| Benefit payments | (3,023,391) | (3,023,391) | - |
| Administrative expense | | (318,818) | 318,818 |
| Net changes | 21,754,846 | 5,324,123 | 16,430,723 |
| Balances as of 6/30/16 | $ 161,951,893 | $ 143,840,411 | $ 18,111,482 |

## Note 6. Defined Benefit Plan (Continued)

Changes in the total pension liability, plan fiduciary net position and the net pension liability (asset) through the year ended June 30, 2015, were as follows:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a) - (b) |
| Balances as of 6/30/14 | $ 126,851,793 | $ 130,203,134 | $ (3,351,341) |
| Changes for the year: | | | |
| Service cost | 6,154,579 | - | 6,154,579 |
| Interest on total pension liability | 9,327,538 | - | 9,327,538 |
| Difference between expected and actual experience | 345,661 | - | 345,661 |
| Employer contributions | - | 3,897,547 | (5,664,755) |
| Member contributions | - | 2,840,236 | (1,073,028) |
| Net investment income | - | 4,390,185 | (4,390,185) |
| Benefit payments | (2,482,524) | (2,482,524) | - |
| Administrative expenses | - | (332,290) | 332,290 |
| Net changes | 13,345,254 | 8,313,154 | 5,032,100 |
| Balances as of 6/30/15 | $ 140,197,047 | $ 138,516,288 | $ 1,680,759 |

**Sensitivity of the Net Pension Liability to Discount Rate Changes:** The following presents the resulting net pension liability (asset) calculated using the discount rate of 7.00 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, 2017:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| Total pension liability | $ 184,896,870 | $ 161,951,893 | $ 143,053,624 |
| Plan fiduciary net position | (143,840,411) | (143,840,411) | (143,840,411) |
| Net pension liability | $ 41,056,459 | $ 18,111,482 | $ (786,787) |
| Plan fiduciary net position as a percentage of the total pension liability | 77.8% | 88.8% | 100.5% |

## Note 6. Defined Benefit Plan (Continued)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Plan:** For the years ended June 30, 2017 and 2016, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 68, of $7,451,396 and $4,048,248, respectively. At June 30, 2017 and 2016, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

For June 30, 2016 Measurement Date:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual earnings | $ 6,089,002 | $ - |
| Differences between expected & actual experience | 230,441 | 1,815,440 |
| Changes in assumptions | 8,728,242 | |
| Employer contributions made subsequent to June 30, 2016 measurement date | 5,197,849 | - |
| Total | $ 20,245,534 | $ 1,815,440 |

For June 30, 2015 Measurement Date:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual earnings | $ - | $ 1,807,422 |
| Differences between expected & actual experience | 288,051 | - |
| Employer contributions made subsequent to June 30, 2015 measurement date | 3,972,596 | - |
| Total | $ 4,260,647 | $ 1,807,422 |

The deferred outflows of resources, at June 30, 2016 and 2015, related to pensions resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net pension liability at June 30, 2017 and 2016, respectively.

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

| Fiscal Year-end: | |
|---|---|
| 2018 | $ 2,211,333 |
| 2019 | 2,211,333 |
| 2020 | 4,253,329 |
| 2021 | 3,173,690 |
| 2022 | 1,382,560 |
| | $ 13,232,245 |

## Note 7. Employees' Deferred Compensation Plan

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

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

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

## Note 8. Other Postemployment Benefits

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

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

## Note 8. Other Postemployment Benefits (Continued)

**Annual OPEB cost and actuarial methods and assumptions:** The Airport Authority's annual OPEB cost is calculated based on the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The Airport Authority has elected to perform an actuarial valuation of the OPEB on a biennial basis, the most recent of which is dated as of July 1, 2015. According to the July 1, 2015, actuarial valuation, the ARC was $ 2,013,000 and $ 1,959,000 for fiscal years 2017, and 2016, respectively. The ARC was determined using the entry age normal cost method with amortization of the unfunded accrued liability occurring over a 30-year period ending June 30, 2037.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations. The actuarial assumptions used by CERBT include (a) a 7.28 percent investment rate of return, (7.36 percent was used in the prior valuations), net of administrative expenses, RP-2015 Mortality Tables with fully generational projection using MP-2015 scale and (b) projected salary increases of 3.00 percent. The annual healthcare cost trend rate ranged from 4.5 to 9.0 percent for medical and assumes a 5.0 percent rate for dental. In establishing the discount rate, an inflation rate of 2.75 percent was used. The 2015 actuarial valuation included a 10 percent retirees' contribution of plan costs for single coverage; previously it was 5 percent.

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

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

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

| Actuarial Valuation Date | Fiscal Year | ARCs | Employer Contribution | NOO/(Asset) End of Year | Interest on NOO/(Asset) | Adjustment to the ARC | Annual OPEB Cost |
|---|---|---|---|---|---|---|---|
| 7/1/13 | 14/15 | 2,403 | 2,403 | (59) | (4) | 4 | 2,403 |
| 7/1/15 | 15/16 | 1,959 | 1,959 | (59) | (4) | 4 | 1,959 |
| 7/1/15 | 16/17 | 2,013 | 2,013 | (59) | (4) | 4 | 2,013 |

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

The Airport Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2017, 2016 and 2015, were as follows (dollars in thousands):

| Fiscal Year Ended | Annual OPEB Costs | Employer Contribution | Percentage of OPEB Cost Contributed | NOO/ (Asset) |
|---|---|---|---|---|
| 6/30/15 | 2,403 | 2,403 | 100.0% | (59) |
| 6/30/16 | 1,959 | 1,959 | 100.0% | (59) |
| 6/30/17 | 2,013 | 2,013 | 100.0% | (59) |

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

The funded status of the Plan based on the most recent biennial actuarial valuation for the plan, dated as of July 1, 2015, was as follows (dollars in thousands):

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percent of Covered Payroll | Interest Rate | Salary Scale |
|---|---|---|---|---|---|---|---|---|
| 7/1/15 | $ 18,917 | $ 34,587 | $ 15,670 | 54.7% | $ 16,809 | 93.2% | 7.3% | 3.0% |

**Note 9. Risk Management**

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

**Commercially issued insurance:**

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

## Note 9. Risk Management (Continued)

**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, 2017 and 2016, the Airport Authority has designated $9,531,966 and $8,813,970, 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 a periodic basis. Employees receive regular safety training and claims are monitored using a claims information system.

During fiscal year 2017, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

## Note 10. Disclosures About Fair Value of Assets

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

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

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

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

## Note 10. Disclosures About Fair Value of Assets (Continued)

### Recurring Measurements:

The following table presents the fair value measurements of assets and liabilities 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, 2017 and 2016:

| June 30, 2017 | 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 | $ 85,201,348 | $ 85,201,348 | $ - | $ - |
| U.S. agency securities | 109,436,513 | - | 109,436,513 | - |
| Non-U.S Securities | 5,982,120 | 5,982,120 | - | - |
| Commercial paper | 8,485,280 | - | 8,485,280 | - |
| Negotiable certicates of deposit | 46,592,680 | - | 46,592,680 | - |
| Medium-term notes | 39,564,537 | - | 39,564,537 | - |
| Local Agency Investment Fund | 48,182,813 | 48,182,813 | - | - |
| San Diego County Investment Pool | 157,252,092 | 157,252,092 | - | - |
| Total investments by fair value level | 500,697,382 | $ 296,618,373 | $ 204,079,009 | $ - |
| Investments measured at amortized cost | 630,996 | | | |
| Investments measured at net asset value | 15,297,174 | | | |
| Non-negotiable certificate of deposit | 15,413,829 | | | |
| Total investments | $ 532,039,380 | | | |

| June 30, 2016 | 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 | $ 95,094,109 | $ 95,094,109 | $ - | $ - |
| U.S. agency securities | 50,679,745 | - | 50,679,745 | - |
| Non-U.S Securities | 3,010,290 | 3,010,290 | - | - |
| Commercial paper | 13,942,250 | - | 13,942,250 | - |
| Negotiable certicates of deposit | 42,513,040 | - | 42,513,040 | - |
| Medium-term notes | 38,698,117 | - | 38,698,117 | - |
| Local Agency Investment Fund | 47,906,365 | 47,906,365 | - | - |
| San Diego County Investment Pool | 172,695,968 | 172,695,968 | - | - |
| Total investments by fair value level | 464,539,884 | $ 318,706,732 | $ 145,833,152 | $ - |
| Investments measured at amortized cost | 40,427,839 | | | |
| Investments measured at net asset value | 15,177,301 | | | |
| Non-negotiable certificate of deposit | 36,247,049 | | | |
| Total investments | $ 556,392,073 | | | |

## Note 11. Lease Revenues

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

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

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 small operator rental car tenants. The land rent leases for the RCC commenced on the opening date of the facility and will continue until the Bonds are repaid or defeased. This land rent is a non-cancellable lease and will convert to Facility Rent when bonds are repaid.

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

| Years Ending June 30, | Amount |
|---|---|
| 2018 | $ 13,525,790 |
| 2019 | 12,429,005 |
| 2020 | 12,576,606 |
| 2021 | 12,694,216 |
| 2022 | 12,746,504 |
| 2023-2027 | 66,508,364 |
| 2028-2032 | 72,625,155 |
| 2033-2037 | 79,948,801 |
| 2038-2042 | 88,646,995 |
| 2043-2047 | 92,401,712 |
| 2048-2052 | 27,619,069 |
| 2053-2057 | 724,440 |
| 2058-2062 | 724,440 |
| 2063-2067 | 724,440 |
| 2068-2072 | 217,332 |
| **Total** | **$ 494,112,869** |

## Note 12. Lease Commitments

### Operating Leases

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

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

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

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

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

| Years Ending June 30, | Amount |
|---|---|
| 2018 | $ 10,176,660 |
| 2019 | 10,176,660 |
| 2020 | 10,176,660 |
| 2021 | 10,176,660 |
| 2022 | 10,176,660 |
| 2023-2027 | 50,883,300 |
| 2028-2032 | 50,883,300 |
| 2033-2037 | 50,883,300 |
| 2038-2042 | 50,883,300 |
| 2043-2047 | 50,883,300 |
| 2048-2052 | 50,883,300 |
| 2053-2057 | 50,883,300 |
| 2058-2062 | 50,883,300 |
| 2063-2067 | 50,883,300 |
| 2068-2069 | 15,264,990 |
| | $ 524,097,990 |

## Note 12. Lease Commitments (Continued)

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

| | 2017 | 2016 |
|---|---|---|
| Rental payments made | $ 10,189,944 | $ 10,367,148 |

## Note 13. Commitments and Contingencies

**Commitments:** As of June 30, 2017 and 2016, the Airport Authority had significant commitments for capital expenditures and other matters as described below:

i. The Airport Authority has funds which have been classified as current assets, primarily for the unpaid contractual portion of capital projects that are currently in progress, and will not be funded by grants or additional debt, but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. At June 30, 2017 and 2016, these funds totaled approximately $14.3 million and $20.5 million, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.

ii. Support services. As part of the MOU, services provided by the District Harbor Police are required to be purchased by the Airport Authority as long as SDIA continues to operate at the current location. At the time of the transfer, the Airport Authority entered into a Master Services Agreement, a Police Services Agreement and a Communications Services Agreement with the District, which described the services that the Airport Authority could purchase and the manner of calculating the payments for such services. The largest amount that became payable under any of these agreements is under the Police Services Agreement, which is for Harbor Police services. The District provides monthly billings to the Airport Authority, with payment generally due 30 days after the date of the invoice, and provision of appropriate supporting documentation. During the years ended June 30, 2017 and 2016, the Airport Authority expensed $17,799,133 and $18,764,780 respectively for these services.

iii. In fiscal year 2012, the Board approved two contracts with Ace Parking Management Inc., for parking management services in the amount of $29.7 million and airport shuttle services in the amount of $31.3 million. In fiscal year 2017, the Board approved an additional $9.9 million for parking management services and $19.7 million for shuttle services. The total amounts spent as of June 30, 2017, were $29.8 million for parking management services and $36.9 million for airport shuttle services. These contracts are scheduled for completion in 2018.

iv. In fiscal year 2014, the Board approved a contract with Austin-Sundt JV for the design and construction of the Rental Car Center in the amount of $14.0 million and an additional approval of $10.0 million. In fiscal year 2015, the Board approved an additional $223.9 million. In fiscal year 2016, the Board approved an additional $5.1 million. As of June 30, 2017, $252.4 million had been spent and the contract was completed in fiscal year 2017.

v. In fiscal year 2013, the Board approved a contract with Demattei Wong Architecture in support of the Rental Car Center project in the amount of $10.0 million and an additional approval of $12.0 million. In fiscal year 2015, the Board approved an additional $5.0 million. As of June 30, 2017, $25.2 million had been spent and the contract was completed in fiscal year 2017.

**Note 13. Commitments and Contingencies (Continued)**

vi. In fiscal year 2015, the Board approved a $29.2 million contract with SP Plus Corporation to transport rental car companies' customers between the Rental Car Center facility and the terminals. The contract scope also includes the operation, management and maintenance of the shuttle vehicles. In fiscal year 2016, the Board approved an additional $1.2 million. As of June 30, 2017, $10.8 million had been spent and the contract is due to be completed in fiscal year 2021.

vii. In fiscal year 2015, the Board approved a $5.9 million contract with Granite Construction Company for the construction of the Northside bypass Taxiway. As of June 30, 2017, $5.9 million had been spent and the contract was completed early in the fiscal year 2017.

viii. In fiscal year 2015, the Board approved a $60.0 million contract with AECOM Technical Services, Inc. for project support for the development of the Northside solar projects. As of June 30, 2017, $27.5 million had been spent and the contract is due to be completed in fiscal year 2018.

ix. In fiscal year 2016, the Board approved a $3.2 million contract with Granite Construction Company for the Employee Parking Lot 6 Expansion. As of June 30, 2017, $3.2 million had been spent and the contract was completed early in the fiscal year 2017.

x. In fiscal year 2016, the Board approved a $12 million contract with Swinerton Builders for a Design-Build for the T2 Parking Plaza. In fiscal year 2017, the Board approved an additional $85.7 million As of June 30, 2017, $33.8 million had been spent and the contract is due to be completed in fiscal year 2019.

xi. In fiscal year 2016, the Board approved a $3.2 million contract with Hazard Construction Company for a Taxi hold lot. As of June 30, 2017, $3 million had been spent and the contract was completed in fiscal year 2017.

xii. In fiscal year 2016, the Board approved a $4.7 million contract with Hazard Construction Company to rehabilitate the Cross Taxiway. As of June 30, 2017, $4.2 million had been spent and the contract was completed in fiscal year 2017.

xiii. In fiscal year 2017, the Board approved a $186.6 million contract with Turner-PCL A Joint Venture for Terminal 2 West Federal Inspection Station build out. As of June 30, 2017, $7.5 million had been spent and the contract is due to be completed in fiscal year 2020.

xiv. In fiscal year 2017, the Board approved a $3.3 million contract with Vasquez Construction Company to replace terminal seating in Terminal 1 and 2. As of June 30, 2017, $536 thousand had been spent and the contract is due to be completed in fiscal year 2018.

## Note 13. Commitments and Contingencies (Continued)

**Contingencies:** As of June 30, 2017, the Airport Authority is subject to contingencies arising from legal matters as described below:

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

## Required Supplementary Information (Unaudited)
## Fiscal Year Ended June 30, 2017

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

| Actuarial Valuation Date* | Actuarial Value of Assets | Actuarial Accrued Liability AAL | Unfunded Actuarial Accrued Liability UAAL | Funded Ratio | Covered Payroll | UAAL as a Percent of Covered Payroll | Interest Rate | Salary Scale |
|---|---|---|---|---|---|---|---|---|
| 7/1/09 | $ 2,674 | $ 12,206 | $ 9,532 | 21.9% | $ 19,514 | 48.8% | 7.75% | 3.25% |
| 7/1/10 | 4,474 | 14,149 | 9,675 | 31.6% | 20,148 | 48.0% | 7.75% | 3.25% |
| 7/1/11 | 7,604 | 22,197 | 14,593 | 34.3% | 18,728 | 77.9% | 7.60% | 3.25% |
| 7/1/12 | 7,604 | 22,197 | 14,593 | 34.3% | 18,728 | 77.9% | 7.61% | 3.25% |
| 7/1/13 | 12,667 | 31,553 | 18,886 | 40.1% | 17,567 | 107.5% | 7.36% | 3.00% |
| 7/1/15 | 18,917 | 34,587 | 15,670 | 54.7% | 16,809 | 93.2% | 7.36% | 3.00% |

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

## Required Supplementary Information (Unaudited)
## Fiscal Year Ended June 30, 2017

### Schedule of Changes in the Net Pension Liability and Related Ratios
### Last 10 Fiscal Years (Plan year reported in subsequent fiscal year)

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Total Pension Liability:** | | | |
| Service cost | $ 6,205,263 | $ 6,154,579 | $ 6,099,481 |
| Interest (includes interest on service cost) | 10,277,611 | 9,327,538 | 8,465,485 |
| Differences between expected and actual experience | (2,178,527) | 345,661 | - |
| Effect of changes of assumptions | 10,473,890 | - | - |
| Benefit payments, including rerfunds of member contributions | (3,023,391) | (2,482,524) | (2,913,221) |
| Net change in total pension liability | 21,754,846 | 13,345,254 | 11,651,745 |
| Total pension liability - beginning | 140,197,047 | 126,851,793 | 115,200,048 |
| Total pension liability - ending | $ 161,951,893 | $ 140,197,047 | $ 126,851,793 |
| **Plan Fiduciary Net Position:** | | | |
| Contributions - employer | $ 4,047,780 | $ 3,897,547 | $ 3,924,988 |
| Contributions - employee | 2,967,269 | 2,840,236 | 2,765,079 |
| Net investment income | 1,651,283 | 4,390,185 | 18,302,683 |
| Benefit payments, including refunds of member contributions | (3,023,391) | (2,482,524) | (2,913,221) |
| Administrative expense | (318,818) | (332,290) | (332,645) |
| Net change in plan fiduciary net position | 5,324,123 | 8,313,154 | 21,746,884 |
| Plan fiduciary net position - beginning | 138,516,288 | 130,203,134 | 108,456,250 |
| Plan fiduciary net position - ending | $ 143,840,411 | $ 138,516,288 | $ 130,203,134 |
| Net pension liability (asset) - ending | $ 18,111,482 | $ 1,680,759 | $ (3,351,341) |
| Plan fiduciary net position as a percentage of the total pension liability | 88.82% | 98.80% | 102.64% |
| Covered employee payroll | $ 29,189,357 | $ 27,955,455 | $ 26,380,323 |
| Net pension liability as a percentage of covered employee payroll | 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.

## Required Supplementary Information (Unaudited)
## Fiscal Year Ended June 30, 2017

**Schedule of contributions, last 10 fiscal years (in thousands):**

| | 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 | 5,198 | 4,048 | 3,898 | 3,925 | 2,600 |
| Contribution deficiency (excess) | $ (1,433) | $ (382) | $ (75) | $ (1,025) | $ - |
| Covered-employee payroll | $ 31,506 | $ 29,189 | $ 27,955 | $ 26,380 | $ 24,840 |
| Contributions as a percentage of covered-payroll | 16.50% | 13.87% | 13.94% | 14.88% | 10.47% |

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ 3,800 | $ 4,300 | $ 3,000 | $ 3,000 | $ 2,200 |
| Contributions in relation to the actuarially determined contribution | 3,800 | 4,300 | 7,600 | 3,035 | 2,520 |
| Contribution deficiency (excess) | $ - | $ - | $ (4,600) | $ (35) | $ (320) |
| Covered-employee payroll | $ 25,148 | $ 25,596 | $ 24,693 | $ 23,488 | $ 21,957 |
| Contributions as a percentage of covered-payroll | 15.11% | 16.80% | 30.78% | 12.92% | 11.48% |

ATTACHMENT B

# San Diego County Regional Airport Authority

Single Audit Reports

Year Ended June 30, 2017
(With Independent Auditor's Report Thereon)

BKD LLP
CPAs & Advisors

# San Diego County Regional Airport Authority
**June 30, 2017**

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# San Diego County Regional Airport Authority
## Schedule of Expenditures of Federal Awards
## Year Ended June 30, 2017

| Federal Grantor/Pass - Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass - Through Entity Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
|---|---|---|---|---|
| **U.S. Department of Transportation - Federal Aviation Administration:** | | | | |
| **Direct Programs:** | | | | |
| Airport Improvement Program (AIP) | 20.106 | | $ - | $ 1,028,681 |
| Airport Improvement Program (AIP) | 20.106 | | - | 194,091 |
| Airport Improvement Program (AIP) | 20.106 | | - | 936,835 |
| Airport Improvement Program (AIP) | 20.106 | | - | 477,164 |
| Airport Improvement Program (AIP) | 20.106 | | - | 23,208 |
| Airport Improvement Program (AIP) | 20.106 | | - | 657,706 |
| **Total U.S. Department of Transportation - Federal Aviation Administration** | | | - | 3,317,685 |
| **Total Federal Awards Expended** | | | $ - | $ 3,317,685 |

The accompanying notes are an integral part of this Schedule.

### Notes to Schedule:

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of San Diego County Regional Airport Authority (Airport Authority) under a program of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Airport Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Airport Authority.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal* Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Airport Authority has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

BKD LLP
CPAs & Advisors

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972.702.8262 // fax 972.702.0673 // bkd.com

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

To the 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, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2017.

***Internal Control Over Financial Reporting***

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Airport Authority's internal control to determine the 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 Organization's internal control.

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

BKD, LLP

Dallas, Texas
October 23, 2017

BKD LLP
CPAs & Advisors

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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

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

**Report on Compliance for the Major Federal Program**

We have audited San Diego County Regional Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Airport Authority's major federal program for the year ended June 30, 2017. The Airport Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### *Opinion on the Major Federal Program*

In our opinion, the Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the Airport Authority as of and for the year ended June 30, 2017, and have issued our report thereon dated October 23, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Dallas, Texas
October 23, 2017

# San Diego County Regional Airport Authority
## Schedule of Findings and Questioned Costs
## Year Ended June 30, 2017

### *Summary of Auditor's Results*

*Financial Statements*

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

| | | |
|---|---|---|
| Significant deficiency(ies)? | ☐ Yes | ☒ None reported |
| Material weakness(es)? | ☐ Yes | ☒ No |

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

*Federal Awards*

4. The independent auditor's report on internal control over compliance for the major federal award program disclosed:

| | | |
|---|---|---|
| Significant deficiency(ies)? | ☐ Yes | ☒ None reported |
| Material weakness(es)? | ☐ Yes | ☒ No |

5. The opinion expressed in the independent auditor's report on compliance for the major federal award program was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

# San Diego County Regional Airport Authority
## Schedule of Findings and Questioned Costs (Continued)
## Year Ended June 30, 2017

7. The Airport Authority's major program was:

| Cluster/Program | CFDA Number |
|---|---|
| Airport Improvement Program | 20.106 |

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

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

# San Diego County Regional Airport Authority

## Schedule of Findings and Questioned Costs (Continued)

## Year Ended June 30, 2017

### Findings Required to be Reported by *Government Auditing Standards*

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

No matters are reportable.

### Findings Required to be Reported by the Uniform Guidance

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

No matters are reportable.

# San Diego County Regional Airport Authority

## Summary Schedule of Prior Audit Findings

## Year Ended June 30, 2017

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

No matters are reportable.

ATTACHMENT C

# San Diego County Regional Airport Authority

Passenger Facility Charge Compliance Report

Year Ended June 30, 2017
(With Independent Auditor’s Report Thereon)

BKD LLP
CPAs & Advisors

# San Diego County Regional Airport Authority
## Passenger Facility Charge Program
## June 30, 2017

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# San Diego County Regional Airport Authority
## Passenger Facility Charge Program
## Schedule of Passenger Facility Charge Collections and Expenditures
## Year Ended June 30, 2017

| Revenues | Date Approved | Amount Approved For Use | Cumulative Total - June 30, 2016 | Quarter Ended September 30, 2016 | Quarter Ended December 31, 2016 | Quarter Ended March 31, 2017 | Quarter Ended June 30, 2017 | Year Ended June 30, 2017 | Cumulative Total - June 30, 2017 |
|---|---|---|---|---|---|---|---|---|---|
| Passenger facility charge collections | | | $ 609,958,899 | $ 10,542,532 | $ 9,375,636 | $ 9,174,278 | $ 11,449,357 | $ 40,541,803 | $ 650,500,702 |
| Interest earned | | | 12,387,786 | 142,807 | 145,471 | 147,694 | 167,304 | 603,276 | 12,991,062 |
| Total passenger facility charge revenue received | | | $ 622,346,685 | $ 10,685,339 | $ 9,521,107 | $ 9,321,972 | $ 11,616,661 | $ 41,145,079 | $ 663,491,764 |
| **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 | 168,896,155 | 7,501,332 | 7,501,332 | 7,501,332 | 7,501,332 | 30,005,328 | 198,901,483 |
| Application 12-10-C-00-SAN | 7/3/2012 | 27,835,280 | 21,075,648 | - | 874,523 | - | (51,327) | 823,196 | 21,898,844 |
| 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 | - | - | 10,284,735 | - | - | 10,284,735 | 10,284,735 |
| Total passenger facility charge revenue expended | | $ 1,554,985,893 | $ 549,067,459 | $ 7,501,332 | $ 18,660,590 | $ 7,501,332 | $ 7,450,005 | $ 41,113,259 | $ 590,180,718 |

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

# San Diego County Regional Airport Authority

## Passenger Facility Charge Program

## Notes to Schedule of Passenger Facility Charge Collections and Expenditures

## Year Ended June 30, 2017

### 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 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, 2017.

BKD LLP
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14241 Dallas Parkway, Suite 1100 // Dallas, TX 75254-2961
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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**

We have audited the compliance of San Diego County Regional Airport Authority (Airport Authority) 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, 2017.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Passenger Facility Charge Program***

In our opinion, the San Diego County Regional Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

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

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

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

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

**Report on Schedule of Passenger Facility Charge Collections and Expenditures**

We have audited the financial statements of the Airport Authority as of and for the year ended June 30, 2017, and have issued our report thereon dated October 23, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Passenger Facility Charge Collections and Expenditures is presented for purposes of additional analysis, as specified in the Guide, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Passenger Facility Charge Collections and Expenditures is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Dallas, Texas
October 23, 2017

# San Diego County Regional Airport Authority
## Passenger Facility Charge Audit Summary
## Year Ended June 30, 2017

***Summary of Auditor's Results***

| | | |
|---|---|---|
| 1. Type of report issued on PFC financial statements. | ☒ Unmodified | ☐ Qualified |
| 2. Type of report on PFC compliance. | ☒ Unmodified | ☐ Qualified |
| 3. Quarterly revenue and expenditures reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts. | ☒ Yes | ☐ No |
| 4. PFC revenue and interest is accurately reported on FAA Form 5100-127. | ☒ Yes | ☐ No |
| 5. The Public Agency maintains a separate financial accounting record for each application. | ☒ Yes | ☐ 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. | ☒ Yes | ☐ No |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports. | ☒ Yes | ☐ No |
| 8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | ☒ Yes | ☐ No |
| 9. Serving carriers were notified of PFC program actions/changes approved by the FAA. | ☒ Yes | ☐ No |
| 10. Quarterly reports were transmitted (or available via website) to remitting carriers. | ☒ Yes | ☐ No |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8. | ☒ Yes | ☐ No |
| 12. Project design and implementation is carried out in accordance with Assurance 9. | ☒ Yes | ☐ No |
| 13. Program administration is carried out in accordance with Assurance 10. | ☒ Yes | ☐ 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. | ☐ Yes ☐ No | ☒ N/A |

# San Diego County Regional Airport Authority

## Schedule of Passenger Facility Charge Program

## Findings and Questioned Costs

## Year Ended June 30, 2017

***Findings Required to be Reported by the Guide***

| Reference Number | Finding | Questioned Costs |
|---|---|---|

No matters are reportable.

# San Diego County Regional Airport Authority

## Summary Schedule of Prior Audit Findings

## Year Ended June 30, 2017

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

No matters are reportable.

ATTACHMENT D

# San Diego County Regional Airport Authority

Customer Facility Charge Compliance Report

Year Ended June 30, 2017
(With Independent Auditor's Report Thereon)

BKD LLP
CPAs & Advisors

# San Diego County Regional Airport Authority
## Customer Facility Charge Program
## June 30, 2017

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# San Diego County Regional Airport Authority
## Customer Facility Charge Program
## Schedule of Customer Facility Charge Collections and Expenditures
## Year Ended June 30, 2017

| Description | Beginning Balance, Unapplied CFC | CFC Collections | Interest Earned | Expenditures | Ending Balance, Unapplied CFC |
|---|---|---|---|---|---|
| Collections and expenditures, quarter ended September 30, 2016 | $ 32,934,767 | $ 8,965,822 | $ 41,964 | $ 8,714,347 | $ 33,228,206 |
| Collections and expenditures, quarter ended December 31, 2016 | 33,228,206 | 8,064,187 | 41,811 | 8,405,727 | 32,928,477 |
| Collections and expenditures, quarter ended March 31, 2017 | 32,928,477 | 8,114,758 | 42,269 | 6,758,436 | 34,327,068 |
| Collections and expenditures, quarter ended June 30, 2017 | 34,327,068 | 10,634,429 | 43,325 | 7,091,256 | 37,913,566 |
| | | $ 35,779,196 | $ 169,369 | $ 30,969,766 | |

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, 2017

### 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 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. 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, 2017.

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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**

We have audited the compliance of San Diego County Regional Airport Authority (Airport Authority) with the types of compliance requirements described in the *California Civil Code Section 1936* (Code) that could have a direct and material effect on the customer facility charge program for the year ended June 30, 2017.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Customer Facility Charge Program***

In our opinion, the San Diego County Regional Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its customer facility charge program for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

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

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

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

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

**Report on Schedule of Customer Facility Charge Collections and Expenditures**

We have audited the financial statements of the Airport Authority as of and for the year ended June 30, 2017, and have issued our report thereon, dated October 23, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Customer Facility Charge (CFC) Collections and Expenditures is presented for purposes of additional analysis, as specified in the Code, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Customer Facility Charge Collections and Expenditures is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Dallas, Texas
October 23, 2017

BKD LLP
CPAs & Advisors

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

As part of our audits of the financial statements and compliance of the San Diego County Regional Airport Authority (Airport Authority) as of and for the year ended June 30, 2017, 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 1936*, 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, OMB Uniform Guidance, the Guide and *California Civil Code Section 1936* 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 *California Civil Code Section 1936* that could have a direct and material effect on a major federal program, the passenger facility charge program or customer facility charge program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

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

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

## Qualitative Aspects of Significant Accounting Policies and Practices

### *Significant Accounting Policies*

The Airport Authority's significant accounting policies are described in *Note 1* of the Comprehensive Annual Financial Report (CAFR). With the adoption of Governmental Accounting Standards Board (GASB) Statement No. 82, the Airport's accounting policy for recording employer paid employee contributions was revised.

### *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 areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Fair market value of investments
- Valuation allowance for the various receivables
- Estimated useful lives used to depreciate capital assets
- Actuarial assumptions used to estimate the net pension liability/asset
- Pollution remediation obligations
- Litigation and other loss contingencies

### *Financial Statement Disclosures*

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

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

## Audit Adjustments

No matters are reportable.

**<u>Auditor's Judgments About the Quality of the Entity's Accounting Principles</u>**

No matters are reportable.

**<u>Difficulties Encountered in Performing the Audit</u>**

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

**<u>Other Material Written Communication</u>**

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

- Management representation letter *(attached)*

## OTHER MATTERS

We observed the following matter related to ongoing standard setting by the GASB. This matter is offered as a constructive suggestion for the consideration of management as a part of the ongoing process of modifying and improving financial accounting and reporting in accordance with accounting standards generally accepted in the United States of America. We can discuss this matter further at your convenience and may provide assistance with implementation including initial and ongoing considerations.

**<u>Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement)</u>**

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended, Statement No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*, as they relate to governmental employers that that account for OPEB provided through trusts that meet certain criteria.

GASB 75 requires governments to report a liability on the face of the financial statements, in accordance with the following:

- Employers that are responsible only for OPEB liabilities for their own employees and that provide OPEB through a defined benefit OPEB plan administers through a trust that meets specified criteria will report a net OPEB liability (the difference between the total OPEB liability and the assets accumulated in trust to make the benefit payments)

- Employers that participate in a cost-sharing OPEB plan that is administered through a trust that meets specified criteria will report a liability equal to the employer's proportionate share for the collective OPEB liability for all employers participating in the plan

- Employers that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability for their own employees

GASB 75 requires more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. GASB 75 is effective for fiscal years beginning after June 15, 2017 and requires restatement of any prior years presented, if practical.

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.

BKD, LLP

October 23, 2017

SAN DIEGO
INTERNATIONAL AIRPORT
LET'S GO.

October 23, 2017

**BKD, LLP**
Certified Public Accountants
14241 Dallas Parkway, Suite 1100
Dallas, Texas 95254

We are providing this letter in connection with your audits of our financial statements as of and for the years ended June 30, 2017 and 2016 and your audit of our compliance with requirements applicable to our major federal award program as of and for the year ended June 30, 2017. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

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

Except regarding certain representations whereby we have previously communicated with you, we confirm to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated June 7, 2017 for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. We have provided you with:

   (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.

   (b) Additional information that you have requested from us for the purpose of the audit.

(c) Unrestricted access to persons within the San Diego County Regional Airport Authority (Airport Authority) from whom you determined it necessary to obtain audit evidence.

(d) All minutes of meetings of the governing body held through the date of this letter.

(e) All significant contracts and grants.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:

(a) Misappropriation of assets.
(b) Misrepresented or misstated assets, liabilities or net position.

7. Except as previously disclosed, we have no knowledge of any known or suspected:

(a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
(b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.

8. Aside from matters previously communicated, 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.

9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.

10. Except as reflected in the financial statements, there are no:

(a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

(b) Material transactions omitted or improperly recorded in the financial statements.

(c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

(d) Events occurring subsequent to the statement of net position date through the date of this letter requiring adjustment or disclosure in the financial statements.

(e) Agreements to purchase assets previously sold.

(f) Restrictions on cash balances or compensating balance agreements.

(g) Guarantees, whether written or oral, under which the Airport Authority is contingently liable.

11. 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.

12. 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.

13. 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.

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

(a) Uncollectible receivables.

(b) Reducing obsolete or excess inventories to estimated net realizable value.

(c) Sales/lease/service commitments, including those unable to be fulfilled.

(d) Purchase commitments in excess of normal requirements or above prevailing market prices.

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

(a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.

(b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

16. 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.

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

18. With regard to deposit and investment activities:

    (a) All deposit and investment transactions have been made in accordance with legal and contractual requirements.

    (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.

    (c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.

19. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.

20. 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.

21. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.

22. 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.

23. We have a process to track the status of audit findings and recommendations.

24. 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.

25. 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 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 (or availability) 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.

(c) We are responsible for complying, and have complied, with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

(d) We are responsible to understand and comply with the requirements of federal statutes, regulations and the terms and conditions of federal awards related to each of our federal awards programs, as well as the 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.

(e) We are responsible for establishing and maintaining effective internal control over compliance to provide reasonable assurance we have administered each of our federal awards, passenger facility charge and customer facility charge programs in compliance with requirements of laws, regulations, contracts and grants applicable to those programs.

(f) We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.

(g) The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.

(h) The costs charged to federal awards are in accordance with applicable cost principles.

(i) The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency or the applicable payment system.

(j) Amounts claimed or used for matching were determined in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or OMB Circular A-87regarding cost principles.

(k) We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.

(l) We have identified to you any previous compliance audits, attestation engagements and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other monitoring.

(m) The reporting package does not contain any protected personally identifiable information.

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

27. 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.

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

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

29. 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.

Kimberly J. Becker, President/CEO

Scott Brickner, Vice President Finance & Asset Management/Treasurer

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

Item No.
**8**

# STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**Review of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2017**

**Recommendation:**

The Audit Committee recommends that the Board accept the report.

**Background/Justification:**

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

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

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

On November 20, 2017, during a regular meeting of the Audit Committee, the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017 (Attachment A), was submitted for Committee review. The Audit Committee voted unanimously to forward the report to the Board for acceptance.

**Fiscal Impact:**

Adequate funding for the audit conducted by BKD, LLP, is included in the adopted Fiscal Year 2018 and conceptually approved Fiscal Year 2019 Operating Expense Budgets within the Accounting Department Services – Other line item.

**Authority Strategies:**

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

☐ Community Strategy ☒ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

## 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.

## Application of Inclusionary Policies:

Not Applicable

## Prepared by:

SCOTT BRICKNER
VP, FINANCE & ASSET MANAGEMENT/TREASURER

KATHY KIEFER
SENIOR DIRECTOR, FINANCE & ASSET MANAGEMENT

ATTACHMENT A

**SAN DIEGO COUNTY**
**REGIONAL AIRPORT AUTHORITY**

**SAN DIEGO, CALIFORNIA**

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

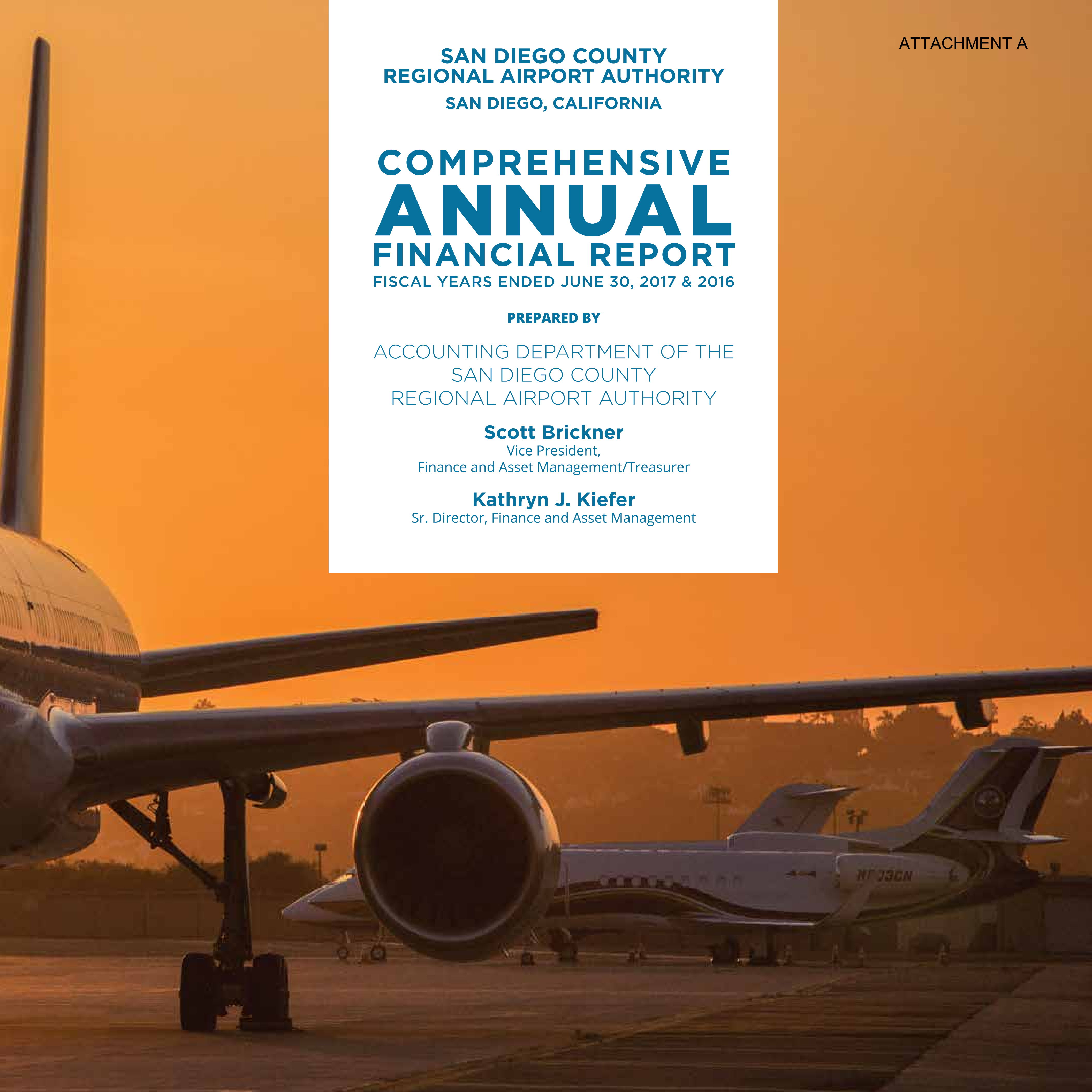
**FISCAL YEARS ENDED JUNE 30, 2017 & 2016**

**PREPARED BY**

ACCOUNTING DEPARTMENT OF THE
SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY


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

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

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

SAN DIEGO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 & 2016

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JAPAN AIRLINES

# INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

AUTHORITY ORGANIZATION CHART

AUTHORITY BOARD MEMBERS AND EXECUTIVE STAFF

GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

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

SAN DIEGO INTERNATIONAL AIRPORT
LET'S GO.

**October 23, 2017**
**To the Public:**

We are pleased to present the Comprehensive Annual Financial Report of the San Diego County Regional Airport Authority ("Airport Authority") for the fiscal years ended June 30, 2017 and 2016. The purpose of this report is to provide the Airport Authority Board, the public and other interested parties with reliable information concerning the financial condition and results of the operations of the Airport Authority. The Airport Authority's Accounting Department prepared this report following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). Responsibility for the accuracy, completeness and fairness of the presented data, including all disclosures, rests with the Airport Authority management.

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

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

The Airport Authority engaged the Certified Public Accounting firm BKD, LLP to perform the annual independent audit of the basic financial statements contained in this report. The auditors issued an unmodified (or clean) opinion on the Airport Authority's financial statements for the fiscal years ended June 30, 2017 and 2016.

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 day-to-day operations of San Diego International Airport (SDIA) 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 ("Board") 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 of Directors.

Economic and industry trends drive passenger traffic and airline operations at SAN, directly impacting our operating environment and airport finances.  The U.S. economy continues to slowly strengthen. Gross Domestic Product (GDP) increased 2.0% during 2016, reflecting continued modest growth in the national economy.

The Air Trade Area for SAN includes San Diego County and portions of neighboring Orange and Riverside Counties and Baja California del Norte, Mexico. The California Department of Finance estimated the population of San Diego County to be 3.3 million as of January 1, 2017. The county is the second largest in California, behind Los Angeles County, and the fifth largest county in the United States. The majority of the County's population is concentrated in the western coastal areas. The largest cities in the County are San Diego (42 percent), Chula Vista (8 percent), Oceanside (5 percent), Escondido (5 percent), Carlsbad (3 percent), and El Cajon (3 percent). The combined San Diego/Tijuana metropolitan population exceeds five million inhabitants.

The region's economy is diverse with a strong tourism sector, a large defense industry and a bustling technology cluster. Over the next five years, job gains are expected in professional and business services, leisure and hospitality, education and healthcare and government. San Diego County has enjoyed a relatively stable economic climate during the past four years, with lower unemployment rates than the State of California. In June 2017, the County's unemployment rate was 4.3 percent compared to June 2016, at 4.9 percent. California's unemployment rate was 4.7 percent in June 2017 and 5.6 percent in June 2016, and the national unemployment rate was 4.4 percent as of June 2017 compared to 4.9 percent as of June 2016. See the Statistical Section for additional economic information.

SAN's enplaned passengers grew 3.8 percent in fiscal year 2017, reflecting continuing economic strength. Total enplaned passengers were 10.6 million, compared to 10.2 million in fiscal year 2016. See the MD&A section of the Financial Section of this report for further discussion of the current year activity.

## AIRPORT AUTHORITY NAMES NEW PRESIDENT/CEO

Kim Becker was hired as the Airport Authority's second President/CEO, effective May 1, 2017. She had been with Mineta San Jose International Airport since 1995, and Director since 2013. Becker succeeded Thella F. Bowens, who retired March 31, 2017.

Airport Authority Board Chairman April Boling said she looks forward to Becker continuing the fine work started by Bowens, including execution of a five-year strategic plan recently approved by the Board. Strategic goals of the plan include:

1. Exceed our customers' expectations by introducing innovative service and facility enhancements
2. Grow and efficiently manage capacity for future demand, both landside and airside, including international facilities
3. Enhance community understanding of SAN as an economic engine and a portal for prosperity that enhances our quality of life
4. Develop leaders and a workforce aligned to the needs of our Strategic Plan and an inclusive environment that reflects the diversity of our community
5. Execute a Plan of Finance that provides the financial resources necessary to achieve the 2022 Future State while maintaining the enterprise's strong financial position

Becker's proven leadership capabilities and collaborative style will be instrumental in SAN's future success. She intends to spend time in the community to hear what the public wants.

Becker also worked at Teterboro Airport in New Jersey and Burbank-Glendale-Pasadena Airport for a total of 10 years. She earned a B.S. in Business Administration from Indiana University of Pennsylvania and an MBA in Aeronautics from Embry-Riddle Aeronautical University.

## AIRPORT BREAKS GROUND ON FEDERAL INSPECTION STATION IN TERMINAL 2 WEST

The Airport Authority officially kicked off construction of a new Federal Inspection Station (FIS) at the west end of Terminal 2 in May 2017. The new Customs facility is being designed to accommodate the increase in international passengers resulting from recently added overseas flights and expected future demand.

SAN has experienced significant growth in international arrivals in the past 25 years – from about 50,000 passengers annually in the early 1990s to nearly 300,000 annually in 2016. That number – and the associated economic impact – will continue to grow as more international nonstop flights are added.

SAN offers nonstop flights to and from six countries – Japan, Germany, Switzerland, the U.K., Mexico and Canada. Construction of a larger Customs facility for international flight arrivals will allow the airport to process these passengers with greater ease and efficiency.

The new facility will improve the processing experience for passengers with reduced wait times and create a more welcoming environment. Features of the new facility will include a second baggage claim and more queuing space in the lower level Customs hall, as well as the newest processing technologies introduced by U.S. Customs and Border Protection.

The new FIS facility will replace the current facility in Terminal 2 East. It will be an estimated 130,000 square feet, compared to the 26,000 square feet in the current facility. The new facility will also increase the number of international gates from three to six.

The $229.4 million facility is scheduled to be operational in summer 2018. The economic impact of international flights is significant – about $432 million annually for the region.


## AIRPORT COMMEMORATES START OF CONSTRUCTION ON TERMINAL 2 PARKING PLAZA

Construction on the highly anticipated Terminal 2 Parking Plaza began in September 2016. The cutting-edge Parking Plaza will be located in front of Terminal 2 and will have three floors with approximately 3,000 parking stalls. It will replace the existing surface parking lot for Terminal 2.

There is great demand for more close-in parking at the airport. The Parking Plaza will enhance customer service by integrating state-of-the-art parking technology that will allow motorists to reserve spaces in advance, find available parking spaces, and streamline payment.

The Parking Plaza is also expected to have environmental benefits by reducing air emissions caused by vehicles that are circulating and idling while searching for an available parking space. Additionally, it will have an aesthetically pleasing design with open light wells, glass-front elevators and public art.

The Parking Plaza has an estimated cost of $127.8 million, will take approximately 20 months to complete and will be open for summer travel in 2018.

## LUFTHANSA TO LAUNCH NON-STOP SERVICE LINKING FRANKFURT & SAN

Lufthansa announced in June 2017 that it will offer direct flights between its largest hub, Frankfurt, Germany, and San Diego on a year-round basis beginning in March 2018.

The flight represents a speedy, efficient and convenient connection between Europe and Southern California for both business and leisure travelers.

The flight will operate out of Frankfurt International Airport (FRA) five-times weekly. It will maintain year-round service to the European Union, and will connect to over 85 destinations in Europe, Africa, Middle East and the Indian sub-continent. New destinations available with a single flight connection include: Bangalore, Casablanca, Florence, Gdansk, Kiev, Krakow, Nuremberg, Riga, Riyadh, St. Petersburg, Sofia and Zagreb.

Lufthansa, which has never served SAN before, will use the 279-seat Airbus 340-300 aircraft on the route configured with Business, Premium Economy and Economy class cabins. The flight will be co-marketed and sold in conjunction with United Airlines.

## AIRPORT AUTHORITY ISSUES ANNUAL SUSTAINABILITY REPORT

The Airport Authority's Sustainability Report was released in June 2017. This report, produced annually, highlights the Airport Authority's activities and accomplishments for calendar year 2016 and serves as a useful barometer for SAN's relationship to the environment, the traveling public, its stakeholders and the greater San Diego community. As before, the Global Reporting Initiative (GRI) has guided the development of this report.

In 2008, SAN was the first major airport in the U.S. to establish a sustainability policy, and in 2011 was one of the first to publish a sustainability report adhering to Global Reporting Initiative (GRI) standards. In November 2017, SAN will sign the "Airports Sustainability Declaration" that is aligned with the United Nations Sustainable Development Goals, calling for action on climate change.

SAN has defined sustainability as "building an enduring and resilient enterprise by effectively managing our financial, social and environmental risks, obligations and opportunities." That definition is founded on the concept of a "triple bottom line" using financial, social and environmental yardsticks.

**Financial:** Although all three metrics are vitally important to carrying out the Airport Authority's sustainability mission, the financial strategy serves as the bedrock. The Airport Authority is committed to a financial strategy that is flexible, nimble and able to proactively address future changes in the aviation industry and in the overall economy.

**Social:** The "social" part of the sustainability strategy has two components, the first being a commitment to ensuring the highest level of employee commitment and performance; and the second being more externally focused on the community and acting as a good neighbor and responsive regional agency.

**Environment:** SAN occupies 661 acres of sensitive waterfront property. In addition, the airport is a major consumer of water and energy. The extent to which it can preserve and protect the immediate environment while conserving scarce natural resources will ultimately define the airport's success as a sustainable enterprise.

A copy of the report is available at sustain.san.org.

## AIRPORT EARNS LEED GOLD CERTIFICATION FOR CONSOLIDATED RENTAL CAR CENTER

SAN was awarded Leadership in Energy and Environmental Design (LEED) Gold certification for its consolidated Rental Car Center from the U.S. Green Building Council (USGBC) in February 2017. LEED certification is considered the industry standard in defining and measuring “green,” sustainable construction.

The $316 million Rental Car Center opened in January 2016. The 2-million-square-foot facility houses most of the rental car companies serving the airport, including national brands, as well as local, independent and small business rental car companies, in one central location off Pacific Highway.

Sustainability was a key goal of the project. The Rental Car Center was designed and built with sustainable strategies to achieve LEED certification. As a 24-hour, 365-day-a-year operation, the lighting was designed to be energy efficient by reducing lighting levels in some areas during off-peak times. The facility’s energy efficient design also earned a $150,000 incentive from San Diego Gas & Electric by achieving an annual energy savings of over 2 million kilowatt hours (kWh) – equivalent to powering more than 300 homes for a full year.

Featuring 15 car wash bays, utilizing resourceful water collection and reuse methods were important components to the project. The facility reclaims 85–90 percent of the water used onsite, and 7 bio-swale areas collect rainwater and run-off, preventing either from reaching San Diego Bay. Aesthetically, landscaping around the facility is climate and site appropriate, drought tolerant and low maintenance.

The facility’s convenient location off Pacific Highway means that virtually all rental car traffic (vehicles and shuttle buses) is removed from Harbor Drive, reducing total traffic volume by 15 percent. Use of SAN-owned, alternate-fuel buses along a dedicated, on-airport roadway helps to reduce GHG emissions.

## AIRPORT ACHIEVES AIRPORT CARBON ACCREDITATION

SAN was certified through the Airports Council International's Airport Carbon Accreditation program in October 2016. The program creates a framework that helps airports identify, manage, and ultimately reduce their carbon emissions.

SAN was certified at "Level 2," which means that the airport is actively implementing a carbon management plan and has reduced the emissions under its control. Over the past two years, SAN built highly energy efficient facilities such as its Rental Car Center, installed solar energy panels on roofs and in parking lots, converted its shuttle fleet to alternative fuels, and launched a carbon offset program to enable passengers to reduce the environmental impact of their travel.

Recognition of SAN's certification took place during the Airports Council International – North America's (ACI-NA) 2016 World Annual Conference in Montréal in September 2016. SAN is one of only 20 commercial airports in North America to successfully become certified through this program.

## AIRPORT LAUNCHES FASTER, MORE EFFICIENT WI-FI SERVICE

SAN kicked off 2017 with enhanced Wi-Fi service throughout the terminals. The improved service provides bandwidth speeds up to 30 times faster than previously available. Customers are now able to download and stream movies, music and much more. Most importantly, the service will continue to be free to airport visitors.

As part of the upgrade, passengers can connect to the airport's Wi-Fi service for up to 2 hours per session, an increase from 30 minutes previously.

In November 2016, SAN ranked third best among 30 of the busiest airports in the country according to a study by ThePointsGuy.com. The study looked at factors impacting a passenger's airport experience, including timeliness, accessibility and amenities, including Wi-Fi.

## THE GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA ("GFOA") CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

This recognition is for the Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2016. The Airport Authority has received this award each year since its inception in 2003. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Airport Authority believes its current CAFR continues to meet the Certificate of Achievement Program's requirements. We will submit it to the GFOA to determine its eligibility for another certificate.

## THE GFOA DISTINGUISHED BUDGET PRESENTATION AWARD

In recognition for its annual budget for the fiscal year beginning July 1, 2016 the Airport Authority received the GFOA Distinguished Budget Presentation Award. The achievement of this award is based on a governmental entity's preparation and issuance of budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's recommended practices on budgeting. This was the twelfth consecutive year that the Airport Authority received this award.

## EXCELLENCE IN PROCUREMENT AWARD

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

## BUDGET PROCESS AND FINANCIAL PLAN

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

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

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

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

## FINANCIAL INFORMATION

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

The Airport Authority completed fiscal year 2017 with operating income (before depreciation) of $85.1 million. Fiscal year 2017 also grew as compared to fiscal year 2016, with enplanements increasing 3.8 percent, total passengers increasing 3.6 percent, and freight and mail tons increasing 1.6 percent. The accompanying Management's Discussion and Analysis provides a detailed narrative overview.

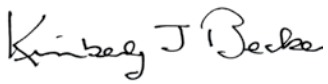
The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service and efforts of the Airport Authority's Accounting, Financial Management and Vision, Voice and Engagement Departments. We wish to express our sincere appreciation for their dedication to ensure fiscal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

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

Respectfully submitted,

Kimberly J. Becker

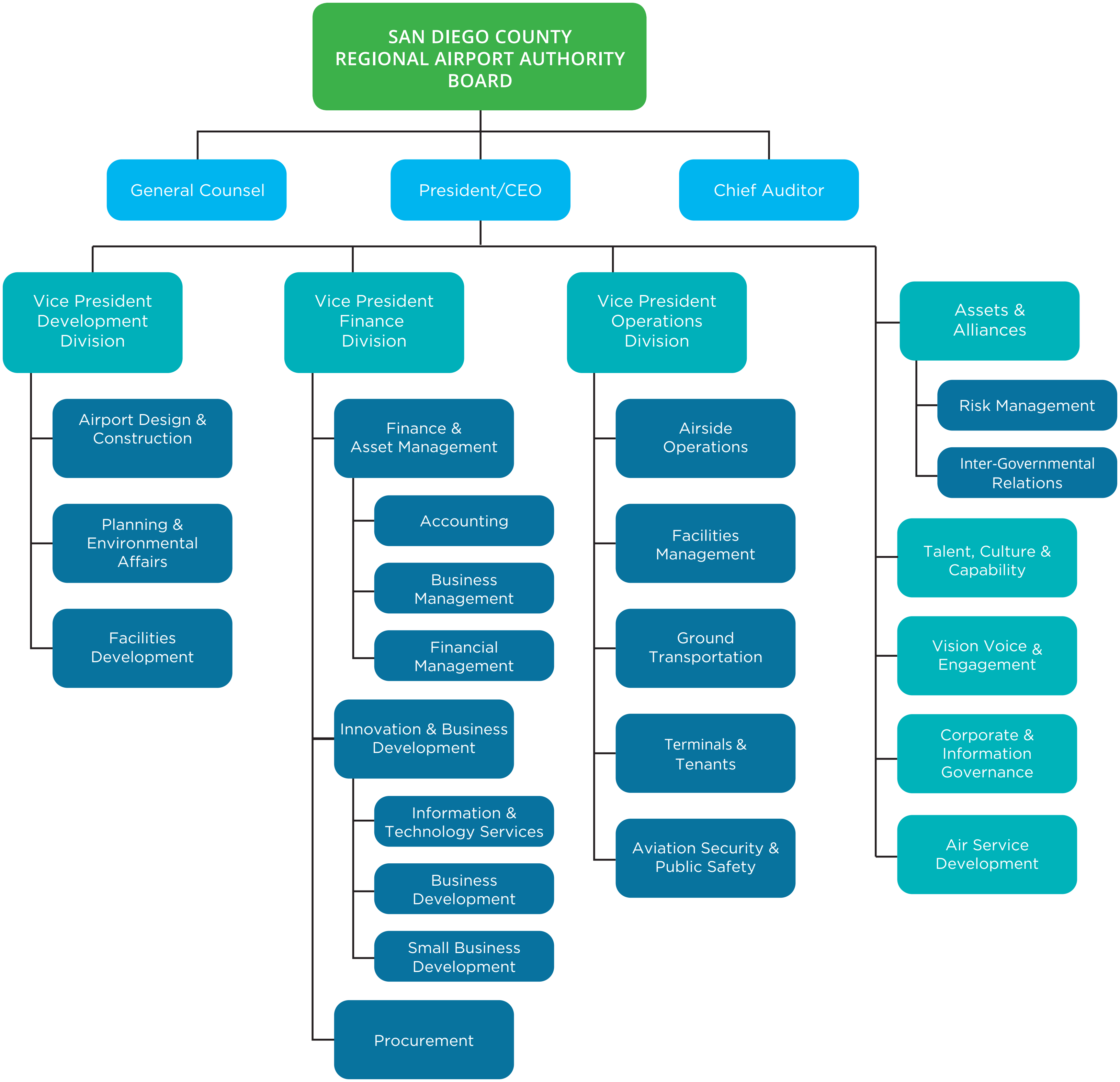
President | Chief Executive Officer



**Scott Brickner, CPA**

Vice President Finance & Asset Management | Treasurer

# ORGANIZATION CHART



# AUTHORITY BOARD MEMBERS AND EXECUTIVE STAFF

AS OF JUNE 30, 2017

## AIRPORT AUTHORITY BOARD

EXECUTIVE COMMITTEE MEMBERS

**C. APRIL BOLING,** CHAIR

**PAUL ROBINSON,** VICE CHAIR

**JIM JANNEY**

GENERAL MEMBERS

**SUPERVISOR GREG COX**

**MAYOR JIM DESMOND**

**ROBERT H. GLEASON**

**COUNCILMEMBER MARK KERSEY**

**COUNCILMEMBER MICHAEL SCHUMACHER**

**MARY SESSOM**

EX-OFFICIO MEMBERS

**LAURIE BERMAN**

**ERAINA ORTEGA**

**COLONEL JASON G. WOODWORTH**

## EXECUTIVE STAFF

**KIMBERLY J. BECKER,** PRESIDENT/CHIEF EXECUTIVE OFFICER

**SCOTT BRICKNER,** VICE PRESIDENT, CFO/TREASURER, FINANCE AND ASSET MANAGEMENT

**ANGELA SHAFER-PAYNE,** VICE PRESIDENT, OPERATIONS DIVISION

**JEFFREY WOODSON,** VICE PRESIDENT, DEVELOPMENT DIVISION

**MARK BURCHYETT,** CHIEF AUDITOR

**AMY GONZALEZ,** GENERAL COUNSEL

**HAMPTON BROWN,** DIRECTOR, AIR SERVICE DEVELOPMENT

**KURT GERING,** DIRECTOR, TALENT CULTURE & CAPABILITY

**MATT HARRIS,** SENIOR DIRECTOR, ASSETS AND ALLIANCES

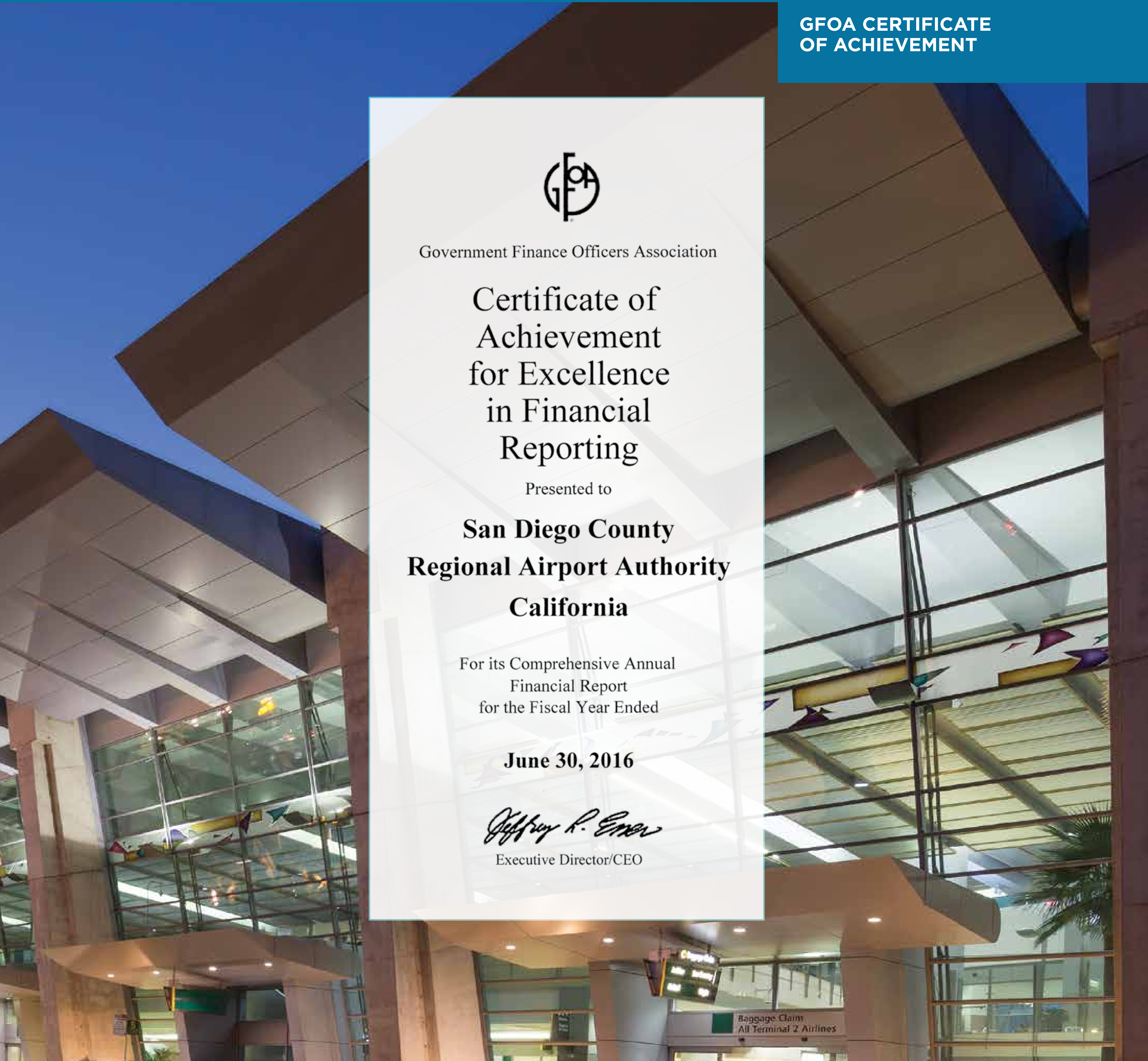
**DIANA LUCERO,** DIRECTOR, VISION, VOICE AND ENGAGEMENT

**TONY RUSSELL,** DIRECTOR/AUTHORITY CLERK, CORPORATE AND INFORMATION GOVERNANCE

## GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the San Diego County Regional Airport Authority (California) for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This is the thirteenth consecutive year that the Airport Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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




Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**San Diego County**
**Regional Airport Authority**
**California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**June 30, 2016**

Jeffrey R. Emer

Executive Director/CEO

# **FINANCIAL** SECTION

**INDEPENDENT AUDITOR'S REPORT**

**MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)**

**BASIC FINANCIAL STATEMENTS:**

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

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

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**Independent Auditor's Report**

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

We have audited the accompanying basic financial statements of the San Diego County Regional Airport Authority (Airport Authority) which are comprised of a statements of net position as of June 30, 2017 and 2016, and statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the financial statements, as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

*Required Supplementary Information*

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

*Other Information*

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

BKD, LLP

Dallas, Texas
October 23, 2017


Transportation / USO

## INTRODUCTION

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

The Airport Authority is a self-sustaining entity receiving most of its revenues through user fees and rents from airline and non-airline business partners operating at SDIA.

