

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Members

C. April Boling
Chairman

Greg Cox
Jim Desmond
Mark Kersey
Robert T. Lloyd
Paul Robinson
Johanna S. Schiavoni
Michael Schumacher
Mark B. West

BOARD **AGENDA**

Thursday, December 6, 2018
9:00 A.M.

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

Ex-Officio Board Members

Cory Binns
Col. Charles B. Dockery
Jacqueline Wong-Hernandez

President / CEO

Kimberly J. Becker

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<http://www.san.org/Airport-Authority/Meetings-Agendas/Authority-Board>

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

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

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

PLEASE COMPLETE A "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 Board Services /Authority Clerk Department with your request at (619) 400-2400 at least three (3) working days prior to the meeting.

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

PRESENTATIONS:

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

- **AUDIT COMMITTEE:**
Committee Members: Hollingworth, Lloyd, Robinson (Chair), Schiavoni, Tartre, Van Sambeek, West
- **CAPITAL IMPROVEMENT PROGRAM OVERSIGHT COMMITTEE:**
Committee Members: Boling, Kersey (Chair), Schumacher, Robinson
- **EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE:**
Committee Members: Boling, Cox, Desmond (Chair), Kersey
- **FINANCE COMMITTEE:**
Committee Members: Cox (Chair), Lloyd, Schiavoni, West

AD HOC COMMITTEES

- **GROUND TRANSPORTATION AD HOC:**
Committee Members: Lloyd, Schiavoni, West (Chair)

ADVISORY COMMITTEES

- **AUTHORITY ADVISORY COMMITTEE:**
Liaison: Robinson (Primary), Schiavoni
- **ART ADVISORY COMMITTEE:**
Committee Member: Robert H. Gleason

LIAISONS

- **CALTRANS:**
Liaison: Binns
- **INTER-GOVERNMENTAL AFFAIRS:**
Liaison: Cox
- **MILITARY AFFAIRS:**
Liaison: Dockery

- **PORT:**
Liaisons: Boling (Primary), Cox, Robinson
- **WORLD TRADE CENTER:**
Representatives: Robert H. Gleason

BOARD REPRESENTATIVES (EXTERNAL)

- **SANDAG TRANSPORTATION COMMITTEE:**
Representatives: Boling (Primary), Schiavoni
- **SANDAG BOARD OF DIRECTORS:**
Representative: Boling
(Effective 1/2019)

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 1, 2018 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.

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

3. AWARDED CONTRACTS, APPROVED CHANGE ORDERS FROM OCTOBER 8, 2018 THROUGH NOVEMBER 11, 2018 AND REAL PROPERTY AGREEMENTS GRANTED AND ACCEPTED FROM OCTOBER 8, 2018 THROUGH NOVEMBER 11, 2018:

The Board is requested to receive the report.

RECOMMENDATION: Receive the report.

(Procurement: Jana Vargas, Director)

4. APPROVE AN AMENDMENT TO THE 401(A) DEFERRED COMPENSATION PLAN WITH MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY:

The Board is requested to approve an amendment.

RECOMMENDATION: Adopt Resolution No. 2018-0129, approving and authorizing the President/CEO to execute the first amendment to the 401(a) Deferred Compensation Plan with Massachusetts Mutual Life Insurance Company.

(Legal: Amy Gonzalez, General Counsel)

CLAIMS

5. REJECT THE CLAIM OF VASQUEZ CONSTRUCTION:

The Board is requested to reject a claim.

RECOMMENDATION: Adopt Resolution No. 2018-0130, rejecting the claim of Vasquez Construction.

(Legal: Amy Gonzalez, General Counsel)

6. REJECT THE CLAIM OF ERIC ANTONIUS:

The Board is requested to reject a claim.

RECOMMENDATION: Adopt Resolution No. 2018-0131, rejecting the claim of Eric Antonius.

(Legal: Amy Gonzalez, General Counsel)

COMMITTEE RECOMMENDATIONS

- 7. APPROVE ESTABLISHING THE DATE AND TIME OF BOARD AND ALUC MEETINGS FOR 2019, AS INDICATED IN THE PROPOSED 2019 MASTER CALENDAR OF BOARD AND COMMITTEE MEETINGS:**
The Board is requested to approve the proposed 2019 Master Calendar.
RECOMMENDATION: The Executive Committee recommends the Board Adopt Resolution No. 2018-0132, establishing the date and time of Board and ALUC meetings for 2019 as indicated on the proposed 2019 Master Calendar of Board and Committee Meetings.
(Board Services: Tony R. Russell, Director/Authority Clerk)
- 8. ADOPTION OF AMENDMENTS TO AUTHORITY POLICIES:**
The Board is requested to adopt the policy amendments.
RECOMMENDATION: The Executive Committee recommends that the Board Adopt Resolution No. 2018-0133, approving amendments to Authority Policies 1.10, 1.33, 1.40, 1.41, 1.60, 3.01, 3.02, 3.03, 3.31, 4.10, 4.20, 4.21, 4.30 and 4.40 and repealing Policy 4.02.
(Board Services: Tony R. Russell, Director/Authority Clerk)
- 9. AMEND AUTHORITY POLICY 5.12 - PREFERENCE TO SMALL BUSINESSES TO INCLUDE LOCAL AND VETERAN OWNED SMALL BUSINESS PREFERENCES AND APPEAL POLICY 5.13 - LOCAL BUSINESS OPPORTUNITIES, AND POLICY 5.14 - SMALL BUSINESS, LOCAL BUSINESS AND SERVICE-DISABLED VETERAN OWNED SMALL BUSINESS GOAL AND PREFERENCE PROGRAM:**
The Board is requested to amend the policies.
RECOMMENDATION: The Executive Committee recommends that the Board Adopt Resolution No. 2018-0134, amending Policy 5.12 to include local and veteran owned business preferences and repealing Policy 5.13 and 5.14.
(Revenue Management & Innovation: Domenico D'Ambrosio, Vice President & Chief Revenue Officer)
- 10. FISCAL YEAR 2019 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.
(Audit: Lee Parravano, Chief Auditor)
- 11. EXTERNAL AUDITOR'S FISCAL YEAR ENDED JUNE 30, 2018, 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 report.
(Finance & Asset Management: Kathy Kiefer, Senior Director)

12. REVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2018:

The Board is requested to accept the report.

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

(Finance & Asset Management: Kathy Kiefer, Senior Director)

CONTRACTS AND AGREEMENTS

13. AWARD A CONTRACT TO ACE ELECTRIC, INC. FOR APRON LIGHTING LED UPGRADE AT SAN DIEGO INTERNATIONAL AIRPORT:

The Board is requested to award a contract.

RECOMMENDATION: Adopt Resolution No. 2018-0135, awarding a contract to Ace Electric, Inc., in the amount of \$681,429 for Project No. 601055, Apron Lighting LED Upgrade at San Diego International Airport.

(Facilities Management: David LaGuardia, Director)

14. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE A FOURTH AMENDMENT TO THE PUBLIC ART AGREEMENT WITH BALL-NOGUES STUDIO FOR PARKING PLAZA PUBLIC ART PROJECT:

The Board is requested to approve an amendment.

RECOMMENDATION: Adopt Resolution No. 2018-0136, approving and authorizing the President/CEO to execute a Fourth Amendment to the Public Art Agreement with Ball-Nogues Design Studio, LLC to extend the term for an additional 2 months resulting in a termination date of March 1, 2019.

(Marketing, Arts & Air Service Development: Lauren Lockhart, Art Program Manager)

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

PUBLIC HEARINGS:

OLD BUSINESS:

NEW BUSINESS:

15. APPROVE THE DECEMBER 2018 LEGISLATIVE REPORT AND 2019 LEGISLATIVE AGENDA:

The Board is requested to approve the report and agenda.

RECOMMENDATION: Adopt Resolution No. 2018-0137, approving the December 2018 Legislative Report and 2019 Legislative Agenda.

(Operations: Angela Shafer-Payne, Vice President & Chief Operating Officer)

16. AWARD A CONTRACT TO GRANITE CONSTRUCTION COMPANY FOR HYDRANT FUELING INFRASTRUCTURE AT SAN DIEGO INTERNATIONAL AIRPORT:

The Board is requested to award a contract.

RECOMMENDATION: Adopt Resolution No. 2018-0138, awarding a contract to Granite Construction Company in the amount of \$40,988,313, for Project No.104249 Hydrant Fueling Infrastructure at San Diego International Airport.

(Development: Dennis Probst, Vice President & Chief Development Officer)

CLOSED SESSION:

17. 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

18. CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION:

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

Name of Case: Future DB International, Inc. v. San Diego County Regional Airport Authority, et al.

San Diego Superior Court Case No. 37-2018-00001531-CU-CR-CTL

19. CONFERENCE WITH LEGAL COUNSEL EXISTING LITIGATION:

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

Name of Case: Robert Bobbett and Donna Kashani v. San Diego Unified Port District, et al.

San Diego Superior Court Case No. 37-2018-00014667-CU-PO-CTL

20. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:

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

Name of Case: Enterprise Rent-a-Car Co. Of Los Angeles LLC v. San Diego Unified Port District, San Diego Superior Court Case No. 37-2018-00028276-CU-MC-CTL

21. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:

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

Name of Case: Park Assist LLC v. San Diego County Regional Airport Authority, et al.

United States District Court Case No. 18 CV2068 LAB MDD

22. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:

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

Name of Case: Sheila Culbreath v. San Diego County Regional Airport Authority, et al.

San Diego Superior Court Case No. 37-2018-00036327-CU-PA-CTL

23. 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: 2

24. 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

25. 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

26. 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

27. CONFERENCE WITH REAL PROPERTY NEGOTIATORS:

Property: Airline Operating and Lease Agreement - San Diego International Airport
Agency Negotiator: Kim Becker, Scott Brickner, John Dillon, Kathy Kiefer, Amy Gonzalez
Negotiating Parties: Alaska Airlines, Allegiant Airlines, American Airlines, British Airways, Delta Airlines, FedEx, JetBlue Airlines, Southwest Airlines, United Airlines

Under Negotiation: price and terms of payment

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.

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD
MINUTES
THURSDAY, NOVEMBER 1, 2018
SAN DIEGO INTERNATIONAL AIRPORT
BOARD ROOM

CALL TO ORDER: Chairman Boling called the regular meeting of the San Diego County Regional Airport Authority Board to order at 9:00 a.m. on Thursday, November 1, 2018, in the Board Room at the San Diego International Airport, Administration Building, 3225 North Harbor Drive, San Diego, CA 92101.

PLEDGE OF ALLEGIANCE: Chairman Boling led the Pledge of Allegiance.

ROLL CALL:

PRESENT: Board Members: Binns (Ex Officio), Boling, Cox, Desmond, Dockery (Ex Officio), Kersey, Robinson, Schiavoni, Schumacher, West

ABSENT: Board Members: Lloyd, Wong-Hernandez (Ex Officio)

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

Chairman Boling announced that Item A would be heard closer to the end of the agenda.

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

- **AUDIT COMMITTEE:** None.
- **CAPITAL IMPROVEMENT PROGRAM OVERSIGHT COMMITTEE:** None.
- **EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE:** None.
- **FINANCE COMMITTEE:** Chairman Boling reported that there was no quorum of the Finance Committee at their last meeting, therefore the full presentation would be given today.

AD HOC COMMITTEES

- **GROUND TRANSPORTATION AD HOC:** Board Member West reported that applications are being reviewed for the 8 public representatives on the Committee with appointments expected to be finalized next week; and that the first meeting will be scheduled the last week of November.

ADVISORY COMMITTEES

- **AUTHORITY ADVISORY COMMITTEE:** None.
- **ART ADVISORY COMMITTEE:** Chris Chalupsky, Senior Manager, Art and Community Partnership, reported that on October 28 the Arts Program completed the call for artist submissions for the Airport’s 2019 Temporary Exhibition, *Forces of Nature*; and that submissions will be reviewed on November 13 with installations expected to begin in March 2019. He reported that Blindspot Theatre and San Diego Dance Theatre were selected for the 2019 Performing Arts Residency Program; and that roaming musical performances will take place throughout the terminals to kick off the holiday travel season. He reported that Mark Reigelman’s Parking Plaza Public Art Project, Formation, received an Orchid Award from the San Diego Architectural Foundation at the October 4 Orchids and Onions ceremony; and that the Airport Art Advisory Committee reviewed the draft Arts Master Plan at its October 26 meeting and voted to forward to the Board early in 2019.

LIAISONS

- **CALTRANS:** Board Member Binns reported that on November 2, there will be a ground-breaking event at the Carlsbad Civic Center for the I5 North Coast Corridor project.
- **MILITARY AFFAIRS:** Board Member Dockery reported that November 10 is the Marine Corps birthday.
- **PORT:** Chairman Boling reported that the group met and discussed ways to work together on successfully executing the Airport Development Plan.
- **WORLD TRADE CENTER:** None.

BOARD REPRESENTATIVES (EXTERNAL)

- **SANDAG TRANSPORTATION COMMITTEE:** Chairman Boling reported that the committee approved funding recommendations for Cycle 4 TransNet Smart Growth Incentive Program Capital Grants; and that updates were received on the Mid-Coast Corridor Transit project. She reported that the committee also discussed three distinct network concepts for inclusion in the 2019-2050 Regional Plan; and received an update on the Regional Transit Fare Study.

LIAISONS (CONTINUED)

- **INTER-GOVERNMENTAL AFFAIRS:** Board Member Cox reported that on October 5, President Trump signed into law H.R. 302, reauthorizing the Federal Aviation Administration (FAA) programs, taxes, and fees for five years and reauthorizing the Transportation Security Administration (TSA) for three years. He reported that the FAA section of the bill maintains the current level of funding for the Airport Improvement Program at \$3.35 billion per year through FY 2023,

and did not raise the \$4.50 cap on Passenger Facility Charges. He reported that the TSA section of the bill added a number of aviation security provisions, authorizes \$55 million annually for the TSA Law Enforcement Officer reimbursement program, and authorizes \$77 million annually for TSA to staff exit lanes at airports.

Board Member Robinson acknowledged the passing of Anne Warren, former Board Liaison, and asked for a moment of silence in her honor.

CHAIR'S REPORT: Chairman Boling reported that on October 24, the Harbor Drive Mobility Committee Policy Group continued discussion about opportunities to improve ground access to the airport and membership to the Committee was expanded to include the County of San Diego, Metropolitan Transit System, North County Transit District, and Marine Corps Recruit Depot. She reported that the committee received an update from the Port of San Diego on Traffic/Mobility Analysis. She reported that on October 26, the SANDAG Board of Directors approved adding an Airport Authority Board representative to the SANDAG Board as an advisory member. Ms. Boling also recognized Amy Gonzalez, General Counsel, for her 15-year anniversary with the Airport Authority.

PRESIDENT/CEO'S REPORT: Kimberly Becker, President/CEO, reported that staff is continuing to meet with public agencies who provided public comment on the Airport Development Plan (ADP) draft Environmental Impact Report (EIR) to address their concerns; and that official responses will be included in the final EIR document. She reported that last week a letter was sent on her behalf, aiming to set the record straight about the Authority's efforts surrounding the ADP and to clarify any misinformation. She reported that on October 17, the Authority held a Meet the Primes event where prime contractors and small businesses had the opportunity to learn about contracting opportunities and everything the Authority does to support small and underrepresented businesses. She reported that last week the Airport Authority hosted its Federal Aviation Regulation Part 139 Emergency Tabletop Exercise where over 70 people attended, including representatives from the airlines, surrounding jurisdictions, law enforcement, emergency response agencies and the Federal Aviation Administration (FAA). She reported that the Authority's Noise Office kicked off a formal Part 150 Study Update which is a voluntary study the airport is conducting to review existing aircraft noise exposure, potential future noise exposure, evaluate noise abatement and mitigation alternatives, and make recommendations on measures to reduce the number of community members affected by aircraft noise. She reported that the Authority will be recognized at AAAE's Airports Going Green (AGG) Conference in November for its sustainability leadership; and that last Friday she attended the California Airports Council (CAC) Board meeting where there was productive conversation about priorities for California airports, as well as a roundtable discussion with staff from the FAA regarding compliance topics. She reported that the Media and Public Relations staff will be sharing travel tips with the public to help travelers quickly and safely navigate through the airport during the holiday season.

NON-AGENDA PUBLIC COMMENT:

KAMRAN HAMIDI, SAN DIEGO, provided a presentation and handout and spoke regarding opening the airport to all taxis

CONSENT AGENDA (Items 1-10):

ACTION: Moved by Board Member Robinson and seconded by Board Member Cox to approve the Consent Agenda. Motion carried by the following votes: YES – Boling, Cox, Desmond, Kersey, Robinson, Schiavoni, Schumacher, West; NO – None; ABSENT – Lloyd; (Weighted Vote Points: YES – 92; NO – 0; ABSENT – 8).

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the October 4, 2018 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 10, 2018 THROUGH OCTOBER 7, 2018 AND REAL PROPERTY AGREEMENTS GRANTED AND ACCEPTED FROM SEPTEMBER 10, 2018 THROUGH OCTOBER 7, 2018

RECOMMENDATION: Receive the report.

4. NOVEMBER 2018 LEGISLATIVE REPORT:

RECOMMENDATION: Adopt Resolution No. 2018-0119, approving the November 2018 Legislative Report.

5. APPOINTMENTS TO BOARD COMMITTEES, LIAISON POSITIONS, OTHER REPRESENTATIVE AND ALTERNATE POSITIONS:

RECOMMENDATION: Adopt Resolution No. 2018-0123, appointing Board Member Johanna Schiavoni as an alternate to the SANDAG Transportation Committee.

Report was revised, and posted to the Authority's website on October 31, 2018, to include the appointment of Chairman April Boling as an advisory member to the SANDAG Board of Directors.

CLAIMS

6. **REJECT THE CLAIM OF JIAN XU:**
RECOMMENDATION: Adopt Resolution No. 2018-0120, rejecting the claim of Jian Xu.
7. **REJECT THE CLAIM OF STUART HIRSCH:**
RECOMMENDATION: Adopt Resolution No. 2018-0121, rejecting the claim of Stuart Hirsch.
8. **REJECT THE CLAIM OF JULIANN CERVINO:**
RECOMMENDATION: Adopt Resolution No. 2018-0122, rejecting the claim of Juliann Cervino.

COMMITTEE RECOMMENDATIONS

CONTRACTS AND AGREEMENTS

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

9. **APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE ON-CALL CONCRETE, EARTHWORK AND PAVING SERVICE AGREEMENTS WITH ABC CONSTRUCTION CO., HAZARD CONSTRUCTION CO., AND RP GENERAL CONSTRUCTION, INC.:**
RECOMMENDATION: Adopt Resolution No. 2018-0124, approving and authorizing the President/CEO to execute on-call concrete, earthwork and paving service agreements with ABC Construction Co., Hazard Construction Co., and RP General Construction, Inc. – each agreement, for a term of three years, with the option for two one-year extensions to be exercised at the discretion of the President/CEO for an aggregate total not-to-exceed amount of \$3,000,000.
10. **APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO NEGOTIATE AND EXECUTE A SERVICE AND CONSULTING AGREEMENT WITH ALLIED WASTE SYSTEMS, INC. DBA REPUBLIC SERVICES OF SAN DIEGO FOR SOLID MUNICIPAL WASTE, RECYCLE WASTE COLLECTION AND REMOVAL:**
RECOMMENDATION: Adopt Resolution No. 2018-0125, approving and authorizing the President/CEO to negotiate and execute a service and consulting agreement with Allied Waste Systems, Inc. dba Republic Services of San Diego for solid municipal waste, recyclable waste collection and removal, 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 amount not-to-exceed \$3,250,000.

PUBLIC HEARINGS:

OLD BUSINESS:

NEW BUSINESS:

11. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO NEGOTIATE AND EXECUTE THE VALIDATION AMENDMENT TO THE SUNDT CONSTRUCTION INC. CONTRACT FOR THE FIRST OF TWO PACKAGES OF THE AIRPORT SUPPORT FACILITIES, AND TO NEGOTIATE AND EXECUTE FUTURE WORK AUTHORIZATIONS AND A FUTURE GUARANTEED MAXIMUM PRICE AMENDMENT:

Dennis Probst, Vice President, Development, provided a presentation on the Airport Support Facility (ASF) Validation Amendment to Sundt Construction Inc. Contract, which included ASF Site Plan, Two Packages, Package-1 Budget, and Package-1 Major Milestones.

In response to Board Member Kersey's inquiry regarding whether there were any grants or low interest loan programs available for the Stormwater Capture and Re-Use System, Scott Brickner, Vice President/CFO, stated that an application was submitted for an FAA supplemental funding initiative but the odds of receiving that funding was low.

In response to Board Member Boling's inquiry regarding the difference between the amount estimated in the CIP budget for the ASF versus the current Package-1 total budget, Mr. Brickner stated that staff would send a memo to the Board with an overview of the budget for further clarification.

RECOMMENDATION: Adopt Resolution No. 2018-0126, approving and authorizing the President/CEO to negotiate and execute: (1) the Validation Amendment to the Contract with Sundt Construction, Inc., establishing a Maximum Contract Price of \$107.2 million and a Master Project Schedule for the design and construction of Package 1 of the Airport Support Facilities; and (2) Work Authorizations and a Guaranteed Maximum Price Amendment within the Package 1 Maximum Contract Price after the issuance of the Validation Amendment.

ACTION: Moved by Board Member Kersey and seconded by Board Member Schumacher to approve staff's recommendation. Motion carried by the following votes: YES – Boling, Cox, Desmond, Kersey, Robinson, Schiavoni, Schumacher, West; NO – None; ABSENT – Lloyd; (Weighted Vote Points: YES – 92; NO – 0; ABSENT – 8).

12. REVIEW OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018:

Scott Brickner, Vice President/CFO, provided a presentation on Enplanements, Gross Landing Weight Units, Total Operating Revenue, Total Operating Expenses, Net Operating Income, Nonoperating Revenues & Expenses, and Statements of Net Position.

Board Member Kersey suggested that staff monitor the new rental car service, Getaround, that could potentially affect the Airport's rental car revenue.

RECOMMENDATION: Accept the report.

13. REVIEW OF THE AUTHORITY’S INVESTMENT REPORT AS OF SEPTEMBER 30, 2018:

Scott Brickner, Vice President/CFO, provided an overview of the Authority’s Investment Report.

RECOMMENDATION: Accept the report.

The Board recessed at 9:57 a.m. and reconvened at 10:00 a.m.

PRESENTATIONS:

A. AIRLINE OPERATING AND LEASE AGREEMENT:

Nora Richardson, Director, Frasca & Associates, provided a presentation on the Airline Operating and Lease Agreements which included Defining the Airport-Airline Business Relationship, Importance of Airline Revenue, Options for Establishing the Airport-Airline Business Relationship, Authority’s Selected Option, Airline Rates and Charges Building Blocks, Common Methods Used to Set Airline Rates and Charges, Historical Evolution of Airport-Airline Agreements, Capital Program Control, Facility Control, and Airline Operating and Lease Agreements at SAN.

CLOSED SESSION: The Board recessed into Closed Session at 10:16 a.m. to discuss Items 20, 24 and 25.

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)

Name of Case: Future DB International, Inc. v. San Diego County Regional Airport Authority, et al.

San Diego Superior Court Case No. 37-2018-00001531-CU-CR-CTL

17. CONFERENCE WITH LEGAL COUNSEL EXISTING LITIGATION

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

Name of Case: Robert Bobbett and Donna Kashani v. San Diego Unified Port District, et al.

San Diego Superior Court Case No. 37-2018-00014667-CU-PO-CTL

18. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:

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

Name of Case: Enterprise Rent-a-Car Co. Of Los Angeles LLC v. San Diego Unified Port District, San Diego Superior Court Case No. 37-2018-00028276-CU-MC-CTL

- 19. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:**
(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)
Name of Case: Park Assist LLC v. San Diego County Regional Airport Authority, et al.
United States District Court Case No. 18 CV2068 LAB MDD
- 20. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:**
(Paragraph (1) of subdivision (d) of Cal. Gov. Code §54956.9)
Name of Case: Sheila Culbreath v. San Diego County Regional Airport Authority, et al.
San Diego Superior Court Case No. 37-2018-00036327-CU-PA-CTL
- 21. 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: 2
- 22. 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
- 23. 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
- 24. 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: 1
- 25. CONFERENCE WITH REAL PROPERTY NEGOTIATORS:**
Property: Airline Operating and Lease Agreement - San Diego International Airport
Agency Negotiator: Kim Becker, Scott Brickner, John Dillon, Kathy Kiefer, Amy Gonzalez
Negotiating Parties: Alaska Airlines, Allegiant Airlines, American Airlines, British Airways, Delta Airlines, FedEx, JetBlue Airlines, Southwest Airlines, United Airlines
Under Negotiation: price and terms of payment

REPORT ON CLOSED SESSION: The Board reconvened into Open Session at 12:00 p.m. Amy Gonzalez, General Counsel, reported that in regards to Item 20, the Board authorized a defense and indemnity of Robert Donais which was approved 8-0-1 with Board Members Boling, Cox, Desmond, Kersey, Robinson, Schiavoni, Schumacher, and West voting YES, noting Board Member Lloyd as ABSENT. In regards to Item 24, there was no reportable action. In regards to Item 25, Ms. Gonzalez reported that negotiations were not yet concluded and that the Board discussed price and terms of payment and provided direction to staff.

NEW BUSINESS: (CONTINUED)

14. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO FINALIZE THE NEGOTIATIONS FOR AND EXECUTE THE AIRLINE OPERATING AND LEASE AGREEMENT:

RECOMMENDATION: Adopt Resolution No. 2018-0127, approving and authorizing the President/CEO to finalize the negotiations for and execute the Airline Operating and Lease Agreement for a ten-year term commencing July 1, 2019.

ACTION: Moved by Board Member West and seconded by Board Member Desmond to approve staff's recommendation. Motion carried by the following votes: YES – Boling, Desmond, Kersey, Robinson, Schiavoni, Schumacher, West; NO – None; ABSENT – Cox, Lloyd; (Weighted Vote Points: YES – 84; NO – 0; ABSENT – 16).

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 12:04 p.m.

APPROVED BY A MOTION OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY BOARD THIS 6TH DAY OF DECEMBER, 2018.

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES /
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

STAFF REPORT

Meeting Date: **DECEMBER 6, 2018**

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 the Ad Hoc Ground Transportation Committee.

Fiscal Impact:

Board and Committee Member Compensation is included in the FY 2019 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, BOARD SERVICES/AUTHORITY CLERK

A. BOLING

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

SDCRAA

NOV 29 2018

Period Covered: November 2018

Board Services

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		11/28/18
TYPE OF MEETING	DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING	SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: November 1, 2018 Time: 9:00 am Location: Airport	ALUC/Board Meeting
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input checked="" type="checkbox"/> Res.2009-0149R	Date: November 7, 2018 Time: 11:30 am Location: Mayor's Office	Quarterly Meeting with Mayor
<input type="checkbox"/> Brown Act <input checked="" type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: November 11, 2018 Time: Location:	2018 San Diego Trade Mission to Tokyo, Japan
<input type="checkbox"/> Brown Act <input checked="" type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: November 12, 2018 Time: Location:	2018 San Diego Trade Mission to Tokyo, Japan
<input type="checkbox"/> Brown Act <input checked="" type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: November 13, 2018 Time: Location:	2018 San Diego Trade Mission to Tokyo, Japan
<input type="checkbox"/> Brown Act <input checked="" type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: November 14, 2018 Time: Location:	2018 San Diego Trade Mission to Tokyo, Japan
<input type="checkbox"/> Brown Act <input checked="" type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: November 15, 2018 Time: Location:	2018 San Diego Trade Mission to Tokyo, Japan
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: 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

NOV 26 2018

Board Services

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

Period Covered: NOV. 1-30, 2018

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:
GREG COX		NOVEMBER 26, 2018
TYPE OF MEETING	DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING	SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: <u>NOVEMBER 1, 2018</u> Time: <u>9:00am</u> Location: <u>SDIA</u>	<u>SDCRAA BOARD MEETING</u> <u>ALUC BOARD MEETING</u>
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: <u>NOVEMBER 26, 2018</u> Time: <u>9:00am</u> Location: <u>SDIA</u>	<u>SDCRAA EXECUTIVE COMMITTEE</u> <u>MEETING + FINANCE</u> <u>COMMITTEE MEETING</u>
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: 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

A. HOLLINGWORTH

NOV 5 2018

Board Services

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

Period Covered: NOVEMBER 2018

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BOARD MEMBER NAME: (Please print)		DATE OF THIS REPORT:
ANDREW HOLLINGWORTH		NOVEMBER 5, 2018
TYPE OF MEETING	DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING	SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: 11/5/2018 Time: 10:00 - 12:00 Location: BOARD ROOM	NOVEMBER 2018 Audit Comte meeting
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: 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

MARK KERSEY

SDCRAA
 NOV 26 2018
 Board Services

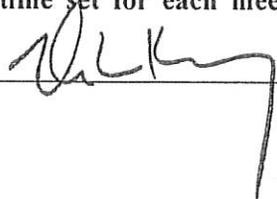
**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
 Board Member Event/Meeting/Training Report Summary**

Period Covered: November 2018

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BOARD MEMBER NAME:		DATE:
Mark Kersey		11/26/18
TYPE OF MEETING	DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING	SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: November 1, 2018 Time: 9:00 am Location: 3225 N Harbor Drive	BOD / ALUC Meeting
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: 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. ROBINSON

NOV 27 2018

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

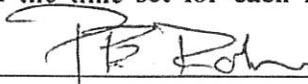
Board Services

Period Covered: 11/30/18

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:
Robinson		11/1/18
TYPE OF MEETING	DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING	SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: 11/1/18 Time: 9:00 a.m. - 12:30 p.m. Location: SDCRAA Bd Rm	SDCRAA Bd / ALD Mtgs
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: 11/5/18 Time: 10:00 - 1:30 p.m. Location: SDCRAA Bd Rm	Audit Comm. Mtg / Special Bd Mtg.
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: 11/26/18 Time: 9:00 a.m. - 10:00 a.m. Location: SDCRAA Bd Rm	Exec./Finance Comm. Mtgs.
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	

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

Signature: 

J. SCHIAVONI

NOV 26 2018

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

Board Services

Period Covered: 11/1/2018-11/26/2018

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:
Johanna S. Schiavoni		11/26/18
TYPE OF MEETING	DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING	SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre -approved <input type="checkbox"/> Res2009-0149R	Date: November 1, 2018 Time: 9:00 am Location: SDCRAA	SDCRAA Board Meeting
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre -approved <input type="checkbox"/> Res2009-0149R	Date: November 4, 2018 Time: 9:00 am Location: SanSDCRAA	SDCRAA Audit Committee meeting and training
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre -approved <input checked="" type="checkbox"/> Res2009-0149R	Date: November 8, 2018 Time: 5:00 pm Location: Pendry Hotel	San Diego County Regional Chamber of Commerce Legislative Lounge event
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre -approved <input checked="" type="checkbox"/> Res2009-0149R	Date: November 14, 2018 Time: 1:00 pm Location: San Diego City Hall	Meeting with San Diego Mayor Kevin Faulconer and Councilmember Mark Kersey
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre -approved <input type="checkbox"/> Res2009-0149R	Date: November 26, 2018 Time: 9:00 am Location: SDCRAA	SDCRAA Finance Committee meeting
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre -approved <input type="checkbox"/> Res2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre -approved <input type="checkbox"/> Res2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre -approved <input type="checkbox"/> Res2009-0149R	Date: Time: Location:	

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

Signature: Johanna Schiavoni

M. SCHUMACHER

NOV 27 2018

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

Board Services

Period Covered: Nov 1-30, 2018

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		11/30/18
TYPE OF MEETING	DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING	SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING
<input type="checkbox"/> Brown Act <input checked="" type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: November 1, 2018 Time: 9:00 am Location: SDCRAA Office	BOD Meeting, ALUC
<input type="checkbox"/> Brown Act <input checked="" type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: November 26, 2018 Time: 9:00 am Location: SDCRAA Office	Executive/Finance Meeting
<input type="checkbox"/> Brown Act <input checked="" type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location: SDCRAA Office	
<input type="checkbox"/> Brown Act <input checked="" type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre - approved <input type="checkbox"/> Res.2009-0149R	Date: Time: 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'

D. TARTRE

NOV 5 2018

Board Services

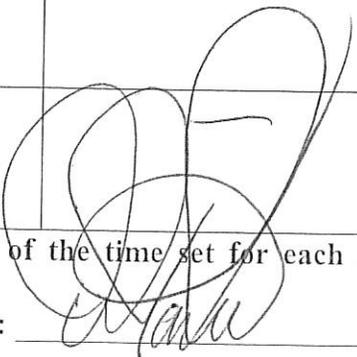
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Board Member Event/Meeting/Training Report Summary

Period Covered: 11/5-2018

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:
Don Tartre		11/5-2018
TYPE OF MEETING	DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING	SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: 11/5-2018 Time: 10AM Location: Board Room	AC Mtg
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: 11/5-2018 Time: Location: Board Room	Special AC Mtg
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved <input type="checkbox"/> Res. 2009-0149R	Date: Time: Location:	

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

Signature: 

J. VAN SAMBEEK

NOV 07 2018

Board Services

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

Period Covered: Nov 5 2018

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:
J. Van Sambeek		11.5.18
TYPE OF MEETING	DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING	SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING
<input checked="" type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved Res. 2009-0149R	Date: 11-5-18 Time: 10 AM Location: Bd Chamber mtg RM	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved Res. 2009-0149R	Date: Time: Location:	
<input type="checkbox"/> Brown Act <input type="checkbox"/> Pre-approved Res. 2009-0149R	Date: Time: Location:	

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

Signature: J P Van Sambeek

M. WEST

NOV 29 2018

Board Services

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

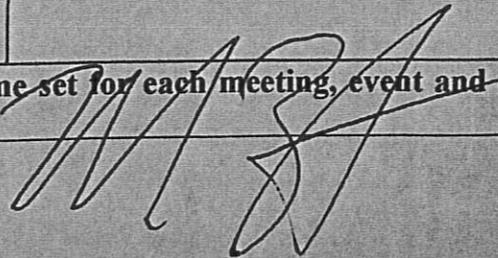
Period Covered: November 2018

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:
Mark B. West		11/28/2018
TYPE OF MEETING	DATE/TIME/LOCATION OF EVENT/MEETING/TRAINING	SUMMARY AND DESCRIPTION OF THE EVENT/MEETING/TRAINING
Brown Act x Pre-approved Res. 2009-0149R	Date: 11/1 Time: 09-11:00 am Location: SDCRAA	ALUC and Board Meeting
Brown Act x Pre-approved Res. 2009-0149R	Date: 11/5 Time: 10:00 -11:30 am Location: SDCRAA	Audit Committee Meeting
Brown Act x Pre-approved Res. 2009-0149R	Date: 11/20 Time: 6:00-8:00 pm Location: National City City Hall	Bi Annual South County Airport Authority Presentation (ADP)
Brown Act x Pre-approved Res. 2009-0149R	Date: 11/26 Time: 9:00-11:00 am Location: SDCRAA	Executive and Finance Board Meeting
Brown Act x Pre-approved Res. 2009-0149R	Date: 11/27 Time: 5:00-7:00 pm Location: Chula Vista City Hall	Bi Annual South County Airport Authority Presentation (ADP)
Brown Act x Pre-approved Res. 2009-0149R	Date: 11/28 Time: 1:00-2:00 pm Location: SDCRAA	Ground Transportation Ad Hoc Committee development committee meeting.
Brown Act x Pre-approved Res. 2009-0149R	Date: 11/29 Time: 11:00 am-1:00 pm Location: SDCRAA	Ground Transportation Ad Hoc Committee meeting.

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

Signature: _____



STAFF REPORT

Meeting Date: **DECEMBER 6, 2018**

Subject:

Awarded Contracts, Approved Change Orders from October 8, 2018 through November 11, 2018 and Real Property Agreements Granted and Accepted from October 8 through November 11, 2018

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 8, 2018 - November 11, 2018

New Contracts

Date Signed	CIP #	Company	Description	Solicitation Method	Owner	Contract Value	End Date
10/18/2018		Telamon Technologies Corp.	The Contractor will provide maintenance and operational support services for an existing Neutral Host Distributed Antenna System (DAS) at San Diego International Airport.	RFP	Information & Technology Services	\$500,000.00	9/30/2021

Attachment "A"

AWARDED CONTRACTS AND CHANGE ORDERS SIGNED BETWEEN October 8, 2018 - November 11, 2018

New Contracts Approved by the Board

Date Signed	CIP #	Company	Description	Solicitation Method	Owner	Contract Value	End Date
10/18/2018		Mead & Hunt, Inc.	The contract was approved by the Board at the June 7, 2018 Board Meeting. The Contractor will provide updated Noise Exposure Maps, and updates to the existing Noise Compatibility Study that was prepared under Title 14, Code of Federal Regulations Part 150, for the San Diego International Airport.	RFP	Quieter Home Program/Noise Mitigation	\$1,492,259.40	10/14/2020
10/15/2018	104228	Fordyce Construction, Inc.	The contract was approved by the Board at the July 12, 2018 Board Meeting. The Contractor was issued a Limited Notice to Proceed to order long-lead time items needed to provide new fully secure access gate installations, and relocations of existing gates, to mitigate unauthorized access to and maintain an acceptable level of security for, Admiral Boland Way at San Diego International Airport.	RFB	Facilities Development	\$1,395,709.00	2/6/2019
10/24/2018	104223	Vasquez Construction	The contract was approved by the Board at the July 12, 2018 Board Meeting. The Contractor was issued a Limited Notice to Proceed to order long-lead time items needed to remove and replace the existing emergency generator at the Central Utility Plant at San Diego International Airport.	RFB	Facilities Development	\$867,270.00	3/7/2019
10/29/2018		Abhe & Svoboda, Inc.	The contract was approved by the Board at the October 4, 2018 Board Meeting. The Contractor will provide professional cleaning services for concrete pavement ramps and apron areas at San Diego International Airport.	RFP	Facilities Management	\$1,732,500.00	10/31/2018
10/25/2018		Nuera, Contracting, LP	The contract was approved by the Board at the September 13, 2018 Board Meeting. The Contractor will provide sound attenuation services for designated Multi-Family and Single-Family residential properties located east and west of the San Diego International Airport.	RFB	Quieter Home Program/Noise Mitigation	\$1,461,077.00	6/18/2019

Attachment "A"

AWARDED CONTRACTS AND CHANGE ORDERS SIGNED BETWEEN October 8, 2018 - November 11, 2018

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
10/15/2018		Ricondo & Associates, Inc.	The 10th Amendment extends the contract by Ninety (90) days, and increases the maximum amount payable by Two Hundred Seventy Six Thousand Dollars (\$276,000), for On-Call Technical Airport Planning Consulting Services for the San Diego County Regional Airport Authority.	Environmental Affairs	\$4,600,000.00	\$276,000.00	6%	\$4,876,000.00	2/6/2018
11/9/2018		ICF SH&E, Inc.	The 1st Amendment adds Forty Nine Thousand Dollars, (\$49,000) and increases the maximum amount payable to Ninety Nine Thousand Dollars (\$99,000), for organizational design consulting services not originally contracted, for the San Diego County Regional Airport Authority.	Talent, Culture & Capability	\$50,000.00	\$49,000.00	98%	\$99,000.00	1/0/1900

Attachment "A"

AWARDED CONTRACTS AND CHANGE ORDERS SIGNED BETWEEN October 8, 2018 - November 11, 2018

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
			There were no executed Board Approved Amendments and Change orders this period.						