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

## SAN DIEGO INTERNATIONAL AIRPORT

**HISTORY OF OWNERSHIP**

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

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

**LEGISLATIVE BACKGROUND**

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

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

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

## AIRPORT ACTIVITIES HIGHLIGHTS (2015 – 2017)

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 (2015 – 2017)**

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

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

| | FY 2015 | FY 2016 | **FY 2017** |
|---|---|---|---|
| Enplaned passengers | 9,713,066 | 10,206,222 | **10,596,483** |
| % increase | 6.9% | 5.1% | **3.8%** |
| Total passengers | 19,409,683 | 20,397,170 | **21,140,067** |
| % increase | 7.0% | 5.1% | **3.6%** |
| Aircraft operations | 195,268 | 193,451 | **201,011** |
| % increase | 4.0% | (0.9%) | **3.9%** |
| Freight and mail (in tons) | 178,615 | 185,655 | **188,607** |
| % increase | 8.3% | 3.9% | **1.6%** |
| Landed weight (in thousands) | 11,524 | 12,048 | **12,456** |
| % increase | 3.0% | 4.6% | **3.4%** |

Overall, the strong economy is reflected in the aircraft operation results at SDIA. There was an increase in enplaned passengers in fiscal year 2017 of 3.8 percent. Also, total passengers increased by 3.6 percent and freight and mail tons increased slightly by 1.6 percent. New airline routes factored into the increases of aircraft operations and landed weight.



## 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 in 2015, followed by a 4.7 percent increase in 2016, and was followed by a slight .9 percent increase in 2017.

Following is a summary of the statements of revenues, expenses and changes in net position (in thousands):

| | FY 2015 | FY 2016 | **FY 2017** |
|---|---|---|---|
| Operating revenues | $ 210,505 | $ 233,994 | **$ 248,847** |
| Operating expenses | (222,136) | (241,429) | **(258,955)** |
| Nonoperating revenues, net | 24,583 | 31,933 | **15,428** |
| Capital contributions and grants | 10,765 | 10,477 | **1,904** |
| Increase in net position | 23,717 | 34,975 | **7,224** |
| Net position, beginning of year | 727,017 | 742,741 | **775,949** |
| Prior-period adjustment | (7,993) | (1,767) | |
| Net position, end of year | $ 742,741 | $ 775,949 | **$ 783,173** |

Detailed descriptions of the components of operating revenues and expenses, and nonoperating revenues and expenses are described in the sections that follow. The implementation of GASB 68 in fiscal year 2015 caused a prior-period adjustment in that year. The cumulative changes in accounting for pension liabilities are reflected in this adjustment.

## OPERATING REVENUES (IN THOUSANDS)

| | | FY 2016 | | FY 2017 | | From 2016 to 2017 Increase (Decrease) | % Change |
|---|---|---|---|---|---|---|---|
| Airline revenue: | | | | | | | |
| Landing fees | $ | 23,985 | $ | **24,612** | $ | 627 | 2.6% |
| Aircraft parking fees | | 2,701 | | **2,927** | | 226 | 8.4% |
| Building rentals | | 51,273 | | **54,283** | | 3,010 | 5.9% |
| Security surcharge | | 29,223 | | **29,468** | | 245 | 0.8% |
| Other aviation revenue | | 5,023 | | **5,091** | | 68 | 1.4% |
| Total airline revenue | | 112,205 | | **116,381** | | 4,176 | 3.7% |
| Concession revenue | | 56,274 | | **61,256** | | 4,982 | 8.9% |
| Parking and ground transportation revenue | | 48,106 | | **49,407** | | 1,301 | 2.7% |
| Ground and non-airline terminal rentals | | 16,226 | | **20,053** | | 3,827 | 23.6% |
| Other operating revenue | | 1,183 | | **1,750** | | 567 | 47.8% |
| Total operating revenue | $ | 233,994 | **$** | **248,847** | $ | 14,853 | 6.3% |

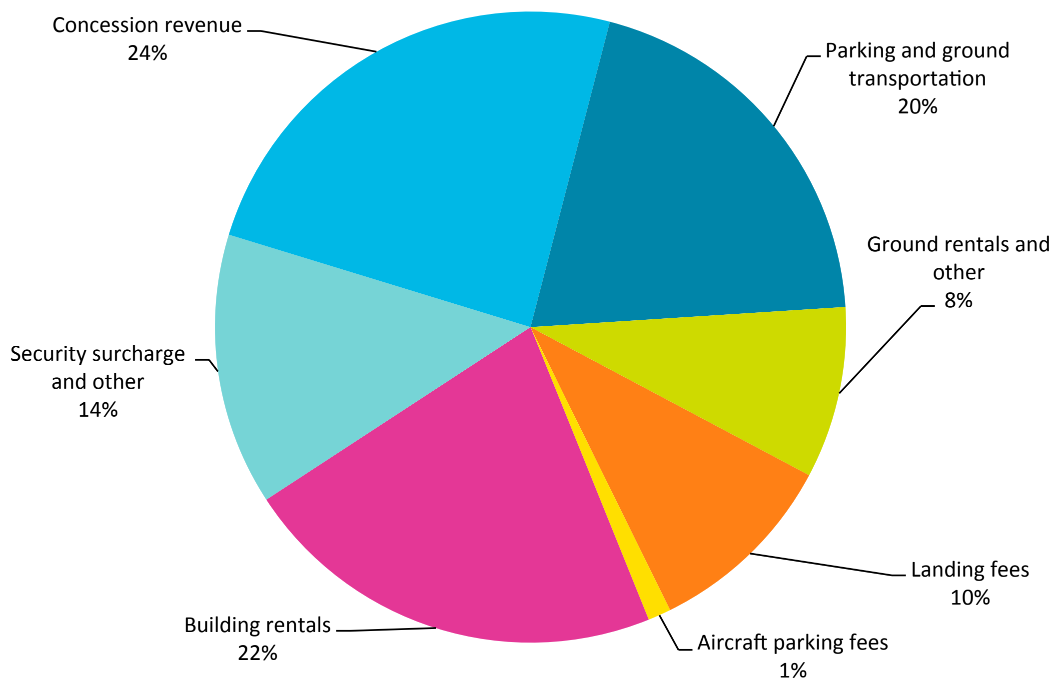
| | | FY 2015 | | FY 2016 | | From 2015 to 2016 Increase (Decrease) | % Change |
|---|---|---|---|---|---|---|---|
| Airline revenue: | | | | | | | |
| Landing fees | $ | 21,390 | $ | 23,985 | $ | 2,595 | 12.1% |
| Aircraft parking fees | | 2,716 | | 2,701 | | (15) | (0.6%) |
| Building rentals | | 48,153 | | 51,273 | | 3,120 | 6.5% |
| Security surcharge | | 25,180 | | 29,223 | | 4,043 | 16.1% |
| Other aviation revenue | | 4,893 | | 5,023 | | 130 | 2.7% |
| Total airline revenue | | 102,332 | | 112,205 | | 9,873 | 9.6% |
| Concession revenue | | 52,496 | | 56,274 | | 3,778 | 7.2% |
| Parking and ground transportation revenue | | 41,633 | | 48,106 | | 6,473 | 15.5% |
| Ground and non-airline terminal rentals | | 13,073 | | 16,226 | | 3,153 | 24.1% |
| Other operating revenue | | 971 | | 1,183 | | 212 | 21.8% |
| Total operating revenue | $ | 210,505 | $ | 233,994 | $ | 23,489 | 11.2% |

## OPERATING REVENUES (CONTINUED)

**FISCAL YEAR 2017 COMPARED TO 2016:**
Total airline revenues increased by $4.2 million, or 3.7 percent, primarily due to an increased cost recovery from the airlines which was higher in fiscal year 2017, compared to 2016. Landing fees increased by $627 thousand or 2.6 percent due to increased airfield operating costs and new capital projects. Aircraft parking fees increased by $226 thousand or 8.4 percent, due to increased airfield-related costs. Building rentals increased by $3.0 million or 5.9 percent due to higher terminal maintenance costs and changes in rentable square footage. Security surcharge increased slightly by $245 thousand or .8 percent, partially due to increased security checkpoint expenses and increased security equipment costs. Concession revenue increased by $5.0 million or 8.9 percent, reflecting higher sales per enplaned passenger. Parking and ground transportation increased by $1.3 million or 2.7 percent, due to higher enplanements, valet revenue, and permits. Ground and non-airline terminal rentals increased by $3.8 million or 23.6 percent, due in part to new non-tenant agreements and increased FBO rents. Other operating revenue increased by $567 thousand or 47.8 percent, primarily due to higher landing fees at the Fixed Base Operator, and higher fees for miscellaneous services.

**FISCAL YEAR 2016 COMPARED TO 2015:**
Total airline revenues increased by $9.9 million, or 9.6 percent, primarily due to an increased cost recovery for the airlines which was higher in fiscal year 2016, compared to 2015. Landing fees increased by $2.6 million or 12.1 percent due to increased airfield costs. Building rentals increased by $3.1 million or 6.5 percent due to increased terminal costs. Security surcharge increased by $4.0 million or 16.1 percent, primarily due to increased Harbor Police expenses and higher terminal rental rate for security checkpoints. Non-airline terminal rent decreased by $473 thousand or 31.4 percent, primarily due to consolidation of ground servicing companies. Concession revenue increased by $3.8 million or 7.2 percent, reflecting increased enplanements and higher sales per enplaned passenger. Parking and ground transportation increased by $6.5 million or 15.5 percent, due to higher enplanements and higher cost recovery on ground transportation. Ground rentals increased by $3.6 million or 31.3 percent, primarily due to the Rental Car Center land lease starting January 2016. Other operating revenue increased by $212 thousand or 21.8 percent, primarily due to higher landing fees at the Fixed Base Operator, higher utility reimbursements, and higher fees for miscellaneous services.

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**
**FISCAL YEAR ENDED JUNE 30, 2017 | OPERATING REVENUES**



## OPERATING EXPENSES (IN THOUSANDS)


| | FY 2016 | FY 2017 | From 2016 to 2017 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Salaries and benefits | $ 42,025 | **$ 46,874** | $ 4,849 | 11.5% |
| Contractual services | 38,215 | **44,927** | 6,712 | 17.6% |
| Safety and security | 28,721 | **28,422** | (299) | (1.0%) |
| Space rental | 10,367 | **10,190** | (177) | (1.7%) |
| Utilities | 11,480 | **10,736** | (744) | (6.5%) |
| Maintenance | 14,122 | **14,270** | 148 | 1.0% |
| Equipment and systems | 708 | **502** | (206) | (29.1%) |
| Materials and supplies | 536 | **651** | 115 | 21.5% |
| Insurance | 950 | **956** | 6 | 0.6% |
| Employee development and support | 1,242 | **1,393** | 151 | 12.2% |
| Business development | 2,390 | **2,351** | (39) | (1.6%) |
| Equipment rentals and repairs | 2,852 | **2,454** | (398) | (14.0%) |
| Total operating expenses before depreciation | 153,608 | **163,726** | 10,118 | 6.6% |
| Depreciation | 87,821 | **95,229** | 7,408 | 8.4% |
| Total operating expense | $ 241,429 | **$ 258,955** | $ 17,526 | 7.3% |

| | FY 2015 | FY 2016 | From 2015 to 2016 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Salaries and benefits | $ 39,212 | $ 42,025 | $ 2,813 | 7.2% |
| Contractual services | 32,422 | 38,215 | 5,793 | 17.9% |
| Safety and security | 23,466 | 28,721 | 5,255 | 22.4% |
| Space rental | 10,433 | 10,367 | (66) | (0.6%) |
| Utilities | 10,152 | 11,480 | 1,328 | 13.1% |
| Maintenance | 14,516 | 14,122 | (394) | (2.7%) |
| Equipment and systems | 1,805 | 708 | (1,097) | (60.8%) |
| Materials and supplies | 519 | 536 | 17 | 3.3% |
| Insurance | 1,145 | 950 | (195) | (17.0%) |
| Employee development and support | 1,136 | 1,242 | 106 | 9.3% |
| Business development | 2,493 | 2,390 | (103) | (4.1%) |
| Equipment rentals and repairs | 2,951 | 2,852 | (99) | (3.4%) |
| Total operating expenses before depreciation | 140,250 | 153,608 | 13,358 | 9.5% |
| Depreciation | 87,887 | 87,821 | (66) | (0.1%) |
| Total operating expense | $ 228,137 | $ 241,429 | $ 13,292 | 5.8% |

**FISCAL YEAR 2017 COMPARED TO 2016:** Total fiscal year 2017 operating expenses increased by $17.5 million or 7.3 percent. Salaries and benefits increased by $4.8 million or 11.5 percent, due to a GASB 68 valuation adjustment and planned wage and benefit increases. Contractual services increased by $6.7 million or 17.6 percent, mainly due to higher expenses in parking, noise monitoring and a full year of RCC bussing. Maintenance

## OPERATING EXPENSES (CONTINUED)

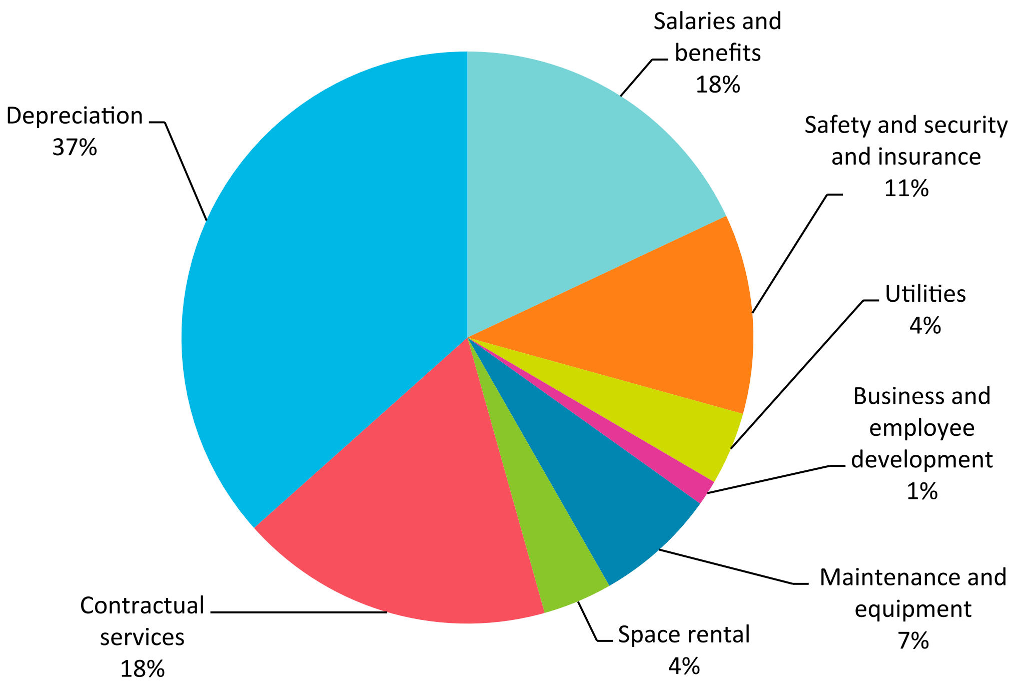
expenses increased $148 thousand, or 1.0 percent, due in part to slightly higher major maintenance projects. Materials and supplies increased $115 thousand or 21.5 percent due to higher expenditures. Employee development and support increased by $151 thousand or 12.2 percent, mainly due to higher recruitment and training expenses. Depreciation increased by $7.4 million or 8.4 percent, due to the Rental Car Center being in service for a full year.

Offsetting this increase in operating expenses were the following decreases: Safety and security decreased by $299 thousand or 1.0 percent due to a retroactive adjustment recorded in fiscal year 2016 pertaining to expenses incurred in 2015. Space rental reduced by $177 thousand on 1.7 percent due to the termination of the taxi hold lot. Utilities decreased by $744 thousand or 6.5 percent, mainly due to lower rates and usage, as well as state energy credits. Equipment and systems decreased by $206 thousand or 29.1 percent, mainly due to lower office movement and reconfiguration expenses. Equipment rentals and repairs decreased by $398 thousand or 14.0 percent, mainly due to lower maintenance contract and computer licensing expenses.

**FISCAL YEAR 2016 COMPARED TO 2015:** Total fiscal year 2016 operating expenses increased by $13.3 million or 5.8 percent. Salaries and benefits increased $2.8 million or 7.2 percent, mostly due to planned wage and benefit increases. Contractual services increased by $5.8 or 17.9 percent, resulting in higher busing costs of the Rental Car Center that opened in January 2016. Safety and Security increased $5.3 million or 22.4 percent, reflecting an increase in law enforcement training and benefit costs. Utilities increased $1.3 million or 13.1 percent, due to higher rates and increased power usage of the Rental Car Center. Materials and supplies increased slightly by $17 thousand or 3.3 percent, mainly due to higher purchases of small equipment and operating supplies. Employee development and support increased by $106 thousand or 9.3 percent, primarily due to higher training costs.

Offsetting this increase in operating expenses were the following decreases: Maintenance of $394 thousand or 2.7 percent, due to access control expenses being transferred to the Safety and security category; Equipment and systems of $1.1 million or 60.8 percent, due to lower office equipment purchases; Insurance of $195 thousand or 17.0 percent, primarily due to lower property insurance rates; Business development of $103 thousand or 4.1 percent, due to a delay in planned advertising; Equipment rentals and repairs of $99 thousand or 3.4 percent, due primarily to lower IT maintenance contracts and lower printer costs.

**San Diego County Regional Airport Authority**
**Fiscal Year Ended June 30, 2017 | Operating Expenses**



## NON-OPERATING REVENUES & EXPENSES (IN THOUSANDS)

| | FY 2016 | FY 2017 | From 2016 to 2017 Increase (Decrease) | From 2016 to 2017 % Change |
|---|---|---|---|---|
| Passenger facility charges | $ 40,258 | **$ 42,200** | $ 1,942 | 4.8% |
| Customer facility charges | 33,208 | **36,528** | 3,320 | 10.0% |
| Quieter Home Program, net | (3,698) | **(785)** | 2,913 | 78.8% |
| Joint studies program | (101) | **-** | 101 | 100.0% |
| Interest income | 5,999 | **8,134** | 2,135 | 35.6% |
| Interest expense, net | (45,979) | **(53,528)** | (7,549) | (16.4%) |
| Other nonoperating income (expenses) | 2,246 | **(17,121)** | (19,367) | (862.3%) |
| Nonoperating revenues, net | $ 31,933 | **$ 15,428** | $ (16,505) | (51.7%) |

| | FY 2015 | FY 2016 | From 2015 to 2016 Increase (Decrease) | From 2015 to 2016 % Change |
|---|---|---|---|---|
| Passenger facility charges | $ 38,517 | $ 40,258 | $ 1,741 | 4.5% |
| Customer facility charges | 32,465 | 33,208 | 743 | 2.3% |
| Quieter Home Program, net | (2,811) | (3,698) | (887) | (31.6%) |
| Joint studies program | (145) | (101) | 44 | 30.3% |
| Interest income | 5,747 | 5,999 | 252 | 4.4% |
| Interest expense, net | (50,557) | (45,979) | 4,663 | 8.5% |
| Other nonoperating income (expenses) | 1,367 | 2,246 | 879 | 64.3% |
| Nonoperating revenues, net | $ 24,583 | $ 31,933 | $ 7,435 | 36.7% |

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

**CUSTOMER FACILITY CHARGES (CFCs)** are authorized under Section 1936 of the California Civil Code and approved by legislation under Senate Bill 1510. The revenues collected have been used to plan and construct a consolidated rental car facility and related ground transportation system. The rental car agencies remit to the Airport Authority collection of the fee monthly. In January 2017 the fee was increased from $7.50 to $9.00 per day, up to five days for rental car transactions. This fee applies to transactions that originated at the Rental Car Center. For car rental transactions of non-RCC tenants, the CFC rate was increased from $2.17 to $2.42 per day, up to five days for rental car transactions.

**QUIETER HOME PROGRAM** includes sound attenuation construction improvements at all eligible single-family and multifamily dwellings with six or fewer units located in the Year 2000 65 dB Community Noise Equivalent Level contour. The project is eligible for the Airport Improvement Program (AIP). From inception through the end of fiscal year 2017, the Airport Authority has spent $191.9 million and received reimbursement for $154.6 million.

**INTEREST INCOME** is derived from interest earned by the Airport Authority on investments and notes receivable from the District.

**INTEREST EXPENSE** includes interest paid and accrued on the 2010, 2013 and 2014 Series Bonds, Variable Debt, and Lease Interest. This is netted with the capitalization of bond interest to the construction in progress assets that the bond and variable debt finances. The capitalized interest in fiscal years ended June 30, 2017 and 2016 was $4.8 million and $12.4 million, respectively. The bond premium amortization from all three bond series is also netted with interest expense. The 2010 Series C Bonds were issued as Build America Bonds and, as such, the Airport Authority receives a cash subsidy from the U.S. Treasury equal to 32.59 percent of the interest payable. The interest subsidy for the fiscal years ended June 30, 2017 and 2016 was $4.7 million.

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

## NON-OPERATING REVENUES & EXPENSES (CONTINUED)

***Fiscal year 2017 compared to 2016:***
Nonoperating revenues (net) decreased by $16.5 million or 51.7 percent. Passenger facility charges increased by $1.9 million or 4.8 percent, mainly due to a 3.8 percent increase in enplaned passengers. Customer facility charges increased by $3.3 million or 10.0 percent, due to a corresponding increase in rental car transactions and increase in fee effective January 1, 2017. Quieter Home Program expenses (net) decreased by 2.9 million or 78.8 percent, due to lower sound attenuation activity. Interest income increased by $2.1 million or 35.6 percent, due to an increase in dollars invested as well as improved market performance compared to fiscal year 2016.

Offsetting the nonoperating income was a higher net interest expense of $7.5 million or 16.4 percent, mainly due to lower capitalized interest. Other nonoperating expense increased by $19.4 million or 862.3 percent, primarily due to a loss on fixed asset disposal resulting from the new FIS project.

***Fiscal year 2016 compared to 2015:***
Nonoperating revenues (net) increased by $7.4 million or 36.7 percent. Passenger facility charges increased by $1.7 million or 4.5 percent, due to a 5.1 percent increase in enplaned passengers. Customer facility charges increased by $743 thousand or 2.3 percent, due to an overall increase in rental car transactions. Interest income increased by $252 thousand or 4.4 percent, primarily due to improved market performance compared to fiscal year 2015, though dollars invested had decreased. Net Interest expense decreased by $4.7 million or 8.5 percent, mainly due to higher capitalized interest. Other nonoperating income increased by $879 thousand or 64.3 percent, mainly due to unrealized gains on investments.

Offsetting the nonoperating income was a higher net expense in the Quieter Home Program of $887 thousand or 31.6 percent, due to increased program activity.

## CAPITAL GRANT CONTRIBUTIONS (IN THOUSANDS)

| | | | From 2016 to 2017 | |
|---|---|---|---|---|
| | FY 2016 | **FY 2017** | Increase (Decrease) | % Change |
| Federal grants | $ 10,477 | **$ 1,903** | $ (8,574) | (81.8%) |

| | | | From 2015 to 2016 | |
|---|---|---|---|---|
| | FY 2015 | FY 2016 | Increase (Decrease) | % Change |
| Federal grants | $ 10,765 | $ 10,477 | $ (288) | (2.7%) |

**CAPITAL GRANT CONTRIBUTIONS** are comprised of AIP entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. In fiscal year 2017 capital grant contributions decreased by $8.6 million or 81.8% compared to fiscal year 2016, and in fiscal year 2016, capital grant contributions decreased by $288 thousand or 2.7%, compared to fiscal year 2015. Variances from year to year relate to the amount of work completed on eligible projects during the fiscal year. In fiscal year 2017, the storm drain project and taxiway project were completed.

## ASSETS, LIABILITIES & NET POSITION (IN THOUSANDS)

The statements of net position present the financial position of the Airport Authority as of a period in time. The statements include all assets, deferred outflows, liabilities, deferred inflows and net position of the Airport Authority. A summary comparison of the Airport Authority's assets, liabilities and net position at June 30, 2015, 2016 and 2017, is as follows:

| | FY 2015 | FY 2016 | **FY 2017** |
|---|---|---|---|
| Assets and Deferred Outflows of Resources | | | |
| Current assets | $ 204,491 | $ 169,078 | **$ 217,077** |
| Capital assets, net | 1,544,909 | 1,551,007 | **1,544,909** |
| Noncurrent assets | 540,472 | 491,362 | **468,270** |
| Total assets | 2,231,673 | 2,211,447 | **2,230,256** |
| Deferred outflows of resources | 5,853 | 4,260 | **20,245** |
| Total assets and deferred outflows of resources | 2,237,526 | 2,215,707 | **2,250,501** |
| Liabilities and Deferred Inflows of Resources | | | |
| Current liabilities | 131,457 | 103,136 | **136,975** |
| Long-term liabilities | 1,355,160 | 1,334,816 | **1,328,538** |
| Total liabilities | 1,486,617 | 1,437,952 | **1,465,513** |
| Deferred inflows of resources | 8,168 | 1,807 | **1,815** |
| Total liabilities and deferred inflows of resources | 1,494,785 | 1,439,759 | **1,467,328** |
| Net Position | | | |
| Net investment in capital assets | 316,251 | 310,339 | **263,952** |
| Restricted | 215,968 | 214,533 | **225,088** |
| Unrestricted | 210,522 | 251,076 | **294,133** |
| Total net position | $ 742,741 | $ 775,948 | **$ 783,173** |

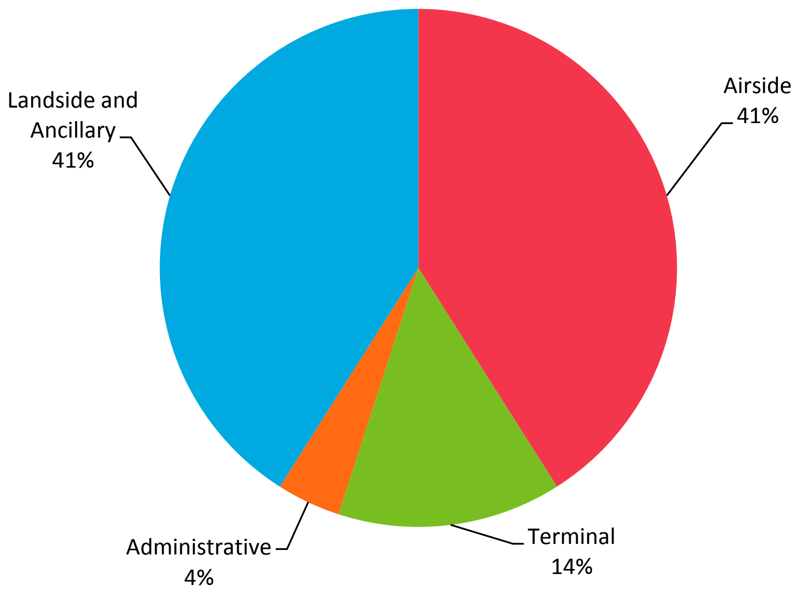
As of June 30, 2017, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $783.2 million. This reflects a $7.2 million increase in net position from June 30, 2016. The Airport Authority uses the capital assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital assets is reported net of related debt, it is noted that the funds required to repay this debt must be provided annually from operations. The unrestricted net position of $294.1 million as of June 30, 2017, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2017, 2016 and 2015, management has designated unrestricted funds in the amount of $25.8 million, $31.3 million, $22.6 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance and operating contingency.

## CAPITAL IMPROVEMENT PROGRAM

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

The current CIP, which includes projects through 2022, consists of $424.3 million for airside projects, $422.0 million for landside and ancillary projects, $140.3 million for terminal projects, and $45.6 million for administrative projects. The current SDIA CIP does not include noise reduction and related projects.

CAPITAL IMPROVEMENT PROGRAM (CIP) PROJECTS BY TYPE





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

## CAPITAL FINANCING AND DEBT MANAGEMENT

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

The Series 2010 A and B bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years

## CAPITAL FINANCING & DEBT MANAGEMENT (CONTINUED)

2012 to 2041. The Series 2010 C Bonds were issued as Build America Bonds and include a cash subsidy payment from the U. S. Treasury; currently, 32.62 percent of interest payable. The interest rate on the Series 2010 C Bonds, net of subsidy, is 4.48 percent and the bonds mature in fiscal year 2041.

The Subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate trustee under the subordinate indenture. The Subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues on parity with the Airport Authority's subordinate commercial paper notes. As of June 30, 2017, the principal balance on the subordinate Series 2010 Bonds was $546.4 million.

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

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of $55.9 million, which is being amortized over the life of the bonds. Interest on the Senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal year ended June 30, 2017, amounted to $18.35 million, including accrued interest of $9.2 million. The principal balance on the Series 2013 Bonds as of June 30, 2017 was $375.5 million.

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

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

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

## CAPITAL FINANCING & DEBT MANAGEMENT (CONTINUED)

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. As of June 30, 2017, the principal balance on the Series 2014 Bonds was $305.3 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 September 5, 2014, the Airport Authority replaced its commercial paper program with a $125,000,000 revolving line of credit, issued by US Bank, which was used to refund the outstanding Series B and Series C commercial paper balances. The revolving line of credit is a three year facility. As of June 30, 2017, the Airport Authority's outstanding debt under this agreement consists of $15.8 million of Series B (AMT) and $10.6 million Series C (taxable).

Subsequent to end of the fiscal year end, on August 3, 2017, the Airport Authority issued $291,210,000 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 $32,550,000 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 $48,423,687, 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.

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

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

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

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately $24.7 million in grant awards for the federal fiscal year ended September 30, 2017, as compared to $500 thousand for 2016. Grant awards are recognized as nonoperating revenue or capital contributions as eligible expenses are incurred.

## REQUEST FOR INFORMATION

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

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## STATEMENTS OF NET POSITION
## JUNE 30, 2017 AND 2016

| **Assets and Deferred Outflows of Resources** | **2017** | 2016 |
|---|---|---|
| Current Assets | | |
| Unrestricted: | | |
| Cash and cash equivalents (*Note 2*) | **$ 10,743,557** | $ 16,244,182 |
| Investments (*Notes 2 and 10*) | **97,353,685** | 74,354,944 |
| Tenant lease receivables, net | **9,321,940** | 8,528,816 |
| Grants receivable | **3,354,396** | 7,623,419 |
| Note receivable, current portion (*Note 3*) | **1,801,694** | 1,705,491 |
| Other current assets | **4,433,986** | 3,392,579 |
| **Total unrestricted current assets** | **127,009,258** | 111,849,431 |
| Restricted cash, cash equivalents and investments with trustees (*Notes 2 and 5*) | **64,297,770** | 57,228,146 |
| **Total current assets** | **191,307,028** | 169,077,577 |
| Noncurrent Assets | | |
| Restricted assets (*Notes 2 and 5*): | | |
| Restricted cash, cash equivalents and investments not with trustees | **175,907,551** | 168,074,212 |
| Restricted investments with trustees | **97,763,717** | 127,070,127 |
| Passenger facility charges receivable (*Note 1*) | **6,155,618** | 4,497,657 |
| Customer facility charges receivable (*Note 1*) | **3,717,575** | 2,968,920 |
| Other restricted assets | **2,791,385** | 3,033,990 |
| **Total restricted assets** | **286,335,846** | 305,644,906 |
| Other noncurrent assets: | | |
| Investments, noncurrent (*Note 2*) | **148,319,754** | 119,052,416 |
| Note receivable, long-term portion (*Note 3*) | **33,242,085** | 35,043,779 |
| Cash and cash equivalents designated for specific capital projects and other commitments (*Notes 2 and 10*) | **25,792,246** | 31,270,718 |
| Workers' compensation security deposits | **349,943** | 349,943 |
| **Total other noncurrent assets** | **207,704,028** | 185,716,856 |
| Capital assets (*Note 4*): | | |
| Land, land improvements and nondepreciable assets | **111,041,142** | 109,974,224 |
| Buildings and structures | **1,431,417,373** | 1,415,691,585 |
| Machinery and equipment | **98,289,644** | 94,326,157 |
| Runways, roads and parking lots | **626,871,756** | 590,772,032 |
| Construction in progress | **171,498,031** | 152,703,001 |
| | **2,439,117,946** | 2,363,466,999 |
| Less accumulated depreciation | **(894,209,246)** | (812,459,642) |
| Capital assets, net | **1,544,908,700** | 1,551,007,357 |
| **Total noncurrent assets** | **2,038,948,574** | 2,042,369,119 |
| **Total assets** | **2,230,255,602** | 2,211,446,696 |
| Deferred outflows of resources | | |
| Deferred pension contributions (*Note 6*) | **5,197,849** | 3,972,596 |
| Deferred pension investment loss (*Note 6*) | **6,089,002** | - |
| Deferred pension change of assumptions (*Note 6*) | **8,728,242** | - |
| Deferred pension experience loss (*Note 6*) | **230,441** | 288,051 |
| **Total deferred outflows of resources** | **20,245,534** | 4,260,647 |
| **Total assets and deferred outflows of resources** | **$ 2,250,501,136** | $ 2,215,707,343 |

See Notes to Financial Statements.

## STATEMENTS OF NET POSITION
## JUNE 30, 2017 AND 2016

| Liabilities, Deferred Inflows of Resources and Net Position | 2017 | 2016 |
|---|---|---|
| Current Liabilities | | |
| Payable from unrestricted assets: | | |
| Accounts payable | $ 7,195,303 | $ 9,643,474 |
| Accrued liabilities | 29,254,589 | 33,062,074 |
| Compensated absences, current portion (*Note 5*) | 3,217,748 | 2,833,970 |
| Other current liabilities | 160,600 | 92,887 |
| Long-term debt, current portion (*Note 5*) | 298,449 | 275,421 |
| **Total payable from unrestricted assets** | **40,126,689** | 45,907,826 |
| Payable from restricted assets: | | |
| Accounts payable | 1,135,312 | 3,168,316 |
| Accrued liabilities | 18,873,753 | 10,016,026 |
| Long-term debt, current portion (*Note 5*) | 11,585,000 | 11,090,000 |
| Accrued interest on bonds and commercial paper (*Note 5*) | 32,703,705 | 32,953,804 |
| **Total payable from restricted assets** | **64,297,770** | 57,228,146 |
| **Total current liabilities** | **104,424,459** | 103,135,972 |
| Long-Term Liabilities | | |
| Compensated absences, net of current portion (*Note 5*) | 13,278 | 528,143 |
| Other noncurrent liabilities | 804,082 | 827,143 |
| Long-term debt, net of current portion (*Note 5*) | 1,342,159,363 | 1,331,779,357 |
| Net pension liability (*Note 6*) | 18,111,482 | 1,680,759 |
| **Total long-term liabilities** | **1,361,088,205** | 1,334,815,402 |
| **Total liabilities** | **1,465,512,664** | 1,437,951,374 |
| Deferred inflows of resources | | |
| Deferred pension experience gains *(Note 6)* | 1,815,440 | - |
| Deferred pension investment gains *(Note 6)* | - | 1,807,420 |
| **Total liabilities and deferred inflows of resources** | **$ 1,467,328,104** | $ 1,439,758,794 |
| Net Position | | |
| Net investment in capital assets (*Note 1*) | 263,951,847 | 310,339,489 |
| Restricted: | | |
| Debt Service | 83,274,140 | 80,712,157 |
| Construction | 121,177,898 | 113,669,206 |
| Operation and maintenance expenses | 13,844,912 | 13,118,064 |
| Small business bond guarantee | 4,000,000 | 4,000,000 |
| OCIP loss reserve | 2,791,385 | 3,033,990 |
| Total restricted net position | 225,088,335 | 214,533,417 |
| Unrestricted net position | 294,132,850 | 251,075,643 |
| **Total net position** | **$ 783,173,032** | $ 775,948,549 |

See Notes to Financial Statements.

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

## JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|---|---|---|
| Operating revenues: | | |
| Airline revenue: | | |
| Landing fees | **$ 24,612,412** | $ 23,984,793 |
| Aircraft parking fees | **2,926,972** | 2,701,219 |
| Building rentals (*Note 11* ) | **54,283,330** | 51,273,320 |
| Security surcharge | **29,468,089** | 29,223,097 |
| Other aviation revenue | **5,090,654** | 5,022,809 |
| Concession revenue | **61,255,811** | 56,274,089 |
| Parking and ground transportation revenue | **49,407,235** | 48,105,641 |
| Ground and non-airlilne terminal rentals (*Note 11* ) | **20,053,031** | 16,225,648 |
| Other operating revenue | **1,749,405** | 1,183,435 |
| **Total operating revenues** | **248,846,939** | 233,994,051 |
| | | |
| Operating expenses: | | |
| Salaries and benefits (*Notes 6, 7 and 8* ) | **46,873,859** | 42,024,678 |
| Contractual services (*Note 13* ) | **44,927,419** | 38,215,315 |
| Safety and security | **28,421,603** | 28,721,250 |
| Space rental (*Note 12* ) | **10,189,944** | 10,367,148 |
| Utilities | **10,735,957** | 11,479,888 |
| Maintenance | **14,269,953** | 14,121,738 |
| Equipment and systems | **501,897** | 708,404 |
| Materials and supplies | **650,706** | 536,006 |
| Insurance | **956,358** | 949,491 |
| Employee development and support | **1,392,564** | 1,242,336 |
| Business development | **2,351,124** | 2,390,028 |
| Equipment rentals and repairs | **2,454,148** | 2,852,173 |
| **Total operating expenses before depreciation** | **163,725,532** | 153,608,455 |
| | | |
| **Income from operations before depreciation** | **85,121,407** | 80,385,596 |
| | | |
| Depreciation expense | **95,229,026** | 87,820,864 |
| | | |
| **Operating loss** | **(10,107,619)** | (7,435,268) |

(Continued)

See Notes to Financial Statements.

## SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

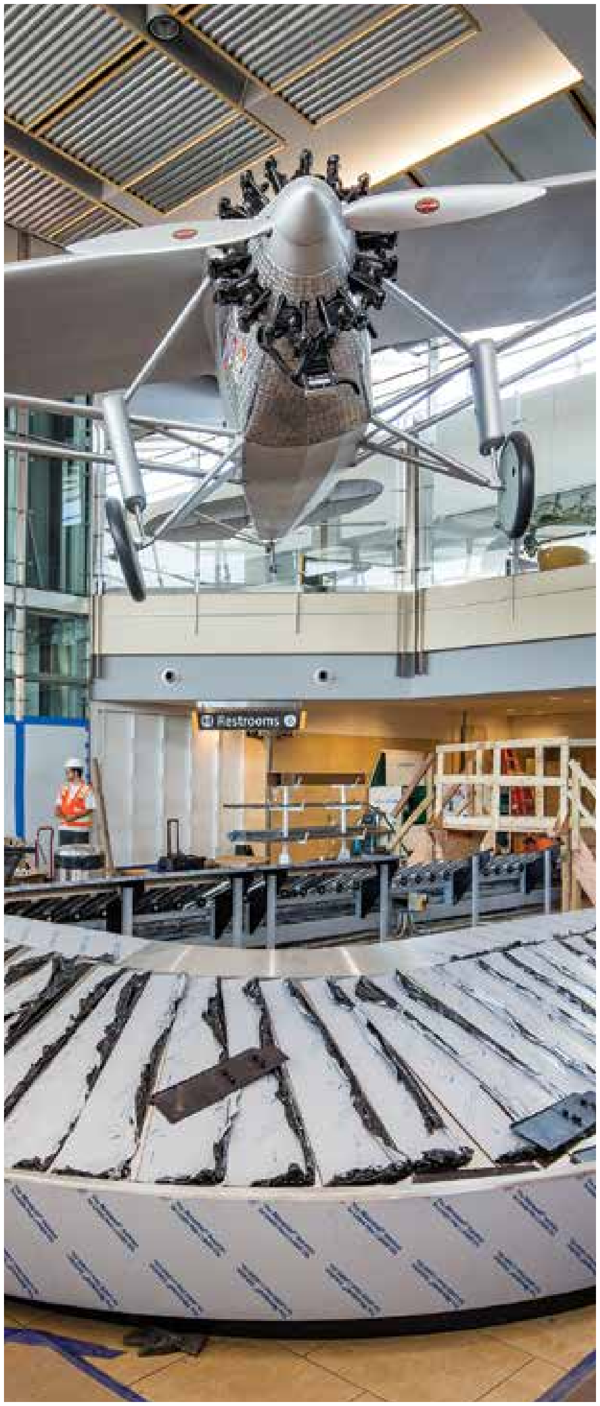
### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED) JUNE 30, 2017 AND 2016

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Nonoperating revenues (expenses): | | | | |
| Passenger facility charges | $ | **42,199,763** | $ | 40,257,993 |
| Customer facility charges | | **36,527,853** | | 33,207,946 |
| Quieter Home Program grant revenue (*Note 1* ) | | **1,413,999** | | 8,573,133 |
| Quieter Home Program expenses (*Note 1* ) | | **(2,198,744)** | | (12,270,742) |
| Joint Studies Program | | **-** | | (101,360) |
| Interest income | | **8,133,765** | | 5,998,970 |
| Interest expense (*Note 5* ) | | **(58,178,865)** | | (50,635,027) |
| Build America Bonds subsidy (*Note 5* ) | | **4,651,203** | | 4,656,199 |
| Other revenues (expenses), net | | **(17,120,558)** | | 2,246,541 |
| Nonoperating revenue, net | | **15,428,416** | | 31,933,653 |
| Income before federal grants | | **5,320,797** | | 24,498,385 |
| Federal grants (*Note 1* ) | | **1,903,686** | | 10,477,054 |
| Change in net position | | **7,224,483** | | 34,975,439 |
| Net position, as previously reported* | | **775,948,549** | | 742,740,318 |
| Prior-period adjustment | | **-** | | (1,767,208) |
| Net position, beginning of year | | **775,948,549** | | 740,973,110 |
| Net position, end of year | $ | **783,173,032** | $ | 775,948,549 |

See Notes to Financial Statements.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## STATEMENTS OF CASH FLOWS
## JUNE 30, 2017 AND 2016




| | 2017 | 2016 |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Receipts from customers | $ 247,823,092 | $ 233,448,605 |
| Payments to suppliers | (122,079,920) | (108,629,115) |
| Payments to employees | (49,487,337) | (43,605,962) |
| Other receipts | 1,793,123 | 10,801,571 |
| **Net cash provided by operating activities** | 78,048,958 | 92,015,099 |
| Cash Flows From Noncapital Financing Activities | | |
| Settlement receipts (payments) | (2,350,067) | 377,167 |
| Quieter Home Program grant receipts | 1,413,999 | 5,784,088 |
| Quieter Home Program payments | (2,198,744) | (12,270,742) |
| Joint Studies Program payments | - | (101,360) |
| **Net cash used in noncapital financing activities** | (3,134,812) | (6,210,847) |
| Cash Flows From Capital and Related Financing Activities | | |
| Capital outlay | (97,053,113) | (190,233,095) |
| Proceeds on Build America Bonds subsidy | 4,651,203 | 4,656,199 |
| Proceeds from sale of capital assets | - | 248,255 |
| Proceeds from variable debt | 32,550,000 | - |
| Federal grants received (excluding Quieter Home Program) | 6,172,709 | 16,552,478 |
| Proceeds from passenger facility charges | 40,541,802 | 42,064,330 |
| Proceeds from customer facility charges | 35,779,198 | 34,090,936 |
| Payment of principal on bonds | (17,223,000) | (16,819,000) |
| Payment of capital lease | (275,421) | (254,258) |
| Interest and debt fees paid | (62,605,537) | (54,720,481) |
| **Net cash used in capital and related financing activities** | (57,462,159) | (164,414,636) |
| Cash Flows From Investing Activities | | |
| Sales and maturities of investments | 106,870,324 | 250,352,658 |
| Purchases of investments | (144,732,956) | (162,296,751) |
| Interest received on investments and note receivable | 7,726,057 | 5,998,970 |
| Principal payments received on notes receivable | 1,705,491 | 1,608,986 |
| **Net cash provided by (used in) investing activities** | (28,431,084) | 95,663,863 |
| **Net increase (decrease) in cash and cash equivalents** | (10,979,097) | 17,053,479 |
| Cash and cash equivalents, beginning of year | 47,514,900 | 30,461,421 |
| Cash and cash equivalents, end of year | $ 36,535,803 | $ 47,514,900 |

(Continued)

See Notes to Financial Statements.

## SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

### STATEMENTS OF CASH FLOWS
### JUNE 30, 2017 AND 2016

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Reconciliation of Cash and Cash Equivalents to the Statements of Net Position | | | | |
| Unrestricted cash and cash equivalents | **$** | **10,743,557** | $ | 16,244,182 |
| Cash and cash equivalents designated for specific capital projects and other commitments | | **25,792,246** | | 31,270,718 |
| Total cash and cash equivalents | **$** | **36,535,803** | $ | 47,514,900 |
| Reconciliation of Operating Loss to Net Cash Provided by Operating Activities | | | | |
| Operating loss | **$** | **(10,107,619)** | $ | (7,435,268) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | | | |
| Depreciation expense | | **95,229,030** | | 87,820,864 |
| Change in pension expense | | **453,856** | | (1,503,558) |
| Changes in assets and liabilities: | | | | |
| Tenant lease receivables | | **(793,124)** | | 633,506 |
| Other assets | | **(391,094)** | | 1,833,936 |
| Accounts payable | | **(2,448,171)** | | 159,929 |
| Accrued liabilities | | **(3,807,485)** | | 9,465,402 |
| Compensated absences | | **(131,087)** | | 185,602 |
| Other liabilities | | **44,652** | | 854,686 |
| **Net cash provided by operating activities** | **$** | **78,048,958** | $ | 92,015,099 |
| Supplemental Disclosure of Noncash Investing, Capital and Financing Activities | | | | |
| Additions to capital assets included in accounts payable | **$** | **20,009,065** | $ | 13,184,342 |

See Notes to Financial Statements.

35
INTERGALACTIC
DREAMING

## NOTE 1.

## NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements 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 & 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 fair value based upon the Airport Authority's pro rata share of the fair value provided by the state and county investment pools for the entire respective pool. All other investments are stated at market value based on quoted market prices.

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

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

**AIRPORT IMPROVEMENT PROGRAM (AIP):**
AIP grants are authorized and disbursed by the FAA under the Airway Improvement Act of 1982, as amended, which provides funding for airport planning and development projects at airports included in the National Plan of Integrated Airport Systems. As such, the AIP grants must be used to pay for the allowable costs of approved projects. As of June 30, 2017 and 2016, the Airport Authority recovered $1,903,686 and $10,477,054, respectively, for approved capital projects and $1,413,999 and $8,573,133 respectively, for the Quieter Home Program. Related recoverable costs as of June 30, 2017 and 2016 were $2,443,112 and $10,454,351 respectively, for capital projects and $1,767,499 and $12,270,742, respectively, for the Quieter Home Program.

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

In accordance with the program, PFC revenue must be used to pay allowable costs for approved capital projects. As of June 30, 2017 and 2016, accrued PFC receivables totaled $6,155,618 and $4,497,657, respectively, and there were $73,311,497 and $73,279,889 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2017 and 2016, respectively.

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

**CUSTOMER FACILITY CHARGES (CFC):**
The Airport Authority received approval in May 2009 from the State of California under Section 1936 of the California Civil Code to impose a $10.00 CFC per contract on rental cars at SDIA. In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects. Effective January 1, 2017, the CFC rate went from $7.50 to $9.00 per day for a maximum of five days. As of June 30, 2017 and 2016, accrued CFC receivables totaled $3,717,575 and $2,968,920, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2017 and 2016, were $37,830,593 and $32,922,068, respectively

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

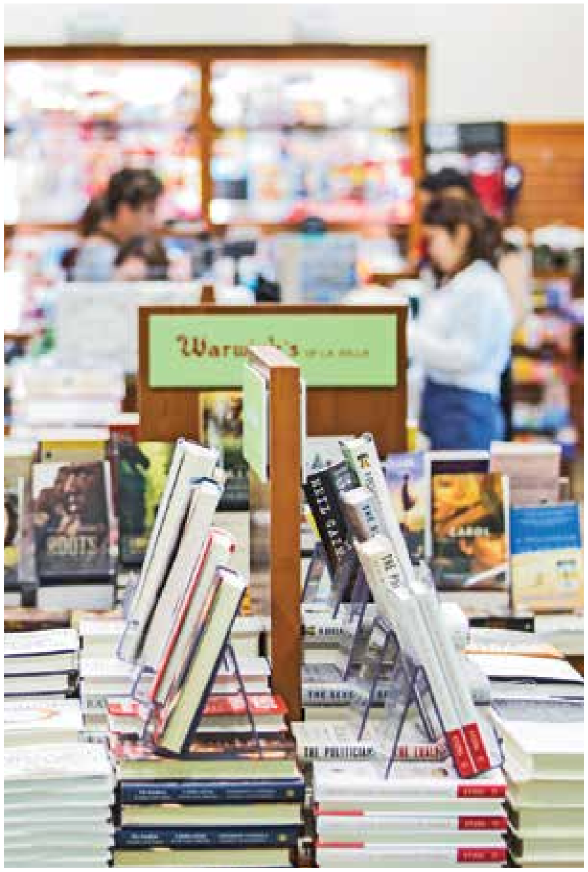
- Employer Contributions – Pensions – These contributions are those made after the measurement date through the fiscal year end (July 1st – June 30th) resulting in a cash outlay not yet recognized under GASB 68. This amount is deferred and recognized in the following fiscal year. This item is presented as a deferred outflow of resources.

- Investment difference – Pensions – These amounts represent the difference in projected and actual earnings on pension 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 – These amounts represent the difference in expected and actual pension 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 – These amounts represent the difference resulting from a change in assumptions used to measure the underlying net pension liability. 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.

**CAPITAL ASSETS:** Capital assets are recorded at cost, except for capital assets contributed by third parties, which are recorded at acquisition value as of the date of acquisition. The Airport Authority capitalizes incremental overhead costs and interest cost associated with the



## NOTE 1.

## NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are expensed as incurred. Major outlays for capital assets and improvements are capitalized as construction in progress as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For the fiscal years ended June 30, 2017 and 2016, the Airport Authority capitalized interest of $4,774,693 and $12,387,044, respectively.

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

## NOTE 1.

## NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Unrestricted net position as of June 30, 2017 and 2016 includes designations of net position that represent tentative management plans that are subject to change, consisting of:

| | 2017 | 2016 |
|---|---|---|
| Operating contingency | $ 2,000,000 | $ 2,000,000 |
| Insurance contingency | 9,531,966 | 8,813,970 |
| Capital projects and other commitments | 14,260,280 | 20,456,748 |
| Total designated net position | $ 25,792,246 | $ 31,270,718 |

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

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

## NOTE 1.

## NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

| | **2017** | 2016 |
|---|---|---|
| Southwest Airlines | **37.4%** | 37.6% |
| American Airlines | **12.6%** | 13.4% |
| United Airlines | **11.9%** | 11.4% |
| Delta | **10.3%** | 10.4% |


**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.

**RECLASSIFICATIONS:**
Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. The reclassifications had no effect on the changes in financial position.

**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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective for the Airport Authority's year ending June 30, 2018.

**PRONOUNCEMENTS ADOPTED:** The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2017:

- GASB Statement No. 82, Pension Issues –an amendment of GASB Statements No. 67, No. 68, and No. 73, effective for the Airport Authority's year ending June 30, 2017.

The implementation of Statement No. 82 resulted in a restatement of beginning net position as of July 1, 2016, which is the beginning of the earliest period presented. This restatement reclassifies a portion of amounts previously classified as deferred outflows of resources for employer contributions to retirement expense. Based on application of this statement, member contributions paid by the employer should be recorded similar to salaries or fringe benefits in the period paid. Adjustments to beginning net position for the adoption of this statement follow:

| | | |
|---|---|---|
| Net position, July 1, 2016 | $ 1,767,208 | |
| Deferred pension contributions | | $ 1,724,510 |
| Retirement expense | | 42,698 |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PACIFIC WESTERN BANK

## NOTE 2.

## CASH, CASH EQUIVALENTS & 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:

| | 2017 | 2016 |
|---|---|---|
| Unrestricted and Undesignated: | | |
| Cash and cash equivalents | $ 10,743,557 | $ 16,244,182 |
| Current investments | 97,353,685 | 74,354,944 |
| Noncurrent investments | 148,319,754 | 119,052,416 |
| Total unrestricted and undesignated | 256,416,996 | 209,651,542 |
| Designated for specific capital projects and other commitments: cash and cash equivalents | 25,792,246 | 31,270,718 |
| Restricted: | | |
| Current cash, cash equivalents and investments, with trustees | 90,068,047 | 57,228,146 |
| Noncurrent cash, cash equivalents and investments, not with trustees | 175,907,551 | 168,074,212 |
| Noncurrent investments, with trustees | 71,993,440 | 127,070,127 |
| Total restricted cash, cash equivalents and investments | 337,969,038 | 352,372,485 |
| Total cash, cash equivalents and investments | $ 620,178,280 | $ 593,294,745 |

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

| | 2017 | 2016 |
|---|---|---|
| Restricted cash, cash equivalents and investments: | | |
| Bond reserves: | | |
| Operation and maintenance reserve subaccount | $ 41,534,736 | $ 39,354,191 |
| Operation and maintenance subaccount | 13,844,912 | 13,118,064 |
| Renewal and replacement account | 5,400,000 | 5,400,000 |
| Total bonds reserves | 60,779,648 | 57,872,255 |
| Passenger facility charges unapplied | 73,311,497 | 73,279,889 |
| Customer facility charges unapplied | 37,830,593 | 32,922,068 |
| Customer facility charges unapplied | - | 672 |
| Small business development bond guarantee | 4,000,000 | 4,000,000 |
| Revolving Line of credit Construction Fund | 162,616 | - |
| 2010 Series debt service reserve fund | 51,512,762 | 51,351,322 |
| 2010 Series debt service account | 25,001,407 | 24,660,324 |
| 2013 Series construction fund | 1,720,948 | 13,037,611 |
| 2013 Series debt service reserve fund | 33,322,247 | 33,460,392 |
| 2013 Series debt service account | 11,338,002 | 11,297,645 |
| 2014 Series construction fund | 37,044 | 13,582,767 |
| 2014 Series debt service reserve fund | 22,180,178 | 22,170,728 |
| 2014 Series capital interest account | - | 8,087,171 |
| 2014 Series debt service account | 8,153,925 | - |
| 2014 Series rolling coverage fund | 6,718,716 | 6,649,641 |
| 2014 Series renew and replace | 1,899,455 | - |
| Total restricted cash, cash equivalents and investments | $ 337,969,038 | $ 352,372,485 |

## NOTE 2.

## CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

**INVESTMENTS AUTHORIZED IN ACCORDANCE WITH CALIFORNIA GOVERNMENT CODE SECTION 53601 AND UNDER THE PROVISIONS OF THE AIRPORT AUTHORITY'S INVESTMENT POLICY:**
The table that follows identifies the investment types that are authorized by the Airport Authority's investment policy and State Government Code. The table also identifies certain provisions of the Airport Authority's investment policy that address interest rate risk, credit risk and concentration of credit risk. This table does not address investments of bond proceeds held by the bond trustee that are governed by provisions of debt agreements of the Airport Authority, in addition to the general provisions of the Airport Authority's investment policy and State Government Code.

| Authorized Investment Type | Maximum Maturity | Minimum Quality Requirements | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|---|
| U.S. Treasury obligations | 5 years | N/A | None | None |
| U.S. agency securities | 5 years | N/A | None | None |
| Supranationals | 5 years | AA | 30 percent | None |
| Bankers' acceptances | 180 days | AAA/Aaa | 40 percent | 10 percent |
| Commercial paper | 270 days | A-1; P-1; F-1 | 25 percent | 10 percent |
| Negotiable certificates of deposit | 5 years | A | 30 percent | 10 percent |
| Medium-term notes | 5 years | A | 15 percent | 10 percent |
| Money market mutual funds | N/A | AAA/Aaa | 20 percent | 10 percent |
| Repurchase agreements | 1 year | A | None | None |
| Local Agency Investment Fund | N/A | N/A | None | $65 million |
| San Diego County Investment Pool | N/A | N/A | None | $65 million |
| Local Government Investment Pool | N/A | N/A | None | $65 million |
| U.S. State and California agency indebtedness | 5 years | A | 20 percent | 5 percent |
| Placement service certificates of deposits | 3 years | N/A | 30 percent | 10 percent |
| Time certificates of deposit | 3 years | * | 20 percent | 10 percent |
| Bank deposits | N/A | * | None | None |

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

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

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

## NOTE 2.

## CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

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

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

*Investment requires collateralization


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

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

**DISCLOSURES RELATED TO INTEREST RATE RISK:**
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, investments with longer maturities have greater fair value sensitivity to changes in market interest rates. One of the ways the Airport Authority manages its exposure

## NOTE 2.

## CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

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 market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Airport Authority deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured deposits.

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

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

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

NOTE 2.

# CASH, CASH EQUIVALENTS & 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:

| | 2017 | | | | |
|---|---|---|---|---|---|
| | | Investment Maturities (in Years) | | | |
| **Investment Type** | **Total** | **0 - 1** | **1 - 2** | **2 - 5** | **Ratings** |
| Investments subject to credit and interest rate risk: | | | | | |
| U.S. Treasury obligations | $ 85,201,348 | $ 9,973,800 | $ 49,865,262 | $ 25,362,286 | AAA (1) |
| U.S. agency securities | 109,436,513 | 4,438,252 | 41,168,904 | 63,829,357 | AAA (1) |
| Supranationals | 5,982,120 | - | 2,968,080 | 3,014,040 | AAA (1) |
| Commercial paper | 8,485,280 | 8,485,280 | - | - | A-1+/P-1 |
| Negotiable certicates of deposit | 46,592,680 | 25,528,280 | 21,064,400 | - | A-1+/P-1 |
| Medium-term notes | 22,457,198 | 10,443,358 | 7,497,765 | 4,516,075 | AA |
| | 17,107,339 | 1,501,860 | 7,603,761 | 8,001,718 | A |
| Money market mutual funds | 630,996 | 630,996 | - | - | AAA (1) |
| Local Agency Investment Fund | 48,182,813 | 48,182,813 | - | - | Unrated |
| San Diego County Investment Pool | 157,252,092 | 157,252,092 | - | - | AAA (1) |
| CalTrust Fund | 15,297,174 | 15,297,174 | - | - | AAA (1) |
| Total investments subject to credit and interest rate risk: | 516,625,553 | 281,733,905 | 130,168,172 | 104,723,476 | |
| Investments not subject to credit or interest rate risk: | | | | | |
| Nonnegotiable certificates of deposit | 15,413,829 | | | | |
| Total Investments | $ 532,039,382 | | | | |

| | 2016 | | | | |
|---|---|---|---|---|---|
| | | Investment Maturities (in Years) | | | |
| **Investment Type** | **Total** | **0 - 1** | **1 - 2** | **2 - 5** | **Ratings** |
| Investments subject to credit and interest rate risk: | | | | | |
| U.S. Treasury obligations | $ 95,094,109 | $ - | $ 47,437,150 | $ 47,656,959 | AAA (1) |
| U.S. agency securities | 50,679,745 | - | 21,004,503 | 29,675,242 | AAA (1) |
| Supranationals | 3,010,290 | - | - | 3,010,290 | AAA (1) |
| Commercial paper | 13,942,250 | 13,942,250 | - | - | A-1+/P-1 |
| Negotiable certicates of deposit | 3,999,640 | 3,999,640 | - | - | A-1+/P-1 |
| | 21,013,400 | 4,000,000 | 17,013,400 | - | AA |
| | 17,500,000 | 9,000,000 | 8,500,000 | - | A |
| Medium-term notes | 25,955,952 | 800,272 | 19,057,880 | 6,097,800 | AA |
| | 12,742,165 | - | 5,039,500 | 7,702,665 | A |
| Money market mutual funds | 40,427,839 | 40,427,839 | - | - | AAA (1) |
| Local Agency Investment Fund | 47,906,365 | 47,906,365 | - | - | Unrated |
| San Diego County Investment Pool | 172,695,968 | 172,695,968 | - | - | AAA (1) |
| CalTrust Fund | 15,177,301 | 15,177,301 | - | - | AAA (1) |
| Total investments subject to credit and interest rate risk: | 520,145,024 | 307,949,635 | 118,052,433 | 94,142,956 | |
| Investments not subject to credit or interest rate risk: | | | | | |
| Nonnegotiable certificates of deposit | 36,247,049 | | | | |
| Total Investments | $ 556,392,073 | | | | |

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

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

## NOTE 2.

## CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

**CONCENTRATION OF CREDIT RISK:**
The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated in the table provided earlier in this note. The Airport Authority requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity, issuer or class of securities. The Airport Authority had no concentrations of credit risk at June 30, 2017 and 2016.

**FOREIGN CURRENCY RISK:**
The Airport Authority's investment policy does not allow investments in foreign securities.

## NOTE 3.

## NOTE RECEIVABLE

As part of the transfer of airport operations from the District to the Airport Authority, and pursuant to the associated MOU, the District issued a $50,000,000 unsecured promissory note to the Airport Authority. According to an agreement with the District that commenced on January 1, 2006, the note will be amortized over 25 years, maturing on December 31, 2030. The note is subordinate to all bond indebtedness of the District and carries a fixed interest rate of 5.5 percent per annum. At June 30, 2017 and 2016, the balance of the note receivable was $35,043,779 and $36,749,270, respectively.

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

| Years Ending June 30, | | Amount |
|---|---|---|
| 2018 | $ | 1,801,694 |
| 2019 | | 1,903,323 |
| 2020 | | 2,006,052 |
| 2021 | | 2,123,843 |
| 2022 | | 2,243,644 |
| 2023-2027 | | 13,261,730 |
| 2028-2031 | | 11,703,493 |
| | $ | 35,043,779 |

## NOTE 4.

## CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2017 and 2016 are as follows:

| | Balance at June 30, 2016 | Increases | Decreases | **Balance at June 30, 2017** |
|---|---|---|---|---|
| Nondepreciable assets: | | | | |
| Land | $ 22,167,595 | | | **$ 22,167,595** |
| Construction in progress | 152,703,001 | 100,687,513 | (81,892,482) | **171,498,032** |
| Intangible asset | 440,000 | | | **440,000** |
| Total nondepreciable assets | 175,310,596 | 100,687,513 | (81,892,482) | **194,105,627** |
| Depreciable assets: | | | | |
| Land improvements | 87,806,629 | 1,066,918 | | **88,873,547** |
| Buildings and structures (1) | 1,415,251,585 | 38,732,334 | (23,006,546) | **1,430,977,373** |
| Machinery and equipment (2) | 94,326,157 | 3,963,486 | | **98,289,643** |
| Runways, roads and parking lots | 590,772,032 | 41,343,092 | (5,243,368) | **626,871,756** |
| Total capital assets being depreciated | 2,188,156,403 | 85,105,830 | (28,249,914) | **2,245,012,319** |
| Less accumulated depreciation for: | | | | |
| Land improvements | (9,315,258) | (4,279,999) | | **(13,595,257)** |
| Building and structures | (492,481,777) | (63,647,619) | 8,476,841 | **(547,652,555)** |
| Machinery and equipment | (49,619,914) | (6,772,742) | | **(56,392,656)** |
| Runways, roads and parking lots | (261,042,693) | (20,528,667) | 5,002,582 | **(276,568,778)** |
| Total accumulated depreciation | (812,459,642) | (95,229,026) | 13,479,423 | **(894,209,246)** |
| Total capital assets being depreciated, net | 1,375,696,761 | (10,123,196) | (14,770,492) | **1,350,803,073** |
| Capital assets, net | $ 1,551,007,357 | $ 90,564,317 | $ (96,662,974) | **$ 1,544,908,700** |

(1) Includes capitalized lease of building with a net present value of future lease payments of $7,237,033

(2) Includes capitalized leases of office equipment with a net present value of future lease payments of $205,281

# NOTE 4.

## CAPITAL ASSETS (CONTINUED)

| | Balance at June 30, 2015 | Increases | Decreases | Balance at June 30, 2016 |
|---|---|---|---|---|
| Nondepreciable assets: | | | | |
| Land | $ 22,415,850 | $ - | $ (248,255) | $ 22,167,595 |
| Construction in progress | 387,054,944 | 150,231,346 | (384,583,289) | 152,703,001 |
| Intangible asset | 440,000 | - | - | 440,000 |
| Total nondepreciable assets | 409,910,794 | 150,231,346 | (384,831,544) | 175,310,596 |
| Depreciable assets: | | | | |
| Land improvements | 50,147,668 | 37,658,961 | - | 87,806,629 |
| Buildings and structures (1) | 1,115,012,539 | 307,002,484 | (6,763,438) | 1,415,251,585 |
| Machinery and equipment (2) | 53,700,294 | 41,027,046 | (401,183) | 94,326,157 |
| Runways, roads and parking lots | 590,459,084 | 1,252,586 | (939,638) | 590,772,032 |
| Total capital assets being depreciated | 1,809,319,585 | 386,941,077 | (8,104,259) | 2,188,156,403 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (6,249,662) | (3,065,596) | - | (9,315,258) |
| Building and structures | (441,622,939) | (57,470,295) | 6,611,457 | (492,481,777) |
| Machinery and equipment | (44,701,987) | (5,327,455) | 409,528 | (49,619,914) |
| Runways, roads and parking lots | (239,946,253) | (21,957,518) | 861,078 | (261,042,693) |
| Total accumulated depreciation | (732,520,841) | (87,820,864) | 7,882,063 | (812,459,642) |
| Total capital assets being depreciated, net | 1,076,798,744 | 299,120,213 | (222,196) | 1,375,696,761 |
| Capital assets, net | $ 1,486,709,538 | $ 449,351,559 | $ (385,053,740) | $ 1,551,007,357 |

(1) Includes capitalized lease of building with a net present value of future lease payments of $7,442,013

(2) Includes capitalized leases of office equipment with a net present value of future lease payments of $275,723

## NOTE 5. LONG-TERM LIABILITIES

The following is a summary of changes in the long-term liability activity for the years ended June 30, 2017 and 2016:

| | Principal Balance at June 30, 2016 | Additions /New Issuances | Reductions/ Repayments | **Principal Balance at June 30, 2017** | Due Within One Year |
|---|---|---|---|---|---|
| Variable Rate Debt | | | | | |
| Series A tax-exempt | $ - | $ 32,550,000 | $ - | **$ 32,550,000** | $ - |
| Series B tax-exempt | 16,884,000 | - | (1,035,000) | **15,849,000** | - |
| Series C taxable | 15,697,000 | | (5,098,000) | **10,599,000** | - |
| Total variable rate debt | 32,581,000 | 32,550,000 | (6,133,000) | **58,998,000** | - |
| Bonds payable: | | | | | |
| Series 2010 Bonds | 555,420,000 | - | (9,000,000) | **546,420,000** | 9,430,000 |
| Series 2013 Bonds | 377,555,000 | - | (2,090,000) | **375,465,000** | 2,155,000 |
| Series 2014 Bonds | 305,285,000 | - | - | **305,285,000** | - |
| Bond premiums | 64,586,043 | - | (4,153,545) | **60,432,498** | - |
| Total bonds payable | 1,302,846,043 | - | (15,243,545) | **1,287,602,498** | 11,585,000 |
| Capital leases | 7,717,734 | - | (275,420) | **7,442,314** | 298,449 |
| Total capital leases | 1,343,144,777 | 32,550,000 | (21,651,965) | **1,354,042,812** | 11,883,449 |
| Other liabilities | | | | | |
| Compensated absences | 3,362,113 | 3,086,661 | (3,217,748) | **3,231,026** | 3,217,748 |
| Net pension liability | 1,680,759 | 27,275,582 | (10,844,859) | **18,111,482** | |
| Total other liabilities | 5,042,872 | 30,362,243 | (14,062,607) | **21,342,508** | 3,217,748 |
| Total long-term liabilities | $ 1,348,187,649 | $ 62,912,243 | $ (35,714,572) | **$ 1,375,385,320** | $ 15,101,197 |

| | Principal Balance at June 30, 2015 | Additions /New Issuances | Reductions/ Repayments | Principal Balance at June 30, 2016 | Due Within One Year |
|---|---|---|---|---|---|
| Variable Rate Debt | | | | | |
| Series B tax-exempt | $ 17,909,000 | $ - | $ (1,025,000) | $ 16,884,000 | $ - |
| Series C taxable | 20,796,000 | | (5,099,000) | 15,697,000 | - |
| Total variable rate debt | 38,705,000 | - | (6,124,000) | 32,581,000 | - |
| Bonds payable: | | | | | |
| Series 2010 Bonds | 564,085,000 | - | (8,665,000) | 555,420,000 | 9,000,000 |
| Series 2013 Bonds | 379,585,000 | - | (2,030,000) | 377,555,000 | 2,090,000 |
| Series 2014 Bonds | 305,285,000 | - | - | 305,285,000 | - |
| Bond premiums | 68,829,291 | - | (4,243,248) | 64,586,043 | - |
| Total bonds payable | 1,317,784,291 | - | (14,938,248) | 1,302,846,043 | 11,090,000 |
| Capital Leases | 7,971,993 | - | (254,259) | 7,717,734 | 275,421 |
| Total capital leases | 1,364,461,284 | - | (21,316,507) | 1,343,144,777 | 11,365,421 |
| Other liabilities | | | | | |
| Compensated absences | 3,176,511 | 3,019,571 | (2,833,969) | 3,362,113 | 2,833,970 |
| Net Pension Liability | (3,351,341) | 16,160,068 | (11,127,968) | 1,680,759 | |
| Total other liabilities | (174,830) | 19,179,639 | (13,961,937) | 5,042,872 | 2,833,970 |
| Total long-term liabilities | $ 1,364,286,454 | $ 19,179,639 | $ (35,278,444) | $ 1,348,187,649 | $ 14,199,391 |

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

On December 21, 2012, the Airport Authority defeased all of its outstanding Series 2005 Bonds, by depositing proceeds of Subordinate CP Notes and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2005 Bonds until their final maturity date of July 1, 2020. As of June 30, 2017 and 2016, the amount held in escrow by the trustee was $20,603,125 and $25,668,549, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was $18,985,000 and $23,145,000, respectively.

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

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of $55,934,101, which is being amortized over the life of the bonds. Interest on the senior Series 2013 Bonds is payable semiannually on January 1 and July 1, of each year. Interest for the fiscal years ended June 30, 2017 and 2016, was $18,349,950 and $18,414,600, respectively, including accrued interest of $9,174,975 and $9,207,300 for fiscal years ending June 30, 2017 and 2016, respectively. The principal balance on the Series 2013 Bonds as of June 30, 2017 and 2016, was $375,465,000 and $377,555,000, respectively.

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

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's books, as shown previously in the notes. For the fiscal years ended June 30, 2017 and 2016, the amount held by the trustee was $46,381,196 and $57,795,652, respectively, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund and capitalized interest funds. The total additional amounts reserved by the Airport Authority for fiscal years 2017 and 2016 was $60,779,648 and $57,782,255, respectively. The public ratings of the Series 2013 Bonds as of June 30, 2017, are A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively.

## NOTE 5.

## LONG-TERM LIABILITIES (CONTINUED)

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

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ 2,155,000 | $ 18,306,850 | $ 20,461,850 |
| 2019 | 2,240,000 | 18,218,950 | 20,458,950 |
| 2020 | 2,320,000 | 18,127,750 | 20,447,750 |
| 2021 | 7,925,000 | 17,883,225 | 25,808,225 |
| 2022 | 8,315,000 | 17,477,225 | 25,792,225 |
| 2023-2027 | 48,240,000 | 80,552,500 | 128,792,500 |
| 2028-2032 | 51,890,000 | 67,536,775 | 119,426,775 |
| 2033-2037 | 28,990,000 | 58,678,000 | 87,668,000 |
| 2038-2042 | 97,485,000 | 47,728,375 | 145,213,375 |
| 2043-2044 | 125,905,000 | 6,220,125 | 132,125,125 |
| | $ 375,465,000 | $ 350,729,775 | $ 726,194,775 |


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

The Series 2010 A and 2010 B Bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years 2012 to 2041. The Series 2010 C Bonds were issued as taxable Build America Bonds (BAB), which benefit from periodic cash subsidy payments from the U.S. Treasury, originally equal to 35 percent of interest payable on such bonds. As a result of the automatic spending cuts imposed under the Budget Control Act of 2011, the Airport Authority's BAB subsidies were reduced by 7.2 percent (the BAB Sequester) from October 2013 through September 2014 and 7.3 percent from October 2014 through September 2015. Due to the continued extension of the BAB Sequester, BAB subsidies for the remainder of fiscal year 2016 were reduced by 6.8 percent and such reduction will remain in place through September 2016. The BAB interest subsidies received by the Airport Authority for fiscal years ended June 30, 2017 and 2016, amounted to $4,651,203 and $4,656,199, respectively. The interest rate on the Series 2010 C Bonds, net of the subsidy, is 4.47 percent and the bonds mature in fiscal year 2041. The bonds were issued at a premium of $26,154,344, which is being amortized over the life of the bonds. Interest on the subordinate Series 2010 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2017 and 2016, amounted to $30,716,248 and $31,151,799, respectively, including accrued interest of $15,358,125 and $15,575,899, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2017 and 2016 was $546,420,000 and $555,420,000, respectively.

The subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate trustee under the subordinate indenture. The subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues. The irrevocably committed PFC amount $19,209,338 was fully utilized in fiscal year 2016, there was no irrevocable pledge of PFCs in FY 2017.

As subordinate lien bonds, the Series 2010 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Series 2010 Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2017 and 2016, the amount held by the trustee was $76,514,170 and $76,011,647, respectively, which included the July 1 payment and a debt service reserve fund.

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

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ 9,430,000 | $ 30,487,998 | $ 39,917,998 |
| 2019 | 9,890,000 | 30,020,298 | 39,910,298 |
| 2020 | 10,365,000 | 29,529,823 | 39,894,823 |
| 2021 | 10,865,000 | 29,007,173 | 39,872,173 |
| 2022 | 11,415,000 | 28,463,486 | 39,878,486 |
| 2023-2027 | 66,060,000 | 133,041,898 | 199,101,898 |
| 2028-2032 | 94,955,000 | 114,089,164 | 209,044,164 |
| 2033-2037 | 168,560,000 | 76,049,488 | 244,609,488 |
| 2038-2041 | 164,880,000 | 20,516,435 | 185,396,435 |
| | $ 546,420,000 | $ 491,205,763 | $ 1,037,625,763 |


**SUBORDINATE VARIABLE RATE DEBT PROGRAM:**
During fiscal year 2015, the Airport Authority replaced its commercial paper program with a $125,000,000 Revolving Line Of Credit issued by US Bank. The Revolving Line Of Credit was used to refund the outstanding Series B and Series C CP Note balances. The Revolving Line Of Credit is a three-year agreement that took effect on September 5, 2014. The agreement was amended on June 29, 2017 to extend the commitment through June 29, 2020.

At June 30, 2017 the Authority had an outstanding principal balance on Series A Revolving Obligations of $32,550,000 (the balance was $0 as at June 30, 2016). At June 30 2017 and 2016, the outstanding principal balances of the Series B Revolving Obligations were $15,849,000 and $16,884,000, respectively. The Series A and Series B Revolving Obligations bear interest at the tax-exempt rate which is based on a spread to LIBOR. The outstanding principal balances of the Series C Revolving Obligations at June 30 2017 and 2016 were $10,599,000 and $15,697,000 respectively, and bear interest at the taxable rate, also based on a spread to LIBOR.

In April of 2017 the Authority established a Subordinate Drawdown Bond program

## NOTE 5.

## LONG-TERM LIABILITIES (CONTINUED)

with RBC Municipal Products of up to $100,000,000. On April 1, 2017 the Authority and RBC Municipal Products agreed upon a Bondholders Agreement and on April 19, 2017 the Authority and RBC Capital Markets LLC agreed upon a Subordinate Drawdown Bond Purchase Agreement. When issued, all Subordinate Drawdown Bonds will be purchased by the Subordinate Drawdown Bond Purchaser in accordance with the terms of the Subordinate Drawdown Bondholder's Agreement and the Subordinate Drawdown Bond Purchase Agreement. The Authority currently has no Subordinate Drawdown Bonds outstanding. This commitment will expire on April 17, 2020.

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

**SUBORDINATE LIEN SERIES 2017 BONDS:**
Subsequent to end of the fiscal year, the Airport Authority issued $291,210,000 of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds) on August 3, 2017. The Subordinate Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund $32,550,000 of the Airport Authority's outstanding variable rate debt, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of $48,423,687, 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.

The public ratings of the Series 2010 Bonds as of June 30, 2017, are A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively.

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

The Series 2014 A Bonds were structured as tax-exempt and non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent. The bonds were issued at a premium of $594,226, which is amortized over the life of the bonds. Interest on the Series 2014 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for fiscal years ended June 30, 2017 and 2016, was $16,341,210, including accrued interest of $8,170,605 each year. The principal balance on the Series 2014 Bonds for fiscal years ended June 30, 2017 and 2016 was $305,385,000.

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

# NOTE 5.

## LONG-TERM LIABILITIES (CONTINUED)

things, customer facility charges collected from the rental car companies operating at the Airport and remitted to the Trustee. No revenues of the Airport Authority other than the customer facility charges and the Bond Funding Supplemental Consideration (as defined in the bond indenture), are pledged to the payment of the Series 2014 Bonds. The Series 2014 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's books, as shown previously in the notes. For the fiscal years ended June 30, 2017 and 2016, the amount held by the trustee was $38,989,317 and $50,490,303, respectively, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund, capitalized interest funds and the rolling coverage fund.

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

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ - | $ 16,341,210 | $ 16,341,210 |
| 2019 | 5,580,000 | 16,270,428 | 21,850,428 |
| 2020 | 5,720,000 | 16,114,217 | 21,834,217 |
| 2021 | 5,890,000 | 15,928,365 | 21,818,365 |
| 2022 | 6,090,000 | 15,714,362 | 21,804,362 |
| 2023-2027 | 35,330,000 | 73,277,825 | 108,607,825 |
| 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 |
| | $ 305,285,000 | $ 294,713,268 | $ 599,998,268 |

**LINE OF CREDIT:** In fiscal year 2017, the Airport Authority maintained a $4,000,000 line of credit held with US Bank, which is collateralized with a bank certificate of deposit. This line is utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority.  As of June 30, 2017, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

### CAPITAL LEASES

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

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

## NOTE 5.

## LONG-TERM LIABILITIES (CONTINUED)

The following is a schedule of future lease payments applicable to the RDC installment purchase agreement, the office equipment capital leases, and the net present value of the future lease payments at June 30, 2017:

| Years Ending June 30, | | Amount |
|---|---|---|
| 2018 | $ | 959,486 |
| 2019 | | 959,486 |
| 2020 | | 932,090 |
| 2021 | | 877,298 |
| 2022 | | 877,298 |
| 2023-2027 | | 4,386,489 |
| 2028-2032 | | 4,386,489 |
| 2033 | | 365,541 |
| Total lease payments | | 13,744,177 |
| Less amount representing interest | | (6,301,863) |
| Present value of future lease payments | $ | 7,442,314 |


BRITISH AIRWAYS

## NOTE 6.

## DEFINED BENEFIT PLAN

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

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

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

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

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

**BENEFITS PROVIDED:**
The Airport Authority provides retirement, disability and death benefits.

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

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

The PEPRA participant's benefit is calculated by using monthly salary amounts based on the highest 36 consecutive months divided by 36. Base salary cannot exceed 100 percent of the Social Security contribution and benefit base,

## NOTE 6.

## DEFINED BENEFIT PLAN (CONTINUED)

indexed to the CPI-U. The eligibility of the PEPRA participants begins at age 52 with five years of service.

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

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

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

As of the measurement dates June 30, 2016 and June 30, 2015, Plan membership was as follows:

| | 2016 | 2015 |
|---|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 90 | 76 |
| Inactive employees entitled to but not yet receiving benefits | 112 | 99 |
| Active employees | 385 | 369 |
| Total | 587 | 544 |

**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, 2017, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2015 actuarial valuation.

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

For the years ended June 30, 2017 and 2016, employees contributed $2,967,269 and $2,840,236 respectively, and the Airport Authority contributed $4,047,780 and $3,897,545 respectively, to the Plan. For the

NOTE 6.

DEFINED BENEFIT PLAN (CONTINUED)

years ended June 30, 2017 and 2016, the Airport Authority paid 7.00% or 8.50% of general member contributions and 10.48% of executive member contributions. These contributions are included in the employee contribution.

**NET PENSION LIABILITY:**
The Airport Authority's net pension liability as of June 30, 2017 is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability as of June 30, 2017 is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2016 and 2015, actuarial valuations were determined using the following actuarial assumptions, applied to all period included in the measurement:

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Valuation date | June 30, 2015 | June 30, 2014 |
| Measurement date | June 30, 2016 | June 30, 2015 |
| Actarial 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] | 7.00% | 7.125% |
| Projected salary increase [2] | 3.05% | 3.175% |
| Cost-of-living adjustment | 1.90% | 2.000% |
| Termination rate [3] | 3.0% - 11.0% | 3.0% - 11.0% |
| Disability rate [4] | 0.01% - 0.30% | 0.02% - 0.45% |
| Mortality | 0.02% - 13.54% [5] | 0.02% - 18.34% [6] |

[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, projected 20 years from the 2009 base year using variation of scale MP-2015, with a 10% increase to healthy retired female rates. Disabled: CalPERS Work Related Diability Mortality Table, projected 20 years from 2009 base year using a variation of scale MP-2015.

**DISCOUNT RATE:**
For the June 30, 2016 and 2015 actuarial valuations, the discount rates used to measure the total pension liability were 7.0 percent and 7.125 percent, respectively. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability (asset).

The long-term expected rate of return estimates for equity and fixed income are developed using a geometric (long-term compounded) building block approach: 1) expected returns based on observable information in the equity and fixed income markets and consensus estimates for major economic and capital market inputs,

## NOTE 6.

## DEFINED BENEFIT PLAN (CONTINUED)

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 judgments 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 |
|---|---|---|---|
| U.S. equity | 21.0% | 4.5% | 6.7% |
| Non-U.S. developed equity | 15.0% | 5.5% | 7.8% |
| Global equity | 5.0% | 5.1% | 7.3% |
| U.S. fixed income | 22.0% | 0.9% | 3.0% |
| Emerging market debt | 5.0% | 3.7% | 5.9% |
| Real estate | 11.0% | 3.6% | 5.8% |
| Private equity and infrastructure | 13.0% | 6.6% | 8.8% |
| Opportunity fund | 8.0% | 4.4% | 6.6% |
| | 100.0% | | |


**CHANGES IN THE NET PENSION LIABILITY:**
Changes in the total pension liability, plan fiduciary net position and the net pension liability (asset) through the year ended June 30, 2016 were as follows:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances as of 6/30/15 | $ 140,197,047 | $ 138,516,288 | $ 1,680,759 |
| Changes for the year: | | | |
| Service cost | 6,205,263 | - | 6,205,263 |
| Interest on total pension liability | 10,277,611 | - | 10,277,611 |
| Difference between expected and actual experience | (2,178,527) | - | (2,178,527) |
| Changes in assumptions | 10,473,890 | - | 10,473,890 |
| Employer contributions | - | 4,047,780 | (4,047,780) |
| Member contributions | - | 2,967,269 | (2,967,269) |
| Net investment income | - | 1,651,283 | (1,651,283) |
| Benefit payments | (3,023,391) | (3,023,391) | - |
| Administrative expense | - | (318,818) | 318,818 |
| Net changes | 21,754,846 | 5,324,123 | 16,430,723 |
| Balances as of 6/30/16 | $ 161,951,893 | $ 143,840,411 | $ 18,111,482 |

NOTE 6.

DEFINED BENEFIT PLAN (CONTINUED)

Changes in the total pension liability, plan fiduciary net position and the net pension liability (asset) through the year ended June 30, 2015, were as follows:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a) - (b) |
| Balances as of 6/30/14 | $ 126,851,793 | $ 130,203,134 | $ (3,351,341) |
| Changes for the year: | | | |
| Service cost | 6,154,579 | - | 6,154,579 |
| Interest on total pension liability | 9,327,538 | - | 9,327,538 |
| Difference between expected and actual experience | 345,661 | - | 345,661 |
| Employer contributions | - | 3,897,547 | (5,664,755) |
| Member contributions | - | 2,840,236 | (1,073,028) |
| Net investment income | - | 4,390,185 | (4,390,185) |
| Benefit payments | (2,482,524) | (2,482,524) | - |
| Administrative expenses | - | (332,290) | 332,290 |
| Net changes | 13,345,254 | 8,313,154 | 5,032,100 |
| Balances as of 6/30/15 | $ 140,197,047 | $ 138,516,288 | $ 1,680,759 |

**SENSITIVITY OF THE NET PENSION LIABILITY TO DISCOUNT RATE CHANGES:**
The following presents the resulting net pension liability (asset) calculated using the discount rate of 7.00 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, 2017:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| Total pension liability | $ 184,896,870 | $ 161,951,893 | $ 143,053,624 |
| Plan fiduciary net position | (143,840,411) | (143,840,411) | (143,840,411) |
| Net pension liability | $ 41,056,459 | $ 18,111,482 | $ (786,787) |
| Plan fiduciary net position as a percentage of the total pension liability | 77.8% | 88.8% | 100.5% |

## NOTE 6.

## DEFINED BENEFIT PLAN (CONTINUED)

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

For the years ended June 30, 2017 and 2016, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 68, of $7,451,396 and $4,048,248, respectively. At June 30, 2017 and 2016, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

For June 30, 2016 Measurement Date:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual earnings | $ 6,089,002 | $ - |
| Differences between expected & actual experience | 230,441 | 1,815,440 |
| Changes in assumptions | 8,728,242 | |
| Employer contributions made subsequent to June 30, 2016 measurement date | 5,197,849 | - |
| Total | $ 20,245,534 | $ 1,815,440 |

For June 30, 2015 Measurement Date:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual earnings | $ - | $ 1,807,422 |
| Differences between expected & actual experience | 288,051 | - |
| Employer contributions made subsequent to June 30, 2015 measurement date | 3,972,596 | - |
| Total | $ 4,260,647 | $ 1,807,422 |

The deferred outflows of resources, at June 30, 2016 and 2015, related to pensions resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net pension liability at June 30, 2017 and 2016, respectively.

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

| Fiscal Year-end: | |
|---|---|
| 2018 | $ 2,211,333 |
| 2019 | 2,211,333 |
| 2020 | 4,253,329 |
| 2021 | 3,173,690 |
| 2022 | 1,382,560 |
| | $ 13,232,245 |

## NOTE 7.

## EMPLOYEES' DEFERRED COMPENSATION PLAN

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

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

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

## NOTE 8.

## OTHER POSTEMPLOYMENT BENEFITS

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

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

**ANNUAL OPEB COST AND ACTUARIAL METHODS AND ASSUMPTIONS:**
The Airport Authority's annual OPEB cost is calculated based on the ARC, an amount that

## NOTE 8.

## OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

is actuarially determined in accordance with the parameters of GASB Statement No. 45. The Airport Authority has elected to perform an actuarial valuation of the OPEB on a biennial basis, the most recent of which is dated as of July 1, 2015. According to the July 1, 2015, actuarial valuation, the ARC was $2,013,000 and $1,959,000 for fiscal year 2017, and 2016, respectively. The ARC was determined using the entry age normal cost method with amortization of the unfunded accrued liability occurring over a 30-year period ending June 30, 2037.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations. The actuarial assumptions used by CERBT include (a) a 7.28 percent investment rate of return, (7.36 percent was used in the prior valuations), net of administrative expenses, RP-2015 Mortality Tables with fully generational projection using MP-2015 scale and (b) projected salary increases of 3.00 percent. The annual healthcare cost trend rate ranged from 4.5 to 9.0 percent for medical and assumes a 5.0 percent rate for dental. In establishing the discount rate, an inflation rate of 2.75 percent was used. The 2015 actuarial valuation included a 10 percent retirees' contribution of plan costs for single coverage; previously it was 5 percent.

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

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


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

| Actuarial Valuation Date | Fiscal Year | ARCs | Employer Contribution | NOO/(Asset) End of Year | Interest on NOO/(Asset) | Adjustment to the ARC | Annual OPEB Cost |
|---|---|---|---|---|---|---|---|
| 7/1/13 | 14/15 | 2,403 | 2,403 | (59) | (4) | 4 | 2,403 |
| 7/1/15 | 15/16 | 1,959 | 1,959 | (59) | (4) | 4 | 1,959 |
| 7/1/15 | 16/17 | 2,013 | 2,013 | (59) | (4) | 4 | 2,013 |

## NOTE 8.

## OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The Airport Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2017, 2016 and 2015, were as follows (dollars in thousands):

| Fiscal Year Ended | Annual OPEB Costs | Employer Contribution | Percentage of OPEB Cost Contributed | NOO/ (Asset) |
|---|---|---|---|---|
| 6/30/15 | 2,403 | 2,403 | 100.0% | (59) |
| 6/30/16 | 1,959 | 1,959 | 100.0% | (59) |
| 6/30/17 | 2,013 | 2,013 | 100.0% | (59) |

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

The funded status of the Plan based on the most recent biennial actuarial valuation for the plan, dated as of July 1, 2015, was as follows (dollars in thousands):

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percent of Covered Payroll | Interest Rate | Salary Scale |
|---|---|---|---|---|---|---|---|---|
| 7/1/15 | $ 18,917 | $ 34,587 | $ 15,670 | 54.7% | $ 16,809 | 93.2% | 7.3% | 3.0% |

## NOTE 9.

## RISK MANAGEMENT

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

**COMMERCIALLY ISSUED INSURANCE:**

- The Airport Authority maintains a minimum of $500 million in limits for general liability insurance with a war, hijacking and other perils endorsement in the amount of $150 million.
- The Airport Authority maintains a property insurance policy with 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, 2017 and 2016, the Airport Authority has designated $9,531,966 and $8,813,970, 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 a periodic basis. Employees receive regular safety training and claims are monitored using a claims information system.

During fiscal year 2017, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

## NOTE 10.

## DISCLOSURES ABOUT FAIR VALUE OF ASSETS

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

**LEVEL 1**
Quoted prices in active markets for identical assets or liabilities

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

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

NOTE 10.

DISCLOSURES ABOUT FAIR VALUE OF ASSETS (CONTINUED)

**RECURRING MEASUREMENTS:**

The following table presents the fair value measurements of assets and liabilities 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, 2017 and 2016:

| June 30, 2017 | 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 | $ 85,201,348 | $ 85,201,348 | $ - | $ - |
| U.S. agency securities | 109,436,513 | - | 109,436,513 | - |
| Non-U.S Securities | 5,982,120 | 5,982,120 | - | - |
| Commercial paper | 8,485,280 | - | 8,485,280 | - |
| Negotiable certicates of deposit | 46,592,680 | - | 46,592,680 | - |
| Medium-term notes | 39,564,537 | - | 39,564,537 | - |
| Local Agency Investment Fund | 48,182,813 | 48,182,813 | - | - |
| San Diego County Investment Pool | 157,252,092 | 157,252,092 | - | - |
| Total investments by fair value level | 500,697,383 | $ 296,618,373 | $ 204,079,010 | $ - |
| Investments measured at amortized cost | 630,996 | | | |
| Investments measured at net asset value | 15,297,174 | | | |
| Non-negotiable certificate of deposit | 15,413,829 | | | |
| Total investments | $ 532,039,382 | | | |

| June 30, 2016 | 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 | $ 95,094,109 | $ 95,094,109 | $ - | $ - |
| U.S. agency securities | 50,679,745 | - | 50,679,745 | - |
| Non-U.S Securities | 3,010,290 | 3,010,290 | - | - |
| Commercial paper | 13,942,250 | - | 13,942,250 | - |
| Negotiable certicates of deposit | 42,513,040 | - | 42,513,040 | - |
| Medium-term notes | 38,698,117 | - | 38,698,117 | - |
| Local Agency Investment Fund | 47,906,365 | 47,906,365 | - | - |
| San Diego County Investment Pool | 172,695,968 | 172,695,968 | - | - |
| Total investments by fair value level | 464,539,884 | $ 318,706,732 | $ 145,833,152 | $ - |
| Investments measured at amortized cost | 40,427,839 | | | |
| Investments measured at net asset value | 15,177,301 | | | |
| Non-negotiable certificate of deposit | 36,247,049 | | | |
| Total investments | $ 556,392,073 | | | |

## NOTE 11.

## LEASE REVENUES

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

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

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 small operator rental car tenants. The land rent leases for the RCC commenced on the opening date of the facility and will continue until the Bonds are repaid or defeased. This land rent is a non-cancellable lease and will convert to Facility Rent when bonds are repaid.

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

| Years Ending June 30, | Amount |
|---|---|
| 2018 | $ 13,525,790 |
| 2019 | 12,429,005 |
| 2020 | 12,576,606 |
| 2021 | 12,694,216 |
| 2022 | 12,746,504 |
| 2023-2027 | 66,508,364 |
| 2028-2032 | 72,625,155 |
| 2033-2037 | 79,948,801 |
| 2038-2042 | 88,646,995 |
| 2043-2047 | 92,401,712 |
| 2048-2052 | 27,619,069 |
| 2053-2057 | 724,440 |
| 2058-2062 | 724,440 |
| 2063-2067 | 724,440 |
| 2068-2072 | 217,332 |
| **Total** | **$ 494,112,869** |

# NOTE 12. LEASE COMMITMENTS

**OPERATING LEASES**

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

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

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

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

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

| Years Ending June 30, | | Amount |
|---|---|---|
| 2018 | $ | 10,176,660 |
| 2019 | | 10,176,660 |
| 2020 | | 10,176,660 |
| 2021 | | 10,176,660 |
| 2022 | | 10,176,660 |
| 2023-2027 | | 50,883,300 |
| 2028-2032 | | 50,883,300 |
| 2033-2037 | | 50,883,300 |
| 2038-2042 | | 50,883,300 |
| 2043-2047 | | 50,883,300 |
| 2048-2052 | | 50,883,300 |
| 2053-2057 | | 50,883,300 |
| 2058-2062 | | 50,883,300 |
| 2063-2067 | | 50,883,300 |
| 2068-2069 | | 15,264,990 |
| | $ | 524,097,990 |

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

| | 2017 | 2016 |
|---|---|---|
| Rental payments made | **$ 10,189,944** | **$ 10,367,148** |

## NOTE 13.

## COMMITMENTS & CONTINGENCIES

**COMMITMENTS:**

As of June 30, 2017 and 2016, the Airport Authority had significant commitments for capital expenditures and other matters as described below:

i. The Airport Authority has funds which have been classified as current assets, primarily for the unpaid contractual portion of capital projects that are currently in progress, and will not be funded by grants or additional debt, but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. At June 30, 2017 and 2016, these funds totaled approximately $14.3 million and $20.5 million, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.

ii. Support services. As part of the MOU, services provided by the District Harbor Police are required to be purchased by the Airport Authority as long as SDIA continues to operate at the current location. At the time of the transfer, the Airport Authority entered into a Master Services Agreement, a Police Services Agreement and a Communications Services Agreement with the District, which described the services that the Airport Authority could purchase and the manner of calculating the payments for such services. The largest amount that became payable under any of these agreements is under the Police Services Agreement, which is for Harbor Police services. The District provides monthly billings to the Airport Authority, with payment generally due 30 days after the date of the invoice, and provision of appropriate supporting documentation. During the years ended June 30, 2017 and 2016, the Airport Authority expensed $17,799,133 and $18,764,780 respectively for these services.

iii. In fiscal year 2012, the Board approved two contracts with Ace Parking Management Inc., for parking management services in the amount of $29.7 million and airport shuttle services in the amount of $31.3 million. In fiscal year 2017, the Board approved an additional $9.9 million for parking management services and $19.7 million for shuttle services. The total amounts spent as of June 30, 2017, were $29.8 million for parking management services and $36.9 million for airport shuttle services. These contracts are scheduled for completion in 2018.

iv. In fiscal year 2014, the Board approved a contract with Austin-Sundt JV for the design and construction of the Rental Car Center in the amount of $14.0 million and an additional approval of $10.0 million. In fiscal year 2015, the Board approved an additional $223.9 million. In fiscal year 2016, the Board approved an additional $5.1 million. As of June 30, 2017, $252.4 million had been spent and the contract was completed in fiscal year 2017.

v. In fiscal year 2013, the Board approved a contract with Demattei Wong Architecture in support of the Rental Car Center project in the amount of $10.0 million and an additional approval of $12.0 million. In fiscal year 2015, the Board approved an additional $5.0 million. As of June 30, 2017, $25.2 million had been spent and the contract was completed in fiscal year 2017.

vi. In fiscal year 2015, the Board approved a $29.2 million contract with SP Plus Corporation to transport rental car Center

## NOTE 13.

## COMMITMENTS & CONTINGENCIES (CONTINUED)

facility and the terminals. The contract scope also includes the operation, management and maintenance of the shuttle vehicles. In fiscal year 2016, the Board approved an additional $1.2 million. As of June 30, 2017, $10.8 million had been spent and the contract is due to be completed in fiscal year 2021.

vii. In fiscal year 2015, the Board approved a $5.9 million contract with Granite Construction Company for the construction of the Northside bypass Taxiway. As of June 30, 2017, $5.9 million had been spent and the contract was completed early in the fiscal year 2017.

viii. In fiscal year 2015, the Board approved a $60.0 million contract with AECOM Technical Services, Inc. for project support for the development of the Northside solar projects. As of June 30, 2017, $27.5 million had been spent and the contract is due to be completed in fiscal year 2018.

ix. In fiscal year 2016, the Board approved a $3.2 million contract with Granite Construction Company for the Employee Parking Lot 6 Expansion. As of June 30, 2017, $3.2 million had been spent and the contract was completed early in the fiscal year 2017.


x. In fiscal year 2016, the Board approved a $12 million contract with Swinerton Builders for a Design-Build for the T2 Parking Plaza. In fiscal year 2017, the Board approved an additional $85.7 million As of June 30, 2017, $33.8 million had been spent and the contract is due to be completed in fiscal year 2019.

xi. In fiscal year 2016, the Board approved a $3.2 million contract with Hazard Construction Company for a Taxi hold lot. As of June 30, 2017, $3 million had been spent and the contract was completed in fiscal year 2017.

xii. In fiscal year 2016, the Board approved a $4.7 million contract with Hazard Construction Company to rehabilitate the Cross Taxiway. As of June 30, 2017, $4.2 million had been spent and the contract was completed in fiscal year 2017.

xiii. In fiscal year 2017, the Board approved a $186.6 million contract with Turner-PCL A Joint Venture for Terminal 2 West Federal Inspection Station build out. As of June 30, 2017, $7.5 million had been spent and the contract is due to be completed in fiscal year 2020.

xiv. In fiscal year 2017, the Board approved a $3.3 million contract with Vasquez Construction Company to replace terminal seating in Terminal 1 and 2. As of June 30, 2017, $536 thousand had been spent and the contract is due to be completed in fiscal year 2018.

## NOTE 13.

## COMMITMENTS & CONTINGENCIES (CONTINUED)

**CONTINGENCIES:**
As of June 30, 2017, the Airport Authority is subject to contingencies arising from legal matters as described below:

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

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

| Actuarial Valuation Date* | Actuarial Value of Assets | Actuarial Accrued Liability AAL | Unfunded Actuarial Accrued Liability UAAL | Funded Ratio | Covered Payroll | UAAL as a Percent of Covered Payroll | Interest Rate | Salary Scale |
|---|---|---|---|---|---|---|---|---|
| 7/1/09 | $ 2,674 | $ 12,206 | $ 9,532 | 21.9% | $ 19,514 | 48.8% | 7.75% | 3.25% |
| 7/1/10 | 4,474 | 14,149 | 9,675 | 31.6% | 20,148 | 48.0% | 7.75% | 3.25% |
| 7/1/11 | 7,604 | 22,197 | 14,593 | 34.3% | 18,728 | 77.9% | 7.60% | 3.25% |
| 7/1/12 | 7,604 | 22,197 | 14,593 | 34.3% | 18,728 | 77.9% | 7.61% | 3.25% |
| 7/1/13 | 12,667 | 31,553 | 18,886 | 40.1% | 17,567 | 107.5% | 7.36% | 3.00% |
| 7/1/15 | 18,917 | 34,587 | 15,670 | 54.7% | 16,809 | 93.2% | 7.36% | 3.00% |

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

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET), LAST 10 FISCAL YEARS (GASB STATEMENT NO. 68):

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Total Pension Liability:** | | | |
| Service cost | $ 6,205,263 | $ 6,154,579 | $ 6,099,481 |
| Interest (includes interest on service cost) | 10,277,611 | 9,327,538 | 8,465,485 |
| Differences between expected and actual experience | (2,178,527) | 345,661 | - |
| Effect of changes of assumptions | 10,473,890 | - | - |
| Benefit payments, including rerfunds of member contributions | (3,023,391) | (2,482,524) | (2,913,221) |
| Net change in total pension liability | 21,754,846 | 13,345,254 | 11,651,745 |
| Total pension liability - beginning | 140,197,047 | 126,851,793 | 115,200,048 |
| Total pension liability - ending | $ 161,951,893 | $ 140,197,047 | $ 126,851,793 |
| **Plan Fiduciary Net Position:** | | | |
| Contributions - employer | $ 4,047,780 | $ 3,897,547 | $ 3,924,988 |
| Contributions - employee | 2,967,269 | 2,840,236 | 2,765,079 |
| Net investment income | 1,651,283 | 4,390,185 | 18,302,683 |
| Benefit payments, including refunds of member contributions | (3,023,391) | (2,482,524) | (2,913,221) |
| Administrative expense | (318,818) | (332,290) | (332,645) |
| Net change in plan fiduciary net position | 5,324,123 | 8,313,154 | 21,746,884 |
| Plan fiduciary net position - beginning | 138,516,288 | 130,203,134 | 108,456,250 |
| Plan fiduciary net position - ending | $ 143,840,411 | $ 138,516,288 | $ 130,203,134 |
| Net pension liability (asset) - ending | $ 18,111,482 | $ 1,680,759 | $ (3,351,341) |
| Plan fiduciary net position as a percentage of the total pension liability | 88.82% | 98.80% | 102.64% |
| Covered employee payroll | $ 29,189,357 | $ 27,955,455 | $ 26,380,323 |
| Net pension liability as a percentage of covered employee payroll | 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.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)

Schedule of Contributions Last 10 Fiscal Years (in thousands) (GASB Statement No. 68):

| | 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 | 5,198 | 4,048 | 3,898 | 3,925 | 2,600 |
| Contribution deficiency (excess) | $ (1,433) | $ (382) | $ (75) | $ (1,025) | $ - |
| Covered-employee payroll | $ 31,506 | $ 29,189 | $ 27,955 | $ 26,380 | $ 24,840 |
| Contributions as a percentage of covered-payroll | 16.50% | 13.87% | 13.94% | 14.88% | 10.47% |

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ 3,800 | $ 4,300 | $ 3,000 | $ 3,000 | $ 2,200 |
| Contributions in relation to the actuarially determined contribution | 3,800 | 4,300 | 7,600 | 3,035 | 2,520 |
| Contribution deficiency (excess) | $ - | $ - | $ (4,600) | $ (35) | $ (320) |
| Covered-employee payroll | $ 25,148 | $ 25,596 | $ 24,693 | $ 23,488 | $ 21,957 |
| Contributions as a percentage of covered-payroll | 15.11% | 16.80% | 30.78% | 12.92% | 11.48% |

THE ART OF
AUTHORITY

# **STATISTICAL** SECTION

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

FINANCIAL TRENDS DATA:

- Authority operating revenues and O&M expenses
- Authority net position by component
- Authority changes in net position
- Authority largest sources of revenue

REVENUE CAPACITY DATA :

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

OPERATING INFORMATION:

- Authority employee head count
- Aircraft operations
- Aircraft landed weights
- Aircraft landed weights by airline
- Passenger enplanements
- Enplanement market share by airline by fiscal year
- Capital assets

ECONOMIC INFORMATION:

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

DEBT INFORMATION:

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

# EXHIBIT S-1
## AUTHORITY REVENUES AND O&M EXPENSES ($000)

Fiscal Years Ended June 30,

**Operating Revenues**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Airline revenue | | | | | | | | | | |
| Landing fees | $ 24,763 | $ 18,689 | $ 18,672 | $ 18,579 | $ 18,419 | $ 19,658 | $ 19,107 | $ 21,390 | $ 23,985 | $ 24,612 |
| Aircraft parking fees | - | 3,221 | 3,406 | 2,921 | 3,134 | 3,191 | 2,503 | 2,716 | 2,701 | 2,927 |
| Building rentals | 24,265 | 23,057 | 23,835 | 26,980 | 30,633 | 41,840 | 46,001 | 48,153 | 53,536 | 56,575 |
| Security surcharge | 8,619 | 10,204 | 11,900 | 14,886 | 18,649 | 23,360 | 25,777 | 25,180 | 29,223 | 29,468 |
| Other aviation revenue | 1,808 | 1,565 | 1,585 | 1,597 | 1,595 | 1,591 | 4,488 | 4,893 | 2,760 | 2,799 |
| Concession revenue | 38,785 | 36,280 | 36,249 | 37,103 | 40,427 | 42,041 | 47,770 | 52,496 | 29,249 | 32,624 |
| Parking and ground transportation revenue | 31,038 | 31,492 | 30,296 | 31,645 | 31,470 | 35,750 | 38,959 | 41,633 | 75,131 | 78,039 |
| Ground rentals | 5,207 | 5,776 | 5,923 | 8,656 | 8,044 | 9,162 | 9,603 | 13,074 | 16,226 | 20,053 |
| Other operating revenue | 1,197 | 693 | 1,829 | 1,640 | 1,179 | 905 | 1,529 | 971 | 1,183 | 1,750 |
| **Total Operating Revenues** | $ 135,682 | $ 130,977 | $ 133,695 | $ 144,007 | $ 153,550 | $ 177,498 | $ 195,737 | $ 210,505 | $ 233,994 | $ 248,847 |

**Operating Expenses Before Depreciation**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Salaries and benefits | $ 32,912 | $ 34,741 | $ 35,386 | $ 38,267 | $ 37,237 | $ 38,092 | $ 39,135 | $ 39,211 | $ 42,025 | $ 46,874 |
| Contractual services | 27,378 | 27,464 | 27,999 | 26,113 | 26,906 | 29,284 | 31,559 | 32,422 | 38,215 | 44,927 |
| Safety and security | 19,110 | 19,930 | 20,131 | 21,344 | 22,625 | 23,994 | 24,151 | 23,464 | 28,721 | 28,422 |
| Space rental | 10,901 | 10,888 | 10,906 | 10,906 | 11,415 | 10,897 | 10,478 | 10,433 | 10,367 | 10,206 |
| Utilities | 6,430 | 6,912 | 6,871 | 6,413 | 6,674 | 6,659 | 8,680 | 10,152 | 11,480 | 10,736 |
| Maintenance | 8,735 | 8,002 | 9,231 | 8,174 | 8,497 | 11,204 | 13,982 | 14,516 | 14,122 | 14,270 |
| Equipment and systems | 1,333 | 678 | 891 | 570 | 403 | 469 | 643 | 1,805 | 708 | 502 |
| Materials and supplies | 795 | 641 | 413 | 345 | 304 | 406 | 440 | 519 | 536 | 651 |
| Insurance | 1,227 | 1,096 | 1,166 | 1,066 | 764 | 795 | 988 | 1,145 | 949 | 956 |
| Employee development and support | 1,035 | 1,030 | 990 | 1,041 | 916 | 1,235 | 1,171 | 1,136 | 1,242 | 1,393 |
| Business development | 2,733 | 2,509 | 2,033 | 2,275 | 2,093 | 2,444 | 2,661 | 2,493 | 2,390 | 2,351 |
| Equipment rentals and repairs | 1,396 | 1,387 | 1,271 | 1,327 | 1,335 | 1,317 | 2,932 | 2,951 | 2,852 | 2,438 |
| **Total Operating Expenses Before Depreciation** | $ 113,985 | $ 115,278 | $ 117,288 | $ 117,841 | $ 119,169 | $ 126,796 | $ 136,821 | $ 140,250 | $ 153,608 | $ 163,726 |

Source: San Diego County Regional Airport Authority

# EXHIBIT S-2
## AUTHORITY NET POSITION BY COMPONENT ($000)

Fiscal Years Ended June 30,

| | 2008 | 2009 | 2010* | 2011 | 2012 | 2013 | 2014 | 2015** | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net investment in capital assets | $ 238,144 | $ 249,498 | $ 274,769 | $ 352,276 | $ 339,467 | $ 359,640 | $ 312,780 | $ 316,250 | $ 310,339 | $ 263,952 |
| Other restricted net position | 136,548 | 167,827 | 139,672 | 147,513 | 172,076 | 167,384 | 204,642 | 215,968 | 214,533 | 225,088 |
| Unrestricted net position | 120,429 | 95,858 | 145,224 | 102,466 | 149,346 | 200,040 | 209,594 | 210,522 | 251,076 | 294,133 |
| Total net position | $ 495,121 | $ 513,183 | $ 559,664 | $ 602,255 | $ 660,889 | $ 727,064 | $ 727,016 | $ 742,740 | $ 775,949 | $ 783,173 |

* Amounts for 2010 and after were restated as per GASB 65
** Amounts for 2015 were restated as per GASB 68
Source: San Diego County Regional Airport Authority

# EXHIBIT S-3
## AUTHORITY CHANGES IN NET POSITION ($000)

Fiscal Years Ended June 30,

| | 2008 | 2009 | 2010* | 2011 | 2012 | 2013 | 2014 | 2015 | 2016** | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | | | | |
| Airline revenue: | | | | | | | | | | |
| Landing fees | $ 24,763 | $ 18,689 | $ 18,672 | $ 18,579 | $ 18,419 | $ 19,658 | $ 19,107 | $ 21,390 | $ 23,985 | $ 24,612 |
| Aircraft parking fees | - | 3,221 | 3,406 | 2,921 | 3,134 | 3,191 | 2,503 | 2,716 | 2,701 | 2,927 |
| Building rentals | 24,265 | 23,057 | 23,835 | 26,980 | 30,633 | 41,840 | 46,001 | 48,153 | 53,536 | 56,575 |
| Security surcharge | 8,619 | 10,204 | 11,900 | 14,886 | 18,649 | 23,360 | 25,777 | 25,180 | 29,223 | 29,468 |
| Other aviation revenue | 1,808 | 1,565 | 1,584 | 1,597 | 1,595 | 1,591 | 4,488 | 4,893 | 2,760 | 2,799 |
| Concession revenue | 38,785 | 36,280 | 36,249 | 37,103 | 40,427 | 42,041 | 47,770 | 52,496 | 29,249 | 32,624 |
| Parking and ground transportation revenue | 31,038 | 31,492 | 30,296 | 31,645 | 31,470 | 35,750 | 38,959 | 41,633 | 75,131 | 78,039 |
| Ground rentals | 5,207 | 5,776 | 5,923 | 8,656 | 8,044 | 9,162 | 9,603 | 13,074 | 16,226 | 20,053 |
| Other operating revenue | 1,197 | 693 | 1,829 | 1,640 | 1,179 | 905 | 1,529 | 971 | 1,183 | 1,750 |
| Total operating revenues | 135,682 | 130,977 | 133,695 | 144,007 | 153,550 | 177,498 | 195,737 | 210,505 | 233,994 | 248,847 |
| Operating expenses: | | | | | | | | | | |
| Salaries and benefits | 32,912 | 34,741 | 35,386 | 38,267 | 37,237 | 38,092 | 39,135 | 39,211 | 42,025 | 46,874 |
| Contractual services | 27,378 | 27,464 | 27,999 | 26,113 | 26,906 | 29,284 | 31,559 | 32,422 | 38,215 | 44,927 |
| Safety and security | 19,110 | 19,930 | 20,131 | 21,344 | 22,625 | 23,994 | 24,151 | 23,464 | 28,721 | 28,422 |
| Space rental | 10,901 | 10,888 | 10,906 | 10,906 | 11,415 | 10,897 | 10,478 | 10,433 | 10,367 | 10,206 |
| Utilities | 6,430 | 6,912 | 6,871 | 6,413 | 6,674 | 6,659 | 8,680 | 10,152 | 11,480 | 10,736 |
| Maintenance | 8,735 | 8,002 | 9,231 | 8,174 | 8,497 | 11,204 | 13,982 | 14,516 | 14,122 | 14,270 |
| Equipment and systems | 1,333 | 678 | 891 | 570 | 403 | 469 | 643 | 1,805 | 708 | 502 |
| Materials and supplies | 795 | 641 | 413 | 345 | 304 | 406 | 440 | 519 | 536 | 651 |
| Insurance | 1,227 | 1,096 | 1,166 | 1,066 | 764 | 795 | 988 | 1,145 | 949 | 956 |
| Employee development and support | 1,035 | 1,030 | 990 | 1,041 | 916 | 1,235 | 1,171 | 1,136 | 1,242 | 1,393 |
| Business development | 2,733 | 2,509 | 2,033 | 2,275 | 2,093 | 2,444 | 2,661 | 2,493 | 2,390 | 2,351 |
| Equipment rentals and repairs | 1,396 | 1,387 | 1,271 | 1,327 | 1,335 | 1,317 | 2,932 | 2,951 | 2,852 | 2,438 |
| Total operating expenses before depreciation | 113,985 | 115,278 | 117,288 | 117,841 | 119,169 | 126,796 | 136,821 | 140,250 | 153,608 | 163,726 |
| Income from operations before depreciation | 21,697 | 15,699 | 16,407 | 26,166 | 34,381 | 50,702 | 58,916 | 70,255 | 80,386 | 85,121 |
| Depreciation | 36,991 | 38,423 | 42,651 | 50,435 | 46,164 | 46,100 | 81,598 | 81,887 | 87,821 | 95,229 |
| Operating income (loss) | (15,294) | (22,724) | (26,244) | (24,269) | (11,783) | 4,602 | (22,682) | (11,632) | (7,435) | (10,108) |
| Nonoperating revenues (expenses): | | | | | | | | | | |
| Passenger facility charges | 37,401 | 33,219 | 34,049 | 33,998 | 34,639 | 35,437 | 35,770 | 38,517 | 40258 | 42,200 |
| Customer facility charges | - | 1,695 | 10,783 | 10,986 | 11,487 | 19,117 | 27,545 | 32,465 | 33208 | 36,528 |
| Quieter Home Program, net | (3,990) | (5,573) | (1,629) | (3,359) | (3,531) | (1,589) | (2,750) | (2,811) | (3698) | (785) |
| Joint Studies Program | (963) | (180) | (244) | (129) | (73) | (55) | (152) | (145) | (101) | - |
| Interest income | 13,431 | 9,434 | 6,667 | 6,408 | 5,492 | 4,140 | 5,211 | 5,747 | 5999 | 8,134 |
| Interest expense | (3,859) | (2,771) | (3,245) | (10,998) | (395) | (12,054) | (51,983) | (55,187) | (50,636) | (58,179) |
| Build America Bonds Rebate | - | - | - | 3,691 | 4,996 | 4,779 | 4,636 | 4,631 | 4656 | 4,651 |
| Other revenues (expenses), net | 12 | 316 | (1,004) | (92) | (3,032) | (4,279) | 434 | 1,367 | 2247 | (17,121) |
| Nonoperating revenue, net | 42,032 | 36,140 | 45,376 | 40,505 | 49,583 | 45,496 | 18,711 | 24,584 | 31,933 | 15,428 |
| Income before capital grant contributions | 26,738 | 13,416 | 19,132 | 16,236 | 37,800 | 50,098 | (3,971) | 12,952 | 24,498 | 5,321 |
| Capital grant contributions | 2,850 | 4,646 | 27,350 | 26,355 | 20,834 | 16,077 | 3,924 | 10,765 | 10,477 | 1,904 |
| Change in net position | 29,588 | 18,062 | 46,482 | 42,591 | 58,634 | 66,175 | (47) | 23,717 | 34,975 | 7,224 |
| Prior Period Adjustment | - | - | - | - | - | - | - | (7,995) | (1,767) | - |
| Net position, beginning of year | 465,533 | 495,121 | 513,183 | 559,664 | 602,255 | 660,889 | 727,064 | 727,017 | 742,740 | 775,949 |
| Net position, end of year | $ 495,121 | $ 513,183 | $ 559,666 | $ 602,255 | $ 660,889 | $ 727,064 | $ 727,017 | $ 742,740 | $ 775,949 | $ 783,173 |

* Amounts for 2010 and after were restated as per GASB 65
Source: San Diego County Regional Airport Authority

# EXHIBIT S-4
## AUTHORITY LARGEST SOURCES OF REVENUE ($000)

Fiscal Years Ended June 30,

| Tenant | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2017 % of Total Operating Revenue |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Southwest Airlines | $ 16,920,722 | $ 17,658,629 | $ 19,428,103 | $ 21,306,108 | $ 23,357,007 | $ 27,598,908 | $ 29,548,565 | $ 33,107,335 | $ 33,838,686 | $ 35,960,638 | 14.5% |
| American Airlines | 11,798,393 | 9,022,521 | 11,449,947 | 11,510,696 | 12,585,537 | 15,173,458 | 15,785,140 | 15,888,023 | 15,321,505 | 17,075,112 | 6.9% |
| United Airlines | 6,522,426 | 6,344,127 | 7,905,284 | 9,280,812 | 10,931,601 | 15,817,886 | 15,364,094 | 15,687,045 | 14,518,119 | 16,227,363 | 6.5% |
| Delta Airlines | 5,168,634 | 4,647,333 | 6,663,671 | 8,003,895 | 8,911,886 | 10,898,540 | 12,005,146 | 13,560,515 | 14,418,056 | 16,123,110 | 6.5% |
| Alaska Airlines | 2,800,385 | 2,754,173 | 2,951,554 | 3,482,098 | 4,265,739 | 6,167,257 | 8,008,057 | 9,712,564 | 10,612,367 | 11,705,334 | 4.7% |
| Enterprise Rent-A-Car | 2,530,192 | 2,501,720 | 2,517,682 | 4,431,129 | 7,290,392 | 6,934,784 | 7,162,116 | 7,998,222 | 9,451,127 | 11,188,393 | 4.5% |
| Hertz Rent-A-Car | 6,860,949 | 5,816,230 | 5,861,737 | 5,635,151 | 5,795,690 | 5,961,730 | 6,149,759 | 6,236,082 | 8,225,179 | 11,142,905 | 4.5% |
| Avis Budget Rent-A-Car Group | 6,193,565 | 5,505,770 | 3,378,607 | 3,842,594 | 4,507,266 | 4,697,455 | 4,822,212 | 5,131,645 | 5,540,949 | 6,174,859 | 2.5% |
| Landmark Aviation | - | - | - | - | - | - | 2,027,308 | 5,042,672 | 5,536,511 | 5,675,514 | 2.3% |
| SSP America | - | - | - | - | - | - | - | - | 4,476,873 | 5,004,393 | 2.0% |

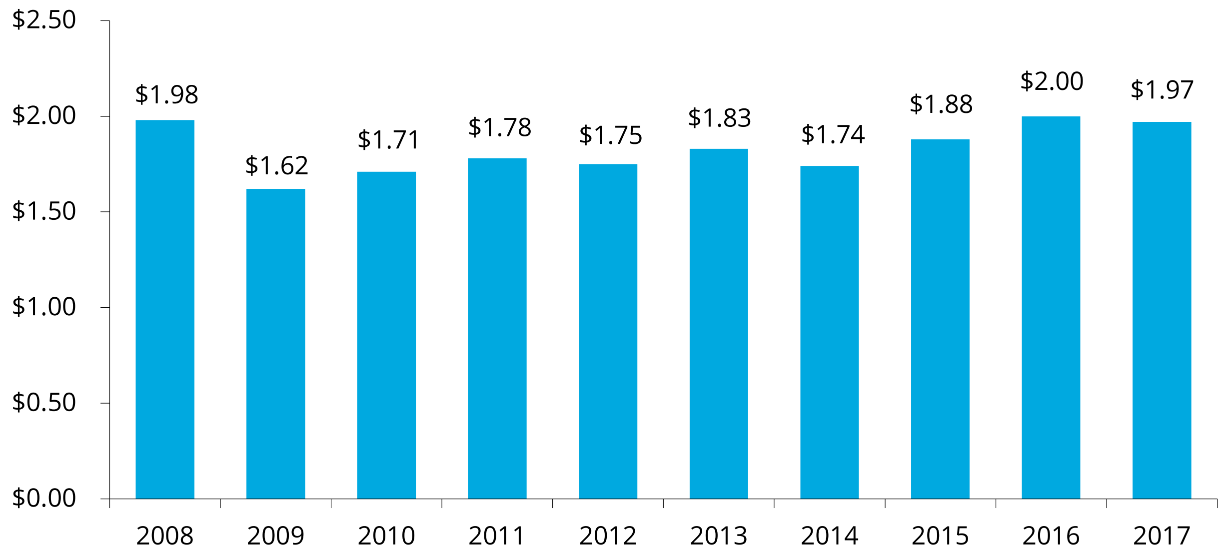
* On December 9, 2013, AMR Corporation (American Airlines) merged with US Airways Group, forming American Airlines Group. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. Data for US Airways and American Airlines have been combined in this table.