Attachment "B"

REAL PROPERTY AGREEMENTS EXECUTED FROM OCTOBER 8 through NOVEMBER 11, 2018



Real Property Agreements

Begin/End Dates	Authority Doc. #	Tenant/Company	Agreement Type	Property Location	Use	Property Area (s.f)	Consideration	Comments
10.17.18 to 12.31.20	LE-0964	MEX RENT A CAR, INC. and ACE RENT A CAR RESERVATIONS, INC.	Off-Airport Rental Car Company Third Party Brand Authorization Consent Agreement	N/A	ACE (affiliate brand) permitted to provide car rental reservation services on behalf of MEX	None	Concession Fees for ACE activity collected by MEX per LE-0907	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
10.16.17	LE-0934	Sundt/Austin Commercial	1st Amendment to Right of Entry Permit	Rental Car Center	Access to perform repair work at RCC	N/A	N/A	N/A
12.1.18	LE-0963	US GSA (DEA/NTF)	1st Amendment to lease agreement	Terminal 1	Space lease	2088	Rent at rate of \$160.00 per square foot per year	current agreement ends on 11/30/2018, this amendment is a two year extension to the lease agreement and is effective 12/1/2018 - 11/30/2020

STAFF REPORT

Meeting Date: **DECEMBER 6, 2018**

Subject:

Approve an Amendment to the 401(a) Deferred Compensation Plan with Massachusetts Mutual Life Insurance Company

Recommendation:

Adopt Resolution No. 2018-0129, approving and authorizing the President/CEO to execute the first amendment to the 401(a) Deferred Compensation Plan with Massachusetts Mutual Life Insurance Company.

Background/Justification:

The Authority has a stand-alone defined contribution plan ("Plan") that is a qualified plan under section 401(a) of the Internal Revenue Code ("Code"). The Plan is a discretionary contribution plan whereby the Authority contributes \$5,000 annually on behalf of executive management and department directors. The Plan and the Code allow this contribution however there is some question as to whether the contribution to "new members" under the California Public Employees' Pension Reform Act ("PEPRA") is allowed. PEPRA restricts the amount of benefits and employer and employee contributions that can be made to a defined contribution plan and defined benefit plan for PEPRA members. (See, e.g., Gov. Code §7522.10(g), 7522.42(c)). Specifically, Government Code section 7522.10(g) states, "Any employer contributions to any employee defined contribution plan above pensionable compensation limits in subsection (c) shall not exceed the employer's contribution rate, as a percentage of pay, required to fund the defined benefit plan for income subject to limitation in subdivision (c) of Section 7522.42." While it appears that portions of the \$5,000 might be in excess of what is permitted under state law, such a determination is unclear given the ambiguity in the state law which suggests that contributions to a defined contribution plan on compensation above the PEPRA limitation may be an additional source of contributions to a defined contribution plan. However, out of an abundance of caution, staff recommends that the Plan be amended to address this potential limitation. The Plan, as currently written, does not recognize the contribution limits under state law for PEPRA members. The proposed amendment will address this limitation by excluding PEPRA members at the executive and director level from receiving an annual contribution to the Plan. Instead, executive and director-level employees subject to PEPRA will receive a cash payment rather than a contribution to Plan.

Staff is recommending approval of the amendment effective July 1, 2018.

Fiscal Impact:

Adequate funding for this change in the 401(a) Deferred Compensation Plan is included in the adopted FY 2019 and conceptually approved FY 2020 Operating Expense Budgets within the Salary & Benefits line items. For years that have not been adopted/approved by the board the expense 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. 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:

KURT GERING
DIRECTOR, TALENT, CULTURE & CAPABILITY

RESOLUTION NO 2018-0129

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY APPROVING AND AUTHORIZING THE PRESIDENT/CEO TO EXECUTE THE FIRST AMENDMENT TO THE 401(A) DEFERRED COMPENSATION PLAN WITH MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

WHEREAS, the Authority has a stand-alone defined contribution plan (“Plan”) that is a qualified plan under section 401(a) of the Internal Revenue Code (“Code”); and

WHEREAS, the Plan is a discretionary contribution plan whereby the Authority contributes \$5,000 annually on behalf of executive management and department directors; and

WHEREAS, the Public Employees’ Pension Reform Act (PEPRA) restricts the amount of benefits and employer and employee contributions that can be made to a defined contribution plan and defined benefit plan for PEPRA members (Gov. Code §7522.10(g), 7522.42(c)); and

WHEREAS, Government Code section 7522.10(g) states, “Any employer contributions to any employee defined contribution plan above pensionable compensation limits in subsection (c) shall not exceed the employer’s contribution rate, as a percentage of pay, required to fund the defined benefit plan for income subject to limitation in subdivision (c) of Section 7522.42”; and

WHEREAS, the Plan, as currently written, does not recognize the contribution limits under state law for PEPRA members; and

WHEREAS, there is some ambiguity regarding the compensation limits under PEPRA; and

WHEREAS, the proposed amendment will address this limitation by excluding PEPRA members at the executive and director level from receiving an annual contribution into the Plan and those executive and director-level employees subject to PEPRA will receive a cash payment rather than a contribution to Plan; and

WHEREAS, the proposed amendment would be effective July 1, 2018 which is the date of the last disbursement of the 401(a) contribution.

NOW, THEREFORE, BE IT RESOLVED THAT the Board hereby approves and authorizes the President/CEO to execute the first amendment to the 401(a) Deferred Compensation Plan, effective July 1, 2018, to exclude executive and director level employees subject to PEPRA from receiving an annual contribution into the Plan; and

BE IT FURTHER RESOLVED THAT the executive and director level employees subject to PEPRA will instead receive an annual cash contribution;

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"), nor is it a "project" as defined by the California Coastal Act.

PASSED, ADOPTED, AND APPROVED by the Board at the San Diego County Regional Airport Authority at a regular meeting this 6th day of December, 2018, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

STAFF REPORT

Meeting Date: **DECEMBER 6, 2018**

Subject:

Reject the Claim of Vasquez Construction

Recommendation:

Adopt Resolution No. 2018-0130, rejecting the claim of Vasquez Construction.

Background/Justification:

On September October 16, 2018, Vasquez Construction Company (VASQUEZ) filed a claim ("Attachment A") with the San Diego County Regional Airport Authority ("Authority"). VASQUEZ'S claim is a construction claim that seeks \$171,795 in unpaid compensation arising from work done pursuant to Project No: 104204. This project concerned the replacement of seating in Terminals 1 and 2 of the San Diego International Airport. The Authority advertised this project, via a Request for Bids (RFB), on December 2, 2016. In March 2017, VASQUEZ was selected as the lowest responsive bidder and signed an Agreement with the Authority to perform the job for a maximum total value of \$3,401,830.27. During the course of the project, the Authority approved several Contract Change Orders, including Unilateral Change Order Nos. 2 and No. 4. These change orders amended the scope of work and the materials required under the Agreement. VASQUEZ alleges that in Unilateral Change Order Nos. 2 and 4, the Authority, in six separate instances, undervalued the cost of work and materials added to the contract and overvalued the cost of work and materials deleted from the contract. VASQUEZ'S claim relies heavily on the allegation that the scope of work in the original RFB was vague or ambiguous. However, during the bidding period, VASQUEZ did not submit any written requests for clarification regarding the character, quality, quantity or scope of the work described in the RFB. The contract language is clear and unambiguous.

The General Counsel has reviewed the claim and recommends rejection.

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:

AMY GONZALEZ
GENERAL COUNSEL

ATTACHMENT A

LAW OFFICES OF
CLINTON D. HUBBARD
5252 BALBOA AVENUE, SUITE 302
SAN DIEGO, CALIFORNIA 92117
www.cdh-law.com

ADMITTED TO PRACTICE
CALIFORNIA
NEW YORK

RECEIVED
OCT 16 2018
General Counsel

OCT 16 8:42RCV'D
tel: 858 . 467 . 9140
fax: 858 . 467 . 9142
chubbard@cdh-law.com

October 12, 2018
[via USPS Priority mail]

Claims
San Diego County Regional Airport Authority
P.O. Box 82776
San Diego, CA 92138-2776
tel: 619.400.2404

Re: Government Code Section 900 Claim
Claimant: M.W. Vasquez Construction Co., Inc. dba Vasquez Construction Company
Project: 104204 – Replace Terminal Seating Terminal 1 & Terminal 2
Encl.: SDCRAA Claim Form (10/12/18) with attachments

Enclosed is the Government Code Section 900 claim submitted on behalf of M.W. Vasquez Construction Co., Inc. dba Vasquez Construction Company to the San Diego County Regional Airport Authority. This claim concerns additive and deductive change orders under the above-referenced contract.

Sincerely,



CLINTON D. HUBBARD,
Counsel for Vasquez Construction Company

cc(w/ encl.): Greg Halsey, Esq.
General Counsel

ATTACHMENT A



ACCIDENT OR DAMAGE

CLAIM FORM

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

FOR AUTHORITY USE ONLY	
Document No.:	_____
Filed:	_____

1) Claimant Name: M.W. Vasquez Construction Co., Inc. dba Vasquez Construction Company	
2) Address to which correspondence regarding this claim should be sent: c/o Clinton D. Hubbard, Esq. Law Offices of Clinton D. Hubbard 5252 Balboa Avenue, Suite 302, San Diego, CA 92117	
Telephone No.: 858.467.9140	Date: October 12, 2018
3) Date and time of incident: Contract: 104204 - Replace Terminal Seating Terminal 1 & Terminal 2	
4) Location of incident: Project location: Terminal 2	
5) Description of incident resulting in claim: See attached construction claim summary Contract: 104204 - Replace Terminal Seating Terminal 1 & Terminal 2	
6) Name(s) of the Authority employee(s) causing the injury, damage or loss, if known: Project P.O.C. is Edgar Hinojosa, Project Manager (FDD), but this is not an injury or damage claim.	
7) Persons having firsthand knowledge of incident:	
Witness (es) See claim summary	Physician(s): N/A
Name:	Name:
Address:	Address:
Phone:	Phone:

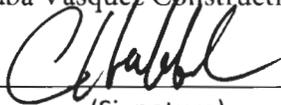
ATTACHMENT A

8) Describe property damage or personal injury claimed:
N/A. This is a construction claim
9) Owner and location of damaged property or name/address of person injured:
N/A. This is a construction claim
10) Detailed list and amount of damages claimed as of date of presentation of claim, including prospective damages. If amount exceeds \$10,000.00, a specific amount need not be included.
See the attached construction claim summary. The claim amount is \$171,795.

M.W. Vasquez Construction Co., Inc.
dba Vasquez Construction Company

Dated: October 11, 2018

Claimant:


(Signature)

By its attorney, Clinton D. Hubbard

/s/ -----

Notice to Claimant:

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

Mail completed original form to:

OR

Deliver completed original form in person to:

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

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

ATTACHMENT A

ATTACHMENT TO CLAIM FORM DATED OCTOBER 12, 2018

M.W. VASQUEZ CONSTRUCTION CO., INC. dba VASQUEX CONSTRUCTION COMPANY

CONSTRUCTION CLAIM SUMMARY

Enclosed are the following documents which fairly describe the detail of the contractor's construction claim:

Vasquez Construction Pre-Mediation Statement dated September 7, 2018 (4 pages)

Vasquez Construction letter dated January 19, 2018 (6 pages)

ATTACHMENT A

CLINTON D. HUBBARD, ESQ. [State Bar #071276]
LAW OFFICES OF CLINTON D. HUBBARD
5252 Balboa Ave., Suite 302
San Diego, CA 92117
tel: 858.467.9140 [fax: 858.467.9142]
chubbard@cdh-law.com

For Vasquez Construction Company,
Claimant

Vasquez Construction Co.,

Claimant

vs

San Diego County Airport Authority

Respondent

Arbitration Mediation Conciliation Center

Mediator: Matthew Argue, Esq.

Hearing: September 18, 2018
Time: 9:00 a.m.
Location: Premier Business Center
11440 W. Bernardo Ct., #300
San Diego, CA 92127

VASQUEZ CONSTRUCTION PRE-MEDIATION STATEMENT

This dispute arises from a project to replace seating and related work in Terminals 1 and 2 of the San Diego International Airport. San Diego County Airport Authority ("SDCAA") awarded the contract to Vasquez Construction Co. ("VCC"), a general contractor, for the price of \$3,401,830. The project is completed, and the parties are \$171,795 apart with respect to seven unresolved unilateral change orders. VCC and SDCAA had an excellent working relationship on the production side. The project was completed on schedule with no significant production or scheduling concerns. VCC had successfully completed earlier work for SDCAA and is currently working on another contract for it which is going well.

VCC has submitted claim documentation to which SDCAA has replied with a written denial. The parties held a "meet and confer" conference on April 18, 2018, but were unable to reach a settlement. This mediation is the final step prior to litigation if necessary.

The enclosures contained in the binder being provided herewith are:

- * VCC's summary claim letter of 1/19/18
- * SDCAA's reply and denial, 3/9/18
- * Exhibits 1 through 25

ATTACHMENT A

This Mediation Statement provides only an overview, as the issues are well documented in the enclosures. The table below identifies the parties' position on the six individual claims to be addressed at this mediation.

Summary of Claim Amount:

Unilateral Change Order #2

*	Bulletin # / COR #	Vasquez amount requested or deduction offered	SDCRAA deduction demanded	Net Claim Amount	Issues
1	CT# 0002 / COR #002 <i>Add'l hold room seating</i>	\$21,411.00	(\$83,916.00)	\$105,327	ambiguity, pre-bid RFI

Unilateral Change Order #4

*	Bulletin # / COR #	Vasquez amount requested or deduction offered	SDCRAA deduction demanded	Net Claim Amount	Issues
2	CT #005 / COR #7 <i>extra power ports</i>	\$9,856.00	(\$24,140.00)	\$33,996.00	ambiguity, pre-bid RFI
3	CT #006 / COR #8 <i>removal of payphone cylinders</i>	(\$2,309.00)	(\$20,000.00)	\$17,691.00	sched. of values, deletion
4	CT #008 / COR #9 <i>change outlets location</i>	\$10,374.00	\$5,631.94	\$4,742.06	sched. of values,
5	CT #009 / COR #12 <i>deletion of seating assembly</i>	(\$484.00)	(\$2,606.21)	\$2,122.21	sched. of values, deletion
6	CT #012 / COR #10 <i>bench seating</i>	\$9,897.00	\$1,979.40	\$7,917.60	quantity interpretation
	Total for C.O. #4	\$27,334.00	(\$39,134.87)	\$66,468.87	

Total for C.O. #2 & #4:	\$48,745.00	(\$123,050.87)	\$171,795.87
-------------------------	-------------	----------------	---------------------

* Note: In SDCRAA's 3/9/18 reply to VCC's claim discussion letter of 1/19/18 it assigns a sequential reference number, 1 through 6.

ATTACHMENT A

Claim 1 (additional hold room seating):

This is the largest claim, \$105K of the \$171K. It has been extensively documented and argued in the record (see the exhibit references in VCC's 1/19/18 claim letter). In summary, the specification was (at best) ambiguous with regard to attic stock for seats. VCC submitted, prior to the deadline, a pre-bid request for clarification which also stated its understanding of what was being referred to. (*See enclosure (e) to Exhibit 5, Zoeflig's email to Frederick Sharpe of SDCRAA, of 12/17/16, time= 16:59.*) In reliance on this reasonable understanding, VCC did not intend to provide the attic stock that SDCRAA later demanded be provided, and submitted its bid accordingly.

An ambiguity created by the drafter, which the contractor timely addresses through official channels, stating its understanding (in this case units = tables) of the language, will be construed against the drafter. The contractor's reasonable interpretation prevails.

VCC has proof of emailing of its 12/17 /16 pre-bid inquiry, so the excuse cited by SDCRAA in its reply letter of 7 /21/16, that it cannot find evidence that it received it, is not an adequate basis for denial. Another cc'd address showed receipt, so clearly it was sent.

Claim 2 (extra power ports):

SDCAA asserts that there was a contract requirement to provide extra power ports, and VCC denies this based on the specification language and a pre-bid inquiry concerning the relevant language, in which VCC's representative stated his opinion that there was a redundancy which would mean that no extra power ports would be required. SDCAA did not correct or reply to this inquiry. VCC did not allow for extra power ports in its bid.

SDCAA issued a change order deleting half of what it claimed was required for extra power ports. VCC delivered the units ordered and seeks as an extra the \$9,856 it cost. SDCAA refuses to pay this and issued a deletion for the other half. But instead of charging VCC the \$9,856 it would have cost to purchase the other half, it is charging \$24,140, without explanation. Therefore the parties are \$33,996 apart on this issue.

Claim 3 (removal of payphone cylinders):

See Exhibit 8 for VCC's analysis of its cost to delete the removal of the payphone cylinders. The credit is based upon (a) VCC's own experience and labor estimates, and (b) the current Unit Cost data from the RS Means to remove payphone cylinders. RS Means is a nationally recognized job data aggregator and estimating tool. This was an extremely simple task, as the cylinders could be twisted and pulled out with little effort. SDCRAA has no evidence of actual cost and is not in a position to challenge VCC's calculation of the actual costs saved as a result of the deletion of this task. There is no provision in the contract stating that the schedule of values has anything to do with pricing change orders; it is related to the billing schedule only.

ATTACHMENT A

While the SOV can be circumstantial evidence, it does not trump evidence of actual costs.

Claim 4 (change of outlets location):

SDCAA wants to use the schedule of values to establish the price for relocating and deleting various power outlets, but VCC is using the actual costs incurred or saved. Actual cost, when available, must be used. Furthermore, a wide variety of workspace factors, such as accessibility to spaces, determine actual cost, and SDCAA is not taking that into consideration.

Claim 5 (deletion of seating assembly):

VCC offers a credit for the seating assembly but not for the purchase; it was delivered in a box. SDCAA erroneously wants to use the schedule of values to price the deletion instead of actual cost saved. SDCAA's other argument, that VCC challenged the amount of the priced deletion 37 days vs. 15 days later, is not supportable as VCC substantially complied and there is no prejudice.

Claim 6 (bench seating):

VCC's claim letter addresses this at pages 5-6. SDCAA appears to concede that there was no requirement for *bench* seating, although it ordered VCC to deliver 5 *bench* units and has agreed to pay for only one. It claims that VCC owes it some seating because some of the *individual seats* shown on the drawing were not installed. VCC denies that it omitted any seats shown on the drawings. The scope of the seating was the subject of a pre-bid RFI by its seat provider Zoefitig, and the drawings were approved by the Authority several times, showing no bench seating. *All items on the approved drawings were installed.*

Thank you.

Dated: September 7, 2018

Law Offices of Clinton D. Hubbard



Clinton Hubbard, for Claimant
Vasquez Construction Company

January 19, 2018
 (via certified mail and hand delivery)

Attention: Mr. Edgar Hinojosa
 Construction Manager
 Facilities Development Department
 San Diego County Regional Airport Authority

Contract No. 210245 OG
 CIP 104204 - Replace Terminal Seating in Terminal One and Terminal Two, S.D. Int'l Airport

CLAIMS REGARDING CHANGE ORDER #2 AND CHANGE ORDER #4

Vasquez Construction Company (VCC) hereby submits the attached claims, seeking compensation in the total net amount of \$171,795.87, related to unilateral Change Orders #2 and #4. (See Exhibits 1 and 2) The table below summarizes the parties' positions.

By all accounts SDCRAA was extremely happy with VCC's care and efficiency on this job. VCC would hope that this final accounting can be handled in the same good faith spirit that characterized the production side.

Summary of Claim Amount:

Unilateral Change Order #2

Bulletin # / COR #	Vasquez amount requested or deduction offered	SDCRAA deduction demanded	Net Claim Amount
CT# 0002 / COR #002	\$21,411.00	(\$83,916.00)	\$105,327

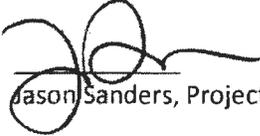
Unilateral Change Order #4

Bulletin # / COR #	Vasquez amount requested or deduction offered	SDCRAA deduction demanded	Net Claim Amount
CT #003 / COR #0	0	0	0
CT #005 / COR #7	\$9,856.00	(\$24,140.00)	\$33,996.00
CT #006 / COR #8	(\$2,309.00)	(\$20,000.00)	\$17,691.00
CT #008 / COR #9	\$10,374.00	\$5,631.94	\$4,742.06
CT #0009 / COR #12	(\$484.00)	(\$2,606.21)	\$2,122.21
CT #00012 / COR #10	\$9,897.00	\$1,979.40	\$7,917.60
Total for C.O. #4	\$27,334.00	(\$39,134.87)	\$66,468.87

ATTACHMENT A

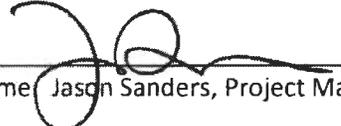
Total for C.O. #2 & #4:	\$48,745.00	(\$123,050.87)	\$171,795.87
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Sincerely,


Jason Sanders, Project Manager

VCC certification:

The undersigned certifies on behalf of VCC that these claims are accurate and justified to the best of its knowledge and belief.

/s/ 
Name Jason Sanders, Project Manager

=====

UNILATERAL CHANGE ORDER #2

This issue has been has been thoroughly documented by both parties. See attached Exhibits:

- 1 (Change Order 2)
- 5 (VCC letter of 4/17/17 and enclosures (a)-(e))
- 4 (VCC change order request of 6/1/17)
- 3 (SDCRAA reply letter of 7/21/17)
- 19 (Special Provisions, Holdroom Seating, 1.08 Extra Materials)

In summary, the specification was (at best) ambiguous with regard to attic stock for seats. VCC submitted, prior to the deadline, a pre-bid request for clarification which also stated its understanding of what was being referred to. (See enclosure (e) to Exhibit 5, Zoefitg's email to Frederick Sharpe of SDCRAA, of 12/17/16, time = 16:59.) In reliance on this reasonable understanding, VCC did not intend to provide the attic stock that SDCRAA later demanded be provided, and submitted its bid accordingly. VCC has proof of emailing of its 12/17/16 pre-bid inquiry, so the excuse cited by SDCRAA in its reply letter of 7/21/16, that it cannot find evidence that it received it, is not an adequate basis for denial. See the contract provisions at 1.08, Extra Materials. (Exhibit 19)

SDCRAA demanded a credit from VCC because it did not provide the attic stock. It then deleted what it asserted was the full attic stock "requirement", and then ordered a small portion of that "requirement." This was for additional holdroom seating. VCC submitted its change order request for \$21,411 in additional compensation. (Exhibit 4) SDCRAA denied this request and demanded per Change Order 2 an \$83,916 price deduction. (Exhibit 1) Therefore, this claim consists of a demand for an additional \$21,411 and elimination of the \$83,916 deduction to the job price. The relief sought therefore totals \$105,327.

ATTACHMENT A

UNILATERAL CHANGE ORDER #4

(a) CT #005 / COR #7 – Power Arm Extra Materials –

This issue has been documented by both parties. See attached Exhibits:

6 (VCC Change Order Request 007, 6/19/17, rev'd 9/28/17)

7 (SDCRAA notice of negotiation 8/1/17 and summary of negotiation 10/25/17)

19 (Special Provisions, 12 65 00, Holdroom Seating, 1.08 Extra Materials)

In summary, as was the case for the extra seating per Change Order #2 above, VCC inquired prior to bid as to the apparent redundancy of 1.08(h) in light of 1.08(j). See Exhibit 6, and the Zoefitg email inquiry to SDCRAA of 12/17/16 (at the end of Ex. 6). In summary, VCC through its expert specialty supplier, sought SDCRAA confirmation of its interpretation of "power ports" to be redundant under 1.08(h). SDCRAA was on notice of the interpretation VCC was relying upon. VCC's interpretation was reasonable, and is therefore entitled to the benefit of its interpretation.

Although SDCRAA claims that it is reducing the "power port requirement" from 10% to 5%, in reality there was a zero requirement to begin with. VCC complied with the order to deliver PUMA power units and it requested reimbursement for \$9,856 for the units. SDCRAA has denied this request and demanded a price deduction for the undelivered "required" units in the amount of \$24,140. Therefore, VCC seeks relief in the form of a \$33,996 increase over the current (improperly) reduced contract price.

The specification suffers from a terminology problem. It is written for multiple manufactures including Zoefitg and Arconas. Each manufacture had different types and names for electrical components. Zoefitg uses a 'Power Arm' while Arconas Products uses 'Place Power' system. They don't use the term "Power Ports". Other manufactures might. But the specification as written attempted, apparently, to cover all possible manufactures and configuration, but did a poor job of it. Zoefitg, the specified manufacture, thought there was a redundancy between 1.08(h) and 1.08(j), and submitted the 12/17/16 pre-bid RFI (on behalf of VCC) to SDCRAA.

During the change order negotiation meeting on August 9, 2017, confusion reigned. SDCRAA could not identify what or where the "power port" was on the installation drawing. VCC explained that this was the reason the pre-bid question was asked by Zoefitg. The action item for this meeting was that SDCRAA would identify what they meant as "power port" and circle a photo so that VCC could price it.

Afterwards, SDCRAA provided VCC a marked photo indicating the sub-unit it wanted. The specified seat system provider, Zoefitg, did not carry this as a separate unit. That is why Zoefitg believed that there was a redundancy – it was already providing its smallest power unit under 1.08(j). Eventually, VCC submitted Change Order Request 7 (Exhibit 6) for the added cost to provide 67 Zenky Power Arm Puma Modules (Item #4524). This confusion was caused by the terminology contained in 1.08(h). It refers to "power ports," which are commonly understood to mean single outlets or plug sockets, not an entire power block such as what Zoefitg included in the powered arms. Having received no objection to Zoefitg's pre-bid inquiry, VCC reasonably assumed that the extras intended by 1.08(h) were included within the extras provided under 1.08(j), "arms with power."

(b) CT #006 / COR #8 – Delete the Removal of Payphone Cylinders at T1 Lobby --

ATTACHMENT A

This issue has been documented, per the attached Exhibits:

- (8) (VCC Change Order Request 8, of 7/14/17, revised 8/2/17; and SDCRAA direction, Bulletin 06, 5/25/17)
- (9) (SDCRAA notice of negotiation 8/2/17, with proposal)
- (10) (VCC schedule of values, 4/24/17)

Bulletin 6 - SDCRAA Issued Bulletin 6 to delete the removal of payphone cylinders at T1 Lobby. The parties agree that a price deduction is warranted, but they disagree as to the amount. VCC provides a credit for the actual costs saved by the deletion. The actual amount is \$2,309. SDCRAA uses a different approach to calculating the deduction. It disregards the actual cost and seeks to apply a different formula that results in, for them, a more beneficial price deduction of \$20K.

See Exhibit 8 for VCC's analysis of its cost to delete the removal of the payphone cylinders. The credit is based upon (a) VCC's own experience and labor estimates, and (b) the current Unit Cost data from the RS Means to remove payphone cylinders. RS Means is a nationally recognized job data aggregator and estimating tool. This was an extremely simple task, as the cylinders could be twisted and pulled out with little effort. SDCRAA has provided no technical evidence to contradict VCC's calculation of the actual costs saved as a result of the deletion of this task.

SDCRAA resorts to a progress payment schedule and asserts that regardless of how far that schedule deviates from actual costs, SDCRAA is entitled to use that schedule to maximize its price reduction. The schedule of values (Exhibit 10) does not match the actual cost for the telephone cylinder removal. There is no contract provision tying deductive change amounts to that schedule, as it is merely a payment schedule. VCC was scheduled to be deep into a negative cash flow position at the onset of the job because it was required by its supplier, Zoefitig, to pay \$689,642.06 up front, all at once, for the chair units. Zoefitig would not even accept an order without immediate payment. The tight period of performance required ordering the seats at the outset. VCC even went out on a limb to assure the schedule could be met. It placed the Zoefitig order before SDCRAA completed its delayed approval process in order to get an early start. The initial contract payment to VCC for the cost of the Zoefitig order was only \$300,000, less than half of the real cash flow. To make matters worse, payment was delayed per the 60-day payment terms. Meanwhile, VCC had to bear high labor and mobilization costs during this period, and remained in a net negative cash flow for the majority of the job. So to put it plainly, the cash flow value schedule was somewhat aligned with the cash flow reality but not necessarily with the actual cost of performance. It was not intended to be a unit cost list and does not reflect the actual cost of the individual items. The basic law of the pricing of deductive changes is that evidence of the actual costs saved overrules the contract's payment schedule.

(c) CT: 0008 / COR #9 Modification to Electrical Outlets

This issue has been documented by both parties. See attached Exhibits:

- 10 (Submittal 8 – Schedule of Values)
- 11 (Bulletin 8 / COR 9 – Revised 10/10/17 – Change Order Request)

Bulletin 8 – SDCRAA Issued Bulletin 8 to add, relocate and delete electrical outlets –VCC was directed to proceed with the additional work on time and material basis. The SDCRAA onsite Inspector, Mike

ATTACHMENT A

Henshaw signed and verified the additional time and material tickets each day. Upon completion of the added work VCC submitted a change order for the additional work as well as an itemized credit breakdown for the work not completed. Change Order 9 (Exhibit 11 – COR 9) was properly submitted and follows the requirements of Specification Section 1C-7.3 – Change Orders SDCRAA Record of Negotiation (Exhibit 12 – Bulletin 8 - Record of Negotiation Dated 10/25/17) does not reflect the revised Change Order 009 submitted to the SDCRAA on October 10, 2017 (Exhibit 11 – Change Order 009 – Revised 10/10/17) and discussed during the negotiation meeting on October 11, 2017.

VCC disagrees with the SDCRAA method of using the Schedule of Values for change order pricing. The Schedule of Values is not a unit cost price sheet, there are no units or unit cost shown on the schedule of values document (Exhibit 10 – Submittal 8 – Schedule of Values). SDCRAA attempts to count the outlets on the drawings and divided the dollar amount shown on the billing schedule of values to extrapolate a unit cost. This estimating method is inaccurate, this method does not take into account the difference between a floor electrical box, wall mounted electrical box, distance from the panel, etc. This method is unsupported by the specifications and unconventional on Lump sum contract.

Furthermore previous approved change order including bulletins CT-004/COR#003 and Bulletin CT-007/COR#006 were not evaluated and using schedule of values.

VCC is demanding to be paid for the material and labor verified by the Airport Authority on the Time and Material tickets, minus the actual cost saved from the deleted work.

CT #0009 / COR #12 - RFI #64 Delete Installation of Seating in Front of EVIDS

This issue has been documented by both parties. See attached Exhibits:

13 (Bulletin 9 / COR 12)

14 (Bulletin 9 Record of Negotiation)

VCC provided a provided an itemized breakdown of credit for deletion of electrical and assembly of on 6 beam seat (Exhibit 13 – Bulletin 9 / COR 12). According to Bulletin 9 - Record of Negotiation (Exhibit 14 – Bulletin 9 Record of Negotiation) SDCRAA estimator makes an attempt to use the billing schedule of values to extrapolate the credit, even though the schedule of values is not a price list, shows no units or unit cost. VCC disagrees with SDCRAA method of using the schedule of Values for change order pricing.

CT #00012 / COR # 10 – Provide (5) Bench Seating

This issue has been documented by both parties. See attached Exhibits:

15 (Exhibit 15 – ADCRAA Letter dated October 5, 2017)

16 (Bulletin 12 – Record of Negotiation)

17 (Bid Schedule A)

18 (COR 10)

Vasquez Construction purchased and installed additional bench seating was not shown on the drawings to be provided as part of this contract per Bulletin 12.

SDCRAA Letter dated October 5, 2017 (Exhibit 15 – SDCRAA Letter dated October 5, 2017) does not dispute that the benches were not shown to be provided by the contractor, it only disputes the seating count shown on the drawings. Record of Negotiation (Exhibit 16 – Bulletin 12 – Record of Negotiation) incorrectly credits seats that were not deleted.

SDCRAA Letter dated October 5, 2017 states that Vasquez Construction bid day tabulation shows Bid Item #9 – Area 9, T2E Gates 27, 29 and 31 shows a bid quantity of 239 each. This statement is incorrect. Bid Schedule A (Exhibit 17 – Bid Schedule A). Item 9 does not have any unit prices or unit cost associated with this line item. Vasquez Construction installed every seat shown on the drawings and

ATTACHMENT A

SDCRAA Inspector of Record, Mike Henshaw inspected each seat at the end of each work day and verified that every seat was installed per plans and specifications. Submittal 69 – Hold Room Seating Field Quality Reports for each area is proof that all hold room seating shown the drawing have been installed. Had there been any seats deleted from the scope of work the SDCRAA would have promptly issued a revised drawing showing the deleted seats and requested a credit. Vasquez Construction is owed the full requested change order amount of \$9,897.00. (Exhibit 18 – COR 10)

RESOLUTION NO. 2018-0130

A RESOLUTION OF THE BOARD OF THE
SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY REJECTING THE CLAIM OF VASQUEZ
CONSTRUCTION

WHEREAS, on October 16, 2018, Vasquez Construction filed a claim with the San Diego County Regional Airport Authority for damages related to a contract dispute; and

WHEREAS, at its regular meeting on December 6, 2018, the Board considered the claim filed by Vasquez Construction and the report submitted to the Board, and found that the claim should be rejected.

NOW, THEREFORE, BE IT RESOLVED that the Board rejects the claim of Vasquez Construction; 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 its regular meeting this 6th day of December, 2018, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

STAFF REPORT

Meeting Date: **DECEMBER 6, 2018**

Subject:

Reject Claim of Eric Antonius

Recommendation:

Adopt Resolution No. 2018-0131, rejecting the claim of Eric Antonius.

Background/Justification:

On October 29, 2018, Eric Antonius filed a claim ("Attachment A") with the San Diego County Regional Airport Authority ("Authority"). Specifically, Antonius alleges that the escalator upon which he was descending stopped abruptly and nearly caused him to fall at San Diego International Airport. Antonius claims damages in an unknown amount in excess of \$10,000 to cover general and special damages, including medical expenses, hospital expenses, loss of earnings, and loss of earning capacity.

As described above, Antonius alleges that on May 7, 2018, a dangerous condition existed to cause a trip hazard. Antonius' claim should be denied. An investigation into the alleged incident revealed no notice of an unsafe or dangerous condition. Antonius did not report the incident to airport employees at the time and paramedics were not called. The General Counsel has reviewed the claim and recommends rejection.

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:

AMY GONZALEZ
GENERAL COUNSEL



ACCIDENT OR DAMAGE

CLAIM FORM

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

FOR AUTHORITY USE ONLY	
Document No.:	_____
Filed:	_____

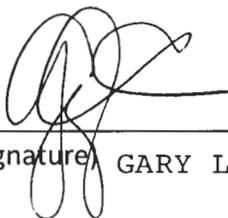
1) Claimant Name: Eric Antonius	
2) Address to which correspondence regarding this claim should be sent: Gary L. Chambers, Esq. Chambers & Noronha 2070 North Tustin Avenue Santa Ana, California 92705	
Telephone No.: 714/558-1400	Date: 10/23/2018
3) Date and time of incident: May 7, 2018 at approximately 5:55 a.m.	
4) Location of incident: San Diego County Regional Airport	
5) Description of incident resulting in claim: See attached Claim for Personal Injuries.	
6) Name(s) of the Authority employee(s) causing the injury, damage or loss, if known: See attached Claim for Personal Injuries.	
7) Persons having firsthand knowledge of incident: See attached Claim for Personal Injuries.	
Witness (es)	Physician(s):
Name:	Name:
Address:	Address:
Phone:	Phone:

ATTACHMENT A

8) Describe property damage or personal injury claimed:
See attached Claim for Personal Injuries.
9) Owner and location of damaged property or name/address of person injured:
See attached Claim for Personal Injuries.
10) Detailed list and amount of damages claimed as of date of presentation of claim, including prospective damages. If amount exceeds \$10,000.00, a specific amount need not be included.
See attached Claim for Personal Injuries.

Dated: 10/23/2018

Claimant:


(Signature) GARY L. CHAMBERS

Notice to Claimant:

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

Mail completed original form to:

OR

Deliver completed original form in person to:

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

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

ATTACHMENT A

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LAW OFFICES OF
CHAMBERS & NORONHA
2070 NORTH TUSTIN AVENUE
SANTA ANA, CALIFORNIA 92705
(714)558-1400

GARY L. CHAMBERS, ESQ.
ATTORNEY BAR NO. 86076
GARRETT R. CHAMBERS, ESQ.
ATTORNEY BAR NO. 304796
CHANTELL CERVANTES-CHAMBERS, ESQ.
ATTORNEY BAR NO. 299501
THOMAS G. CHAMBERS, ESQ.
ATTORNEY BAR NO. 128995

Attorneys for Claimant

ERIC ANTONIUS,]
Claimant,]
vs.]
SAN DIEGO COUNTY REGIONAL]
AIRPORT, SAN DIEGO COUNTY]
REGIONAL AIRPORT AUTHORITY,]
CITY OF SAN DIEGO, COUNTY]
OF SAN DIEGO, STATE OF]
CALIFORNIA,]
Respondents.]

CLAIM FOR PERSONAL INJURIES
(Government Code Section 910)

TO: SAN DIEGO COUNTY REGIONAL AIRPORT:

YOU ARE HEREBY NOTIFIED that ERIC ANTONIUS, whose address is 398 Espresso Street, Henderson, Nevada 89011, claims damages from **SAN DIEGO COUNTY REGIONAL AIRPORT**, in the amount in excess of \$10,000.00 by means of the filing of this claim for damages.

This claim is based upon personal injuries and emotional distress sustained by the Claimant on or about May 7, 2018, at the San Diego County Regional Airport located at 3225 N. Harbor Drive,

ATTACHMENT A

1 in the City of San Diego, County of San Diego, State of California,
2 under the following circumstances:

3 On or about the 7th day of May, 2018, at approximately 5:55
4 a.m., petitioner, ERIC ANTONIUS, was walking on the "down"
5 escalator entering the San Diego County Regional Airport (aka San
6 Diego International Airport) located at 3225 N. Harbor Drive, in
7 the City of San Diego, in the County of San Diego, State of
8 California.

9 At said time and place, petitioner, ERIC ANTONIUS, encountered
10 a dangerous and defective condition of the escalator, in that, it
11 stopped without warning, causing him to nearly fall and in
12 extraordinary efforts to avoid falling, sustained serious and
13 debilitating injuries.

14 The aforementioned dangerous condition consisted of, but was
15 not limited to, the malfunction of the escalator by it suddenly,
16 and without warning, stopping creating a pedestrian trip hazard.
17 This pedestrian hazard was rendered even more dangerous by the fact
18 that the escalator was proceeding downward causing a pedestrian
19 trip hazard.

20 The dangerous condition created a reasonably foreseeable risk
21 of the kind of injury which is hereinafter alleged and the
22 respondent, **SAN DIEGO COUNTY REGIONAL AIRPORT**, had actual knowledge
23 of the existence of the condition, in that it created it, and knew
24 or should have known in the exercise of reasonable care, of its
25 dangerous character a sufficient time prior to the aforesaid time
26 and place to have taken measures against the dangerous condition.

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ATTACHMENT A

1 The amount claimed as of the date of presentation of this
2 claim is computed as follows:

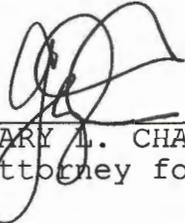
3 DAMAGES INCURRED TO DATE

4	Medical and Hospital Expenses	Unknown at this time.
5	Loss of Earning Capacity	Unknown at this time.
6	Loss of Earnings	Unknown at this time.
7	Special Damages	Unknown at this time.
8	General Damages	\$In excess of \$10,000.00
9	TOTAL DAMAGES INCURRED TO DATE:	\$In excess of \$10,000.00

10
11 All notices or other communications with regard to this claim
12 should be sent to claimants, care of Gary L. Chambers, Esq.,
13 Chambers & Noronha, 2070 North Tustin Avenue, Santa Ana, California
14 92705-7827.

15 DATED: October 23, 2018

CHAMBERS & NORONHA

16
17 BY: 
18 GARY L. CHAMBERS
19 Attorney for Claimant

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ATTACHMENT A

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PROOF OF SERVICE

I am employed in the County of Orange, State of California; I am over the age of 18 and not a party to the within action; my business address is 2070 North Tustin, Santa Ana, CA 92705-7827.