Source: San Diego County Regional Airport Authority

# EXHIBIT S-5
## AUTHORITY LANDING FEE RATE ($ PER 1,000 LBS)

Fiscal Years Ended June 30,

AUTHORITY LANDING FEE RATE




Source: San Diego County Regional Airport Authority

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

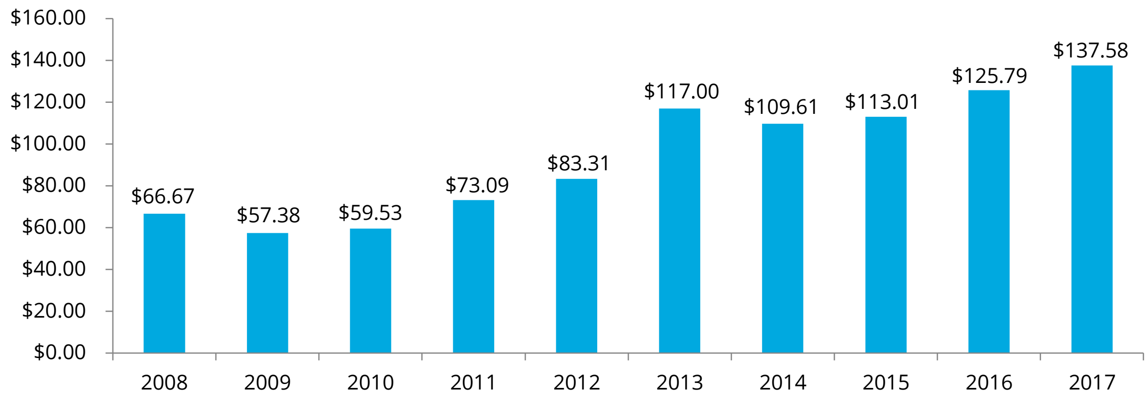
# EXHIBIT S-6
## TERMINAL RATES BILLED TO AIRLINES

Fiscal Years Ended June 30,

| Fiscal Year | Terminal Rates Per Square Foot* | % Change |
|---|---|---|
| 2008 | $66.67 | 14.2 % |
| 2009 | $57.38 | (13.9)% |
| 2010 | $59.53 | 3.7 % |
| 2011 | $73.09 | 22.8 % |
| 2012 | $83.31 | 14.0 % |
| 2013 | $117.00 | 40.4 % |
| 2014 | $109.61 | (6.3)% |
| 2015 | $113.01 | 3.1 % |
| 2016 | $126.21 | 11.7 % |
| 2017 | $137.58 | 9.0 % |

*Net of janitorial credit

TERMINAL RATE PER SQUARE FOOT




Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation.

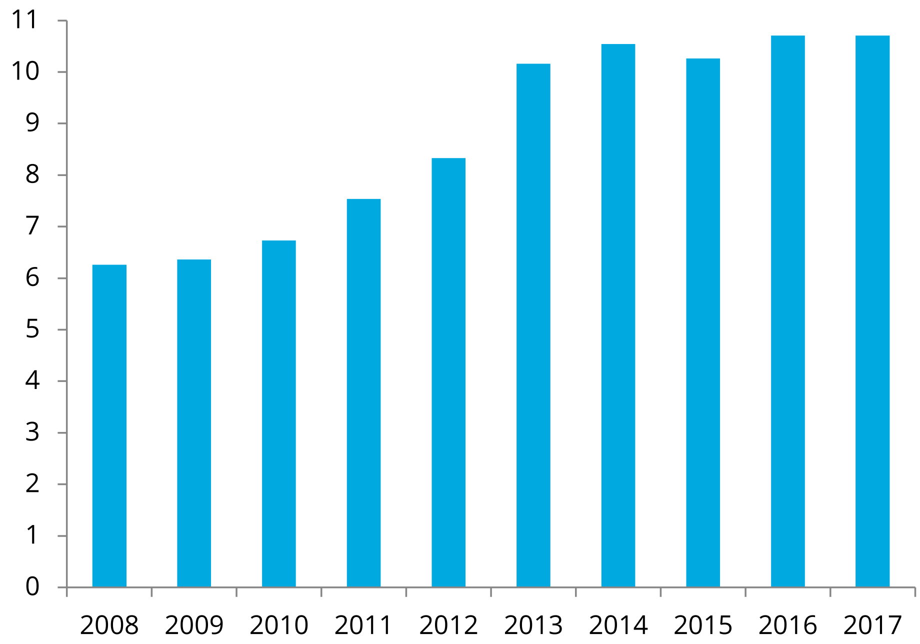
**Landing Fees** are the revenues from passenger and cargo air carriers for landing aircraft at SDIA.

# EXHIBIT S-7
## AIRLINE COST PER ENPLANED PASSENGER

Fiscal Years Ended June 30,

| Fiscal Year | Enplaned Passengers | Cost per Enplaned Passenger |
|---|---|---|
| 2008 | 9,389,327 | $6.26 |
| 2009 | 8,535,774 | $6.36 |
| 2010 | 8,453,886 | $6.73 |
| 2011 | 8,441,120 | $7.54 |
| 2012 | 8,575,475 | $8.33 |
| 2013 | 8,737,617 | $10.16 |
| 2014 | 9,082,244 | $10.54 |
| 2015 | 9,713,066 | $10.26 |
| 2016 | 10,206,222 | $10.71 |
| 2017 | 10,596,483 | $10.71 |

COST PER ENPLANED PASSENGER



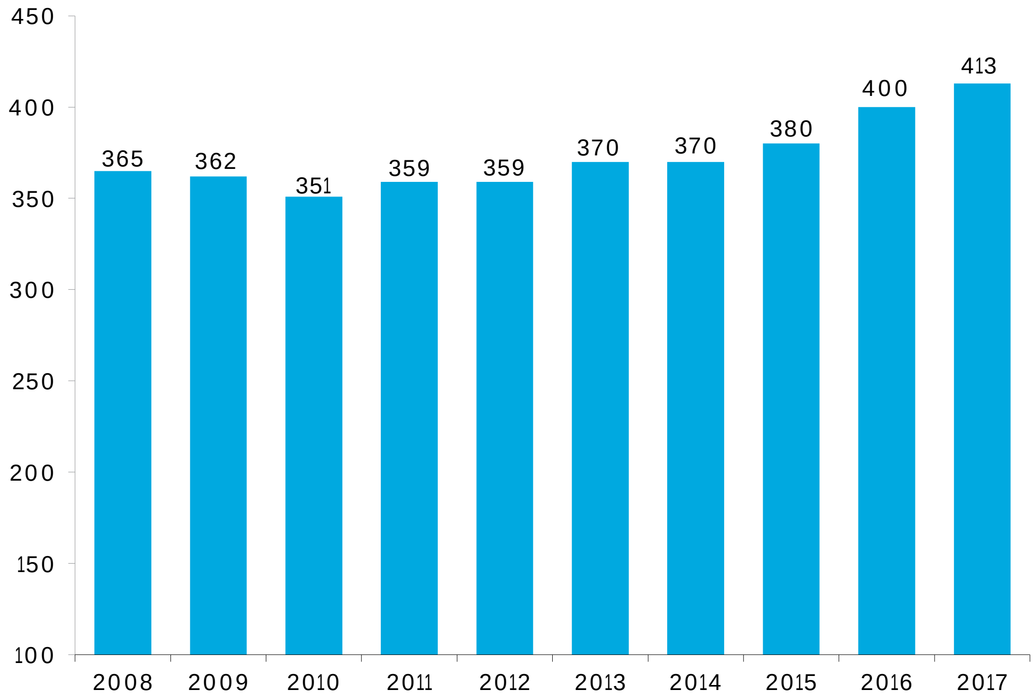

Source: San Diego County Regional Airport Authority

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

## EXHIBIT S-8
AUTORITY EMPLOYEE HEAD COUNT

Fiscal Years Ended June 30,

AUTHORITY EMPLOYEE HEAD COUNT




Source: San Diego County Regional Airport Authority

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

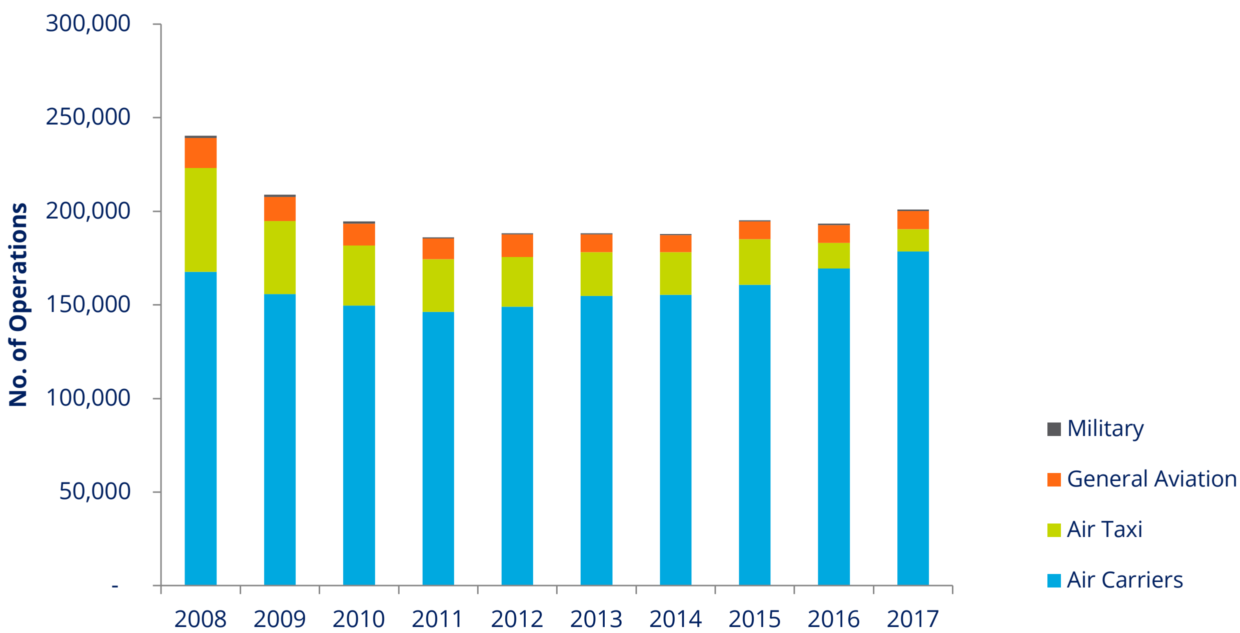
# EXHIBIT S-9
## AIRCRAFT OPERATIONS (TAKEOFFS & LANDINGS)

Fiscal Years Ended June 30,

| Fiscal Year | Air Carriers | Air Taxi | General Aviation | Military | Total |
|---|---|---|---|---|---|
| 2008 | 167,753 | 55,373 | 16,123 | 1,040 | 240,289 |
| 2009 | 155,766 | 39,122 | 12,721 | 1,174 | 208,783 |
| 2010 | 149,718 | 32,100 | 11,674 | 1,017 | 194,509 |
| 2011 | 146,215 | 28,273 | 10,938 | 755 | 186,181 |
| 2012 | 149,104 | 26,398 | 12,120 | 658 | 188,280 |
| 2013 | 154,781 | 23,370 | 9,586 | 567 | 188,304 |
| 2014 | 155,310 | 22,953 | 8,930 | 597 | 187,790 |
| 2015 | 160,726 | 24,336 | 9,534 | 669 | 195,265 |
| 2016 | 169,365 | 13,741 | 9,439 | 906 | 193,451 |
| 2017 | 178,579 | 11,899 | 9,719 | 814 | 201,011 |

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

AIRCRAFT OPERATIONS




Source: San Diego County Regional Airport Authority

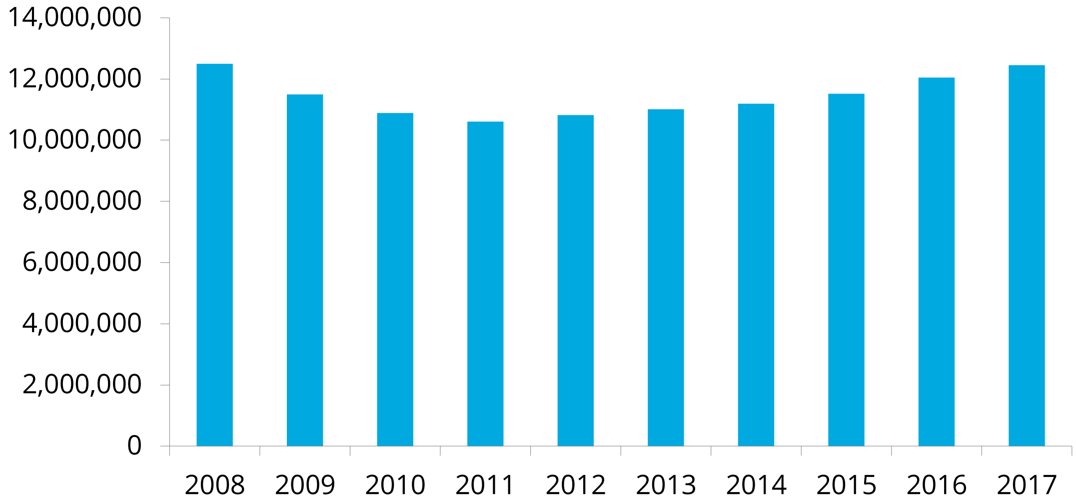
**Aircraft Operations** are the takeoffs and landings at SDIA.
They represent the level of demand for air service by the airlines operating at SDIA.

# EXHIBIT S-10
## AIRCRAFT LANDED WEIGHTS

Fiscal Years Ended June 30,

| Fiscal Year | Aircraft Landed Weight in 1000lbs | % Change |
|---|---|---|
| 2008 | 12,501,191 | 6.2 % |
| 2009 | 11,496,758 | (8.0)% |
| 2010 | 10,892,867 | (5.3)% |
| 2011 | 10,606,160 | (2.6)% |
| 2012 | 10,819,902 | 2.0 % |
| 2013 | 11,015,716 | 1.8 % |
| 2014 | 11,186,768 | 1.6 % |
| 2015 | 11,523,720 | 3.0 % |
| 2016 | 12,048,142 | 4.6 % |
| 2017 | 12,616,069 | 4.7 % |

AIRCRAFT LANDED WEIGHTS (000 LBS)




Source: San Diego County Regional Airport Authority

**Landed Weight** is the maximum gross certificated landed weight in one thousand pound units as stated in the airlines' flight operational manual. Landed weight is used to calculate landing fees for both airline and general aviation aircraft operated at the airport.

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

Fiscal Years Ended June 30,

| | Landed Weight (in thousands) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Air Carrier | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Southwest Airlines | 4,416,996 | 4,415,780 | 4,068,974 | 4,001,530 | 3,953,536 | 3,907,554 | 3,925,362 | 4,214,314 | 4,257,162 | 4,470,104 |
| American Airlines * | 1,603,826 | 1,532,867 | 1,392,660 | 1,275,498 | 1,344,140 | 1,339,751 | 1,349,554 | 1,359,911 | 1,467,922 | 1,428,538 |
| United Airlines ** | 1,761,692 | 1,670,479 | 1,662,541 | 1,583,372 | 1,502,203 | 1,387,854 | 1,340,736 | 1,227,974 | 1,250,500 | 1,355,185 |
| Delta Airlines | 839,172 | 713,622 | 893,467 | 1,062,254 | 1,047,068 | 1,023,608 | 1,016,878 | 1,077,103 | 1,153,074 | 1,175,285 |
| Alaska Airlines | 612,282 | 536,281 | 511,813 | 595,238 | 648,359 | 750,000 | 884,727 | 888,065 | 924,310 | 999,875 |
| Federal Express | 447,636 | 402,665 | 400,303 | 421,239 | 452,453 | 451,797 | 419,127 | 384,686 | 444,038 | 390,716 |
| Skywest Airlines | 195,777 | 219,416 | 332,408 | 338,812 | 306,789 | 428,595 | 396,054 | 408,608 | 359,197 | 465,023 |
| Spirit Airlines | - | - | - | - | 98,931 | 208,200 | 245,669 | 296,925 | 351,977 | 286,162 |
| Compass Airlines | - | - | - | - | - | - | 10,979 | 172,754 | 307,793 | 296,581 |
| Virgin America | 3,122 | 221,333 | 205,348 | 173,686 | 208,253 | 235,934 | 232,136 | 240,781 | 281,411 | 278,741 |
| JetBlue Airlines | 288,239 | 297,340 | 201,071 | 167,369 | 166,232 | 168,080 | 189,979 | 193,848 | 199,232 | 244,364 |
| British Airways | - | - | - | 13,800 | 167,440 | 163,760 | 166,980 | 166,980 | 183,760 | 217,360 |
| Hawaiian Airlines | 235,200 | 137,145 | 121,600 | 134,080 | 118,088 | 140,637 | 147,325 | 146,284 | 147,406 | 147,568 |
| Japan Airlines | - | - | - | - | - | 47,125 | 138,700 | 138,700 | 139,080 | 139,626 |
| United Parcel | - | 127,900 | 118,874 | 120,158 | 120,454 | 118,180 | 121,742 | 127,660 | 135,318 | 146,778 |
| Subtotal | 10,403,942 | 10,274,828 | 9,909,059 | 9,887,036 | 10,133,945 | 10,371,076 | 10,585,948 | 11,044,593 | 11,602,178 | 12,041,906 |
| All Others | 2,097,549 | 1,221,930 | 983,808 | 719,124 | 685,956 | 644,639 | 600,817 | 479,127 | 445,964 | 574,163 |
| Total | 12,501,491 | 11,496,758 | 10,892,867 | 10,606,160 | 10,819,902 | 11,015,716 | 11,186,766 | 11,523,720 | 12,048,142 | 12,616,069 |
| Annual % Change | 6.2% | -8.0% | -5.3% | -2.6% | 2.0% | 1.8% | 1.6% | 3.0% | 4.6% | 4.7% |

* 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.

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

Source: San Diego County Regional Airport Authority.

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

Fiscal Years Ended June 30,

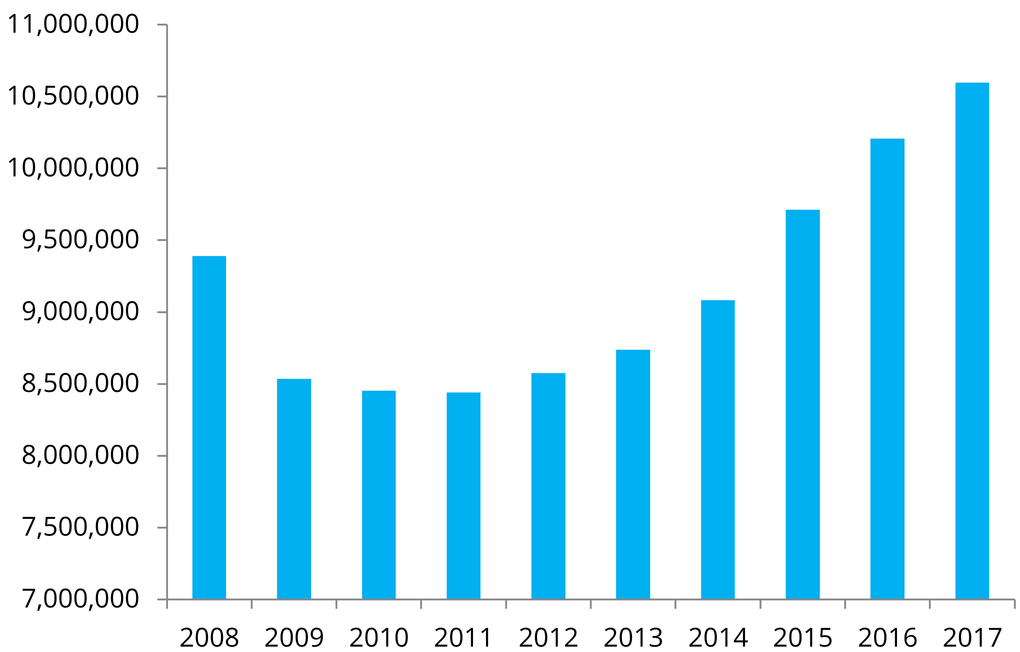
| Air Carrier | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Market Share | | | | | | | | | |
| Southwest Airlines | 35.3% | 38.4% | 37.4% | 37.7% | 36.5% | 35.5% | 35.1% | 36.6% | 35.3% | 35.4% |
| American Airlines * | 12.8% | 13.3% | 12.8% | 12.0% | 12.4% | 12.2% | 12.1% | 11.8% | 12.2% | 11.3% |
| United Airlines ** | 14.1% | 14.5% | 15.3% | 14.9% | 13.9% | 12.6% | 12.0% | 10.7% | 10.4% | 10.7% |
| Delta Airlines | 6.7% | 6.2% | 8.2% | 10.0% | 9.7% | 9.3% | 9.1% | 9.3% | 9.6% | 9.3% |
| Alaska Airlines | 4.9% | 4.7% | 4.7% | 5.6% | 6.0% | 6.8% | 7.9% | 7.7% | 7.7% | 7.9% |
| Federal Express | 3.6% | 3.5% | 3.7% | 4.0% | 4.2% | 4.1% | 3.7% | 3.3% | 3.7% | 3.1% |
| Skywest Airlines | 1.6% | 1.9% | 3.1% | 3.2% | 2.8% | 3.9% | 3.5% | 3.5% | 3.0% | 3.7% |
| Spirit Airlines | - | - | - | - | 0.9% | 1.9% | 2.2% | 2.6% | 2.9% | 2.3% |
| Compass Airlines | - | - | - | - | - | - | 0.1% | 1.5% | 2.6% | 2.4% |
| Virgin America | - | 1.9% | 1.9% | 1.6% | 1.9% | 2.1% | 2.1% | 2.1% | 2.3% | 2.2% |
| JetBlue Airlines | | 2.6% | 1.8% | 1.6% | 1.5% | 1.5% | 1.7% | 1.7% | 1.7% | 1.9% |
| British Airways | - | - | - | 0.1% | 1.5% | 1.5% | 1.5% | 1.4% | 1.5% | 1.7% |
| Hawaiian Airlines | 1.9% | 1.2% | 1.1% | 1.3% | 1.1% | 1.3% | 1.3% | 1.3% | 1.2% | 1.2% |
| Japan Airlines | - | - | - | - | - | 0.4% | 1.2% | 1.2% | 1.2% | 1.1% |
| United Parcel | - | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% | 1.2% |
| Subtotal | 83.2% | 89.4% | 91.0% | 93.2% | 93.7% | 94.1% | 94.6% | 95.8% | 96.3% | 95.4% |
| All Others | 16.8% | 10.6% | 9.0% | 6.8% | 6.3% | 5.9% | 5.4% | 4.2% | 3.7% | 4.6% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

# EXHIBIT S-12
## PASSENGER ENPLANEMENTS

Fiscal Years Ended June 30,

| Fiscal Year | Passenger Enplanements | % Change SAN | % Change US Average |
|---|---|---|---|
| 2008 | 9,389,327 | 5.6% | 2.0% |
| 2009 | 8,535,774 | (9.1%) | (7.9%) |
| 2010 | 8,453,886 | (1.0%) | (0.1%) |
| 2011 | 8,441,120 | (0.2%) | 3.0% |
| 2012 | 8,575,475 | 1.6% | 1.1% |
| 2013 | 8,737,617 | 1.9% | 0.2% |
| 2014 | 9,082,244 | 3.9% | 1.6% |
| 2015 | 9,713,066 | 6.9% | 3.3% |
| 2016 | 10,206,222 | 5.1% | 5.0% |
| 2017 | 10,596,483 | 3.8% | 2.7% |

PASSENGER ENPLANEMENTS




Source: San Diego County Regional Airport Authority

**Enplaned Passenger** is any revenue passenger boarding at the airport, including any passenger that previously disembarked from another aircraft (i.e. connecting passenger).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# EXHIBIT S-13
## ENPLANEMENT MARKET SHARE BY AIRLINE BY FISCAL YEAR

Fiscal Years Ended June 30,

| | Enplanements | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Air Carrier | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Aeromexico | 32,223 | 27,772 | 24,335 | - | - | - | - | - | - | - |
| Air Canada | 55,031 | 27,255 | 46,959 | 58,539 | 56,470 | 45,058 | 36,636 | 41,175 | 48,985 | 74,018 |
| AirTran Airways | 97,937 | 66,475 | 37,530 | 17,978 | - | - | - | - | - | - |
| Alaska Airlines | 498,169 | 428,515 | 435,722 | 514,498 | 579,457 | 673,731 | 830,349 | 871,775 | 902,705 | 918,841 |
| American Airlines* | 808,790 | 735,067 | 704,909 | 658,752 | 664,466 | 650,826 | 693,995 | 747,493 | 1,369,003 | 1,339,489 |
| British Airways | - | - | - | 6,912 | 81,437 | 81,534 | 84,600 | 84,263 | 89,723 | 90,200 |
| Condor | - | - | - | - | - | - | - | - | - | 3,902 |
| Continental Airlines | 520,856 | 503,242 | 507,443 | 496,100 | - | - | - | - | - | - |
| Delta Airlines | 687,104 | 618,127 | 900,510 | 919,323 | 935,777 | 904,734 | 915,907 | 992,498 | 1,061,889 | 1,088,647 |
| Edelweiss | - | - | - | - | - | - | - | - | - | 1,215 |
| Frontier Airlines | 231,926 | 203,689 | 196,628 | 219,008 | 198,708 | 184,020 | 185,270 | 150,595 | 118,990 | 180,235 |
| Hawaiian Airlines | 160,939 | 100,626 | 90,874 | 98,887 | 86,211 | 94,283 | 98,667 | 96,963 | 102,462 | 107,776 |
| Japan Airlines | - | - | - | - | - | 18,249 | 54,213 | 59,372 | 59,647 | 59,916 |
| JetBlue Airlines | 224,205 | 235,199 | 167,031 | 141,684 | 147,051 | 152,571 | 173,282 | 178,590 | 182,605 | 224,700 |
| Southwest Airlines | 3,306,386 | 3,122,090 | 3,183,084 | 3,277,931 | 3,252,290 | 3,253,225 | 3,352,870 | 3,736,688 | 3,840,455 | 3,967,487 |
| Spirit | - | - | - | - | 77,873 | 164,189 | 201,414 | 252,219 | 327,183 | 287,208 |
| Sun Country Airlines | 44,454 | 35,885 | 24,984 | 24,175 | 15,889 | 23,836 | 27,276 | 28,732 | 34,886 | 40,109 |
| United Airlines | 978,816 | 927,023 | 920,960 | 878,307 | 1,266,007 | 1,175,869 | 1,167,661 | 1,113,510 | 1,165,565 | 1,266,055 |
| US Airways* | 552,751 | 563,392 | 512,558 | 523,378 | 535,906 | 560,738 | 554,244 | 523,034 | - | - |
| Virgin America | 57,292 | 155,649 | 151,110 | 133,377 | 166,326 | 168,297 | 156,729 | 175,973 | 211,075 | 212,158 |
| Volaris | - | - | - | - | 45,589 | 30,885 | 23,285 | 20,004 | 21,343 | 3,948 |
| WestJet | - | 1,526 | 18,738 | 19,360 | 25,535 | 27,746 | 31,805 | 33,723 | 34,516 | 41,043 |
| Allegiant | 47,257 | 21,309 | 32,803 | 18,416 | 18,099 | 15,466 | 7,859 | 7,406 | 16,825 | 49,480 |
| Other | - | 2,622 | - | - | - | - | - | - | - | - |
| Total Air Carrier | 8,754,541 | 8,056,527 | 7,956,178 | 8,006,625 | 8,153,091 | 8,225,257 | 8,596,062 | 9,114,013 | 9,587,857 | 9,975,683 |
| Regional | | | | | | | | | | |
| Compass | - | - | - | - | - | - | 8,563 | 140,012 | 249,723 | 195,126 |
| Express Jet Airlines | 202,429 | 36,034 | - | - | - | - | - | - | - | - |
| Horizon | - | - | - | - | 5,900 | 77,392 | 84,000 | 83,764 | 64,758 | 53,517 |
| Mesa Airlines | 17,098 | 7,381 | 18,670 | 6,709 | 12,766 | 206 | - | - | - | - |
| Seaport Airlines | - | - | - | - | - | 196 | 1,128 | 3,298 | 2,292 | - |
| Skywest Airlines | 177,112 | 203,543 | 271,766 | 272,365 | 263,144 | 352,189 | 341,365 | 371,979 | 301,592 | 372,157 |
| Total Regional | 634,786 | 479,247 | 497,708 | 434,495 | 422,384 | 512,360 | 486,182 | 599,053 | 618,365 | 620,800 |
| Total Passengers | 9,389,327 | 8,535,774 | 8,453,886 | 8,441,120 | 8,575,475 | 8,737,617 | 9,082,244 | 9,713,066 | 10,206,222 | 10,596,483 |

* 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. The enplanements are shown separately for the purpose of this table.

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

Fiscal Years Ended June 30,

| | Market Share | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Air Carrier | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Aeromexico | 0.3% | 0.3% | 0.3% | - | - | - | - | - | - | - |
| Air Canada | 0.6% | 0.3% | 0.6% | 0.7% | 0.7% | 0.5% | 0.4% | 0.4% | 0.5% | 0.7% |
| AirTran Airways | 1.0% | 0.8% | 0.4% | 0.2% | - | - | - | - | - | - |
| Alaska Airlines | 5.3% | 5.0% | 5.2% | 6.1% | 6.8% | 7.7% | 9.1% | 9.0% | 8.8% | 8.7% |
| American Airlines* | 8.6% | 8.6% | 8.3% | 7.8% | 7.7% | 7.4% | 7.6% | 7.7% | 13.4% | 12.6% |
| British Airways | - | - | - | 0.1% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% |
| Condor | - | - | - | - | - | - | - | - | - | 0.0% |
| Continental Airlines | 5.5% | 5.9% | 6.0% | 5.9% | 0.0% | - | - | - | - | - |
| Delta Airlines | 7.3% | 7.2% | 10.7% | 10.9% | 10.9% | 10.4% | 10.1% | 10.2% | 10.4% | 10.3% |
| Edelweiss | - | - | - | - | - | - | - | - | - | 0.0% |
| Frontier Airlines | 2.5% | 2.4% | 2.3% | 2.6% | 2.3% | 2.1% | 2.0% | 1.6% | 1.2% | 1.7% |
| Hawaiian Airlines | 1.7% | 1.2% | 1.1% | 1.2% | 1.0% | 1.1% | 1.1% | 1.0% | 1.0% | 1.0% |
| Japan Airlines | - | - | - | - | - | 0.2% | 0.6% | 0.6% | 0.6% | 0.6% |
| JetBlue Airlines | 2.4% | 2.8% | 2.0% | 1.7% | 1.7% | 1.7% | 1.9% | 1.8% | 1.8% | 2.1% |
| Southwest Airlines | 35.2% | 36.6% | 37.7% | 38.8% | 37.9% | 37.2% | 36.9% | 38.5% | 37.6% | 37.4% |
| Spirit | - | - | - | - | 0.9% | 1.9% | 2.2% | 2.6% | 3.2% | 2.7% |
| Sun Country Airlines | 0.5% | 0.4% | 0.3% | 0.3% | 0.2% | 0.3% | 0.3% | 0.3% | 0.3% | 0.4% |
| United Airlines | 10.4% | 10.9% | 10.9% | 10.4% | 14.8% | 13.5% | 12.9% | 11.5% | 11.4% | 11.9% |
| US Airways* | 5.9% | 6.6% | 6.1% | 6.2% | 6.2% | 6.4% | 6.1% | 5.4% | 0.0% | 0.0% |
| Virgin America | 0.6% | 1.8% | 1.8% | 1.6% | 1.9% | 1.9% | 1.7% | 1.8% | 2.1% | 2.0% |
| Volaris | - | - | - | - | 0.5% | 0.4% | 0.3% | 0.2% | 0.2% | 0.0% |
| WestJet | 0.0% | 0.0% | 0.2% | 0.2% | 0.3% | 0.3% | 0.4% | 0.3% | 0.3% | 0.4% |
| Allegiant | 0.5% | 0.2% | 0.4% | 0.2% | 0.2% | 0.2% | 0.1% | 0.1% | 0.2% | 0.5% |
| Other | - | 0.0% | - | - | - | - | - | - | - | - |
| Total Air Carrier | 93.2% | 94.4% | 94.1% | 94.9% | 95.1% | 94.1% | 94.6% | 93.8% | 93.9% | 94.1% |
| Regional | | | | | | | | | | |
| Compass | - | - | - | - | - | - | 0.1% | 1.4% | 1.9% | 1.8% |
| Express Jet Airlines | 2.2% | 0.4% | - | - | - | - | - | - | - | - |
| Horizon | - | - | - | - | 0.1% | 0.9% | 0.9% | 0.9% | 0.6% | 0.5% |
| Mesa Airlines | 0.2% | 0.1% | 0.2% | 0.1% | 0.1% | 0.0% | - | - | - | - |
| Seaport Airlines | - | - | - | - | - | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Skywest Airlines | 1.9% | 2.4% | 3.2% | 3.2% | 3.1% | 4.0% | 3.8% | 3.8% | 3.0% | 3.5% |
| Total Regional | 6.8% | 5.6% | 5.9% | 5.1% | 4.9% | 5.9% | 5.4% | 6.2% | 6.1% | 5.9% |
| Total Passengers | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

| San Diego International Airport | |
|---|---|
| Number of runways | 1 |
| Length of runway (feet) | 9,401 feet |
| Number of gates | 51 |
| Remote aircraft parking positions | 24 |
| Terminal rentable square footage | 583,238 |
| Airport Land Area | 661 acres |
| On airport parking spaces (public) | 2,932 |
| Off airport parking spaces (public) | 2,560 |

Source: San Diego County Regional Airport Authority
The parking spaces shown above are controlled and operated by the Airport Authority and reported on a weighted average basis.
The terminal rentable square footage is a weighted average figure that reflects square footage changes due to construction or remodeling.

# EXHIBIT S-15
## POPULATION & PER CAPITA PERSONAL INCOME SAN DIEGO COUNTY

| Calendar Year | Estimated Population(1) | % Change | Per Capita Personal Income(1) | % Change | Total Personal Income(1) (in billions) | % Change |
|---|---|---|---|---|---|---|
| 2008 | 3,051,262 | 1.2 % | $50,069 | (0.8)% | $141.8 | 4.0 % |
| 2009 | 3,077,633 | 0.9 % | $48,464 | (3.2)% | $137.3 | (3.2)% |
| 2010 | 3,102,852 | 0.8 % | $48,286 | (0.4)% | $138.3 | 0.7 % |
| 2011 | 3,137,283 | 1.1 % | $49,745 | 3.0 % | $148.0 | 7.0 % |
| 2012 | 3,174,808 | 1.2 % | $50,779 | 2.1 % | $156.0 | 5.4 % |
| 2013 | 3,209,225 | 1.1 % | $51,250 | 0.9 % | $160.8 | 3.1 % |
| 2014 | 3,247,522 | 1.2 % | $52,180 | 1.8 % | $167.9 | 4.4 % |
| 2015 | 3,275,546 | 0.9 % | $54,249 | 4.0 % | $177.7 | 5.8 % |
| 2016 | 3,305,481 | 0.9 % | $55,801 | 2.9 % | $187.9 | 5.7 % |
| 2017 | 3,337,300 | 1.0 % | $57,037 | 2.2 % | $199.7 | 6.3 % |

Source: California Department of Transportation San Diego County
(1) 2016 and 2017 population, per capita personal income and total personal income are estimates by the California Department ofTransportation.

# EXHIBIT S-16
## PRINCIPAL EMPLOYERS IN SAN DIEGO COUNTY

July 2016

| Employer | Local Employees | Rank | Percentage of Total Industry Employment |
|---|---|---|---|
| State of California | 48,300 | 1 | 3.1% |
| U.S. Federal Government | 46,700 | 2 | 3.0% |
| University of California, San Diego | 30,671 | 3 | 2.0% |
| Sharp Health Care | 17,809 | 4 | 1.1% |
| Scripps Health | 14,863 | 5 | 0.9% |
| Qualcomm Inc. | 12,186 | 6 | 0.8% |
| City of San Diego | 11,347 | 7 | 0.7% |
| Kaiser Foundation | 8,406 | 8 | 0.5% |
| UC San Diego Health System | 7,438 | 9 | 0.5% |
| San Diego Community College District | 5,902 | 10 | 0.4% |

**Total Civilian Labor Force in San Diego County (June 2016): 1,570,700**

July 2007

| Employer | Local Employees | Rank | Percentage of Total Industry Employment |
|---|---|---|---|
| State of California | 40,600 | 1 | 2.7% |
| U.S. Federal Government | 39,900 | 2 | 2.6% |
| University of California, San Diego | 26,924 | 3 | 1.8% |
| County of San Diego | 16,147 | 4 | 1.1% |
| San Diego Unified School District | 14,555 | 5 | 1.0% |
| Sharp Health Care | 13,872 | 6 | 0.9% |
| Scripps Health | 12,196 | 7 | 0.8% |
| San Diego State University | 11,247 | 8 | 0.7% |
| City of San Diego | 11,195 | 9 | 0.7% |
| Qualcomm Inc. | 8,008 | 10 | 0.5% |

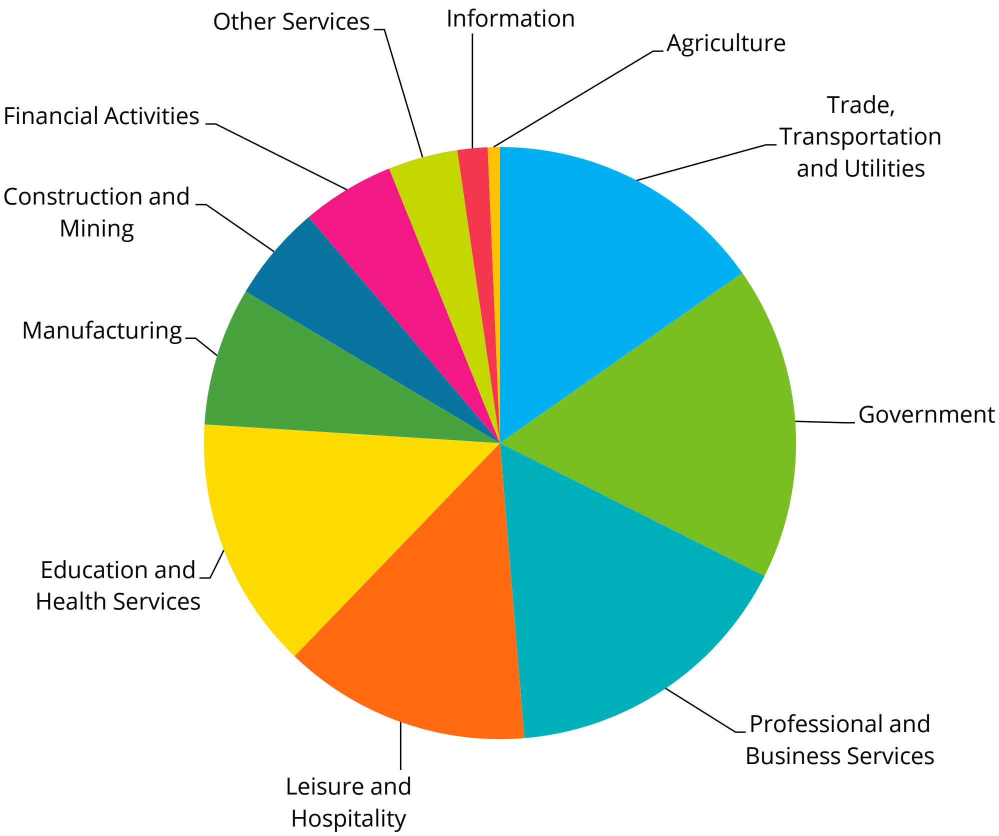
**Total Civilian Labor Force in San Diego County (June 2007): 1,516,100**

Source: Employers - San Diego Journal Book of Lists: 2008 & 2017
Total Industry Employment - California Employment Development Dept., Labor Market Info June 2016 - March 2007 Benchmark

# EXHIBIT S-17
## SAN DIEGO COUNTY EMPLOYMENT BY INDUSTRY SECTOR

| Industry Sectors | Industry Employment June 2016 | % of Total |
|---|---|---|
| Trade, Transportation and Utilities | 218,400 | 15.3% |
| Government | 245,400 | 17.1% |
| Professional and Business Services | 233,000 | 16.3% |
| Leisure and Hospitality | 193,500 | 13.5% |
| Education and Health Services | 197,400 | 13.8% |
| Manufacturing | 108,100 | 7.6% |
| Construction and Mining | 75,400 | 5.3% |
| Financial Activities | 72,500 | 5.1% |
| Other Services | 54,400 | 3.8% |
| Information | 23,500 | 1.6% |
| Agriculture | 9,500 | 0.7% |
| **Total** | **1,431,100** | |

Source: California Employment Development Dept., Labor Market Information Industry Employment & Labor Force, March 2016 Benchmark.



# EXHIBIT S-18
## LABOR FORCE, EMPLOYMENT & UNEMPLOYMENT RATES

Fiscal Years Ended June 30,

| | | | | Unemployment Rate | |
|---|---|---|---|---|---|
| **Year** | **Labor Force** | **Employment** | **Unemployment** | **SD County** | **State** |
| 2007 | 1,516,100 | 1,446,700 | 69,500 | 4.6% | 5.3% |
| 2008 | 1,547,300 | 1,454,400 | 92,800 | 6.0% | 7.0% |
| 2009 | 1,553,400 | 1,403,400 | 150,000 | 9.7% | 11.3% |
| 2010 | 1,513,100 | 1,350,500 | 162,600 | 10.7% | 12.0% |
| 2011 | 1,523,000 | 1,360,000 | 163,000 | 10.7% | 12.0% |
| 2012 | 1,544,200 | 1,400,000 | 146,300 | 9.5% | 10.6% |
| 2013 | 1,548,000 | 1,425,600 | 125,900 | 8.1% | 9.2% |
| 2014 | 1,544,000 | 1,450,200 | 99,300 | 6.5% | 7.4% |
| 2015 | 1,557,000 | 1,486,200 | 81,000 | 5.3% | 6.3% |
| 2016 | 1,570,700 | 1,499,800 | 80,400 | 4.9% | 5.6% |

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

| Senior Bonds | 2008 | 2009 | 2010 | 2011[6] | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues [1] | $ 144,379,133 | $ 138,334,601 | $ 138,113,792 | $ 148,963,673 | $ 158,311,779 | $ 181,051,929 | $ 199,834,430 | $ 214,770,544 | $ 238,640,326 | $ 255,540,858 |
| Operating and Maintenance Expenses | (114,375,096) | (115,221,068) | (116,275,132) | (117,100,946) | (118,941,148) | (126,662,546) | (136,604,105) | (142,781,639) | (151,327,220) | (154,455,699) |
| Net Revenues [2] | $ 30,004,037 | $ 23,113,533 | $ 21,838,660 | $ 31,862,727 | $ 39,370,631 | $ 54,389,383 | $ 63,230,325 | $ 71,988,905 | $ 87,313,106 | $ 101,085,159 |
| Senior Bond Debt Service [3] | | | | | | | | | | |
| Principal | $ 2,805,000 | $ 2,950,000 | $ 3,105,000 | $ 3,265,000 | $ 3,430,000 | $ - | $ - | $ 2,030,000 | $ 2,090,000 | $ 2,155,000 |
| Interest | 2,532,225 | 2,391,975 | 2,244,475 | 2,089,225 | 1,925,975 | 2,478,489 | 16,645,435 | 18,034,575 | 18,414,600 | 18,349,950 |
| PFCs used to pay debt service | - | - | - | - | - | (714,077) | (7,140,301) | (8,669,966) | (9,490,326) | (9,548,626) |
| Total Debt Service for the Senior Bond | $ 5,337,225 | $ 5,341,975 | $ 5,349,475 | $ 5,354,225 | $ 5,355,975 | $ 1,764,412 | $ 9,505,134 | $ 11,394,609 | $ 11,014,274 | $ 10,956,324 |
| **Senior Bonds Debt Service Coverage (x)** | **5.62** | **4.33** | **4.08** | **5.95** | **7.35** | **30.83** | **6.65** | **6.32** | **7.93** | **9.23** |
| **Subordinate Debt** | | | | | | | | | | |
| Subordinate Net Revenues [2] | | | | $ 26,508,502 | $ 34,014,656 | $ 52,624,971 | $ 53,725,191 | $ 60,594,296 | $ 76,298,832 | $ 90,128,835 |
| Subordinate Annual Debt Service [4] | | | | | | | | | | |
| Principal | | | | $ 715,000 | $ 980,000 | $ 1,000,000 | $ 5,785,000 | $ 8,665,000 | $ 9,000,000 | $ 9,430,000 |
| Interest | | | | 2,971,984 | 6,599,760 | 26,194,616 | 27,069,283 | 26,853,179 | 26,435,600 | 26,085,029 |
| Commercial Paper | | | | 1,220,226 | 1,077,867 | 5,519,872 | 6,446,951 | 6,736,945 | 6,760,189 | 7,000,066 |
| PFCs used to pay debt service | | | | - | - | (20,061,962) | (20,718,863) | (21,554,245) | (20,331,674) | (20,456,707) |
| Total Subordinate Annual Debt Service | | | | $ 4,907,211 | $ 8,657,627 | $ 12,652,526 | $ 18,582,371 | $ 20,700,879 | $ 21,864,115 | $ 22,058,389 |
| **Subordinate Obligations Debt Service Coverage (x)** | | | | **5.40** | **3.93** | **4.16** | **2.89** | **2.93** | **3.49** | **4.09** |
| **Aggregate Debt** | | | | | | | | | | |
| Aggregate Net Revenues | | | | $ 31,862,727 | $ 39,370,631 | $ 54,389,383 | $ 63,230,325 | $ 71,988,905 | $ 87,313,106 | $ 101,085,159 |
| Aggregate Annual Debt Service | | | | | | | | | | |
| Principal | | | | 3,980,000 | 4,410,000 | 1,000,000 | 5,785,000 | 10,695,000 | 11,090,000 | 11,585,000 |
| Interest | | | | 5,061,209 | 8,525,735 | 28,673,105 | 43,714,718 | 44,887,754 | 44,850,200 | 44,434,979 |
| Variable Rate Debt (5) | | | | 1,220,226 | 1,077,867 | 5,519,872 | 6,446,951 | 6,736,945 | 6,760,189 | 7,000,066 |
| PFC Funds Applied to Debt Service | | | | - | - | (20,776,039) | (27,859,164) | (30,224,211) | (29,822,000) | (30,005,333) |
| Total Subordinate Annual Debt Service | | | | $ 10,261,435 | $ 14,013,602 | $ 14,416,938 | $ 28,087,505 | $ 32,095,488 | $ 32,878,389 | $ 33,014,712 |
| **Aggregate Obligations Debt Service Coverage** | | | | **3.11** | **2.81** | **3.77** | **2.25** | **2.24** | **2.65** | **3.06** |

(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 2008-2010.

# EXHIBIT S-20
## DEBT SERVICE COVERAGE – SERIES 2014 CFC BONDS

| | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| CFC Collections | $ 27,545,001 | $ 32,464,843 | $ 33,207,946 | $ 36,527,853 |
| Bond Funding Supplemental Consideration | - | - | - | - |
| Transfers from CFC Stabilization Fund | - | - | - | - |
| Interest Earnings[1] | 204,194 | 295,726 | 332,761 | 466,134 |
| Total Amounts Available | 27,749,195 | 32,760,569 | 33,540,707 | 36,993,987 |
| Rolling Coverage Fund Balance[2] | - | - | 2,451,182 | 4,902,363 |
| Total Amounts Available, plus Rolling Coverage Fund Balance | $ 27,749,195 | $ 27,749,195 | $ 35,991,889 | $ 41,896,350 |
| Series 2014 Debt Service Requirements | - | - | 8,170,605 | 16,341,210 |
| Coverage excluding Rolling Coverage Fund | N/A | N/A | 4.11 | 2.26 |
| Coverage including Rolling Coverage Fund | N/A | N/A | 4.41 | 2.56 |

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.

| Fiscal Year | Outstanding Bond Debt (1) | Outstanding Commercial Paper Debt | Capital Leases | Total Outstanding Debt | Enplaned Passengers | Debt per Enplaned Passenger |
|---|---|---|---|---|---|---|
| 2008 | 52,812,246 | 49,430,000 | - | 102,242,246 | 9,389,327 | 10.89 |
| 2009 | 49,779,975 | 84,430,000 | - | 134,209,975 | 8,535,774 | 15.72 |
| 2010 | 46,602,704 | 164,430,000 | 377,172 | 211,409,876 | 8,453,886 | 25.01 |
| 2011 | 640,920,314 | 21,509,000 | 519,866 | 662,949,180 | 8,441,120 | 78.54 |
| 2012 | 635,307,968 | 20,729,000 | 361,641 | 656,398,609 | 8,575,475 | 76.54 |
| 2013 | 1,027,411,188 | 50,969,000 | 8,152,588 | 1,086,532,776 | 8,737,617 | 124.35 |
| 2014 (2) | 1,327,897,591 | 44,884,000 | 7,810,927 | 1,380,592,518 | 9,082,244 | 152.01 |
| 2015 | 1,317,784,291 | 38,705,000 | 7,971,993 | 1,364,461,284 | 9,713,066 | 140.48 |
| 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 |

Source: San Diego County Regional Airport Authority

(1) Outstanding Bond Debt includes unamortized bond premium

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


SOUTHWEST
JAL
JA832J
JAPAN AIRLINES
BOEING 787

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

SAN DIEGO, CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2017 & 2016

SAN DIEGO
INTERNATIONAL AIRPORT

LET'S GO.

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

**Item No.**
**9**

# STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**Fiscal Year 2018 First Quarter Activities Report and Audit Recommendations Issued by the Office of the Chief Auditor**

**Recommendation:**

The Audit Committee recommends that the Board accept the report.

**Background/Justification:**

On October 2, 2003, the Board of Directors of the San Diego County Regional Airport Authority approved the Charter of the Office of the Chief Auditor. The Charter established the role and requirements of the Office of the Chief Auditor (OCA) and defined the working relationship and responsibilities of the Chief Auditor to the Audit Committee and to the San Diego County Regional Airport Authority management.

As directed in the Charter of the Office of the Chief Auditor, the Chief Auditor shall annually report to the Board on audits completed, findings discovered, corrective action taken, and the implementation status on outstanding recommendations. The Charter of the Audit Committee also requires the Chief Auditor to periodically report on the Authority's various systems of internal controls, audit findings with management's steps toward resolution, and the initiation of special audits or investigations.

Therefore, the Fiscal Year 2018 First Quarter Report (Attachment A) was submitted to the Audit Committee by the Chief Auditor during a regular meeting of the Audit Committee on November 20, 2017. The report provides an account of activities accomplished by the OCA during the First Quarter of Fiscal Year 2018 and details the status on recommendations still pending implementation.

During its November 20, 2017, meeting, the Audit Committee voted unanimously to forward the Fiscal Year 2018 First Quarter Report to the Board for acceptance.

**Fiscal Impact:**

Adequate funding for the Audit Department is included in the adopted FY 2018 and conceptually approved FY 2019 Operating Expense Budgets.

**Authority Strategies:**

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

- ☐ Community Strategy
- ☒ Customer Strategy
- ☐ Employee Strategy
- ☒ Financial Strategy
- ☒ Operations Strategy

## 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.

## Application of Inclusionary Policies:

Not Applicable

## Prepared by:

MARK A. BURCHYETT
CHIEF AUDITOR

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

ATTACHMENT A

# FISCAL YEAR 2018 FIRST QUARTER REPORT

Issue Date: November 7, 2017

OFFICE OF THE CHIEF AUDITOR

SAN DIEGO
INTERNATIONAL AIRPORT
LET'S GO.

November 7, 2017 Fiscal Year 2018 First Quarter Report

Paul Robinson, Chair
Audit Committee
San Diego County Regional Airport Authority
P.O. Box 82776
San Diego, California 92138-2776

Dear Mr. Robinson:

The Office of the Chief Auditor (OCA) presents our Fiscal Year 2018 First Quarter Report. The report details both the audit and administrative activities of the OCA during the first quarter of Fiscal Year 2018, resolution of past audit findings, and information regarding the future plans of the OCA.

The First Quarter Report will be presented at the next Audit Committee meeting scheduled for November 20, 2017.

Respectfully submitted,

Mark A. Burchyett
Chief Auditor

## *Audit Results*

During the first quarter, the OCA continued work, as authorized by the Audit Committee, on audits contained within the Fiscal Year 2017 Audit Plan and began work on audits from the Fiscal Year 2018 Audit Plan. In total, during the first quarter the OCA issued ten (10) audit reports. The audit reports included eight (8) recommendations for management that dealt with areas that could be improved upon: regarding Authority property, strengthening internal controls over the parking contractor, and underpayments from a rental car operator and concessionaires. The completed audits for the first quarter are listed in Figure 1 below.

*Figure 1: Audits Completed During the First Quarter of Fiscal Year 2018*

| Audit | Report No. | Date | Type of Audit |
|---|---|---|---|
| Ace Parking Management, Inc. | 17020 | 7/7/2017 | Revenue Contract |
| Telecommunications Services and Billing | 17001 | 7/27/2017 | Internal Process |
| Agreements with Expenditure Limits < $100,000 | 18032 | 8/2/2017 | Internal Process |
| Network Security Electronics, Inc. | 18011 | 8/9/2017 | Expense Contract |
| Property and Inventory Management | 17003 | 8/15/2017 | Internal Process |
| Board Member and Executive Business Expenses | 18029 | 8/22/2017 | Internal Process |
| BW-Budget-SDA, LLC | 18016 | 9/1/2017 | Revenue Contract |
| Host International, Inc. (FSP 2R) | 17025 | 9/1/2017 | Revenue Contract |
| Paradies San Diego, LLC | 17036 | 9/1/2017 | Revenue Contract |
| Mission Yogurt, Inc. (FSP 4) | 18027 | 9/12/2017 | Revenue Contract |

In addition to the completed audits, the Office of the Chief Auditor had ten (10) audits in progress as of September 30, 2017, as shown in Figure 2 below. Of the ten audits in progress, at the end of the quarter one (1) draft audit report was being developed and had been forwarded to the affected department for review and comment.

*Figure 2: Audits In-Progress as of September 30, 2017*

| Audit | Type of Audit |
|---|---|
| Aircraft Rescue and Fire Fighting (ARFF) Billing – FY 2017 | Expense Contract |
| Chula Vista Electric Company | Expense Contract |
| Pacific Gateway Concessions and Procurement Concepts San Diego, LLC (RP 3) | Revenue Contract |
| Sign Age Identity Systems, Inc. | Expense Contract |
| Simply Wheelz, LLC dba Advantage Rent-A-Car | Revenue Contract |
| Smarte Carte, Inc. | Revenue Contract |
| Stellar Partners, Inc. (RP 4) | Revenue Contract |
| Swinerton Builders | Expense Contract |
| The Hertz Corporation | Revenue Contract |
| Vehicle Fleet Management | Internal Process |

## *Recommendation Follow-Up*

To ensure that audit issues are addressed in a timely manner, the Office of the Chief Auditor tracks the status of its recommendations on an on-going basis. For the first quarter, the OCA tracked the implementation status of 13 recommendations that were issued during Fiscal Year 2018, or were outstanding as of June 30, 2017. As shown in Figure 3 below, seven (7) of the recommendations have been completed or implemented while six (6) remain outstanding. See Appendix B for a complete listing of all outstanding recommendations and their status.

*Figure 3: Status of Recommendations as of September 30, 2017*

| ***Recommendations:*** | | | | |
|---|---|---|---|---|
| **Tracked** | **Completed** | **In Progress** | **Open** | **Not Accepted** |
| **13** | **7** | **6** | **0** | **0** |

In tracking recommendations the OCA uses the following designations:

- **Completed:** This designation is used for recommendations that the OCA has determined to be adequately implemented or for recommendations where alternate action is taken that adequatley addresses the risk identified.
- **In Progress:** These recommendations have been partially addresed or partial corrective action has been taken. If adequate progress is not being made, it will be noted as such.
- **Open:** This category of recommendations have not yet been addressed. Usually, this designation is used when there has not been adequate time between report issuance and recommendation follow-up.
- **Not Accepted:** This designation is used for recommendations that an auditee does not accept; and, therefore, will not implement. This category can represent a failing on the part of the OCA, as all recommendations should be workable and acceptable to the affected departments.

In Fiscal Year 2016, we began to identify and measure an expected completion timeframe for each recommendation. Figure 4 below shows the status of recommendations issued along with our estimated implementation timeframe.

*Figure 4: Status of Recommendations with Estimated Implementation Timeframe*

| **Estimated Completion Timeframe** | **Completed Within Estimate** | **Completed Outside Estimate** | **Outstanding** | **Total** |
|---|---|---|---|---|
| Zero to 6 Months | 2 | 0 | 2 | 4 |
| 6 Months to 1 Year | 3 | 1 | 3 | 7 |
| Over 1 Year | 1 | 0 | 1 | 2 |
| **Total** | **6** | **1** | **6** | **13** |

It appears that adequate progress is being made with the majority of recommendations. Specifically, the non-completion of the "In Progress" recommendations should not have a material adverse effect on the Authority. The OCA will continue its monthly tracking of their status.

## *Non-Audit Activities*

Along with the audit activities detailed above, the Office of the Chief Auditor continues its involvement in several non-audit projects and activities. Specifically, the OCA was involved in the following:

**Audit Committee Meetings:**

The Audit Committee met on September 11, 2017. During that meeting, the OCA presented its Fiscal Year 2017 Annual Activities Report and provided the Committee with an update of its Ethics program. The next Audit Committee meeting is November 20, 2017, and will include a report from the external auditor, BKD LLP, on the Fiscal Year-ended June 30, 2017, audited financial reports.