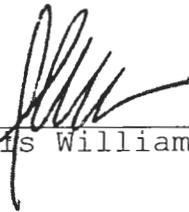
On **October 23, 2018** I served the foregoing; **CLAIM FOR PERSONAL INJURIES**; on the interested parties by placing true copies thereof enclosed in sealed envelope(s) with postage thereon fully prepaid, in the United States mail at Santa Ana, California as follows:

Certified Mail, Return Receipt
San Diego County Regional Airport
Post Office Box 82776
San Diego, California 92138-2776

Certified Mail, Return Receipt
San Diego County Regional Airport
Administration Reception Desk
3225 N. Harbor Drive, Third Floor
San Diego, California 92101

I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the United States postal service on that same day with postage thereon fully prepaid at Santa Ana, California in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct. Executed on **October 23, 2018** at Santa Ana, California.



Chris Williams

RESOLUTION NO. 2018-0131

A RESOLUTION OF THE BOARD OF THE
SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY REJECTING THE CLAIM OF ERIC
ANTONIUS

WHEREAS, on October 29, 2018 Eric Antonius filed a claim with the San Diego County Regional Airport Authority (“Authority”) for losses he claims to have suffered as the result of nearly falling when an escalator stopped unexpectedly at San Diego International Airport; and

WHEREAS, at its regular meeting on December 6, 2018, the Board considered the claim filed by Eric Antonius and the report submitted to the Board, and found that the claim should be rejected.

NOW, THEREFORE, BE IT RESOLVED that the Board rejects the claim of Eric Antonius; 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 its regular meeting this 6th day of December, 2018, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

Staff Report

Meeting Date: **DECEMBER 6, 2018**

Subject:

Approve Establishing the Date and Time of Board and ALUC Meetings for 2019, as Indicated in the Proposed 2019 Master Calendar of Board and Committee Meetings

Recommendation:

The Executive Committee recommends that the Board Adopt Resolution No. 2018-0132, establishing the date and time of Board and ALUC meetings for 2019 as indicated on the proposed 2019 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 February, to accommodate the anticipated Board Retreat.

The proposed 2019 Master Calendar of Board and Committee meetings is attached as Exhibit A.

Staff presented the proposed calendar to the Executive Committee during its November 26, 2018 meeting and the Committee voted unanimously, noting Chairman Boling as Absent, to forward the calendar to the Board for approval as presented.

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, BOARD SERVICES/AUTHORITY CLERK

RESOLUTION NO. 2018-0132

A RESOLUTION OF THE BOARD OF THE
SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY ESTABLISHING THE DATE AND TIME
OF BOARD AND ALUC MEETINGS FOR 2019 AS
INDICATED ON THE PROPOSED 2019 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 2019, as indicated on the proposed 2019 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 6th day of December, 2018, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

Exhibit A

DRAFT - 2019 MASTER CALENDAR OF BOARD AND COMMITTEE MEETINGS

	ALUC/BOARD 1 st Thursday of Month	EXECUTIVE COMMITTEE (Monday in Week Preceding the Board meeting)	AUDIT COMMITTEE Monday (Quarterly)	EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE Thursday	FINANCE COMMITTEE Meets with the Executive Committee Monday	CAPITAL IMPROVEMENT PROGRAM OVERSIGHT COMMITTEE Quarterly Thursday
Month	9:00 AM	9:00 AM	10:00 AM	10:00 AM	9:00 AM	10:00 AM
January	3	28		24	28	17
February	7	25	11		25	
February	22 & 23 Retreat					
March	7	25		28	25	
April	4	22			22	18
May	2	23	13	30	23	
May	16 Budget Workshop					
June	6					
July	11	1			1	18
August		26		29	26	
September	5	23	9		23	
October	3	28			28	17
November	7	25	4		25	
December	5	19			19	

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

STAFF REPORT

Meeting Date: **DECEMBER 6, 2018**

Subject:

Adoption of Amendments to Authority Policies

Recommendation:

The Executive Committee recommends that the Board Adopt Resolution No. 2018-0133, approving amendments to Authority Policies 1.10, 1.33, 1.40, 1.41, 1.60, 3.01, 3.02, 3.03, 3.31, 4.10, 4.20, 4.21, 4.30 and 4.40 and repealing Policy 4.02.

Background/Justification:

The Authority Codes and Policies were initially adopted by the Interim Authority Board on September 20, 2002. Since 2003, the year the San Diego County Regional Airport Authority ("Authority") was formed and began operating San Diego International Airport ("Airport") and acting as the Airport Land Use Commission, there has not been a comprehensive and thorough review of the Authority's Codes and Policies.

Staff initiated a review of the codes and policies in order to ensure that they reflect the current operations of the Airport and Authority, and are accurate and consistent with applicable Federal, State and local laws and regulations. Amending the codes will also provide alignment with Airport Rules and Regulations.

In order to perform a thorough review, departments and stakeholders responsible for compliance with the requirements of individual codes and policies conducted a thorough review and recommended revisions, an Executive Project Team consisting of Two Vice Presidents was created to review all proposed amendments and the General Counsel's Office reviewed all proposed amendments.

Staff presented the proposed amendments to the Executive Committee during a workshop at its November 26, 2018 meeting and the committee voted unanimously, noting Chairman Boling as Absent, to forward the policies to the Board for approval as amended.

Fiscal Impact:

The is no fiscal impact associated with the requested action.

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:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/AUTHORITY CLERK

RESOLUTION NO. 2018-0133

A RESOLUTION OF THE BOARD OF THE SAN
DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY, AMENDING AUTHORITY POLICIES

WHEREAS, the Authority Codes and Policies were initially adopted by the Interim Authority Board of Directors on September 20, 2002; and

WHEREAS, there has not been a comprehensive review of the codes and policies since the Authority was created; and

WHEREAS, since the creation of the Authority, best practices require a comprehensive and thorough review in order to ensure that the Codes and Policies reflect current operations of the Airport and the Authority; and

WHEREAS, the proposed amendments included in Attachment A were reviewed by the Executive Committee at its November 26, 2018 meeting and the committee forwarded the proposed amendments to the Board with a recommendation for approval.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the amendments to the Authority Policies 1.10, 1.33, 1.40, 1.41, 1.60, 3.01, 3.02, 3.03, 3.31, 4.10, 4.20, 4.21, 4.30 and 4.40, and repealing Policy 4.02, as outlined in Attachment A; and

BE IT FURTHER RESOLVED that the Board finds that this action is not a "project" as defined by the California Environmental Quality Act ("CEQA") (California Public Resources Code §21065); and 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 6th day of December, 2018, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES /
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

POLICIES

ARTICLE 1

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

- ARTICLE 1 - ADMINISTRATION AND GOVERNANCE**
PART 1.1 - APPOINTMENT, ELECTION AND REMOVAL OF BOARD MEMBERS
SECTION 1.10 - APPOINTMENT, TERM, SUCCESSION AND COMPENSATION OF THE BOARD OF DIRECTORS`
-

PURPOSE: To establish a policy for the appointment, term, succession and compensation of the Board of Directors (“**Board**”) of the San Diego County Regional Airport Authority (“**Authority**”).

POLICY STATEMENT:

- (1) Board of Directors. The San Diego County Regional Airport Authority Act, §170000 *et seq.* of the California Public Utilities Code (“**P.U.C.**”), as amended from time to time (“**Act**”), provides that the Authority shall have a board of directors.
- (2) Establishment of the Board. The Board shall consist of nine voting members, appointed as follows:

- (a) Representatives of the City of San Diego

The Mayor of the City of San Diego shall appoint three persons, two of whom shall be subject to confirmation by the City Council of the City of San Diego. The persons appointed pursuant to this paragraph shall be residents of the City of San Diego and not less than one shall be an elected official of the City of San Diego. For purposes of this subdivision, an "elected official of the City of San Diego" means the Mayor or a member of the City Council of the City of San Diego.

- (b) Representatives of the County of San Diego:

The Chair of the Board of Supervisors of the County of San Diego shall appoint two persons, subject to confirmation by the Board of Supervisors of the County of San Diego. The persons appointed pursuant to this paragraph shall be residents of the County of San Diego and not less than one shall be a member of the Board of Supervisors of the County of San Diego.

- (c) A representative of the north county coastal cities:
 - (i) At a public meeting, the mayors of the north county coastal cities shall appoint one person pursuant to a majority vote of the mayors of the north county coastal cities. The person appointed pursuant to this paragraph shall be a member of a city council of one of the north county cities or another resident of the north county coastal cities.
 - (ii) As used in this paragraph, the “**north county coastal cities**” shall mean the Cities of Carlsbad, Del Mar, Encinitas, Oceanside, and Solana Beach.
- (d) A representative of the north county inland cities:
 - (i) At a public meeting, the mayors of the north county inland cities shall appoint one person pursuant to a majority vote of the mayors of the north county inland cities. The person appointed pursuant to this paragraph shall be a member of a city council of one of the north county inland cities or another resident of the north county inland cities.
 - (ii) As used in this paragraph, the “**north county inland cities**” shall mean the Cities of Escondido, Poway, San Marcos and Vista.
- (e) A representative of the south county cities:
 - (i) At a public meeting, the mayors of the south county cities shall appoint one person pursuant to a majority vote of the mayors of the south county cities. The person appointed pursuant to this paragraph shall be a member of a city council of one of the south county cities or another resident of the south county cities.
 - (ii) As used in this paragraph, the “**south county cities**” shall mean the Cities of Chula Vista, Coronado, Imperial Beach and National City.
- (f) A representative of the east county cities:
 - (i) At a public meeting, the mayors of the east county cities shall appoint one person pursuant to a majority vote of the mayors of the east county cities. The person appointed pursuant to this paragraph shall be a member of a city council of one of the east county cities or another resident of the east county cities.
 - (ii) As used in this paragraph, the “**east county cities**” shall mean the Cities of El Cajon, LaMesa, Lemon Grove, and Santee.
- (g) Public meetings of the mayors of the north county coastal cities, the north county inland cities, the south county cities, and the east county cities are subject to the Ralph M. Brown Act (Chapter 9 (commencing with §54950) of Part 1 of Division 2 of Title 5 of the Government Code).

POLICY SECTION NO. 1.10

(h) The following persons shall be non-voting, non-compensated, *ex officio* members of the Board, appointed by the Governor:

- (i) The District Director of the Department of Transportation for the San Diego region.
- (ii) The Department of Finance representative on the State Lands Commission.

(i) The Board may appoint additional non-voting, non-compensated members to the Board. Each Board-approved non-voting, non-compensated member may appoint an alternate to serve in his or her place. [P.U.C. §170010(c)]

(j) Non-voting, non-compensated Board members may serve on committees formed by the Board, but shall not attend closed sessions of the Board held pursuant to the Ralph M. Brown Act, nor be counted for purposes of calculating a quorum for a meeting of the Board.

(3) Terms.

~~(a) Board members are divided into three appointment groups. The terms of the Board members within each appointment group begin at 12:01 a.m. on February 1 in the year listed [RSP1] and every three years thereafter. [RSP2]~~

~~Group I 2009 Group II 2010 Group III 2011 [A3] [RSP4]~~

	BOARD MEMBER	APPOINTMENT GROUP*
CITY OF SAN DIEGO	An appointee of the Mayor of the City of San Diego, who is a resident of the City and may be an elected official of the City.*	Group I
	An appointee of the Mayor of the City of San Diego, confirmed by the City Council of the City of San Diego, who is a resident of the City and may be an elected official of the City.*	Group III
	An appointee of the Mayor of the City of San Diego, confirmed by the City Council of the City of San Diego, who is a resident of the City and may be an elected official of the City.*	Group II
SAN DIEGO COUNTY	An appointee of the Chair of the San Diego County Board of Supervisors, confirmed by the Board of Supervisors, who is a resident of the County and may be a County Supervisor.**	Group III***
	An appointee of the Chair of the San Diego County Board of Supervisors, confirmed by the Board of Supervisors, who is a resident of the County and may be a County Supervisor.**	Group II

AREA CITIES	An appointee of the mayors of the north county coastal cities pursuant to a majority vote of the mayors of the north county coastal cities. The person shall be a member of a city council or another resident of one of said cities.	Group III
	An appointee of the mayors of the north county inland cities pursuant to a majority vote of the mayors of the north county inland cities. The person shall be a member of a city council or another resident of one of said cities.	Group I
	An appointee of the mayors of the south county cities pursuant to a majority vote of the mayors of the south county cities. The person shall be a member of a city council or another resident of one of said cities.	Group I
	An appointee of the mayors of the east county cities pursuant to a majority vote of the mayors of the east county cities. The person shall be a member of a city council or another resident of one of said cities.	Group II

~~* Not less than one of the appointees of the Mayor of the City of San Diego shall be an elected official of the City of San Diego; for this purpose, "Elected official" meaning for this purpose the Mayor or member(s) of the City Council of the City of San Diego.~~

~~** Not less than one of the appointees by the Chair of the San Diego County Board of Supervisors must be a member of the Board of Supervisors.~~

~~*** The initial term of this appointment by the Chair of the San Diego County Board of Supervisors begins on July 1, 2011 and ends on January 31, 2014^[RSP5].~~

(ba) Except for the term of non-voting, non-compensated Board members ~~and the initial term for the group III^[RSP6] appointee of the Chair of the San Diego County Board of Supervisors listed above~~, the term of office of a member of the Board is three (3) years. A member of the Board may continue to serve beyond the expiration of the term until his or her successor qualifies for appointment and takes office. Members of the Board shall take office at 12:01 a.m. February 1 following their appointment. If a Board appointment is made after February 1 of the year in which the member's term is scheduled to commence, the member shall take office immediately upon appointment and, if applicable, after receiving confirmation, to serve the remainder of the term. Each Board member shall serve the Board during the term until his or her removal, resignation, death or incapacity. [P.U.C. §170011(a)]

(eb) If a member of the Board is appointed to be a member as a result of holding another public office and that person no longer holds that other public office, then that person shall no longer serve on the Board and a vacancy shall exist. [P.U.C. §170011(b)]

(cd) Any vacancy in the office of a member of the Board shall be filled promptly pursuant to Government Code §1779¹. Any person appointed to fill a vacant office shall serve the balance of the unexpired term. [P.U.C. §§170011(c), (d)]

(4) Compensation.

(a) The Board may provide, by ordinance or resolution, that each of its members may receive compensation in an amount not to exceed two hundred dollars (\$200) for each day of service. A member of the Board shall not receive compensation for more than eight days of service a month. A member of the Board shall not receive compensation for being present at more than one meeting, hearing, event, or training program on each day of service. A Board member must be present for at least half (50%) of the time set for the meeting, or for the duration of the meeting, whichever is less, in order to be eligible for compensation.

(b) By a two-thirds vote of the majority, the Board may, by ordinance or resolution, modify the amount of compensation provided pursuant to subdivision (a).

(c) The Board, by ordinance or resolution, may provide for the Chair to receive an amount, not to exceed five hundred dollars (\$500) a month, in addition to all other compensation provided pursuant to this section.

(d) The Board may provide, by ordinance or resolution, that its members may receive their actual and necessary traveling and incidental expenses incurred while on official business. Reimbursement of these expenses is subject to Article 2.3 (commencing with §53232) of Chapter 2 of Part 1 of Division 2 of Title 5 of the Government Code, except that the provisions of this section as specified in P.U.C. 170017(d) shall prevail over the provisions of §53232.1 of the Government Code to the extent of any conflict.

(e) The members of the Board shall not receive any benefits pursuant to Chapter 2 (commencing with §53200) of Part 1 of Division 2 of Title 5 of the Government Code. This subsection does not prohibit a member of the Board from electing to participate in a plan of health and welfare benefits if the costs of those benefits are paid by ~~the b~~such member of the Board member and the Authority incurs no expense other than those expenses associated with processing the application of ~~suchthe b~~Board member seeking the benefits.

(f) A member of the Board may waive any or all of the payments permitted by the Act or by this Policy.

(g) For the purposes of this section, a "day of service" means any of the following:

¹ **Government Code §1779.** "A vacancy on any appointed governing board of a special district shall be filled by the appointing authority within 90 days immediately subsequent to its occurrence. If no action is taken for a period of 90 days immediately subsequent to a vacancy on such a board, the board of supervisors of the county in which the larger portion of the district is located shall have authority to fill the vacancy by appointment."

(i) A meeting of the Authority or an Authority committee conducted pursuant to the Ralph M. Brown Act (Gov. Code §54950 *et seq.*).

(ii) Representation of the Authority at a public event, provided that the Board has previously approved the member's representation at a Board meeting and that the member delivers a written report to the Board regarding the member's representation at the next Board meeting following the public event.

(iii) Representation of the Authority at a public meeting or a public hearing conducted by another public agency, provided that the Board has previously approved the member's representation at a Board meeting and that the member delivers a written report to the Board regarding the member's representation at the next Board meeting following the public meeting or public hearing.

(iv) Representation of the Authority at a meeting of a public benefit nonprofit corporation on whose board the Authority has membership, provided that the Board has previously approved the member's representation at a Board meeting and the member delivers a written report to the Board regarding the member's representation at the next Board meeting following the corporation's meeting.

(v) Participation in a training program on a topic that is directly related to the Authority, provided that the Board has previously approved the member's participation at a Board meeting, and that the member delivers a written report to the Board regarding the member's participation at the next board of directors' meeting following the training program.

(vi) Representation of the Authority at an official meeting, if the Board has previously approved the member's representation at a meeting of the Board and the member delivers a written report to the Board regarding the member's representation at the next meeting of the Board. [P.U.C. §170017 (a)-(g)]

(5) Board Officers - Appointment of Chair and Election of Other Officers and Executive Committee.

(a) The officers of the Board are a Chair and Vice Chair and those additional officers created by the Board pursuant to subdivision (d), below. The Chair shall preside over meetings of the Board and the Vice Chair shall serve during the Chair's absence or inability to serve. [P.U.C. §170012(b)]

(b) The Mayor of the City of San Diego shall appoint the Chair of the Board from among the members of the Board. [P.U.C. §170010(d) and 170012(a)]

(c) At the first meeting of the Board on or after the first Monday in February of each even-numbered year, the Board shall meet and elect its officers, except for the Chair of the Board, who shall be appointed by the Mayor of the City of San Diego. [P.U.C. §170010(a) and 170012(a)]

(d) The Board may create additional offices and elect members to those offices, provided that no member of the Board shall hold more than one office. [P.U.C. §170012(c)]

(6) Appointment of Authority Officers.

(a) The Board shall appoint the following officers of the Authority:

- (i) President/Chief Executive Officer (“**President/CEO**”);
- (ii) General Counsel; and
- (iii) Auditor.

(b) The President/CEO shall be responsible for all of the following:

(i) The implementation of the policies established by the Board for the operation of the Authority.

(ii) The appointment, supervision, discipline, and dismissal of the Authority's other employees, including the ~~deputy chief executive officer~~^[RSP7], consistent with the employee relations system established by the Board.

(iii) The supervision of the Authority's facilities and services.

(iv) The supervision of the Authority's finances.

(c) When vacancies occur due to resignations, retirements, or from incapacitating events, the Board may select an interim replacement for the President/CEO, the General Counsel or Auditor. The Executive Committee is authorized to make an emergency appointment of the position for the period prior to the Board meeting.

(7) Executive Committee and Board Officers.

(a) Executive Committee. The Authority shall have a three-person 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 a sub-regional jurisdiction (the east county cities, south county cities, north county inland cities, or north county coastal cities). [P.U.C. §170013(d)]. The Executive Committee shall be comprised of the following Board officers: the Mayor-appointed Chair, a Board-elected Vice Chair, and a Board-elected third Board member serving as a Board officer.

(b) Board Officers. The Mayor-appointed Chair will serve as a Board officer. The Board’s Vice Chair shall be elected following the appointment of the Chair and must be a representative from a defined jurisdiction not represented by the Chair. Thereafter, a third Board member shall be elected as a Board officer who must be from the defined jurisdiction not represented by the two other Executive Committee members/Board officers. [P.U.C. §170010(d) and §170012]

(c) Terms. Except for the Chair, who is appointed by the Mayor of San Diego, the appointment (election) of the Board officers shall occur at the first meeting of the board on or after February 1 of each even-numbered years, to be seated immediately upon appointment. [P.U.C. §170010(d) and §170012(a)]

(d) Rotation of Member. The Board shall ensure that the Executive Committee member representing the sub-regional city jurisdiction shall rotate among said jurisdictions.

(e) Role of Executive Committee. The Executive Committee is responsible for overseeing the implementation of the administrative policy of the Authority. The Executive Committee members may not be included in the direct operation of the facilities and airports under the jurisdiction of the Authority, nor may they be included in the chain of command for purposes of emergency procedures. The Executive Committee shall conduct monthly meetings with the President/Chief Executive Officer and his or her staff to review the operations of the Authority. Any policy recommendations from the Executive Committee shall be forwarded to the Board for consideration at a public meeting of the Board.

(8) In the event of any inconsistency between this Policy and the Act, the provisions of the Act will govern.

[Amended by Resolution No. 2013-0132 dated December 12, 2013.]

[Amended by Resolution No. 2008-0029 dated March 6, 2008.]

[Amended by Resolution No. 2005-0094 dated July 7, 2005.]

[Amended by Resolution No. 2005-0088 dated July 7, 2005.]

[Amended by Resolution No. 03-005R dated February 6, 2003.]

[Adopted by Resolution No. 2002-02 dated September 20, 2002.]

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

- ARTICLE 1 - ADMINISTRATION AND GOVERNANCE
PART 1.3 - BOARD AND COMMITTEE MEETINGS
SECTION 1.33 - PUBLIC PARTICIPATION IN MEETINGS OF THE BOARD OF DIRECTORS, AIRPORT LAND USE COMMISSION AND STANDING COMMITTEES OF THE BOARD AND CITIZEN COMMITTEES
-

PURPOSE: To establish a policy for public participation during meetings of the Board of Directors (the “**Board**”), Airport Land Use Commission (“**CommissionALUC**”), and standing committees of the Board and Citizen Committees^[SR1] (“**Committees**”) of the San Diego County Regional Airport Authority (“**Authority**”).

POLICY STATEMENT:

- (1) The public may participate in all public (open) sessions of the Board, ALUCommission, and Committees subject to the provisions of this policy.
- (2) No person may address the Board, ALUCommission, or Committees without the permission of the Chair of the Board (the “**Chair**”).
- (3) Persons wishing to address the Board, ALUCommission, or Committees must submit a “Request to Speak” form in person to the Authority Clerk (“**Clerk**”).
- (4) The “Request to Speak” form may be submitted to the Clerk at any time following the start of the meeting, but must be submitted prior to the initiation of the portion of the agenda containing the item to be addressed (e.g., Public Comment, Consent Agenda and General Items). Failure to complete a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
- (5) The Public Comment Section on the agenda is reserved for persons wishing to address the Board 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. ~~This comment period shall be limited to eighteen (18) minutes, with three (3) minutes allowed for each speaker^[LA2]. A second Public Comment period shall be reserved for general public comment later in the meeting for those who could not be heard during the first Public Comment period.~~
- (6) Persons wishing to speak on specific agenda items should reserve their comments until the specific item is taken up by the Board. ~~The total amount of time allowed for public comment on specific items listed on the agenda shall be limited to twenty (20) minutes each. Ten (10) minutes of the total 20 minute period allowed for public comment shall be reserved for persons/groups/applicants in support and ten (10) minutes for persons/groups/applicants in opposition of an item. Each individual speaker shall be allowed up to three (3) minutes and applicants, groups and/or referring jurisdictions shall be allowed up to five (5) minutes.^[A3]~~
- (7) If many persons have indicated a desire to address the Board on the same issue, then the Chair shall suggest that these persons consolidate their respective testimonies. Testimony by

POLICY SECTION NO. 1.33

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.

(8) Groups shall be defined as any organization which has at least five (5) members, ~~and adopted bylaws, and -The group must meet~~s regularly (at least semi-annually); ~~†~~The speaker ~~for the group~~ must have been voted on by the majority of the group to represent them; ~~and~~ have minutes of their meetings; and have previously registered with the Authority as a recognized group.

(9) Applicants shall be defined as any person-(s) or agency-(ies) that has ~~(ve)~~ a project which requires a consistency determination by the ~~ALUC Airport Land Use Commission~~.

(10) After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, Commission, or Committee without first obtaining permission from the Chair to do so.

(11) The Chair, ~~with the consent of a majority of the Board, Commission, or Committee present,~~ may extend or reduce the amount of time given to individual speakers, applicants, groups and referring jurisdictions or suspend the requirements of this policy.

(12) This policy shall apply to the conduct of meetings of the Board, ~~ALUC, Airport Land Use Commission~~ and all ~~standing e~~Committees created by the Board.

[Amended by Resolution No. 2007-0088 dated September 6, 2007.]

[Amended by Resolution No. 2006-0001 dated January 5, 2006.]

[Adopted by Resolution No. 2002-02 dated September 20, 2002.]

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

ARTICLE 1 - ADMINISTRATION AND GOVERNANCE
PART 1.4 - AUTHORITY POSITIONS
SECTION 1.40 - POWERS AND FUNCTIONS OF THE PRESIDENT/CHIEF EXECUTIVE OFFICER

PURPOSE: To delineate the powers and functions of the President/Chief Executive Officer (~~the~~ “President/CEO”) of the San Diego County Regional Airport Authority (~~the~~ “Authority”).

POLICY STATEMENT:

- (1) The President/CEO shall have the powers and functions:
 - (a) set forth in the San Diego County Regional Airport Authority Act, Sections 170000 *et seq.* of the California Public Utilities Code, as amended from time to time;
 - (b) established in the policies and codes promulgated by the Authority’s Board of Directors from time to time; and
 - (c) that are necessary for the administration, management and operations of the facilities and airports under the jurisdiction of the Authority, including, without limitation, the San Diego International Airport.
- (2) The President/CEO shall appoint all officers and employees of the Authority, other than the Authority’s General Counsel and Auditor, and shall oversee the personnel performance standards of such officers and employees.

~~(3) Whenever a power is conferred granted to, or a duty is imposed upon the President/CEO by the provisions of this Policy, such power or duty may be exercised or performed by such person as the President/CEO may designate.~~^[A1]

~~(3) The Deputy Executive Director, if appointed, shall (a) serve as the President/CEO during his or her absence and (b) exercise the powers conferred upon the President/CEO in accordance with this policy.~~^[A2]

[Amended by Resolution No. 2008-0029 dated March 6, 2008.]
[Adopted by Resolution No. 2002-02 dated September 20, 2002.]

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

- ARTICLE 1 - ADMINISTRATION AND GOVERNANCE
PART 1.4 - AUTHORITY POSITIONS
SECTION 1.41 - POWERS AND FUNCTIONS OF THE GENERAL COUNSEL
-

PURPOSE: To ~~delineate the~~ establish a policy ~~on governing~~ the exercise of powers and functions of the general counsel (~~the~~ “General Counsel”) for the San Diego County Regional Airport Authority (~~the~~ “Authority”).

POLICY STATEMENT:

(1) The General Counsel shall be directly responsible to the Authority’s Board of Directors (“Board”).

(2) The General Counsel shall furnish the Board, the Authority’s President/CEO, ~~and the Authority’s Auditor, and Authority staff~~ and ~~certain staff~~^[SR1] ~~designated by the President/CEO~~ with all legal assistance necessary for the performance of their respective duties as prescribed under the San Diego County Regional Airport Authority Act, §§170000 *et seq.* of the California Public Utilities Code, as amended from time to time, and under any policies and codes adopted by the Board.

(3) The General Counsel shall approve, as ~~to their~~ to legality:

~~(a), a~~ All ordinances, ordinances, resolutions, leases, contracts, policies, and codes and other documents prior to ~~their~~ submission to the Board for action;

(b) All leases, contracts, and other documents prior to execution; and

(c) Any amendments to such documents described above.

If such documentation will not be submitted to the Board, then the General Counsel shall approve as to legality prior to execution by the Authority. [A2]

(4) The General Counsel shall be responsible for the conduct of all cases and proceedings involving the Authority before all courts, tribunals and administrative agencies; provided, however, that appropriate Authority personnel may be authorized by the President/CEO or the Board to appear before administrative agencies in connection with specialized matters not involving legal issues or requiring legal counsel.

(5) When in the opinion of the General Counsel it is desirable to retain outside legal counsel in connection with the Authority's legal matters, the General Counsel shall make such recommendation to the Board together with recommendations as to attorneys to be retained. The Board shall make the final determination as to the Authority's retention of outside legal counsel, and the specific counsel to be retained. The initial terms of engagement for such legal counsel shall be approved by resolution of the Board. Any subsequent amendments shall be subject to Policy 5.01.

(6) The General Counsel shall be subject to any and all policies and codes that relate to Authority employees.

(7) The General Counsel shall keep the Board and ~~certain staff designated by the~~ President/CEO or his or her designee(s) informed on any legislation or other legal matters that may affect the Authority.

(8) The General Counsel shall have the authority to negotiate and settle or compromise any claims, causes of actions, suits, liens, costs, damages or liabilities (~~"Claim"~~) against the Authority ("Claim") where:

(a) The General Counsel believes settlement or compromise of the Claim is in the best interest of the Authority;

(b) The amount of the Authority's obligation to settle or compromise the Claim is ~~Ten Thousand Dollars (\$10,000);~~ Twenty-five Thousand Dollars (\$25,000) or less; and

(c) The President/CEO approves, in writing, the General Counsel's recommendation to settle or compromise the Claim.

(9) The General Counsel shall have the authority to negotiate and settle or compromise any claims, causes of actions, suits, claims, or liens; (~~"Actions"~~) brought by the Authority ("Action") where:

(a) The General Counsel believes settlement or compromise of the Action is in the best interest of the Authority;

(b) The amount the Authority is to receive through the settlement or compromise ~~is does not exceed Ten Thousand Dollars (\$10,000);~~ Twenty-five Thousand Dollars (\$25,000) or less; and

(c) The President/CEO approves, in writing, the General Counsel's recommendation to settle or compromise the Action; ~~and~~

(10) The General Counsel shall have the authority to negotiate and settle any Actions where the Authority is fully compensated for all known damages without prior Board approval[A3].

~~(110.)~~ The General Counsel shall report all settled/compromised Claims and/or Actions to the Board ~~at a meeting of the Board.~~

POLICY SECTION NO. 1.41

[Amended by Resolution No. 2010-0038 dated April 1, 2010.]

[Amended by Resolution No. 2008-0088 dated July 10, 2008.]

[Adopted by Resolution No. 2002-02 dated September 20, 2002.]

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

ARTICLE 1	ADMINISTRATION AND GOVERNANCE
PART 1.6	<u>LEGISLATIVE ADVOCACY PROGRAM</u> INTER-GOVERNMENTAL RELATIONS
SECTION 1.60	LEGISLATIVE ADVOCACY PROGRAM

PURPOSE: To establish a policy governing the procedures relating to advocating on ~~the~~ behalf of the San Diego County Regional Airport Authority (~~the~~ “**Authority**”) on federal, state and local legislative matters.

POLICY STATEMENT:

- (1) Under the direction of the ~~Authority~~ Board of Directors (“**Board**”) of the Authority, the Authority operates ~~the~~ San Diego International Airport, plans for necessary improvements to the regional air transportation system in San Diego County, and serves as the responsible agency for airport land use planning within the County.
- (2) It is important for the Authority to protect the airport and its planning functions by promoting public policies ~~that are~~ consistent with the Authority’s mandates and objectives.
- (3) The ~~Authority~~ Board may direct staff to monitor and advocate on its behalf in support of or opposition to existing or proposed legislative actions that are either beneficial or harmful to the interests of the Authority.
- (4) The ~~Authority~~ Board may direct staff to utilize advocates in Sacramento and Washington, D.C. to assist the Authority ~~to in~~ identifying legislative issues of interest, advocate in support of or opposition to specific policy matters, and obtain grants and other funding from the state and federal governments.
- (5) It is vital that the ~~Authority~~ Board establish well-defined legislative policy goals and positions in order for Authority staff and its legislative advocates to carry out the public policy objectives of the Board. The following actions will be taken to ensure this occurs:
 - (a) The ~~Authority~~ Board shall adopt a legislative agenda to include general legislative guidelines and specific goals. Such an agenda will serve as the foundation of the Authority’s legislative advocacy program.

~~(b)~~ The Authority Board shall receive, ~~a from Authority staff,~~ a legislative report on a monthly basis. ~~at the Board's first monthly regular meeting of each month. At such time, the Board shall give direction to Authority staff on pending legislation.~~

~~(e)(b)~~ ~~The Authority Board~~ In directing Authority staff, ~~the 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.

~~(d)(c)~~ In cases where fast moving legislation requires immediate response prior to an Authority Board meeting, Authority staff, in consultation with the Authority Board Chairperson, Vice Chairperson, or Chair's person's designee, ~~will be~~ authorized to advocate a position provided that staff has determined that such action is consistent with the Board's approved ~~general~~ legislative agenda. Such ~~staff~~ staff-initiated positions shall be brought to the Board ~~at the Board's next scheduled meeting as part of the legislative report at the Board's next regular meeting.~~

~~(e)~~ Authority staff and the Authority's legislative advocates shall follow the Board's approved legislative agenda and specific positions to guide any actions taken on behalf of the Authority concerning legislative matters. These actions may include, but are not limited to the following:

Written correspondence to federal, state, or local elected or appointed officials

(i) ~~Transmitting written correspondence to federal, state, or local elected or appointed officials that~~ communicates the Authority's position on legislation;

~~(2)~~ ~~a~~ Advocating the Authority's policy positions before governmental ~~(iii)(ii)~~ bodies and other decision-making bodies; ~~and~~.

~~(iv)(iii)(3)~~ ~~m~~ Meeting with federal, state, or local elected officials or their staff to discuss the Authority's positions and concerns.

ARTICLE 3

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

- ARTICLE 3 - PERSONNEL**
PART 3.0 - PERSONNEL AND EMPLOYMENT MATTERS
SECTION 3.01 - HUMAN RESOURCES SYSTEM TO GOVERN PERSONNEL AND EMPLOYMENT MATTERS
-

PURPOSE: To establish a [policy outlining the](#) human resources system for the San Diego County Regional Airport Authority (~~the~~ “**Authority**”) governing personnel and employment matters for all officers and employees appointed by the Authority’s ~~Executive Director (the~~ “**Executive Director**”). [President/Chief Executive Officer \(“President/CEO”\)](#).

POLICY STATEMENT:

The following provisions shall conform with all applicable federal and state laws:

(1) To ensure that the Authority shall have the ability to carry out its mission and operations to provide continuing public services, the [Authority’s President/CEO](#) shall retain the sole and exclusive right, responsibility and authority to manage the Authority’s functions and services and the work force performing these services including, but not limited to, the following rights:

(a) To determine: the standards and levels of services to be rendered; operations to be performed; utilization of technology, equipment and facilities; location, means and method of operations; [Budget management within Board approved overall budgetary matters, rspi, where authorized by the Board, including parameters including](#), but not limited to, the right to contract or subcontract any work, services or operations of any department consistent with law;

(b) To direct and manage the employees of the Authority’s departments; to determine the appropriate number, qualifications, ~~and~~ job classifications [and descriptions](#), organizational structure and levels of personnel required; to determine the size and composition of all departments and to establish work schedules and assignments;

(c) To establish performance standards for employees and to require compliance therewith;

(d) To take whatever actions may be necessary to carry out the mission and operations of the Authority and its departments in situations of disaster or emergency; and

(e) To implement policies, codes, [standards](#) and [procedures guidelines](#) consistent with applicable law.

(2) To foster an employment environment based on performance excellence and high achievement, where all employees in positions that meet standards for exemption from the provisions of the federal Fair Labor Standards Act, as determined by the Authority, shall be “At Will” employees and shall hold their positions at the pleasure of the ~~Executive Director~~ President/CEO. ~~In addition, all other positions shall may also be “At Will” employees and constitute the Authority’s non-exempt/hourly classified service and employees in such positions shall be appointed, promoted, disciplined, demoted and dismissed in accordance with established the policies, standards and procedures-guidelines. established for the classified non-exempt/hourly service;~~

(3) To promote and encourage diversity in its employment practices;

(4) To promote a positive labor relations environment, policies and ~~guidelines procedures~~ established to carry out the purposes of this policy shall not infringe upon any rights or benefits that members of employee organizations may enjoy pursuant to the terms and conditions of any applicable memorandum of ~~agreement/understanding~~ negotiated by the Authority ~~or existing classified service~~ subject to the provisions of this policy and applicable federal and state laws; and

(5) To establish the Authority’s salary and benefit plans for officers and employees which shall be subject to budgetary approval by the Board. The ~~Executive Director~~ President/CEO is responsible for administering salaries and benefits for individual officers and employees appointed by the ~~Executive Director~~ President/CEO.

(6) The Board authorizes the ~~Executive Director~~ President/CEO to: establish personnel policies, ~~standards~~ and ~~guidelines procedures~~ governing all personnel and employment matters subject to the provisions set forth above; ~~and~~ administer such personnel policies and ~~guidelines procedures~~ and Board-approved salary and benefit plans; ~~and settle personnel and employment disputes up to \$25,000 with the advice of the Authority’s General Counsel or his or her designee~~ [RSP2].

[Adopted by Resolution No. 2002-02 dated September 20, 2002.]
[Superseded by Resolution No. _____ dated _____.]

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

ARTICLE 3 - PERSONNEL

PART 3.0 - PERSONNEL AND EMPLOYMENT MATTERS

SECTION 3.02 - EMPLOYER-EMPLOYEE RELATIONS POLICY

PURPOSE: To ~~establish~~ ~~ahis~~ policy ~~is intended~~ to strengthen any existing or future merit and other methods of administering employer-employee relations through the establishment of uniform and orderly methods of communication among the San Diego County Regional Airport Authority (~~hereafter~~ “**Authority**”), its employees and employee organizations.

POLICY STATEMENT:

This policy provides procedures for the orderly administration of employer-employee relations between the Authority and its employee organizations, including procedures for meeting and conferring in good faith with Exclusively Recognized Employee Organizations (as defined below) regarding matters that directly affect the wages, hours and other terms and conditions of employment of employees in Appropriate Units (as defined below) and that are not preempted by federal or state law.

This policy implements Chapter 10, Division 4, Title 1 of the Government Code of the State of California (Sections 3500, et seq.) captioned “Local Public Employee Organizations.” However, nothing contained herein shall be deemed to supersede the provisions of state law, Authority ordinances, Policies, Codes and rules which establish and regulate any merit and/or other system, or which provide for other methods of administering employer-employee relations. Moreover, nothing contained herein shall be construed to restrict any legal or inherent exclusive Authority rights with respect to matters of general legislative or managerial Policy, which include, among others, the Authority’s exclusive right to: determine the mission of its constituent departments, commissions and boards; set standards of service; determine the procedures and standards of selection for employment; direct its employees; take disciplinary action in accordance with federal and state law and applicable Authority rules and regulations; relieve its employees from duty because of lack of work or for other lawful reasons; determine the content of job classifications; subcontract and/or transfer work out of the unit; maintain the efficiency of governmental operations; determine the methods, means and personnel by which government operations are to be conducted; take all necessary actions to carry out its mission in emergencies; and exercise complete control and discretion over its organization and the technology of performing its work. The rights set forth herein shall not abrogate or in any way supersede the duty to meet and confer as established by California Government Code section 3500, et seq.

(1) Definitions.