**Construction Audit Activity:**

Construction audit activity for the first quarter of 2018 consisted of the continuation of the closeout audit of the Green Build. Through attendance at the Development Program meetings, and other construction planning related meetings, and working with members of the Accounting and Business & Financial Management Departments, the OCA Construction Auditor continues to provide assistance in ensuring that the Authority is meeting compliance requirements for ongoing and planned projects. Additionally, the OCA Construction Auditor remains involved with issues identified by the Airport Design and Construction team, Facilities Development team, and Authority Management, providing assistance and attending meetings specific to the aspects of the Authority's construction activity.

**Ethics Compliance Program:**

The OCA continues to run the Authority's Ethics Compliance reporting hotline. A summary of notifications received during the first quarter is available in Appendix A.

## *Performance Measures*

The OCA establishes performance measures each year to provide a benchmark to gauge its success. The five (5) performance measures for Fiscal Year 2018, along with their current status, are detailed below in Figure 5.

*Figure 5: Status of Performance Measures as of September 30, 2017*

| Performance Measure | Goal | Progress as of September 30, 2017 |
|---|---|---|
| Percentage of the audit plan completed annually | 100% | 24% |
| Additional revenue/cost savings identified through audits | n/a | $37,393 |
| Percentage of staff time spent on audit activities | 80%[1] | 84% |
| Percentage of audits completed within budgeted time | 80% | 82% |
| Implementation of Recommendations | 90% | 54% |

**Percentage of the audit plan completed annually:** This measure provides information on what has been accomplished regarding the planned audit projects for the year. To date the OCA has completed 24% of the plan and an additional 24% of the audit plan is currently in-progress. We also have established quarterly goals for the completion of our audit plan. For the first quarter, we had a completion goal of 28% of the audit plan.

**Additional revenue/cost savings identified:** While the value of an audit cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed audits. Through the first quarter of Fiscal Year 2018 we have identified $37,393 in additional revenue, as noted in Figure 6 below:

*Figure 6: Revenue and Cost savings Identified in Fiscal Year 2018*

| Audit | Revenue Identified | Revenue Collected |
|---|---:|---:|
| Mission Yogurt, Inc. | $29,204 | 0 |
| BW-Budget-SDA, LLC | 9,243 | 0 |
| Paradies San Diego, LLC | <1,054> | 0 |
| **Total** | **$37,393** | **0** |

**Percentage of staff time spent on audit activities:** This measure helps ensure that the OCA spends an adequate amount of time on audit activities rather than administrative activities. To date, the OCA is well over its current goal of 80%.

[1] This is the percentage of time staff spends on audit projects, construction audit activities, training, and the Ethics Program, vs. total staff time worked.

**Percentage of audits completed within budgeted time:** This category monitors how efficient audit staff is in performing their audits. Specifically, audit staff is held accountable to the internally prepared audit budgets for each project. However, it recognizes that budgets may need adjustment(s) as additional facts become known during an audit. For the fiscal year to date, the OCA is on target, completing 82% of its projects within the budgeted time.

**Implementation of Recommendations:** This goal measures the value that the OCA is providing to the Authority by measuring how audit recommendations have impacted the Authority. For the first quarter, seven (7) of 13 recommendations were implemented. While the percentage of implemented recommendations is under our goal, we are on track to achieve the goal, with an aim to have 90% of our recommendations implemented within the year.

## *Going Forward*

For completion during the second quarter of Fiscal Year 2018, the OCA has targeted all of the audits currently in progress and three (3) additional audits. The completion of these audits will result in the accomplishment of 55% of the Fiscal Year 2018 Audit Plan. Figure 7 identifies the audits scheduled for completion in the second quarter.

*Figure 7: Audits Scheduled for Completion in the Second Quarter of Fiscal Year 2018*

| Audit | Type of Audit |
|---|---|
| Aircraft Rescue and Fire Fighting (ARFF) Billing – FY 2017 | Expense Contract |
| Biennial Airline Landing Fees | Revenue Contract |
| Chula Vista Electric Company | Expense Contract |
| Green Motion SAN, LLC | Revenue Contract |
| Pacific Gateway Concessions and Procurement Concepts San Diego, LLC (RP 3) | Revenue Contract |
| Sign Age Identity Systems, Inc. | Expense Contract |
| Signature Flight Support | Revenue Contract |
| Simply Wheelz, LLC dba Advantage Rent-A-Car | Revenue Contract |
| Smarte Carte, Inc. | Revenue Contract |
| Stellar Partners, Inc. (RP 4) | Revenue Contract |
| Swinerton Builders | Expense Contract |
| The Hertz Corporation | Revenue Contract |
| Vehicle Fleet Management | Internal Process |

# Ethics Hotline

July 1, 2017 – September 30, 2017

| | Number of Reports Received | Number Received Anonymously | Details Support Potential Code Violation (Ethics or Workplace) | Investigation of Concern | Response (email or phone to non-anonymous reports) |
|---|---|---|---|---|---|
| **Code of Ethics Concerns** | | | | | |
| Potential Conflict of Interest | 2 | 2 | 2 | Y (2) | 0 |
| **General Workplace Concerns** | | | | | |
| Workplace Equitability | 1 | 1 | 0 | 0 | 0 |
| Workplace Practices/Behavior | 4 | 4 | 0 | 0 | 0 |

| Rec. No. | Department Name | Audit Report Description | Risk Score | Risk | Recommendation | Status as of September 30, 2017 | OCAs Assessment | Estimated Completion Date |
|---|---|---|---|---|---|---|---|---|
| **17-17** | ACCOUNTING DEPARTMENT | Audit Report 17035, dated June 14, 2017, San Diego Unified Port District Billings - Fiscal Year 2016 | **18** | **Impact: 10 Probability: 8** | We recommend that the Accounting Department notify Port staff concerning the Fiscal Year 2016 under-billing for Harbor Police Department services, and determine the most appropriate method for the Authority to remit the additional $887,148 owed to the Port. In addition, the Port should frequently analyze all actual and estimated billings, especially overhead and allocated burden, and update the Accounting and the Aviation Security & Public Safety Departments of any notable expense variance, to avoid significant year-end adjustments. | The Authority reimbursed the Port for the total amount due in August 2017. | Completed | N/A |
| **18-01** | GROUND TRANSPORTATION DEPARTMENT | Audit Report 17020R, dated July 10, 2017, Ace Parking Management, Inc. | **17** | **Impact: 9 Probability: 8** | Authority Management should consider strengthening internal controls regarding the oversight of Ace Parking by requiring that Ace perform reconciliations of all parking revenue on a regular basis and should require that all non-standard transactions be reported by Ace, for the review by Ground Transportation Department personnel. | Ground Transportation developed operating procedures to require reconciliations of parking revenue. | Completed | N/A |
| **17-11** | BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT | Audit Report 17027, dated February 7, 2017, Spa Didacus, Inc. | **15** | **Impact: 7 Probability: 8** | The Business and Financial Management Department should develop a control to ensure that the completed Certification of Capital Investment, the related depreciation schedule, and proper supporting documentation, are received from every concessionaire as required by the Lease. | We are continuing to work on an improved process with the Facilities Development Department to address the findings. | In Progress | 2nd Quarter FY18 |

NOTE: Risk Score is based upon the combined scores of Impact and Probability. Both Impact and Probability are ranked on a scale of 1-10, with maximum possible scores (highest risk) of 10, and a maximum possible combined score of 20.

| Rec. No. | Department Name | Audit Report Description | Risk Score | Risk | Recommendation | Status as of September 30, 2017 | OCAs Assessment | Estimated Completion Date |
|---|---|---|---|---|---|---|---|---|
| **18-03** | FACILITIES MANAGEMENT DEPARTMENT | Audit Report 17003, dated August 15, 2017, Property and Inventory Management | **14** | **Impact: 8** **Probability: 6** | The Facilities Management Department (FMD) should request that the Facilities Development Department and Airport Design and Construction (ADC) incorporate into their project delivery process a method for accounting for the dollar value of "attic stock". Accounting should review and evaluate the current process for the valuation of attic stock and revise the process if the dollar value of attic stock is determined to be material to include within E1 inventory. FMD should enhance the tracking system they started, to better control the receipt and use of attic stock. | FMD met with Accounting and ADC and/ who stated the current process was fine and there was no need to provide a valuation of attic stock as the materials were not capitalized and were considered maintenance consumables. An FMD Attic stock spread sheet has been developed and is being used by all three shifts. | Completed | N/A |
| **18-05** | PROCUREMENT DEPARTMENT | Audit Report 17003, dated August 15, 2017, Property and Inventory Management | **14** | **Impact: 8** **Probability: 6** | The Procurement department should perform an annual inventory of all supplies, materials, and equipment housed in the Authority warehouse, and utilize the E1 system to track the inventory. | Procurement completed an inventory October 2, 2017, of all stock items stored in the Authority warehouse. The E1 system was used to generate the inventory report but a manual inventory count and input were required. Quarterly inventory of high volume items will be conducted throughout the year in addition to the annual inventory. | Completed | N/A |

NOTE: Risk Score is based upon the combined scores of Impact and Probability. Both Impact and Probability are ranked on a scale of 1-10, with maximum possible scores (highest risk) of 10, and a maximum possible combined score of 20.

| Rec. No. | Department Name | Audit Report Description | Risk Score | Risk | Recommendation | Status as of September 30, 2017 | OCAs Assessment | Estimated Completion Date |
|---|---|---|---|---|---|---|---|---|
| **18-04** | FACILITIES MANAGEMENT DEPARTMENT | Audit Report 17003, dated August 15, 2017, Property and Inventory Management | **12** | **Impact: 6** **Probability: 6** | The Facilities Management Department (FMD) should develop standardized procedures for tracking tools from their purchase to their issuance to employees. | All tools are engraved. Shared community tools per shift are logged, and if distributed to staff are added to the employee's tool list. Employee's tool list is audited every year as part of their review. Broken tools are placed in a non-use container to be disposed of by Procurement or at Procurements direction by FMD. | Completed | N/A |
| **18-08** | BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT | Audit Report 18027, dated Sept. 12, 2017, Mission Yogurt, Inc. (FSP 4) | **12** | **Impact: 6** **Probability: 6** | The Business and Financial Management Department should request that the Accounting Department issue an invoice to Mission Yogurt for the amount of $29,204 for the underpayment of percentage rent. | Invoice amount of $29,204 will be issued by COB November 3, 2017. | In Progress | November 2017 |
| **16-08** | PROCUREMENT DEPARTMENT/ AUTHORITY MANAGEMENT | Audit Report 16001, dated June 21, 2016, Contract Management | **11** | **Impact: 6** **Probability: 5** | Authority Management should ensure that a complete formal contract management procedure manual is in place in all departments to ensure compliance with Board policies, consistent practices, and proper internal controls. Manuals should be reviewed and updated as needed, on a regular basis, preferably at least every two years. | Two internal focus meetings specific to Contract Management were held to better understand current practices, review existing tools, and assess department needs. Most departments participated in at least one of the meetings. Procedures are currently being modified based on the feedback received. | In Progress | December 2017 |

NOTE: Risk Score is based upon the combined scores of Impact and Probability. Both Impact and Probability are ranked on a scale of 1-10, with maximum possible scores (highest risk) of 10, and a maximum possible combined score of 20.

| Rec. No. | Department Name | Audit Report Description | Risk Score | Risk | Recommendation | Status as of September 30, 2017 | OCAs Assessment | Estimated Completion Date |
|---|---|---|---|---|---|---|---|---|
| **17-10** | BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT | Audit Report 17017, dated November 17, 2016, Avis Budget Car Rental, LLC | **11** | **Impact: 6 Probability: 5** | We recommend that the Business and Financial Management Department develop a process to ensure that the Use & Occupancy Permit fixed rent is adjusted every July 1 of each calendar year using the Consumer Price Index, and determine if the underpayment of $1,475 should be collected retroactively. | Progress is on-going. Continuing efforts to verify, capture, and automate critical dates with Accounting. | In Progress | 2nd Quarter FY18 |
| **18-02** | INFORMATION & TECHNOLOGY SERVICES DEPARTMENT | Audit Report 17001, dated July 27, 2017, Telecommunications Services and Billing | **10** | **Impact: 6 Probability: 4** | We recommend that the Information & Technology Services (I&TS) Department document the applicable procedures for operating and modifying the AT&T services at the Authority and to document the procedures surrounding mobile devices. I&TS should consider maintaining a manual of these procedures that would be understandable for I&TS staff who are unfamiliar with these systems to operate them and to preserve the telecommunications functions. | Procedures for the mobile devices are documented, and are being used to manage the mobile devices for the Authority. | In Progress | Staff will complete the AT&T procedures for operating and modifying AT&T services by the end of January 2018. |
| **17-01** | ACCOUNTING DEPARTMENT | Audit Report 15004, dated July 11, 2016, Business and Travel Expenses | **9** | **Impact: 5 Probability: 4** | The Accounting Department should continue with their current review activities, but, consider reminding employees of the need for President/CEO approval of in-town meals with contractors, proper use of P-cards when holding hotel room reservations, and of the requirement for submitting reimbursement of unused travel advances. | The recommendations have been integrated in to the 2017 Annual Employee Business and Travel Expense training in LMS, which is currently live. | Completed | N/A |
| **18-07** | BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT | Audit Report 18016, dated September 1, 2017, BW-Budget-SDA, LLC | **8** | **Impact: 5 Probability: 3** | We recommend that the Business and Financial Management Department issue an invoice to Budget in the amount of $9,243 for the net underpayment of concession and Customer Facility Charge fees. | Invoice has been issued and is due in November. | In Progress | November 2017 |
| **18-06** | BUSINESS AND FINANCIAL MANAGEMENT DEPARTMENT | Audit Report 17036, dated September 1, 2017, Paradies San Diego, LLC | **7** | **Impact: 4 Probability: 3** | The Business and Financial Management Department should instruct the Accounting Department to remit to Paradies the $1,054 overpayment as well as determine any additional overpayment for storage rentals that may have occurred subsequent to the audit period. | Refund amount of $1,054 will be issued by COB November 3, 2017. | Completed | N/A |

NOTE: Risk Score is based upon the combined scores of Impact and Probability. Both Impact and Probability are ranked on a scale of 1-10, with maximum possible scores (highest risk) of 10, and a maximum possible combined score of 20.

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

Item No.
**10**

# STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**Revision to the Fiscal Year 2018 Audit Plan of the Office of the Chief Auditor**

**Recommendation:**

The Audit Committee recommends that the Board adopt Resolution No. 2017-0112, approving the revision to the Fiscal Year 2018 Audit plan of the Office of the Chief Auditor.

## Background/Justification:

The Office of the Chief Auditor's Annual Audit Plan for Fiscal Year 2018 was approved by the Audit Committee during its May 15, 2017, meeting and subsequently approved in Resolution No. 2017-0048 by the Authority Board on June 1, 2017.

The Chief Auditor's Office may be asked to conduct unforeseen or special request audits that make a revision to an audit plan necessary. Pursuant to Section 4 and Section 5 of the Charter of the Office of the Chief Auditor, such special request audits may be performed after review and consultation with the Audit Committee.

The Fiscal Year 2018 Audit Plan requires a revision due to circumstances presented by the Business and Financial Management Department (BFM) to the Office of the Chief Auditor. Specifically, a special request was received for an audit of Green Motion SAN, LLC.

During a regular meeting of the Audit Committee on November 20, 2017, the Audit Committee was presented with the revised Fiscal Year 2018 Audit Plan (Attachment A) with a recommendation to forward this item to the Board for approval. The Audit Committee voted unanimously to forward the Plan to the Board.

## Fiscal Impact:

Budget was allotted for special request audits in the Chief Auditor Department's adopted Fiscal Year 2018 and conceptually approved Fiscal Year 2019 Operating Expense Budgets.

**Authority Strategies:**

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

☐ Community Strategy ☒ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

**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.

**Application of Inclusionary Policies:**

Not Applicable

**Prepared by:**

MARK A. BURCHYETT
CHIEF AUDITOR

RESOLUTION NO. 2017-0112

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY APPROVING THE REVISION TO THE FISCAL YEAR 2018 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR

WHEREAS, California Public Utilities Code §170018 specifies the membership (consisting of board members and public members), the terms, and the responsibilities of the Audit Committee; and

WHEREAS, §170018(g) of the California Public Utilities Code and the Authority Charter of the Office of the Chief Auditor require the Audit Committee to approve the annual internal and external audits, including the auditor's annual audit plan, for each fiscal year and submit the same to the Board for approval; and

WHEREAS, at its regular meeting on May 15, 2017, the Audit Committee was presented with the Fiscal Year 2018 Proposed Audit Plan and voted to accept the plan and forward it for Board approval; and

WHEREAS, on November 20, 2017, during a regular meeting of the Audit Committee, the Committee unanimously agreed to revise the Fiscal Year 2018 Audit Plan to reflect current activities of the Office of the Chief Auditor.

NOW, THEREFORE, BE IT RESOLVED that the Board approves the Revised Fiscal Year 2018 Audit Plan (Attachment A) of the Office of the Chief Auditor; and

BE IT FURTHER RESOLVED 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 is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106).

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of December, 2017, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

________________________________
TONY R. RUSSELL
DIRECTOR, CORPORATE &
INFORMATION GOVERNANCE /
AUTHORITY CLERK

APPROVED AS TO FORM:

________________________________
AMY GONZALEZ
GENERAL COUNSEL

ATTACHMENT A

# San Diego County Regional Airport Authority
## Office of the Chief Auditor
## Fiscal Year 2018 Audit Plan
## Revised 11/20/17

### BUSINESS PROCESS AUDITS

1 Business and Travel Expenses
2 Concession Cost Recovery
3 Information Technology Monitoring and Evaluation
4 Small Business Development Management
5 Vehicle Fleet Management
6 Asset Management

### EXPENSE CONTRACT AUDITS

7 Swinerton Builders
8 Haley and Aldrich, Inc.
9 Pacific Rim Mechanical
10 Ace Parking Management, Inc.
11 Network Security Electronics, Inc.
12 Dynamic Contracting Services, Inc.
13 Chula Vista Electric Company
14 Sign Age Identity Systems Inc.
15 Leigh Fisher & Associates

### REVENUE CONTRACT AUDITS

16 BW - Budget - SDA, LLC
17 Nevada Lease and Rental Inc. dba Payless Car Rental System
18 Simply Wheelz LLC dba Advantage Rent-A-Car
19 EZ Rent A Car
20 Signature Flight Support
21 Smarte Carte Inc.
22 GAT Airline Ground Support Inc.
23 Stellar Partners Inc. (RP 4)
24 Hudson Group - CV - Epicure - Martinez San Diego (RP 2)
25 Pacific Gateway Concessions and Procurement Concepts San Diego LLC (RP 3)
26 SSP America Inc. (FSP 5)
27 Mission Yogurt Inc. (FSP 4)

### ANNUAL ONGOING AUDITS AND SUPPORT

28 Aircraft Rescue and Fire Fighting (ARRF) Billing
29 Board Member and Executive Business Expenses
30 Rental Car Center Fund Review
31 Procurement Card Program
32 Agreements with Expenditure Limits Not to Exceed $100,000
33 Biennial Airline Landing Fees
34 Transportation Network Company (TNC) Reviews and Assistance
35 Emergency Medical Technician-Paramedic Services
36 Automated License Plate Reader (ALPR) System - Ace Parking
37 San Diego Unified Port District Billing
38 Special Request Audits

**Green Motion SAN, LLC**

39 Ethics Program Activity
40 Construction Audit and Monitoring Activity

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

**Item No.**
**11**

# STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**Authorize a Reduction in the Amount of Retention Withheld on Progress Payments to Swinerton Builders, Inc. for Work Performed on the Terminal 2 Parking Plaza**

**Recommendation:**

Adopt Resolution No. 2017-0106, authorizing a reduction in the amount of retention withheld on progress payments to Swinerton Builders, Inc. for work performed on the Terminal 2 Parking Plaza.

**Background/Justification:**

The San Diego County Regional Airport Authority ("Authority") Board ("Board") and Swinerton Builders, Inc. ("Swinerton") are parties to a contract for the design and construction of the Terminal 2 Parking Plaza ("Parking Plaza"). The contract was awarded by the Board on September 17, 2015. [Resolution No. 2015-0103]. The following actions related to the contract have been taken by the Board since contract award:

- June 13, 2016—Approved and Authorized adoption of a mid-year adjustment to the Fiscal Year 2016-2020 Capital Program Budget to fund an increase in the Parking Plaza budget of $45,720,000 for a Validated Program budget of $127,800,000. [Resolution No. 2016-0046]

- June 13, 2016—Approved and Authorized the President/CEO to negotiate and execute: 1) a First Amendment (the "Validation Amendment") to the Agreement with Swinerton, establishing a Maximum Project Budget of $99,800,000 and a Master Project Schedule for the design and construction of the Parking Plaza; 2) Work Authorizations and a Second Amendment ("Guaranteed Maximum Price Amendment") within the Maximum Project Budget after the issuance of the Validation Amendment in order to allow completion of 100% design and construction; and 3) future change orders within the existing project scope using uncommitted funds within the Validated Program Budget of $127,800,000. [Resolution No. 2016-0047R]

- June 13, 2016—Resolved that any change orders beyond the existing scope of the project be brought back to the Board for approval.

- July 21, 2016—Approved the restoration of the deleted scope items set forth in Exhibit A to Resolution No. 2016-0069 based on priorities identified and dependent upon funding availability, to the Parking Plaza Agreement with Swinerton Builders Inc. and authorizing the President/CEO to restore deleted scope items, consistent with the priorities identified, into the Parking Plaza Agreement dependent upon funding availability using uncommitted funds within the Parking Plaza Validated Program Budget.

Since the date of the last Board action, Authority staff has negotiated and executed a Validation Amendment and a Guaranteed Maximum Price Amendment that was approximately $1.9 million less than the Maximum Project Budget while incorporating a portion of the deleted scope items prioritized by the Board.

Demolition and grading on the Parking Plaza site are nearly complete. Pile driving was completed in April 2017, and the primary concrete deck pours were completed in September 2017. Construction of the elevator and stair lobbies and installation of equipment related to the parking revenue control and parking guidance systems have begun. The next major internal project milestone is the start of the commissioning of parking systems in March 2018. The project is expected to be completed on time and under budget.

As required by California Public Contract Code (PCC) section 9203, the Authority retains at least 5% of the value of progress payments made to Swinerton. Retention is withheld by the Authority, in part, to ensure the proper completion of contract work. PCC 9203 states in part:

> "Payment on any contract with a local agency for the creation, construction, alteration, repair, or improvement of any kind which will exceed in cost a total of five thousand dollars ($5,000), shall be made as the legislative body prescribes upon estimates approved by the legislative body, but progress payments shall not be made in excess of 95 percent of the percentage of actual work completed plus a like percentage of the value of material delivered on the ground or stored subject to, or under the control of, the local agency, and unused. The local agency shall withhold not less than 5 percent of the contract price until final completion and acceptance of the project. "

As of October 31, 2017, the Authority has reviewed, authorized, and paid Swinerton $58,051,999.77 and has retained $2,918,780.92.

PCC 9203 also allows a legislative body to reduce the amount retained after 50% of the work has been completed if certain conditions are met. The remaining pertinent section of PCC 9203 states:

> "However, at any time after 50% of the work has been completed, if the legislative body finds that satisfactory performance is being made, it may make any remaining progress payments in full for actual work completed."

As of October 31, 2017, over 62% of the work under Swinerton's contract has been completed. Staff believes that satisfactory progress has been made as the project remains on schedule and under budget and the quality of work performed to date is acceptable.

Staff requests that the Board find that satisfactory progress has been made on the Parking Plaza and authorize a reduction, in a phased manner, of retention for the Parking Plaza progress payments from 5% to 2.5%.

The early release of retention will, consistent with the Board's policy of supporting small businesses, allow Swinerton to pay their subcontractors fully for work that is complete.

Authority staff will review each Swinerton request for partial release of retention in order to confirm that the work in question has been completed in an acceptable manner and that all contract requirements related to the portion of the work have been met. The early release of retention will not affect the Authority's right to withhold funds in the future due to future stop notices or for incomplete work.

## Fiscal Impact:

Adequate funds for this project are included within the Board approved FY2017-FY2021 Capital Program Budget in Project No. 104187 Terminal 2 Parking Plaza. Sources of funding for this project include Short Term Variable Rate Debt and Airport Cash

## Authority Strategies:

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

☒ Community Strategy ☒ Customer Strategy ☐ Employee Strategy ☐ Financial Strategy ☒ Operations Strategy

## Environmental Review:

A. CEQA: This action is not a "project" as defined by the California Environmental Quality Act ("CEQA") (California Public Resources Code §21065); and is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106)

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

## Application of Inclusionary Policies:

The Authority has the following inclusionary programs/policies: a Disadvantaged Business Enterprise (DBE) Program, an Airport Concession Disadvantaged Business Enterprise (ACDBE) Program, Policy 5.12 and Policy 5.14. These programs/policies are intended to promote the inclusion of small, local, service disabled veteran owned, historically underrepresented businesses and other business enterprises, on all contracts. Only one of the programs/policies named above can be used in any single contracting opportunity.

No preferences were applied to the award of the Contractor Agreement with Swinerton; however, Swinerton is required by the contract to work with the Authority in accordance with their small business plan and outreach plan to maximize participation of small, local, historically underutilized and service disabled veteran owned small businesses.

## Prepared by:

BOB BOLTON
DIRECTOR, AIRPORT DESIGN & CONSTRUCTION

RESOLUTION NO. 2017-0106

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY AUTHORIZING A REDUCTION IN THE AMOUNT OF RETENTION WITHHELD ON PROGRESS PAYMENTS TO SWINERTON BUILDERS, INC. FOR WORK PERFORMED ON THE TERMINAL 2 PARKING PLAZA

WHEREAS, the Authority and Swinerton Builders, Inc. (“Swinerton”) are parties to a contract for the design and construction of the Terminal 2 Parking Plaza (“Parking Plaza”); and

WHEREAS, the following actions related to the contract have been taken by the Board since contract award:

- June 13, 2016—Approved and Authorized adoption of a mid-year adjustment to the Fiscal Year 2016-2020 Capital Program Budget to fund an increase in the Parking Plaza budget of $45,720,000 for a Validated Program budget of $127,800,000. [Resolution No. 2016-0046]

- June 13, 2016—Approved and Authorized the President/CEO to negotiate and execute: 1) a First Amendment (the “Validation Amendment”) to the Agreement with Swinerton, establishing a Maximum Project Budget of $99,800,000 and a Master Project Schedule for the design and construction of the Parking Plaza; 2) Work Authorizations and a Second Amendment (“Guaranteed Maximum Price Amendment”) within the Maximum Project Budget after the issuance of the Validation Amendment in order to allow completion of 100% design and construction; and 3) future change orders within the existing project scope using uncommitted funds within the Validated Program Budget of $127,800,000. [Resolution No. 2016-0047R]

- June 13, 2016— Resolved that any change orders beyond the existing scope of the project be brought back to the Board for approval

- July 21, 2016—Approved the restoration of the deleted scope items set forth in Exhibit A to Resolution No. 2016-0069 based on priorities identified and dependent upon funding availability and authorizing the President/CEO to restore deleted scope items, consistent with the priorities identified, into the Parking Plaza contract dependent upon funding availability using uncommitted funds within the Parking Plaza Validated Program Budget; and

WHEREAS, since the date of the last Board action, Authority staff has negotiated and executed a Validation Amendment and a Guaranteed Maximum Price Amendment that was approximately $1.9 million less than the Maximum Project Budget while incorporating a portion of the deleted scope items prioritized by the Board; and

WHEREAS, demolition and grading on the Parking Plaza site are nearly complete, pile driving was completed in April 2017 and the primary concrete deck pours were completed in September 2017; and

WHEREAS, construction of the elevator and stair lobbies and installation of equipment related to the parking revenue control and parking guidance systems have begun and the next major internal project milestone is the start of the commissioning of parking systems in March 2018; and

WHEREAS, the project is expected to be completed on time and under budget; and

WHEREAS, as required by California Public Contract Code (PCC) §9203, the Authority retains at least 5% of the value of progress payments made to Swinerton; and

WHEREAS, retention is withheld by the Authority, in part, to ensure the proper completion of contract work; and

WHEREAS, PCC §9023 allows a legislative body to reduce the amount retained after 50% of the work has been completed if certain conditions are met and states: “at any time after 50% of the work has been completed, if the legislative body finds that satisfactory performance is being made, it may make any remaining progress payments in full for actual work completed;” and

WHEREAS, as of October 31, 2017, the Authority has reviewed, authorized, and paid Swinerton $58,051,999.77 and has retained $2,918,780.92; and

WHEREAS, as of October 31, 2017, over 62% of the work under Swinerton’s contract has been completed and Staff believes that satisfactory progress has been made as the project remains on schedule and under budget and the quality of work performed to date is acceptable; and

WHEREAS, staff requests that the Board find that satisfactory progress has been made on the Parking Plaza and authorize a reduction, in a phased manner, of retention for the Parking Plaza progress payments from 5% to 2.5%.

NOW, THEREFORE, BE IT RESOLVED that the Board finds that over 50% of the work has been completed and satisfactory progress has been made on the Parking Plaza; and

BE IT FURTHER RESOLVED that pursuant to PCC §9203, the Board authorizes a reduction, in a phased manner, of retention for the Parking Plaza progress payments from 5% to 2.5%; and

BE IT FURTHER RESOLVED that early release of retention is consistent with the Board's policy of supporting small businesses; and

BE IT FURTHER RESOLVED that the Board directs staff to review each Swinerton request for partial release of retention in order to confirm that the work in question has been completed in an acceptable manner and that all contract requirements related to the portion of the work have been met; and

BE IT FURTHER RESOLVED that the Board finds that early release of retention will not affect the Authority's right to withhold funds in the future due to future stop notices or for incomplete work.

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 is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106).

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of December, 2017, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE &
INFORMATION GOVERNANCE /
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

**Item No.**
**12**

# STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**Award a Contract to S&L Specialty Construction, Inc. for Quieter Home Program Phase 8, Group 11, Project No. 380811, (Thirty-nine (39) Non-Historic Single and Multi-Family Units on Thirty-five (35) Residential Properties Located East and West of the Airport)**

**Recommendation:**

Adopt Resolution No. 2017-0107, awarding a contract to S&L Specialty Construction, Inc., in the amount of $ 1,293,000, for Phase 8, Group 11, Project No. 380811, of the San Diego County Regional Airport Authority's Quieter Home Program.

**Background/Justification:**

The Authority's Quieter Home Program ("Program") provides sound attenuation treatment to residences within the highest noise-impacted neighborhoods surrounding San Diego International Airport ("SDIA"). This contract for Phase 8, Group 11, Project number 380811 includes installation of new acoustical windows, doors, and ventilation improvements to reduce aircraft-related noise levels and provide sound attenuation to thirty-nine (39) non-historic single and multi-family units on thirty-five (35) residential properties located east and west of the airport (refer to Attachment A).

To date, the Program has completed 3,453 residences, of which 827 are historic and 2,626 are non-historic. 2,174 residences are located west of SDIA and 1,279 are located east of SDIA.

Project No. 380811 was advertised on October 6, 2017, and bids were opened on November 6, 2017. The following bids were received (refer to Attachment B):

| Company | Total Bid |
|---|---|
| S&L Specialty Construction, Inc. | $1,293,000.00 |
| G&G Specialty Contractors, Inc. | $1,350,612.00 |

The Engineer's estimate is $1,276,692.00.

The low bid of $1,293,000.00, is considered responsive, and S&L Specialty Construction, Inc. is considered responsible. Award to S&L Specialty Construction, Inc. is, therefore, recommended in the amount of $1,293,000.00.

**Fiscal Impact:**

Adequate funds for the contract with S&L Specialty Construction, Inc. are included in the adopted FY 2017 and FY 2018 Operating Expense Budgets with in the Quieter Home

Program budget line item. Sources of funding include Federal Airport Improvement Program grants and Passenger Facility Charges.

**Authority Strategies:**

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

☒ Community Strategy ☒ Customer Strategy ☐ Employee Strategy ☐ Financial Strategy ☒ Operations Strategy

**Environmental Review:**

A. CEQA. This Board action is a "project" subject to the California Environmental Quality Act ("CEQA"), Pub. Res. Code §21065. The individual projects under the Quieter Home Program are part of a class of projects that are categorically exempt from CEQA: 14 Cal. Code Regs. §15301 – "Existing Facilities: Class 1 consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination."

B. California Coastal Act. This Board action is a "development" as defined by the California Coastal Act, Cal. Pub. Res. Code §30106. The individual projects under the Quieter Home Program will consist of treatments to single-family and multi-family dwellings. Improvements to single-family homes are exempt from coastal permit requirements under Cal. Pub. Res. Code §30610(a) and 14 Cal. Code Regs. §13250 – "Improvements to Single-Family Residences." The proposed improvements to multi-family residences are exempt from coastal permit requirements under Cal. Pub. Res. Code §30610(b) and 14 Cal. Code Regs. §13253 – "Improvements to Structures Other than Single-Family Residences and Public Works Facilities that Require Permits."

**Application of Inclusionary Policies:**

The Authority has the following inclusionary programs/policies: a Disadvantaged Business Enterprise (DBE) Program, an Airport Concession Disadvantaged Business Enterprise (ACDBE) Program, Policy 5.12 and Policy 5.14. These programs/policies are intended to promote the inclusion of small, local, service disabled veteran owned, historically underrepresented businesses and other business enterprises, on all contracts. Only one of the programs/policies named above can be used in any single contracting opportunity.

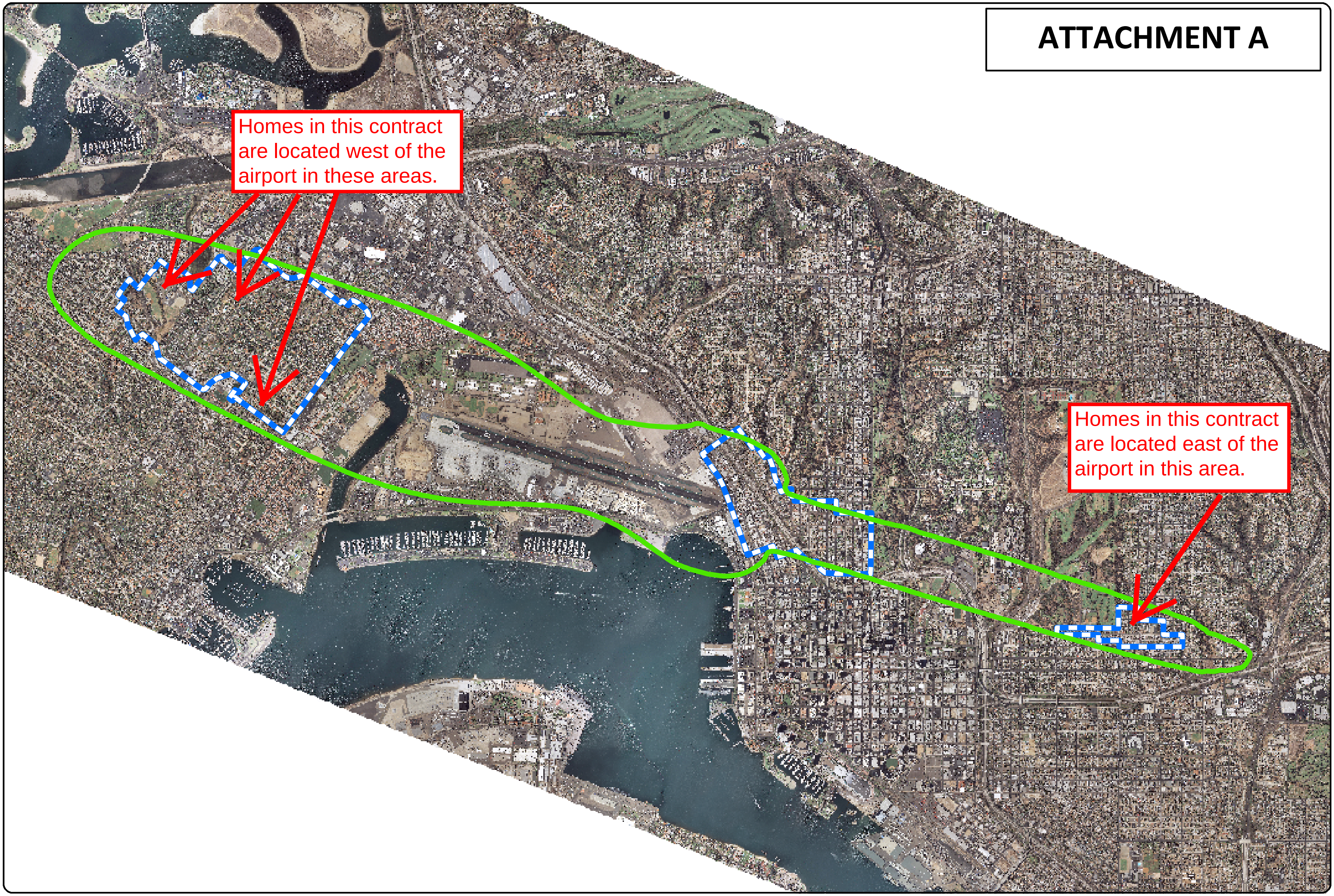
The Authority's DBE Program, as required by the U.S. Department of Transportation, 49 Code of Federal Regulations (CFR) Part 26, calls for the Authority to submit a triennial overall goal for DBE participation on all federally funded projects. When federal funds are utilized, the Authority is prohibited from using a program that provides a preference such as those used in Policies 5.12 and 5.14. Therefore, the Authority must utilize other means as provided in the DBE Plan to achieve participation.

This project utilizes federal funds; therefore, it will be applied toward the Authority's overall DBE goal of 8.4%. S&L Specialty Construction, Inc., proposed 3.87% DBE participation on QHP Phase 8, Group 11.

**Prepared by:**

BRENDAN REED
DIRECTOR, PLANNING & ENVIRONMENTAL AFFAIRS

# ATTACHMENT A




**Map Notes:**
Staff Report Attachment A

1 inch = 3,898 feet

**Land Use - SanGIS 2/07**

- Single-Family Residential
- Multi-Family Residential
- Condominiums
- QHP Completed
- QHP Ineligible
- County Parcel
- 67 dB Boundary
- 65 dB CNEL Contour
- a Address Point

**San Diego County Regional Airport Authority**
**Quieter Home Program**
**Project** :380811

Map ID:

8.5x11L - Print Date04.30.2013

PSOMAS

TABULATION OF BIDS

ATTACHMENT B

**TITLE: QUIETER HOME PROGRAM PROJECT NO. 380811**
**BIDS OPENED: November 6, 2017 at 2:00 p.m.**
**ENGINEER'S ESTIMATE: $1,276,692.00**

| **CONTRACTOR:** | | | | | **S&L Specialty Construction, Inc.** | | | | **G&G Specialty Contractors, Inc.** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ADDRESS:** | | | | | **315 S. Franklin Street, Syracuse, NY 13202** | | | | **1221 N. Mondel Drive, Gilbert, AZ 85233** | | | |
| **GUARANTEE OF GOOD FAITH:** | | | | | **Liberty Mutual Insurance Company** | | | | **Hartford Casualty Insurance Company** | | | |
| Res No. | Bid Item Number - Name/Address | | Dwelling Units | Unit of Measure | General Construction (In Figures) | Ventilation Construction (In Figures) | Electrical Construction (In Figures) | TOTAL (In Figures) | General Construction (In Figures) | Ventilation Construction (In Figures) | Electrical Construction (In Figures) | TOTAL (In Figures) |
| 380810.09 | REIMER | 4006 CAMINITO MENOR | 1 | Lump Sum | 41,200.00 | 8,000.00 | 1,800.00 | 51,000.00 | 36,215.00 | 11,600.00 | 1,300.00 | 49,115.00 |
| 380810.15 | RUTH | 3740 JAMES | 1 | Lump Sum | 35,000.00 | 7,000.00 | 1,000.00 | 43,000.00 | 32,624.00 | 10,600.00 | 900.00 | 44,124.00 |
| 380810.20 | DE FRANCA | 2331 POINSETTIA | 1 | Lump Sum | 30,300.00 | 3,000.00 | 700.00 | 34,000.00 | 21,610.00 | 2,800.00 | 400.00 | 24,810.00 |
| 380810.24 | JORDAN | 2971 POINSETTIA | 1 | Lump Sum | 22,000.00 | 0.00 | 0.00 | 22,000.00 | 21,751.00 | 0.00 | 0.00 | 21,751.00 |
| 380810.25 | YERKES | 2257 WORDEN | 1 | Lump Sum | 20,800.00 | 3,000.00 | 1,200.00 | 25,000.00 | 19,142.00 | 2,800.00 | 800.00 | 22,742.00 |
| 380810.28 | RICE | 3670 OLEANDER DR | 1 | Lump Sum | 20,000.00 | 0.00 | 0.00 | 20,000.00 | 21,144.00 | 0.00 | 0.00 | 21,144.00 |
| 380810.30 | GARAY | 2849 A ST UNIT 2 | 1 | Lump Sum | 15,000.00 | 0.00 | 0.00 | 15,000.00 | 17,583.00 | 0.00 | 0.00 | 17,583.00 |
| 380810.31 | CAFFO | 2312 CLOVE | 1 | Lump Sum | 54,400.00 | 4,000.00 | 1,600.00 | 60,000.00 | 44,305.00 | 6,800.00 | 1,100.00 | 52,205.00 |
| 380811.05 | BARBACCIA | 2253 WORDEN ST UNIT 23 | 1 | Lump Sum | 17,000.00 | 0.00 | 0.00 | 17,000.00 | 16,369.00 | 0.00 | 0.00 | 16,369.00 |
| 380811.06 | BARTLETT | 4378 MONTALVO | 1 | Lump Sum | 17,400.00 | 6,000.00 | 2,600.00 | 26,000.00 | 20,157.00 | 8,000.00 | 1,300.00 | 29,457.00 |
| 380811.06 | BARTLETT | 4380 MONTALVO | 1 | Lump Sum | 19,200.00 | 6,000.00 | 3,800.00 | 29,000.00 | 22,100.00 | 8,000.00 | 3,700.00 | 33,800.00 |
| 380811.07 | BASILICO | 3408 WISTERIA | 1 | Lump Sum | 25,500.00 | 7,000.00 | 4,500.00 | 37,000.00 | 28,742.00 | 11,200.00 | 3,700.00 | 43,642.00 |
| 380811.09 | BRUM | 2541 CAMULOS | 1 | Lump Sum | 35,000.00 | 0.00 | 0.00 | 35,000.00 | 32,030.00 | 0.00 | 0.00 | 32,030.00 |
| 380811.16 | FREITAS | 3314 XENOPHON | 1 | Lump Sum | 32,100.00 | 7,000.00 | 1,900.00 | 41,000.00 | 32,947.00 | 11,600.00 | 1,100.00 | 45,647.00 |
| 380811.19 | NELSON/GOSSELIN | 2904 A ST | 1 | Lump Sum | 20,000.00 | 0.00 | 0.00 | 20,000.00 | 19,051.00 | 0.00 | 0.00 | 19,051.00 |
| 380811.20 | HALL/LANDERS | 3070 WING | 1 | Lump Sum | 25,200.00 | 7,000.00 | 2,800.00 | 35,000.00 | 26,349.00 | 11,400.00 | 1,650.00 | 39,399.00 |
| 380811.22 | KURISU | 2829 NIPOMA | 1 | Lump Sum | 37,900.00 | 4,000.00 | 1,100.00 | 43,000.00 | 31,715.00 | 6,200.00 | 700.00 | 38,615.00 |
| 380811.24 | LAROM | 2564 A ST | 1 | Lump Sum | 23,000.00 | 0.00 | 0.00 | 23,000.00 | 21,663.00 | 0.00 | 0.00 | 21,663.00 |
| 380811.29 | NEFF | 3065 A ST UNIT 3 | 1 | Lump Sum | 16,000.00 | 0.00 | 0.00 | 16,000.00 | 17,792.00 | 0.00 | 0.00 | 17,792.00 |
| 380811.36 | LAMORTE | 3065 A ST UNIT 4 | 1 | Lump Sum | 16,000.00 | 0.00 | 0.00 | 16,000.00 | 17,469.00 | 0.00 | 0.00 | 17,469.00 |
| 380811.37 | ROBBINS | 4388 VALETA | 1 | Lump Sum | 32,900.00 | 6,000.00 | 2,100.00 | 41,000.00 | 36,958.00 | 11,500.00 | 2,000.00 | 50,458.00 |
| 380811.37 | ROBBINS | 4387 MONTALVO | 1 | Lump Sum | 28,700.00 | 6,000.00 | 2,300.00 | 37,000.00 | 29,501.00 | 11,500.00 | 2,300.00 | 43,301.00 |
| 380811.38 | SHORT | 3602 OLEANDER | 1 | Lump Sum | 21,400.00 | 7,000.00 | 1,600.00 | 30,000.00 | 23,064.00 | 12,400.00 | 1,200.00 | 36,664.00 |
| 380811.41 | UNG | 3071 EVERGREEN | 1 | Lump Sum | 54,600.00 | 8,000.00 | 2,400.00 | 65,000.00 | 40,334.00 | 6,600.00 | 1,300.00 | 48,234.00 |
| 380901.01 | BOONE | 3627 OLEANDER | 1 | Lump Sum | 24,300.00 | 6,000.00 | 1,700.00 | 32,000.00 | 25,134.00 | 9,400.00 | 1,400.00 | 35,934.00 |
| 380901.02 | BOONE | 3607 OLEANDER | 1 | Lump Sum | 29,300.00 | 7,000.00 | 1,700.00 | 38,000.00 | 30,681.00 | 9,400.00 | 1,100.00 | 41,181.00 |
| 380901.04 | BROWN | 3614 OLEANDER | 1 | Lump Sum | 38,300.00 | 6,000.00 | 1,700.00 | 46,000.00 | 36,516.00 | 11,800.00 | 1,000.00 | 49,316.00 |
| 380901.05 | CORDASCO | 3646 HYACINTH | 1 | Lump Sum | 31,100.00 | 8,000.00 | 1,900.00 | 41,000.00 | 31,940.00 | 12,400.00 | 1,400.00 | 45,740.00 |
| 380901.06 | DEALY | 3028 WING | 1 | Lump Sum | 19,200.00 | 7,000.00 | 2,800.00 | 29,000.00 | 26,684.00 | 12,600.00 | 2,650.00 | 41,934.00 |
| 380901.07 | ESTRADA | 4304 BANNING | 1 | Lump Sum | 27,300.00 | 7,000.00 | 1,700.00 | 36,000.00 | 27,419.00 | 11,200.00 | 1,300.00 | 39,919.00 |
| 380901.07 | ESTRADA | 4306 BANNING | 1 | Lump Sum | 14,300.00 | 3,000.00 | 700.00 | 18,000.00 | 17,880.00 | 2,800.00 | 700.00 | 21,380.00 |
| 380901.08 | GATSHET | 3484 LARGA CIRCLE | 1 | Lump Sum | 37,500.00 | 4,000.00 | 1,500.00 | 43,000.00 | 32,620.00 | 5,900.00 | 600.00 | 39,120.00 |
| 380901.10 | GORTNER/HARVILLE | 3751 OLEANDER | 1 | Lump Sum | 24,300.00 | 3,000.00 | 700.00 | 28,000.00 | 24,662.00 | 2,800.00 | 600.00 | 28,062.00 |
| 380901.18 | NEVES | 3691 OLEANDER | 1 | Lump Sum | 26,300.00 | 3,000.00 | 700.00 | 30,000.00 | 24,557.00 | 2,800.00 | 500.00 | 27,857.00 |
| 380901.20 | PATCHIN | 3054 EVERGREEN | 1 | Lump Sum | 30,400.00 | 8,000.00 | 1,600.00 | 40,000.00 | 27,989.00 | 9,600.00 | 800.00 | 38,389.00 |
| 380901.29 | SWEET | 3301 WISTERIA | 1 | Lump Sum | 27,300.00 | 8,000.00 | 4,700.00 | 40,000.00 | 27,143.00 | 11,600.00 | 3,500.00 | 42,243.00 |
| 380901.35 | BARDELLI | 3048 WING | 1 | Lump Sum | 21,300.00 | 7,000.00 | 1,700.00 | 30,000.00 | 25,004.00 | 11,100.00 | 1,350.00 | 37,454.00 |
| 380904.18 | KNOCK | 1228 N 31ST | 1 | Lump Sum | 23,500.00 | 7,000.00 | 1,500.00 | 32,000.00 | 25,520.00 | 11,800.00 | 1,200.00 | 38,520.00 |
| 380904.18 | KNOCK | 1230 N 31ST | 1 | Lump Sum | 20,500.00 | 7,000.00 | 1,500.00 | 29,000.00 | 23,598.00 | 11,800.00 | 1,100.00 | 36,498.00 |
| | | | | | | | Subtotal | $1,293,000.00 | | | Subtotal | $1,350,612.00 |
| | | | | | | | **TOTAL BID** | **$1,293,000.00** | | | **TOTAL BID** | **$1,350,612.00** |

**Addenda No. 1 - 5 noted** (S&L Specialty Construction, Inc.)

**Addenda No. 1 - 5 noted** (G&G Specialty Contractors, Inc.)

RESOLUTION NO. 2017-0107

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, AWARDING A CONTRACT TO S&L SPECIALTY CONSTRUCTION, INC., IN THE AMOUNT OF $1,293,000, FOR PHASE 8, GROUP 11, PROJECT NO. 380811, OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY'S QUIETER HOME PROGRAM

WHEREAS, the San Diego County Regional Airport Authority ("Authority") has established a residential sound insulation program, known as the Quieter Home Program ("Program"), to reduce aircraft noise levels in the homes of residents living within the highest noise-impacted neighborhoods surrounding San Diego International Airport ("Airport"); and

WHEREAS, Phase 8, Group 11, of the Program will include installation of new acoustical windows, doors, and ventilation improvements to reduce aircraft-related noise levels inside the homes; and

WHEREAS, Phase 8, Group 11, of the Program provides sound attenuation to thirty-nine (39) non-historic single and multi-family units on thirty-five (35) residential properties located east and west of the Airport; and

WHEREAS, the Authority issued a Bid Solicitation Package for Phase 8, Group 11, on October 6, 2017; and

WHEREAS, on November 6, 2017, the Authority opened sealed bids received in response to the Bid Solicitation Package; and

WHEREAS, the apparent low bidder S&L Specialty Construction, Inc., submitted a bid of $1,293,000 and the Authority's staff has duly considered the bid and has determined S&L Specialty Construction, Inc., is responsible and that its bid is responsive in all material respects; and

WHEREAS, the San Diego County Regional Airport Authority Board ("Board") believes that it is in the best interest of the Authority and the public that it serves to award S&L Specialty Construction, Inc., the lowest bidder, the contract for Phase 8, Group 11, upon the terms and conditions set forth in the Bid Solicitation Package.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby awards a contract to S&L Specialty Construction, Inc., in the amount of $1,293,000 for Phase 8, Group 11, Project No. 380811, of the San Diego County Regional Airport Authority's Quieter Home Program; and

BE IT FURTHER RESOLVED that the Authority's President/CEO or designee is hereby authorized to execute and deliver such contract to S&L Specialty Construction, Inc.; and

BE IT FURTHER RESOLVED that the Authority and its officers, employees, and agents are hereby authorized, empowered, and directed to do and perform all such acts as may be necessary or appropriate in order to effectuate fully the foregoing; and

BE IT FURTHER RESOLVED that the Board of the San Diego County Regional Airport Authority finds that this is a "project" as defined by the California Environmental Quality Act ("CEQA"), Cal. Pub. Res. Code §21065; and is a "development," as defined by the California Coastal Act, Cal. Pub. Res. Code §30106 and that the individual Quieter Home Program projects are categorically exempt from the CEQA under Cal. Code Regs. §15301(f), "Existing Facilities," and are exempt from coastal permit requirements under Cal. Pub. Res. Code §§30610(a) and 30610(b) and 14 Cal. Code Regs. §§13250 and 13253.

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of December, 2017, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE &
INFORMATION GOVERNANCE /
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

Item No.
**13**

# STAFF REPORT

Meeting Date: **December 7, 2017**

**Subject:**

**Approve and Authorize the President/CEO to Execute On-Call Airport Pavement Repair Services Agreement with Hazard Construction Company**

**Recommendation:**

Adopt Resolution No. 2017-0108, approving and authorizing the President/CEO to execute an On-Call Airport Pavement Repair Services Agreement with Hazard Construction Company, for a term of three years, with an option for two one-year extensions exercisable at the discretion of the President/CEO, for a total not-to-exceed amount of $11,743,665, in support of the existing pavement surfaces, at San Diego International Airport ("SDIA").

**Background/Justification:**

San Diego County Regional Airport Authority ("Authority') requires additional resources and support to maintain and repair existing SDIA pavement surfaces totaling over 29,700,000 square feet. This on-call agreement will be the primary means for the expeditious repair of paved surfaces at SDIA.

Accordingly, on August 17, 2017, the Authority advertised a Request for Proposals ("RFP") to provide on-call airport pavement repair services. The RFP required respondents to submit per unit pricing for five years of the agreement.

On September 20, 2017, the Authority received two responses to the RFP from Granite Construction Company ("Granite") and Hazard Construction Company ("Hazard"). On November 1, 2017, the Authority's Evaluation Panel ("Panel") comprised of three representatives from Facilities Management, one representative from Airside Operations, and one representative from Planning & Environmental Affairs, interviewed the two respondents. Each respondent provided a presentation of its qualifications and responded to prepared questions. After the interview, the Panel evaluated the two respondents using weighted criteria of six factors: company experience and qualifications; primary staff; work plan; proposed fees/cost to Authority; sustainability; and eligibility for small business participation under Authority Policy 5.12, Preference to Small Business.

The final ranking matrix from the Panel is as follows:

| Firm | Panelist 1 | Panelist 2 | Panelist 3 | Panelist 4 | Panelist 5 | Total | Final Rank |
|---|---|---|---|---|---|---|---|
| Granite | 2 | 2 | 2 | 2 | 2 | 10 | 2 |
| Hazard | 1 | 1 | 1 | 1 | 1 | 5 | 1 |

The Panel unanimously ranked Hazard Construction Company as the best qualified respondent to provide services based on the evaluation criteria and interview.

A brief background of the top ranked firm is provided:

Hazard Construction Company

- General Engineering contracting firm specializing in construction, management, and site development
- Has been SDIA's on-call airport pavement repair service contractor for over 10 years
- Completed several SDIA CIP construction projects. Namely, Rehabilitation of Cross Taxiway B8, Air Freight Building Pavement Rehabilitation, Terminal Link Road, and Construct Taxi Hold Lot
- On-call contractor for the County of San Diego and City of San Diego providing maintenance services

The per unit pricing submitted multiplied by the unit quantities estimated to be performed, provided a total first year estimated cost of $2,348,733. Based on the Panel's evaluation of the two respondents and its finding that Hazard was the best qualified overall, staff recommends awarding the on-call airport pavement repair services agreement to Hazard Construction Company, for a term of three years, with the option for two one-year extensions exercisable at the discretion of the President/CEO, in the amount not-to-exceed $11,743,665, for five years.

## Fiscal Impact:

Adequate funding for the on-call airport pavement and repair service agreement is included in the adopted FY 2018 and conceptually approved FY 2019 Operating Expense Budgets within the Facilities Management Annual Repair and Service Contracts line item. The expense for this contract that will impact budget years not yet adopted or approved by the Board and will be included in future year budget requests.

## Authority Strategies:

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

☐ Community Strategy ☐ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

## Environmental Review:

A. California Environmental Quality Act ("CEQA"): This Board action is not a project that would have a significant effect on the environment as defined by the 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.

## Application of Inclusionary Policies:

The Authority has the following inclusionary programs/policies: a Disadvantaged Business Enterprise (DBE) Program, an Airport Concession Disadvantaged Business Enterprise (ACDBE) Program, Policy 5.12 and Policy 5.14. These programs/policies are intended to promote the inclusion of small, local, service disabled veteran owned, historically underrepresented businesses and other business enterprises, on all contracts. Only one of the programs/policies 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. Policy 5.12 provides a preference of up to five percent (5%) to small businesses in the award of selected Authority contracts. When bid price is the primary selection criteria, the maximum amount of the preference cannot exceed $200,000. The preference is only applied in measuring the bid. The final contract award is based on the amount of the original bid.

In accordance to Policy 5.12, Hazard Construction Company did not receive the 5% small business preference.

## Prepared by:

DAVID LAGUARDIA
DIRECTOR, FACILITIES MANAGEMENT

RESOLUTION NO. 2017-0108

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, APPROVING AND AUTHORIZING THE PRESIDENT/CEO TO EXECUTE AN ON-CALL AIRPORT PAVEMENT REPAIR SERVICES AGREEMENT WITH HAZARD CONSTRUCTION COMPANY, FOR A TERM OF THREE YEARS, WITH AN OPTION FOR TWO ONE-YEAR EXTENSIONS EXERCISABLE AT THE DISCRETION OF THE PRESIDENT/CEO, FOR A TOTAL NOT-TO-EXCEED AMOUNT OF $11,743,665, IN SUPPORT OF THE EXISTING PAVEMENT SURFACES, AT SAN DIEGO INTERNATIONAL AIRPORT

WHEREAS, the San Diego International Airport Authority (“Authority”) requires additional resources and support to maintain and repair existing SDIA pavement surfaces totaling over 29,700,000 square feet; and

WHEREAS, the on-call service agreement will be the primary means for the expeditious and professional repair of paved surfaces at SDIA; and

WHEREAS, the Authority advertised a Request for Proposal (“RFP”) on August 17, 2017, to provide on-call airport pavement repair services at SDIA; and

WHEREAS, on September 20, 2017, the Authority received two responses to the RFP from Granite Construction Company and Hazard Construction Company; and

WHEREAS, on November 1, 2017, the Panel interviewed the two responsive firms with each respondent providing a presentation of its qualifications and responses to prepared questions; and

WHEREAS, after the interview, the Panel evaluated the two respondents using a weighted criteria of six factors: company experience and qualifications, primary staff, work plan, proposed fees/cost to Authority, sustainability; and eligibility for small business participation under Authority Policy 5.12, Preference to Small Business; and

WHEREAS, upon conclusion of the evaluation process, the Panel unanimously ranked Hazard Construction Company as the best qualified overall to provide on-call airport pavement repair services.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves and authorizes the President/CEO to execute On-Call Airport Pavement Repair Services Agreement with Hazard Construction Company, for a term of three years, with an option for two one-year extensions exercisable at the discretion of the President/CEO, for a total not-exceed amount of $11,743,665, in support of the existing pavement surfaces, at San Diego International Airport; and

BE IT FURTHER RESOLVED that the Authority and its officers, employees, and agents hereby are authorized to do and perform all such acts as may be necessary or appropriate in order to effectuate fully the foregoing resolution; and

BE IT FURTHER RESOLVED that the Board finds that this 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); and is not a "development" as defined by the California Coastal Act Pub. Res. Code §30106.

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of December, 2017, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE &
INFORMATION GOVERNANCE /
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

**Item No. 14**

## STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**Approve and Authorize the President/CEO to Execute an Other Transactional Agreement (OTA) with the U.S. Department of Homeland Security - Transportation Security Administration (TSA)**

**Recommendation:**

Adopt Resolution No. 2017-0114, approving and authorizing the President/CEO to execute an Other Transactional Agreement (OTA No. 70T04018T9CAP1007) with the U.S. Department of Homeland Security - Transportation Security Administration (TSA) to allow reimbursement of costs in an amount not-to-exceed $1,140,834, for replacement of the existing three (3) Explosions Detection Devices located in Terminal 2 East Checked Baggage Inspections System area at San Diego International Airport.

**Background/Justification:**

The existing TSA Explosion Detection System (EDS) in Terminal 2 East (T2E) utilized to screen passenger baggage is over 12 years old, and TSA is mandating replacement with a new generation of EDS capable of higher throughput and more effective detection technology.

In December 2016, TSA requested the Authority perform an alternatives study to determine the scope of work necessary to replace the EDS machines, including any work necessary to the existing Baggage Handling System (BHS) based on 15 year growth projections.

The preferred alternatives report identifying scope of work and associated costs were finalized in June 2017 and is the basis for the scope of work identified in the TSA OTA.

The OTA execution enables the Authority to expeditiously proceed with securing the design work necessary in support of planned airline relocations to T2E, and to recover costs associated with the replacement of the existing EDS for an amount not-to-exceed $1,140,834.

**Fiscal Impact:**

In June 2017, the Board approved the FY2018-FY2023 Capital Improvement Program for Project No. 104235, Replace Baggage Screening Equipment, with a budget of $10,000,000. This OTA allows the Authority to be reimbursed on qualified costs associated with EDS replacement up to $1,140,834. Source of funds for this project include Airport Cash and this TSA OTA.

**Authority Strategies:**

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

☐ Community Strategy ☒ Customer Strategy ☐ Employee Strategy ☐ Financial Strategy ☒ Operations Strategy

**Environmental Review:**

A. CEQA: This project is consistent with Categorical Exemption 15302 – Replacement or Reconstruction – Class 2 and consists of replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced, including but not limited to: (c) Replacement or reconstruction of existing utility systems and/or facilities involving negligible or no expansion of capacity.

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

**Application of Inclusionary Policies:**

Not Applicable.

**Prepared by:**

JEFF RASOR
DIRECTOR, TERMINAL & TENANTS

RESOLUTION NO. 2017-0114

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY APPROVING AND AUTHORIZING THE PRESIDENT/CEO TO EXECUTE AN OTHER TRANSACTIONAL AGREEMENT (OTA NO. 70T04018T9CAP1007) WITH THE U.S. DEPARTMENT OF HOMELAND SECURITY - TRANSPORTATION SECURITY ADMINISTRATION (TSA) TO ALLOW REIMBURSEMENT OF COSTS IN AN AMOUNT NOT-TO-EXCEED $1,140,834, FOR REPLACEMENT OF THE EXISTING THREE (3) EXPLOSIONS DETECTION DEVICES LOCATED IN TERMINAL 2 EAST CHECKED BAGGAGE INSPECTIONS SYSTEM AREA AT SAN DIEGO INTERNATIONAL AIRPORT

WHEREAS, this project is a San Diego County Regional Airport Authority (“Authority”) Board (“Board”) approved project in the FY2018 Capital Improvement Program (“CIP”); and

WHEREAS, the existing TSA Explosion Detection System (EDS) in Terminal 2 East utilized to screen passenger baggage is over 12 years old, and TSA is mandating replacement with new generation of EDS capable of higher throughput and more effective detection technology; and

WHEREAS, in December 2016, TSA requested the Authority perform an alternatives study to determine the scope of work necessary to replace the EDS machines, including any work necessary to the existing Baggage Handling System (BHS) based on 15 year growth projections; and

WHEREAS, the preferred alternatives report identifying the scope of work and associated costs was finalized in June 2017 and is the basis for the scope of work as identified in the TSA OTA; and

WHEREAS, the OTA execution enables the Authority to expeditiously proceed with securing the design work necessary in support of planned airline relocations to T2E, and to recover costs associated with the replacement of the existing EDS including upgrades to the portion of the existing BHS for an amount not-to-exceed $1,140,834.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves and authorizes the President/CEO to execute an Other Transactional Agreement (OTA No. 70T04018T9CAP1007) with the U.S. Department of Homeland Security - Transportation Security Administration (TSA) to allow reimbursement of costs in an amount not-to-exceed $1,140,834, for replacement of the existing three (3) Explosions Detection Devices located in Terminal 2 East Checked Baggage Inspections System area at San Diego International Airport; and

BE IT FURTHER RESOLVED that the Authority and its officers, employees, and agents hereby are authorized, empowered, and directed to do and perform all such acts as may be necessary or appropriate in order to effectuate fully the foregoing resolution; and

BE IT FURTHER RESOLVED by the Board that it finds that this Board action is consistent with Categorical Exemption 15302 – Replacement or Reconstruction – Class 2 and consists of; replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced, including but not limited to: (c) Replacement or reconstruction of existing utility systems and/or facilities involving negligible or no expansion of capacity; and is not a “development” as defined by the California Coastal Act (California Public Resources Code §30106).

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of December, 2017, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

________________________________
TONY R. RUSSELL
DIRECTOR, CORPORATE &
INFORMATION GOVERNANCE /
AUTHORITY CLERK

APPROVED AS TO FORM:

________________________________
AMY GONZALEZ
GENERAL COUNSEL

# SAN DIEGO COUNTY
# REGIONAL AIRPORT AUTHORITY

**Item No.**
**15**

## STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**Action Plan for Addressing the Airport Noise Advisory Committee (ANAC) Recommendations**

**Recommendation:**

Adopt Resolution No. 2017-0109, accepting the action plan for the Airport Noise Advisory Committee (ANAC) recommendations.

**Background/Justification:**

The Airport Noise Advisory Committee (ANAC) was established to allow "...the opportunity to provide input to the Board regarding various aircraft noise-related projects."[1] On October 18, 2017, ANAC requested that staff present 21 recommendations to the Authority Board. These recommendations were originally developed by the ANAC Subcommittee (Subcommittee) to address recent increased noise concerns in communities surrounding San Diego International Airport (SDIA). Starting in September 2016, the Subcommittee developed a work plan to guide its efforts for its one-year term. Authority staff facilitated the Subcommittee's deliberations through 12 public technical meetings. The final deliverable of the Subcommittee's efforts was the set of recommendations presented to ANAC in October of 2017 (Exhibit A).

Staff has reviewed the ANAC recommendations to develop an action plan that will address the feasibility of each recommendation and, if applicable, how to implement them. Recommendations have been divided into two groups: Group A, those that can begin relatively quickly without significant technical analysis and Group B, those that require substantial technical analysis with multiple stakeholders.

**A. Recommendations without significant technical analysis**

First, the list of recommendations was reviewed to see if any of the requests could be implemented relatively quickly with minor technical analysis and stakeholder outreach. There are six such recommendations:

- *Recommendation 1- Working with legal counsel, staff will review the potential to increase curfew penalties.* The first step to increasing curfew penalties is for staff to review the impact of increasing curfew penalties and whether it is feasible or not to increase them. Staff will be working closely with legal counsel on this review. Staff will update ANAC members on the progress of this recommendation during ANAC meetings. Proposed action: Staff will begin an

[1] Airport Board Policy 9.20 – San Diego International Airport, Airport Noise Advisory Committee

effort to review curfew statistics and penalties to determine if it is appropriate to increase the penalty amounts.

- *Recommendation 2 - Use curfew fines to pay for noise mitigation efforts.* The costs of noise mitigation efforts already exceed the amount of penalty fines the Airport Authority receives. These efforts include maintenance costs associated with the airport noise and operations monitoring system, consultant efforts to prepare reports, and staff labor to manage the noise efforts. Proposed action: Staff will present a financial report to ANAC in February of 2018 showing a breakdown spending of noise mitigation.
- *Recommendation 5 - Provide public access to SoCal TRACON live radio broadcast.* Staff has been working with LiveATC.net for the past several months to facilitate the public broadcasting of FAA SoCal TRACON air traffic control communications. It is anticipated that the FAA SoCal TRACON departure frequency will be broadcasted publicly on LiveATC.net by the next scheduled ANAC meeting on December 20, 2017. Proposed action: Continue efforts with LiveATC.net to broadcast public access of the FAA SoCal TRACON departure frequency.
- *Recommendation 7 - Modify the ANAC membership policy to include more representatives from the beach communities of Pacific Beach, Bird Rock, La Jolla, Point Loma Heights and other directly impacted communities.* Staff is reviewing Board Policy 9.20 for the Airport Noise Advisory Committee to evaluate each member of ANAC and plans to bring a modified policy to the Authority Board in February 2018. Proposed action: Staff will review Board Policy 9.20 to determine feasibility of adding new communities, policy modifications will be brought back to the Authority Board for adoption.
- *Recommendation 8 - Review of alternative funding sources for the Quieter Home Program (QHP).* Staff is researching if there are alternative sources of funding, other than Federal Aviation Administration grant funding, and will present a report to ANAC at their February 2018 meeting with the findings of this research. Proposed action: Staff will conduct research to determine if there are alternative funding sources for the Quieter Home Program and present the research findings to ANAC in February of 2018.
- *Recommendations 9 and 12 - Modify the technical reports presented at the ANAC bi-monthly meetings.* Staff will either incorporate the requested items or explain why the reporting can't be done by the February 2018, ANAC meeting. Some of the requested items have already been incorporated into noise statistics that have been posted online. Proposed action: Staff will continue to modify technical reports presented to ANAC. If there are requests from these recommendations that cannot be completed, staff will notify ANAC.

**B. Recommendations requiring substantial technical analysis**

The remaining ANAC recommendations are mainly focused on flight procedures and noise data. When reviewing these remaining recommendations, staff wanted to develop a plan that would maximize the ability for each recommendation to be implemented, if feasible, in a timely manner.

Because these recommendations are generally under the purview of the FAA, require intensive analysis, technical consultation, and public involvement, Authority staff believes that the most effective way to successfully pursue them would be to expedite a 14 Code of Federal Regulations Part 150, Airport Noise Compatibility Planning Study (Part 150 Study). The FAA's established Part 150 Study process is specifically designed to review and accept (if achievable) recommendations that demonstrate that noise impacts in communities will be reduced without shifting or creating new noise impacts. Recommendations that do not show a noise reduction, or show an increase of noise in other areas, may not be accepted by the FAA.

Part 150 Studies have specific topic areas that must be reviewed per FAA guidelines; however, the ANAC's remaining recommendations (below) will also be reviewed for feasibility through the process:

FAA Flight Procedures

- Recommendations 13-21 - Analyze all departure and arrival published procedures, other procedures and agreements to determine if there are areas where procedure modifications could reduce noise impacts.
- Recommendation 14 - Revise PADRZ departure procedure to reduce noise in La Jolla, Mission Beach, and Pacific Beach.
- Recommendation 15 - Revise ZZOOO departure procedure to reduce or eliminate flights over the Point Loma Peninsula, including Cabrillo National Park and reduce eastbound turns over La Jolla.
- Recommendation 16 - Revise the COMIX arrival corridor to more appropriately "share the noise" instead of concentrating arrivals from the north in a very narrow corridor.
- Recommendation 17 - Review the Nighttime Noise Abatement Procedure to improve noise impacts for affected communities and ensure that ATC is only turning aircraft off this procedure for safety. Additionally, review ways to increase compliance with the procedure and ensure that ATC is only turning aircraft off this procedure for safety.
- Recommendations 18-20 - Review applicability and location of the FAA Noise Dots and incorporate the revised locations into published procedures as navigational waypoints.
- Recommendation 21 - Conduct an analysis of a modified Noise Abatement Departure Procedure to determine if there are potential improvements that could reduce the noise impacted area surrounding the airport.

Community Requests for Noise Data

- Recommendation 4 - Provide full public access to all FAA radio frequencies, for prior six months.
- Recommendation 6 - Make all raw noise data available to public.
- Recommendation 12 (portion of) - Conduct audits of flight tracking website, implement ways to educate the public on how to use the online flight tracker, and, publish 55 dB contours on the website.
- Recommendation 11 - Study feasibility and benefits of additional noise barriers at the airport to reduce noise impacts.
- Recommendation 10 - Conduct portable noise monitoring in areas, where permanent noise monitoring sites do not exist.

**What is a Part 150 Study?**

The Part 150 Study is a process designed to identify noise incompatibilities surrounding an airport and to recommend measures to both correct existing incompatibilities and to minimize future incompatibilities. The purpose of conducting a Part 150 Study is to develop a balanced and cost-effective plan for reducing current noise impacts from the airport's operations, where practical, and to limit additional impacts in the future. A Part 150 Study is a voluntary effort that an airport sponsor can undertake to help decrease noise impacts in communities surrounding their airport.

A Part 150 Study update will create aircraft noise exposure maps for current year conditions and future (five-year) conditions, and evaluate measures for addressing noise concerns. FAA-accepted measures can be eligible for federal funding. Typically, a Part 150 Study requires the establishment of a Technical Advisory Committee (TAC) that includes stakeholders such as the FAA (various offices), airlines, city/county agencies, general aviation operators, and community members. Part 150 Studies also contain a large amount of public involvement, which often includes multiple public meetings and other outreach efforts.

**What is the history of Part 150 Studies at San Diego International Airport?**

In 1988, the San Diego Unified Port District first conducted a Part 150 Study, which was accepted by the FAA in 1991. The Airport Authority completed a full Part 150 Study update, which was accepted by the FAA in 2011. In 2016, the FAA recertified the noise contours accepted in 2011.

Staff had already planned to initiate a Part 150 Study update in early 2019. However, in light of the ANAC recommendations, staff believes that the Study should be expedited, so that efforts to implement achievable recommendations can be done as quickly as possible.

**How will the Subcommittee be continued?**

One of the most significant concerns raised at the October 18, 2017, ANAC meeting was the continuation of the Subcommittee (Recommendation 3). Staff recommends that the continuation of the Subcommittee be accomplished through the formal establishment of a Citizen Advisory Committee (CAC) that will work alongside the TAC during the Part 150 Study update process. The role of the CAC will be to provide input to the TAC regarding the ANAC recommendations and any new aircraft noise concerns of communities impacted by SDIA Airport operations. The consultant selected to conduct the Part 150 Study update and airport staff will attend the CAC meetings. Both committees will be advising the Part 150 Study update for the full duration of the effort.

To ensure that the community is able to effectively dialogue with other stakeholders, ANAC can also identify several individuals (from the CAC) to sit on the TAC. The number of CAC members should be commensurate with the number of technical stakeholders on the TAC. Having their involvement on the TAC will allow them to engage in dialogue with the stakeholders as each recommendation is reviewed and analyzed.

Members of the CAC will be identified using an online application process (similar to the previous membership for the Subcommittee). The President/CEO will review the applications to ensure that the 15 CAC members represent all of the neighborhoods currently expressing noise concerns.

In addition to the CAC, there will be other ways the public can be involved in the Part 150 Study. This may include information websites or forums, community meetings, and other public engagement efforts.

**Next Steps**
The community has expressed a desire for the Airport Authority to move quickly on the ANAC recommendations. It is anticipated that a full Part 150 Study update could take two years to complete. Understanding that the completion of this Study will be a high priority to the communities surrounding SDIA, staff will make every effort to expedite the Part 150 Study update.

Where it is feasible, efforts will be taken to identify ANAC recommendations that can be implemented while the Study is underway, rather than wait until the completion of it. A timeline shown below identifies the estimated milestones throughout the Part 150 Study update:

**Estimated Timeline**

| January 2018 | February 2018 | March-April 2018 | May 2018 | March 2019 | July-December 2019 |
|---|---|---|---|---|---|
| Advertise for consultant to conduct Study | Create Citizen Advisory Committee (Applications online by 2/1/18) | Board Awards Study Contract | Study commences ★ | First draft of Study ★ | Present final Study to Board |
| | | | *Review recommendations to implement during Study (items not requiring FAA acceptance)* | | |

★ = A minimum of two public meetings will be held during the Part 150 Study

This proposed timeline is only an estimate and subject to FAA review and acceptance. The FAA may also require additional time for their review. It is roughly estimated that the Part 150 Study update will cost between $1.5 and $2 million (dependent on the level of public outreach), which is eligible for FAA grants. Currently, there is $1.8 million allocated in the Board-approved Capital Improvement Program for a Part 150 Study update.

**Proposed Action Plan**

- Proceed with "Recommendations without significant technical analysis" as noted in items A, above.
- Proceed with a Part 150 Study to further review "Recommendations requiring substantial technical analysis" as noted in items B, above.

## Fiscal Impact:

Adequate funds for this Study are included in the adopted FY 2018 CIP. Sources of funding for measures, if accepted by the FAA, will include Federal Airport Improvement Program grants and Passenger Facility Charges.

## Authority Strategies:

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

☒ Community Strategy ☐ Customer Strategy ☐ Employee Strategy ☐ Financial Strategy ☒ Operations Strategy

## Environmental Review:

A. 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. Section 15378. This Board action is not a "project" subject to CEQA, Pub. Res. Code Section 21065. No changes to noise will occur with acceptance of the ANAC recommendations.

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

## Application of Inclusionary Policies:

The Authority has the following inclusionary programs/policies: a Disadvantaged Business Enterprise (DBE) Program, an Airport Concession Disadvantaged Business Enterprise (ACDBE) Program, Policy 5.12 and Policy 5.14. These programs/policies are intended to promote the inclusion of small, local, service disabled veteran owned, historically underrepresented businesses and other business enterprises, on all contracts. Only one of the programs/policies named above can be used in any single contracting opportunity.

The Authority's DBE Program, as required by the U.S. Department of Transportation, 49 Code of Federal Regulations (CFR) Part 26, calls for the Authority to submit a triennial overall goal for DBE participation on all federally funded projects. When federal funds are utilized, the Authority is prohibited from using a program that provides a preference such as those used in Policies 5.12 and 5.14. Therefore, the Authority must utilize other means as provided in the DBE Plan to achieve participation.

This project utilizes federal funds; therefore, it will be applied toward the Authority's overall DBE goal.

## Prepared by:

BRENDAN REED
DIRECTOR, PLANNING & ENVIRONMENTAL AFFAIRS

EXHIBIT A

# ANAC Subcommittee Recommendations (ANAC Approval)

## CURFEW PENALTIES

| **Recommendation - PASSED: In Favor = 7 Opposed = 1** |
|---|
| 1. Increase the amount of fines assessed on the airlines for curfew violations commensurate with the increase in cost of living. Continue to maintain the multiplier. |
| 2. Use 100% of curfew violations fines for noise mitigation efforts, including but not limited to, additional noise monitoring, home upgrades not covered by QHP, engineering studies, community awareness, etc. In addition, the San Diego County Regional Airport Authority (SDCRAA) should make community members aware of these fines and how they are being used to reduce noise impacts. |

## SUBCOMMITTEE CONTINUATION

| **Recommendation - PASSED: In Favor = 4 Opposed = 3 Abstain = 1** |
|---|
| 3. Continue the subcommittee to ensure continued community input from affected neighborhoods. Post applications on the website for 2017/18 seats. |

## FAA AIR TRAFFIC CONTROL RADIO FREQUENCIES

| **Recommendation - PASSED: Unanimous** |
|---|
| 4. FAA to provide full public access to TRACON So Cal Arrivals and Departures live radio broadcast frequencies including live FAA feeds (as is provided at LAX) via LiveATC.net or similar. |
| 5. SDCRAA to archive and make publically available on its website ATC of Clearance Delivery, Ground Control, Tower and Approach/Departure, SoCal Arrival and Departure Control radio communications for prior 6 month period. |

## ANAC COMMITTEE

| **Recommendation - PASSED: Unanimous** |
|---|
| 6. SDCRAA to make all raw noise related data available to the public. |
| 7. Modify ANAC Committee Policy to add one representative each from Pacific Beach, Bird Rock, La Jolla, **Point Loma Heights and** other directly impacted communities. |

## ANAC Subcommittee Recommendations (ANAC Approval)

## QUIETER HOME PROGRAM

| **Recommendation** - **PASSED: Unanimous** |
|---|
| 8. Review alternative funding sources to expand the homes treated by the Quieter Home Program (QHP) to noise-impacted homes outside the current noise contour. |
| 9. SDCRAA to track and report to ANAC at each meeting the count and specific circumstances where applicants are denied Air Conditioning (AC) installations in their QHP applications so that ANAC may consider recommendations to pursue the FAA reconsider the terms of the AC prohibitions. |

## NOISE MONITORING AND MITIGATION

| **RECOMMENDATION** - **PASSED: Unanimous** |
|---|
| 10. Conduct portable noise monitoring in areas that express concerns about aircraft noise that do not have a permanent noise monitoring site close by. Initially these locations should include: Mission Beach parallel to Noise Dot #1, Fleetridge, South Fleetridge, Point Loma Heights, Dana Middle School or the Wooded Area on the bayside of the Point. |
| 11. Study the feasibility and benefit of noise barriers/airport noise mitigation on the water side of the airport and runways across from the Car Rental agency. |

## ADDITIONAL SDCRAA ANALYSIS

| **Recommendation** - **PASSED: Unanimous** |
|---|
| 12. SDCRAA to conduct additional analysis and publish this data as part of ANAC data package, this information should include:<br>a. Missed approaches as it relates to the noise dots (compliant versus non-compliant both left and right), by time of day.<br>b. Missed approaches to the left of the JETTI waypoint, in between JETTI and the original noise dot #1 (which is now Noise dot 2) and to the right of the original Noise Dot #1 (which is now Noise Dot #2.)<br>c. Include in the definition and calculation of early turns departures to the left of the JETTI waypoint and to the right of the original Noise Dot #1 (which is now Noise Dot #2.).<br>d. ZZOOO departures that are outside/south of ZZOOO waypoint, noise dot compliant but not outside the ZZOOO waypoint, early turns to the left and aircraft that are cleared direct to the MTBAL waypoint.<br>e. Include airline information associated with missed approaches, curfew violations, and early turns.<br>f. Report on noise events using the number above (Nx or N65) to indicate how many loud aircraft noise events are occurring.<br>g. Report all noise complaints by time, date, flight number, and neighborhood (reinstate historical noise complaint reporting).<br>h. SDCRAA to publish 55 dB CNEL contour on their website.<br>i. Conduct an independent audit of the accuracy of web-based Flight Tracking system.<br>j. Implement a range of ways to educate the community on how to use Flight Tracker. |

| |
|---|
| k. Track conformance to the "the 290 degree" departure heading (from end of runway 27) to the Nighttime Noise Abatement Procedure. |

## FLIGHT PROCEDURE CHANGES – OVERALL

| **RECOMMENDATION – Combined Recommendations 13 – 21** PASSED: Unanimous |
|---|
| 13. SDCRAA will engage an independent third party consultant, with public involvement, to provide a full and honest analysis and evaluation of the overall alignment of current SID's, STAR's and Procedures and Agreements. Note: ANAC would like to stay involved in the process to remain informed and provide input. |

## FLIGHT PROCEDURE CHANGES – PADRZ SID

| **RECOMMENDATION** (to be included as a subset of #13) |
|---|
| 14. Revise PADRZ or create a new procedure to reduce increased noise in La Jolla, Mission Beach and Pacific Beach. |

| **PROCEDURE SUGGESTIONS-PADRZ SID:** Several members of the subcommittee worked to develop potential revised procedures designed to reduce noise impacts. The suggestions below are included as, and meant to be, examples to clarify the desired outcome and to bring up potential alternatives to the current procedure. |
|---|
| • Move the **WNFLD and LANDN** waypoints due south so as to align with the relocated Noise Dot #1 at 290 (15 degree separation from JETTI at 275 degrees) and designate as "Flyover" waypoints in their respective SID's, consistent with JETTI |
| • Establish within the PADRZ SID procedure a horizontal distance from end of runway (1.0 miles) along a fixed heading which must be satisfied along with altitude before a right turn can be initiated to preclude flights that quickly attain the current minimum 520' altitude and turn right of and prior to Noise Dot #1 before correcting to WYNFLD which results in aircraft flying farther north over Mission Beach |
| • PADRZ ONE SID As currently designed the PADRZ ONE departure leaves aircraft very close to and almost paralleling the coast along La Jolla, increasing noise impacts significantly. We recommend moving the WNFLD and KERNL waypoints 1.5NM south of their current positions. This will ensure aircraft proceed more directly off the coast without paralleling the shore and adds less than a mile of track distance to PADRZ. |
| • Create a new procedure: BROCK-2 (alternative 1) Request FAA to revise PADRZ SID and establish new waypoint BROCK1. Adds min increased flight time and takes aircraft further offshore before turning to northern destinations. This will help all coastal neighborhoods with noise issues. |
| • Create a new procedure: BROCK-1 (alternative 2 - preferred) Relocate Waypoints WNFLD and LANDN 0.75 miles directly south or adopt BROCK recommendation. Maintain 274 Departure until Altitude 520 or greater. Maintain 274 departure heading until 520 foot altitude or greater and the aircraft have reached (new) flyover waypoint 0.25 to 0.5 miles from the end of the runway before turning towards WNFLD, LANDN or new BROCK Waypoint. |
| • Do not move the PADRZ SID further south to avoid negative noise impacts on the south side communities of the Point Loma Peninsula. |

## FLIGHT PROFLIGHT PROCEDURE CHANGES – ZZOOO SID

| **RECOMMENDATION** (to be included as a subset of #13) |
|---|
| 15. Revise ZZOOO to significantly reduce or eliminate flights over the Point Loma Peninsula, including Cabrillo National Park and reduce or eliminate eastbound turns over La Jolla. |

| **PROCEDURE SUGGESTIONS-ZZOOO SID:** Several members of the subcommittee worked to develop potential revised procedures designed to reduce noise and enforce compliance with Noise Dots and the ZZOOO procedure over Point Loma. Those suggestions are included as, and meant to be, examples to clarify the desired outcome and to bring up potential alternatives to the current procedure |
|---|
| • East bound flights should reach a minimum of 8K feet before crossing over ZOOO to minimize thrusters and reduce duration of noise impacts over Point Loma. |
| • FAA\TRACON to discourage the practice of redirecting flights off of their filed ZZOOO flight plan departure, to turn north then east over La Jolla. FAA to increase minimum SID flyover\flyby altitudes to encourage increased climb rates. |
| • FAA\TRACON to direct that ALL SAN departure separation be limited to between JETTI (275 degrees) and the historical Red Noise Dot #1 (290 degree vectors from the end of runway 27) for LNSAY, BORDER, PEBLE and ZZOOO, etc. (plus all new Metroplex SID's); Prohibit 250 to 275 departure vector range, except for specific safety events ( "Runway 27 STAR Missed Approach Wave Off"). |
| • Follow ZZOOO procedure, comply with the JETTI flyover waypoint and consider the establishment of a minimum vectoring altitude for Eastbound turns |
| • The ZZOOO ONE departure as currently designed puts departing aircraft to close to the Point Loma peninsula and the southern end of coastal La Jolla, subjecting residents to increased and at times incessant noise from departing aircraft. Aircraft need to be further offshore before beginning the turn south to the ZZOOO waypoint. We recommend replacing the JETTI waypoint with a waypoint along the same track from the departure end of runway 27 that is 2 NM further west, located at approximately 32.75360N -117.25755W. |

## FLIGHT PROCEDURE CHANGES – COMIX STAR

| **RECOMMENDATION** (to be included as a subset of #13) |
|---|
| 16. Reassess and revise the entire arrival corridor in a manner that more appropriately "shares the noise" instead of concentrating arrivals from the North in a very narrow corridor. |

| **PROCEDURE SUGGESTIONS-COMIX STAR SID:** Several members of the subcommittee worked to develop potential revised procedures to COMIX STAR designed to reduce the increased noise that has resulted from the implementation of Metroplex and NextGen. Those suggestions are included as, and meant to be, examples to clarify the desired outcome and to bring up potential alternatives to the current procedure. |
|---|

## ANAC Subcommittee Recommendations (ANAC Approval)

| |
|---|
| • Revise COMIX STAR procedure in order to shift flights that Metroplex has moved and concentrated farther South (the downwind leg) over less populated areas and restore prior altitude. |
| • Shift the way point XMANS on the COMIX STAR north to a location that is over the interstate freeway 805 and 52 with the constraint to remain clear of MCAS Miramar's airspace. It would come ashore over Torrey Pines State Park before connecting with KLOMN. |
| • Increase Min. Altitude at LNTRN (LCOVE) at or above 10,000. This change would result in aircraft flying over less populated areas, including industrial businesses, thus reducing the noise impact and saving time/fuel. This proposed path is closer to the historical flights pre-NextGen. |
| • COMIX ONE STAR The RNAV-only COMIX ONE arrival is very similar to the existing non-RNAV BAYVU arrival in terms of ground track with a key difference being that the COMIX arrival has an "at or above 8,000 feet" altitude restriction on its last offshore waypoint (LANTRN). The BAYVU arrival has an "at or above 9,000 feet" restriction at its nearly identically-located LCOVE waypoint. This has resulted in aircraft being lower and noisier over La Jolla. We recommend changing the LANTRN waypoint's altitude restriction to "at or above 9,000 feet". |

## NIGHTTIME NOISE ABATEMENT PROCEDURE

| **Recommendation** - **PASSED: Unanimous (Review procedure changes in described under Item 13, this recommendation is specifically focused on increasing current compliance)** |
|---|
| 17. Determine methods to increase current compliance in Nighttime Noise Abatement Procedures to improve noise impacts for affected communities and ensure that ATC is only turning aircraft off this procedure for safety reasons only. |

## FAA NOISE DOTS

| **Recommendation** (to be included as a subset of #13) |
|---|
| 18. Review if the current definition of an early turn, define what an early turn means and conduct comparative analysis to actual flight paths |
| 19. Work with FAA/ATC to modify flight procedures to increase compliance and reduce early turns, with consideration of aircraft performance. |
| 20. FAA\TRACON to incorporate Red Dot waypoint locations into current and future SID's as part of the formal SID and STAR Procedures, so that Red Dots become waypoints on departure procedures and data is collected on waypoints. |
| a. Reposition FAA Noise **Dot #1** from its current position at 295 degrees (implemented by FAA\AA without public notice) to its "original" pre 2005 position at 290 degrees from end of SAN Runway 27 and 1.5 miles off of the coast<br>b. Reposition FAA Noise Dot #3 from its current position at 265 degrees (implemented by FAA\AA without public notice) to its "original"pre 2005 position of 275 degrees (JETTI) and 1.5 miles off of the coast<br>c. Reposition FAA Noise **Dot #4** from its current location (west of Fort Rosecrans) to coincide with the ZZOOO waypoint to deter regular Early left turns inside of ZZOOO which continue to occur at the direction of ATC in direct conflict with the SID routing. ZZOOO was specifically designed by FAA to provide an efficient and cost effective departure for eastbound traffic and to mitigate impacts to affected DOT Section 4(f) recourses |

| |
|---|
| (including Fort Rosecrans, Cabrillo National Monument) and the peninsula community |

## NOISE ABATEMENT DEPARTURE PROCEDURE (NADP)

| **Recommendation** (to be included as a subset of #13) |
|---|
| 21. Have SDCRAA conduct an engineering analysis of modification to the Noise Abatement Departure Procedure to assess the potential improvement to noise contours around the airport. |

RESOLUTION NO. 2017-0109

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY ACCEPTING THE ACTION PLAN FOR THE AIRPORT NOISE ADVISORY COMMITTEE (ANAC) RECOMMENDATIONS

WHEREAS, the Airport Noise Advisory Committee (ANAC) was established to allow "…the opportunity to provide input to the Board regarding various aircraft noise-related projects"; and

WHEREAS, on October 18, 2017, ANAC requested staff present 21 recommendations to the Authority Board, which were originally created by the ANAC Subcommittee (Subcommittee) to address noise concerns in communities surrounding San Diego International Airport (SDIA); and

WHEREAS, staff has reviewed the ANAC recommendations to develop a plan that will address the feasibility of each recommendation and, if applicable, how to implement them; and

WHEREAS, the list of recommendations was divided into two groups: Group A, those that can begin relatively quickly without significant technical analysis and Group B, those that require substantial technical analysis with multiple stakeholders; and

WHEREAS, there are six recommendations in Group A, with specific action plans to review, and if feasible, implement; and

WHEREAS, the remaining recommendations are in Group B, which include flight procedures and noise data requests requiring intensive analysis and stakeholder coordination, and will be included in a Part 150, Airport Noise Compatibility Planning Study (Part 150 Study); and

WHEREAS, since Recommendation 3 requested continuation of the Subcommittee, Authority staff is recommending that the continuation of the Subcommittee be accomplished through the formal establishment of a Citizen Advisory Committee (CAC) to work alongside the Technical Advisory Committee (TAC) during the Part 150 Study process; and

WHEREAS, understanding the Part 150 Study will be a high priority to the communities surrounding SDIA, staff will make every effort to expedite the Part 150 Study update; and

NOW, THEREFORE, BE IT RESOLVED that the Board hereby accepts the action plan for the Airport Noise Advisory Committee (ANAC) recommendations; and

BE IT FURTHER RESOLVED that the Board of the San Diego County Regional Airport Authority finds that this action is not a "project" as defined by the California Environmental Quality Act (CEQA), Pub. Res. Code Section 21065, and is not a "development" as defined by the California Coastal Act, Pub. Res. Code Section 30106.

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of December, 2017, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

______________________________
TONY R. RUSSELL
DIRECTOR, CORPORATE &
INFORMATION GOVERNANCE /
AUTHORITY CLERK

APPROVED AS TO FORM:

______________________________
AMY GONZALEZ
GENERAL COUNSEL

# ITEM 15

# ACTION PLAN FOR ADDRRESSING THE AIRPORT NOISE ADVISORYCOMMITTEE (ANAC) RECOMMENDATIONS:

## Correspondence Received from the Public

Peninsula
Community Planning Board

16 November 2017

**RE: Continuation of the Subcommittee to ANAC**

Dear San Diego County Airport Authority:

As Chair of the Peninsula Community Planning Board, I am conveying to you, as City Council Representative for the Peninsula Community, the consensus of the PCPB that the Peninsula Community is in **SUPPORT** of the continuation of the Subcommittee to ANAC as recommended to ANAC and approved at the October 2017 ANAC meeting.

The Subcommittee has met over the past year, and in that time has given those directly affected by airport noise and pollution a chance to communicate at a wider scale of outreach their concerns, and has come to constructive suggestions for possible solutions.

We request that the valuable work of the Subcommittee be continued to allow all affected areas and community members of San Diego area to provide input and have a stronger voice.

Copy of letter distributions to:

- **Airport Authority**
- **Honorable Mayor Kevin L. Faulconer, City of San Diego**
- **Honorable Council Member Lorie Zapf, San Diego Council District 2**
- **Honorable Congressman Scott Peters, 52nd District**
- **Honorable County Supervisor, Greg Cox, District 1**
- **Patrick Bouteller, Director of Intergovernmental Relations for the Mayor**
- **Sjohnna Knack, Program Manager, Airport Noise Mitigation**

Sincerely,

Jon Linney, Chair (PCPB)

*Approved by Action of the Peninsula Community Planning Board on 16 November 2017.*

SCOTT H. PETERS
52ND DISTRICT, CALIFORNIA

1122 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225–0508

# Congress of the United States
## House of Representatives
Washington, DC 20515–0552

November 30, 2017

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

Dear Ms. Boling,

I am writing on behalf of my constituents in the northern coastal communities who have expressed strong support for the Airport Noise Advisory Committee (ANAC) Subcommittee's recommendations. I appreciate that the Airport Authority took the concerns of these communities seriously and conducted a noise study in these specific neighborhoods. It was particularly helpful that the study accounted for the specific experiences of community members by placing noise monitors on these individuals' properties to ensure a range and breadth of data.

My staff and I carefully reviewed the study's analysis; the data does not seem to prove a change in noise from San Diego International Airport because of SoCal Metroplex implementation. Nevertheless, these communities still feel that noise levels near their homes have increased. Thus, I support the Airport Authority's strong consideration of the ANAC's action plan presented to the Airport Authority. In particular, I want to express my support for the FAR Part 150 Noise Compatibility Study. The FAA developed the Part 150 process for airports to identify noise impacts and develop a plan to minimize them, and I'm encouraged by the ANAC's suggestion of an expedited study to more immediately respond to community concerns.

As you and your colleagues at the Airport Authority work with the FAA on this expedited study, I remain ready to assist if I can be of service. I look forward to the results of your team's analysis and if I can be helpful, please don't hesitate to call my office in San Diego at (858) 455-5550 or in Washington at (202) 225-0508.

Sincerely,

Scott Peters
Member of Congress
US House of Representatives
California, 52nd District

SP/kg

SAN DIEGO
INTERNATIONAL AIRPORT
LET'S GO.

ITEM 15

# Action Plan for ANAC Recommendations

December 7, 2017

# Background

The Airport Noise Advisory Committee (ANAC) was established via Board Policy 9.20 to allow "...the opportunity to provide input to the Board regarding various aircraft noise-related projects."

The ANAC Subcommittee was created to address recent increased noise concerns in communities surrounding the airport and to dialogue with industry stakeholders on those noise concerns.

# Timeline

Subcommittee starts and develops a year-long work plan to address their noise concerns.

**September 2016**

**September 2017**

Subcommittee creates a list of noise recommendations for ANAC.

ANAC approves the 21 recommendations and asks them to be considered by the Authority Board.

**October 2017**

**December 2017**

Present Action Plan to Authority Board.

SAN DIEGO INTERNATIONAL AIRPORT.
LET'S GO.

# Recommendations

In reviewing the 21 recommendations, staff looked at three things:

Can staff start on some recommendations quickly, with minimal stakeholder involvement and technical analysis?

What is the most feasible and efficient way to implement recommendations under the control of the FAA?

How can we best continue the dialogue with concerned residents involved in the Subcommittee?

SAN DIEGO INTERNATIONAL AIRPORT. LET'S GO.

# Two Groups of Recommendations

Staff reviewed the list to develop an action plan to address the feasibility of each recommendation, and if applicable, how to implement them.
They were divided into two groups:

## Group A

These recommendations may be implemented quickly or require minor technical analysis with limited stakeholder involvement.

## Group B

These recommendations require substantial technical analysis and extensive stakeholder involvement.

# Recommendations Group A

These recommendations may be implemented quickly or require minor technical analysis with limited stakeholder involvement.

## Increase Curfew Penalties

Proposed Action: Working with legal counsel, conduct a review of the impact and feasibility of a curfew penalty increase.

## Use Curfew Penalties for Noise Mitigation

Proposed Action: Present a breakdown of the noise expenses at February 2018 ANAC Meeting.

## Provide Public Access to FAA SoCal Departure

Proposed Action: Continue efforts to publically broadcast FAA SoCal TRACON departure frequency.

## Modify ANAC Membership

Proposed Action: Staff will review Board Policy 9.20 to evaluate each member of ANAC and bring recommendations to the Authority Board for adoption.

## Review Alternative Funding Sources - QHP

Proposed Action: Research alternative funding sources for the Quieter Home Program and present the research to ANAC by February of 2018.

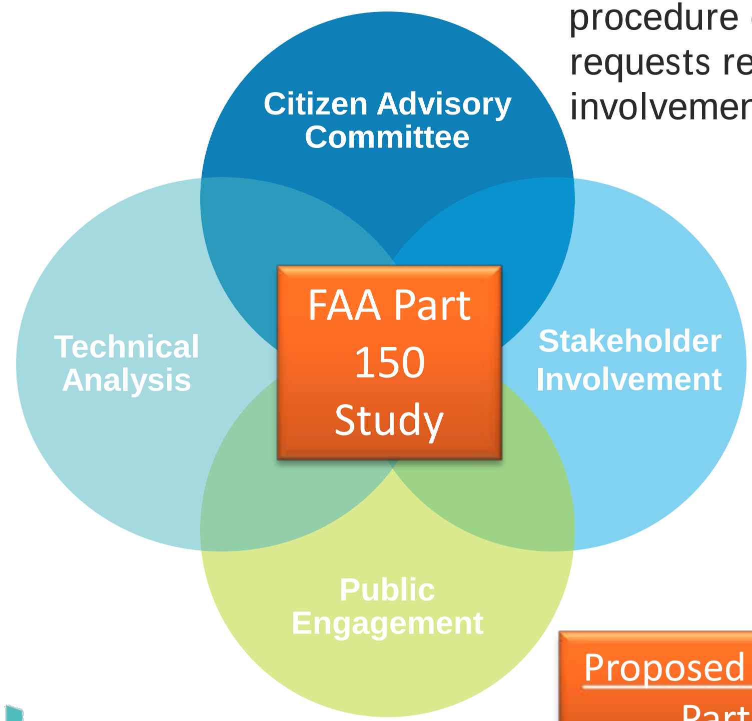
## Modify Technical Reports to ANAC

Proposed Action: Staff will continue to modify the noise statistics presented to ANAC and notify ANAC if any of the requests cannot be completed.

SAN DIEGO INTERNATIONAL AIRPORT. LET'S GO.

# Recommendations Group B

Group B recommendations are predominantly FAA flight procedure changes and noise data requests. These requests require intensive technical analysis, stakeholder involvement and public involvement.




## Flight Procedures

- Recommendations 13 - 21

## Noise Data Requests

- Recommendations 4, 6, 12 (portion of), 11, 10

Proposed Action: Conduct an expedited 14 Code of Federal Regulations Part 150, Noise Compatibility Study (Part 150 Study) Update

SAN DIEGO INTERNATIONAL AIRPORT. LET'S GO.

# What is a Part 150 Study

Part 150 is a voluntary process designed to identify noise incompatibilities surrounding an airport and to recommend measures to both correct existing incompatibilities (mitigation) and develop a plan to reduce noise impacts (abatement).

### Review Noise Impacts

Create current year and five year forecasted noise contours.

### Technical Advisory Committee

A multitude of stakeholders will participate in a Technical Advisory Committee (TAC) for the duration of the study.

### Analyze Recommendations

Technical analysis will be conducted on the ANAC recommendations to determine if they reduce noise without shifting it to another community.

### History of Part 150 Studies at SDIA

First completed a study in 1988. A full Part 150 Study update was completed in 2011. In 2016, the FAA recertified our contours until 2019.

# Continuation of Subcommittee Through:

Effective Dialogue with Stakeholders

ANAC to identify several CAC members to serve on TAC

Engage CAC for additional public outreach measures

- Online applications by 2/1/18
- 15 members
- Representing all communities impacted by aircraft noise
- Will continue the duration of the Part 150 Study

# A Citizen Advisory Committee (CAC)

Staff recommends the formal establishment of a CAC to work alongside the TAC to review their efforts to ensure the ANAC recommendations are addressed appropriately and to add any new concerns by communities impacted by aircraft noise.

SAN DIEGO INTERNATIONAL AIRPORT. LET'S GO.

# Next Steps

The community has expressed a desire for the Airport Authority to move quickly on the ANAC recommendations. The following is an estimated timeline for the milestones necessary to complete the Part 150 Study update.

| January 2018 | February 2018 | March-April 2018 | May 2018 | March 2019 | July-December 2019 |
|---|---|---|---|---|---|
| **Advertise for a consultant to conduct the Part 150 Study update** | **Create Citizen Advisory Committee (applications online by 2/1/18)** | **Board Award of Consultant Contract** | **Start Part 150 Study update** | **First Draft of the Part 150 Study update** | **Present Final Study to Authority Board** |

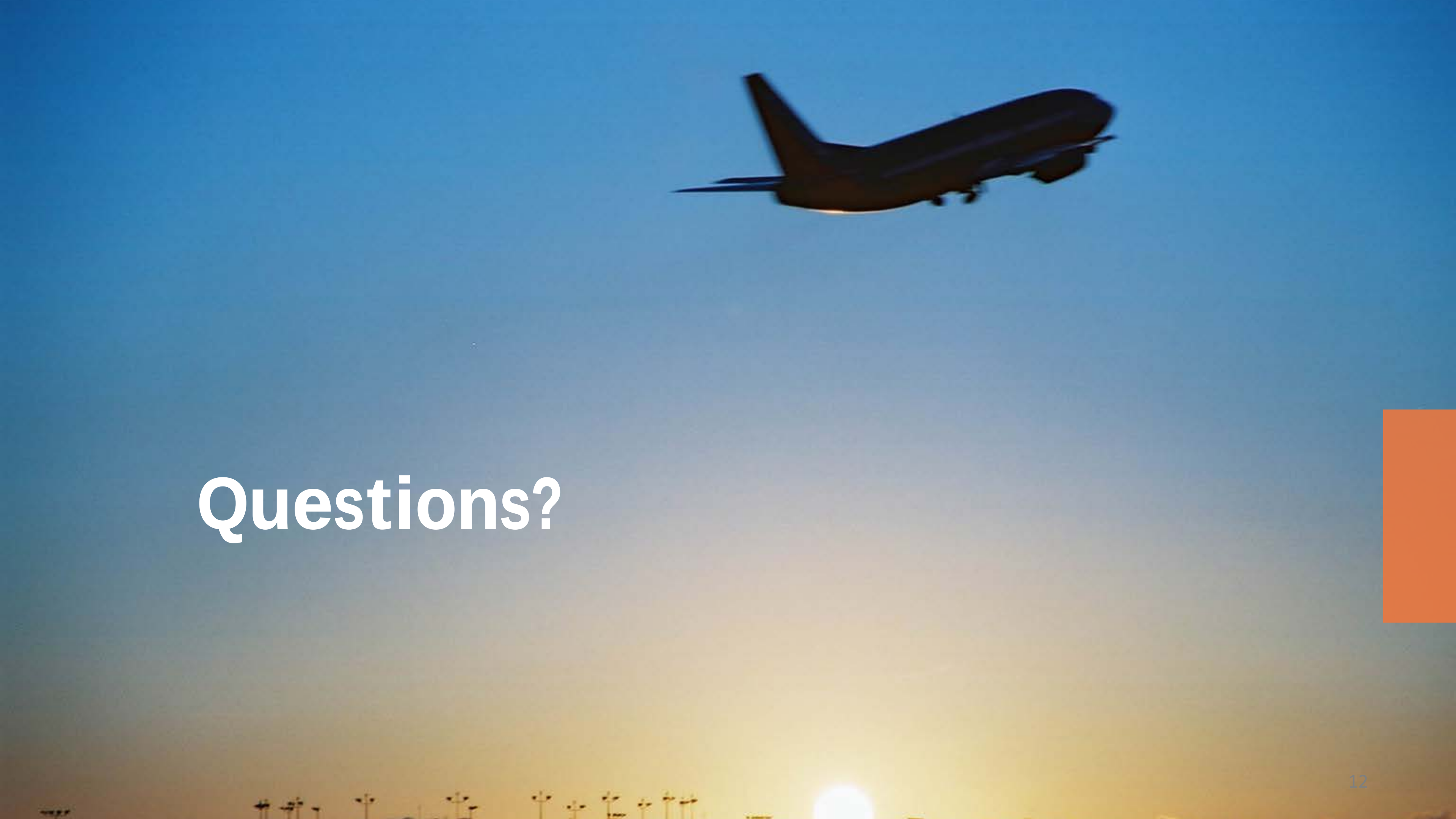
*Review recommendations that could be implemented during the study.*

A minimum of two public workshops will be conducted.

# Board Action:

- Accept the action plans in Recommendations Group A - “Recommendations without significant technical analysis”

- Accept the plan to conduct a Part 150 Study update to further review “Recommendations requiring substantial technical analysis” as noted in Recommendations Group B



# Questions?

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

**Item No.**
**16**

# STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**Transportation Network Company (TNC) Permit Application Update and Approved Continuation of the TNC Permit Program**

**Recommendation:**

Adopt Resolution No. 2017-0110, approving the continuation of the Transportation Network Company operations at San Diego International Airport and authorizing the President/CEO to negotiate and execute a TNC permit and authorizing Greenhouse reduction fees.

**Background/Justification:**

Introduction

A Transportation Network Company ("TNC"), as defined by the California Public Utilities Code section 5431 is a company or organization (whether a corporation, partnership, sole proprietor, or other form) operating in California that provides transportation services for compensation using an online-enabled application ("app") or platform to connect passengers with drivers using their personal vehicles. TNCs have gained extensive publicity, widespread popularity and strong customer acceptance, while competing against the more established and regulated Taxicab, Vehicle for Hire ("VFH") and Limousine/Charter carriers. TNCs, regulated by the PUC since 2013, also compete against the Airport's parking operations and on-Airport rental car companies, which has adversely affected parking, rental car, and rental car customer facility charge revenues.

TNCs at San Diego International Airport ("Airport") are currently working under a permit that expires December 31, 2017. In the current agreement period, Authority Staff and TNCs have worked together to negotiate a permit with terms to incentivize Greenhouse Gas (GHG) emissions reductions. Currently the Authority has 5 TNC permittees operating at SAN: Bounce, Lyft, Opoli, Wingz, and Uber.

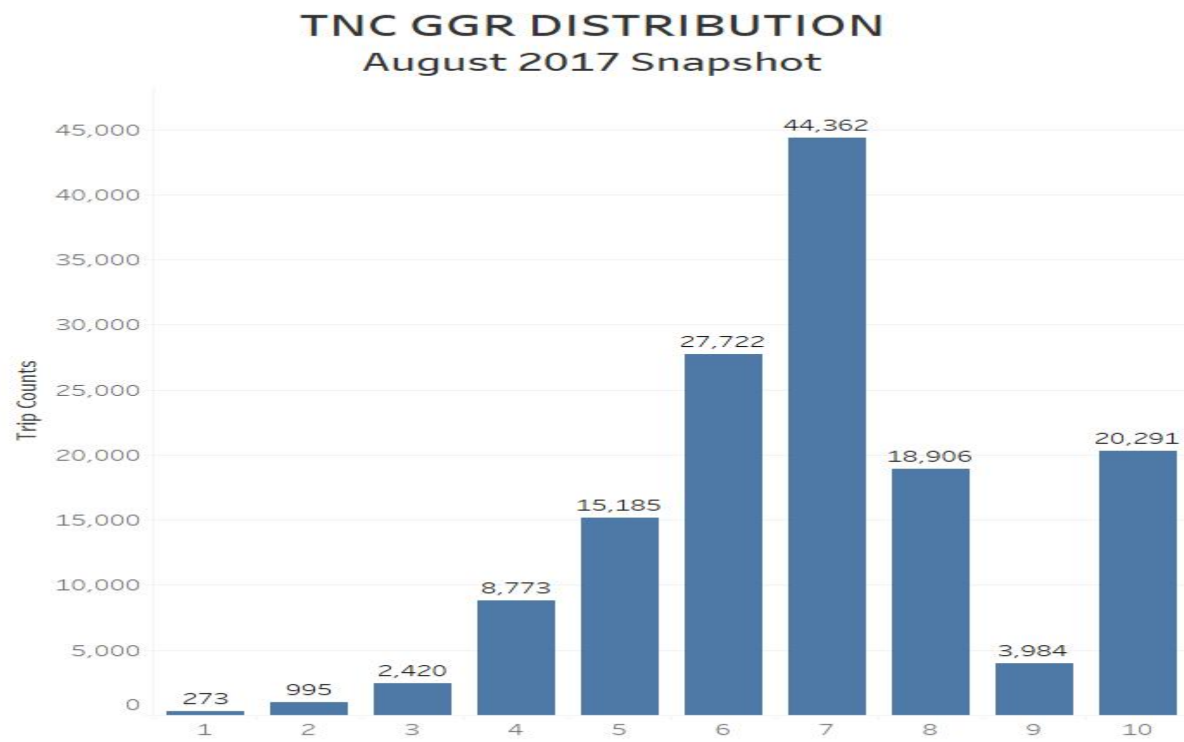
Key Dates and Actions

Authority Staff has worked closely with the TNCs to author, negotiate and ultimately implement a TNC Program ("Program") with GHG reduction incentives. The most notable milestones include:

- February 1, 2017: Staff executed new permit with GHG reporting
- June 1, 2017: TNC GHG reporting analysis
- November 11, 2017: Staff & TNC developed GHG incentives for the permit period January 1, 2018 to June 30, 2018
- December 31, 2017: TNC permit scheduled to expire

Key Information Gained from Current Permit with GHG Reporting

At the January 2017 Board meeting, Staff estimated that the combined TNCs' fleets EPA Greenhouse Gas Rating (GGR) was at a 6. However, after data collection and analysis, Staff determined that the average GGR is at a 7 which already meets the Authority's 2018 GGR goal.




**GGR Rating** (1 = Highest level of CO2 per mile, 10 = Lowest level of CO2 per mile)

Staff Development of GHG Incentives

Authority Staff acknowledges that the TNCs do not own their fleets but have separate agreements with the drivers of vehicles who work for them. Therefore, Authority Staff has created a flexible, performance-based GHG reduction program that allows the TNCs multiple ways to reduce their carbon intensity through greater fuel efficiency, inclusion of alternative fuel vehicles, trip reductions through pooled passenger ridesharing, and passenger drop off and pickup matching to decrease deadheading.

Staff Development of Monthly Effective GHG Rating Calculation and Penalty

Authority Staff has worked with TNCs to develop a performance based method to incentivize the reduction of GHG emissions. In addition, Staff acknowledges the challenges and opportunities. Staff looks forward to continuing to partner with TNCs to refine processes and calculation methods to ensure the reduction of GHG emission.

Staff has created a flexible, performance-based Effective Greenhouse Gas Rating (EGGR) calculation to be calculated during the monthly reporting process.

1. First, the TNC must calculate the EGGR. The TNC must use its data on pooling rides, matched trips, and average MPG / MPGe of vehicles to calculate EGGR.

2. Next, the TNC must use its EGGR rating that they have calculated to determine the trip fee rate based on their EGGR.

> If TNC's EGGR meets or exceed the EGGR score goal for that period, the TNC will be required to pay the allowed trip fee.
>
> If TNC's EGGR does not meet the EGGR score goal for that period, the TNC will be required to pay the allowed trip fee and a %100 trip fee premium.

Staff Development of EGGR Trip Fee Rate Table
For the period of 1/1/2018 to 6/30/2018:

| EGGR | Trip Fee Rate per Outbound Party |
|---|---|
| ≥ 7 (FY18 SDRAA Goal) 7 = (274-312 gCO2 per mile) | *Allowed Trip Fee $3.85 |
| < 7 | *Allowed Trip Fee $3.85 + Premium $3.85 = $7.70 |

*FY 2018 Board Allowed Trip Fee $3.85

Trip Fees
The Airport's trip fees are imposed on TNCs for the opportunity to access and use the Airport's property to conduct of business. Trip fees are approved by the Board as part of the budgeting process. All commercial vehicle modes operating at the Airport currently pay either a (per) vehicle trip fee, or (annual) permit fee for pickups only.

Staff Developed TNC EGGR Performance Targets

| Calendar Year (CY) | EGGR Performance Targets | Base Trip Fee | GHG Reduction Incentive Fee, |
|---|---|---|---|
| 2017 | Baseline Data Collection | FY18- $3.85 | No incentive for this period |
| 2018 | EGGR = 7 *(274-312 $gCO_2$ per mile)* | FY18- $3.85<br>FY19- TBD | 100% trip fee premium |
| 2019 | EGGR = 8 *(238-273 $gCO_2$ per mile)* | FY19- TBD<br>FY20- TBD | 100% trip fee premium |
| 2020 | EGGR = 9 *(205-237 $gCO_2$ per mile)* | FY20- TBD<br>FY21- TBD | 100% trip fee premium |

** The Airport's current Taxicab hybrid fleet has a current GGR average of 9.

Authority GHG Reduction Incentives for Other Commercial Transportation Modes

All commercial transportation modes (with the exception of the Charter and Limousine vehicles) are subject to financial incentives based on whether the vehicle is AFV/CAV compliant. These financial incentives encourage commercial vehicle GHG reduction at the Airport either through better fuel economy (hybrid) vehicles, pooled passenger or ridesharing or through use of alternative or clean air fuels. Taxicabs use hybrid vehicles while VFH, Courtesy and Airport Shuttles use alternative fuels such as propane or CNG.

Also, through its Memorandum of Understanding with the California Attorney General in 2008 (the "AG MOU"), the Authority committed to working to reduce GHG emissions from various airport-related sources, including commercial ground transportation providers. The Authority adopted a Ground Transportation Vehicle Conversion Incentive Program to meet the requirements of the AG MOU. Additionally, the Authority adopted an Air Quality Management Plan in 2009 to help improve local air quality and reduce GHG emissions. The Plan serves as an implementation roadmap for the Authority's commitments under the AG MOU and includes strategies specifically targeting ground transportation-related emissions. The document is also used to meet certain Coastal Development Permit requirements associated with the Green Build's construction and ongoing operations. In 2016, the San Diego International Airport was officially certified through the Airport Council International's Airport Carbon Accreditation (ACA) program. The ACA is an industry-sponsored framework that helps airports identify, manage, and ultimately reduce their carbon emissions. Currently, SAN is one of only 20 airports in North America that have successfully met the strict program requirements and is working to continue its annual emission reductions to maintain its certification

Authority  Staff Recommendations:

a. Board to approve the continuation of the Transportation Network Company operations at San Diego International Airport and authorize the President/CEO to negotiate and execute a TNC permits with the GHG emissions incentives for the period January 1, 2018 to June 30, 2018.  The termination date of this executed permit will align the Charter, Courtesy, Off Airport Parking, Taxi, and Vehicle for Hire modes' termination dates.  In addition, the Authority and TNCs to use the next six months to make operational adjustments, do more analysis and improvements on EGHG calculation method, pooling, and matching. In addition, the Board to authorize the President/CEO to negotiate and execute all future TNC permits
b. The Authority strongly encourages the TNCs to proactively seek opportunities to promote the use of higher fuel economy cars, pooled passenger ridesharing and/or use of alternative fuel vehicles in their fleet to reduce GHG emissions and to avoid the GHG premium fees.
c. The Authority will work with the TNCs to explore external funding opportunities and other enabling projects such as grants or vehicle electrification infrastructure to help facilitate certifiable and quantifiable emission reductions consistent with the Authority's stated policy to reduce GHG emissions.

## Fiscal Impact:

No additional revenue is expected from the GHG premium trip fee that has been negotiated with TNCs for the period January 1, 2018 to June 30, 2018.

## Authority Strategies:

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

☒ Community Strategy ☐ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

## 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.

**Application of Inclusionary Policies:**
Not applicable.

**Prepared by:**
MARC NICHOLS
DIRECTOR, GROUND TRANSPORTATION

RESOLUTION NO. 2017-0110

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY APPROVING THE CONTINUATION OF THE TRANSPORTATION NETWORK COMPANY (TNC) OPERATIONS AT SAN DIEGO INTERNATIONAL AIRPORT AND AUTHORIZING THE PRESIDENT/CEO TO NEGOTIATE AND EXECUTE A TNC PERMIT AND AUTHORIZING GREENHOUSE REDUCTION FEES

WHEREAS, a Transportation Network Company ("TNC"), as defined by the California Public Utilities Code section 5431 is a company or organization (whether a corporation, partnership, sole proprietor, or other form) operating in California that provides transportation services for compensation using an online-enabled application ("app") or platform to connect passengers with drivers using their personal vehicles; and

WHEREAS, TNCs have gained extensive widespread popularity and strong customer service at San Diego International Airport ("Airport"); and

WHEREAS, TNCs began operating at the Airport on July 8, 2015 under a TNC Pilot Program permit; and

WHEREAS, at the June 23, 2016 Authority Board meeting, the Authority Board approved an extension of the TNC Pilot Program to expire on December 31, 2016 (Resolution No. 2016-0054R); and

WHEREAS, at the November 17, 2016 Authority Board meeting, the Authority Board approved an extension of the TNC Pilot Program until the January 2017 Board meeting (Resolution No. 2016-0106R); and

WHEREAS, at the January 5, 2017 Board meeting the Board authorized the continuation of  TNC operations and authorized the President/CEO to negotiate and execute a TNC permit effective from February 1, 2017 through December 31, 2017 (Resolution No. 2016-0004R); and

WHEREAS, the Authority, acting through its Board, has plenary power to operate, regulate, oversee, and charge for the use of the Airport, including but not limited to the exercise of powers: (1) to govern the Authority [Cal. Pub. Util. Code §170013]; (2) to adopt and enforce rules and regulations for the administration, maintenance, operation, and use of its facilities and services [Cal. Pub. Util. Code §170016]; (3) to "assume all revenue stream revenues to fund its activities, operations, and investments consistent with its purposes" ... [which] ... may include, but are not limited to, imposing fees, rents, or other charges for facilities, services, the repayment of bonded indebtedness, and other expenditures consistent with the purposes of the authority". [Cal. Pub. Util. Code §170064(b)]; (4) "to maximize the revenues generated from enterprises located on the property of the authority". [Cal. Pub. Util. Code §170064 (c)]; (5) to "hold, enjoy, lease, ... real and personal property within or outside its area of jurisdiction in order to further its purposes". [Cal. Pub. Util. Code §170038]; and

WHEREAS, under California Public Utilities Codes section 21690.5-21690.10, the state Legislature has determined that the proper operation of the state's publicly owned airports is essential to the welfare of the people of California; the operation of such airports is a governmental function to be discharged in the furtherance of the policy of securing the benefits of tourism and commerce for the state and its people; and that in managing its operation, publicly owned airports shall promote the development of commerce and tourism by doing the following: "(a) securing a diversity of airport services; (b) avoiding wasteful duplication of such services; (c) securing to the users of airports, safe, courteous, and quality service; (d) limiting or prohibiting business competition which is destructive of the ends of promoting commerce and tourism in the state; (e) allocating limited airport resources to promote such ends; and (f) fostering California's image as a commercial and tourist center"; and

WHEREAS, the Authority is required by Federal Grant Assurance 24 to maintain a fee and rental structure making the airport as self-sustaining as possible; and

WHEREAS, as consideration for the right to use Airport property for the operation of their businesses, TNCs are required to pay a trip fee to access and use Airport property; and

WHEREAS, in 2008 the Authority executed a Memorandum of Understanding with the California Attorney General in 2008 (the "AG MOU") wherein the Authority committed to working to reduce GHG emissions from various airport-related sources, including commercial ground transportation providers; and

WHEREAS, the Authority adopted a Ground Transportation Vehicle Conversion Incentive Program to meet the requirements of the AG MOU; and

WHEREAS, the Authority adopted an Air Quality Management Plan in 2009 to help improve local air quality and reduce GHG emissions. The Plan serves as an implementation roadmap for the Authority's commitments under the AG MOU and includes strategies specifically targeting ground transportation-related emissions; and

WHEREAS, the Air Quality Management Plan is also used to meet certain Coastal Development Permit requirements associated with the Green Build's construction and ongoing operations; and

WHEREAS, in 2016, the San Diego International Airport was officially certified through the Airport Council International's Airport Carbon Accreditation (ACA) program. The ACA is an industry-sponsored framework that helps airports identify, manage, and ultimately reduce their carbon emissions. Currently, San Diego International Airport is one of only 20 airports in North America that have successfully met the strict program requirements and is working to continue its annual emission reductions to maintain its certification; and

WHEREAS, consistent with the Authority's stated policy and commitment to reduce GHG at the Airport and consistent with its federal mandate to be a self-sustaining entity the San Diego County Regional Airport Authority ("Authority") and the TNCs are currently in negotiations for the terms and conditions and compensation to be paid to the Authority for the continued right to access and use Airport property for the operation of their businesses; and

WHEREAS, as consideration for the right to access and use Airport property for the operation of their businesses, TNCs are required to pay a trip fee; and

WHEREAS, since the November 17, 2016 Board meeting, the TNCs have agreed to provide specific TNC vehicle data and staff has agreed to accept average TNC vehicle mileage data to calculate and report TNC fleet GHG emission results; and

WHEREAS, at that meeting, the Authority Board directed Staff to continue to work with the TNCs on the outstanding issues and the concerns raised by the Board, including the ability to identify and report the use of alternative fuel vehicles, the manner in which trip fees are passed on to passengers of the TNCs, and reduction of greenhouse gas ("GHG") emissions by TNCs; and

WHEREAS, Staff and the TNCs have worked collaboratively to define and structure a TNC GHG reduction program that achieves the goal of reducing GHG emissions at the Airport; and

WHEREAS, Staff recommends a GHG reduction program for TNCs that accurately collects, measures and reports GHG vehicle emissions data for the TNC fleet serving the Airport; and

WHEREAS, the recommended GHG reduction program for TNCs will measure and report any reduction in GHG emissions for the TNC fleet serving the Airport; and

WHEREAS, the recommended GHG reduction program for TNCs will include incentives to reduce GHG emissions; and

WHEREAS, the TNCs have agreed to employ methods such as more fuel efficient vehicles, clean air or alternative fuel vehicles, and pooling and matching methods to minimize overall GHG emissions and work towards meeting the GHG reduction targets; and

WHEREAS, as a condition of using and, as compensation for the use of the Airport property to conduct its businesses and in support of the Authority's stated policies and commitment to reducing GHG, in addition to the trip fees collected from the TNCs, the TNCs have agreed to pay the Authority GHG Reduction Fees if its fleet operations do not achieve the established vehicle Effective Greenhouse Gas Rating ("EGGR"); and

WHEREAS, the TNCs and Authority acknowledge the challenges and opportunities to reduce GHG, the TNCs and Authority agree to continue to refine calculation methods of EGGR, and Authority's EGGR goals.