As used in this Policy, the following terms shall have the meanings indicated:

- (a) **“Appropriate Unit”** means a unit of employee classes or positions, established pursuant to Section 2.
- (b) **“Authority”** means the San Diego County Regional Airport Authority, and, where appropriate herein, refers to the Authority Board acting as such or any duly authorized Authority representative as herein defined.
- (c) **“Confidential Employee”** means an employee who, in the course of his or her duties, has access to confidential information relating to the Authority’s administration of employer-employee relations.
- (d) **“Consult/Consultation”** means to communicate orally or in writing with all affected employee organizations, whether exclusively recognized or not, for the purpose of presenting and obtaining views or advising of proposed actions in an effort to reach a consensus; and, as distinguished from meeting and conferring in good faith regarding matters within the required scope of such meet and confer process as established by statutory and decisional law, does not involve an exchange of proposals and counterproposals with an Exclusively Recognized Employee Organization in an endeavor to reach agreement in the form of a Memorandum of Understanding, nor is it subject to Section 4.
- (e) **“Day”** means calendar day unless expressly stated otherwise.
- (f) **“Employee Relations Officer”** means the ~~Executive Director/President and Chief Executive Officer~~ President/CEO or his/her duly authorized representative.
- (g) **“Exclusively Recognized Employee Organization”** means an employee organization that has been formally acknowledged by the Authority as the sole employee organization representing the employees in an Appropriate Unit pursuant to Section 2, having the exclusive right to meet and confer in good faith concerning statutorily required subjects pertaining to unit employees, and thereby assuming the corresponding obligation of fairly representing such employees.
- (h) **“Impasse”** means that the representatives of the Authority and an Exclusively Recognized Employee Organization have reached a point in their meeting and conferring in good faith where their differences on matters to be included in a Memorandum of Agreement/Understanding, and concerning which they are required to meet and confer, remain so substantial and prolonged that further meeting and conferring would be futile.
- (i) **“Management Employee”** means an employee having responsibility for formulating, administering or managing the implementation of Authority policies and programs.
- (j) **“Proof of Employee Support”** means (1) an authorization card recently signed and personally dated by an employee, or (2) a verified authorization petition or petitions recently

signed and personally dated by an employee, or (3) employee dues deduction authorization, using the payroll register for the period immediately prior to the date a petition is filed hereunder, except that dues deduction authorizations for more than one employee organization for the account of any one employee shall not be considered as Proof of Employee Support for any employee organization. If an authorization petition is submitted, the petition shall clearly indicate that employees desire to be represented by the employee organization for purposes of meeting and conferring on wages, hours and other terms and conditions of employment. The only authorization which shall be considered as Proof of Employee Support hereunder shall be the authorization last signed by an employee. The words “**recently signed**” shall mean within ninety (90) days prior to the filing of a petition.

(k) “**Supervisory Employee**” means any employee having authority, in the interest of the Authority, to hire, transfer, suspend, lay off, recall, promote, discharge, assign, reward, or discipline other employees, or responsibly to direct them, or to adjust their grievances, or effectively to recommend such action if, in connection with the foregoing, the exercise of such authority is not of a merely routine or clerical nature, but requires the use of independent and discretionary judgment.

(2) Representation Proceedings.

(a) Filing of Recognition Petition by Employee Organization.

An employee organization which seeks to be formally acknowledged as an Exclusively Recognized Employee Organization representing the employees in an Appropriate Unit shall file a petition (“**Recognition Petition**”) with the Employee Relations Officer containing the following information and documentation:

- (i) Name and address of the employee organization.
- (ii) Names and titles of its officers.
- (iii) Names of employee organization representatives who are authorized to speak on behalf of the organization.
- (iv) A statement that the employee organization has, as one of its primary purposes, the responsibility of representing employees in their employment relations with the Authority.
- (v) A statement whether the employee organization is a chapter of, or affiliated directly or indirectly in any manner, with a local, regional, state, national or international organization, and, if so, the name and address of each such other organization.
- (vi) Certified copies of the employee organization’s constitution and bylaws.
- (vii) A designation of those persons, not exceeding two in number, and their addresses, to whom notice sent by regular United States mail will be deemed sufficient notice on the employee organization for any purpose.

(viii) A statement that the employee organization has no restriction on membership based on race, color, religion, creed, sex, national origin, age, sexual orientation, mental or physical disability or medical condition.

(ix) The job classifications or position titles of employees in the unit claimed to be appropriate and the approximate number of employees therein.

(x) A statement that the employee organization has in its possession Proof of Employee Support as herein defined to establish that a minimum of thirty percent (30%) of the employees in the unit claimed to be appropriate have designated the employee organization to represent them in their employment relations with the Authority. Such written proof shall be submitted for confirmation to the Employee Relations Officer or to a mutually agreed upon disinterested third party.

If the Proof of Employee Support shows that a majority of the employees in the Appropriate Unit have designated the petitioning employee organization to represent them, and if no other employee organization filed a challenging petition, the petitioning employee organization and the Employee Relations Officer shall request the California State Mediation and Conciliation Service, or another agreed upon neutral third party, to review the count, form, accuracy and propriety of the Proof of Employee Support. If the neutral third party makes an affirmative determination, the Employee Relations Officer shall formally acknowledge the petitioning employee organization as the Exclusive Recognized Employee Organization for the designated unit.

(xi) A request that the Employee Relations Officer formally acknowledge the petitioner as the Exclusively Recognized Employee Organization representing the employees in the unit claimed to be appropriate for the purpose of meeting and conferring in good faith.

The Recognition Petition, including the Proof of Employee Support and all accompanying documentation, shall be declared to be true, correct and complete, under penalty of perjury, by the duly authorized officer(s) of the employee organization executing it.

(b) Authority Response to Recognition Petition.

Upon receipt of the Recognition Petition, the Employee Relations Officer shall determine whether:

(i) There has been compliance with the requirements of the Recognition Petition, and

(ii) The proposed representation unit is an Appropriate Unit in accordance with Section 2(f).

If an affirmative determination is made by the Employee Relations Officer on the foregoing two matters, he/she shall so inform the petitioning employee organization within fifteen (15) working days, shall give written notice of such request for recognition to the employees in the unit and shall take no action on said request for thirty (30) days thereafter. If

either of the foregoing matters are not affirmatively determined, the Employee Relations Officer shall notify within fifteen (15) working days and offer to Consult within ten (10) working days with, such petitioning employee organization and, if such determination thereafter remains unchanged, shall inform that organization of the reasons therefore in writing. The petitioning employee organization may appeal such determination in accordance with Section 2(i).

(c) Open Period for Filing Challenging Petition

Within thirty (30) days of the date written notice was given to affected employees that a valid recognition petition for an Appropriate Unit has been filed, any other employee organization may file a competing request to be formally acknowledged as the Exclusively Recognized Employee Organization of the employees in the same or in an overlapping unit (one which corresponds with respect to some, but not all the classifications or positions set forth in the recognition petition being challenged), by filing a petition evidencing Proof of Employee Support in the unit claimed to be appropriate of at least thirty (30) percent and otherwise in the same form and manner as set forth in Section 2(a). If such challenging petition seeks establishment of an overlapping unit, the Employee Relations Officer shall call for a hearing on such overlapping petitions for the purpose of ascertaining the more Appropriate Unit, at which time the petitioning employee organizations shall be heard. Thereafter, the Employee Relations Officer shall determine the Appropriate Unit or Units in accordance with the standards in Section 2(f). The petitioning employee organizations shall have fifteen (15) days from the date notice of such unit determination is communicated to them by the Employee Relations Officer to amend their petitions to conform to such determination or to appeal such determination pursuant to Section 2(i).

(d) Election Procedure.

The Employee Relations Officer shall arrange for a secret ballot election to be conducted by a party agreed to by the Employee Relations Officer and the concerned employee organization(s), in accordance with such party's rules and procedures subject to the provisions of this Policy. All employee organizations who have duly submitted petitions which have been determined to be in conformance with this Section 2 shall be included on the ballot. The ballot shall also reserve to employees the choice of representing themselves individually in their employment relations with the Authority. Employees entitled to vote in such election shall be those persons employed in regular permanent positions within the designated Appropriate Unit who were employed during the pay period immediately prior to the date which ended at least fifteen (15) days before the date the election commences, including those who did not work during such period because of illness, vacation or other authorized leaves of absence, and who are employed by the Authority in the same unit on the date of the election. An employee organization shall be formally acknowledged as the Exclusively Recognized Employee Organization for the designated Appropriate Unit following an election or run off election if it received a numerical majority of all valid votes cast in the election. In an election involving three or more choices, where none of the choices receives a majority of the valid votes cast, a run off election shall be conducted between the two choices receiving the largest number of valid votes cast; the rules governing an initial election are applicable to a run off election.

There shall be no more than one valid election under this Policy pursuant to any petition in a 12-month period affecting the same unit.

In the event that the parties are unable to agree on a third party to conduct an election, the election shall be conducted by the California State Mediation and Conciliation Service.

Costs of conducting elections shall be borne in equal shares by the Authority and by each employee organization appearing on the ballot.

(e) Procedure for Decertification of Exclusively Recognized Employee Organization.

A decertification petition (“**Decertification Petition**”) alleging that the incumbent Exclusively Recognized Employee Organization no longer represents a majority of the employees in an established Appropriate Unit may be filed with the Employee Relations Officer at any time following the first full year of recognition, provided however, that if a Memorandum of Understanding is in effect for less than a three-year period of time, then a decertification petition may only be filed during the thirty (30) day period commencing one hundred twenty (120) days prior to the termination date of the Memorandum of Understanding then having been in effect less than three (3) years. (If the Memorandum of Understanding is in effect for a time period greater than three (3) years, then the Decertification Petition may also be filed at any time following the expiration of the three-year period.) A Decertification Petition may be filed by two or more employees or their representative, or an employee organization, and shall contain the following information and documentation declared by the duly authorized signatory under penalty of perjury to be true, correct and complete:

(i) The name, address and telephone number of the petitioner and a designated representative authorized to receive notices or requests for further information.

(ii) The name of the established Appropriate Unit and of the incumbent Exclusively Recognized Employee Organization sought to be decertified as a representative of that unit.

(iii) An allegation that the incumbent Exclusively Recognized Employee Organization no longer represents a majority of the employees in the Appropriate Unit, and any other relevant and material facts relating thereto.

(iv) Proof of Employee Support that at least thirty (30) percent of the employees in the established Appropriate Unit no longer desire to be represented by the incumbent Exclusively Recognized Employee Organization. Such proof shall be submitted for confirmation to the Employee Relations Officer or to a mutually agreed upon disinterested third party within the time limits specified in the first paragraph of this Section.

(v) An employee organization may, in satisfaction of the Decertification Petition requirements hereunder, file a Petition under this Section in the form of a Recognition Petition that evidences Proof of Employee Support of at least thirty (30) percent, that includes the allegation and information required under Section 2(e), and otherwise conforms to the requirements of Section 2(a).

The Employee Relations Officer shall initially determine whether the Recognition Petition has been filed in compliance with the applicable provisions of this Section 2. If his/her determination is in the negative, he/she shall offer to Consult thereon with the representative(s) of such Petitioning employees or employee organization and, if such determination thereafter remains unchanged, shall return such Petition to the employees or employee organization with a statement of the reasons therefore in writing. The petitioning employees or employee organization may appeal such determination in accordance with Section 2(i). If the determination of the Employee Relations Officer is in the affirmative, or if his negative determination is reversed on appeal, he/she shall give written notice of such Decertification or Recognition Petition to the incumbent Exclusively Recognized Employee Organization and to unit employees.

The Employee Relations Officer shall thereupon arrange for a secret ballot election to be held on or about fifteen (15) days after such notice to determine the wishes of unit employees as to the question of decertification and, if a Recognition Petition was duly filed hereunder, the question of representation. Such election shall be conducted in conformance with Section 2(d).

If, pursuant to Section 2(e), a different employee organization is formally acknowledged as the Exclusively Recognized Employee Organization, such organization shall be bound by all the terms and conditions of any Memorandum of Understanding then in effect for its remaining term.

(f) Policy and Standards for Determination of Appropriate Units.

The Policy objectives in determining the appropriateness of units shall be the effect of a proposed unit on (1) the efficient operations of the Authority and its compatibility with the primary responsibility of the Authority and its employees to effectively and economically serve the public, and (2) providing employees with effective representation based on recognized community of interest considerations. These Policy objectives require that the Appropriate Unit shall be the broadest feasible grouping of positions that share an identifiable community of interest. Factors to be considered shall be:

- (i) Similarity of the general kinds of work performed, types of qualifications required, and the general working conditions.
- (ii) History of representation in the Authority and similar employment; except however, that no unit shall be deemed to be an Appropriate Unit solely on the basis of the extent to which employees in the proposed unit have organized.
- (iii) Consistency with the organizational patterns of the Authority.
- (iv) Number of employees and classifications, and the effect on the administration of employer-employee relations created by the fragmentation of classifications and proliferation of units.
- (v) Effect on the classification structure and impact on the stability of the employer-employee relationship of dividing a single or related classifications among two or more units.

- (vi) Effect of differing legally mandated impasse Policy procedures.

Notwithstanding the foregoing provisions of this Section, managerial, supervisory and confidential responsibilities, as defined in Section 1, are determining factors in establishing Appropriate Units hereunder, and therefore Management, Supervisory and Confidential Employees may only be included in a unit consisting solely of Management, Supervisory or Confidential Employees, respectively. Management, Supervisory and Confidential Employees may not represent any employee organization which represents other employees.

The Employee Relations Officer shall, after notice and Consultation with affected employee organizations, allocate new classifications or positions, delete eliminated classifications or positions, and retain, reallocate or delete modified classifications or positions from units in accordance with the provisions of this Section. The decision of the Employee Relations Officer shall be final to the extent the decision withstands any appeals pursuant to (Section 2(i)) herein.

- (g) Procedure for Modification of Established Appropriate Units.

Requests by employee organizations for modifications of established Appropriate Units may be considered by the Employee Relations Officer where appropriate. Such requests shall be submitted in the form of a Unit Modification Petition that shall meet the requirements set forth in Section 2(a), and shall also contain a complete statement of all relevant facts and citations in support of the proposed modified unit in terms of the policies and standards set forth in Section 2(f). The Employee Relations Officer shall process and determine the Unit Modification Petition in accordance with Section 2(b). The Employee Relations Officer's determination may be appealed as provided in Section 2(i).

The Employee Relations Officer may propose that an established unit be modified. The Employee Relations Officer shall give written notice of the proposed modification(s) to any affected employee organization and shall hold a meeting concerning the proposed modification(s), at which time all affected employee organizations shall be heard. Thereafter, the Employee Relations Officer shall determine the composition of the Appropriate Unit or Units in accordance with Section 2(f), and shall give written notice of such determination to the affected employee organizations. The Employee Relations Officer's determination may be appealed as provided in Section (2)(i). If a unit is modified pursuant to the motion of the Employee Relations Officer hereunder, employee organizations may thereafter file Recognition Petitions seeking to become the Exclusively Recognized Employee Organization for any new classification(s) pursuant to Section 2(a).

- (h) Procedure for Processing Severance Requests.

An employee organization may file a request to become the recognized employee organization of a unit alleged to be appropriate that consists of a group of employees who are already a part of a larger established unit represented by another recognized employee organization. The timing, form and processing of such request shall be as specified in Section 2(g) for modification requests.

(i) Appeals.

An employee organization aggrieved by a determination of the Employee Relations Officer regarding a Recognition Petition (Section 2(a)), Challenging Petition (Section 2(c)), Procedure for Decertification (Section 2(e)), Policy and Standards for Determination of Appropriate Units (Section 2(f)), Procedure for Modification (Section 2(g)), or Procedure for Processing Severance (Section 2(h)) may, within ten (10) days of notice thereof, submit the matter to mediation by requesting the intervention of the California State Mediation and Conciliation Service or may, in lieu thereof or thereafter, appeal such determination to the Authority Board for final decision within fifteen (15) days of notice of the Employee Relations Officer's determination or the termination of mediation, whichever is later.

If a group of employees has filed a Decertification Petition and they are aggrieved by a determination of the Employee Relations Officer regarding the processing of such petition, the employees may use the appeal process outlined above.

Appeals to the Authority Board shall be filed in writing with the ~~Executive Director/President and Chief Executive Officer~~ President/CEO, and a copy thereof served on the Employee Relations Officer. The Authority Board shall commence to consider the matter within thirty (30) days of the filing of the appeal or such later time as is practicable. The Authority Board may, in its discretion, refer the dispute to a third-party hearing process. Any decision of the Authority Board on the use of such procedure, and/or any decision of the Authority Board determining the substance of the dispute shall be final and binding.

(3) Administration.

(a) Submission of Current Information by Recognized Employee Organizations.

All changes in the information filed with the Authority by an Exclusively Recognized Employee Organization under items (i) through (viii) of its Recognition Petition under Section 2(a) shall be submitted in writing to the Employee Relations Officer within fourteen (14) days of such change.

(b) Employee Organization Activities — Use of Authority Resources.

Access to Authority work locations and the use of Authority paid time, facilities, equipment and other resources by employee organizations and those representing them shall be authorized only to the extent provided for in Memoranda of Agreement/Understanding and/or administrative procedures, shall be limited to lawful activities consistent with the provisions of this Policy that pertain directly to the employer-employee relationship and not such internal employee organization business as soliciting membership, campaigning for office, and organization meetings and elections, and shall not interfere with the efficiency, safety and security of Authority operations.

(c) Administrative Rules and Procedures.

The ~~Executive Director/President and Chief Executive Officer~~ President/CEO is hereby authorized to establish such rules and procedures as appropriate to implement and administer the provisions of this Policy after Consultation with affected employee organizations.

(4) Impasse Procedures.

(a) Initiation of Impasse Procedures.

If the meet and confer process has reached Impasse as defined in Section 2 of this Policy, either party may initiate the impasse procedures by filing with the other party a written request for an impasse meeting, together with a statement of its position on all issues. An impasse meeting shall then be scheduled promptly by the Employee Relations Officer. The purpose of such meeting shall be:

(i) To review the position of the parties in a final effort to reach agreement on a memorandum of understanding; and

(ii) If the Impasse is not resolved, to discuss arrangements for the utilization of the impasse procedures provided herein.

(b) Specific Impasse Procedures.

Impasse procedures are as follows:

(i) If the parties agree to submit the dispute to mediation, and agree on the selection of a mediator, the dispute shall be submitted to mediation. All mediation proceedings shall be private. The mediator shall make no public recommendation, nor take any public position at any time concerning the issues.

(ii) If the parties fail to agree to submit the dispute to mediation or fail to agree on the selection of a mediator, or fail to resolve the dispute through mediation within fifteen (15) days after the mediator commenced meeting with the parties, the parties may agree to submit the Impasse to fact-finding.

If the parties agree on fact-finding, they may agree on the appointment of one or more fact-finders. If they fail to so agree on one or more fact-finders, a fact-finding panel of three (3) shall be appointed in the following manner: One member of the panel shall be appointed by the Employee Relations Officer, one member shall be appointed by the Exclusively Recognized Employee Organization, and those two shall name a third, who shall be the chairperson. If they are unable to agree upon a third, they shall select by agreement the third member from one or more lists of seven (7) names of individuals having fact-finding experience in the municipal sector to be provided by the California State Mediation and Conciliation Service.

The following constitute the jurisdictional and procedural requirements for fact-finding:

(i) The fact-finders shall consider and be guided by applicable federal and state laws (and Charter provisions).

(ii) Subject to the stipulations of the parties, the fact-finders shall determine and apply the following measures and criteria in arriving at their findings and recommendations:

(A) First, as relevant to the issues in dispute, the fact-finders shall compare the total compensation, hours and conditions of employment of the employees involved in the fact-finding proceeding with the total compensation, hours and conditions of employment of other employees performing similar services in public and private employment in the same and comparable communities. “**Total compensation**” shall mean all wage compensation, including but not limited to premium, incentive, minimum, standby, out-of-class and deferred pay; all paid leave time; all allowances, including but not limited to educational and uniform benefits; and employer payments for all health, welfare and pension benefits.

(B) The fact-finders shall then adjust the results of the above comparisons based on the following factors:

(1) The compensation necessary to recruit and retain qualified personnel.

(2) Maintaining compensation relationships between job classifications and positions within the Authority.

(3) The pattern of change that has occurred in the total compensation of the employees in the unit at Impasse as compared to the pattern of change in the average “consumer price index” for goods and services, and the pattern of change in wages and compensation of other wage earners.

- The fact-finder(s) shall then determine preliminary recommendations based on the comparisons as adjusted above which, however, shall be reduced as appropriate based on the financial resources of the Authority to implement them. In assessing the Authority’s financial resources, the fact-finder(s) shall be bound by the following:

(i) Other legislatively determined and projected demands on agency resources, i.e., budgetary priorities as established by the governing body; and

(ii) Allowance for equitable compensation increases for other employees and employee groups for the corresponding fiscal period(s); and

(iii) Revenue projections not to exceed currently authorized tax and fee rates for the relevant fiscal year(s); and

(iv) Assurance of sufficient and sound budgetary reserves; and

- (v) Constitutional, statutory (and charter) limitations on the level and use of revenues and expenditures.
- The fact-finders shall make written findings of fact, and advisory recommendations for the Policy of the issues in dispute, which shall be presented in terms of the criteria, adjustments, and limitations specified above. Any member of a fact-finding panel shall be accorded the right to file dissenting written findings of fact and recommendations. The fact-finder or chairperson of the fact-finding panel shall serve such findings and recommendations on the Employee Relations Officer and the designated representative of the Exclusively Recognized Employee Organization. If these parties have not resolved the impasse within ten (10) days after service of the findings and recommendations upon them, the fact-finder or the chairperson of the fact-finding panel shall make them public by submitting them to the ~~Executive Director~~ ~~President/CEO~~ for consideration by the Authority Board in connection with the Board's legislative consideration of the Impasse.

If the parties did not agree on mediation or the selection of a mediator and did not agree on fact-finding, or having so agreed, the Impasse has not been resolved, then the Authority Board may take such action regarding the Impasse as it in its discretion deems appropriate as in the public interest. Any legislative action by the Authority Board on the Impasse shall be final and binding.

(c) Costs of Impasse Procedures.

The cost for the services of a mediator and fact-finder or chairperson of a fact-finding panel utilized by the parties, and other mutually incurred costs of mediation and fact-finding, shall be borne equally by the Authority and Exclusively Recognized Employee Organization. The cost for a fact-finding panel member selected by each party, and other separately incurred costs, shall be borne by such party.

(5) Miscellaneous Provisions.

(a) Construction.

This Policy shall be administered and construed as follows:

(i) Nothing in this Policy shall be construed to deny to any person, employee, organization, the Authority, or any authorized officer, body or other representative of the Authority, the rights, powers and authority granted by federal or state law.

(ii) This Policy shall be interpreted so as to carry out its purpose as set forth herein.

(iii) This Policy shall be construed in a manner consistent with any and all existing federal or state laws relating to employee-employer relations.

(b) Severability.

If any provision of this Policy, or the application of such provision to any persons or circumstances, shall be held invalid, the remainder of this Policy, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

[Adopted by Resolution No. 03-018 dated April 3, 2003.]

[Supereeded by Resolution No. _____ dated _____.]

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

- ARTICLE 3 - PERSONNEL
PART 3.0 - PERSONNEL AND EMPLOYMENT MATTERS
SECTION 3.03 - SPECIAL MILITARY LEAVE POLICY

PURPOSE: ~~Provide supplemental compensation and benefits to establish a policy through which to~~ eligible classified service and at-will employees of the San Diego County Regional Airport Authority (hereafter "Authority") in the military reserve ~~receive supplemental compensation and benefits from the Authority for a limited period when serving on active military duty.~~

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POLICY STATEMENT:

To assist eligible Authority employees serving in the military reserve, ~~who~~ when serving on active military duty, the Authority will supplement the compensation and/or benefits provided by applicable federal and/or state law as follows:

(1) Eligibility.

To be eligible to receive the supplemental compensation and benefits set forth in Section 2, Authority employees must meet all of the following criteria:

- (a) ~~Be e~~Employed by the Authority ~~(including service with the San Diego Unified Port District)~~ as a ~~classified service or at-will full-time~~ employee with-out a break in service for at least twelve (12) months prior to the military leave;
- (b) ~~Be a~~A member of the Military Reserve of the Armed Forces of the United States, the National Guard or the Naval Militia; and
- (c) ~~Be r~~Recalled to and begin serving in active military duty as a result of deployment pursuant to Presidential order ("Active Duty") ~~any-time between May 1, 2003 and October 31, 2003 for a period of up to six (6) months at a time~~ ("Eligibility Window").

Employees meeting these criteria are hereafter referred to as "Eligible Employees."

The Authority Board delegates to the ~~Executive Committee~~ Authority President/CEO or his or her/s designee the authority to modify, reinstate and/or extend the Eligibility Window at his or her/s discretion.

Commented [RSP1]: GENERAL COUNSEL: Is the intent not to compensate for regular reserve training, or is this considered Active Duty?

Active Duty per Executive Team

Commented [A2]: Need to include reserve duty in Eligibility Section. Kurt to follow up.

POLICY SECTION NO. 3.03

(2) Supplemental Compensation and Benefits.

Eligible Employees are entitled to receive the supplemental compensation and benefits set forth below for a maximum of one hundred eighty (180) days beginning on the first day of Active Duty (“**Eligible Period**”). The Eligible Period shall include any period during which an Eligible Employee receives compensation pursuant to Section 395.02 of the Military & Veterans Code, any Memorandum of Understanding between the Authority and its employees, or other applicable Authority policy.

An Eligible Employee is entitled to receive the following supplemental compensation and benefits during the Eligible Period:

- (a) A sum equal to the Eligible Employee’s normal gross bi-weekly pay (excluding any bonus or overtime compensation), *less*: (i) state, federal, and employee authorized deductions; (ii) any compensation received by the Eligible Employee from the military for Active Duty; and (iii) any compensation received by the Eligible Employee pursuant to Section 395.02 of the Military & Veterans Code, any Memorandum of Understanding between the Authority and its employees, or other applicable Authority policy;
- (b) Continuation of the Eligible Employee’s health and welfare benefits, subject to the terms and conditions of the applicable plan;
- (c) Continuation of any supplemental and/or voluntary benefit plans in which the Eligible Employee participates through the Authority, subject to the terms and conditions of the applicable plan; and
- (d) Continuation of accrual of annual paid leave.

[Adopted by Resolution No. 03-023 dated May 1, 2003.]
[Superseded by Resolution No. _____ dated _____.]

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

ARTICLE 3	-	PERSONNEL
PART 3.3	-	<u>EMPLOYEE</u> REIMBURSEMENT
SECTION 3.31	-	EXECUTIVE LEVEL RELOCATION PROGRAM POLICY

PURPOSE: To ~~provide for establish a policy for~~ the reimbursement of defined expenses ~~related incurred when a new executive-level employee relocates for the purpose of full-time, exempt employment ion for new senior level employees of with~~ the San Diego County Regional Airport Authority (~~the~~ “**Authority**”) ~~such as the Authority President/Chief Executive Officer CEO (“President/CEO”), General Counsel, Chief Auditor, Vice President, and Director level employees.~~

POLICY STATEMENT:

(1) Objective. ~~The Authority endeavors to attract, hire, and retain the best available talent to the organization. To support these efforts, the Authority strives to make a new employee’s transition to the Authority our organization as comfortable as possible. For those new employees hired from other geographic locations, relocation is a complex process and the procedures and limits described in this the Authority’s proposed executive level relocation policy (“Ppolicy”) represent the normal reimbursable expenses connected with a new hire relocating from out of the area To provide financial and administrative relocation assistance to a salaried executive-level employee in order to maximize their performance and minimize their inconvenience during relocation and assumptions of new duties and responsibilities.~~

(2) Definitions.

(a) Executive Level – Full-time, exempt employees who hold the title of and receive the benefits of a Director, or above, at the Authority.

~~Immediate Family~~ – ~~Members of the immediate family are the spouse, domestic partner (as that term is defined in California Family Code section 297) and those persons currently residing living in the employee’s same household, who are considered legal dependents of on the employee. Eligible children include are: those under the age of 19,; or under the age of 24 who are full-time students; or those who are physically or mentally disabled. Also eligible are parents who live with the employee and are dependent on them for support.~~ [AH]

~~Tax Information~~ – ~~Payments made as reimbursements or payments to vendors for certain moving expenses, on an employee’s behalf, must be included as compensation in the employee’s gross income. (Please see Section 10, "Tax Information" in this Policy). The Authority is required to withhold federal, state and FICA taxes from these expense reimbursements in the same month in which they are incurred.~~

(b) *Movement of Household Goods* – The personal property of the employee and Immediate Family, and specifically, that which can be legally transported in accordance with the Department of Transportation regulations.

—————*Immediate Family* - Spouse, domestic partner (as that term is defined in California Family Code section 297) and those persons currently residing in the employee’s household, who are considered legal dependents of the employee. Eligible children include those under the age of 19, or under the age of 24 who are full-time students.

(c) _____

—————*Relocation Reimbursement Agreement*—Agreement signed by employee and the Authority stating standards for the expenditure of monies disbursed to new employee for relocation and the penalties if employee is removed from employment.

(d) *Spousal Assistance* – Service(s) that may be offered by the Authority to support a spouse or domestic partner in obtaining employment within the San Diego area.

(e) *Temporary Housing* – Furnished living accommodations for up to ninety (90) days, unless an extension has been approved by the Director, Talent, Culture & Capability and authorized by the President/CEO, or Board approval in the case of a new employee in the following positions: President/CEO, General Counsel, or Chief Auditor, for the employee and Immediate Family prior to moving into a permanent residence in the new location. Expenses include room costs plus other reasonable and necessary costs, such as meals at the new location, laundry, dry cleaning, and phone calls.

(f) *Temporary Storage* – The Authority may pay 100% of the cost of temporary storage facilities and associated insurance costs for Household Goods up to sixty (60) days after goods are removed from the employee’s home, if required. This Authority may also include pay for movement of Household Goods out of storage, additional insurance costs while in storage and any special handling requirements to accommodate the storage and movement of Household Goods.

(g) *Travel Authorization* – A written approval for an employee traveler to relocate to a new work location and incur expenses in alignment with the Authority’s Travel Reimbursement Policy. The Travel Authorization specifies the move and relocation dates and an estimated cost for the trip. The Travel Authorization must be completed by the new employee and approved by the hiring department’s Vice President, or Board in the case of a new employee in the following positions: President/CEO or the Board in the case of a new employee in the following positions: President/CEO, General Counsel or Chief Auditor., General Counsel, or Chief Auditor, before the trip is initiated.

(h) *Travel Claim* – The Travel Claim is the employee traveler’s statement to the Authority of costs incurred while relocating.

(i) Travel Expenses - Travel and en-route living expenses incurred by the employee and Immediate Ftheir family during the move to the new location.

(2)(3) GeneralScope.

(a) ~~This~~ Executive Level Relocation Program Policy (“Executive Level Relocation Assistance Policy”) provides an outline and explanation of the benefits and services that may be available to facilitate relocation. The specific components of relocation offered to each individual employee may-must be negotiated on a case by case basis, as directed by the respective Departmentivision head, negotiated by the Director, Human ResourcesTalent, Culture & Capability, and authorized by the Authority President/CEO, or Board in the case of a new employee in the following positions: President/CEO, General Counsel, or Chief Auditor.

(b) This Ppolicy is considered a part of the Authorityagency’s overall market competitive compensation and benefit programs and is intended to enhance the Authority’s ability to recruit and retain the talent needed to support its mMission, vVision, vValues, gGoals, and oObjectives.

~~(e) ——— The intent of this relocation assistance pPolicy is to, as reasonably as is practicable, ease the employee’s transition into their new position by potentially assisting with moving expense(s) that will be determined, authorized and approved on a case by case basis.~~

~~(e)(c)~~ Reimbursement for any relocation expense that does not fall within this Ppolicy shall require the Authority President/CEO’s approval; or -Board approval in the case of a new employee in the following positions: President/CEO, General Counsel or Chief Auditor. in the case of a new employee in the following positions: -President/CEO, General Counsel, or Chief Auditor, which must be obtained before the expense is incurred.

~~(f) — This Ppolicy covers Ttravel Aauthorization, reimbursement of Ttravel Eexpenses incurred by the new employee and their eligible dependentsImmediate Family, living expenses enroute, sshipment and Temporary Storage of Hhousehold Ggoods and personal effects, home sale, marketing, or lease expense assistance, temporary living allowance, and Spousal Aassistance.~~

~~(h) ——— Upon direction from the Authority President/CEO, or designee, or Board in the case of a new employee in the following positions: President/CEO, General Counsel, or Chief Auditor, all relocation expenses will be negotiated, on a case by case basis, by the Director, Human ResourcesTalent, Culture & Capability, or designee.~~

~~(j)(d)~~ Final approval for any the expense will reside with the Authority President/CEO, or designee, or Board in the case of a new employee in the following positions: President/CEO, General Counsel, or Chief Auditor. Consideration for each expense will be based on the position being recruited for, the scope of expense(s) being requested, and reasonable economic parameters.

~~(k)(e)~~ In the event relocation assistance has been approved and authorized for positions other than those reporting to the Board, the Board will be notified of the final cost to the Authority of such relocation services.

~~(f)~~ This policy does not apply to new or relocating employees who live within a ~~50-mile radius of the new location~~ San Diego County.

~~(3) Guidelines. As approved and authorized, a relocation manager from a local agency can be secured through the Director, Human Resources Talent, Culture & Capability, or the new employee may select an agency from a list of approved providers. The agency manager can manage the Authority's Relocation relocation Policy services, assist the individual and their family, remain in contact throughout the move, and coordinate the efforts of the relocation team to ensure that the move goes smoothly. A relocation manager acts as an employee advocate and a resource for any information required with respect to the relocation.~~ [AG2]

(4) Conditions. As approved and authorized:

(a) The Authority may reimburse travel and relocation expenses for newly hired, full-time employees, who are relocating 50 miles or greater than the distance between their former residences ~~or~~ former work location and the Authority offices.

(a) Relocation benefits are extended with the understanding that if the employee voluntarily terminates employment or is terminated for cause within twelve (12)- months of the effective date of hire, the Authority will require the individual to repay a pro rated amount of the expenses paid in connection with ~~their~~ his or her relocation. An offer letter or the employment contract A Relocation Reimbursement Agreement that reflects these requirements shall be executed by the new or relocating employee shall reflect these requirements.

(b) Approved and authorized relocation benefits must be disbursed within one (1) year of the employee's effective date of hire. This includes expenses for Immediate Family who are not able to accompany the employee in the initial relocation.

(c) The Authority may reimburse for actual relocation expenses that are not directly billed to the Authority. Original receipts are required for reimbursement of all Travel Expenses.

~~(-)~~ The employee should read this entire document, sign the Relocation Reimbursement Agreement (Attachment A), and return it to the Human Resources Talent, Culture & Capability Department.

~~(7)~~(5) Relocation Benefits Summary.

(a) **Relocation Manager.** As approved and authorized, a relocation manager can be secured through the Director, Talent, Culture & Capability, or the new employee may select an agency from a list of approved providers. The relocation manager can manage the Authority's Policy Authority's Policy services, assist the employee and Immediate Family, remain in contact

throughout the move, and coordinate the efforts of the relocation team to ensure that the move goes smoothly. A relocation manager acts a resource for any information required with respect to the ~~relocation-relocation~~.

~~(a)(b)~~ **Separate Travel for Immediate Family.** The Authority may reimburse for separate travel for Immediate Family to the new location in the following instances: ~~Approved and authorized relocation benefits must be disbursed within one (1) year of the employee's effective date of hire. This includes expenses for Immediate Family dependents, who are not able to accompany the employee in the initial relocation. Their enroute expenses may be reimbursed at their time of travel in the RRelocation RReimbursement AAgreement. Examples of circumstances that would justify separate travel are as follows:~~

~~(i)~~ ~~Dependent Immediate Family~~ travel is delayed for reasons such as completion of school terms, sale of home, or spouse's or domestic partner's job.

~~(ii)~~ Commercial transportation accommodations are required for a minor dependent or a physical condition.

~~(ii)~~ **Home Finding Trips:** The Authority may reimburse for two home finding trips from the employee's place of origin up to 5-days duration each, including round-trip airfare, car rental, lodging, meals, and incidental expenses

~~(b)~~ ~~The Authority may reimburse for actual relocation expenses that are not directly billed to the organization. Original receipts are required for reimbursement. This policy provides:~~

~~(c)~~
~~(i)~~ Two home finding trips from the employee's place of origin of up to 5-days duration each, including round-trip airfare, car rental, lodging, meals, and incidental expenses;

~~(d)~~ **Temporary Hrelocation-housing:** The Authority may reimburse for Temporary Housing up to ninety (90)-days with any extension being approved by the Director, ~~Human Resources~~Talent, Culture & Capability~~Talent, Culture and Capability~~ and authorized by the President/CEO; or Board in the case of a new employee in the following positions: President/CEO, General Counsel or Chief Auditor.

~~, or Board in the case of a new employee in the following positions:~~

~~President/CEO, General Counsel, or Chief Auditor;~~

~~(ii)(c)~~ **En Route Travel Expenses:** The Authority may reimburse for travel, meals and lodging expenses for final en route travel to the new location.

~~(iii)~~ Final travel to new location that includes travel, meals, and lodging expenses en route to destination; and

(f) **Movement of Household Goods**-: The Authority may reimburse for movement of Household Goods (including up to two (2) automobiles) and Temporary Storage for up to ninety (90) days for up to sixty (60) days.

(i) When approved and authorized, a relocation manager may initiate services for an employee's movement of Household Goods directly, selecting from an approved carrier list. The guidelines are as follows:

1. Household Goods may be moved directly from the employee's former residence to their new residence, with one pickup and one deliver per transferee;
2. The relocation manager and the moving company may coordinate packing, loading and delivery dates;
3. Claims for damage, if applicable, will be expedited through the relocation manger;
4. Valuables such as deeds, coin and stamp collections, jewelry and precious stones should not be transported via Household Goods carrier. The employee should make provisions for safe transport, since these items may not be insured through the carrier's insurance policy;
5. The Authority is not liable for loss or damage to Household Goods or personal effects while in transit. Claims of damage or loss must be settled between the employee and the Household Goods carrier. The relocation manager may assist in this process. The Authority may reimburse for the cost of full-value replacement insurance procured from the moving company, based on a maximum valuation of \$5.00 per pound. Additional insurance coverage may be obtained from the carrier at the employee's expense;
6. The employee should require specific itemization on the mover's inventory if you choose to have the moving company transport any antiques, fine art and unique items. An appraisal should be obtained, at the employee's expense, before the move to determine whether or not the goods are insurable;

(ii) Should the employee make a trip back to their place of origin to return with Immediate ~~Family~~ Family or to complete Household Goods shipping, they will not be reimbursed for Travel Expenses for the second trip.

(-)

Should the employee make a trip back to their place of origin to return with dependents ~~Immediate Family members~~ or to complete ~~H~~household ~~G~~goods shipping, they will not be reimbursed for ~~T~~travel ~~E~~xpenses for the second trip.

(g) **Temporary Storage**: The Authority may pay 100% of the cost of Temporary Storage up to ninety (90) days after goods are removed from the employee's home, if required. The Authority may also pay for the movement of Household Goods out of storage, additional

insurance costs while in storage and any special handling requirements to accommodate the storage of Household Goods.

(h) **Home Sale or Lease Expense:** When approved and authorized, an employee who owns and occupies a home may be provided with two options in selling it:

(i) Option 1 – The employee may request the services of a relocation service to assist in relocation and home sale.

(ii) Option 2 - The employee may decide not to use such a service, but assume full responsibility for the selling transaction.

(iii) To ensure that an employee can sell the residence at a current fair market price, two independent appraisals may be obtained (three, if one differs by more than 5% from the other). The two appraisals will be averaged to determine the fair market value. If the employee must sell the house for less than the determined fair market value, the Authority may pay the employee the reasonable difference between the fair market value and the selling price, subject to the approval of the President/CEO or the Board in the case of a new employee in the following positions: President/CEO, General Counsel or Chief Auditor.

(iv) In the event the employee cannot dispose of the house at the current fair market value, the Authority reserves the right to utilize the services of a home purchasing/relocation service to assist in home sale.

(v) The Authority may pay certain actual closing and selling costs upon presentation of a closing statement. These include real estate commissions, attorneys' fees, title fees, escrow fees, points or loan placement charges the employee is required to pay, State transfer taxes, and similar expenses connected with the sale or exchange of employee's former home.

(vi) When an employee ends an unexpired lease on the former home, the employee may be may be reimbursed by the Authority for payments to the lessor for terminating the lease, attorneys' fees, real estate commissions and expenses, such as the difference between the rent paid and the rent received from an assignee or sub-lessee.

(e)(i) **Home Purchase Expense:** When approved and authorized, the employee may be reimbursed for customary settlement charges in the purchase of a house. These charges include, as required, attorneys' fees, escrow fees, appraisal fees, title costs, points or loan placement charges not representing the payment or prepayment of interest, and sundry expenses connected with the purchase of your a new home. If an employee receives assistance with the sale of his or her existing home, they he or she is ineligible for assistance with the purchase of his or her new home.

(8) **Initiating Relocation Services:**

(-) ——— To initiate the relocation services, when approved and authorized, the ~~TCCHuman Resources~~Talent, Culture & Capability Department will notify the approved relocation manager of an employee's eligibility for participation in the relocation assistance program under this Policy ("Relocation Assistance Program").

(-) ——— The relocation manager will contact the employee to review the scope of relocation services available and discuss the employee's relocation-related needs, concerns, and personal preferences.

(-) ——— The relocation manager will also initiate the following in a timely manner:

(-) ——— Destination area counseling.

(-) ——— Send an informational relocation packet on the destination area tailored to individual needs.

(-) ——— Assign and introduce relocation specialist real estate agent(s), who will assist in purchasing a home in the San Diego area.

(-) ——— Home sale, marketing, or lease assistance service if the employee owns and plans to sell their current home. Coordinate timely tours of homes to rent or purchase in the new area, to minimize transition time, "down-time" at the employee's new job, and the need for Ttemporary Hhousing; and

(-) ——— Sale of the employee's home at departure with the events leading to the purchase of a new home, if applicable.

(-) ——— After the employee's introduction to the Relocation Assistance Program, the employee will make arrangements for applicable final move travel and enroute lodging. The relocation manager will coordinate all aspects of the employee's household goods transportation and help to locate suitable Ttemporary Hhousing, if necessary. The relocation manager will remain in contact throughout the relocation process for quality assurance, to answer questions as they arise, and assist with any relevant issues.

(28) — Destination Services:

When approved and authorized, destination services may be initiated through the relocation manager to coordinate the events surrounding the employee's move. The relocation manager will provide home finding assistance, including objective counseling to help the individual select a new community compatible with the employee's lifestyle. The relocation manager will complete a needs assessment to help determine if the employee would like to purchase or rent in the new location. The relocation manager will:

(-) ——— Discuss with the employee and their family any informational needs, including real estate, schools and extra-curricular activities, recreation and cultural activities, and any other related questions or concerns.

~~(-) ——— Refer the employee to real estate specialist(s), who will contact them and their family to assist in renting or purchasing a home in the new area.~~

~~(-) ——— Remain in contact throughout the home finding and relocation process to ensure that the employee receives responsive, quality service from destination service providers.~~

~~(-) ——— Send a relocation packet that includes all the previously mentioned information. [AG3]~~

~~(40) — Home Sale, Marketing, or Lease Expense.~~

~~When approved and authorized, the Authority may assist homeowners in the sale or purchase of their homes at current fair market prices. The Authority may assist renters by protecting them, where possible, against financial loss from reasonable and unavoidable expenses or penalties due to premature lease termination.~~

~~(43) — Home Sale.~~

~~(-) ——— When approved and authorized, an employee who owns and occupies a home may be provided with two options in selling it:~~

~~(-) ——— *Option 1.* The employee may request the services of a relocation service to assist in relocation and home sale/purchase.~~

~~(-) ——— *Option 2.* The employee may decide not to use such a service, but assume full responsibility for the selling transaction.~~

~~(-) ——— To ensure that an employee can sell the residence at a current fair market price, two independent appraisals may be obtained (three, if one differs by more than 5% from the other). The two appraisals will be averaged to determine the fair market value. If the employee must sell the house for less, the Authority may pay the employee the reasonable difference between the fair market price and the selling price, subject to the approval of the Director of Human Resources Talent, Culture & Capability or designee.~~

~~(-) ——— In the event the employee cannot dispose of the house at the current fair market price, the Authority reserves the right to utilize the services of a home purchasing/relocation service to assist in home sale/purchase.~~

~~(-) ——— The Authority may pay certain actual closing and selling costs upon presentation of a closing statement. These include real estate commissions, attorneys' fees, title fees, escrow fees, points or loan placement charges you are required to pay, State transfer taxes, and similar expenses connected with the sale or exchange of employee's former home.~~

~~(-) ——— When an employee ends an unexpired lease on the former home, that employee may be reimbursed by the Authority for payments to the lessor for terminating the~~

~~lease, attorneys' fees, real estate commissions and expenses, such as the difference between the rent paid and the rent received from an assignee or sub-lessee.~~

~~(-) ——— If an employee receives assistance with the sale of their existing home, they are ineligible for assistance with the purchase of settlement charges in the purchase of their new home.~~

~~(61) — Home Purchase or Lease Expense.~~

~~When approved and authorized, the employee may be reimbursed for customary settlement charges in the purchase of a house. These charges include, as required, attorneys' fees, escrow fees, appraisal fees, title costs, points or loan placement charges not representing the payment or prepayment of interest, and sundry expenses connected with the purchase of your a new home. If an employee receives assistance with the sale of their his or her existing home, they he or she isare ineligible for assistance with the purchase of their his or her new home.~~

~~(65) — Movement of Household Goods.~~

~~When approved and authorized, a relocation manager may initiate services for an employee's Movement of Household Goods household goods movement services directly, selecting from an approved carrier list. These services would be provided at the expense of the Authority. The guidelines are as follows:~~

~~(-) ——— Household goods and effects may be moved directly from the employee's former residence to their new residence, with one pickup and one delivery per transferee.~~

~~(-) ——— The relocation manager and the moving company may coordinate packing, loading, and delivery dates.~~

~~(-) ——— Claims for damage, if applicable, will be expedited through the relocation manager.~~

~~(-) ——— Household goods include personal belongings for the employee and their immediate family Immediate Family.~~

~~(-) ——— Household goods exclude boats, trailers, aircraft, plants, pets, propane cylinders, firewood; hazardous/combustible items, handguns/automatic weapons/ ammunition.~~

~~(-) ——— Recommendations:~~

~~(-) ——— Valuables, such as deeds, coin and stamp collections, jewelry and precious stones, should not be transported via the household goods carrier. The employee should make provisions for safe transport, since these items may not be insured through the carrier's insurance coverage policy.~~

~~(-) The Authority is not liable for loss or damage to household goods or personal effects while in transit. Claims of damage or loss must be settled between the employee and the household goods carrier. The relocation manager may assist in this process. The Authority may reimburse for the cost of full value replacement insurance procured from the moving company, based on a maximum valuation of \$4.00 per pound. Additional insurance coverage may be obtained from the carrier at the employee's expense.~~

~~(-) The employee should require specific itemization on the mover's inventory if you choose to have the moving company transport any antiques, fine art and unique items. An appraisal should be obtained, at the employee's expense, before the move to determine whether or not the goods are insurable.~~

~~(-) The Authority may pay 100% of the cost of temporary storage up to sixty ("60" days after goods are removed from the employee's home, if required. The Authority may also pay for the Mmovement of Hhousehold Ggoods out of storage, additional insurance costs while in storage and any special handling requirements to accommodate the storage of goods.~~

(6) Travel Claim/Completing Travel Authorization Documents:

(a) The employee shall prepare a Travel Claim to request reimbursement for Travel Expenses associated with the employee's relocation.

(90)(b) Reimbursement for Travel Expenses shall be made based on the following and in accordance with the Authority's Business Expense and Reimbursement Policy:

It is the Authority's policy for the traveler to prepare a Travel Authorization/Advance Request for travel that involves any one or more of the following conditions:

Category	Reimbursement Rate
Air Travel	A one-way, economy airline ticket for each member of the <u>Immediate Ffamily from their current residence</u> to travel to his/her new location.
Ground Travel	Mileage reimbursement at standard Authority rate. Travel must be along the most direct route at a minimum rate of <u>four hundred (400) miles per day</u> . Calculate travel from current residence to <u>your</u> new work location, one way, <u>for up to</u> two vehicles.
Train Travel	A one-way, coach ticket for each member of the <u>Immediate Ffamily</u> to travel to his/her new location. Pullman car fares may be authorized only if the trip takes over <u>six (6) hours</u> or the travel is overnight.
Lodging <u>eEn</u> route	Consistent with the Authority's travel reimbursement policy.
Meals	Consistent with the Authority's travel reimbursement policy.

Temporary Housing	Living accommodations for up to <u>ninety (90) days</u> for the employee and immediate family <u>Immediate Family</u> prior to moving into a permanent residence in the new location. <u>Any additional time may be considered for approval by the Director, Human Resources Talent, Culture & Capability and must be authorized by the President/CEO, or designee, or Board in the case of a new employee in the following positions: President/CEO, General Counsel, or Chief Auditor.</u>
Movement and Storage	Movement of <u>Hhousehold Ggoods</u> can include up to <u>two (2) automobiles</u> and can include <u>Ttemporary Sstorage</u> for up to <u>sixty (60) days</u> .
Other	Separate travel by dependents (see Section 6). Home-finding trips (see Section 6). Final travel to location (see Section 6).

(91) Travel Authorization.

The traveler shall submit an out-of-town travel request form, in accordance with the Authority's business expense reimbursement policy, to the hiring manager for approval by the hiring office's department's Vice President, or Board in the case of a new employee in the following positions: President/CEO, General Counsel, or Chief Auditor, for all travel, adjustments to travel, and/or cancellation of travel associated with an employee's relocation.

(92) Travel Claim.

The traveler shall complete a Travel Expense Report ^[AG4], in accordance with the Authority's Business Expense Reimbursement Policy, to request reimbursement for Ttravel Eexpenses associated associated with an employee's relocation.

(7) Tax Information.

(93) Federal tax laws require the Authority to report certain expenses and reimbursements it pays on employees' behalf as taxable income. Payments made as reimbursements or payments to vendors for certain moving expenses, on an employee's behalf, must be included as compensation in the employee's gross income. The Authority is required to withhold federal, state and FICA taxes from these expense reimbursements in the same month in which they are incurred.

Federal tax laws require the Authority to report certain expenses and reimbursements it pays on employees' behalf as taxable income. Payments made as reimbursements or payments to vendors for certain moving expenses, on an employee's behalf, must be included as compensation in the employee's gross income. The Authority is required to withhold federal, state and FICA taxes from these expense reimbursements in the same month in which they are incurred.

(a) Federal tax laws require the San Diego County Regional Airport Authority to report certain expenses and reimbursements it pays on employees' behalf as taxable income. The Authority may, when approved and authorized, offset the employee's tax liability. Any Authority offset of an employee's tax liability will be limited to the actual tax liability up to a maximum amount not to exceed 30% of the employee's base salary.

(b) — The Authority ~~will not~~ ~~cannot~~ be responsible for the correct preparation of an employees' tax returns. Employees are responsible for determining their own eligibility to deduct specific moving expenses and for determining the year in which they are deductible. Employees should refer to IRS Publication #521 for the applicable tax year.

(94) — Definitions^[NCS]:

(a) — ~~Immediate Family~~ — ~~Members of the immediate family are the spouse and those persons living in the same household, who are considered dependent on the employee. Eligible children are: those under the age of 19, or under the age of 24, who are full-time students, or those who are permanently and totally physically or mentally disabled. Also eligible are parents who live with the employee and are dependent on them for support.~~

(b) — ~~Tax Information~~ — ~~Payments made as reimbursements or payments to vendors for certain moving expenses, on an employee's behalf, must be included as compensation in the employee's gross income. (Please see Section 10, "Tax Information" in this Policy). The Authority is required to withhold federal, state and FICA taxes from these expense reimbursements in the same month in which they are incurred.~~

(c) — ~~Movement of Household Goods~~ — ~~The personal property of the employee and immediate family~~ Immediate Family, and specifically, that which can be legally transported in accordance with the Department of Transportation regulations.

(d) — ~~Relocation Reimbursement Agreement~~ — ~~Agreement signed by employee and the Authority stating standards for the expenditure of monies disbursed to new employee for relocation and the penalties if employee is removed from employment.~~

(e) — ~~Shipping Arrangements~~ — ~~Shipment services include packing, crating, shipment and delivery to the new residence.~~

(f) — ~~Spousal Assistance~~ — ~~Service(s) that may be offered by the Authority to support a spouse in obtaining employment within the San Diego area.~~

(g) — ~~Temporary Housing~~ — ~~Furnished living accommodations for up to ninety (90) days, unless an extension has been approved by the Director, Human Resources Talent, Culture & Capability and authorized by the President/CEO, or Board approval in the case of a new employee in the following positions: President/CEO, General Counsel, or Chief Auditor, for the employee and immediate family Immediate Family prior to moving into a permanent residence in the new location. Expenses include room costs plus other reasonable and necessary costs, such as meals at the new location, laundry, dry cleaning, and phone calls.~~

(h) — ~~Temporary Storage~~ — ~~The Authority may pay 100% of the cost of temporary storage up to sixty (60) days after goods are removed from the employee's home, if required. The Authority may also pay for movement of household goods Movement of~~

~~Household Goods out of storage, additional insurance costs while in storage and any special handling requirements to accommodate the storage of goods.~~

~~(i) *Travel Authorization*— The written approval for a traveler to relocate to a new work location and incur expenses. The Travel Authorization specifies the move and relocation dates and an estimated cost for the trip. The Travel Authorization must be completed by the new employee and approved by the hiring department's Vice President, or Board in the case of a new employee in the following positions: President/CEO, General Counsel, or Chief Auditor, hiring office before the trip is initiated.~~

~~(j) *Travel Claim*— The Travel Claim is the traveler's statement to the Authority of costs incurred while relocating.~~

~~(k) *Travel Expenses*— Travel and en route living expenses incurred by the employee and their family during the move to new location.~~

[Adopted by Resolution No. 2007-0066 dated July 5, 2007; Revised November 21, 2017.]

~~RELOCATION REIMBURSEMENT AGREEMENT~~ [RSP7]

~~Level I – Executive~~

~~THIS RELOCATION REIMBURSEMENT AGREEMENT (“Agreement”) is made as of the ____ of ____, 200__, between _____ (“Employee”) and the San Diego County Regional Airport Authority (“Authority”).~~

~~The Employee has agreed to relocation from _____ to the Office of _____, at the San Diego County Regional Airport Authority.~~

~~Pursuant to the Authority’s Relocation Policy, the employee is authorized reimbursement for relocation expenses for the following items: [insert negotiated, approved, and authorized components]. The specific terms for these items are contained in the Authority’s Relocation Assistance Policy document.~~

~~In consideration of the Authority’s payment of said relocation expenses on behalf of the Employee, the Employee agrees as follows:~~

- ~~1. That if within 12 months following the date the Employee commences employment at his/her new job site, the Employee: (a) is terminated for cause; or (b) voluntarily resigns, with or without notice, without the encouragement or initiation of the Authority, he/she shall reimburse the Authority for the pro-rated amount of all expenses paid by the Authority in connection with the Employee’s relocation.~~
- ~~2. That if within 1 year following the date the Employee commences employment, the Employee decides not to complete the planned relocation for reasons unacceptable to the Authority after accepting relocation benefits, he/she shall reimburse the Authority for the pro-rated amount of the expenses paid by the Authority in connection with the Employee’s relocation.~~
- ~~3. That all reimbursements required hereunder shall be paid by the Employee immediately upon termination of his/her employment.~~

~~If the Employee defaults under the terms of this Agreement, the Authority is entitled to be reimbursed for attorney fees and other costs incurred in connection with the collection of the outstanding indebtedness incurred pursuant to this Agreement.~~

~~The Authority reserves the right to withhold pay and accruals of an equal amount to the amount paid to the employee.~~

~~Nothing in this Agreement shall be construed as giving the Employee any right to be retained in the employ of the Authority, or to interfere in any way with the right of the Authority to terminate the employment of the Employee at any time, with or without cause, without incurring any liability to the Employee.~~

~~IN WITNESS WHEREOF, the parties have executed the Agreement as of the date above.~~

~~_____
Director, Human Resources Talent, Culture & Capability _____ Employee~~

~~_____
Date _____ Date _____~~

~~cc: Accounting
_____ Human Resources Talent, Culture & Capability Department~~

ARTICLE 4

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

ARTICLE 4 - FINANCE AND ACCOUNTING
PART 4.0 - BUDGET ADMINISTRATION AND MANAGEMENT
SECTION 4.02 - REQUEST FOR FINANCIAL ASSISTANCE

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Commented [RSP1]: GENERAL COUNSEL: What is the purpose of this Policy? Is this currently used for anything or anticipated to be used for anything?

Is this Policy for sponsorships, bonding assistance, etc.? Do we follow this Policy?

Per Executive Team 11/2/17 Delete Policy as never used

PURPOSE: To establish a policy for the consideration of requests for financial assistance from the San Diego County Regional Airport Authority (the "Authority").

POLICY STATEMENT:

(1) This policy is intended to comply with Federal Aviation Administration Policy and Procedures Concerning the Use of Airport Revenue "Final Policy" 64 FR 7696, dated February 16, 1999 or as amended and any other applicable rules and regulations of the Federal Aviation Administration (the "FAA Policy"). The FAA Policy allows that airport revenues may be used to support community activities or to participate in community events if and only if those expenditures are directly and substantially related to the operations of an airport. The "directly and substantially related" standard can be met if the contribution has the intangible benefit of enhancing an airport's acceptance by neighboring communities.

(2) Organizations requesting financial assistance from the Authority shall submit a written request to the Authority's Clerk (the "Clerk"). Such request shall be submitted in the form, and by the due date, prescribed by the Authority. An organization that receives financial assistance in one instance is not guaranteed financial assistance in any subsequent instance. Funding is to be determined on a year-to-year basis and previous actions of the Authority's Board of Directors (the "Board") shall not bind future Board actions.

(3) Requests shall be transmitted to the Authority's General Counsel to be reviewed for compliance with the FAA Policy.

(4) Requests received by the deadline that are found to be consistent with the FAA Policy shall be forwarded by the Clerk to a committee selected by the Board. The committee shall promptly meet at its discretion to review requests and to prepare its written recommendations for presentation to the Board for consideration. The committee shall rely on the written requests from the requesting organizations; the committee will hear no oral presentations. To assist the Committee in its review, the Committee shall prepare a report indicating the total cost, including any in-kind services, associated with each request.

(5) Pursuant to this policy, the Board shall:

(a) Funding is to be approved in the Authority's annual operating budget. Disbursements of funds shall be paid by the Authority directly to the organizations for which

POLICY SECTION NO 4.02

funding was approved by the Board, pursuant to agreements that will be prepared and entered into with all organizations receiving financial assistance;

(b) — Establish an overall funding limit, if any, for all financial assistance requests for events or activities as part of its budget deliberations each year; and

(c) — In a public session receive the recommendations of the Committee and act on the Committee's recommendations, if appropriate.

[Adopted by Resolution No. 2002-02 dated September 20, 2002.]
[Superseded by Resolution No. _____ dated _____.]

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

ARTICLE 4 - FINANCE AND ACCOUNTING

PART 4.1 - ACCOUNTING

SECTION 4.10 - PAST DUE AND UNCOLLECTIBLE ACCOUNTS RECEIVABLE

PURPOSE: To establish a policy governing ~~define~~ the procedures to be followed when past due ~~or~~ accounts receivables are deemed delinquent and uncollectible by the San Diego County Regional Airport Authority (~~the~~ "Authority").

POLICY STATEMENT:

As a government entity, the Authority is obligated to make every effort to collect all monies to which it is rightfully entitled. The Authority shall take all appropriate and cost-effective actions to aggressively collect Accounts Receivable and minimize the need to write off debt owed the Authority. The Authority recognizes that in certain circumstances beyond the Authority's control, debt due to the Authority may be uncollectible. Timely identification of past due Accounts Receivable and close coordination between cognizant departments is essential to minimize the need to write off uncollectible accounts.

DEFINITIONS:

- Account Receivable: A debt owed to the Authority that arises in the normal course of business dealings and may or may not be supported by negotiable paper; a claim against a debtor usually arising from sales or services rendered. Accounts Receivable include, but are not limited to, rent, concession fees, permit fees, license fees, landing fees as well as monies due for services and goods.
- Allowance of Doubtful Account: A valuation account (i.e., contra asset) that is subtracted from the trade receivable on the balance sheet.
- Bad Debt: A Past Due Account Receivable that despite best efforts by the Authority remains unsatisfied and for which there is no reasonable expectation that the underlying debt will be satisfied in whole or in part. The expense for a Bad Debt is recognized when the Account Receivable becomes doubtful which typically occurs prior to write off of the Account Receivable.
- Cognizant Department: The Department of the Authority that negotiated the agreement or contract giving rise to a particular Account Receivable.

- Debt: In the context of this procedure, debt refers to a sum of money due by certain and express agreement between the Authority and another party or parties. Debt may be owed the Authority by an individual or by a business entity.
- Past Due: Refers to an Account Receivable for which payment has not been received for more than thirty (30) days after the date on which payment is due.
- Treasurer: The Chief Financial Officer, Vice President – Finance and Treasurer of the Authority.
- Write-Off: An accounting transaction that removes an Account Receivable from the accounting books and records. Writing off the Account Receivable is for accounting purposes only and this action does not discharge the Debt. The Debt is still owed to the Authority, however, the amount has been removed from the Authority's books as a receivable.

ROLES AND RESPONSIBILITIES REGARDING OVERDUE AND UNCOLLECTIBLE ACCOUNTS:

A. Cognizant Department. The Cognizant Department is responsible for:

1. Routine management of the Authority agreement or contract which gives rise to an Account Receivable;
2. Monitoring payment schedule of Accounts Receivable;
3. When necessary, and with the advice and consent of the Authority Treasurer, negotiating settlements of Past Due Accounts Receivable; and
4. When appropriate, recommending the certain Past Due Accounts Receivable for designation as Bad Debt.
5. Consulting with General Counsel to make sure all legal issues are addressed.

B. Treasurer. The Treasurer is responsible for:

1. Timely identification of ~~doubtful~~ Doubtful accounts ~~Accounts~~ and making the appropriate accounting entries;
2. Monitoring negotiations involving Past Due Accounts Receivable;
3. The application of security deposits against the Account Receivable amount; and
4. Seeking approval from the Board to write off Bad Debt when the individual Bad Debt Account Receivable is \$~~1530~~,000 or more.

C. General Counsel. The General Counsel is responsible for:

1. Providing advice and counsel to the Cognizant Department, Treasurer, ~~President/Chief Executive Officer~~ (“**President/CEO**”), and Board regarding the feasibility of legal action to collect Bad Debts; and
2. Providing recommendations to the Board regarding the initiation of litigation to collect Bad Debts.

PROCEDURES:

D. Past Due Accounts Receivable

1. Monthly Review. The Treasurer shall review all Accounts Receivable on a monthly basis in order to identify all Past Due Accounts Receivable.
2. Collection Efforts with Cognizant Department. When a Past Due Account Receivable is identified, the Treasurer shall work with the Cognizant Department charged with negotiating or managing the debtor’s agreement for the purpose of collecting the Past Due Accounts Receivable.
3. Collection Efforts. The Cognizant Department charged with negotiating the original Authority agreement with the debtor shall make all efforts to collect the Past Due Account Receivable. Such efforts shall include, but not be limited to, phone calls and/or letters to the debtor, collecting any security deposit, drawing on any Letter of Credit, or filing a claim on any surety bond(s) posted as security.
4. Assessment of ~~Collectibility~~**Collectability**. The Treasurer, in consultation with the Cognizant Department, ~~and~~ the President/CEO, and the General Counsel shall determine what, if any, further steps shall be taken to collect the Past Due Account Receivable. An assessment and determination shall be made as to whether or not the debt can be collected through reasonable legal means.
5. Treasurer Determination. The Treasurer shall determine whether or not it is in the best interest of the Authority to write off each Bad Debt and, thereafter, shall take the following actions:
 - a. For Amounts under ~~\$1530~~**\$1530**,000. Recommend to the Authority’s President/CEO, or his or her designee, that the account be transferred to the Authority’s Bad Debts Account and, after approval, provide a list of all written off Accounts Receivable to the Authority’s Board of Directors as an information item.

- b. For Amounts of \$~~1530~~,000 or more. The Treasurer shall first seek formal approval of the Board to Write Off any Account Receivable or Bad Debt when the amount is valued at \$~~1530~~,000 or more. The ~~report~~ requesting request to the Board for approval to Write Off the debt shall include at a minimum the following: the name of the debtor, a description of the agreement, the amount of the debt, the date of the debt, and the reasons why the debt is uncollectible or why it is not in the best interest of the Authority to attempt to collection.
6. Accounting Entries. Once the Board has approved the Write Off of Bad Debt, the Treasurer shall prepare the appropriate accounting entries to remove the Account Receivable from the Authority's books and records.

E. REPORTS.

1. Quarterly Report to Board. Each quarter the Treasurer shall report to the Budget and Finance Committee and to the Board regarding the Treasurer's actions and recommendations to Write Off Bad Debt.

[Amended by Resolution No. 2005-0007 dated February 7, 2005.]

[Adopted by Resolution No. 2002-02 dated September 20, 2002.]

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

ARTICLE 4 - FINANCE AND ACCOUNTING

PART 4.2 - INVESTMENTS

SECTION 4.20 - POLICY GUIDELINES FOR PRUDENT INVESTMENTS

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

POLICY STATEMENT:

It is the policy of the Authority to invest public funds in a manner that will provide the highest security of the funds under management while meeting the daily cash flow demands of the Authority. The investment policies and practices of the Authority are based upon prudent money management and conform to all state and local statutes governing the investment of public funds.

This policy also addresses risk management because risk management is an integral part of managing a fixed income portfolio. To focus only on maximizing return is imprudent; therefore, policy issues will be directed to limiting the investment portfolio’s exposure to each issue and issuer of debt and criteria for establishing minimum credit requirements that firms must have in order to effect security transactions with the Authority.

(1) Scope. This investment policy applies to all the Authority’s investment activities, except for the Employees Retirement and Deferred Compensation funds, which are administered separately. In addition, in the event of a conflict between this policy and permitted investments of bond proceeds as defined by a master indenture or supplemental indenture (“**Indenture**”) associated with any Authority debt issuance, the more restrictive parameters of either Cal. Gov. Code or the Indenture will take precedence. The financial assets of all other Authority funds shall also be administered in accordance with the provisions of this policy.

(2) Objectives.

(a) Safety of Principal. Safety of principal is the Authority’s foremost objective. To accomplish this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Each investment transaction shall seek to ensure that capital losses are avoided, whether from issuer default, broker/dealer default or erosion of market value. The Authority shall seek to preserve principal by mitigating credit risk and market risk.

(i) Credit risk is the risk of loss due to failure of the issuer to repay an obligation and shall be mitigated by investing in only the highest quality credits and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm the Authority's cash flows.

(ii) Market risk is the risk of market value fluctuations due to overall changes in the general level of interest rates and shall be mitigated by:

(A) structuring the portfolio so that securities mature at the same time major cash outflows occur, thereby eliminating the need to sell securities prior to their maturity; and

(B) limiting the average maturity of the Authority's portfolio to three years. Furthermore, no investments will be made in any security with a maturity greater than five years unless the Board has granted its express authority to make such investment specifically or as a part of an investment program approved by the Board no less than three months prior to the investment.

It is explicitly recognized, however, that in a diversified portfolio occasional losses may be inevitable and must be considered within the context of overall investment return.

(b) Liquidity. The Authority's investment portfolio will be structured to provide sufficient liquidity to meet the operating requirements of the Authority.

(c) Return on Investment. State law requires that the objective of return on investment be subordinate to the objectives of safety and liquidity. Therefore, investment officials shall seek to achieve a return on the funds under their control throughout all economic cycles, taking into consideration the Authority's investment risk constraints and cash flow requirements.

(3) Authority to Invest Funds.

(a) Policy principles for investment of Authority funds. Monies entrusted to the Authority will be invested and actively managed pursuant to applicable California statutory limitations and the guidance and limitations set forth in the Authority's written policies. Authority for the management and investment of Authority funds rests with the Authority Board of Directors ("**Board**"). The Board promulgates the policy for investment and management of Authority funds and conducts periodic reviews to ensure compliance with policy and statutory requirements. All persons authorized to make investment decisions for the Authority are trustees of the Authority and owe the Authority a fiduciary duty. All trustees are bound by the prudent investor rule, which requires trustees in making decisions with regards to the Authority's funds to act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

Trustees of Authority funds are relieved of personal responsibility for an individual security's risk or market price changes where the trustees at all times were acting in accordance with written procedures and this investment policy, exercising due diligence, taking timely and appropriate action to control adverse developments, and provided timely appropriate reports to the Board regarding the adverse developments with an investment.

(b) Delegation of investment authority to Treasurer. The Board delegates the authority to invest and manage the funds of the Authority to the Authority's Treasurer. Such delegation shall be on a fiscal year basis and subject to renewal by the Board, at its option, after appropriate review of the investment record. The Board reserves the right to revoke the delegation of investment authority at its discretion. The Treasurer shall report to the board the status of Authority's investment portfolio in accordance with Sections (10)(a) and (b) of this policy. Whenever a security is sold at a loss, the Treasurer will record the loss as such in the Authority's accounting system. The Treasurer shall designate in writing an officer or employee of the Authority who shall have authority to execute or authorize execution of an investment trade on behalf of the Authority when the Treasurer is not reasonably available and circumstances require timely action.

(c) Treasurer's responsibility for investments. Investment and management of the Authority's funds shall be solely the responsibility of the Authority's Treasurer, who shall take necessary measures to be fully informed on current market conditions and market trends in general and the condition of the Authority's investment portfolio in particular. The Treasurer shall establish and periodically review for currency and adequacy a system of controls to ensure compliance with the applicable statutory requirements and the Authority's investment policies. The system of controls shall also provide for regulation of subordinate officers and employees as well as investment advisors under contract with the Authority.

(d) Execution of trades by authorized investment advisor. Where the Board has approved a contract for a registered independent investment advisor to assist the Treasurer in the discharge of investment responsibilities and where the Treasurer has approved in writing a strategy to guide the investment of Authority funds, the Treasurer may authorize the investment advisor to execute trades on behalf of the Authority to effectuate the approved investment strategy. The Treasurer shall make such delegation via a document that specifies the boundaries of the delegated authorization. The investment advisor designated to execute trades on behalf of the Authority shall be bound by this policy of the Authority and the Treasurer's written approval of the investment strategy. Authorizing the investment advisor to execute trades on behalf of the Authority does not relieve the Treasurer of responsibility for management and oversight of all investment transactions involving Authority funds. The Treasurer or designated Authority officer or employee, as provided in Section 3(b), when the Treasurer is not reasonably available and circumstances require timely action, must approve in writing all investment transactions that exceed a market value of five million dollars (\$5,000,000) prior to execution of the trade. The investment advisor shall not execute any trade through any security broker in whom the investment advisor holds an ownership interest or has a financial interest. The investment advisor shall not take possession of or act as custodian for the cash, securities or other assets. The investment advisor shall provide a written report of all trades made on behalf of the Authority to the Treasurer within twenty-four (24) hours of trade execution.

(4) Ethics and Conflicts of Interest. The Board, Authority officers or Authority employees involved in the investment process shall refrain from any activity that could conflict with proper execution of the investment program or which could impair the Authority's Treasurer's ability to make impartial investment decisions. Authority staff involved with the investment process shall disclose to the Authority's Treasurer any financial interest in financial institutions that conduct business with the Authority and they shall further disclose any personal financial and/or investment positions that could be related to the performance of the Authority's portfolio. Board members, Authority officials and Authority employees shall subordinate their personal investment transactions to those of the Authority, particularly with regard to the time of purchases and sales.

(5) Placement of Trade Execution Orders.

- (a) Whenever possible, investment transactions shall be made via a competitive process to ensure the Authority's security transactions are made on terms most favorable to the Authority. Trade execution shall be only through firms registered with the Financial Industry Regulatory Authority (FINRA) and approved by the Treasurer. To ensure security transactions are made via the most competitive process, solicitation of bids to transact a security trade shall be provided equally to all security dealers approved by the Treasurer pursuant to the section (5)(b) of this policy. When purchasing new issue securities, no competitive process will be required as all dealers in the selling group offer the securities at the same original issue price. This policy permits the Authority to purchase investments directly from approved issuers who require no competitive process (e.g., Local Agency Investment Fund (LAIF), the San Diego County Investment Pool (SDCIP), and Local Government Investment Pools (LGIPs),
- (b) Other than investments with depository institutions and approved pools, the Treasurer shall only execute trades with security dealers that have been approved to execute security trades on behalf of the Authority. Prior to approving a security dealer to execute security trades, the Treasurer shall determine that the dealer is fully qualified to execute security trades for the Authority. In evaluating whether a specific dealer is so qualified, the Treasurer shall evaluate, at a minimum, the dealer's security registration, financial condition, standing in the investment community, and experience with security trades of the nature to be executed on behalf of the Authority. To be qualified, all financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following information on an annual basis: (1) audited financial statements; (2) proof of Financial Industry Regulatory Authority (FINRA) certification; (3) a trading resolution; (4) proof of California registration; and (5) a completed broker/dealer questionnaire.
- (c) Where the Board has approved a contract for a registered independent investment advisor to assist the Treasurer in the discharge of the investment responsibilities, the Treasurer may rely on the advisor's assurances that specific security dealers are fully qualified to execute trades on behalf of the Authority. The investment advisor shall provide such assurances in writing and shall renew the assurances based on an annual review of the financial condition and registrations of qualified bidders.

(6) Authorized Investments.

The Authority is authorized by the applicable sections of Cal. Gov. Code §16429.1, §53600 *et seq.* and §53630 *et seq.* to invest in the following types of securities, further limited herein:

(a) United States Treasury Bills, Bonds and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the portfolio that can be invested in this category. Cal. Gov. Code §53601(b)

(b) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There is no limitation as to the percentage of the portfolio that can be invested in this category. Cal. Gov. Code §53601(f)

(c) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the portfolio. No more than 10% of the portfolio may be invested in a single Supranational issuer. Cal. Gov. Code §53601(q)

(d) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances which are eligible for purchase by the Federal Reserve System and are rated in the highest category by a nationally recognized statistical rating organization (NRSRO), may not exceed 180 days to maturity or 40% of the market value of the portfolio. No more than 5% of the market value of the portfolio may be invested in banker's acceptances issued by any one bank. Cal. Gov. Code §53601(g)

(e) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

(1) The entity meets the following criteria: (i) Is organized and operating in the United States as a general corporation. (ii) Has total assets in excess of five hundred million dollars (\$500,000,000). (iii) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a NRSRO.

(2) The entity meets the following criteria: (i) Is organized within the United States as a special purpose corporation, trust, or limited liability company. (ii) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond. (iii) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

Eligible commercial paper shall have a maturity of 270 days or less. No more than 25% of the market value of the portfolio may be invested in commercial paper. No more than 5% of the market value of the portfolio may be invested in the commercial paper of any single issuer. The amount invested in commercial paper of any one issuer in combination with any other securities from that issuer shall not exceed 5% of the market value of the portfolio. Cal. Gov. Code §53601(h)

(f) Negotiable Certificates of Deposit (NCDs) issued by a nationally or state-chartered bank, a state or federal savings institution or by a federally licensed or state licensed branch of a foreign bank. The amount invested in Negotiable Certificates of Deposit (NCDs) may not exceed 30% of the market value of the portfolio. NCDs eligible for purchase shall be rated in a rating category of "A" or its equivalent or better by a NRSRO. The maximum term for NCDs shall be five years. The amount invested in NCDs of any one issuer in combination with any other securities from that issuer shall not exceed 5% of the market value of the portfolio. Cal. Gov. Code §53601(i)

(g) Placement Service Deposits (PSDs). Deposits placed through a deposit placement service that meet the requirements of Cal. Gov. Code §53601.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance. The maximum term for PSDs shall be three years. The amount invested in Placement Service Deposits (PSDs) may not exceed 30% of the market value of the portfolio. Cal. Gov. Code §53601.8 and 53635.8

(h) Bank Deposits, including, but not limited to, demand deposit accounts, savings accounts, market rate accounts and time certificates of deposits ("TCDs") in financial institutions located in California. The Authority will invest in financial institutions with a net worth of ten million dollars and total assets in excess of \$50 million. Such deposits in each bank shall be limited to no more than 5% of the total assets of the bank. To be eligible to receive Authority deposits, the financial institution must have received a minimum overall satisfactory rating, under the Community Reinvestment Act, for meeting the credit needs of California Communities in its most recent evaluation. Bank deposits are required to be collateralized as specified under Cal. Gov. Code §53630 *et seq.* The Treasurer may waive the collateralization requirements for any portion that is covered by federal deposit insurance. The Authority shall have a signed agreement with any depository accepting Authority funds per Cal. Gov. Code §53649. The maximum maturity of TCDs is three years. A maximum of 20% of the market value of the portfolio may be invested in TCDs. The amount invested in TCDs of any one issuer in excess of the FDIC limit in combination with any other securities from that issuer shall not exceed 5% of the market value of the portfolio. Cal. Gov. Code §53630 *et seq.*

(i) Medium Term Notes (MTNs), defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States rated in a rating category of "A" or its equivalent or better by a NRSRO and be issued by a corporation organized and operating within the United States. The aggregate total of MTNs may not exceed 20% of the market value of the investment portfolio. The amount invested in MTNs of any one issuer in

combination with any other securities from that issuer shall not exceed 5% of the market value of the portfolio. Cal. Gov. Code §53601(k)

(j) Repurchase agreements (RPAs) shall only be made with financial institutions having a credit rating in the rating category "A" or its equivalent or better by a NRSRO. The Security Industry and Financial Markets Association (SIFMA) master repurchase agreement shall be the Authority's master repurchase agreement.

The term of the agreement may not exceed one year.

The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described in 6(a) and 6(b) above, will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the Authority's custodian bank versus payment or be handled under a tri-party repurchase agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value plus accrued interest, 102% of the total dollar value of the money invested by the Authority for the term of the investment. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a regular basis.

Market value must be calculated each time there is a substitution of collateral.

The Authority or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement. Cal. Gov. Code §53601(j)

(k) The Local Agency Investment Fund ("LAIF"), established by the State Treasurer for the benefit of local agencies and identified under Cal. Gov. Code §16429.1 *et seq.* The market value of the Authority's investment in LAIF may not exceed the current deposit limit for regular LAIF accounts.

(l) The San Diego County Investment Pool ("SDCIP") as authorized by Cal. Gov. Code §53684. The market value of the Authority's investment in SDCIP may not exceed the current deposit limit for regular LAIF accounts.

(m) Shares of beneficial interest issued by a joint powers authority (Local Government Investment Pools or ("LGIPs")) organized pursuant to Cal. Gov. Code §6509.7 that meet the requirements of the Investment Trust of California (CalTRUST), as authorized by California Government Code §53601(p). The market value of the Authority's investment in each of the CalTRUST funds may not exceed the current deposit limit for regular LAIF accounts.

(n) Shares of beneficial interest issued by a joint powers authority (Local Government Investment Pools or ("LGIPs")) organized pursuant to Cal. Gov. Code §6509.7 that meet the requirements of Cal. Gov. Code §53601(p). The market value of the Authority's investment in any LGIP may not exceed the LAIF statutory limit. Prior to investing, the Treasurer will complete a thorough investigation of the potential investment. Whenever the Authority has any funds so invested, the Treasurer shall maintain on-going monitoring including the following:

- (i) Establish the investment is a legal investment under Cal. Gov. Code.
- (ii) A description of eligible investment securities, and a written statement of investment policy and objectives. All investments must comply with the eligible investments outlined in this policy. In the event that any investments do not comply with the eligible investments outlined in this Policy, the Treasurer will assess the potential risk of a substantial investment loss related to the investment(s) not in compliance.
- (iii) The issuer must have a current AAAM rating, provide a constant dollar pool with a stated objective of maintaining a \$1 net asset value, meet an asset size of \$1 billion at the time of investment, and provide for third-party custody of portfolio assets.
- (iv) A description of interest calculations and how it is distributed, and how gains and losses are treated.
- (v) A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- (vi) A description of who may invest in the program, the type and number of governmental participants, investor concentrations, what size deposit and withdrawal are allowed, and what time restrictions are placed on these deposits and withdrawals.
- (vii) A schedule for receiving statements and portfolio listings.
- (viii) Determination of how reserves, retained earnings, etc. are utilized by the fund.
- (ix) A fee schedule, and when and how it is assessed. Cal. Gov. Code §53601(p).