NOW, THEREFORE, BE IT FURTHER RESOLVED that the foregoing recitals are true and correct and are made findings and determinations of the Board; and

BE IT FURTHER RESOLVED that Authority Staff and the TNCs have addressed and agreed to all terms, conditions and requirements brought before the Board; and

BE IT FURTHER RESOLVED that the Board approves the continuation of TNC operations at San Diego International Airport and authorizes the President/CEO to negotiate and execute a TNC permit effective January 1, 2018 through June 30, 2018; and

BE IT FURTHER RESOLVED that the Board hereby authorizes the President/CEO to negotiate and execute an annual TNC Permit thereafter to allow the use by TNCs of Airport property to  conduct their business; 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 is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106).

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of December, 2017, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

__________________________________
TONY R. RUSSELL
DIRECTOR, CORPORATE &
INFORMATION GOVERNANCE /
AUTHORITY CLERK

APPROVED AS TO FORM:

__________________________________
AMY GONZALEZ
GENERAL COUNSEL

# ITEM 16

# TRANSPORTATION NETWORK COMPANY (TNC) PERMIT APPLICATION UPDATE AND APPROVED CONTINUATION OF THE TNC PERMIT PROGRAM:

## Correspondence Received from the Public

BOUNCE™

OWNER DRIVERS. HAPPY RIDERS.

November 15, 2017

Mike Anderson
Manager, Ground Transportation
Commuter Terminal- 3rd Floor
3225 North Harbor Drive
San Diego, CA 92101

Via E-Mail & Overnight Mail

Mr. Anderson:

I am writing this letter to express our support of the new rules for TNCs at the San Diego International Airport. The professional and collaborative manner in which these rules were developed was refreshing. Throughout the process of developing the rules it was clear the Airport Authority was working to achieve the best solutions for everyone with the customers of the airport being the most important.

Thank you for all your and your team's thoughtful hard work.

Sincerely,

Mark Potter

President

**PHONE** (858) 329-0132 | **FAX** (858) 329-0142 | **WEB** www.JoinBounce.com | **EMAIL** Enquiries@JoinBounce.com

**MAIL & DELIVERIES** : 9845 Erma Road, Suite 300 San Diego, CA 92131

Lyft, Inc.
185 Berry Street #5000
San Francisco, CA 94107

November 22nd, 2017

Board Members
San Diego County Regional Airport Authority
P.O. Box 82776
San Diego, California 92138-2776

Re: 2017 TNC Permit Renewal Process

Dear Mike Anderson:

Lyft is pleased to inform you we are in support of the drafted TNC permit agreement with SDCRAA for the period 1/1/2018 to 06/30/2018 with Greenhouse Gas (GHG) reduction incentives.

We greatly appreciate the collaborative effort from SDCRAA staff throughout this process and look forward to working with you on future permits agreements. Lyft remains committed to continuously improving the ability to quantify and capture more TNC operations that reduce GHG at SAN in the coming years through our ongoing environmentally friendly initiatives.

Sincerely,

Bakari Brock
Senior Director, US Operations

To: San Diego Regional Airport Authority Board
From: Wingz' Staff
Date: 11/15/2017
Re: Proposed TNC Permit for 1/1/2018-6/30/2018

Airport Board of Directors:

We appreciate the diligent work the team at San Diego International Airport has done in collaborating with the TNCs to support ride-sharing at the Airport. While we are in agreement with the majority of the permit that has been proposed, we do have some concerns regarding the implementation of the Greenhouse Gas Rating initiatives. Our CEO, Geoffroy Mathieux, spoke at the Board meeting on January 5th 2017, prior to the previous permit renewal, and presented on our operational differences from the other TNCs permitted at San Diego. The takeaway from the meeting was that Wingz would work with the Airport on a permit to craft the correct GGR operating parameters for our Company. It is our hope that we can continue to have an open conversation with the team at San Diego to craft a permit that more accurately reflects our business model and takes the following information into consideration when determining the GGR calculations moving forward.

Wingz is unlike Uber, Lyft or other on-demand TNC companies. Our distinct business model, focuses on pre-scheduled, flat rate private car service with the ability for the consumer to choose the car and driver. This is vastly different than on-demand services of Uber and Lyft as well as their "scheduled" model, which pushes requests out close to the time of pickup. Wingz requests must be booked at least two hours prior to pick-up and can be booked days, weeks and even months in advance. Additionally, Wingz does not offer pooling services, only private rides.

The major tenant of the Wingz business model is that Riders are empowered to choose their Drivers. Both Wingz Drivers and Riders will be impacted by these proposed standards. Passengers have the ability to directly book with a Driver on the Wingz platform. By enforcing specific emission performance targets, the Airport is depriving customers of their ability to choose what type of vehicle they require for their trip. A family traveling with checked luggage will not be able to book an SUV to accommodate their size but will rather have to book several cars, negating the impact of the lower emissions. Furthermore, the program will limit whether a Driver can pick-up from the Airport or not, potentially affecting the client base they have personally built up. This will have a tangible negative impact on the businesses of the independent contractors that drive on the Wingz platform.

While non-compliance does not prevent a company from being able to operate at the Airport, it places a huge financial strain on a small business. Under the proposed rates, the per trip fee will be doubled for those companies who do not meet the EGGR score goal per period. The new fee proposal of $7.70 that would be imposed as a penalty is an operational burden for smaller companies.

Wingz is asking that we be granted an exemption from the GGR program during the term of this new permit so we may continue to have conversations with the Airport staff regarding the GHG reduction practices that best fit with our business model.

We thank you very much for your continued consideration.

Best,

Wingz Team

11/28/2017

Mike Anderson
Ground Transportation Manager
SDCRAA
3225 N. Harbor Drive
San Diego, CA 92101

RE: TNC Permit Renewal for the Period 1/1/2018 to 6/30/2018

We are pleased to broadly support the drafted Transportation Networking Company (TNC) permit agreement with SDCRAA for the period of January 1, 2017 to June 30, 2017. We sincerely appreciate the opportunity to work with staff at the San Diego County Regional Airport Authority (SDCRAA) during the 2017 permit period.

Understanding the Airport's mandate by the Attorney General, our collaboration during 2017 was truly centered around sharing data to maximize understanding of the environmental impact of TNCs at the airport, and thinking through creative solutions through which we can work with the airport to minimize or mitigate this environmental impact.

This year has allowed for significant progress towards the development of an operational emissions baseline, the development of new software solutions to reduce vehicle miles traveled on airport property, and further enhancements to our shared mobility offerings. We have also worked closely with airport staff to support the desire to see an "apples to apples" comparison of ground transportation providers, while maintaining enough flexibility, given that each provider's levers to impact emissions reductions vary.

This permit is an important milestone for both Rasier-CA and SDCRAA.

There are two items we wish to call the Board's attention to in this letter. Item (1) is the sole item we request the Board consider amending in the January 1, 2017 to June 30, 2017 permit agreement, and item (2) is something we hope the Board will consider moving forward.

1) Background Checks
   In 2017, after extensive legislative consideration and research, the California state legislature enacted a comprehensive statewide law for TNC background checks - including the addition of a lifetime lookback for the most serious felonies, including terrorism and other violent crimes(codified as Public Utilities Code section 5225.2). The California Public Utilities Commission (CPUC)'s own extensive and evidence-based background check rulemaking then confirmed this new law and added additional requirements this November (CPUC Decision (D.) 17-11-010).

   Currently, the background check requirements within this draft SAN permit are inconsistent with the background check requirements of the State of California. **Rasier-CA respectfully requests the Board consider adopting the same background check requirements of the State of California and the CPUC.**

   Rasier-CA encourages the Board to defer to the statewide regulations for two reasons: 1) They were determined via a public, transparent, and thorough legislative and rulemaking process; and 2) They ensure a consistent background check process for TNCs across the State, helping to limit operational complexity while maximizing compliance.

2) Moving Beyond the GGR to Drive Sustainability
Rasier-CA is deeply committed to building on the progress made thus far, and growing this accounting work even further with airport staff over the next six months. During this time, **we would encourage the airport to consider adoption of an impact-based measurement for ground transportation emissions,** which would in turn also allow for more precise regulatory actions from SDCRAA.

For example: airport drop-offs are not currently included in the assessment of emissions from ground transportation providers. An impact-based measurement, taking into account both drop-offs and pick-ups for all ground transportation providers, could accurately account for the reduction of deadheading, a goal we know staff also supports.

While very well intended, GGR is increasingly discussed as a slightly problematic metric. At the Airports Going Green conference in November 2017, SEATAC publicly spoke about the unintended environmental consequences they are seeing from rolling out the eKPI with GGR requirements, as it has in fact led to unexpected deadheading to and from the airport.

Rasier-CA has proposed a workshop with airport staff, local environmental leadership, and other ground transportation providers to work through the development of an impact-oriented model that meets the robust environmental accounting needs of the airport.

We sincerely look forward to working closely with SDCRAA staff over the next six months, and for future permits, to improve the permit's ability to quantify how TNC operations help reduce GHG emissions and to ensure safe operations.

Sincerely,

Chris A Garcia, Jr

Chris Garcia
Airport Operations & Logistics Manager
Rasier-CA

ITEM 16

SAN DIEGO INTERNATIONAL AIRPORT

LET'S GO.

# TNC Permit Renewal

Ground Transportation

December 7, 2017

# Transportation Network Company

**A Transportation Network Company** (TNC), is defined by the California Public Utilities Code. They provide transportation services using an online-enabled application

***Current TNCs at SDCRAA****:*

Bounce, Lyft, Opoli, Uber, and Wingz

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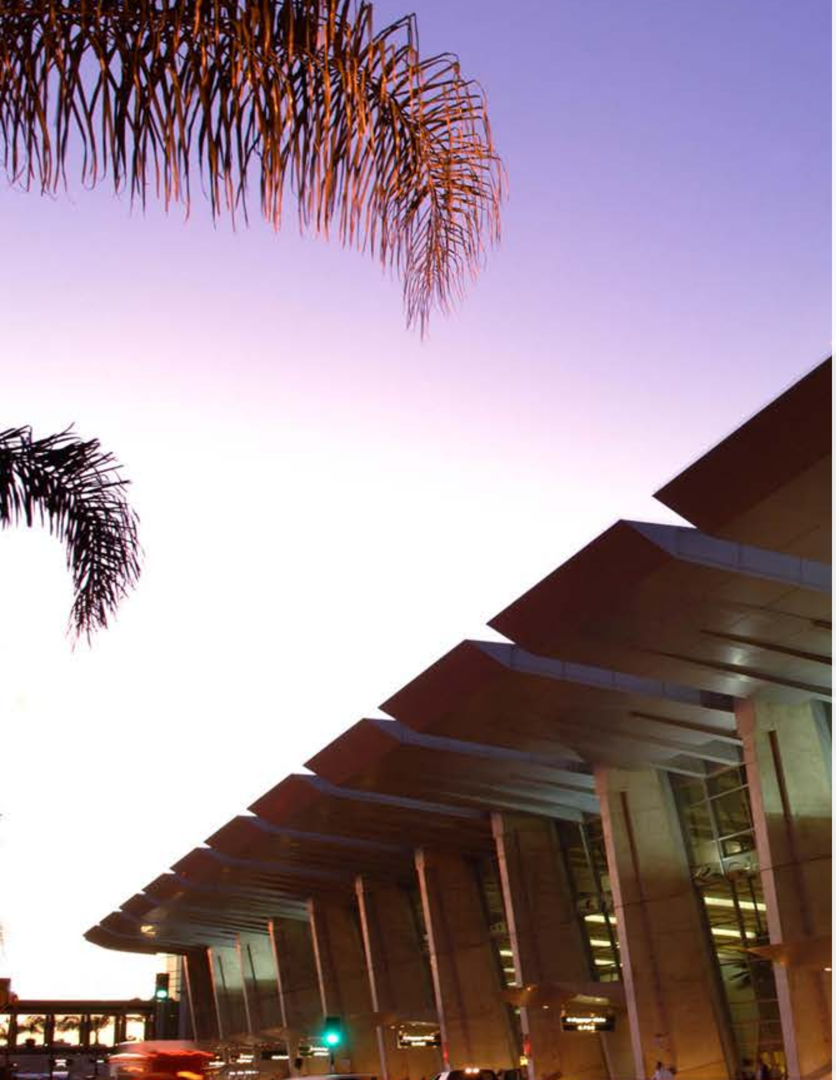

# Key Dates

- **Feb. 2017:**
  SDCRAA Executed New TNC Permit with Greenhouse Gas Reporting
- **Jun. 2017:**
  Greenhouse Gas Reporting & Analysis
- **Sept. to Nov. 2017:**
  Performance-Based Greenhouse Gas Incentives Validated with TNCs
- **Dec. 2017:**
  Board Meeting to Request Renewal
- **Dec. 31, 2017:**
  Permit Scheduled to Expire

# Transportation Emission Reduction Strategies

Cleaner Fuels

Higher MPG

Carpooling/ Ridesharing

SAN DIEGO INTERNATIONAL AIRPORT

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# TNC GHG Emissions Reduction Program

- **Flexible Program with use of**
  - Cleaner alternative fuel vehicles
  - Higher efficiency vehicles
  - Ridesharing of passengers (trip reduction)
- **Performance-Based Parameters**
  - Vehicle GHG emissions intensity (g$CO_2$e/mile)
- **TNC Fleet Emissions Targets**
  - Effective Greenhouse Gas Rating of 9 by 2020 (equivalent to 2016 hybrid taxi fleet's emissions)
- **Non-Compliance Penalty**
  - Measurable targets with escalating consequences

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# EPA Greenhouse Gas Ratings

## GREENHOUSE GAS RATING (GGR)

| Rating | MPG (gas) | $CO_2$ (g/mile) |
|---|---|---|
| 10 | ≥ 44 | 0-204 |
| 9 | 38-43 | 205-237 |
| 8 | 33-37 | 238-273 |
| 7 | 29-32 | 274-312 |
| 6 | 26-28 | 313-349 |
| 5 | 22-25 | 350-413 |
| 4 | 19-21 | 414-480 |
| 3 | 17-18 | 481-539 |
| 2 | 15-16 | 540-613 |
| 1 | ≤ 14 | ≥ 614 |

A Greenhouse Gas Rating (GGR) has been assigned to MPG and $CO_2$ emissions

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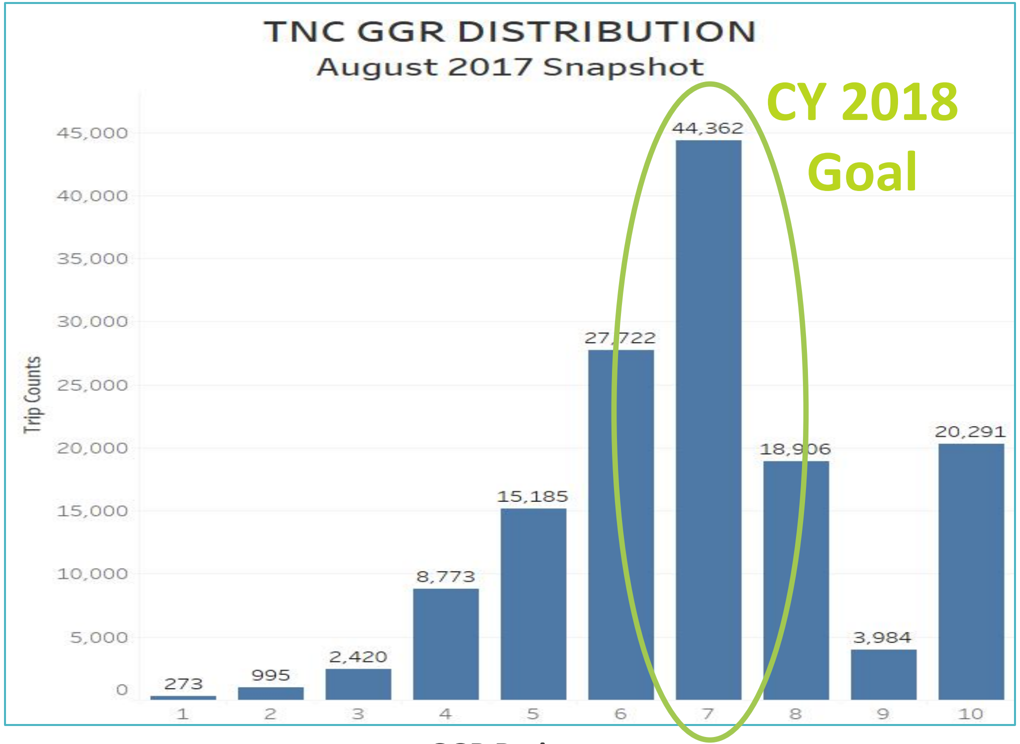
# Reporting Analysis




**GGR Ratings**

(1 = Highest level of CO2 per mile, 10 = Lowest level of CO2 per mile)

**TNCs fleets are already successfully achieving an average GGR = 7**

# Performance Targets

| Calendar Year (CY) | EGGR Performance Targets | Base Trip Fee | GHG Reduction Incentive Fee |
|---|---|---|---|
| **2017** | Baseline Data Collection | FY18 - $3.85 | No incentive for this period |
| **2018** | EGGR = 7<br>(274-312 $gCO_2$ per mile) | FY18 - $3.85<br>FY19 - TBD | 100% trip fee premium |
| **2019** | EGGR = 8<br>(238-273 $gCO_2$ per mile) | FY19 - TBD<br>FY20 - TBD | 100% trip fee premium |
| **2020** | EGGR = 9<br>(205-237 $gCO_2$ per mile) | FY20 - TBD<br>FY21 - TBD | 100% trip fee premium |

* The Airport's current taxicab fleet has an average GGR of 9

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# Recommendation

- Approve the continuation of the TNC operations
- Authorize the President/CEO to negotiate and execute a new TNC permit for the period of January 1, 2018 – June 30, 2018:
    - Implement flexible program
    - Implement performance-based GHG parameters
    - TNC fleet emission targets
    - Non-compliance emission penalties
- Authorized new TNC permit July 1, 2018 – June 30, 2019

# Questions?

SAN DIEGO
INTERNATIONAL AIRPORT.
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# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

**Item No. 17**

## STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**Extension of Taxi and Vehicle-for-Hire Memorandums of Agreement**

**Recommendation:**

Adopt Resolution No. 2017-0113, authorizing the President/CEO to execute an amendment to extend the Taxi and Vehicle-for-Hire Memorandums of Agreement (MOA) for a period of six (6) months, to expire on June 30, 2018.

**Background/Justification:**

San Diego International Airport ("Airport"), like most airports, requires that all companies wishing to conduct business on airport property, including commercial ground transportation companies, obtain the prior approval of the Authority, in the form of a written operating permit. Ground transportation staff must manage these providers under the framework of a workable model that aligns with the operating requirements of the commercial vehicle industry, yet still meets the operating rules and requirements of the Authority; all while maintaining an efficient ground transportation system.

By signing an airport permit, the company formally agrees to abide by all applicable airport rules and regulations, comply with standards governing the company's vehicles and drivers, and pay applicable airport fees.

This annual permit requires compliance with Rules and Regulations, Codes and Policies, and other specified criteria (insurance and documentation requirements, liability and regulatory issues, reporting, etc.) for the numerous companies operating under that mode's permit. There are ongoing changes to customer service, operations, efficiency, and safety goals that may not be addressed in the permit. For this reason, the Authority and transportation modes worked together to develop Memorandums of Agreement (MOAs).

In March 2011, the Authority entered into MOAs with the Taxi and Vehicle-for-hire modes. These agreements underscored the importance of creating a closer, more well-defined partnership between the Authority and its ground transportation service providers.

These agreements –

1. established a core foundation and clearer understanding of the complex operational relationships,
2. articulated the Authority's ground transportation objectives,
3. set goals to enhance the Airport's ground transportation service standards, and
4. increased the involvement of MOA members in ground transportation policy and operational plan implementation.

The parties recognize that a constantly evolving Airport ground transportation system requires safe commercial vehicles, courteous and professional drivers, and an efficient ground transportation system - which in turn promotes greater passenger satisfaction and a positive public perception of the Airport.

These MOAs are valuable tools for ensuring consistent collaboration, communication, and accountability for all parties. The MOAs have worked well to improve operating and customer service standards and have aligned the expectations of Authority Staff and operators.

Currently there are five MOA’s extant and active, as outlined below:

| Operator Type | Consortium | Members Companies |
|---|---|---|
| Taxi | *ICOA – Independent Cab Owners Association* | *41* |
| Taxi | *SDTA – San Diego Transportation Association* | *92* |
| Taxi | *STXA – San Diego Taxi Association* | *60* |
| VFH | *Cloud 9 / Super Shuttle* | *1* |
| VFH | *SDCASA – San Diego County Airport Shuttle Association* | *12* |
| VFH | *Prime Time Shuttle/Opoli/First Class Transportation* | *1* |

Key Dates and Actions

Key dates regarding the evolution of the Memorandums of Agreement include:

- March 2011: Two taxicab consortiums (SDTXA and SDTA) and two VFH (SDCASA and Cloud9/Supershuttle) consortiums entered into MOAs with the Authority for a period of three years – 2011 to 2014.
- March 2014: Staff was directed to extend the MOAs for an additional six months (terminating October 21, 2014).
- July 2014: the Board approved revised MOA standards and requirements.
- July 2014 – September 2014: MOA member and Authority Staff refined and agreed upon the updated standards and requirements.
- December 2014: Updated MOAs were executed by three taxicab consortiums (SDTXA, SDTA, ICOA) and three VFH consortiums (SDCASA, Cloud9/Supershuttle, Prime Time Shuttle) for a period of three years – 2015 to 2017.
- October 2016: Board approves minor language changes to the MOA “violation” section.

- At that meeting, the Board also directed staff to work with the MOA members to draft updated MOA renewal agreements for the taxi and VFH modes.
- December 2017 – All MOAs set to expire December 31, 2017.
- Throughout 2017 staff has been working with the MOA members on the update and renewal of these agreements.

Staff has held the following meetings with the Taxi and VFH modes this year, during which renewal topics were discussed:

| Taxi MOA Members | VFH MOA Members |
|---|---|
| February 15 | January 19 |
| April 19, 2017 | March 16 |
| June 21 | May 18 |
| August 16 | July 20 |
| October 18 | September 21 |
| | October 2 |

Level Playing Field Efforts

TNCs, Taxis and VFHs are regulated by different entities resulting in different regulatory and operational requirements. TNCs and VFHs are regulated by the California Public Utilities Commission (CA PUC) while taxicabs are regulated by San Diego Metropolitan Transit System (MTS). In response to requests by the taxi and VFH modes to "level the playing field" across modes, the Authority has adjusted the MOAs and permit requirements in the past. The table below outlines the current permit and operational requirements of the Taxi, TNC, and VFH modes.

*Table 1.1 – Ground Transportation Permit Requirements*

| Ground Transportation Permit Requirements | | | |
|---|---|---|---|
| **Permit Requirement** | **TAXI** | **TNC** | **VFH** |
| Regulatory Agency | MTS | CA PUC | CA PUC |
| Airport Permit Required | Each Vehicle | Company | Each Vehicle |
| Individual Vehicle Permit | Yes | No | Yes |
| Total Companies | 450 | 10 | 9 |
| Total Vehicles | 450 | No Limit | No Limit |
| Vehicle | Commercial | Private | Commercial |
| Vehicle Age | Less than 10 years | Less than 10 years | Less than 10 years |
| Vehicle Inspections | Older than 7 years | Older than 7 years | Older than 7 years |
| Driver Background Checks | Yes | Yes | Yes |
| Driver "Known Terrorist" Check | Yes | Yes | Yes |
| Driver "Sex Offender Database" Check | Yes | Yes | Yes |
| Driver DMV Check | Yes | Yes | Yes |
| Airport Driver Badge | No | No | No |
| Sheriff's Placard | Yes | No | No |
| Company Driver Identification | Yes | No | Yes |
| Trade Dress | Yes | Yes | Yes |
| GHG Requirements | Yes | Yes | Yes |
| Trip Fees | Yes | Yes | Yes |
| Insurance - Workers Comp | Yes | Yes | Yes |
| Insurance - Commercial Liability | $ 1,000,000 | $ 1,000,000 | $ 1,000,000 |
| Insurance - Auto Liability | $ 1,000,000 | $ 1,000,000 | $ 1,000,000 |
| | *Differences Exist* | | *Requirements are similar* |

There have been several operational, regulatory, and technology changes that affect the requirements outlined in the current MOAs for the taxi and VFH modes. Additionally, there are several proposed changes in these same categories that impact requirements in any new MOAs to be negotiated. Finally, CA PUC updates to TNC regulations and requirements continue to result in commensurate impacts to the desired regulatory and operational environment of the other modes with whom TNCs compete (e.g – when one mode's rules change, the other modes want the same advantage or consideration). Many of these on-going or up-coming changes are mid-process, and the effect on all modes cannot be fully known at this time.

Operational changes affecting the MOA requirements

1. TNCs started operating legally at the Airport under a Pilot Program in July 2015, and have continued to gain market share from other modes. This change has impacted –
    a. Operating strategy of other modes
    b. Customer service staffing and strategies of other modes
2. The Authority has taken actions, many outlined in the Table 1.1 above, to "level the playing field" across ground transportation modes. These changes have affected the requirements in the MOAs, including
    a. Driver permitting
    b. Driver background checks
    c. Driver dress code
    d. Insurance requirements
    e. Vehicle Technology requirements -
        i. Payment methods (credit card machines or Square™)
        ii. Ride hailing apps or fare reservations
    f. Fare structure and limits
3. The Authority opened a TNC Hold Lot with 100 spaces in June 2016. This lot was increased to 228 spaces on November 17, 2017.
    a. This has affected on-airport queuing levels and on-airport supply of other modes.
4. In November 2017, the Authority moved the Rental Car Center (RCC) bus drop-off and pickup location to the number one lane at the T1 transportation island.
    a. This affected the size of the VFH staging area
5. There are similar plans to move the RCC bus drop-off and pick-up area at the T2 transportation island to the number one lane as well, in December 2017.
    a. This will affect the size of the VFH staging area, and will also slightly impact the Taxi pickup area.
6. Staff is examining the option to move the TNCs to the transportation islands at both terminals, by year-end or shortly thereafter -
    a. Currently TNCs drop off –
        i. curbside at T1; and
        ii. either curbside or on the EDR at T2.
    b. Moving the TNCs to the islands will provide one place for drop-off and pick-up which will allow TNC companies to institute "matching" technology

        i. Matching allows the app to match an in-bound TNC vehicle carrying drop-off passenger(s) with an out-bound pick-up passenger(s); thus eliminating re-circulation to the hold lot and moving TNC vehicles on and off airport more efficiently.
            1. This technology has been implemented at several other Southern California airports and has minimized deadheading, unnecessary re-circulation, and overall roadway congestion.

7. The Airport is currently in negotiations with TNC companies for a new operating permit. This new permit period will sync-up the TNC mode to the same renewal schedule as other modes, which also coincides with the Authority's budget cycle and fiscal year.
    a. Taxi and VFH operators are very interested in the requirements and restrictions in the new TNC permit. Any change in the operating environment for TNCs will have a direct impact on their business, and their ability or desire to meet Airport requirements – level playing field.
8. The Airport will be developing new GPS tracking and vehicle tracking solutions
9. Possible allowance of credit for all modes for ride-sharing and pooling activities
10. Opening of the new Terminal 2 Parking Plaza and Federal Inspection Service Facility.

<u>Regulatory changes affecting the MOA requirements</u>

1. The California Public Utilities Commission (PUC) authorized Transportation Network Companies to operate as legal carriers, under a subclass of a TCP-P Permit, using personal vehicles.
2. In July 2016 the Authority ceased permitting drivers for all modes. Instead, the Authority relies on the individual mode regulatory agencies to properly authorize, train, and background check drivers.
3. The CA State Assembly passed AB 1069 – affecting the structure of regulatory agencies for taxis statewide. This will affect the structure and regulatory environment of taxis in San Diego County.
4. The CA State Assembly passed AB 805 – affecting the voting power of local transportation agencies. This may also affect the structure and regulatory environment of taxis in San Diego County, the GHG requirements of regulated vehicles, and the requirement for more public transportation focused initiatives.
5. The current TNC permit will be renewed for a 6 month term to coincide with the permitting of all other modes
    a. The new TNC permit will include –
        i. Evaluation credit to TNCs for efforts to implement more pooled rides, matched rides, and reduced deadheading
        ii. A GHG reduction framework, with incentives, and yearly targets to bring the TNC mode into parity with the Taxi mode by Dec 2020.

Technological changes affecting the MOA requirements

1. The Authority implemented a new automated Taxi dispatch system and opened a new Taxi Hold Lot
2. For Taxis –
    a. MTS has enacted several amendments to Ordinance 11, which stipulates the requirements for City regulated Taxis; and more amendments may be approved at the next City Council meeting in January; including but not limited to -
        i. Meter requirements
        ii. Dispatch service requirements
        iii. Advertising requirements
        iv. Credit card processing equipment and use of Square™
        v. Fare regulations – flat rates, minimums, posting, customer notification
        vi. Vehicle markings and paint schemes
        vii. Proposed reduction in taxi insurance liability limits and company rating requirements

3. For VFH –
    a. This industry has adopted several changes including
        i. Application based dispatching
        ii. Technology kiosks and online reservations
        iii. Credit card payment methods
        iv. VFH companies are beginning to use smaller more fuel efficient vehicles
        v. VFH companies may also use app-based pooling and ridesharing methods, and have voiced concern that the Authority currently has no method in place to incentivize this behavior for the VFH mode, as is proposed in the new TNC permit and Greenhouse Gas (GHG) methodology for that mode.

Summary

For all of these reasons listed above, both the Taxi and VFH modes have requested that staff delay the renewal of the Taxi and VFH MOAs until we see the effect of all of these past and upcoming changes on –

1. Transportation island operations
2. Ongoing business impact of TNCs
3. Taxi and VFH mode business activities
4. Operational change impacts
5. Taxi and VFH Authority operating permit requirements
6. Subsequent TNC operating permit requirements
7. Customer usage levels and customer service impacts

This will allow our industry partners to adapt and respond to the new environment. This will also allow staff to develop new annual permit requirements for all modes. With the newly effective six month TNC permit, all modes (except for Charter/Limousines), will now renew their annual permits with an effective date of July 1 each year – to coincide with the start of the Authority fiscal year.

Staff is in agreement with the industry request and recommends that the Board authorize the President/CEO to amend and extend the current Taxi and VFH MOA's for six months.

**Fiscal Impact:**

There is no expected fiscal impact.

**Authority Strategies:**

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

☒ Community Strategy ☒ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

**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.

**Application of Inclusionary Policies:**
Not applicable.

**Prepared by:**

MARC NICHOLS
DIRECTOR, GROUND TRANSPORTATION

RESOLUTION NO. 2017-0113

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, AUTHORIZING THE PRESIDENT/CEO TO EXECUTE AN AMENDMENT TO EXTEND THE TAXICAB AND VEHICLE FOR HIRE MEMORANDUMS OF AGREEMENT (MOA) FOR A PERIOD OF SIX (6) MONTHS, TO EXPIRE ON JUNE 30, 2018

WHEREAS, in March 2011, two (2) Taxi Cab and two (2) Vehicle for Hire consortiums established and signed Memorandums of Agreement (MOA) with the Airport. These agreements were initially signed by the San Diego Taxi Association and San Diego Transportation Association representing airport-permitted taxi drivers and San Diego County Airport Shuttle Association (SDCASA) and SuperShuttle representing airport-permitted vehicle for hire drivers; and

WHEREAS, the initial MOA signatories expanded to include the Independent Cab Owners Association (ICOA) and Prime Time Shuttle to, as of April 2014, include three (3) consortiums representing the airport-permitted taxi cab operators and three (3) consortiums representing the airport-permitted vehicle for hire operators; and

WHEREAS, from March 2011 to March 2014 all consortiums and their representatives worked diligently and meticulously to enhance ground transportation services by working with the industry and implementing specific performance improvements for 1) airport roadway and traffic safety improvements; 2) efficient commercial vehicle circulation and passenger access procedures; 3) vehicle driver/occupant mishap risk reduction programs; 4) airport ground transportation facility and support system upgrades; 5) Communication equipment modernization and centralized data dissemination procedures; 6) taxicab availability, particularly during peak hours and late at night; 7) customer service programs designed to enhance the traveler experience through the landside airport environs; 8) improved ADA service, more convenient accommodations and increased traveling options for the disabled; 9) improved vehicle appearance and driver professionalism; 10) uniform compliance with SDIA Rules and Regulation governing commercial ground transportation operations; and 11) environmental leadership program implementation, particularly in air quality improvements and greenhouse gas emission reductions; and

WHEREAS, at the Authority Board meeting on March 6, 2014 the Board directed staff to extend the taxicab and vehicle-for hire Memorandums of Agreement (MOA) for an additional six (6) months in order to allow the development of more specific performance measures for customer satisfaction, taxicab availability, passenger wait times, vehicle appearance and driver professionalism; and

WHEREAS, the Authority Board on July 7, 2014 approved Airport staff's recommendations for the MOA requirements and associated standards and that they be incorporated into the revised MOAs: 1) Vehicle Safety and Appearance, 2) Driver Professionalism, Appearance and Customer Service, 3) Taxicab and Shuttle Availability, 4) Passenger Wait Times, 5) Vehicle Modernization (to include electronic equipment and AFV/CAV conversions), 6) Industry Communication and Collaboration, 7) Dispatch Operations and Personnel, 8) Other Operational Improvements, and 9) ADA Services and Compliance; and

WHEREAS, the Authority Board on October 2, 2014 approved the jointly developed MOA provisions and directed staff to proceed with the issuance of the newly revised Airport MOAs commencing January 1, 2015; and

WHEREAS, the newly developed MOAs were executed by all six (6) taxicab and VFH MOA members for a period of three (3) years from January 1, 2015 to December 31, 2017; and

WHEREAS, these MOAs are set to expire on December 31, 2017; and

WHEREAS, there are ongoing and upcoming changes to the operational, regulatory, and technological environment for commercial modes operating at the Airport that may impact business and operations for the next several months; and

WHEREAS, the Board of the Authority ("Board") finds that it is in the best interest of the Authority to extend the term of the MOAs for six months; and.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby authorizes the President/CEO to execute an amendment to the taxicab and VFH Memorandums of Agreement (MOAs) to extend the term for a period of six (6) months, to expire on June 30, 2018; 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 is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106).

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of December, 2017, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

________________________________
TONY R. RUSSELL
DIRECTOR, CORPORATE &
INFORMATION GOVERNANCE /
AUTHORITY CLERK

APPROVED AS TO FORM:

________________________________
AMY GONZALEZ
GENERAL COUNSEL

# SAN DIEGO COUNTY
# REGIONAL AIRPORT AUTHORITY

**Item No.**
**18**

## STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**Amend Authority Policy 8.30 – Airport Land Use Commission**

**Recommendation:**

Adopt Resolution No. 2017-0111, amending Authority Policy 8.30 to authorize Airport Land Use Commission staff to issue "conditionally consistent" determinations.

**Background/Justification:**

Airport Authority Policy 8.30 provides operational practices for the Authority acting in its capacity as the Airport Land Use Commission (ALUC) for San Diego County [Cal. Pub. Util. Code §21670.3]. The policy establishes the means by which the Authority performs its State-mandated ALUC function, using timelines in accordance with applicable statutes, including the responsibilities of the ALUC, conflicts of interest, adoption and amendment of Airport Land Use Compatibility Plans (ALUCPs), and ALUCP consistency determination review procedures.

Under the current Policy 8.30, ALUC staff is authorized to issue "consistent" determinations with ALUCPs in instances when a land use action (plan, project, policy, or regulation) submitted by a local agency is compatible with each of the four component compatibility factors (noise, safety, airspace protection, and overflight notification). In instances when any one of those component compatibility factors requires one or more conditions in order to be considered compatible or is incompatible with one or more of the compatibility factors, ALUC staff docket that land use action for a "conditionally consistent" or "inconsistent" determination, respectively, for ALUC action at its next available meeting.

ALUC staff has received feedback from affected local agencies that the additional time to advance these determinations for ALUC action, especially considering the standard conditions that comprise "conditionally consistent" items, can add additional time to the local agency's permit issuance timeframe. As a responsive agency considering the needs of our external customers, ALUC staff is therefore proposing to amend Authority Policy 8.30 to authorize issuance of "conditionally consistent" determinations at the staff level (per the attached copy of the policy with strikeout of removed text and underline of text additions on pages 6 and 7).

The applicable conditions are explicitly specified by each ALUCP and are standardized by land use classification. The conditions consist of the following:

(1) new construction must meet an interior sound level performance standard as specified in the ALUCP;

(2) new construction must provide marking and lighting of a structure as per Federal Aviation Administration (FAA) procedures when such a condition is specified in the applicable FAA determination of no hazard to air navigation;

(3) a property owner must dedicate for recordation to the airport operator an avigation easement over the subject property
   a. for noise-sensitive land uses as specified by the ALUCP, or
   b. for structures requiring marking and lighting per FAA determination, or
   c. for structures which are situated on property whose natural terrain already penetrates FAA airspace surfaces; and

(4) the permitting local agency must provide for some means of notice to property owners of new residential uses of the effects of aircraft overflight (noise, vibration, dust, fumes) from nearby airports with an ALUCP.

Because these conditions uniformly apply without discretion to land use actions when the applicable circumstances specified in the ALUCP apply, and the ALUCP does not make any provision of waiver or other modification to those standardized conditions, ALUC staff is capable of applying those conditions to consistency determinations without prejudice.

In addition to benefitting local agencies due to the shortened ALUC review time (from 30 or more days to approximately 10 days), the issuance of “conditionally consistent” determinations at the staff level will reduce Authority time and resources typically expended referring these actions to the ALUC at each monthly meeting. However, as outlined in the proposed Policy 8.30 amendments, the sole authority to authorize “inconsistent” determinations would remain with the ALUC in a public meeting forum, where project sponsors and local agency staff may appear and offer public comment.

## Fiscal Impact:

ALUC functions are funded through the Planning & Environmental Affairs FY18 operating budget, and adequate funds for the subject of this staff report are budgeted within personnel expenses. There are no capital or other expenditures related to this matter, and no revenue will be realized as income for budgeting purposes.

## Authority Strategies:

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

☒ Community Strategy ☒ Customer Strategy ☒ Employee Strategy ☐ Financial Strategy ☐ Operations Strategy

## 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.

## Application of Inclusionary Policies:

Not applicable.

## Prepared by:

BRENDAN REED
DIRECTOR, PLANNING & ENVIRONMENTAL AFFAIRS

RESOLUTION NO. 2017-0111

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, AMENDING AUTHORITY POLICY 8.30 TO AUTHORIZE AIRPORT LAND USE COMMISSION STAFF TO ISSUE “CONDITIONALLY CONSISTENT” DETERMINATIONS

WHEREAS, the Legislature of the State of California designated the San Diego County Regional Airport Authority to serve as the Airport Land Use Commission for the County of San Diego; and

WHEREAS, the San Diego County Regional Airport Authority performs its statutory Airport Land Use Commission functions ascribed thereto within the State Aeronautics Act by adopting Airport Land Use Compatibility Plans for each public-use and military airport within said county and reviewing land use actions from local agencies for determinations of consistency with those plans; and

WHEREAS, the Authority adopted Policy 8.30 to provide operational practices to establish uniform procedures for the processing of applications for determination of consistency from local agencies and respond thereto with determinations of consistency with applicable Airport Land Use Compatibility Plans; and

WHEREAS, Policy 8.30 provides for Airport Land Use Commission staff to issue consistency determinations for land use actions that are compatible with each of the four compatibility factors of noise, safety, airspace protection, and overflight notification, but requires staff to refer land use actions requiring any condition from the applicable Airport Land Use Compatibility Plan factor to the Airport Land Use Commission for consideration at its next available meeting; and

WHEREAS, the conditions required by the Airport Land Use Compatibility Plans are uniform and standardized to all land use actions to which they apply, without discretion to waive or modify the same by the Airport Land Use Commission which adopted said plans; and

WHEREAS, local agencies that submit applications for determination of consistency with Airport Land Use Compatibility Plans have advised the Airport Land Use Commission that referral of land use actions to the ALUC for the issuance of consistency determinations with the standardized, non-discretionary conditions may add additional time to their permitting process; and

WHEREAS, Policy 8.30 authorizes Airport Land Use Commission staff to issue consistency determinations without conditions; and

WHEREAS, the conditions contained in Airport Land Use Compatibility Plans are standardized and non-discretionary; and

WHEREAS, the standardized, non-discretionary nature of the Airport Land Use Compatibility Plan conditions may appropriately be issued in consistency determinations by Airport Land Use Commission staff; and

WHEREAS, the Board finds that amending Policy 8.30 in the manner described herein is consistent with the Board's goal to be a responsive agency and address its customers' needs as efficiently as possible.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the amendments to Authority Policy 8.30 as indicated in Attachment A to authorize Airport Land Use Commission staff to issue "conditionally consistent" determinations with Airport Land Use Compatibility Plans; 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 is not a "development" as defined by the California Coastal Act (California Public Resources Code §30106).

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of December, 2017, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

________________________________
TONY R. RUSSELL
DIRECTOR, CORPORATE &
INFORMATION GOVERNANCE /
AUTHORITY CLERK

APPROVED AS TO FORM:

________________________________
AMY GONZALEZ
GENERAL COUNSEL

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## POLICIES

**ARTICLE 8 - GENERAL OPERATIONS**
**PART 8.3 - STRATEGY AND PLANNING**
**SECTION 8.30 - AIRPORT LAND USE COMMISSION**

**PURPOSE:** To implement the legislative directive for the Authority to: (i) coordinate the airport planning of public agencies within the County of San Diego, California (the "**County**"); and (ii) prepare, adopt, and update an "Airport Land Use Compatibility Plan" (as more fully defined in Appendix A, "**ALUCP**") for each public-use and military airport in the County by engaging in a public collaborative planning process.

**POLICY STATEMENT:**

(1) General Provisions.

(a) Defined Terms. All capitalized terms not otherwise defined in the body of this policy shall have the corresponding meanings set forth in Appendix A.

(b) Authority. The San Diego County Regional Airport Authority (the "**Authority**"), is acting in its capacity as the Airport Land Use Commission ("**ALUC**") for the County, as provided by §21670.3 of the California Public Utilities Code ("**P.U.C.**"). The Authority has adopted this policy in recognition of its governmental obligations under the laws of the State of California, which designate the Authority as the proper Local Agency in the County to protect public health, safety and welfare by ensuring the orderly expansion of Airports and the adoption of land use measures that minimize the public's exposure to excessive noise and safety hazards within areas around public airports, to the extent that these areas are not already devoted to incompatible uses consistent with P.U.C. §21670.3.

(c) Powers and Duties. The Authority has the following powers and duties, subject to the limitations upon its jurisdiction as set forth in P.U.C. §21676:

(i) To assist Local Agencies in ensuring compatible land uses in the vicinity of all new Airports and in the vicinity of existing Airports to the extent that the land in the vicinity of those Airports is not already devoted to incompatible uses;

(ii) To coordinate planning at the state, regional and local levels, so as to provide for the orderly development of air transportation, while at the same time protecting the public health, safety and welfare;

(iii) To prepare and adopt an ALUCP for each airport in the County, pursuant to the requirements of P.U.C. §21670.3 and §21675. Any ALUCP developed pursuant to §21675 and adopted pursuant to §21675.1 by the San Diego Association of Governments shall remain in effect until the Authority adopts a new ALUCP for the respective airport; and

(iv) To review the plans, regulations and other actions of Local Agencies and Airport Operators pursuant to the requirements of P.U.C. §21670.3 and §21676.

(d) Conflicts of Interest. Any member of the Authority's Board (the "**Board**") shall temporarily disqualify himself or herself from participating in the review or adoption of a proposal or ALUCP, if there is a conflict of interest pursuant to P.U.C. §21672, other applicable state law, and/or a violation or potential violation of the Authority's Conflicts of Interest Code.

(e) Schedule of Fees. The Authority may establish a schedule of fees necessary to comply with Article 3.5 of Division 9 of the P.U.C. Those fees shall be charged to the proponents of actions, regulations or permits and shall not exceed the estimated reasonable cost of providing the service. The fees shall be imposed pursuant to Gov. Code §66016. The Authority may not charge fees for actions in connection with any Airport that does not have an adopted ALUCP.

(f) Amendments, Termination or Suspension. This policy may be amended, terminated or suspended only by official and duly noticed action of the Board. The Board may, in its sole and exclusive exercise of its full legislative discretion, amend, terminate, or suspend this policy at any time.

(g) Partial Invalidity. In the event that any court of competent jurisdiction determines that any portion or provision of this policy is invalid, illegal or unenforceable, or temporarily enjoins enforcement or application of any portion or provision of this policy, all other provisions of this policy shall remain enforceable and in effect unless and until revoked, suspended or modified by the Authority.

(h) No Waiver or Creation of Implied Policy of Enforcement. Neither any (i) failure of the Authority to take any act or action in strict enforcement of this policy, inadvertent or otherwise, nor (ii) affirmative waiver of enforcement of this policy by the Authority in a specific instance after consideration of special requests or circumstances, shall be deemed to constitute the establishment of any express or implied policy of the Authority in the enforcement or non-enforcement of this policy, and shall not be relied upon by any person in making any determination, or taking any action, in violation of any provision of this policy.

(2) Airport Land Use Compatibility Plan.

(a) Purpose of Airport Land Use Compatibility Plan. The ALUCP is the fundamental tool used by the Authority in fulfilling its purpose of promoting Airport land use compatibility. Specifically, compatibility plans have two purposes: (i) to provide for the orderly growth of each Airport and the area surrounding each Airport within the jurisdiction of the Authority; and (ii) to safeguard the general welfare of the inhabitants within the vicinity of each Airport within the jurisdiction of the Authority and the public in general.

(b) Preparation of Airport Land Use Compatibility Plan. The Authority shall be responsible for the preparation of an ALUCP for each Airport within the County. The ALUCP shall provide for the orderly growth of each Airport and the area surrounding each Airport within the Authority's jurisdiction, and shall provide policies to safeguard the general welfare of the inhabitants within the vicinity of each Airport and the public in general, as required by P.U.C. §21675. The ALUCP that is adopted by the Authority shall include and shall be based on a long-range Master Plan or an Airport Layout Plan, where available, that reflects the anticipated growth of such Airport during at least the next twenty (20) years. In preparing an ALUCP, the Authority may develop height restrictions on buildings, specify use of land and determine building standards, including soundproofing adjacent to Airports within the planning area. The ALUCP also may identify where additions or changes to local jurisdictions' general and specific plans will be necessary. The ALUCP also should include a clear statement of compatibility criteria and Authority review procedures.

The Authority shall also include within the ALUCP the area within the jurisdiction of the Authority surrounding any military Airport for all of the purposes identified above. The ALUCP provisions shall be consistent with the safety and noise standards in the Air Installation Compatible Use Zone ("**AICUZ**") prepared for that military Airport. The Authority does not have, however, any jurisdiction or authority over the territory or operations of any military Airport.

The Authority shall submit to the Division of Aeronautics of the California Department of Transportation one (1) copy of the ALUCP and each amendment to the ALUCP.

(c) Amendments to Airport Land Use Compatibility Plan. The ALUCP shall be reviewed as often as necessary in order to accomplish its purposes, but shall not be amended more than once in any calendar year. For an ALUCP that pertains to more than one Airport in the County, this limitation allows separate amendments for the portion dealing with each individual Airport. Any policies applicable to all Airports in the Authority's jurisdiction shall be amended only once during a calendar year. Coordination with local jurisdictions shall be conducted prior to the approval of any ALUCP amendments.

A periodic review of the ALUCP shall be conducted in order to keep the ALUCP up to date with changes in state laws, local land uses, Airport development and activity, and current concepts for achieving noise and safety compatibility.

(d) Adoption of Airport Land Use Compatibility Plan and Amendments. The ALUCP and any amendments shall be approved and adopted by the Authority, and shall constitute the Authority's recommendation to the Local Agency for compatible land uses within the Airport Influence Area. Prior to adopting each ALUCP or amendment, the Authority shall engage in a public collaborative planning process and hold a public hearing consistent with this policy. [P.U.C. §21670.3(b)]

(3) Authority Review of Local Actions.

(a) Overview. One of the fundamental responsibilities of the Authority is the review of Local Agencies' land use plans, Airport plans and certain other land use projects and actions for compliance with the criteria and policies set forth in the applicable ALUCP. The process that the Authority shall follow for this review process depends upon the following three (3) factors: (i) the type of local action involved; (ii) whether a compatibility plan exists for the Airport; and (iii) what action the Local Agency has taken with regard to making its general plan consistent with the Authority's ALUCP.

(b) Authority Review Requirements. Local Agencies must refer certain actions to the Authority for review. Referral of other local actions, primarily individual development projects, is required in some instances, but voluntary in others.

(i) Actions For Which Authority Review Is Mandatory.

(A) General Plans and Specific Plans. Any proposal by a Local Agency to adopt a general plan or specific plan shall be referred to the Authority for review, if the boundaries of the plan are within the Airport Influence Area of an Airport, irrespective of whether an ALUCP has been adopted for the Airport. If an ALUCP has not been adopted, then the Airport Influence Area is defined to mean the study area for such plan or the land within two (2) miles of the Airport boundary pursuant to P.U.C. §21675.1(b). Amendments to such plans also shall be referred to the Authority, if the change affects locations within an Airport Influence Area. In such instances, referral shall take place prior to the Local Agency's action to adopt or amend the plan consistent with the requirements of P.U.C. §21676(b).

The requirement for submittal of general plans and specific plans exists regardless of whether a proposal is initiated by the Local Agency to adopt or amend a general or specific plan or whether a proposal is initiated based upon the requirement for the Local Agency's plans to be reviewed for consistency with an ALUCP that is newly adopted or amended by the Authority. California Gov. Code §65302.3 requires Local Agencies to either amend their general plans and any affected specific plan to be consistent with the Authority's ALUCP within one-hundred eighty (180) days of when the Authority adopted or amended its ALUCP, or take the steps necessary to overrule the Authority.

(B) Ordinances and Regulations. Authority review of Local Agency proposals to adopt or amend Zoning, building, and other land use ordinances and regulations shall be required in instances where those ordinances and regulations have implications for Airport land use noise or safety compatibility pursuant to the requirements of P.U.C. §21676(b).

(C) Airport Plans. The Authority shall require a mandatory review of Airport Master Plans, construction plans for new Airports and Airport expansion plans (including the construction of a new runway, the extension or realignment of an existing runway and the acquisition of Runway Protection Zones or any interest in land for purposes of safety) for consistency with the adopted ALUCP for that Airport pursuant to the requirements of P.U.C. §21676(c), §21661.5 and §21664.5, respectively.

(ii) Other Actions Subject to Authority Review.

(A) Individual Land Use Development Projects. The Authority shall require a mandatory review of all actions, regulations and permits involving the vicinity of an Airport within the Authority's jurisdiction under the following circumstances: (i) prior to the Authority adoption of an ALUCP for an Airport; and (ii) when a Local Agency has neither revised its general plan or specific plan to be consistent with the Authority's ALUCP nor overruled the Authority with regard to the ALUCP pursuant to the requirements of P.U.C. §21675.1(b) and §21676.5(a).

The Authority requests that, even when the Authority has adopted an ALUCP for an Airport and the Local Agency has revised its general plan or specific plan to be consistent with the Authority's ALUCP, the Local Agency continue to submit major land use actions for review, including, but not limited to, large developments where site design and other factors, such as building height, have potential compatibility implications, even when the overall development may be acceptable. The Authority's project review on these types of non-mandatory project submittals shall be advisory in nature.

(B) Ministerial Permits. Ministerial permits which have implications for airport land use compatibility factors shall be subject to Authority review in the same manner as discretionary projects.

(C) CEQA Documents. The Authority is not a Responsible Agency for the purposes of the California Environmental Quality Act ("**CEQA**") and therefore is not legally required to respond to a CEQA document. The Authority's sole responsibility is to make a compatibility determination regarding the project that is the subject of the Environmental Documentation. However, the Authority has the right and authority to provide comments to the Lead Agency to help ensure the highest level of compatibility.

(c) Information Required for Project Reviews. Requests by Local Agencies to the Authority for project review shall be submitted in writing. Requests shall state fully and fairly the reason for the referral and shall include the names, addresses and telephone numbers of all applicants, project location and assessor's parcel number, a detailed project description, site plans, maps, heights of buildings, any Environmental Documentation and any other material necessary to fully understand the matter for which a project review is being requested. Applicants must include this information on the form entitled "Application for ALUC Determination of Consistency," available at the Authority's offices. The Authority reserves its right to request additional information and documents regarding any project submittal.

In addition to the material required to be submitted, the Authority may require the submittal to include the appropriate fees associated with the request for project review. These fees shall not exceed the estimated cost of providing service and shall be consistent with any Schedule of Fees established by the Authority pursuant to this policy.

(d) Determination Requirements. The Authority shall respond to a Local Agency with respect to a mandatory project submittal within sixty (60) days of referral pursuant to the requirements of P.U.C. §21675.2(a) and §21676(d). This response period does not begin until such time as all information necessary for accomplishment of the project review has been submitted to the Authority and the Authority has deemed the application complete.

(e) Authority Project Review and Determination Process. The Authority shall review applications for compliance with the criteria and policies set forth in the applicable ALUCP. The Authority may consider its own interpretive guidelines and past precedents. After review, the Authority's staff shall place the matter on the Board's agenda for the earliest possible Board meeting if the project does not qualify for staff review. ~~The Authority's staff shall determine if the application can be put on the consent or administrative calendar or whether it must receive a public hearing. The application may be placed on the consent or administrative calendar if the Authority's staff determines that the project application is conditionally consistent with the applicable ALUCP. Such an application may be removed from the consent or administrative calendar at the request of any interested party, member of the public or Board member. In such event, the application shall be heard at the same Board meeting or may be continued at a subsequent Board meeting by a vote of the Board. The~~ An application shall receive a public hearing prior to any determination by the Authority that the project application is inconsistent with the applicable ALUCP and notice of the public hearing shall be provided to the referring agency.

The Authority may determine that a project application is inconsistent with the criteria and policies of the applicable ALUCP by taking the following steps: (i) the holding of a public hearing; and (ii) the making of specific factual findings that the action proposed is inconsistent with the criteria and policies of the applicable ALUCP. If the Authority makes a finding that the project application is inconsistent with the applicable ALUCP, the referring agency shall be notified.

(f) Authorization for Staff Review. The Authority's President/Chief Executive Officer or his or her designee (the "President/CEO") is authorized to determine the consistency of proposed actions referred to the Authority by Local Agencies in the following circumstances: (i) where the proposed actions are determined to be consistent or conditionally consistent with the ALUCP; or (ii) where the Local Agency submittal was voluntary. Staff review ~~and~~ of consistency determinations shall be made consistent with the determination deadlines specified in this policy. Any determination of consistency made pursuant to this section shall be placed on the information calendar on the Board's agenda for the ~~earliest possible~~next available meeting.

(g) Reconsideration Criteria for Determinations of Consistency. An applicant may request that the Authority reconsider its previous action on an application. The request for reconsideration shall be made within thirty (30) days of the decision on the application. The applicant must show that there is relevant new evidence which could not have reasonably been presented at the original hearing or that an error of fact or law occurred. Only the applicant and persons who participated in the original proceedings are eligible to testify. If the Board grants reconsideration, then the matter shall be scheduled for a public hearing as if it were a new application.

(h) Applicant's Rights and Responsibilities after the Authority's Consistency Determination has been Made. If the Authority determines that a proposed action is inconsistent with an applicable ALUCP, then a Local Agency may overrule the Authority's determination by taking the following mandatory steps: (i) the holding of a public hearing; (ii) the making of specific Findings that the action proposed is consistent with the purposes of The State Aeronautics Act; and (iii) the approval of the proposed action by a two-thirds vote of the agency's governing body.

If a Local Agency decides to overrule an Authority determination, then the following apply: (a) the Local Agency's approval of a plan, ordinance or project takes effect as if the Authority had approved the project or found it consistent with the ALUCP; (b) if a Local Agency adopts or amends a general plan or specific plan for the Airport area by overruling the Authority, then subsequent Authority review of individual development projects related to that overruling become voluntary consistent with P.U.C. §21676.5(b); and (c) if the Local Agency overrules the Authority's consistency determination on any project subject to mandatory review by the Commission, then the Authority shall be immune from liability for damages to property or personal injury caused by or resulting directly or indirectly from the public agency's decision to override the Authority's action or recommendation pursuant to P.U.C. §21678 and §21675.1(f).

(i) Authority's Rights and Responsibilities if the Local Agency Overrules the Authority's Consistency Determination. If a Local Agency overrules the Authority's consistency determination, then the Local Agency shall provide notification to the Authority of the proposed overruling, providing the specific Findings for their review and comment, thirty (30) days prior to the final hearing and decision on whether to overrule the Authority. The Local Agency shall include comments from the Authority in the public record of any final decision to overrule the Authority.

(4) Administrative Provisions.

(a) Public Hearings. Public hearings shall be held in accordance with the procedures identified for public hearings for the Authority.

(b) Authority Information Requests. In addition to all other authority granted to the President/CEO, the President/CEO shall have the authority to provide any information, reports, applications or other related documents, in whatever form or format that the President/CEO may determine useful in the implementation or enforcement of the provisions of this policy.

(c) Notices.

(i) Local Agency Person(s) to Receive Notices. Each Local Agency representative who makes application for consistency determination review shall receive notices regarding action taken under the authority of this policy.

(ii) Delivery of Authority Notices. Whenever the Authority provides written notice under this policy, the notice shall be sent by electronic or first class mail, or by a next-day package delivery service.

(iii) Effective Date of Notices Delivered by the Authority. Whenever the Authority gives written notice under or concerning this policy by electronic mail or next-day package delivery service, the notice shall be deemed to have been received on the day it was sent by electronic mail, or, if given only by next-day package delivery service, on the day following the day on which the notice was delivered or given to a next-day package service for delivery. If the Authority gives notice only by depositing a copy of the notice in first class mails, the notice shall be deemed to have been received three (3) days after the date on which it was deposited in the United States mail.

(iv) Effective Date of Notices or Requests. Whenever this policy requires any person to file or submit any notice or document to the Authority, that notice or document shall be deemed to have been delivered on the first working day when it is actually received by the Authority.

(d) Modification of Forms or Guidelines.