(o) The Authority may place funds in shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. §80a-1 *et seq.*). Investment in money market funds may not exceed 20% of the market value of the portfolio with no more than 10% of the market value of the portfolio in any single fund. Additionally, each selected fund shall be large enough that the Authority's investment does not constitute more than 5% of the total fund balance. To be eligible for investment, these companies shall either:

- (i) Attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services, or
- (ii) Retain an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than 5 years' experience managing money market mutual funds with assets under management in excess of \$500,000,000. Cal. Gov. Code §53601(l)

(p) The Authority may invest in: (i) Registered state warrants or treasury notes or bonds of this state including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of this state; (ii) Registered treasury notes or bonds issued by any of the other 49 States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any state; and (iii) Bonds, notes, warrants or other evidence of debt issued by a local agency or municipality located within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Securities eligible for investment under this paragraph shall be rated in a rating category of "A" or its equivalent or better by a NRSRO. Purchase of securities authorized by this subdivision may not exceed 20% of the Authority's portfolio. The amount invested with any one issuer shall not exceed 5% of the portfolio. Cal. Gov. Code §53601 (c), (d), (e).

(q) Permitted Investment for Bond Proceeds. All investment types listed above are authorized investments for bond proceeds. The percentage or dollar limitations listed above do not apply to bond proceeds investments. In addition to the above investments, bond proceeds may be invested in the following:

Investment agreement or guaranteed investment contract (a) with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial institution whose unsecured debt is rated in the highest short-term rating category (if the term of the Investment Agreement is less than three years) or in either of the two highest long-term Rating Categories (if the term of the Investment Agreement is three years or longer) by one or more of the Rating Agencies, or (b) which investment agreement or guaranteed investment contract is fully secured by obligations described in items (a) or (b) of this section which are the following:

- (i) Valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, and
- (ii) Held by any Federal Reserve Bank or a depository acceptable to the Treasurer or any Authority bond trustee, and
- (iii) Subject to a perfected first lien on behalf of the Authority or any bond trustee and free and clear from all third-party liens

The Board has expressly granted the Treasurer the authority to invest debt service reserve funds in U.S. Treasury, federal agency, municipal securities and investment agreements (which meet the requirements of this Investment Policy and the Indenture) with maturities exceeding 5 years if it is considered to be in the best interest of the Authority and if the maturity of such investments does not exceed the expected use of the funds. Reserve fund investments beyond 5 years are specifically excluded from the mathematical calculation of the average maturity of the Authority's portfolio.

(7) Prohibited Investments. Investments not described herein, including but not limited to, inverse floating rate notes, range notes, interest-only strips that are derived from a pool of mortgages, and common stocks are prohibited from use in this portfolio. The Authority shall not invest any funds in any security that could result in zero interest accrual and zero discount accretion if held to maturity. Cal. Gov. Code §53601.6

(8) Safekeeping of Securities. To protect against potential losses by the collapse of individual securities dealers, all securities owned by the Authority shall be held in safekeeping by a third person bank trust department acting as agent for the Authority under the terms of a custody agreement executed by the bank and the Authority. All securities will be received and delivered using standard delivery versus payment procedures. The only exception to the foregoing shall be: (i) LAIF; (ii) the SDCIP; (iii) LGIPs; (iv) money market mutual funds, and (v) Deposits (TCDs & PSDs), since the purchased securities are not deliverable. A record of these investments shall be held by the Treasurer.

All investment officers shall be bonded and all investment accounts subject to surprise audits performed no less than on a quarterly basis.

(9) Portfolio Limitations. Percentage limits and credit criteria are applied at the time of purchase. If a percentage-of-portfolio limitation is exceeded due to reduction in portfolio size, the affected securities may be held to maturity to avoid losses. When no loss is indicated, the Authority's Treasurer shall consider restructuring the portfolio basing the decision in part on the expected length of time the portfolio will be imbalanced. The Treasurer shall report all such imbalances in the monthly report to the Board. In the event that an investment originally purchased within policy guidelines is downgraded below the policy requirements by any one of the NRSROs, the course of action to be followed by the Treasurer will then be decided on a case-by-case basis, considering such factors as the reason for the downgrade, prognosis for recovery or further rating downgrades, and the market price of the security.

(10) Reporting Requirements.

(a) In accordance with Cal. Gov. Code §53646, on a quarterly basis, the Authority's Treasurer shall prepare in accordance with GAAP and GASB 31 a report detailing investments and investment activity and transmit same to the Executive Officer, the Internal Auditor and the Board.

(i) The report shall be submitted within 30 days of the end of the quarter covered by the report.

(ii) The report shall include the type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and monies held by the Authority.

(iii) The report shall include a description of any funds, investments, or programs that are under the management of contracted persons.

(iv) The report shall also include a current market value on a market-to-market basis as of the report date using an established identified independent source for the valuation.

(v) The report shall state compliance of the portfolio to the statement of investment policy or the manner in which it is not in compliance.

(vi) The report shall state the Authority's ability to meet its budgeted expenditure requirements for the next six months or to explain why sufficient money may not be available.

(b) In accordance with Cal. Gov. Code §53607, the Authority's Treasurer shall make a monthly report of investment transactions to the Board.

(11) Internal Control. The development of internal controls is a function of management. The Authority's Treasurer shall establish and document a system of internal controls that will provide reasonable assurance regarding the achievement of objectives in the following categories:

- Safeguarding assets
- Ensuring validity of financial records and reports
- Promoting adherence to policies, procedures, regulations and laws
- Promoting effectiveness and efficiency of operations

In addition, the Authority's Treasurer shall:

- (a) Establish an annual process of an independent review by an external examiner.
- (b) Develop performance standards. Those performance standards will be reviewed by the Treasurer and presented as an information item to the President/CEO and the Board. On a quarterly basis, as part of the reporting requirements the Authority's Treasurer shall report actual compared to the performance standard and any substantial deviations shall be explained.
- (c) Review the Authority's investment policy annually at a public meeting and obtain Board approval and adoption of the policy to ensure its consistency with the Authority's objectives of preservation of principal, liquidity, rate of return and the policy's relevance to current law and financial and economic trends. The Authority's Treasurer is responsible for maintaining guidance over the Authority's investment policy and ensuring that the Authority can adapt readily to changing market conditions and shall submit to the Board any modification to the investment policy prior to implementation.

(12) Glossary of Terms.

Asked: The price at which securities are offered (that is, the price at which a firm will sell a security to an investor).

Bankers' Acceptance (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Bid: The price offered for securities (that is, the price at which a broker or dealer will pay to purchase a security an investor owns).

Broker: A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; he does not take a position. In the money market, brokers are active in markets in which banks buy and sell money and in interdealer markets.

Certificate of Deposit (CD): See: Time Certificate of Deposits, Negotiable Certificates of Deposits.

Collateral: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper (CP) - An unsecured short-term promissory note issued by corporations and local governments, with maturities ranging from 1 to 270 days. Commercial paper is usually issued at a discount from par with a zero coupon. Highly-rated, or "Prime" commercial paper carries a Standard & Poor's rating of A1 or A1+, a Moody's rating of P1, and/or a Fitch rating of F1 or F1+.

Constant Maturity Treasury (CMT) – A calculated average released by the Federal Reserve of all Treasury yields along a specific maturity point. This calculation is frequently used as a benchmark for conservative government portfolios.

Coupon: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value; (b) A certificate attached to a bond evidencing interest due on a payment date.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his or her own account.

Debenture: A bond secured only by the general credit of the issuer.

Delivery versus Payment: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt (also called free delivery). Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Discount: The difference between the cost price of a security and its value at maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be selling at a discount.

Diversification: Dividing investment funds among a variety of securities offering independent returns.

Federal Farm Credit Bank (FFCB): The Federal Farm Credit Bank System is the oldest of the government sponsored enterprises, created by an act of Congress in 1916. Its mission is to provide a reliable and low cost source of funds to support agriculture in the United States. Unlike commercial banks, System banks do not take deposits. Instead, funds for loans are obtained through the issuance of debt securities. FFCB long-term senior debt ratings have traditionally mirrored those of the U.S. government.

Federal Home Loan Banks: Federal Home Loan Banks provide a source of low cost loan funding to U.S. banks. Within their collective membership, the FHLBank System represents the largest source of home mortgages in the United States. The System does not provide loans directly to individuals, only to other correspondent banks. System banks do not take deposits. Instead, funds for loans are obtained through the issuance of debt securities. FHLB long-term senior debt ratings have traditionally mirrored those of the U.S. government.

Federal Home Loan Mortgage Company (FHLMC or “Freddie Mac”): The Federal Home Loan Mortgage Corporation (FHLMC), commonly referred to as “Freddie Mac”, was created in 1970 to assist its sister company, Fannie Mae, by purchasing mortgage loans in the secondary market, pooling them together, and selling them to investors in the form of mortgage-backed securities. By providing a secondary market for home loans, Freddie Mac increases the amount of money available for mortgage lending. In September 2008, Freddie was placed under Federal government conservatorship as a result of a decline in the underlying market value of the mortgage loans it held and guaranteed. Like Fannie Mae, Freddie Mac issues debt in maturity ranges from one-day to 30 years, and its long-term senior debt rating has traditionally mirrored U.S. Treasury debt due to its reliance on the U.S. government.

Federal National Mortgage Association (FNMA or “Fannie Mae”): The Federal National Mortgage Association (FNMA), commonly referred to as “Fannie Mae”, was created in 1938 during the Great Depression to provide a secondary market for mortgage loans by purchasing groups of loans from lenders and packaging them into pools of mortgage-backed securities that can then be sold to investors. To facilitate this process, Fannie Mae also issues debt in maturity ranges from one-day to 30 years. The company’s long-term senior debt rating has traditionally mirrored U.S. Treasury debt due to its reliance on the U.S. government. Although Fannie Mae had operated as a private company since 1968, it was placed under Federal government conservatorship in September 2008 as a result of a decline in the underlying market value of the mortgage loans it held and guaranteed.

Government National Mortgage Association (GNMA or “Ginnie Mae”): Long-term mortgage-backed securities backed by FHA and VA loans guaranteed by the full faith and credit of the U.S. Treasury. The term “pass-through” is often used to describe Ginnie Mae securities as principal and interest payments from the underlying homeowners are passed along to investors.

Federal Open Market Committee (FOMC): A group of Federal Reserve Officials that meet eight times per year to set U.S. monetary policy (raises and lowers interest rates). The Committee must balance its two primary and often conflicting objectives of achieving stable economic growth and keeping inflation at acceptable levels.

Fed or Federal Reserve Bank: The Central Bank of the U.S. responsible for supervising and regulating member banks, providing banking services, providing information, and setting monetary policy through the FOMC.

International Bank for Reconstruction and Development (IBRD or World Bank). The International Bank for Reconstruction and Development was created in 1944 to help Europe rebuild after World War II. Today, its purpose is to assist with reconstruction and poverty reduction through an inclusive and sustainable globalization. The IBRD is owned and governed by its member governments. The United States is the IBRD's leading shareholder.

International Finance Corporation (IFC): The IFC is a member of the World Bank Group. Its focus is on assisting with private sector development in developing countries. The IFC is owned and governed by its member governments. The United States is the IFC's leading shareholder.

Inter-American Development Bank (IADB): The IADB was established in 1959 to provide financing and expertise for sustainable economic, social, and institutional development in Latin America and the Caribbean. The IADB is owned and governed by its member governments. The United States is the IADB's leading shareholder.

Inverse Floating Rate Note: A debt security with an interest rate stated as a fixed rate minus a variable rate index. This calculation causes the rate on the inverse floater to move in the opposite direction of general interest rates. This instrument generally performs well in a declining interest rate environment but will lose value if rates rise.

Liquidity: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between the bid and asked prices is narrow and reasonable size can be done at those quotes.

Local Government Investment Pools (LGIPs): Shares of beneficial interest issued by a joint powers authority organized pursuant to Cal. Gov. Code §6509.7. LGIPs offer a diversification alternative to LAIF and SDCIP for short-term cash management facilities.

Market Value: The price at which a security is trading and could presumably be sold.

Master Repurchase Agreement: A written contract covering all future transactions between counterparties to repurchase agreements and reverse repurchase agreements that establish each entity's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Medium Term Notes: A class of debenture that is defined as all corporate and depository debt securities with a maximum remaining maturity of five years or less.

Money Market: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptance, etc.) are issued and traded.

Nationally Recognized Statistical Rating Organization (NRSRO): A credit rating agency (CRA) that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes.

Negotiable Certificate of Deposit (NCD): A type of CD that is at least \$100,000 and can also be traded on a highly liquid secondary market.

Placement Service Deposit (PSD): A type of deposit that uses a deposit placement service. The placement service will allow the bank with which the investment is placed to split the initial deposit into multiple pieces that are then distributed among a network of banks, such that the full amount of the deposit is protected by the FDIC insurance of each participating bank.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities, broker/dealers, banks and a few unregulated firms.

Prudent Investor Standard: A legal doctrine that requires fiduciaries to make investments using the prudence, diligence, and intelligence that would be used by a prudent person in making similar investments.

Rate of Return: A standard performance measurement that considers the coupon interest a security or portfolio of securities receives, along with any realized gain or loss, along with any change in unrealized market gain or loss. Depending on market volatility, the rate of return could differ significantly from the average yield of a portfolio.

Rating Agency: Nationally recognized credit rating agency such as Fitch, Moody's or S&P.

Rating Category: A credit rating assignment by a Rating Agency shall mean (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

Repurchase Agreement (RP or Repo): A type of financial agreement in which an investor exchanges cash for securities with a primary dealer or bank and earns a fixed rate of interest for a specified period. At the end of the period, securities are returned in exchange for the principal amount, along with accrued interest. Dealers and banks use repo proceeds to finance their inventory positions.

Safekeeping: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

Sec Rule 15C3-1: See Uniform Net Capital Rule.

Securities and Exchange Commission: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

Strip (Bonds): Brokerage-house practice of separating a bond into its principal and interest, which are then sold as zero coupon bonds.

Time Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs are typically negotiable.

Treasurer: The Vice President/Chief Financial Officer (CFO) ~~of Finance/Treasurer~~ of the Authority or the authorized designee or representative as designated by the President/Chief Executive Officer.

Treasury Bill: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.

Treasury Bond: Long-term U.S. Treasury security having initial maturities of more than ten years.

Treasury Note: U.S. Treasury security having initial maturities between two and 10 years.

Uniform Net Capital Rule: Securities and Exchange Commission requirement that member firms as well as nonmember broker/dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Yield: The rate of annual income return on an investment, expressed as a percentage. (A) **Income Yield** is obtained by dividing the current dollar income by the current market price for the security. (B) **Net Yield or Yield to Maturity** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

[Amended by Resolution No. 2018-0056 dated June 7, 2018]
[Amended by Resolution No. 2017-0049 dated June 1, 2017]
[Amended by Resolution No. 2016-0040 dated May 19, 2016]
[Amended by Resolution No. 2015-0043 dated May 21, 2015]
[Amended by Resolution No. 2014-0051 dated June 5, 2014]
[Amended by Resolution No. 2013-0049 dated June 6, 2013]
[Amended by Resolution No. 2012-0059 dated June 7, 2012]
[Amended by Resolution No. 2011-0064 dated June 2, 2011]
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[Amended by Resolution No. 2009-0123 dated October 1, 2009]
[Amended by Resolution No. 2008-0118 dated September 4, 2008]
[Amended by Resolution No. 2006-0010 dated February 6, 2006]
[Amended by Resolution No. 2005-0102 dated September 8, 2005]
[Amended by Resolution No. 2004-0133 dated December 6, 2004]
[Amended by Resolution No. 2004-0100 dated October 4, 2004]
[Amended by Resolution No. 2004-0032 dated April 5, 2004]
[Adopted Resolution No. 2002-02 dated September 20, 2002]

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
POLICIES**

**ARTICLE 4 - FINANCE AND ACCOUNTING
PART 4.2 - INVESTMENTS
SECTION 4.21 - POLICY REGARDING THE USE AND MANAGEMENT
OF DERIVATIVE PRODUCTS**

(1) PURPOSE:

The purpose of this “Policy Regarding the Use and Management of Derivative Products” (the “Policy” or “Derivatives Policy”) for the San Diego County Regional Airport Authority (“SDCRAA” or the “Authority”) is to establish guidelines for the Authority to enter into and to manage various types of currently available financial contracts including interest rate swaps, options, caps, collars, floors, hedges and rate locks. These products are collectively referred to herein as “Derivatives” or “Derivative Product(s)”. Derivative Products, as contemplated in this Policy, are classified into two categories:

- a. those governed by standard International Swap Dealers Association (“ISDA”) Agreements (see “Form” herein), and
- b. those governed by other forms of agreement (“other derivatives”).

All agreements and binding obligations associated with Derivative Products must receive the formal approval of the Board prior to execution of a transaction.

Subject to Board approval, derivative products are almost exclusively governed by a “master agreement” established by the International Swap Dealers Association (“ISDA”), a generic document that governs the basic terms of the swap. It sets out the broad parameters of the transaction, including a set of definitions, general payment provisions, netting arrangements, events of default and events of early termination.

Each ISDA master agreement is accompanied by and subject to a confirmation and a schedule, which supplement and override, to the extent of any inconsistency, the master agreement. The agreements are standard forms used in the industry and are widely accepted in the marketplace. They allow market participants to trade swaps in a well-defined secondary market and reverse swaps with existing counterparties.

Other derivative forms of agreement lack this defined secondary market and will require additional Board disclosures including receipt of detailed analytic evaluation that provides a strong and compelling rationale for their use. This Policy does not contemplate the use of such products at this time.

This Derivatives Policy provides guidelines for the Vice President/[Chief Financial Officer Finance/Treasurer](#), professional Finance Department staff and the Authority's Board of Directors (the "Board"), as well as the Authority's Financial Advisor and the Authority's Swap Advisor (collectively, the "Advisors") as well as all financial institutions wishing to do business with the Authority.

No Derivative Product may be executed by the Authority without the prior approval of the Board.

(2) PHILOSOPHY REGARDING THE USE OF DERIVATIVE PRODUCTS:

Derivative Products can be appropriate interest rate management tools. Properly used, they can increase the Authority's financial flexibility and provide opportunities for interest rate savings, enhanced investment yields, or reduced risk. Derivative Products should be considered in the context of the Authority's overall debt and investment management policy.

Derivative Products may be used when they achieve a specific objective consistent with the Authority's overall financial policy¹ (see "Permitted Uses" herein).

If used improperly, Derivative Products could expose the Authority to undue risk or risk for which compensation is insufficient. They should never be used for speculation (see "Prohibited Uses" herein).

The Authority may use the following products after identifying the specific financial objective to be attained and assessing the accompanying risks:

- a. **Interest Rate Swaps** – (see "Legality" herein) Immediate or forward starting floating-to-fixed rate swaps may be used to capture current market fixed interest rates or eliminate variable rate exposure. Fixed-to-floating rate swaps may be used to create additional variable interest rate exposure.
- b. **Interest Rate Caps** – Financial contracts (e.g., caps, collars, floors) may be used to limit or contain exposure to interest rate volatility.
- c. **Rate Locks** – These are most typically based on interest rate swaps and may be used to hedge an upcoming fixed rate bond issue.

The above list is representative and not all-inclusive.

¹ They may be used, for example, to lock in a current market fixed rate or create additional variable rate exposure, to produce interest rate savings or alter the pattern of debt service payments. They may also be used to cap, limit or hedge variable rate payments.

(3) SCOPE AND APPROVALS:

This Derivatives Policy shall govern the Authority's use and management of Derivative Products, describing the circumstances and methods by which they will be used, providing guidelines to be employed when they are used, and identifying the responsible parties involved in the implementation of this Policy.

While adherence to this Policy is required whenever the Authority enters into an agreement (see "Form" herein) to utilize a Derivative Product, the Authority recognizes that changes in the capital markets and in the Authority's strategic goals and tolerance for risk, and other unforeseen circumstances, may from time to time, give rise to issues or situations that are not covered by this Policy. Subject to Board approval of all agreement documents, this Policy provides the CEO/ President, and other employees designated by the President/CEO, to incorporate different and additional restrictions, as long as such restrictions are not inconsistent with this Policy. Any of the provisions and/or restrictions contained in this Policy can be modified by the Board.

Prior to entering into any transaction involving Derivatives, staff must obtain the Board's approval of the maximum notional amount, the maximum term, the average life, and all agreement documents associated with such Derivative Product. The General Counsel and Bond Counsel of the Authority shall determine whether a proposed Derivative Product complies with all applicable provisions of the Authority's Master Senior and Subordinate Indenture, any resolutions and agreements related to the Authority's outstanding debt, and whether or not the use of such Derivative Product will adversely impact the rights of any holder of the Authority's outstanding bonds or notes.

The President/ CEO, or such other employees designated by the President/CEO, will be delegated by the Board to carry out the necessary steps to enter into, monitor and administer any Derivative Product it has approved. This delegation shall be in accordance with the Board's approval and within the parameters established under this policy.

The Board will consider the array of benefits available from the use of each proposed Derivative Product, including, as appropriate: portfolio composition, debt management, mitigation of interest rate risk, lowering the cost of debt service, or expected changes in interest rates. A written analysis of the expected benefits as well as the potential risks associated with a proposed Derivative Product shall be presented to the Board as further described herein (see "Analytical Procedures").

(4) LEGALITY:

SDCRAA's authority to enter into transactions utilizing Derivative Products is based on its general contractual powers and Section 5903 of the Government Code. Its ability to pledge Authority revenues to its payment obligations with respect to such Derivative Products, specifically Interest Rate Swaps, is authorized by provisions contained in the Authority's Master Senior Lien Indenture and Subordinate Lien Indenture as described below.

Interest rate swaps are one of many Derivative Products, but are the most commonly used of all derivatives.² They are described in the Authority's Master Senior Lien Indenture, which provides for the issuance of a "Qualified Swap":

"...any Swap (a) whose Designated Debt is all or part of a particular Series of Bonds; (b) whose Swap Provider is a Qualified Swap Provider or has been a Qualified Swap Provider within the 60 day period preceding the date on which the calculation of Annual Debt Service or Aggregate Annual Debt Service is being made; (c) which has a term not greater than the term of the Designated Debt, or to a specified mandatory tender or redemption of such Designated Debt; and (d) which has been designated in writing to the Trustee by the Authority as a Qualified Swap with respect to such Bonds."

(5) PERMITTED USES:

Recognizing the effects of continual innovation in the financial markets, this Policy acknowledges that the Authority's reasons for using Derivatives may change over time.

The current uses for Derivatives may include:

- a. Managing the Authority's exposure to floating and fixed interest rates;
- b. Providing the ability to lock in long term fixed rates more quickly than is typically possible with the issuance of conventional fixed rate bonds;
- c. Managing the Authority's exposure to the risk of changes in legal and regulatory treatment of tax exempt bonds, including changes in federal marginal tax rates, or the elimination of or modifications to the Alternative Minimum Tax ("AMT");
- d. Managing the Authority's credit exposure to financial institutions and other entities through the use of offsetting swaps; and,
- e. Other applications that enable the Authority to increase income, lower costs or strengthen the Authority's balance sheet.

When an interest rate swap is being used in lieu of conventional fixed rate bonds to fix the interest cost and lock-in savings in a current, advance or forward refunding of outstanding Authority debt, as a general rule, the level of present value savings generated by the swap should *exceed* the savings hypothetically produced by a conventional bond refunding with comparable redemption provisions.

² Interest Rate Swaps are defined as arrangements whereby two parties (called "counterparties") enter into an agreement to exchange periodic interest payments based on a fixed ("notional") amount of principal. One of the counterparties typically makes payments at a fixed rate, and the other at rates that fluctuate periodically according to a predetermined published index (LIBOR or BMA). Only interest payments are exchanged.

In general, present value refunding savings generated by the use of interest rate swaps should exceed the following thresholds (compared against a conventional fixed rate issue)³:

Index	Callable (10 years at 100%)	Non-Callable
<i>Baseline:</i>		
<i>Conventional Bonds</i>	5%	7%
BMA	6%	8%
LIBOR	8%	10%

(6) PROHIBITED USERS:

Recognizing the effects of continual innovation in the financial markets, this Policy acknowledges that the Authority’s reasons for using Derivatives may change over time.

As the use of Derivatives entails financial risks, the Authority shall enter into them only in accordance with this Policy. If used improperly, Derivative Products could expose the Authority to undue risk or risk for which compensation is insufficient.

The use of Derivative Products is prohibited under the following circumstances:

- a. When the use of Derivatives is for speculative purposes, such as potential trading gains or interest rate speculation, rather than for hedging interest rate risk in connection with the Authority’s debt program;
- b. Where the Authority does not have or can not obtain sufficient liquidity to terminate an existing Derivative Product at current market values;
- c. Where there is insufficient price transparency to permit the Authority or its advisors to reasonably value the Derivative Product, for example, as a result of unusual embedded structures or terms.

(7) EFFECTIVE HEDGES:

The Authority understands that:

- a. If payments on and receipts from the Agreement are to be taken into account in computing the yield on the related bonds, the Agreement must meet the requirements for an “effective hedge” under federal tax law and generally accepted accounting principles (GAAP) (sometimes referred to as an “integrated” swap); and

³ A specific transaction that produces a lower level of savings may be entertained if warranted by special circumstances, such as: (i) a desire to restructure debt service; (ii) the inclusion of callable bonds which if not called would be wasting assets; and (iii) a relatively short remaining average life.

- b. If one of the goals of entering into the Agreement is to convert variable yield bonds into fixed yield bonds (sometimes referred to as a “super integrated swap”), then certain additional requirements must be met.

In both of these situations, the terms of the Agreement and the process for entering into the Agreement must be reviewed and approved in advance by the Board, General Counsel, Bond Counsel and Tax Counsel.

(8) FORM:

Unless otherwise approved by the Board, the Authority will use the preferred form of the International Swap Dealers Association (“ISDA”) swap documentation (the so-called “Single Currency, Single Jurisdiction” form). Any agreements (the “Agreement”) between the Authority and its counterparties will include payment, term, security, collateral, default, remedy termination and other terms, conditions and provisions as the Authority, in consultation with its General Counsel, its Advisors, and Bond Counsel deem necessary and desirable.

(9) ANALYTICAL PROCEDURES:

Prior to seeking the Board’s authorization to implement any proposed Derivative transaction, Finance staff and the Advisors shall undertake an identification and evaluation of the financial benefits and risks involved in the transaction and summarize them clearly and concisely for the Board. In addition, the analysis should outline any measures that will be taken to mitigate those risks (recognizing that the significance of various risks may vary from transaction to transaction) and calculate estimates of financial results under various scenarios including (but not limited to) different levels of future interest rates. The summary shall include an evaluation of the following risks, as appropriate:

Type of Risk	Description	Evaluation Methodology
Interest Rate Risk	The Authority's exposure to interest rate fluctuations while utilizing the Derivative Product.	The Authority will evaluate the historical trading levels of the index (BMA or LIBOR) and apply appropriate stress tests.
Basis Risk	The mismatch between the interest rate associated with variable rate debt and the index rate (viz., BMA or LIBOR) used to calculate the swap payment.	The Authority will review historical trading differentials between rates on variable rate instruments and the selected index.
Tax Risk	The Authority's exposure to higher interest expense, lower investment earnings, extraordinary payments, termination or other adverse consequences as a result of an actual or anticipated future change in Federal income tax law or policy.	The Authority will review "tax events" in proposed swap agreements and evaluate the financial impact of potential changes in tax law on LIBOR indexed swaps.
Counterparty Risk	The failure of the counterparty to make required payments. Multiple offsetting swaps compounds counterparty risk.	The Authority will monitor exposure levels, ratings threshold and collateralization requirements as they relate to its counterparties.
Credit Risk	The exposure of the Authority to changes in the creditworthiness of the counterparty and/or insurers or liquidity providers.	The Authority will ensure that appropriate safeguard provisions are included in the legal documentation for any Derivative Product (e.g., collateral, assignment).
Credit Ratings Risk	The potential impact of the proposed Derivative Product on the Authority's current or future credit ratings.	The Authority will err on the side of conservatism in the size, structure and term of any Derivative Products it uses to mitigate any adverse potential effects on ratings.
Cost Recovery Risk	The potential impact of an involuntary termination or other unforeseen cost on the Authority's financial operations and on airline rates and charges, to the extent that the benefits and risks of Derivative	In approving any Derivative Product, the Authority shall evaluate the expected allocation of the benefits and risks of such Derivative Product between itself and the airlines to ensure that

Type of Risk	Description	Evaluation Methodology
	Products are shared with the airlines through the rates and charges formula.	such allocation is fair and reasonable.
Variable Rate Exposure	The potential when using Derivative Products for increasing the Authority's level of variable rate debt beyond desirable internal policy limits, either through the use of conventional or forward variable rate debt instruments.	The Authority will calculate the level of variable rate debt taking into account the proposed Derivative Product, its outstanding variable rate debt and its plans for the future issuance of variable rate debt.
Termination Risk	The Authority's exposure to an involuntary termination, including the magnitude of any potential termination payment and the impact of such payment on its liquidity and credit.	The Authority will apply at least a 250 basis point stress test to existing interest rates to evaluate termination payment risk.
Amortization Risk	The mismatch of the maturity of the swap and the maturity of the underlying bonds.	The Authority will take all reasonable steps to ensure that the amortization of any derivative product is consistent with the amortization of the underlying debt.
Market Access Risk	The dependence of successful completion of a future bond issue to the financial effectiveness of the Derivative Product.	The Authority will take all reasonable steps to ensure that it will have the capability to issue debt associated with a forward delivery swap. If market conditions do not permit access, the Authority risks the premature termination of the swap and attendant payments.
Accounting Risk	The impact of the proposed Derivative Product on the Authority's financial statements and on the required accounting treatment for the proposed Derivative product.	The Authority will consult with its accountants on these issues to ensure that derivative transactions meet the "effective hedge" standard and hedge accounting applies.
Administrative Burden	The operational requirements and estimated incremental costs associated with adequately	The Vice President /Chief Financial Officer and Treasurer will provide a cost/benefit

Type of Risk	Description	Evaluation Methodology
	administering and monitoring the proposed Derivative Product.	estimate taking into account additional staffing, if any, and the expected time to be spent by current staff on administration of Derivative Products versus the expected savings to the Authority.
Liquidity Risk	The inability to maintain or renew a liquidity facility, such as a Letter of Credit, Line of Credit and/or Insurance.	The Authority will evaluate the expected availability of liquidity support for conventional and synthetic variable rate debt products.
Qualified Hedge Risk	The financial impact should the IRS or financial statement auditors determine that a swap does not qualify as a hedge under their strict standards and measures.	The Authority will receive a legal opinion that the transactions meet the IRS and GAAP standards outlined prior to execution of agreement. After issuance, the Authority will annually review the performance of the hedge to ensure continued compliance with US Treasury and accounting guidelines.

Using these elements of potential risk as a checklist, the Authority will track and evaluate its Derivative program(s) on a regular basis.

(10) GUIDELINES:

In addition, subject to the provisions contained herein, the terms of any Agreement shall reflect the following guidelines:

- a. **Downgrade provisions** triggering terminations shall in no event be worse for the Authority than those affecting the counterparty.
- b. **Governing law** for Agreements will be determined at the time of the Agreement, except that matters relating to the enforcement of the Agreement against the Authority will be governed by the laws of California.
- c. The **specified indebtedness related to Authority credit events** in any Agreement should be narrowly defined and should refer only to indebtedness of the Authority that could have a materially adverse effect on the Authority’s ability to perform its obligations under the Agreement.

- d. The Authority shall have the right to **optionally terminate** an Agreement at “market”, at any time over the term of the Swap Agreement.
- e. **Termination value** should be set by utilizing a “Market Quotation Methodology, Second Method”, unless the Authority, in consultation with its Swap Advisor, deems an alternate method to be appropriate.

(11) TERM AND NOTIONAL AMOUNT:

The Authority, subject to Board approval, shall determine the appropriate term for an Agreement on a case-by-case basis. The slope of the swap curve, the marginal change in swap rates from year to year along the swap curve, and the impact that the term of the swap has on the overall exposure of the Authority shall be considered in determining the appropriate term of any Agreement. In connection with the issuance or carrying of bonds, the term of an Agreement between the Issuer and a qualified Counterparty shall not extend beyond the final maturity date of the related bonds of the Issuer, or in the case of a refunding transaction, beyond the final maturity date of the refunding bonds, or in the case of a hedging transaction for bonds expected to be issued, not later than the expected final maturity date of the proposed bonds.

The notional amount of the Agreement at no time will exceed the outstanding principal amount of the bonds being hedged.

(12) METHOD OF PROCUREMENT:

The Authority will competitively bid Derivative Products that are non-proprietary or generally available in the marketplace. No fewer than three (3) bids shall be solicited. The Authority may choose to reward a specific firm(s) for consistently providing original ideas in a timely fashion or for applying derivative products in a manner that creates additional value for the Authority by giving such firm the ability to match the lowest bid received in a competitive bidding process.

Under special circumstances and on a product by product basis, the Authority may, on the written advice of its advisors, seek the approval of the Board to negotiate the procurement of derivative products with customized or specific attributes designed on the Authority’s behalf, which attributes render the product infeasible or inappropriate for competitive bidding. The final agreements shall be subject to the approval by the Board prior to execution.

As a required condition for a negotiated transaction, the Authority shall obtain an unqualified Fair Market Value opinion regarding the pricing of such transaction from the Swap Advisor. The Authority will attempt to obtain from the Counterparty all markups and profits on the derivative transaction. The Counterparty will be required to disclose any payments to third parties including brokers, lobbyists, and consultants, if any were engaged to assist the counterparty in procuring business with the Authority.

(13) QUALIFIED COUNTERPARTIES:

Standards of creditworthiness, as measured by credit ratings issued by Moody's Investors Services, Standard & Poor's Rating Services and Fitch Investors Ratings Service (currently, the three nationally recognized rating agencies) will determine eligible Counterparties. In addition, eligible Counterparties should have demonstrated experience in successfully executing derivative transactions.

The Authority, subject to Board approval, shall enter into Agreements for Derivative Products only with counterparties with the strongest credit ratings. The Authority commits that it will only enter into Agreements for Derivative Products with Counterparties rated no lower than the double-A category by all three rating agencies. In making this determination, each counterparty must have a current rating from at least two of the three ratings agencies. Each rating must reflect the claims paying ability of the entity entering into or guaranteeing the Counterparty's performance under the proposed Agreement.

(This policy is not intended to restrict transactions which involve an upfront payment to the issuer which, in the determination of the Swap Advisor, would be unaffected by a subsequent default by the Counterparty.)

If the Counterparty's applicable rating falls below the double-A category from any one of the three rating agencies, the Counterparty shall be required to post the Collateral Requirement as described below.

An Agreement with any Counterparty whose rating falls below the single-A category from any of the three applicable rating agencies, or who ceases to have a rating from at least two of the applicable rating agencies shall be subject, at the option of Authority, to immediate termination and payment of the Counterparty Termination Value to the Authority as defined below. The Authority will seek to require, whenever possible, that terminations triggered by a Counterparty credit downgrade will occur on whichever is the most beneficial side to the Authority of the bid-offered spread, and which would allow the Authority to go back into the market to replace the downgraded party with another suitable Counterparty at minimal out-of-pocket cost to the Authority.

Notwithstanding the preceding, nothing contained herein is intended to preclude the Counterparty from securing its obligation under an Agreement with an irrevocable letter of credit (or other similar surety or guarantee) from a provider that is 1) rated by two of the three rating agencies; and 2) whose short-term ratings are at least P-I/A-I+/F-I+ and/or whose long-term ratings of at least Aa3/AA-/AA- in order to eliminate either:

- a. the requirement to post collateral in the event of an applicable rating downgrade of the Counterparty, or
- b. the Authority's right to terminate an Agreement in the event of an applicable rating downgrade of the Counterparty.

In addition, nothing herein is intended to preclude the provision of additional requirements in an individual Agreement between the Authority and a Counterparty so long as such additional requirements are not inconsistent with this Policy and reduce the Authority's risk exposure. Specifically, the Authority may seek to include additional terms in Agreements that mitigate and offset its exposure to Counterparty risk, including, without limitation:

- a. additional ratings-based collateral requirements pursuant to which the Authority may require the posting of collateral by the Counterparty, or
- b. ratings-based termination events pursuant to which the Authority may require the Counterparty to terminate an Agreement prior to its scheduled termination date.

(14) COUNTERPARTY EXPOSURE LIMITATIONS

In order to diversify the Authority's Counterparty risk and to limit the Authority's exposure to any one Counterparty, exposure limits will be established for each Counterparty based upon the relative level of risk associated with each Agreement.

Prior to entering into each new Agreement, the Advisors will establish exposure limits for each potential counterparty based upon the Authority's termination exposure risk to all existing and proposed Agreements with such counterparty under a comprehensive ranges of future interest rate, credit downgrade and other scenarios.

The Authority may not enter into any new Agreement with any Counterparty, regardless of whether or not the proposed Agreement is procured through competitive bidding or negotiation, unless the Swap Advisor provides, in advance, a detailed written evaluation using the criteria provided, of the Authority's aggregate exposure to any such Counterparty, after giving effect to the proposed Agreement, and the Authority, subject to Board approval, concluding that such level of exposure represents an acceptable and appropriate level of risk to assume.

Under no circumstances shall the sum of the notional principal amount of each outstanding and proposed Agreement with any one Counterparty exceed \$75 million.

The Swap Counterparty Exposure Limitations shall not be construed to require the termination of any portion of any outstanding Agreement between the Authority and a Counterparty.

(15) COUNTERPARTY TERMINATION VALUE

With respect to one or more outstanding Agreements with a specific Counterparty, the Counterparty Termination Value shall be computed in two steps:

- a. valuing the remaining payments due under each such Agreement utilizing a "Market Quotation Methodology, Second Method", unless the Authority, in consultation with its Financial and Swap Advisor, deems an alternate method to be appropriate; and

- b. if such aggregate valuation reflects a net present value liability from the Counterparty to the Authority, assigning the absolute value of such liability to the Counterparty Termination Value.

In the event that a credit event occurs which permits the Authority to terminate one or more Agreements with a particular Counterparty, the Authority may elect to terminate all, none or some of such Agreements and the Counterparty will be obligated to pay to the Authority an amount equal to the Counterparty Termination Value as determined with respect to the Agreements to be terminated.

(16) COLLATERAL REQUIREMENTS

Counterparties whose applicable rating or ratings trigger a collateral requirement shall post, with respect to each Agreement, Permitted Collateral equal to:

Option #1: One hundred and five percent (105%) of the Counterparty Termination Value as determined for that Agreement. Such Counterparty Termination Value must be computed using applicable prevailing market rates no less frequently than the earlier of: (a) one week since the last such valuation or (b) the date a new Agreement is executed with such Counterparty.

Option #2: One hundred and five (105%) of the Adjusted Counterparty Termination Value as determined for that Agreement. Such Adjusted Counterparty Termination Value must be computed no less frequently than the earlier of (a) three months since the last such valuation or (b) the date any new Agreement is executed with such Counterparty. The Adjusted Counterparty Termination value shall be computed using the rules provided for computing the Counterparty Termination Value except that computed termination value shall be increased by either increasing or decreasing the applicable prevailing market rates used for this evaluation by 50 basis points.

It is the intention of this Policy that the Collateral Requirement be determined separately based on the Counterparty Termination Value for each Agreement rather than on the Counterparty Termination Value for all Agreements with a particular Counterparty unless an alternative valuation methodology is explicitly negotiated between the Authority and a Counterparty and defined in each applicable Agreement, as approved by the Board.

(17) PERMITTED COLLATERAL

As part of each Agreement, the Authority shall require collateralization to secure such Agreement in the event of a downgrade event described above or other event as defined in such Agreement. Permitted collateral shall consist of US Treasury and Agency securities with maturities of five years or less. Such securities shall be marked to market on a daily basis and shall have, as of such valuation, a value not less than 105% of either the Counterparty Termination Value, or the Adjusted Counterparty Termination Value.

Permitted Collateral shall be deposited with a third party trustee, or as mutually agreed upon between the Authority and the counterparty.

As appropriate, the Authority, in consultation with its Bond Counsel and its Advisors may increase the requirements for posting collateral or provide for the substitution of other forms of credit enhancement which will allow the counterparty to satisfy the Collateral Requirement.