(i) Authority. The President/CEO may prepare, modify or augment any form required to be filed under this policy, may require the filing of additional forms or information not otherwise referenced in this policy, or may prepare, modify or augment any Authority consistency review guidelines or other administrative guidelines without Board action, if the President/CEO reasonably determines that the action would facilitate the implementation and enforcement of this policy, or any other Authority ordinances, rules, regulations or policies.

(ii) Notices. When the President/CEO exercises his or her authority under subsection (i) above, the President/CEO promptly shall give notice to all Local Agencies and other interested parties who are required or permitted to use those forms, information or guidelines, and the President/CEO shall specify the date upon which use of the new or modified forms, information or guidelines is required.

## APPENDIX A

## DEFINITIONS

"**Airport**" means any area of land or water that is used, or intended for use, for the landing and take-off of aircraft. Included are any appurtenant areas that are used, or intended for use, for Airport buildings or any other Airport facilities or right-of-way, and all Airport buildings and facilities located thereon. Public-Use Airports and Airstrips shall be considered Airports for purposes of this policy.

"**Airport Influence Area**" means a planning area designated by the Authority around each Public-Use Airport which is, or reasonably may become, affected by Airport operations including, but not limited to noise, fumes, or other influence, or which is, or reasonably may become, a site for a hazard to aerial navigation. If an ALUCP has not been adopted, then the Airport Influence Area means the land within two (2) miles of the Airport boundary. See California Public Utilities Code §21675.1(b).

"**Airport Layout Plan (ALP)**" means a scale drawing of existing and proposed Airport facilities, their location on an Airport, and the pertinent clearance and dimensional information required to demonstrate conformance with applicable standards.

"**Airport Master Plan (AMP)**" means a long-range plan for development of an Airport, including descriptions of the data and analyses on which the plan is based.

"**Airport Operator**" means any person or entity having the authority and responsibility for the establishment and operation of an Airport.

"**California Environmental Quality Act**" or "**CEQA**" means the statutes adopted by the state legislature for the purpose of maintaining a quality environment for the people of the state now and in the future. CEQA establishes a process for state agency and Local Agency review of projects, as defined in the implementing guidelines, which may adversely affect the environment. See California Public Resources Code §21000, et. seq.

"**Airport Land Use Compatibility Plan**" or "**ALUCP**" means the compatibility plan that presents the areas currently impacted or likely to be impacted by noise levels and flight activities associated with aircraft operations of one or more Airports. An ALUCP usually presents in narrative and graphic form the noise, safety and other criteria that will enable Local Agencies to compatibly plan and develop the land within the Airport Influence Area.

"**Draft EIR**" means an EIR containing the information specified in §15122 through §15131 in the CEQA Guidelines.

"**Environmental Documentation**" means Initial Studies, Negative Declarations, draft and final EIRs, documents prepared as substitutes for EIRs and Negative Declarations under a program certified pursuant to California Public Resources Code §21080.5, and documents prepared under the National Environmental Policy Act ("NEPA") and used by a state agency or Local Agency in the place of Initial Study, Negative Declaration, or an EIR.

"**Environmental Impact Report**" or "**EIR**" means a detailed statement prepared under CEQA describing and analyzing the significant environmental effects of a project and discussing ways to mitigate or avoid the effects. The term EIR may mean either a Draft EIR or a Final EIR depending on the context.

"**Environmental Impact Statement**" or "**EIS**" means an impact document prepared pursuant to the NEPA. NEPA uses the term EIS in the place of the term EIR, which is used in CEQA.

"**Final EIR**" means an EIR containing the information contained in the draft EIR, comments either verbatim or in summary received in the review process, a list of persons commenting, and the response of the Lead Agency to the comments received.

"**Findings**" means the legally relevant sub-conclusions which expose a government agency's mode of analysis of facts, regulations and policies, and which bridge the analytical gap between raw data and ultimate decision.

"**Initial Study**" means a preliminary analysis prepared by the Lead Agency to determine whether an EIR or a Negative Declaration must be prepared or to identify the significant environmental effects to be analyzed in an EIR.

"**Lead Agency**" means the public agency, which has the principal responsibility for carrying out or approving a project. The Lead Agency will decide whether an EIR or Negative Declaration will be required for the project and will cause the document to be prepared.

"**Local Agency**" means any public agency, including, but not limited to, cities, counties, charter cities and counties, districts, school districts, special districts, redevelopment agencies, local agency formation commissions, and any board, commission or organizational subdivision of a Local Agency when so designated by order or resolution of the governing legislative body of the Local Agency.

"**Negative Declaration**" means a written statement by the Lead Agency briefly describing the reasons that a proposed project, not exempt from CEQA, will not have a significant effect on the environment and, therefore, does not require the preparation of an EIR.

"**Public Agency**" means any state agency, board, or commission and any local or regional agency, as defined in the CEQA Guidelines. It does not include the courts of the state. This term does not include agencies of the federal government.

"**Public-Use Airport**" means a publicly or privately owned Airport that offers the use of its facilities to the public without prior notice or special invitation or clearance and that has been issued a California Airport Permit by the Aeronautics Program of the California Department of Transportation.

"**Responsible Agency**" means a public agency, which proposes to carry out or approve a project, for which a Lead Agency is preparing or has prepared an EIR or Negative Declaration. For the purpose of CEQA, the term Responsible Agency includes all public agencies other than the Lead Agency, which have discretionary approval power over the project.

"**Runway Protection Zone (RPZ)**" means an area (formerly called a clear zone) off the end of a runway used to enhance the protection of people and property on the ground.

"**The State Aeronautics Act**" means The State Aeronautics Act, California Public Utilities Code §21670, et seq.

"**Zoning**" means a police power measure, enacted primarily by units of local government, in which the community is divided into districts or zones within which permitted and special uses are established, as are regulations governing lot size, building bulk, placement and other development standards. Requirements vary from district to district, but they must be uniform within districts. A zoning ordinance consists of two parts - the text and a map.

[Amended by Resolution No. 2012-0106 dated October 4, 2012.]
[Amended by Resolution No. 2008-0029 dated March 6, 2008.]
[Amended by Resolution No. 2005-0027 dated March 7, 2005.]
[Amended by Resolution No. 03-075 dated November 10, 2003.]
[Adopted by Resolution No. 03-020R dated April 3, 2003.]

ITEM A

SAN DIEGO
INTERNATIONAL AIRPORT
LET'S GO.

# Airport Development Plan (ADP)

**December 7, 2017**

Presented by:

Kim Becker, President/CEO

Bob Bolton, Director, Airport Design & Construction

Ted Anasis, Manager, Planning & Environmental Affairs

# Agenda

I. Airline Engagement Process

II. ADP Plan Preparation

III. Harbor Drive Mobility Committee

IV. Schedule of Environmental Review (EIR)

V. Next Steps

# ADP Board Goals

### Ground Access

**Goal:**
Improve access to the Airport and accommodate parking demand transit facilities that interface with regional systems

### Passenger Terminal Facilities

**Goal:**
Develop passenger terminal facilities to efficiently accommodate future activity levels and maintain high levels of passenger satisfaction that reflects the local feel and uniqueness of San Diego

### Airfield/Airspace

**Goal:**
Plan for an operationally efficient airfield that meets FAA standards

### Sustainability

**Goal:**
Provide a plan that is fiscally and environmentally sustainable

### Land Development

**Goal:**
Optimize the productive use of Airport properties

### Social Responsibility

**Goal:**
Provide a plan that meets the aviation needs of the San Diego region in a socially responsible manner.

SAN DIEGO INTERNATIONAL AIRPORT
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# SAN & Airline Conditions of Satisfaction for the ADP Program

| | | |
|---|---|---|
| Pride and Support of key stakeholders | Seamless from home to plane for all | Balance best possible customer experience with reasonable ROI |
| Timeless, Adaptable & Innovative facilities | Airfield capacity & facility operation are optimized | Level competitive playing field & preserve ability for differentiation |
| Minimize impact to environmental & community | Timely, expedited delivery through phasing, innovation, and shared understanding of milestones & budget | Total cost of ownership built into process |

SAN DIEGO INTERNATIONAL AIRPORT. LET'S GO.

# II. ADP Program Preparation

- The Project Definition Document (PDD) will communicate the Authority’s expectations to design professionals and contractors. The PDD will define the scope, location, intent, standards, and criteria and serve as a guidance document throughout the design, construction, activation, and commissioning process of the facilities

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# II. ADP Work Flow


- ❑ **Stakeholder Engagement Process**
  - Internal
  - External

- ❑ **Establish Program Costs**

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# II. Benefits of a Programmatic Document

- Determine procurement process (project delivery)
- Establish the program budget
- Establish the program schedule
- Supports the program validation with builder
- Guides the successful completion of projects
- Accelerates the schedule

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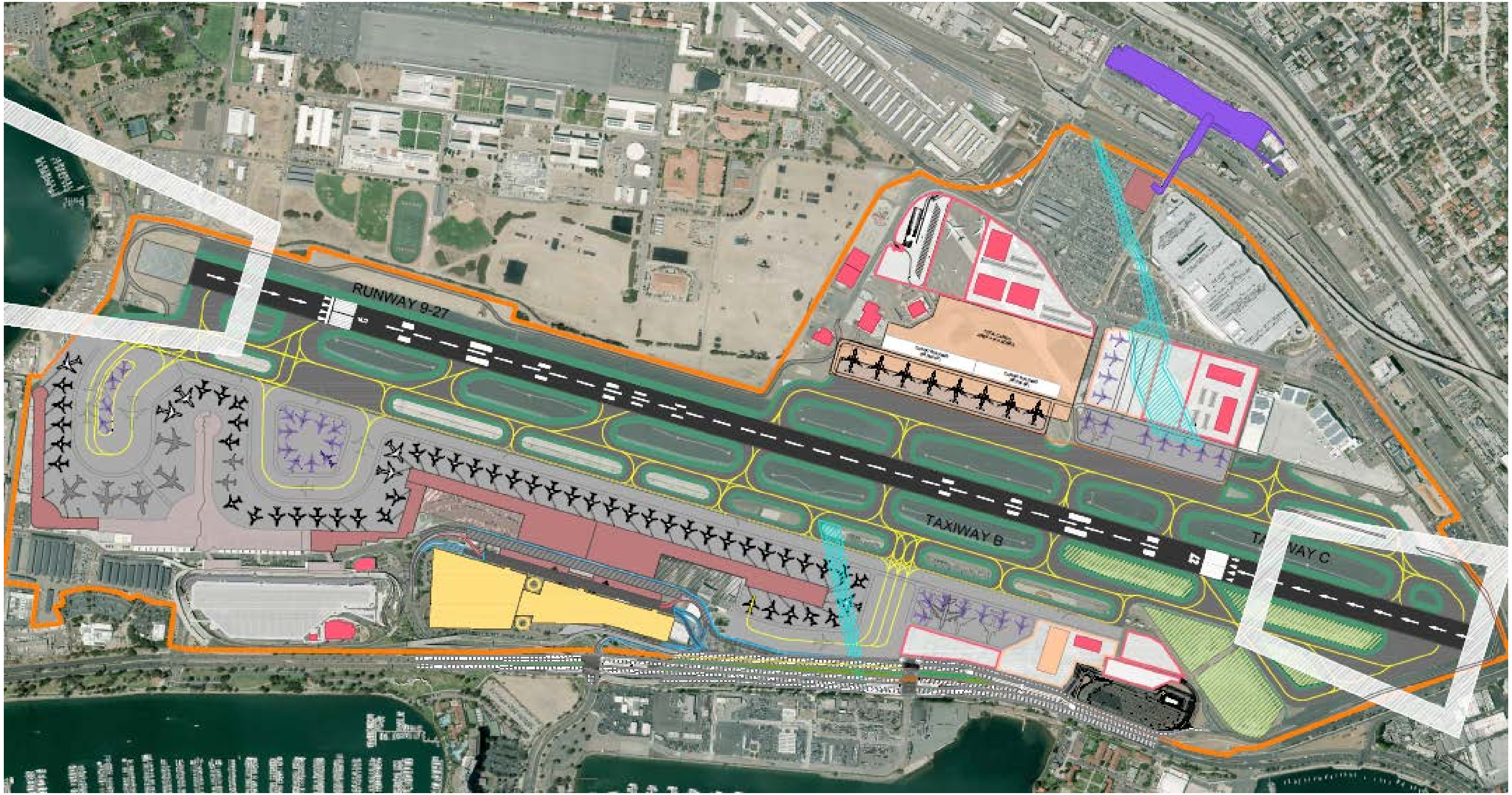
# Board Approved Alternative 5 (Mar 02, 2017)

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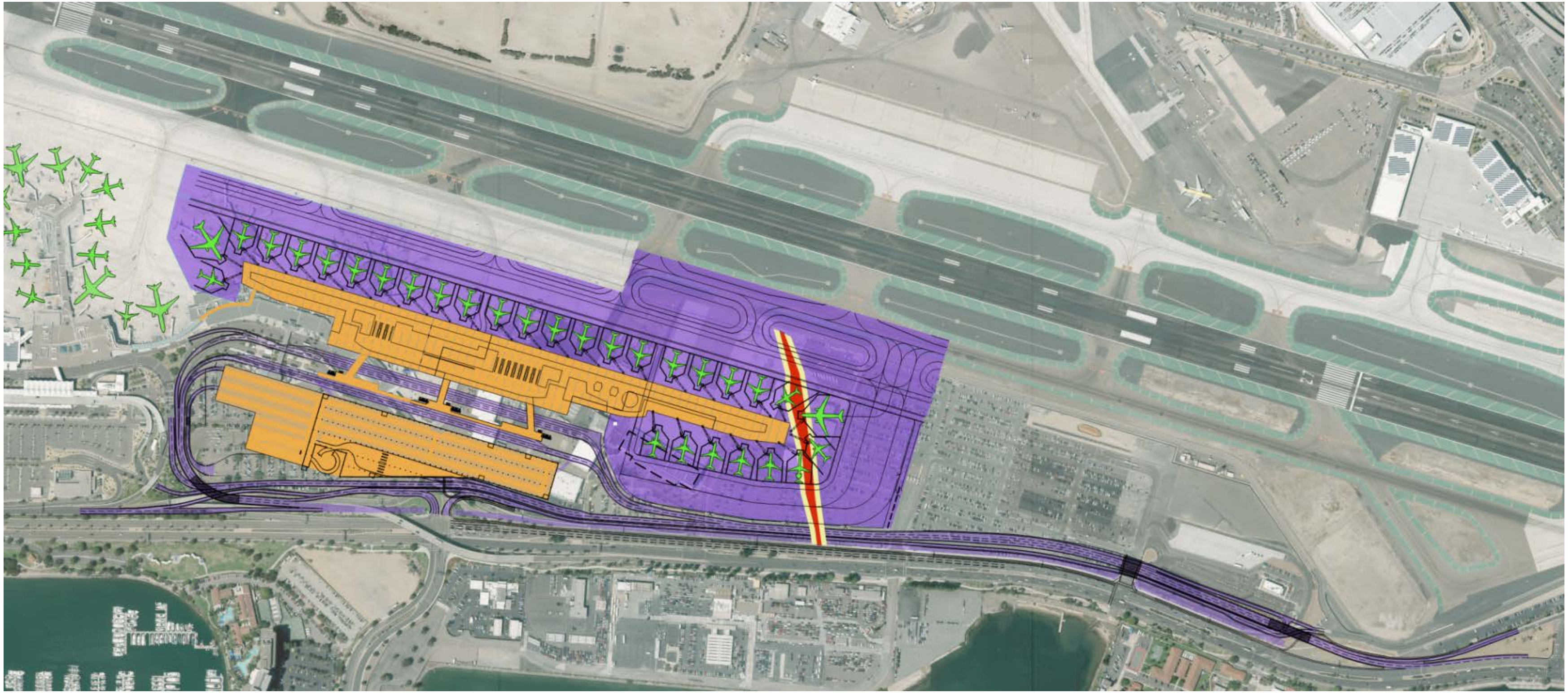
# ADP Phase 1, 30 Gate



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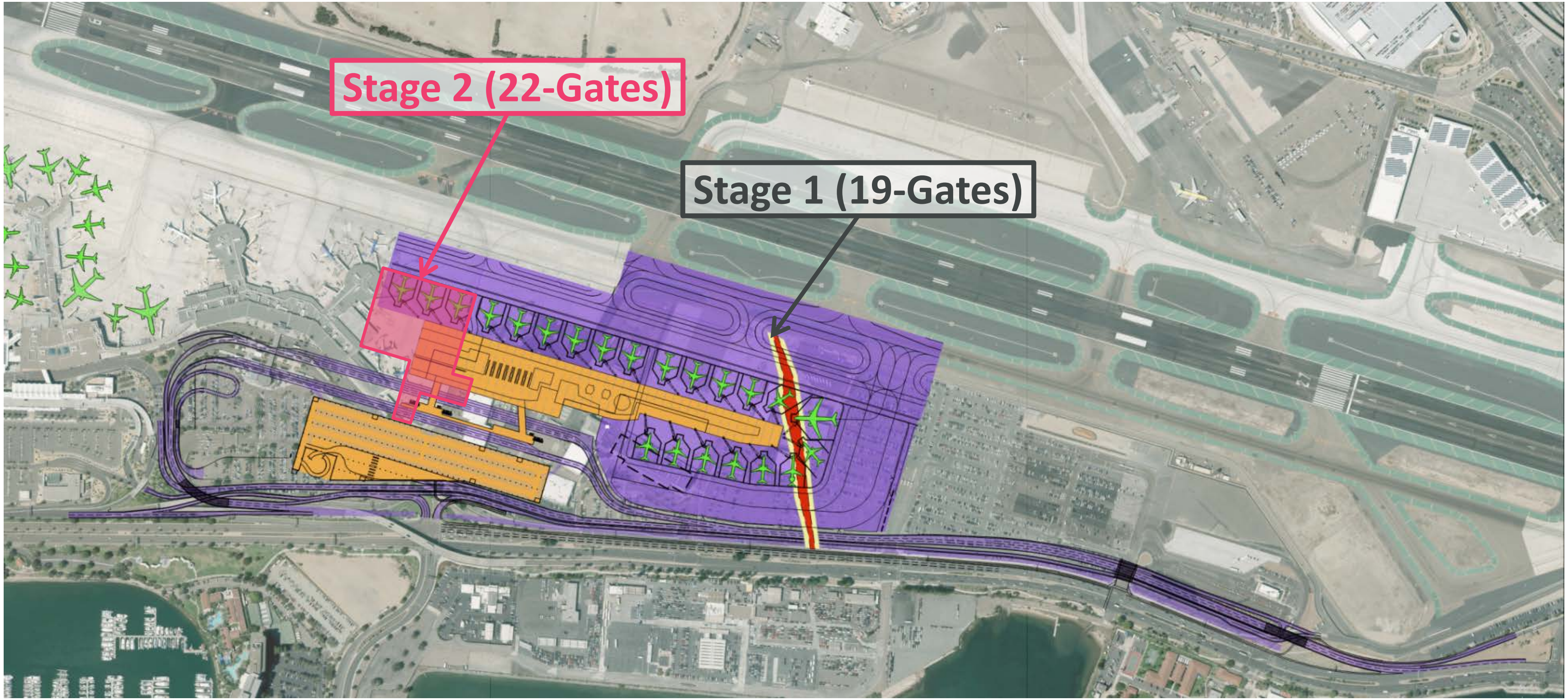
# ADP Phase 1, 22 Gate Implementation




SAN DIEGO
INTERNATIONAL AIRPORT.
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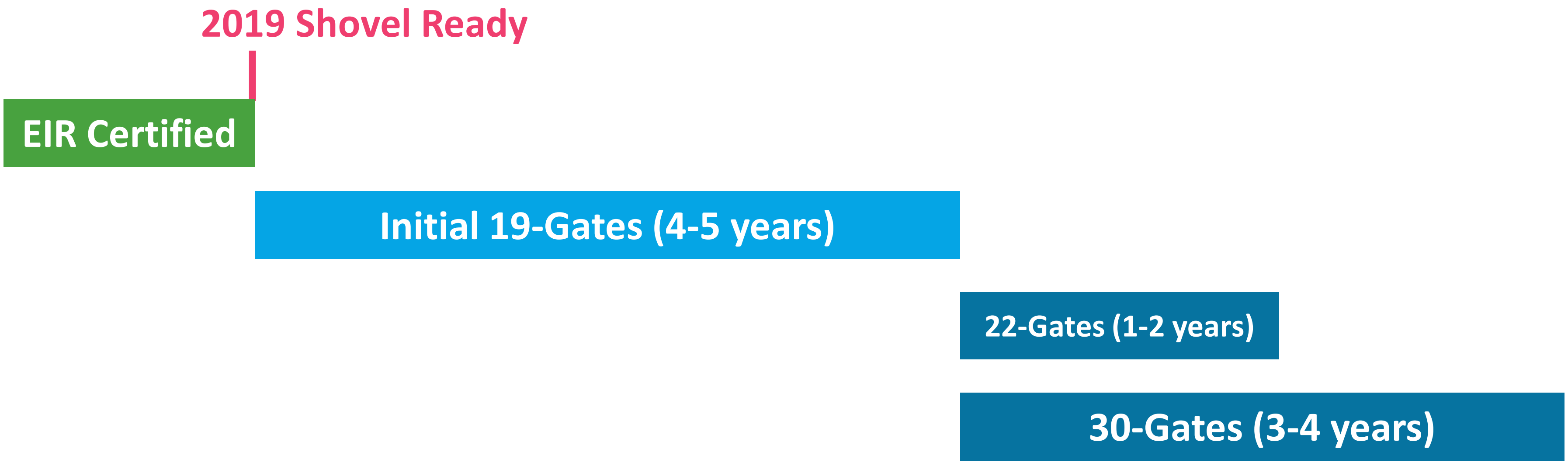
# ADP Phase 1 Schedule




SAN DIEGO INTERNATIONAL AIRPORT
LET'S GO.

# III. Harbor Drive Mobility Committee

## ❑ Policy Group and Working Groups

- Included land use/transportation agencies and stakeholders in Harbor Drive corridor
- Seven meetings from June through November 2017

## ❑ Technical work

- Near-term (0-12 years) and long-term projects
- Cumulative projects recorded in draft report  December 2017

## ❑ Traffic Modeling

- SANDAG approved our use of the Series 13 model for the years of 2020; 2025;2030 and 2035

SAN DIEGO INTERNATIONAL AIRPORT
LET'S GO.

# IV. Schedule of Environmental Review (EIR)

- **Traffic, air quality and noise analyses underway**
  - ADP under analyses for 20+ environmental categories
  - Administrative Draft EIR
- **Draft EIR**
  - Available for public review minimum 60 days
- **Final EIR to Board for certification**

SAN DIEGO INTERNATIONAL AIRPORT
LET'S GO.

# V. Next Steps

- ❑ Airline Engagement Process
- ❑ ADP Programmatic Preparation
- ❑ Harbor Drive Mobility Committee
- ❑ Environmental Review (EIR)
- ❑ Board Updates

*Historic photo of Terminal 1 replacement area*

# Questions?

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

# STAFF REPORT

Meeting Date: **DECEMBER 7, 2017**

**Subject:**

**Business and Travel Expense Reimbursement Reports for Board Members, President/CEO, Chief Auditor and General Counsel When Attending Conferences, Meetings, and Training at the Expense of the Authority**

**Recommendation:**

For information only.

**Background/Justification:**

Authority Policy 3.30 (2)(b) and (4)(b) require that business expenses reimbursements of Board Members, the President/CEO, the Chief Auditor and the General Counsel be approved by the Executive Committee and presented to the Board for its information at its next regularly scheduled meeting. Authority Policy 3.40 (2)(b) and (3)(b) require that travel expense reimbursements of Board Members, the President/CEO, the Chief Auditor and the General Counsel be approved by the Executive Committee and presented to the Board for its information at its next regularly scheduled meeting.

The attached reports are being presented to comply with the requirements of policies 3.30 and 3.40

**Fiscal Impact:**

Funds for Business and Travel Expenses are included in the FY 2017-2018 Budget.

**Authority Strategies:**

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

☒ Community Strategy ☐ Customer Strategy ☐ Employee Strategy ☐ Financial Strategy ☐ Operations Strategy

## Environmental Review:

A. 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.

## Application of Inclusionary Policies:

Not applicable.

## Prepared by:

TONY R. RUSSELL
DIRECTOR, CORPORATE & INFORMATION GOVERNANCE/AUTHORITY CLERK

# TRAVEL REQUEST

# KIM BECKER

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**
**OUT-OF-TOWN TRAVEL REQUEST**

**GENERAL INSTRUCTIONS:**

A. All travel requests must conform to applicable provisions of Policies 3.30 and 3.40.
B. Personnel traveling at Authority expense shall, consistent with the provisions of Policies 3.30 and 3.40, use the most economical means available to affect the travel.

1. TRAVELER:

Travelers Name: Kimberly J. Becker Dept: 6

Position: ☐ Board Member ☒ President/CEO ☐ Gen. Counsel ☐ Chief Auditor

☐ All other Authority employees (does not require executive committee administrator approval)

2. DATE OF REQUEST: 11/9/17 PLANNED DATE OF DEPARTURE/RETURN: 1/22/18 / 1/23/18

3. DESTINATIONS/PURPOSE (Provide detailed explanation as to the purpose of the trip– continue on extra sheets of paper as necessary):

Destination: San Francisco, CA

Purpose: Attend ACI-NA Aviation Biometrics Roundtable

Explanation:

4. PROJECTED OUT-OF-TOWN TRAVEL EXPENSES

| | |
|---|---|
| A. TRANSPORTATION COSTS: | |
| • AIRFARE | $ 150.00 |
| • OTHER TRANSPORTATION (Taxi, Train, Car Rental) | $ 50.00 |
| B. LODGING | $ 300.00 |
| C. MEALS | $ 100.00 |
| D. SEMINAR AND CONFERENCE FEES | $ |
| E. ENTERTAINMENT (If applicable) | $ |
| F. OTHER INCIDENTAL EXPENSES | $ |
| **TOTAL PROJECTED TRAVEL EXPENSE** | $ 600.00 |

**CERTIFICATION BY TRAVELER** By my signature below, I certify that the above listed out-of-town travel and associated expenses conform to the Authority's Policies 3.30 and 3.40 and are reasonable and directly related to the Authority's business.

Travelers Signature: Kimberly J Becker Date: 11/9/17

**CERTIFICATION BY ADMINISTRATOR** (Where Administrator is the Executive Committee, the Authority Clerk's signature is required).

By my signature below, I certify the following:

1. I have conscientiously reviewed the above out-of-town travel request and the details provided on the reverse.
2. The concerned out-of-town travel and all identified expenses are necessary for the advancement of the Authority's business and reasonable in comparison to the anticipated benefit to the Authority.
3. The concerned out-of-town travel and all identified expenses conform to the requirements and intent of Authority's Policies 3.30 and 3.40.

Administrator's Signature: ______________________ Date: __________

**AUTHORITY CLERK CERTIFICATION ON BEHALF OF EXECUTIVE COMMITTEE**

I, ______________________, hereby certify that this document was approved
*(Please leave blank. Whoever clerk's the meeting will insert their name and title.)*

by the Executive Committee at its ______________________ meeting.
*(Leave blank and we will insert the meeting date.)*

# BUSINESS EXPENSE

# KIM BECKER

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## BUSINESS EXPENSE REIMBURSEMENT REPORT

JUL-OCT 2017
Period Covered

| DATE | G/L Account | Description | AMOUNT |
|---|---|---|---|
| 7/31/2017 | 66290 | Parking at University Club for Luncheon w/Board Chair | $ 20.00 |
| 8/9/2017 | 66240.100 | Dinner at Solare Ristorante with AAAC Members | $ 22.99 |
| 10/17/2017 | 66240.100 | Dinner at Pisco Restaurant with AAAC Members | $ 31.38 |
| 10/19/2017 | 66290 | Lyft ride to Alonzo Awards at Manchester Grand Hyatt Hotel | $ 8.25 |
| | | TOTAL | $82.62 |

I acknowledge that I have read, understand and agree to Authority *Policy 3.30 - Business Expense Reimbursement Policy and that any purchases that are not allowed will be my responsibility. I further certify that this report of business expenses were incurred in connection with official Authority business and is true and correct.

* Policy 3.30

NAME Kimberly Becker

DATE 10/30/2017

APPROVED:

NAME

DATE

**RECEIPTS FOR BUSINESS EXPENSE REIMBURSEMENT**
**JUL-OCT 2017**
**KIMBERLY J. BECKER**

LUNCH W/ CHAIR BOLING

LUNCH 7/31/17

IRVINE COMPANY
Since 1864

PARKING

Full Statement

P/S #03 A Payment No.00000014
T/D #01 Ticket No.048834
Entry Time 07/31/2017 (Mon) 11:09
Exit Time 07/31/2017 (Mon) 13:07
Parking Time 1:58
Parking Fee Rate A $20.00

MasterCard
Account # ************[redacted]
Slip # 26499
Auth Code 635581
Credit Card Amount $20.00
Cash Amount $0.00
==============================
Total $20.00
Thank You for Your Visit
Please Come Again!
================

DINNER W/AAAC MEMBERS

Solare Ristorante
www.SolareLounge.com
2820 Roosevelt Road
San Diego, CA 92106
619-270-9670

Tbl: 55 Gsts: 16 Srvr: RomanG
Date: 08-09-2017 7:36pm 1.0075.00041

Guests: 12
1[redacted]
1 Timballo di Mel 18.00
20%: ~~5.40~~ 3.60
Sub-Total: ~~32.40~~ 21.60
Tax: ~~2.10~~ 1.39
Total Due: ~~34.50~~
GRAZIE ~~28.20~~
www.facebook.com/solaresandiego 22.99
TIME TO BOOK YOUR PARTIES
FOR CATERING OR LARGE PARTIES
CALL 619 270-9670

Solare Ristorante
www.SolareLounge.com
2820 Roosevelt Road
San Diego, CA 92106
619-270-9670

Emp: RomanG M/C*
08-09 7:38pm Tbl# 55
EMV E2E 41-05495

SALE
Card Number: ************[redacted]
Exp Date: ** / ** BECKER/KIMBERLY
Apprvl Code: 05096Z

AMOUNT: ~~29.10~~ 19.39
20%: ~~5.40~~ 3.60
ADTL TIP:
TOTAL: ~~34.50~~ $22.99

X [signature]
Cardmember agrees to pay total in accordance with agreement governing use of such card.

MID: XXXXXXXX TID:2
Entry: Chip CVM:
ApplicationLabel: MASTERCARD

DINNER 8/9/17

## Ayers Kim

| | |
|---|---|
| **Subject:** | SAN AAAC Dinner October 17 |
| **Location:** | Pisco Rotisserie & Cevicheria, 2401 Truxtun Road, SD 92106; 619-222-3111 |
| **Start:** | Tue 10/17/2017 5:30 PM |
| **End:** | Tue 10/17/2017 8:00 PM |
| **Recurrence:** | (none) |
| **Meeting Status:** | Accepted |
| **Organizer:** | Sciulli Barbara |
| **Required Attendees:** | Becker Kimberly (kbecker@san.org); Brickner Scott; Woodson Jeffrey; Amy Fuller Lyman-Alaska Airlines; kelly.eickenhorst@aa.com; Kottayam Natarajan-AvAirPros; Steve Hubbell (Southwest) |
| **Categories:** | Blue Category |

10/12/17 The venue has been selected for the October 17 dinner at 5:30pm. The reservation is under Scott Brickner's name.

Pisco Rotisserie & Cevicheria
2401 Truxtun Road, Suite 102
San Diego, CA 92106

Located 2.5 miles from the airport at Liberty Station

http://piscorotisserie.com/menu/

**RECEIPTS FOR BUSINESS EXPENSE REIMBURSEMENT**
**JUL-OCT 2017**
**KIMBERLY J. BECKER**

SAN AAAC DINNER

Pisco
Rotisserie & Cevicheria
2401 Truxton Road, Suite 102
San Diego, CA 92106
619-222-3111

414502.1
CHRISTIAN T   Table 33
Tue 10/17/17 7:32 PM   Guests 8

| | |
|---|---|
| 1 SEARED FISH | 25.00 |
| 1 ICED TEA | 3.00 |

| | |
|---|---|
| SubTotal | 28.00 |
| Surcharge | 1.12 |
| Taxes... | 2.26 |

Please pay this amount
Total 31.38

| | |
|---|---|
| FOOD | 25.00 |
| BEVERAGES | 3.00 |

***************************************
A 4% surcharge will be added to all guest checks to help cover increasing costs & in support of the recent increases to minimum wage and benefits to our dedicated Team Members.

PISCO
2401 TRUXTON RD STE 102
SAN DIEGO, CA 92106
10/17/2017 19:38:45
CREDIT CARD
MC SALE

| | |
|---|---|
| Card # | XXXXXXXXXXX[redacted] |
| Chip Card: | MASTERCARD |
| AID: | A0000000041010 |
| ATC: | 0043 |
| TC: | AC45A26F909381C0 |
| SEQ #: | 3 |
| Batch #: | 60 |
| INVOICE | 3 |
| SERVER | 6537 |
| Table #: | 33 |
| Approval Code: | 05363Z |
| Entry Method: | Chip Read |
| Mode: | Issuer |
| PRE-TIP AMT | $31.38 |
| TIP | $0.00 |
| TOTAL AMOUNT | $31.38 |

DINNER 10/17/17

## Ayers Kim

| | |
|---|---|
| **Subject:** | SAN AAAC Dinner October 17 |
| **Location:** | Pisco Rotisserie & Cevicheria, 2401 Truxtun Road, SD 92106; 619-222-3111 |
| **Start:** | Tue 10/17/2017 5:30 PM |
| **End:** | Tue 10/17/2017 8:00 PM |
| **Recurrence:** | (none) |
| **Meeting Status:** | Accepted |
| **Organizer:** | Sciulli Barbara |
| **Required Attendees:** | Becker Kimberly (kbecker@san.org); Brickner Scott; Woodson Jeffrey; Amy Fuller Lyman-Alaska Airlines; kelly.eickenhorst@aa.com; Kottayam Natarajan-AvAirPros; Steve Hubbell (Southwest) |
| **Categories:** | Blue Category |

10/12/17 The venue has been selected for the October 17 dinner at 5:30pm. The reservation is under Scott Brickner's name. Bon appetite! Barbara 619-400-2578

Pisco Rotisserie & Cevicheria
2401 Truxtun Road, Suite 102
San Diego, CA 92106

Located 2.5 miles from the airport at Liberty Station

http://piscorotisserie.com/menu/

## Ayers Kim

**From:** Becker Kimberly
**Sent:** Friday, October 20, 2017 8:26 AM
**To:** Ayers Kim
**Subject:** FW: Your ride with Lawrence C. on October 19

Here you go

Kimberly J. Becker
**President/CEO**
T 619.400.2444
kbecker@san.org

**www.san.org** |
San Diego County Regional Airport Authority, PO BOX 82776, San Diego, CA 92138

**From:** no-reply@lyftmail.com [mailto:no-reply@lyftmail.com]
**Sent:** Thursday, October 19, 2017 8:50 PM
**To:** Becker Kimberly
**Subject:** Your ride with Lawrence C. on October 19

lyft

# Thanks for riding with Lawrence C.!

October 19, 2017 at 5:42 PM

**Ride Details**

| | |
|---|---|
| Lyft fare (1.45mi, 8m 18s) | $6.25 |
| Tip | $2.00 |
| PayPal account | **$8.25** |

Pickup 5:42 PM
845 Beech St, San Diego, CA

Dropoff 5:51 PM
1 Market Pl, San Diego, CA

**Expense Code:** To ALONZO AwaRDS

**Earn Free Rides**

Get $350 in credits for referring a San Diego driver if they apply using your link, and give 90 rides within 30 days. They'll get a $350 cash bonus, too!

First 1,000 applicants per market for a limited time only. See terms.

Tip driver

Find lost item

Request review

Pricing FAQ · Help Center

Receipt #1057231862080264474

To learn more about our Zero Tolerance Policies, go to lyft.com/safety

Map data © OpenStreetMap contributors


548 Market St #68514
San Francisco, CA 94104

Work at Lyft
Become a Driver

**Ayers Kim**

| | |
|---|---|
| **Subject:** | Downtown San Diego Partnership 55th Annual Alonzo Awards Dinner |
| **Location:** | Manchester Grand Hyatt - Seaport Ballroom - 1 Market Place San Diego, CA 92101 |
| **Start:** | Thu 10/19/2017 5:30 PM |
| **End:** | Thu 10/19/2017 8:30 PM |
| **Recurrence:** | (none) |
| **Meeting Status:** | Accepted |
| **Organizer:** | Hawthorne Cynthia |
| **Required Attendees:** | April Boling; Becker Kimberly; Cox Gregory; Peggy Cooper; Mike Kulis; cwences1 @hotmail.com; Ira-Marie Garcia; Andre.Kwan@gmail.com |
| **Optional Attendees:** | Holly Crowell; Cox, Greg; Ed Smith |
| **Categories:** | Blue Category |

## Downtown San Diego Partnership
## 55th Annual Alonzo Awards Dinner
## Thursday, October 19, 2017
## 5:30 p.m. – 8:30 p.m.

Manchester Grand Hyatt
Seaport Ballroom
1 Market Place
San Diego, CA 92101

This event gathers more than 700 attendees to honor the people, places and projects that have contributed to the advancement of downtown in the past year.

| | |
|---|---|
| 5:30 p.m. – 7:00 p.m. | Reception |
| 7:00 p.m. – 8:30 p.m. | Dinner and Program |

Dress – Business/Cocktail Attire

# APRIL BOLING

# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

**2017**



## MONTHLY MILEAGE and PARKING FEE REIMBURSEMENT REPORT

| EMPLOYEE NAME | | | PERIOD COVERED | |
|---|---|---|---|---|
| C. April Boling | | | October | |
| DEPARTMENT/DIVISION | | | | |
| **Date** | **Miles driven** | **Destination and purpose of trip** | **Parking fees & other transportation costs paid** | **$$$** |
| 10/5/17 | 29.40 | Airport/ALUC/Board Mtg. | | |
| 10/6/17 | 29.40 | Airport/Employee Appreciation Event @11:30 | | |
| 10/6/17 | 29.40 | Airport/Employee Appreciation Event @ 5:00 | | |
| 10/16/17 | 29.40 | Airport/Harbor Drive Mobility Policy Mtg. | | |
| 10/16/17 | 29.40 | Airport/FIS Update Mtg. & Tour | | |
| 10/23/17 | 29.40 | Airport/Exec./Finance Committee Mtg. | | |
| | | | | |
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| | | | | |
| | | | | |
| | | | | |
| SUBTOTAL | 176.40 | | SUBTOTAL | |

### *Computation of Reimbursement*

| | | | |
|---|---|---|---|
| | | | 176.40 |
| REIMBURSEMENT RATE: (see below) * | **Rate as of January 2017** | X | 0.535 |
| TOTAL MILEAGE REIMBURSEMENT | | | 94.37 |
| PARKING FEES/TOLL CHARGES (ATTACH RECEIPTS) | | | |
| TOTAL REIMBURSEMENT REQUESTED | | | $ 94.37 |

I acknowledge that I have read, understand and agree to "Authority Policy 3.30 - Business Expense Reimbursement Policy and that any purchases/claims that are not allowed will be my responsibility. I further certify that this report of business expenses were incurred in connection with official Authority business and is true and correct.

Business Expense Reimbursement Policy 3.30

| | |
|---|---|
| SIGNATURE OF EMPLOYEE | DEPT./DIV. HEAD APPROVAL |

# TRAVEL EXPENSE

# KIM BECKER

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY**

**TRAVEL EXPENSE REPORT**

***(To be completed within 30 days from travel return date)***

**TRAVELER:** Kimberly J. Becker **DEPT. NAME & NO.** Executive Office/BU 6

**DEPARTURE DATE:** 10/26/2017 **RETURN DATE:** 10/27/2017 **REPORT DUE:** 11/26/17

**DESTINATION:** Pismo Beach, CA - CAC Board Meeting

*Please refer to the Authority Travel and Lodging Expense Reimbursement Policy, Article 3, Part 3.4, Section 3.40, outlining appropriate reimbursable expenses and approvals. Please attach all required supporting documentation. All receipts must be detailed, (credit card receipts do not provide sufficient detail). Any special items should be explained in the space provided below.*

| | Authority Expenses (Prepaid by Authority) | Employee Expenses SATURDAY | SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY 10/26/17 | FRIDAY 10/27/17 | TOTALS |
|---|---|---|---|---|---|---|---|---|---|
| Air Fare, Railroad, Bus *(attach copy of itinerary w/charges)* | $361.60 | | | | | | | | 0.00 |
| Conference Fees *(provide copy of flyer/registration expenses)* | | | | | | | | | 0.00 |
| Rental Car* | | | | | | | | | 0.00 |
| Gas and Oil* | | | | | | | | | 0.00 |
| Garage/Parking* | | | | | | | | | 0.00 |
| Mileage - attach mileage form* | | | | | | | | | 0.00 |
| Taxi and/or Shuttle Fare *(include tips pd.)** | | | | | | | 27.60 | | 27.60 |
| Hotel* | | | | | | | 206.44 | | 206.44 |
| Telephone, Internet and Fax* | | | | | | | | | 0.00 |
| Laundry* | | | | | | | | | 0.00 |
| Tips - *separately paid (maids,bellhop,other hotel srvs.)* | | | | | | | | | 0.00 |
| Meals *(include tips pd.)* Breakfast* | | | | | | | 2.91 | | 2.91 |
| Lunch* | | | | | | | 21.05 | | 21.05 |
| Dinner* | | | | | | | | | 0.00 |
| Other Meals* | | | | | | | | | 0.00 |
| ***Alcohol is a non-reimbursable expense*** | | | | | | | | | |
| Hospitality [1] * | | | | | | | | | 0.00 |
| Miscellaneous: Baggage Fee | | | | | | | 25.00 | | 25.00 |
| | | | | | | | | | 0.00 |
| | | | | | | | | | 0.00 |
| **Provide detailed receipts* | | | | | | | | | 0.00 |
| Total Expenses prepaid by Authority | 361.60 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 283.00 | 0.00 | 283.00 |

Explanation:

| | |
|---|---|
| Total Expenses Prepaid by Authority | 361.60 |
| Total Expenses Incurred by Employee (including cash advances) | 283.00 |
| **Grand Trip Total** | 644.60 |
| Less Cash Advance (attach copy of Authority ck) | |
| Less Expenses Prepaid by Authority | 361.60 |
| Due Traveler (positive amount)[2] Due Authority (negative amount)[3] | 283.00 |

***Note: Send this report to Accounting even if the amount is $0.***

*[1]Give names and business affiliations of any persons whose meals were paid by traveler.*
*[2] Prepare Check Request*
*[3]Attach personal check payable to SDCRAA*

I as traveler or administrator acknowledge that I have read, understand and agree to Authority policies 3.40 - Travel and Lodging Expense Reimbursement Policy[4] and 3.30 - Business Expense Reimbursement Policy[5] and that any purchases/claims that are not allowed will be my responsibility. I further certify that this report of travel expenses were incurred in connection with official Authority business and is true and correct.

[4] Travel and Lodging Expense Reimbursement Policy 3.40 [5] Business Expense Reimbursement Policy 3.30

Prepared By: Kim Ayers (Print/Type Name) Ext.: 2446

Traveler Signature: Kimberly J. Becker Date: 10/31/17

Approved By: Date:

**AUTHORITY CLERK CERTIFICATION ON BEHALF OF EXECUTIVE COMMITTEE** (To be certified if used by President/CEO, Gen. Counsel, or Chief Auditor)

I, ______ hereby certify that this document was approved by the Executive Committee at its
(Please leave blank. Whoever clerk's the meeting will insert their name and title.)

______ meeting.
(Leave blank and we will insert the meeting date.)

*Failure to attach required documentation will result in the delay of processing reimbursement. If you have any questions, please see your department Administrative Assistant or call Accounting at ext. 2806.*

C:\Users\kayers\AppData\Roaming\OpenText\OTEdit\EC_ECMS\c13280744\ExpenseRpt-PismoBeach-KB

## SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
## OUT-OF-TOWN TRAVEL REQUEST

**GENERAL INSTRUCTIONS:**

A. All travel requests must conform to applicable provisions of Policies 3.30 and 3.40.

B. Personnel traveling at Authority expense shall, consistent with the provisions of Policies 3.30 and 3.40, use the most economical means available to affect the travel.

1. TRAVELER:

Travelers Name: Kimberly J. Becker Dept: 6

Position: ☐ Board Member ☑ President/CEO ☐ Gen. Counsel ☐ Chief Auditor

☐ All other Authority employees (does not require executive committee administrator approval)

2. DATE OF REQUEST: 8/31/17 PLANNED DATE OF DEPARTURE/RETURN: 10/26/17 / 10/27/17

3. DESTINATIONS/PURPOSE (Provide detailed explanation as to the purpose of the trip– continue on extra sheets of paper as necessary):

Destination: Pismo Beach, CA Purpose: Attend California Airports Council Board Meeting

Explanation:

4. PROJECTED OUT-OF-TOWN TRAVEL EXPENSES

| | | |
|---|---|---|
| A. TRANSPORTATION COSTS: | | |
| • AIRFARE | $ | 400.00 |
| • OTHER TRANSPORTATION (Taxi, Train, Car Rental) | $ | 75.00 |
| B. LODGING | $ | 220.00 |
| C. MEALS | $ | 100.00 |
| D. SEMINAR AND CONFERENCE FEES | $ | |
| E. ENTERTAINMENT (If applicable) | $ | |
| F. OTHER INCIDENTAL EXPENSES | $ | 50.00 |
| **TOTAL PROJECTED TRAVEL EXPENSE** | $ | 845.00 |

**CERTIFICATION BY TRAVELER** By my signature below, I certify that the above listed out-of-town travel and associated expenses conform to the Authority's Policies 3.30 and 3.40 and are reasonable and directly related to the Authority's business.

Travelers Signature: Kimberly J Becker Date: 8/30/17

**CERTIFICATION BY ADMINISTRATOR** (Where Administrator is the Executive Committee, the Authority Clerk's signature is required).

By my signature below, I certify the following:

1. I have conscientiously reviewed the above out-of-town travel request and the details provided on the reverse.
2. The concerned out-of-town travel and all identified expenses are necessary for the advancement of the Authority's business and reasonable in comparison to the anticipated benefit to the Authority.
3. The concerned out-of-town travel and all identified expenses conform to the requirements and intent of Authority's Policies 3.30 and 3.40.

Administrator's Signature: ______________ Date: ________

**AUTHORITY CLERK CERTIFICATION ON BEHALF OF EXECUTIVE COMMITTEE**

I, Tony R Russell, Authority Clerk, hereby certify that this document was approved
*(Please leave blank. Whoever clerk's the meeting will insert their name and title.)*

by the Executive Committee at its 9-25-17 meeting.
*(Leave blank and we will insert the meeting date.)*

TRAVELTRUST

Traveltrust Corporation
374 North Coast Hwy 101, Suite F
Encinitas, CA 92024
Phone: (760) 635-1700

ADD TO OUTLOOK

Thursday, 31AUG 2017 07:48 PM EDT

**Passengers: KIMBERLY JANE BECKER (06)**

Agency Reference Number: FVGSCU

Click here to view your current itinerary or ETicket receipt on-line: tripcase.com

United Airlines Confirmation C7QEGC

Please review your itinerary and report any discrepancies to Traveltrust within 24hrs of receipt
Be sure to visit www.traveltrust.com for additional travel information

TRAVELTRUST STRONGLY RECOMMENDS CHECKING IN
ONLINE WITH YOUR AIRLINE AT LEAST 24 HOURS PRIOR TO
EACH FLIGHT FOR THE MOST CURRENT TIMES AND ALERTS

AIR Thursday, 26OCT 2017

**United Airlines**
Operated By: /SKYWEST DBA UNITED EXPRESS — **Flight Number:** 5793 — Class: Q-Coach/Economy
**From:** San Diego CA, USA — **Depart:** 07:45 AM
**To:** Los Angeles CA, USA — **Arrive:** 08:50 AM
Stops: Nonstop — Duration: 1 hour(s) 5 minute(s)
Seats: 11B — Status: CONFIRMED — Miles: 98 / 157 KM
Equipment: E7W/AIR
DEPARTS SAN TERMINAL 2 - ARRIVES LAX TERMINAL 7
Frequent Flyer Number: [redacted]
AISLE SEAT CONFIRMED
**United Airlines Confirmation number is C7QEGC**

AIR Thursday, 26OCT 2017

**United Airlines**
Operated By: /SKYWEST DBA UNITED EXPRESS — **Flight Number:** 5025 — Class: Q-Coach/Economy
**From:** Los Angeles CA, USA — **Depart:** 11:15 AM
**To:** San Luis Obispo CA, USA — **Arrive:** 12:19 PM
Stops: Nonstop — Duration: 1 hour(s) 4 minute(s)
Seats: 04B — Status: CONFIRMED — Miles: 155 / 248 KM
Equipment: CRJ-Canadair Regional Jet
DEPARTS LAX TERMINAL 7
Frequent Flyer Number: [redacted]
AISLE SEAT CONFIRMED
**United Airlines Confirmation number is C7QEGC**

AIR Sunday, 29OCT 2017

**United Airlines**
Operated By: /SKYWEST DBA UNITED EXPRESS — **Flight Number:** 5081 — Class: Q-Coach/Economy
**From:** San Luis Obispo CA, USA — **Depart:** 09:28 AM

To: Los Angeles CA, USA
Stops: Nonstop
Seats: 05B
Equipment: CRJ-Canadair Regional Jet
ARRIVES LAX TERMINAL 7
Frequent Flyer Number: [redacted]
AISLE SEAT CONFIRMED
**United Airlines Confirmation number is C7QEGC**

**Arrive:** 10:45 AM
Duration: 1 hour(s) 17 minute(s)
Status: CONFIRMED
Miles: 155 / 248 KM

AIR Sunday, 29OCT 2017

**United Airlines**
Operated By: /SKYWEST DBA UNITED EXPRESS
**From:** Los Angeles CA, USA
**To:** San Diego CA, USA
Stops: Nonstop
Seats: 11B
Equipment: E7W/AIR
DEPARTS LAX TERMINAL 7 - ARRIVES SAN TERMINAL 2
Frequent Flyer Number: [redacted]
AISLE SEAT CONFIRMED
**United Airlines Confirmation number is C7QEGC**

**Flight Number:** 5415
**Depart:** 11:55 AM
**Arrive:** 12:49 PM
Duration: 0 hour(s) 54 minute(s)
Status: CONFIRMED

Class: Q-Coach/Economy
Miles: 98 / 157 KM

THIS TICKET IS NON-REFUNDABLE AND MUST BE USED FOR THE FLIGHTS BOOKED. IF THE RESERVATION IS NOT USED OR CANCELLED BEFORE THE DEPARTURE OF YOUR FLIGHTS IT MAY HAVE NO VALUE. CONTACT TRAVELTRUST BEFORE YOUR OUTBOUND FLIGHT IF CHANGE IS NECESSARY.
UNITED AIRLINES CONFIRMATION NUMBER - C7QEGC
FOR EMERGENCY SERVICE FROM UNITED STATES - 888-221-6043

**Ticket/Invoice Information**

Ticket for: KIMBERLYJANE BECKER
Date Issued: 8/31/2017 Invoice Nbr: 5437950
Ticket Nbr: UA8650604703 Electronic Tkt: Yes Amount: 331.60 USD
Base: 266.04 US Tax: 19.96 USD XT Tax: 45.60 USD
Charged to: AX************[redacted]

Service fee: KIMBERLY JANE BECKER
Date Issued: 8/31/2017
Document Nbr: XD0709220868 Amount: 30.00
Charged to: AX************[redacted]

Total Tickets: 331.60
Total Fees: 30.00
Total Amount: 361.60

**Click here 24 hours in advance to obtain boarding passes:**
UNITED

**Click here to review Baggage policies and guidelines:**
UNITED

Check operating carrier website for any policies that may vary.

TSA Guidance- a government issued photo id is needed for checkin.
Please allow minimum 3 hour check-in for International flights and 2 hours for Domestic.
For Additional security information visit www.tsa.gov.

## SCHEDULE

California Airports Council – Board of Directors Meeting
October 26-27, 2017
Pismo Beach, CA

**THURSDAY, OCTOBER 26**

2:00 P.M. Tour of San Luis Obispo County Airport's new terminal (optional).

5:10 P.M. Meet in hotel lobby and board the shuttle to dinner.

5:30 P.M. Arrive at Novo Restaurant
726 Higuera Street
San Luis Obispo, CA 93401
805.543.3986

At the conclusion of dinner, members may either board the shuttle back to the hotel or check out the San Luis Obispo Farmers' Market nearby. Members are responsible for transportation back to the hotel if they choose to go the farmers' market.

**FRIDAY, OCTOBER 27**

8:30 A.M. Full Breakfast, Cliffs Resort

9:00 A.M. CAC Board Meeting
Business Casual Attire

1:00 P.M. Adjournment (tentative)

**Ayers Kim**

**From:** Kim Becker <kbeckersj@yahoo.com>
**Sent:** Friday, October 27, 2017 12:53 PM
**To:** Ayers Kim
**Subject:** Fwd: Your ride with Patrick on October 26

Receipt airport to hotel

Begin forwarded message:

> **From:** Lyft Ride Receipt <no-reply@lyftmail.com>
> **Date:** October 27, 2017 at 12:49:56 PM PDT
> **To:** [redacted]
> **Subject: Your ride with Patrick on October 26**

## Thanks for riding with Patrick!

October 26, 2017 at 12:23 PM

**Ride Details**

| | |
|---|---|
| Lyft fare (9.40mi, 15m 36s) | $27.60 |
| PayPal account | **$27.60** |

Pickup 12:23 PM
767 Airport Dr, , CA

Dropoff 12:39 PM
2783 Frontage Rd, Pismo Beach, CA

**Earn Free Rides**

Get $100 in credits for referring a San Luis Obispo driver if they apply using your link, and give 50 rides within 30 days. They'll get a $100 cash bonus, too!

First 1,000 applicants per market for a limited time only See terms.

Tip driver

Find lost item

Request review

Pricing FAQ · Help Center

Receipt #1059747223562867098

To learn more about our Zero Tolerance Policies, go to lyft.com/safety

Map data © OpenStreetMap contributors


548 Market St #68514
San Francisco, CA 94104

Work at Lyft
Become a Driver

# TRAVEL EXPENSE RECEIPTS FOR KIMBERLY J. BECKER
## CALIFORNIA AIRPORTS COUNCIL BOARD MEETING
**Pismo Beach, CA**
**October 26-27, 2017**

OPERATED BY
HMS HOST

STARBUCKS COFFEE
SAN DIEGO AIRPORT

374185 Tina

CHK 7548
OCT26'17 6:12AM

TO GO

1 HOT TEA G 2.70

SUBTOTAL 2.70
TAX 0.21
AMOUNT PAID 2.91
XXXXXXXXXXXX[redacted]
726588
Bal: 28.56
STBK CARD 2.91
--374185 Closed OCT26 06:12AM---

WE WANT TO HEAR YOUR FEEDBACK!
PLEASE CONTACT 1-877-672-7467
OR CUSTOMERSERVICE@HMSHOST.COM
TO SHARE YOUR EXPERIENCE.

STOREID: SANSTA09

Marisol at the Cliffs
2757 Shell Beach Rd.
Pismo Beach, CA 93449
805.773.2511
Lounge

1008 Cortney

Tbl 140/2 Chk 2266 Gst 1
Oct26'17 12:58PM

| | |
|---|---|
| 1/2 Coco Prawns | 9.00 |
| 1/2 Ahi1 Taco | 4.50 |
| 1 Ice Tea | 3.50 |
| Subtotal | 17.00 |
| Tax | 1.05 |
| 01:24PM Total | 18.05 |

****FOR ROOM CHARGES ONLY*****

Marisol at the Cliffs
2757 Shell Beach Rd.
Pismo Beach, CA 93449
805.773.2511
Date: Oct26'17 01:25PM
Card Type: Visa
Acct #: XXXXXXXXXXXX[redacted]
Card Entry: SWIPED
Trans Type: PURCHASE
Auth Code: 06079C
Check: 2266
Table: 140/2
Server: 1008 Cortney

Subtotal: 18.05

Gratuity: 3

Total: 21 05

Signature

# the cLIffs resort

Reservation Number 32650

**Send to** **Ms. Kimberly Becker**

**Phone** 619.400.2445

**Guest Name** Ms. Kimberly Becker

**Arrival Date** 10/26/17

**Departure Date** 10/27/17

**Group** Ca Airports Council 2017 Meetin

**Room Information** 425 - King Partial Ocean View

**Bill To** Ms. Kimberly, Becker

**Phone** 619.400.2445

Folio Number 37656

| Trans Date | Description | | Voucher | Amount |
|---|---|---|---|---|
| **Charges** | | | | |
| 10/26/17 | Room Charge | ROH $159 | clf-425 | 159.00 |
| 10/26/17 | BID Tax | | clf-425 | 1.59 |
| 10/26/17 | CA Tourism Assessment | | clf-425 | 0.31 |
| 10/26/17 | City Occupancy Tax | | clf-425 | 15.90 |
| 10/26/17 | SLO County TMD | | clf-425 | 1.59 |
| 10/26/17 | Facilities Fee | | Resort Fee | 28.05 |
| | | Subtotal | | 206.44 |
| | Total Charges | | | 206.44 |
| **Payments** | | | | |
| 10/27/17 | Visa Card | ############[redacted] 00947425 | 0000022074 | -206.44 |
| | | Subtotal | | -206.44 |
| | Total Payments | | | -206.44 |
| | | | **Balance Due:** | **0.00** |

I have received the goods and / or services in the amount shown here on. I agree that my liability for this bill is not waived and agree to be held personally liable in the event that the indicated person, company, or association fails to pay for any part or the full amount of these charges. If charging to a credit card, I further agree to perform the obligations set forth in the cardholder's agreement with the issuer.

Guest Signature: ______________________________

**Ayers Kim**

| | |
|---|---|
| **From:** | Kim Becker [redacted] |
| **Sent:** | Tuesday, October 31, 2017 3:47 PM |
| **To:** | Ayers Kim |
| **Subject:** | Fwd: eTicket Itinerary and Receipt for Confirmation C7QEGC |

United

Begin forwarded message:

> **From:** "United Airlines, Inc." <unitedairlines@united.com>
> **Date:** October 31, 2017 at 9:06:03 AM PDT
> **To:** [redacted]
> **Subject: eTicket Itinerary and Receipt for Confirmation C7QEGC**

## Receipt for confirmation C7QEGC

United logo link to home page

# Confirmation: C7QEGC

# Issue Date: August 31, 2017

## TRAVELER INFORMATION

| Traveler | eTicket Number | Frequent FlyerNumber | Seats |
|---|---|---|---|
| BECKER/KIMBERLYJANE | 0168650604703 | [redacted] | ---/---/---/--- |

## FLIGHT INFORMATION

| Day, Date | Flight | Class | Departure City and Time | Arrival City and Time | Aircraft | Me |
|---|---|---|---|---|---|---|
| Thu, 26OCT17 | UA5793 | Q | SAN DIEGO, CA (SAN) **7:45 AM** | LOS ANGELES, CA (LAX) **8:50 AM** | | |
| Thu, 26OCT17 | UA5025 | Q | LOS ANGELES, CA (LAX) **11:15 AM** | SAN LUIS OBISPO, CA (SBP) **12:19 PM** | | |
| Sun, 29OCT17 | UA5081 | Q | SAN LUIS OBISPO, CA (SBP) **9:28 AM** | LOS ANGELES, CA (LAX) **10:45 AM** | | |
| Sun, 29OCT17 | UA5415 | Q | LOS ANGELES, CA (LAX) **11:55 AM** | SAN DIEGO, CA (SAN) **12:49 PM** | | |

## FARE INFORMATION

**Fare Breakdown**

Form of Payment:

- Airfare: 266.04 USD — AMERICAN EXPRESS Last Four Digits 1013
- U.S. Transportation Tax: 19.96
- U.S. Flight Segment Tax: 16.40
- September 11th Security Fee: 11.20
- U.S. Passenger Facility Charge: 18.00
- Per Person Total: 331.60 USD
- eTicket Total: 331.60 USD

The airfare you paid on this itinerary totals: 266.04 USD

The taxes, fees, and surcharges paid total: 65.56 USD

Fare Rules: Additional charges may apply for changes in addition to any fare rules listed.

NONREF/0VALUAFTDPT/CHGFEE
Cancel reservations before the scheduled departure time or TICKET HAS NO VALUE.

Additional Charges: Sat., Oct. 28, 2017/MasterCard 1610 was charged 25 USD for the Baggage/SST / EDD 01626074078263
25.00 USD for: First Checked Bag

# Baggage allowance and charges for this itinerary.

### Baggage fees are per traveler

| Origin and destination for checked baggage | 1st bag | 2nd bag | Maximum weight and dimensions per piece of baggage<br>Max wt / dim per piece |
|---|---|---|---|