(18) RISK MANAGEMENT AND ONGOING MONITORING

The Authority and its Swap Advisor will evaluate the risks associated with the outstanding Agreements at least quarterly and will, as requested by the Board and at least once annually, report its findings. This evaluation will include the following information:

- a. A summary of key terms of the Agreements, notional amounts, interest rates and expiration dates, any scheduled amortized amounts and any changes to the Agreements since the last reporting period;
- b. The termination value for all outstanding Agreements;
- c. The credit ratings of each counterparty, (or parent, guarantor, and credit enhancer if applicable), and any changes in the credit rating since the last reporting period;
- d. The amount of exposure to each specific counterparty, as measured by aggregate mark-to-market value netted for offsetting transactions;
- e. Actual collateral posted or received by counterparty, as a result of requirements in the Agreements, at its fair market value;
- f. Information concerning any material event involving outstanding Agreements, including a default by a counterparty, a counterparty downgrade, or termination;
- g. An updated contingency plan to replace or fund an Authority termination payment in the event an outstanding Agreement is terminated by a counterparty; and
- h. The status of any liquidity support used in connection with an Agreement, including the remaining term and current fee.

The Authority's Financial Advisor shall identify revenue sources to fund potential Authority termination payments.

The Authority will seek to maximize the benefits and minimize the risks it carries by managing its derivative exposure as an integral part of its overall debt and investment management plan. This will entail frequent monitoring of market conditions, by the Authority and its Advisors for emergent opportunities and risks.

The Authority, along with its Advisors, shall review this Policy at least annually, and submit updates, if any, to the Board for approval.

(19) TERMINATION OF AN AGREEMENT

The methodology for determining termination values at various times and under various circumstances must be explicitly set forth in each Agreement. Prior to finalizing the terms of any Agreement:

- a. the Swap Advisor shall evaluate the economic costs and benefits of incorporating into the Agreement a provision that provides for termination payments made by the Authority to be made over time rather than at termination; and
- b. the Swap Advisor shall also provide the Authority with estimates of the potential costs of terminating such Agreement under different market and downgrade scenarios.

Each Agreement must provide the Authority with:

- a. an unconditional right to a market based optional termination. A corresponding unconditional right of optional termination may not be provided to the counterparty; and
- b. the right to terminate such Agreement upon the occurrence of a credit event as described herein (see "Qualified Counterparties") or as provided for in such Agreement.

Any termination payment made by the Authority to a counterparty pursuant to an Agreement must be subordinate in lien to the Authority's obligation to make debt service payments on the corresponding Designated Debt, and to any Subordinate Lien obligations of the Authority.

(20) DISCLOSURE AND FINANCIAL REPORTING

The Authority will ensure that there is full and complete disclosure of all Agreements, which are subject to approval by the Board, in its financial statements and its financing documents (Preliminary and Final Official Statements, Offering Memoranda, etc.)

With respect to its financial statements, the Issuer will adhere to guidelines for the financial reporting of Agreements, as set forth by the Government Accounting Standards Board, including GASB Technical Bulletin No. 2001-1 including additions and amendments thereto. A summary of the special risks involved with the Agreements and any potential exposure to interest rate volatility or to unusually large and rapid changes in market value shall be included in the Authority's marketing documents.

[Adopted by Resolution No. 2007-0097 dated September 6, 2007.]

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

- ARTICLE 4 - FINANCE AND ACCOUNTING
PART 4.3 - CAPITAL IMPROVEMENTS PROGRAM
SECTION 4.30 - CAPITAL IMPROVEMENTS PROGRAM

PURPOSE: To establish a policy concerning the programming of capital improvements projects by the San Diego County Regional Airport Authority (the "Authority").

POLICY STATEMENT:

(1) A capital improvements program shall be established that will provide for the orderly development of the Authority's capital projects.

(2) Each year, the Authority's Executive Director (the "Executive Director")/President/Chief Executive Officer ("President/CEO") shall submit to the Authority's Board of Directors (the "Board") a development program for at least the next five fiscal years of desirable capital improvements projects that are within the Authority's financial funding capability. At the Board's discretion, the first year of the program shall be included as part of the Authority's preliminary operating budget and thereafter be included in any subsequent operating budgets.

(3) The President/CEO/Executive Director shall identify each capital improvements project as to its need and shall provide analysis of the economic and/or social impact of the project, as appropriate. Factors to be considered may include, but are not necessarily limited to: public need; useful life; payback period; maintenance and operating costs; construction costs; possible alternatives; and sources of funding. A history of the project may be included, if applicable.

(4) The President/CEO also shall direct the Vice President, Finance/Treasurer to analyze the proposed capital program in the Authority's financial models to determine its impacts on the Authority's ability to meet its debt targets identified in the Debt Issuance and Financial Management Policy.

(5) The program, once approved by the Board, shall constitute a guideline for Authority administration.

Commented [A1]: PER SCOTT BRICKNER 2011
ACCEPT PER EXECUTIVE TEAM REVIEW 11/2/17

[Adopted by Resolution No. 2002-02 dated September 20, 2002.]
[Superseded by Resolution No. _____ dated _____.]

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

ARTICLE 4 - FINANCE AND ACCOUNTING

PART 4.4 - DEBT

SECTION 4.40 - DEBT ISSUANCE AND MANAGEMENT POLICY

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

POLICY STATEMENT:

SECTION I. INTRODUCTION & EXECUTIVE SUMMARY

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

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

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

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

- Comply with all federal and state laws and regulations, as well as bond indenture, federal tax and securities law post-issuance compliance, and reimbursement agreement covenants; and
- Protect the assets and funds entrusted to the Authority.

SECTION II. ROLES AND RESPONSIBILITIES

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

- 1) Board: The Authority is governed by an appointed board of nine members who represent all areas of San Diego County and three *ex-officio* members. The Board approves all bond issuances as well as the policies and guidelines pursuant to which debt is incurred and issued.
- 2) President/CEO and Vice President/~~CFO, Finance and Asset Management/Treasurer~~: The Vice President/~~CFO, Finance and Asset Management/Treasurer~~, under the direction of the President/CEO, is (i) responsible for developing, evaluating, implementing and monitoring the financing plan and debt strategies for the Authority in compliance with this policy, subject to Board approvals; and (ii) is in charge of federal tax and securities law post-issuance compliance with respect to all debt obligations.
- 3) Registered Municipal Advisor: The Authority has chosen to deliver a Notice of Representation by Registered Municipal Advisor pursuant to SEC Rule 17 CFR Section 240.15Bal – 1(d)(3)(vi)(B) dated August 27, 2014 to notify investment banking firms that the Authority has retained a financial advisor and, among other things, will rely on advice of the financial advisor for recommendations on the issuance of municipal securities provided by investment banking firms. The Authority may amend or modify this notice from time to time.
- 4) Financial Professionals: All financial professionals performing services for the Authority's debt programs, such as its financial advisor, bond counsel, disclosure counsel, investment advisor and underwriters, must comply with the policies and procedures set forth herein.

SECTION III. CAPITAL IMPROVEMENTS AND FINANCIAL PLANNING

The Authority maintains a financing plan and model which projects the available sources and uses of funds and verifies the Authority's financial ability to deliver current and planned programs and services. The impact of the funding sources, particularly debt, on future commitments is a relevant consideration of this Policy. The financing plan is based on a set of assumptions developed through detailed collection and analysis of historical and forecasted data concerning revenues and expenses, economic forecasts and trend projections. The main sources of revenues include airline rates and charges, parking and concession revenues, and lease revenues. Additionally, Passenger Facilities Charges (PFCs), Customer Facility Charges (CFCs), and federal grants-in-aid are included as a funding source for certain eligible projects.

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

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

SECTION IV. DEBT TARGETS

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

The following are the target debt affordability indicators for the Authority. The Authority will regularly review and may re-evaluate certain targets from time to time as long-term master plan requirements may be defined.

1) Rate Covenants

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

Bonds – Under the Master Indenture, the Authority has covenanted that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System so that Net Revenues, which are generally defined as Revenues less Operation and Maintenance Expenses for a given period, in each Fiscal Year will be at least equal to 125% of the aggregate annual debt service for all Bonds.

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

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

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

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

2) Additional Bonds Test and Additional Subordinate Obligations Test

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

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

(B) Obtain a certificate prepared by a Consultant showing that the forecasted Net Revenues are expected to be at least 125% of the Aggregate Annual Debt Service due and payable with respect to all Outstanding Bonds and the proposed Bonds to be issued for each year of the forecast period.

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

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

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

3) Annual Debt Service Coverage Targets

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

The current minimum Debt Service Coverage targets are:

Bonds: 1.75x (for only senior lien bonds)

Aggregate Debt Service:

- 1.50x, based upon Net Revenues divided by Aggregate Annual Debt Service on Bonds and Subordinate Obligations (for total debt service)
- 1.20x, based upon an alternative “revenue method” calculation utilized by rating agencies where PFCs are added to Net Revenues (rather than deducted from Debt Service) with the sum divided by Aggregate Annual Debt Service for Bonds and Subordinate Obligations

These debt service coverage targets will be reviewed at least annually by the Authority and its financial advisor to determine appropriate adjustments that may be necessary.

4) Airline Costs Per Enplaned Passenger Target

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

The Authority will regularly review and monitor CPE and seek to maintain a competitive rate.

5) Debt Per O&D Enplaned Passenger Target

The Authority will compare its debt per O&D enplaned passenger with available sources of data, including the rating agencies’ median reports. Due to the different ways that airports finance their capital facilities, this measure is only one indicator of debt affordability.

The Authority has established a debt (excluding special facility financing) per O&D enplaned passenger goal of no more than \$150 per enplaned passenger.

The Authority will regularly review and update this metric from time to time as may be necessary.

6) Liquidity Target

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

The Authority's unrestricted reserves target (defined as the sum of unrestricted cash and investments, unrestricted cash designated for capital projects, unrestricted long-term investments, the O&M Reserve, and O&M Subaccount Reserve and the Renewal and Replacement Reserve) shall be at least 500 days of budgeted operating and maintenance expenses for the current fiscal year.

7) Credit Ratings Target

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

SECTION V. TYPES OF FINANCING – DESCRIPTION AND APPROACH

1) Bonds and Subordinate Obligations of the Authority

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

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

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

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

2) PFC-Supported Bonds and Subordinate Obligations

The Authority intends to leverage PFCs to support investment in Airport infrastructure and facilities. In order to do this, the Authority may make an irrevocable pledge of PFCs to pay eligible debt service. The Authority will not include PFCs in estimates of future revenues pledged to support Annual Debt Service unless approval for their imposition has been obtained or is expected to be obtained from the FAA.

3) Special Facility Financings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4) Bond Anticipation Notes (“BANs”) and Grant Anticipation Notes (“GANs”)

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

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

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

5) Capital Appreciation Bonds and Zero Coupon Bonds

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

6) Commercial Paper

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

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

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

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

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

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

7) Floating Rate Notes

Floating Rate Notes (FRNs) are notes that have a variable coupon, equal to a money market reference rate, such as SIFMA (Securities Industry and Financial Markets Association) or LIBOR (the London Interbank Offered Rate), plus a spread. The spread is a rate that remains constant. At the beginning of each coupon period, the coupon is calculated by taking the fixing of the reference rate for that day and adding the spread. Because the coupon resets based on a short-term index, the issuer is exposed to rising interest rates unless it has swapped the debt to a fixed rate. However, unlike variable rate demand obligations or Commercial Paper, FRNs are not supported by a bank liquidity facility, and therefore do not pose short-range liquidity/refinancing risk to the issuer.

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

8) Equipment Leases

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

9) Installment Payment Agreement

The Authority may also finance certain facilities under an agreement with a third-party whereby the third-party funds the investment in the facility and the Authority agrees to pay the third party as rental/payment for the use and occupancy of the facility specific installment payments. The installment payments would be made from the Authority's available funds after payment of all Operation and Maintenance Expenses, all funds necessary to pay debt service on and to fund the reserves for the Authority's Outstanding Senior and Subordinate Debt Obligations and amounts necessary to fund the Authority's Operation and Maintenance Reserve Subaccount and Renewal and Replacement Subaccount in accordance with the Master Trust Indenture.

10) Direct Loans

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

SECTION VI. FEATURES OF LONG-TERM DEBT

The Vice President/~~CFO, Finance and Asset Management/Treasurer~~ will recommend to the Board the structure and term of long-term debt according to the general policies described below.

1) Selection of Final Maturity and Amortization of Principal

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

2) Use of Capitalized Interest

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

3) Tax Status

The Vice President/~~CFO, Finance and Asset Management/Treasurer~~ will evaluate whether or not to issue taxable bonds in lieu of bonds that are subject to the Alternative Minimum Tax (AMT) for certain maturities for private activity financing needs. In some market conditions, the cost for taxable debt may be less than the cost for AMT bonds for certain maturities.

4) Sizing of Debt Service Reserve Funds

Except in limited circumstances, the Master Indenture and the Master Subordinate Indenture require either the funding of a common Debt Service Reserve Fund in an amount sufficient to satisfy the reserve requirement for all existing and proposed Bonds or Subordinate Obligations under the respective master indenture participating in such master reserve fund, or the funding of a Debt Service Reserve Fund in an amount sufficient to satisfy the reserve requirement for only the proposed issue.

With each issuance of Bonds or Subordinate Obligations, the Vice President/CFO, ~~Finance and Asset Management/Treasurer~~ will compare the costs of funding required increases to the reserve requirement from bond proceeds with the costs of satisfying the reserve requirement through the use of a reserve fund surety. The potential effect on credit ratings will also be considered when comparing reserve requirement funding alternatives.

5) Selection of Redemption Provisions

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

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

6) Use of Discount Bonds

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

7) Use of Premium Bonds

Prior to issuing Bonds at a dollar price greater than par, the Vice President/CFO, ~~Finance and Asset Management/Treasurer~~ will request from the Authority's financial advisor a brief cost/benefit analysis of the interest saved using premium debt versus other possible pricing structures.

8) Minimum Criteria for Debt Financing Equipment Items

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

SECTION VII. REFUNDING OPPORTUNITIES

The Vice President/CFO, ~~Finance and Asset Management/Treasurer~~ and the Authority's financial advisor will monitor refunding opportunities for all outstanding debt obligations on a periodic basis applying established criteria in determining when to issue refunding bonds for debt service savings.

(It is acknowledged that refunding issues may be executed for reasons beyond economic purposes, such as to restructure debt service, to change the type of debt instruments being used, or to retire a bond issue and indenture in order to remove undesirable covenants.) The refunding criteria will include a comparison of expected present value savings with the option value of the existing callable bonds. Generally, the Authority will pursue refunding opportunities if the expected net present value savings provide sufficient compensation for the exercise of the optional redemption provision. Recommendations as to the sufficiency of the net present value savings will be provided by the Authority's financial advisor.

An Advance Refunding involves refunding tax-exempt bonds more than 90 days in advance of the bond's first optional redemption date. Currently, only Governmental Purpose tax-exempt bonds (as that term is defined in the Internal Revenue Code) may be advance refunded. An Advance Refunding is an important debt management tool for the Authority. Advance Refundings are commonly used to achieve interest cost savings, to remove or change burdensome bond covenants or to restructure future debt service payments. For bonds issued after December 31, 1985, only one Advance Refunding of Governmental Purpose tax-exempt bonds may occur under Federal tax law and thus the Authority must carefully evaluate the appropriateness of Advance Refunding when an opportunity arises. A current refunding involves issuing refunding bonds no earlier than ninety (90) days prior to the bond's optional redemption date. Federal tax law does not limit the number of current refundings of any bond.

The Authority will anticipate the potential for Advance Refundings when issuing new debt. Careful attention will be given to pricing considerations that will affect future Advance Refunding flexibility such as optional redemption provisions and interest characteristics.

The following considerations apply when the Authority considers refunding opportunities:

1) Monitor Potential Savings:

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

2) Target Savings Amounts:

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

<i>Years from the date of first call to Maturity Date of the Bonds</i>	Years to the first Call Date		
	After the First Call Date to Up to 1 Year Before	1 to 3 Years Before the First Call Date	More than 3 Years Before the First Call Date
0-5 Years	0.5%	1.0%	2.0%
6-10 Years	1.0%	2.5%	4.0%
11-20 Years	3.0%	4.0%	5.0%

3) Other Considerations:

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

4) Non-Traditional Refundings:

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

SECTION VIII. ISSUANCE OF VARIABLE RATE DEBT

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

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

1) Purposes of Variable Rate Debt

The Vice President/~~CFO, Finance and Asset Management/Treasurer~~ may recommend that variable rate securities be issued for the following purposes:

(A) Interim Financing Tool

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

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

(B) Statement of Net Position Management Tool

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

(C) Diversify Investor Base to Lower Costs

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

(D) Management of Negative Arbitrage

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

2) Criteria for Use of Variable Rate Debt

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

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

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

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

3) Diversification of Remarketing Agents and Counterparties

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

4) Budgeting

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

5) Monitoring and Reporting

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

SECTION IX. DERIVATIVES

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

SECTION X – METHOD FOR SALE OF DEBT

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

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

Role of Underwriters in Negotiated Sale

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

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

Underwriter Selection in Negotiated Sale

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

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

Should the Board appoint underwriters to a pre-qualified pool after an RFP process, the Vice President/~~CFO, Finance and Asset Management/Treasurer~~ may recommend such firms for appointment to specific financings, without a subsequent RFP process.

SECTION XI. INVESTMENT OF BOND PROCEEDS

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

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

1) Compliance with Federal Tax Law

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

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

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

2) Initial Disclosure

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

3) Continuing Disclosure

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

- i) Notice of the occurrence of any of the following events shall be given, or caused to be given by the Authority, with respect to any bonds, not later than ten business days after the occurrence of the event:

- (A) Principal and interest payment delinquencies;
- (B) Unscheduled draws on the Debt Service Reserve Funds reflecting financial difficulties;
- (C) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (D) Substitution of credit or liquidity providers, or their failure to perform;
- (E) Adverse tax opinions with respect to the tax status of any bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to any bonds;
- (F) Tender offers;
- (G) Defeasances;
- (H) Rating changes; or
- (I) Bankruptcy, insolvency, receivership or similar event of the obligated person:

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

- (ii) Notice of the occurrence of any of the following events with respect to any bonds, if material, shall be given, or caused to be given by the Authority, not later than ten business days after the occurrence of the event:

- (A) Unless described in paragraph 3(i)(E), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of any bonds or other material events affecting the tax status of any bonds;
- (B) Modifications to rights of the owners of any bonds;
- (C) Optional, unscheduled or contingent bond calls;
- (D) Release, substitution or sale of property securing repayment of any bonds;

(E) Non-payment related defaults;

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

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

SECTION XIII. RATINGS AGENCIES AND INVESTOR RELATIONS

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

The Vice President/~~CFO, Finance and Asset Management/Treasurer~~ shall be responsible for implementing and managing the Authority's investor relations program. The Authority shall attempt to promptly respond to any reasonable inquiry from an institutional or retail investor concerning information generally available to the investing public.

SECTION XIV. AMENDMENTS TO DEBT ISSUANCE AND MANAGEMENT POLICY

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

GLOSSARY

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

Advance Refunding: A refunding that occurs more than 90 days in advance of the first optional redemption date. Under current IRS regulations, Governmental Purpose tax-exempt bonds issued after December 31, 1985 are permitted only one advance refunding. Additionally, certain private activity bonds may not be advanced refunded.

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

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

Alternative Minimum Tax: Other than for certain private activity bonds issued during the AMT “waiver” period authorized by the American Recovery and Reinvestment Act of 2009 (“ARRA”), interest on tax-exempt private activity bonds issued after August 7, 1986 (other than bonds for 501(c)(3) organizations and refundings of pre-August 8, 1986 bonds) is generally subject to the Alternative Minimum Tax (“AMT”) as a specific item of tax preference. ARRA exempted new money and certain refundings of private activity bonds issued in 2009 and 2010 from the AMT penalty.

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

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

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

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

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

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

Bondholder: The owner of a municipal bond. The owner of a bearer bond is the person having possession of it, while the owner of a registered bond is the person whose name is noted on the bond register.

Bond Insurance: Insurance which guarantees the timely payment of principal and interest of either an entire bond issue or specified maturities. In exchange for payment of the bond insurance premium, a higher credit rating (historically, AAA) is assigned to the insured bonds and a lower cost of funds is attained. With a competitive sale, generally the bidding dealer bears the cost of insurance to the benefit of the firm's bid. The bond issuer pays the cost of bond insurance from bond proceeds with a negotiated sale.

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

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

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

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

Bullet Maturity: See Balloon Maturity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax Events Risk: Risk to the issuer of variable rate bonds created by either a change in the taxable equivalent yield of comparable investments or loss of tax-exempt status. For an issuer of variable rate bonds, a reduction in federal income tax rates would increase interest costs. Re-classification of outstanding variable rate bonds as taxable would also increase interest costs.

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

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

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

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

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

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

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

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

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

[Amended by Resolution 2015-0042 dated May 21, 2015.]

[Amended by Resolution 2014-0050 dated June 5, 2014.]

[Amended by Resolution 2013-0048 dated June 6, 2013.]

[Amended by Resolution 2012-0060 dated June 7, 2012.]

[Amended by Resolution 2011-0078 dated July 7, 2011.]

[Adopted by Resolution. 2010-0046 dated May 6, 2010.]

STAFF REPORT

Meeting Date: **DECEMBER 6, 2018**

Subject:

Amend Authority Policy 5.12 - Preference to Small Businesses to include Local and Veteran Owned Small Business Preferences and Appeal Policy 5.13 - Local Business Opportunities, and Policy 5.14 - Small Business, Local Business and Service-Disabled Veteran Owned Small Business Goal and Preference Program

Recommendation:

The Executive Committee recommends that the Board adopt Resolution No. 2018-0134, amending Policy 5.12 to include local and veteran owned business preferences and repealing Policy 5.13 and 5.14.

Background/Justification

Authority Policy 5.12 was originally adopted by the Board in April 2009 and last amended on December 4, 2014. Policy 5.12 provides for a preference of up to 5%, not to exceed \$200,000, on Authority solicitations where a small business respondent is the prime contractor.

Authority Policy 5.13 adopted by the Board on October 1, 2009, provides 2% preference for local businesses that meet the local definition criteria.

Authority Policy 5.14 adopted by the Board on January 6, 2011, establishes goals for small business, local business, and service-disabled veteran owned small business (SDVOSB) enterprises with preferences awarded based on goal achievement. Policy 5.14 provides a preference of up to 3% for small business enterprises, 2% for local businesses, and 2% for SDVOSB, for a total preference of up to 7%, not to exceed \$200,000.

On April 19, 2018, the Capital Improvement Program Oversight Committee requested staff to review Policy 5.12, Policy 5.13 and Policy 5.14 and the definitions for “small business” and “local business.” The review was requested to ensure that the Authority’s practices with regard to these definitions were aligned with industry standards.

Staff conducted a thorough review, requested feedback from the departments and stakeholders responsible for applying or executing the policies, and researched non-federal policies developed by other public agencies such as City and County of San Francisco, City of Oakland, City of San Diego, County of Los Angeles, and Los Angeles World Airports. Based on its review, staff proposes the following changes:

- 1) Consolidate the three existing policies into one policy;

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- 2) Establish a policy that will allow preference for certified Small, Local and Veteran Owned Small Business Primes, when there are no apparent subcontracting opportunities;
- 3) Redefine Local Business to require (a) proof to the Authority that the business is in compliance with all applicable laws relating to licensing and is not delinquent on any San Diego County taxes, (b) completion of the Local Business Enterprise Affidavit of Eligibility form and (c) enrollment in the Authority's Local Business Enterprise Directory;
- 4) Remove language, which states, "there will be no preference points awarded if the Authority's overall Local Business participation is at a level above sixty percent (60%);"
- 5) Replace Service Disabled Veteran Owned Small Business to Veteran Owned Small Business;
- 6) Do not allow preference for Respondents that do not meet the Small Business Development department's established goal(s) on projects with identified subcontracting opportunities.

Making these changes will: provide alignment with industry practices, make the policy easier to reference and explain, ensure that Local Business definition is trackable and verifiable, provide more opportunities for Veteran Owned Small Businesses, make the application process uniform, and simplify the procurement calculations.

Fiscal Impact:

There is no fiscal impact associated with the requested action

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:

REGINA BROWN
MANAGER, SMALL BUSINESS DEVELOPMENT

RESOLUTION NO. 2018-0134

A RESOLUTION OF THE BOARD OF THE
SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY AMENDING POLICY 5.12 TO INCLUDE
LOCAL AND VETERAN OWNED BUSINESS
PREFERENCES AND REPEALING POLICY 5.13
AND 5.14

WHEREAS, Authority Policy 5.12 provides for a preference of up to 5%, not to exceed \$200,000 on Authority solicitations where a small business respondent is the prime contractor; and

WHEREAS, Authority Policy 5.13 provides 2% preference for Local Businesses that meet the Local definition criteria; and

WHEREAS, Authority Policy 5.14 establishes goals for small business, local business, and service-disabled veteran owned small business (SDVOSB) enterprises with preferences awarded based on goal achievement; and

WHEREAS, the Board directed staff to conduct a comprehensive and thorough review in order to ensure that the Authority's and industry's practices and definitions are aligned; and

WHEREAS, the Board finds that it is in the best interest of the Authority to revise Policy 5.12 to address local business and veteran-owned small business interests; and

WHEREAS, the Board finds it in the best interest to amend Policy 5.12 to address small businesses, local businesses and veteran-owned small businesses and to repeal Policy 5.13 and 5.14.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby amends Policy 5.12 as set forth in Exhibit A; and

BE IT FURTHER RESOLVED that the Board hereby repeals Policy 5.13 and 5.14; 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 6th day of December, 2018, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES /
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Article 5 – CONTRACTING AND DEBARMENT

PART 5.1 – EQUAL OPPORTUNITY

SECTION 5.12 – PREFERENCE TO SMALL, VETERAN-OWNED, AND LOCAL BUSINESS

PURPOSE: To establish a policy allowing preference to Small Businesses, Veteran-Owned Small Businesses, and Local Businesses in the award of Contracts by the San Diego County Regional Airport Authority (the “Authority”).

POLICY STATEMENT: In the procurement of Contracts, the Authority’s President/Chief Executive Officer or his or her designee (the “President/CEO”) shall be responsible for following all procedures required by (1) the Authority, (2) the San Diego County Regional Airport Authority Act, as amended from time to time, and (3) other applicable federal, state, and local laws.

OBJECTIVES: Establish principles and practices to facilitate a Small Business, Veteran-Owned Small Business, and Local Business preference program that provides full disclosure and transparency of the Authority’s commitment to Small Businesses, Veteran-Owned Small Businesses, and Local Businesses in the award of selected Authority Contracts.

i. Definitions

1. *Bonding and Contract Financing Assistance Program* – The program offered by the Authority intended to aid small and local businesses in obtaining first time bonding or increasing bonding capacity.
2. *Contracts* – Instrument used for the procurement of services and consulting agreements and the purchase of supplies, material, and equipment as outlined in Policy 5.01 and the procurement of contracts for Public Projects as outlined in Policy 5.02.
3. *Contract Owner* – A department within the Authority having responsibility for oversight and management of the Contract which the bid or proposal solicitation applies.
4. *Disadvantaged Business Enterprise (DBE)* – A Small Business that has been certified by the California Unified Certification Program (CUCP) in compliance with 49 CFR Part 23 or 26.
5. *Veteran Owned Small Business (VOSB)* – A Small business that has been certified by U.S. Department of Veterans Affairs.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

6. *Inclusionary Approach* – A plan describing a Prime Contractor’s specific approach toward Small, Local and Veteran Owned Small Business outreach and participation. This plan shall also include estimated Small, Local and Veteran Owned Small Business percentage commitments for the project.
7. *Local Business* – A business that meets all of the following criteria:
 - a) Occupies workspace within the County. The business must submit proof of occupancy to the Authority by supplying evidence of a lease, deed or other sufficient evidence demonstrating that the business has been located within the county for a minimum of 6 months prior to the release of a solicitation for which a business responds as a Local Business participant. (U.S. Post Office boxes are not verifiable and shall not be considered for the purpose of this definition). The business cannot satisfy this requirement by operating as a virtual office.
 - b) Submits proof to the Authority that the business is in compliance with all applicable laws relating to licensing and is not delinquent on any San Diego County taxes.
 - c) Submits proof to the Authority demonstrating one of the following:
 1. More than fifty percent (50%) of the workforce based in the local office resides in San Diego County; or
 2. The business must demonstrate that it is headquartered in the County. For purposes of the policy, the term “headquartered” shall mean that the business physically conducts and manages all of its operations from a location in the County.
 - d) Submits the Local Business Enterprise Affidavit of Eligibility form and is enrolled in the Authority’s Local Business Enterprise Directory at the time the bid or proposal is due.
8. *Prime Contractor* – A party or entity with whom the Authority enters into a legally binding agreement.
9. *Small Business* – A profit-making corporation, sole proprietorship, or partnership that:
 - a. Is enrolled in the Authority’s Bonding and Contract Financing Assistance Program, or

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

- b. A business concern that is certified as a DBE by the California Unified Certification Program, or
 - c. Possesses valid certification issued by an agency, approved by the Authority, that verifies the firm is within the SBA size standards, or
 - d. Is an airport concessionaire that provides evidence that its business size is within standards established under 49 CFR Part 23, Section 23.33.
10. *Small Business Development* – A department within the Authority, or any subsequent department identified by the President/CEO, that oversees and monitors compliance with this Policy.
11. *Trade Assessment* – An estimated breakdown of specific trades needed to complete a defined scope of work.
12. *Total Allowable Preference Amount* - The maximum allowable preference awarded shall not exceed two hundred thousand dollars (\$200,000) on any single bid or proposal.
13. *Vendor Management System* – The registration system used by the Authority for business concerns to express interest in a particular trade and/or business opportunity.

ii. **Application - Small Business (SB) Preference**

1. When price is the primary selection criteria and a Small Business goal is not established, the following shall apply:
 - a) The bid amount of the lowest responsive and responsible bidder that is not a Small Business shall be multiplied by three percent (3%). The resulting three percent (3%) amount, shall be considered as the Small Business preference, provided that it does not exceed the Total Allowable Preference Amount.
 - b) The lowest responsive and responsible bidder that is a Small Business shall have their bid adjusted by subtracting the amount of the Small Business preference from their original bid. The adjusted bid is used to determine the award of the contract.
2. When selection is based on a scoring matrix and a Small Business goal is not established, the following shall apply:
 - a) The submittal from a verified Small Business shall be granted three percent (3%) preference. The resulting three percent (3%) points shall be added to the total points, provided that it does not exceed the Total Allowable Preference Amount.

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3. When price is the primary selection criteria and a Small Business goal is established, the following shall apply:
 - a) The bid amount of the lowest responsive and responsible bidder that is not a Small Business shall be multiplied by three percent (3%). The resulting three percent (3%) amount, shall be considered as the Small Business preference, provided that it does not exceed the Total Allowable Preference Amount.
 - b) Each bidder that meets or exceeds the established Small Business goal shall have their bid adjusted by subtracting the amount of the Small Business preference from their original bid. The adjusted bid is used to determine the award of the contract.
4. When selection is based on a scoring matrix and a Small Business goal is established, the following shall apply:
 - a) The submittal from each business that meets or exceeds the established Small Business goal shall be granted three percent (3%) preference. The resulting three percent (3%) points shall be added to the total points, provided that it does not exceed the Total Allowable Preference Amount.

iii. Application – Local Business (LB) Preference

1. When price is the primary selection criteria and a Local Business goal is not established, the following shall apply:
 - a) The bid amount of the lowest responsive and responsible bidder that is not a Local Business shall be multiplied by two percent (2%). The resulting two percent (2%) amount, shall be considered the Local Business preference, provided that it does not exceed the Total Allowable Preference Amount.
 - b) The lowest responsive and responsible bidder that is a Local Business shall have their bid adjusted by subtracting the amount of the Local Business preference from the local business's original bid/proposal. The adjusted bid is used to determine the award of the contract.
2. When selection is based on a scoring matrix, and a Local Business goal is not established, the following shall apply:
 - a) The submittal from a verified Local Business shall be granted two percent (2%) preference. The resulting two percent (2%) points shall be added to the total points, provided that it does not exceed the Total Allowable Preference Amount.

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3. When price is the primary selection criteria and a Local Business goal is established, the following shall apply:
 - a) The bid amount of the lowest responsive and responsible bidder that is not a Local Business shall be multiplied by two percent (2%). The resulting two percent (2%) amount, shall be considered as the Local Business preference, provided that it does not exceed the Total Allowable Preference Amount.
 - b) Each bidder that meets or exceeds the established Local Business goal shall have their bid adjusted by subtracting the amount of the Local Business preference from their original bid. The adjusted bid is used to determine the award of the contract.
4. When selection is based on a scoring matrix and a Local Business goal is established, the following shall apply:
 - a) The submittal from each business that meets or exceeds the established Local Business goal shall be granted two percent (2%) preference. The resulting two percent (2%) points shall be added to the total points, provided that it does not exceed the Total Allowable Preference Amount.

iv. Application –Veteran Owned Small Business (VOSB) Preference

1. When price is the primary selection criteria and a Veteran Owned Small Business Goal is not established, the following shall apply:
 - a) The bid amount of the lowest responsive and responsible bidder that is not a VOSB shall be multiplied by two percent (2%). The resulting two percent (2%) amount, shall be considered as the VOSB preference, provided that it does not exceed the Total Allowable Preference Amount.
 - b) The lowest responsive and responsible bidder that is a VOSB shall have their bid adjusted by subtracting the amount of the VOSB preference from the VOSB's original bid. The adjusted bid is used to determine the award of the contract.
2. When selection is based on a Scoring Matrix, and a VOSB goal is not established, the following shall apply:
 - a) The submittal from a verified VOSB shall be granted two percent (2%) preference. The resulting two percent (2%) points shall be added to the total points, provided that it does not exceed the Total Allowable Preference Amount.

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3. When price is the primary selection criteria and a VOSB Goal is established, the following shall apply:
 - a) The bid amount of the lowest responsive and responsible bidder that is not a VOSB shall be multiplied by two percent (2%). The resulting two percent (2%) amount, shall be considered as the VOSB Preference, provided that it does not exceed the Total Allowable Preference Amount.
 - b) Each bidder that meets or exceeds the established VOSB goal shall have their bid adjusted by subtracting the amount of the VOSB preference from their original bid. The adjusted bid is used to determine the award of the contract.
4. When selection is based on a scoring matrix and a VOSB goal is established, the following shall apply:
 - a) The submittal from each business that meets or exceeds the established VOSB goal shall be granted to two percent (2%) preference. The resulting two percent (2%) points shall be added to the total points, provided that it does not exceed the Total Allowable Preference Amount.

v. Additional Requirements

1. The maximum allowable combined preference or points awarded shall not exceed seven percent (7%) on any single bid or proposal.
2. The maximum amount of the adjustment cannot exceed \$200,000.
3. The final contract award shall be the amount set forth in the original bid or proposal.
4. For qualification based criteria, the use of the preference points shall be applied to determine which proposers shall be interviewed for final consideration.
5. The Prime Contractor must provide a distinct and clearly defined portion of work for all subcontractors whose participation is submitted in response to the corresponding goal. Any substitution or termination in performance of said work without the Authority's prior written consent may be grounds for contract termination, at which time the Authority may negotiate a new contract to the next highest ranked proposer without need to re- compete, provided there is no less than 50% of the contract term remaining.

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vi. Methodology Used to Establish Small Business, Local Business, and/or Veteran Owned Small Business Goals.

1. Small Business Goal – A Small Business goal shall be established by the following methodology:
 - a) The Trade Assessment categories needed to fulfill the scope of work shall be developed based on the Contract Owner’s estimate.
 - b) A Trade Assessment Scope Percentage (Scope%) shall be calculated by taking the estimated value of the scope to be performed in each specific Trade Assessment category divided by the total estimated value of the Contract.
 - c) A Trade Assessment Availability Percentage (Availability%) shall be calculated by taking the total number of registered businesses within the Authority’s vendor management system that (1) meet the Small Business criteria as defined by this Policy and (2) are capable of performing the specific Trade Assessment category. This number is divided by the total number of businesses in the same specific Trade Assessment categories from the same source.
 - d) A weighted goal percentage is calculated by multiplying the Trade Assessment Scope% by the Trade Assessment Availability% for each applicable Trade Assessment category. Each Trade Assessment category is added up, resulting in the applicable goal.
 - e) The total Small Business Goal cannot exceed fifty percent (50%) for each Contract.
 - f) The Trade Assessment Availability% can be calculated in advance provided that the Trade Assessment Availability% used is not older than 24 months.
2. Local Business Goal – A Local Business goal shall be established by the following methodology:
 - a) Identify the Trade Assessment categories needed to fulfill the scope of work.
 - b) A Trade Assessment Scope Percentage (Scope%) shall be calculated by taking the estimated value of the scope to be performed in each specific Trade Assessment category divided by the total estimated value of the contract.
 - c) A Trade Assessment Availability Percentage (Availability%) shall be calculated by taking the total number of registered businesses within the Authority’s vendor management system that (1) meet the Local Business criteria as defined by this Policy, and (2) are capable of performing the

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

specific Trade Assessment category. This number is divided by the total number of businesses in the same Trade Assessment categories from the Authority's vendor management system.

- d) A weighted goal percentage is calculated by multiplying the Trade Assessment Scope% by the Trade Assessment Availability% for each applicable Trade Assessment category. Then each Trade Assessment category is added up resulting in the applicable goal.
 - e) The Trade Assessment Availability% can be calculated in advance provided that the Trade Assessment Availability% used is not older than 24 months.
3. Veteran Owned Small Business (VOSB) Goal – A VOSB goal shall be established at three percent (3%) for all projects with apparent subcontracting opportunities.

vii. Exemptions

- 1. Federally funded projects require conformance with 49 CFR Parts 18 and 26 and the contractual requirements included in grant agreements between the Authority and the FAA.
- 2. Concession Contracts require conformance with 49 CFR Part 23.
- 3. This Policy shall not apply if it conflicts with applicable federal, state or local laws or regulations.
- 4. An Inclusionary Approach may be applied to contracts where subcontracting opportunities exist, but have not been clearly defined. An Inclusionary Approach requires the Prime Contractor to provide an outreach plan, establish a goal, and report efforts and achievements to the Small Business Development Department

STAFF REPORT

Meeting Date: **DECEMBER 6, 2018**

Subject:

Fiscal Year 2019 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:

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. Therefore, the Fiscal Year 2019 First Quarter Activity Report (Attachment A) was presented to the Audit Committee on November 5, 2018; and, the Audit Committee unanimously voted to forward the report to the Board for acceptance.

The Fiscal Year 2019 First Quarter Activity Report provides an account of activities accomplished by the OCA during the first quarter and details the status on audit recommendations still pending implementation by Authority departments.

Fiscal Impact:

None

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:

LEE PARRAVANO
CHIEF AUDITOR

Office of the Chief Auditor

Fiscal Year 2019 1st Quarter Activities Report



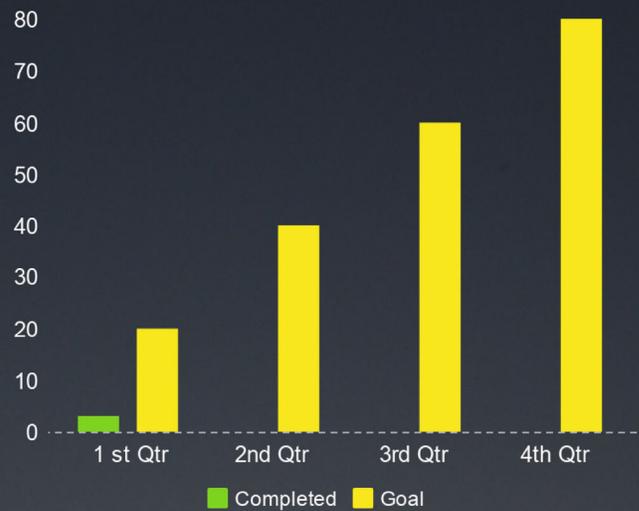
FY 2019 Audit Plan Progress

FY 2019 Audit Plan Status



■ Completed (7.89%)
 ■ In Progress (39.47%)
 ■ Not Started (52.63%)

Audit Plan Completed vs Goal



Audit Reports - By the Numbers



Recommendations



Recommendations Accepted



Additional Revenue Identified



Customer Satisfaction Rating (Out of 5)



Auditor Utilization Percentage



Audits Completed within Budget

OFFICE OF THE CHIEF AUDITOR
Fiscal Year 2019 First Quarter Activity Report

Audit Activities

Completed

During the first quarter, the Office of the Chief Auditor (OCA) issued a total of three (3) audit reports, as described below.

Haley and Aldrich Inc.: This expenditure contract audit examined the on-call environmental program management consulting services contract between Haley and the Authority. The audit found that the procurement and payments surrounding the contract were in compliance with Authority Policies and were appropriate. Additionally, adequate internal controls and monitoring were found to be in place and functioning properly. No issues were reported.

Signature Flight Support: This revenue contract audit of the agreements between Signature and the Authority resulted in three (3) recommendations. This audit is highlighted in Appendix C¹.

Procurement Card Program: This internal process audit examined purchases made and controls surrounding the Authority's Procurement Card Program. The audit found that the program was operating as intended and that adequate controls existed to ensure compliance and to safeguard the Authority.

In Progress

At the close of the first quarter there were a total of 15 audits activities were In Progress, representing 40% of the Fiscal Year 2019 Audit Plan. Of those, one (1) was in the reporting/review stage, ten (10) were in the fieldwork stage, two (2) were in the planning or preliminary survey stage, and two (2) are ongoing activities that occur throughout the year.

Construction audit activity for the first quarter of Fiscal Year 2019 consisted of attending meetings regarding the Federal Inspection Service project, the airport support facilities, the development program, and other airport construction projects. The OCA Construction Auditor is currently completing the audit of the agreement with Turner-PCL, a Joint Venture, as part of the Fiscal Year 2019 Audit Plan. The Construction Auditor remains involved with issues identified by the Airport Design and Construction team and Authority Management, providing assistance and attending meetings specific to the aspects of the Authority's construction activity.

The OCA continues to run the Authority's Ethics Program and reporting hotline. During the first quarter of Fiscal Year 2019, six (6) tips/reports were received. However, none of the tips/reports were investigated because the details of the reports/tips did not support a potential code violation. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate. A summary of tips/reports received during the first quarter of Fiscal Year 2019 is available in Appendix B.

See Appendix A for a complete breakdown of our Fiscal Year 2019 Audit Plan status.

¹ Each quarter we will highlight a significant audit completed during that quarter.

Administrative Activities

Budget and Expenses

Department expenses totaled \$267,286 for the quarter, which represents 20.8% of the Fiscal Year 2019 budget. No large and/or unexpected outlays occurred within the department during the quarter. We expect to remain on budget throughout the fiscal year.

Training

OCA staff continue obtaining CPE credits as required by their various certifications. Specifically, numerous staff attended a fraud prevention and ethics symposium. A review of CPE credits obtained and those expected to be earned by the end of the second quarter found that all staff are projected to meet their individual CPE requirements for the year.

Procedural/Supervisory

During the quarter, both the Audit Committee Charter and the OCA Charter were reviewed and revised, as presented at the September Audit Committee Meeting. The OCA provided coordination for the Audit Committee Meeting with Authority Board Services.

Additionally, a thorough review of the OCA desk manual and the department's policies and procedures were being completed.

The department also continues seeking an Audit Intern III to fill an existing opening.

Recommendation Follow Up

To ensure audit issues are addressed in a timely manner, the OCA tracks the status of its recommendations on an on-going basis. The status of tracked recommendations is shown in Figure 1 below, along with descriptions of each designation. See Appendix D for a detailed list of each recommendation and its status.

Figure 1: Status of Recommendations as of September 30, 2018

Completed	In Progress	Not Accepted	Tracked
10	11	0	21

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 adequately addresses the risk identified.

In Progress: These recommendations have been partially addressed or partial corrective action has been taken. This category also includes when there has not been adequate time between report issuance and recommendation follow-up. If adequate progress is not being made, it will be noted as such.

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.

Figure 2 below shows the status of In Progress recommendations along with the estimated implementation timeframe based on issue date of the audit report.

Figure 2: In Progress Recommendations with Estimated Implementation Timeframe

Estimated Completion Timeframe	Zero to 6 Months	7 Months to 1 Year	Over 1 Year	Total In Progress
In Progress	0	9	2	11

Adequate progress is being made with all of the tracked 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.

Performance Measures

Each fiscal year the OCA develops and tracks performance measures to gauge the progress and success of the Office. For Fiscal Year 2019, the OCA developed six (6) separate measures to evaluate the OCA performance. Figure 3 below outlines the OCAs performance against the selected measures.

Figure 3: Status of Performance Measures as of September 30, 2018

Performance Measure	Goal	Progress as of September 30, 2018
Percentage of the Audit Plan completed	20% (80% by Year End)	8%
Additional revenue/cost savings identified	n/a	\$69,541
Percentage of staff time spent on audit activities	70%	59%
Percentage of audits completed within budget	80%	0%
Recommendations accepted by management	95%	100%
Customer satisfaction rating	4.0	5.0

The measures are detailed below along with further explanation of the OCAs performance for the fiscal year:

Percentage of the Audit Plan completed annually: During the first quarter of Fiscal year 2019, the OCA completed 8% of the Fiscal Year 2019 Audit Plan. Specifically, 3 out of 38² audits were finalized as issued audit reports or closed out. Additionally, there was one (1) audit that was in the report writing process.

Additional revenue/cost savings identified through audits: While the value of an audit cannot be adequately assessed by this performance measure, it does provide quantifiable values for completed audits. For the fiscal year, the OCA identified over \$69,541 in new revenue as a result of an under billing identified within the audit of Signature Flight Support, see Appendix C for additional details.

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. During the first quarter of Fiscal year 2019, the OCA spent 59% of staff time on audit activities. Under our goal of 70%. This was largely due to the administrative time spent on the Charter of the Audit Committee, Charter of the OCA, the OCA desk manual, and the department policies and procedures.

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 does recognize that budgets may need adjustment(s) as additional facts become known during an audit activity. In Fiscal Year 2019, the OCA has not yet completed a project under budget. This is the result of some specific complexities within the audits and difficulties in obtaining certain audit data and information.

² To determine the size of our audit population annually we add 1) planned audits/activities contained within the current year's Audit Plan, 2) any carry over audits/activities from the previous year, and 3) any special request audits approved by the Audit Committee.

Acceptance of Audit Recommendations: This category helps to evaluate the quality of the findings and recommendations issued by the OCA, and ensures that we have received management buy-in to anything we recommend. For the year, all recommendations have been accepted by management.

Customer Satisfaction: At the conclusion of every audit we provide a survey to the audited Authority department to determine their satisfaction with the audit process and the audit team. While an audit could be contentious, we expect that value can still be observed by the audited entity. In that regard, our goal for customer satisfaction is 4.0, on a 1 to 5 scale (With 1 being very dissatisfied and 5 being very satisfied). To date we have achieved a score of 5.0.

Appendix A - Fiscal Year 2019 Audit Plan Progress

#	Audit / Activity	Type
Completed		
1	Haley and Aldrich, Inc. ¹	Expense Contract
2	Signature Flight Support ¹	Revenue Contract
3	Procurement Card Program ¹	Annual Ongoing and Support
In Progress		
4	Concession Cost Recovery ¹	Business Process
5	Turner - PCL Joint Venture	Business Process
6	Granite Construction Company	Expense Contract
7	Leigh Fisher & Associates ¹	Expense Contract
8	Ace Parking Management, Inc. ¹	Expense Contract
9	Asset Management ¹	Business Process
10	Emergency Medical Technician - Paramedic Services ¹	Annual Ongoing and Support
11	Fox Rent A Car	Revenue Contract
12	Pneuma Enterprises Inc. dba TravCar	Revenue Contract
13	New Zoom Inc. dba ZoomSystems (RP 6)	Revenue Contract
14	Nevada Lease and Rental Inc. dba Payless Car Rental System ¹	Revenue Contract
15	San Diego Unified Port District Billing - Fiscal Year 2017 ¹	Annual Ongoing and Support
16	Small Business Development ¹	Business Process
17	Ethics Program	Annual Ongoing and Support
18	Construction Audit and Monitoring Activity	Annual Ongoing and Support
Not Started		
19	Owner-Controlled Insurance Program (OCIP) Management	Business Process
20	Other Post-Employment Benefits (OPEB)	Business Process
21	Tuition Reimbursement Program	Business Process
22	Art Program	Business Process
23	Capital and Maintenance Project Selection and Planning	Business Process
24	Information Technology Acquisition and Implementation	Business Process
25	M.W. Vasquez Construction Company, Inc. dba Vasquez Construction Company	Expense Contract
26	Fordyce Construction, Inc.	Expense Contract
27	Ricondo and Associates	Expense Contract
28	Ueberall International LLC	Expense Contract
29	Enterprise Rent A Car Company (Enterprise, Alamo, National)	Revenue Contract
30	Avis Rent A Car Systems LLC (Avis, Zip Car)	Revenue Contract
31	Ace Parking	Revenue Contract
32	JCDecaux, Inc.	Revenue Contract
33	Aircraft Rescue and Fire Fighting (ARRF)	Annual Ongoing and Support
34	Rental Car Center Fund Review - 2018 ¹	Annual Ongoing and Support
35	Rental Car Center Fund Review - 2019	Annual Ongoing and Support
36	Transportation Network Company Reviews and Assistance	Annual Ongoing and Support
37	ALPR System - Ace Parking	Annual Ongoing and Support
38	San Diego Unified Port District Billing - Fiscal Year 2018	Annual Ongoing and Support
<small>1 Carried over from the Fiscal Year 2018 Audit Plan</small>		

Appendix B - Ethics Program Activities

	Number of Tips / Reports Received ³	Preliminary Investigation Required	Full Investigation Initiated	Investigation Results Supported Code Violation (Ethics or Workplace)	Response (email or phone to non-anonymous reports)
Code of Ethics Concerns					
Prohibited Use of Position	1	1	0	0	0
General Workplace Concerns					
Workplace Practices/Behavior	5	0	0	0	0
Total	6	1	0	0	0

Legend:

Number of Tips / Reports Received: The total number of tips or reports received by the Ethics Officer through the hotline, direct phone line, e-mail, inter-office mail, or direct contact.

Preliminary Investigation Required: The number of tips or reports that required a preliminary investigation by the Ethics Officer.

Full Investigation Initiated: Following a preliminary investigation, the Ethics Officer determined that the tip necessitated a full investigation. As a result, the tip/report received was forwarded to the Ethics Committee for a determination on how to proceed.

Investigation Results Supported Coded Violation: Based on an investigation, these are the tips/reports that were found to have been a Code violation.

Response: This column represents the number of times the Ethics Officer responded back to the original non-anonymous tipper/reporter.

³ All tips/reports received were anonymous during the quarter.

Appendix C - Audit Highlight

Signature Flight Support Report Number #18020, July 2018

Background

Signature Flight Support (Signature), under BBA US Holdings, currently holds a long-term lease agreement (Lease), a Ground Handling License (License), and a Use Occupancy Permit (Permit) with the Authority that jointly allow Signature to operate as a full service fixed-base operator (FBO) at SDIA. During the audit period from October 1, 2015, to September 30, 2017, Signature paid \$10,831,583 in fixed rents and \$460,947 in percentage rents, late fees, and other charges, for a total of \$11,292,529 to the Authority. The objective of the audit was to ensure the accuracy and reliability of the monthly gross revenue reports and payments made to the Authority, and to ensure compliance with the requirements of the Lease, License, and Permit.

Audit Results

Our audit determined that Signature complied with most of the Lease, License, and Permit requirements that were tested and reviewed. However, we identified three (3) findings that included errors in the calculation of the annual increases in fixed rents, non-compliance with corporate citizenship, and property insurance, as detailed below.

- The increase in base rent for the Lease was miscalculated for the last two rent periods.
- The investments by Signature in the Gateway improvement program have not been used per the program outlined in the Corporate Citizenship clause of the Lease.
- The current property insurance coverage policy by Signature does not meet the Lease requirement of at least 100% of full replacement value.

Recommendations

In order to address the above findings we issued three (3) recommendations, summarized as follows:

1. The Authority should bill Signature for the under billing of ground rent of \$69,541 during the audit period.
2. Business Management should ensure that future Gateway Program investments are made in accordance with the Lease, or amend the Lease as needed.
3. Finance should work with Signature to ensure property insurance coverage meets the Lease requirements.

Appendix D - Status of Recommendations

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Status as of September 30, 2018
Completed				
18-21	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: TALENT, CULTURE AND CAPABILITY	Low	The Talent, Culture and Capability Department (TCC) should strengthen controls to ensure that all tuition reimbursement requests are properly supported, accurately calculated, paid based on the correct calendar year, and ensure that all requirements surrounding a reimbursement are followed as outlined in the program. This ensures that the program is administered fairly and equitably for all employees. Requests lacking proper approvals or supporting documentation should be returned to employees for corrective action.	TCC updated the Standard to be consistent with our practice and intent with this employee benefit. They also revised and updated the process and forms employees submit to assure accurate processing and timing of payments in the correct calendar year. This ensures that the program is administered fairly and equitably for all employees. This was completed and implemented effective August 3, 2018.
18-22	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: FINANCE	Low	Finance should ensure that the petty cash funds are properly managed and monitored. Monthly reconciliations should be prepared and submitted for review as required in the Fund Procedures. Reconciliations should be reviewed, and any differences should be reviewed, approved, and recorded to bring the funds back to the proper fund balance. Surprise cash counts should be performed to ensure that the custodians are maintaining the funds as required in the Fund Procedures.	Annual training is being instituted for all custodians, AP staff, and their supervisors. The training will place an emphasis on maintaining a uniform tracking log that is current and accurate, eligibility of reimbursable expenses, proper documentation and receipts, required submittal of a monthly reconciliation to Accounting, replenishment of funds when they fall below \$250, secure handling of the funds, and the institution of surprise cash counts. Training was completed October 17th.

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Status as of September 30, 2018
Completed				
18-23	Audit Report 18026 Issued: June 21, 2018 Title: SSP America, Inc. (FSP 5R) Department: BUSINESS AND FINANCIAL MANAGEMENT	Low	The Business and Financial Management Department should correct the consumer price index (CPI) calculation for Fiscal Year 2016. Additionally, the Accounting Department should issue an invoice for \$846.43 to SSP for the under billing of the CPI adjustment for Fiscal Years 2016, 2017, and 2018.	Billing completed in October.
18-24	Audit Report 18006 Issued: June 28, 2018 Title: Vehicle Fleet Management Department: AUTHORITY MANAGEMENT	Medium	Authority Management should implement uniform vehicle fleet usage procedures. These procedures should include standard vehicle check-out procedures with the assurance that any employee requesting a vehicle is an authorized driver. Ideally, the procedures should include a centralized vehicle and driver database that would integrate with the Defensive Driver Training program, which will automate the authorized driver assurance, maximize the fleet usage and mileage reporting, and automate the maintenance schedules.	A new form was developed for drivers to submit prior to using Authority vehicle. The form requires declaration that employee is an authorized driver along with manager's signature, before being sent to FMD Fleet Supervisor for approval. Fleet Supervisor verifies that drivers name is on the centralized Authorized Drivers List database before approving.

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Status as of September 30, 2018
Completed				
18-25	Audit Report 18006 Issued: June 28, 2018 Title: Vehicle Fleet Management Department: AUTHORITY MANAGEMENT	Medium	Authority Management should implement procedures to ensure that only authorized drivers are provided the opportunity to drive Authority vehicles. Management should require all vehicle custodian departments to verify driver authorization before giving access to Authority vehicles. Risk should provide written notice to the departments requesting driver authorization regarding the status of their request, and should provide access to a centralized Authorized Drivers List database, to ensure that drivers given access to the Authority vehicles are authorized. In addition, Risk should also review the Authorized Drivers List for any inconsistencies, like missing authorized drivers, and verify that all requests for driver authorization are processed.	Authority management implemented new procedures to document authorized drivers. Drivers are authorized once the individual has been input into the DMV Pull Program and successfully completed training. Written authorization is sent to the individual's manager to confirm that they are an authorized driver. Drivers are not given access to Authority vehicles until the manager receives written notification. Risk reviews the authorized driver listing monthly against the DMV Pull report.
18-26	Audit Report 18006 Issued: June 28, 2018 Title: Vehicle Fleet Management Department: AUTHORITY MANAGEMENT	Low	Authority Management should require the Facilities Management Department (FMD) and departments with assigned vehicles to consistently track and review monthly and daily logs to verify the accuracy of logged information. Management should also require authorized drivers and/or vehicle custodians to report to FMD any vehicle malfunctions and request that these vehicles be removed from service until repaired.	Leadership in daily shift briefings has and continues to remind staff of the proper procedure to complete usage logs. All logs are collected and replaced with new logs every month by FMD Fleet Coordinator. Odometer readings and hour readings from each monthly usage log are then uploaded onto the Fleet Mileage Database for review by Fleet Supervisor each month.
18-27	Audit Report 18006 Issued: June 28, 2018 Title: Vehicle Fleet Management Department: AUTHORITY MANAGEMENT	Low	Facilities Management Department (FMD) should review the fleet inventory for accuracy and reconcile it with Accounting's asset list, on an annual basis, to verify that vehicles currently in service are listed on the asset list, and any vehicles removed from service and disposed of are retired from the Authority books. In addition, FMD should verify that retired assets are deleted from E1 as a result of the reconciliation.	The E1 vehicle asset list will be checked and verified by the FMD Fleet Supervisor at the beginning of each Fiscal Year. Upon coordination with Accounting, vehicles no longer in service with SDCRAA will be removed from the E1 list and all current vehicles will be confirmed to be on the list. Asset list crossed checked with FMD Fleet Master Listing.

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Status as of September 30, 2018
Completed				
18-28	Audit Report 18024 Issued: June 29, 2018 Title: Hudson Group (Package #2) Department: BUSINESS AND FINANCIAL MANAGEMENT	Low	The Business and Financial Management Department should correct the consumer price index (CPI) calculation for Fiscal Year 2016. Additionally, the Accounting Department should issue an invoice for \$634.40 to Hudson Group for the under billing of the CPI adjustment for Fiscal Years 2016, 2017, and 2018. The Accounting Department should also invoice Hudson \$112.82 for the under billing that occurred in the remainder of Fiscal Year 2018 that is outside of the audit period (January 2018 through June 2018).	Billing completed in October.
19-01	Audit Report 18020 Issued: July 30, 2018 Title: Signature Flight Support Department: BUSINESS AND FINANCIAL MANAGEMENT	Medium	We recommend that the Authority bill Signature for the under billing of \$69,541 for the audit period ended September 30, 2017. Additionally, Business Management should recalculate and verify all billings pertaining to base rent, subsequent to the audit period, for accuracy. Any discrepancies should be corrected and billed as required in the Lease.	Billing completed in October.
19-03	Audit Report 18020 Issued: July 30, 2018 Title: Signature Flight Support Department: FINANCE	Medium	Finance should notify Signature that its property insurance coverage fails to meet the Lease requirements, and require Signature to obtain the necessary coverage.	Signature was notified of the issues with its insurance coverage.

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Status as of September 30, 2018	Estimated Completion
In Progress					
17-11	Audit Report 17027 Issued: February 7, 2017 Title: Spa Didacus, Inc. Department: BUSINESS AND FINANCIAL MANAGEMENT	High	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.	Revenue Management continues to work with Airport Design & Construction on a control process.	FY 2019 4th Quarter
18-10	Audit Report 18013 Issued: February 28, 2018 Title: Chula Vista Electric Company Department: FACILITIES MANAGEMENT	Medium	Facilities Management Department (FMD) should request that the Accounting Department bill Chula Vista Electric Company (CVEC) \$42,510 for reimbursement of expenses not allowed by the contract. Additionally, FMD should take steps to ensure that disallowed fees and expenses are not included in future payments to CVEC.	On track to complete by 10/31/2018. FMD will be requesting Accounting bill CVEC the amount of \$21,023.71.	10/31/2018
18-12	Audit Report 18013 Issued: February 28, 2018 Title: Chula Vista Electric Company Department: FACILITIES MANAGEMENT	Medium	Facilities Management Department (FMD) should request that Chula Vista Electric Company (CVEC) provide supporting documentation for the \$416,556 in expenses billed and paid. When these documents are provided, FMD should review and verify that the expenses are justified.	On track to complete by 10/31/2018. All supporting documentation provided by CVEC has been reviewed and verified to justify the \$416,556 in expenses. During the course of staff's review, additional discrepancies outside of the Audit pertaining to duplicate billing, errors on hours billed, and missing receipts were found. This amounted to \$6,324.37. FMD will be requesting Accounting bill CVEC the amount of \$6,324.37.	10/31/2018

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Status as of September 30, 2018	Estimated Completion
In Progress					
18-14	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: AUTHORITY MANAGEMENT	Medium	In addition to the current Administrator training, Authority Management should consider requiring training covering Authority Policies 3.30 and 3.40 and the more detailed Accounting guidance over travel contained in the Employee Reference Guide for all employees that incur reimbursable business or travel expenses.	As detailed below, Authority Policies are currently being reviewed and updated for Board review and approval. Once established, new guidance and procedures for employees will be created to match the Policies.	FY 2019 4th Quarter
18-15	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: AUTHORITY MANAGEMENT	Medium	Administrator review of the expense reports submitted for reimbursement needs to be strengthened to ensure that all reimbursement requests submitted for approval meet Authority Policy requirements. Further, Administrators should reject reimbursements that do not adhere to Authority Policies.	Staff will continue to ensure that the Administrators are correctly approving per current Authority Policy. The Business and Travel Expense Authority Policy is under review and the revised policy will be presented to the Board in the fiscal 2019 third quarter.	FY 2019 3rd Quarter
18-16	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: AUTHORITY MANAGEMENT	Medium	Authority business and travel expense Policies need to be revised and strengthened. Authority Management should consider a thorough review of the Policies to ensure the requirements are practical, consistent, and do not become too detailed with procedures. A strong business and travel expense procedures guide should be developed to cover the actual execution of the Policy requirements.	Authority Management is currently revising Authority Policies which are planned to be provided to the Board for review and comment in FY19 3rd Quarter. Once reviewed, the Policies can be approved and rolled out.	FY 2019 3rd Quarter
18-17	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: AUTHORITY MANAGEMENT	Medium	Authority Management should consider eliminating the use of travel advances due to the issues noted. Additionally, Authority Management should institute a Policy whereby employees that don't follow travel advance requirements are prohibited from obtaining advances for at least one (1) year.	Authority Management is currently revising Authority Policies which are planned to be provided to the Board for review and comment in FY19 3rd Quarter. Once reviewed, the Policies can be approved and rolled out.	FY 2019 3rd Quarter

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Status as of September 30, 2018	Estimated Completion
In Progress					
18-18	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: AUTHORITY MANAGEMENT	Medium	Authority Management should institute procedures to ensure that advances are issued in accordance with the Travel Advance procedures and are not issued more than seven days before travel. Alternately, Policies 3.30 and 3.40 could be amended to specify how many days prior to travel an employee can be issued a travel advance. Under IRS guidance, travel advances exceeding 30 days are in excess of a reasonable period of time, are to be treated as being paid under a non-accountable plan, and are to be reported as wages to the employee.	Authority Management is currently revising Authority Policies which are planned to be provided to the Board for review and comment in FY19 3rd Quarter. Once reviewed, the Policies can be approved and rolled out.	FY 2019 3rd Quarter
18-19	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: AUTHORITY MANAGEMENT	Medium	Authority Management should consider including a limit on expenses that can be approved by an Administrator. Expenses, such as airfare, over a certain dollar threshold should require Executive Management approval. This would ensure that the Executive Management is involved in the process of verifying that each expense that is unusual in amount is reasonable, necessary, directly related to the Authority's business, and adequately supported.	Authority Management is currently revising Authority Policies which are planned to be provided to the Board for review and comment in FY19 3rd Quarter. Once reviewed, the Policies can be approved and rolled out.	FY 2019 3rd Quarter

Rec. No.	Audit Report Description	Priority Rating	Recommendation	Status as of September 30, 2018	Estimated Completion
In Progress					
18-20	Audit Report 18001 Issued: June 14, 2018 Title: Business and Travel Expenses Department: AUTHORITY MANAGEMENT	Medium	Authority Management should consider changing Authority Policy 3.40 to require employees to use the per diem rates set each year by the GSA for meals. Amending the Policy to reimburse employees based on GSA rates would reduce staff time in processing reports, limit meal reimbursement amounts, and eliminate any supporting documentation issues related to meals. In our opinion, it is not reasonable to require GSA rates for hotels, due to issues such as conference locations and lack of hotel vacancies. However, the GSA rates should be used as a guide and Authority Management should consider requiring preapproval of hotel costs that exceed the GSA or conference rates for hotels for domestic travel destinations, and the Department of State rates for hotels for international destinations.	Authority Management is currently revising Authority Policies which are planned to be provided to the Board for review and comment in FY19 3rd Quarter. Once reviewed, the Policies can be approved and rolled out.	FY 2019 3rd Quarter
19-02	Audit Report 18020 Issued: July 30, 2018 Title: Signature Flight Support Department: BUSINESS AND FINANCIAL MANAGEMENT	Medium	Business Management should work with Signature Management to ensure that the future Gateway Program investments are made in accordance with the Lease, or amend the Lease as needed.	We are working with Signature to ensure that the investment is being used appropriately. We are also considering amending the lease to provide more flexibility.	FY 2019 3rd Quarter

STAFF REPORT

Meeting Date: **DECEMBER 6, 2018**

Subject:

External Auditor's Fiscal Year Ended June 30, 2018, 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 5, 2018, the Authority's external auditor, BKD, LLP, will present the Fiscal Year Ended June 30, 2018, audited financial statements and reports (Attachments A through E) to the Audit Committee for their review and acceptance.

Fiscal Impact:

Adequate funding for the audit conducted by BKD, LLP, is included in the adopted Fiscal Year 2019 and conceptually approved Fiscal Year 2020 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:

KATHY KIEFER
SENIOR DIRECTOR, FINANCE & ASSEST MANAGEMENT

San Diego County Regional Airport Authority

Financial Statements
For the Fiscal Years Ended
June 30, 2018 and 2017



San Diego County Regional Airport Authority

June 30, 2018 and 2017

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the San Diego County Regional Airport Authority (Airport Authority) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of June 30, 2018 and 2017, 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.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2018, the Airport Authority changed its method of accounting for postemployment benefits other than pensions (OPEB) with the adoption of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefit information 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 17, 2018

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

For The Years Ended June 30, 2018 and 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 (2016 – 2018)

The Airport Authority experienced continued growth 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 2016	FY 2017	FY 2018
Enplaned passengers	10,206,222	10,596,483	11,728,880
% increase	5.1%	3.8%	10.7%
Total passengers	20,397,170	21,140,067	23,431,340
% increase	5.1%	3.6%	10.8%
Aircraft operations	193,451	201,011	218,671
% increase (decrease)	(0.9%)	3.9%	8.8%
Freight and mail (in tons)	185,655	188,607	191,550
% increase	3.9%	1.6%	1.6%
Landed weight (in thousands)	12,048	12,616	13,781
% increase	4.6%	4.7%	9.2%

Overall, the strong economy is reflected in the FY 2018 Airport Activities results at SDIA. There was a substantial increase in enplaned passengers in fiscal year 2018 of 10.7 percent. Additionally, freight and mail tons increased by 1.6 percent. New airline routes also factored into the sizable 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 by 4.5 percent in 2016, was followed by a slight 0.9 percent increase in 2017, and was followed by a larger increase of 3.4 percent in 2018. Following is a summary of the statements of revenues, expenses and changes in net position (in thousands):

	FY 2016	FY 2017	FY 2018
Operating revenues	\$ 233,994	\$ 248,847	\$ 265,830
Operating expenses	(241,429)	(258,954)	(274,652)
Nonoperating revenues, net	31,933	15,428	21,528
Capital contributions and grants	10,477	1,904	13,328
Increase (decrease) in net position	34,975	7,225	26,034
Net position, beginning of year	742,741	775,949	783,174
Prior-period adjustment GASB 68	(1,767)	-	717
Net position, end of year	\$ 775,949	\$ 783,174	\$ 809,925

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 and 75 caused prior-period adjustments in fiscal years 2016 and 2018 respectively. The cumulative changes in accounting for pension and postretirement benefit liabilities are reflected in these adjustments.

FINANCIAL HIGHLIGHTS

Operating Revenues (in thousands)

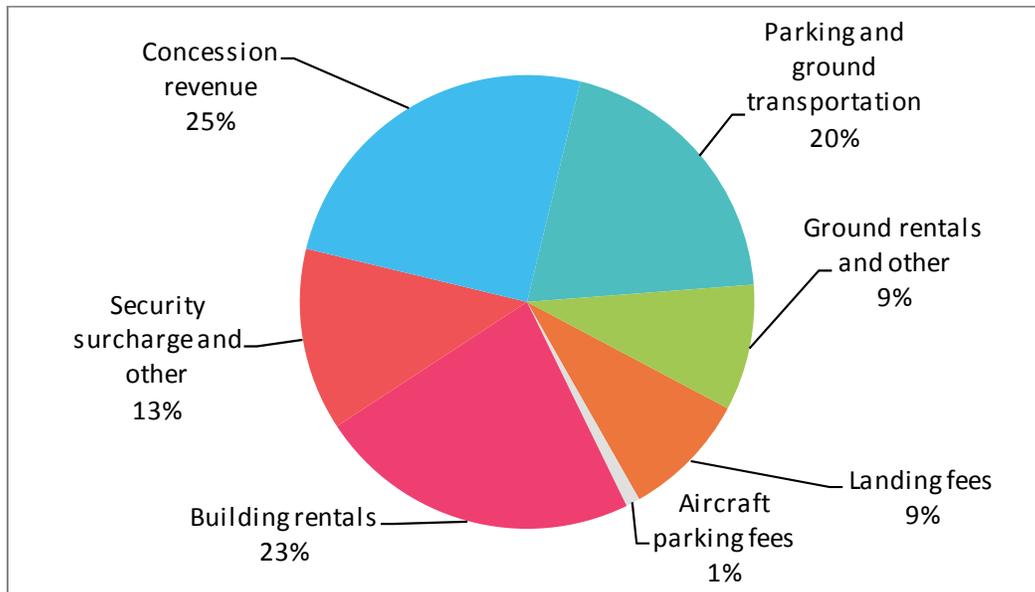
	FY 2017	FY 2018	From 2017 to 2018	
			Increase (Decrease)	% Change
Airline revenue:				
Landing fees	\$ 24,612	\$ 23,900	\$ (712)	(2.9%)
Aircraft parking fees	2,927	3,236	309	10.6%
Building rentals	56,575	62,241	5,666	10.0%
Security surcharge	29,468	32,303	2,835	9.6%
Other aviation revenue	2,799	1,477	(1,322)	(47.2%)
Total airline revenue	116,381	123,157	6,776	5.8%
Concession revenue	61,256	65,610	4,354	7.1%
Parking and ground transportation revenue	49,407	53,254	3,847	7.8%
Ground rentals	20,053	22,109	2,056	10.3%
Other operating revenue	1,750	1,701	(49)	(2.8%)
Total operating revenue	\$ 248,847	\$ 265,831	\$ 16,984	6.8%

	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	56,575	5,302	10.3%
Security surcharge	29,223	29,468	245	0.8%
Other aviation revenue	5,023	2,799	(2,224)	(44.3%)
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 rentals	16,226	20,053	3,827	23.6%
Other operating revenue	1,183	1,750	567	47.9%
Total operating revenue	\$ 233,994	\$ 248,847	\$ 14,853	6.3%

Fiscal year 2018 compared to 2017: Total airline revenues increased by \$6.8 million, or 5.8 percent, primarily due to an increased cost recovery for the airlines which was higher in fiscal year 2018, compared to 2017. Landing fees decreased by \$712 thousand or 2.9 percent due to airfield-related cost savings. Aircraft parking fees increased by \$309 thousand or 10.6 percent due to additional overnight aircraft parking positions. Building rentals increased by \$5.7 million or 10.0 percent due to increased cost recovery from airline rents. Security surcharge increased by \$2.8 million or 9.6 percent, primarily due to increased terminal security charges. Other aviation revenue decreased by \$1.3 million or 47.2 percent, mostly due to common use cost recovery charges. Concession revenue increased by \$4.4 million or 7.1 percent, reflecting increased enplanements. Parking and ground transportation increased by \$3.8 million or 7.8 percent, due to higher enplanements and higher trip fees from transportation network companies. Ground and non-airline terminal rentals increased by \$2.1 million or 10.3 percent. This increase was primarily due to fuel facility rentals, and scheduled rent increases.

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 \$5.3 million or 10.3 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 parking revenue, and permits. Ground non-airline terminal rentals increased by \$3.8 million or 23.6 percent, due in part to new non-tenant agreements and increased Fixed Base Operator 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.

**San Diego County Regional Airport Authority
Fiscal Year Ended June 30, 2018
Operating Revenues**



Operating Expenses (in thousands)

	FY 2017	FY 2018	From 2017 to 2018	
			Increase (Decrease)	% Change
Salaries and benefits	\$ 46,874	\$ 47,866	\$ 992	2.1%
Contractual services	44,372	45,249	877	2.0%
Safety and security	28,422	30,733	2,311	8.1%
Space rental	10,190	10,190	-	0.0%
Utilities	10,736	12,509	1,773	16.5%
Maintenance	14,270	12,603	(1,667)	(11.7%)
Equipment and systems	506	598	92	18.2%
Materials and supplies	611	656	45	7.4%
Insurance	956	1,098	142	14.9%
Employee development and support	1,347	1,248	(99)	(7.3%)
Business development	2,347	3,246	899	38.3%
Equipment rentals and repairs	3,095	3,124	29	0.9%
Total operating expenses before depreciation	163,726	169,120	5,394	3.3%
Depreciation	95,229	105,532	10,303	10.8%
Total operating expense	\$ 258,955	\$ 274,652	15,697	6.1%

	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	44,372	6,157	16.1%
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	506	(202)	(28.5%)
Materials and supplies	536	611	75	14.0%
Insurance	950	956	6	0.6%
Employee development and support	1,242	1,347	105	8.5%
Business development	2,390	2,347	(43)	(1.8%)
Equipment rentals and repairs	2,852	3,095	243	8.5%
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%

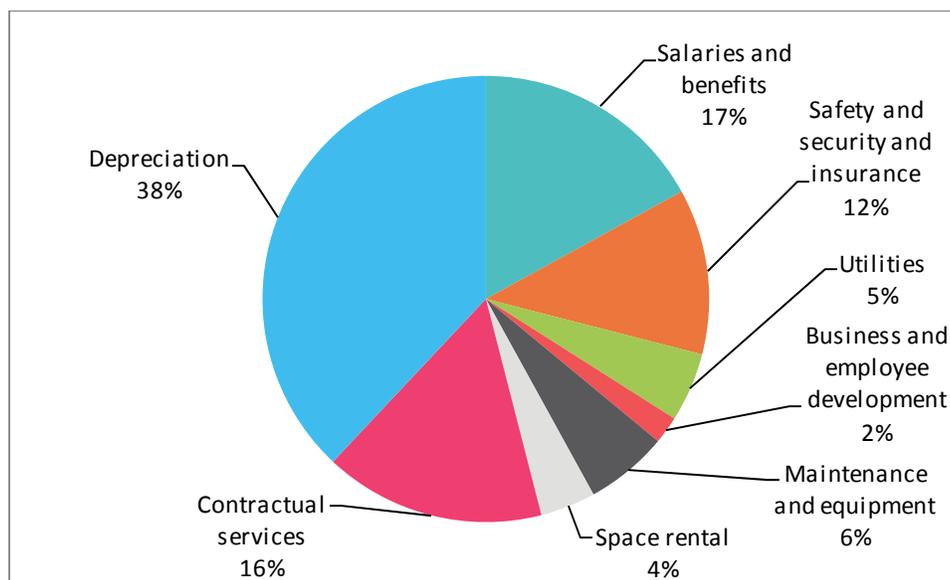
Fiscal year 2018 compared to 2017: Total fiscal year 2018 operating expenses increased by \$15.7 million or 6.1 percent. Salaries and benefits increased by \$992 thousand or 2.1 percent, due to planned wage and benefit increases. Contractual services increased by \$877 thousand or 2.0 percent, mainly due to higher expenses in custodial services. Safety and security increased by \$2.3 million or 8.1 percent due higher law enforcement and emergency services costs. Utilities increased by \$1.8 million or 16.5 percent, due to higher usage as a result of the increase in total passengers. Equipment and systems increased by \$92 thousand or 18.2 percent, mainly due to additional computer equipment and licenses. Insurance increased by \$142 thousand or 14.9 percent, primarily due to higher coverage costs of various policies. Business development increased by \$899 thousand or 38.3 percent, mainly due to community outreach. Depreciation increased by \$10.3 million or 10.8 percent, due to the Parking Plaza and international passenger area (FIS) being placed in service.

Offsetting this increase in operating expenses was the following decrease: Maintenance expenses decreased \$1.7 million, or 11.7 percent, due in part to lower electrical and HVAC maintenance contract costs.

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 \$6.2 million or 16.1 percent, mainly due to higher expenses in parking, noise monitoring, and a full year of Rental Car Center bussing. Maintenance expenses increased \$148 thousand, or 1.0 percent, due to slightly higher major maintenance projects. Materials and supplies increased \$75 thousand or 14.0 percent, partly due to higher maintenance and safety expenditures. Employee development and support increased by \$105 thousand or 8.5 percent, due to higher recruitment and training expenses. Depreciation increased by \$7.4 million or 8.5 percent, due to a full year of depreciation for the Rental Car Center. Equipment rentals and repairs increased by \$243 thousand or 8.5 percent, mainly due to higher maintenance contract and computer licensing expenses.

Offsetting this increase in operating expenses were the following decreases: Safety and security decreased by \$299 thousand or 1.0 percent due to an estimate 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 \$202 thousand or 28.5 percent, due to lower office movement and reconfiguration expenses.

**San Diego County Regional Airport Authority
Fiscal Year Ended June 30, 2018
Operating Expenses**



Nonoperating Revenues (Expenses) (in thousands)

	FY 2017	FY 2018	From 2017 to 2018	
			Increase (Decrease)	% Change
Passenger facility charges	\$ 42,200	\$ 46,953	\$ 4,753	11.3%
Customer facility charges	36,528	41,037	4,509	12.3%
Quieter Home Program, net	(785)	(2,747)	(1,962)	(249.9%)
Joint studies program	-	(114)	(114)	0.0%
Interest income	8,134	13,374	5,240	64.4%
Interest expense, net	(53,528)	(63,745)	(10,217)	(19.1%)
Other nonoperating income (expenses)	(17,121)	(13,230)	3,891	22.7%
Nonoperating revenues, net	\$ 15,428	\$ 21,528	\$ 6,100	39.5%

	FY 2016	FY 2017	From 2016 to 2017	
			Increase (Decrease)	% 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%)

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 RCC. 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 2018, the Airport Authority has spent \$201.5 million and received reimbursement for \$162.2 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 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, 2018 and 2017 was \$7.2 million and \$4.8 million, respectively. The bond premium amortization from all four 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 32.7 percent of the interest payable. The interest subsidy for the fiscal years ended June 30, 2018 and 2017 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 2018 compared to 2017: Nonoperating revenues (net) increased by \$6.1 million or 39.5 percent. Passenger facility charges increased by \$4.8 million or 11.3 percent, due to a 10.7 percent increase in enplaned passengers. Customer facility charges increased by \$4.5 million or 12.3 percent, due to a corresponding increase in rental car transactions and a full year receiving the increased daily fee previously discussed. Interest income increased by \$5.2 million or 64.4 percent, due to an increase in dollars invested from the Series 2017 bond issuance as well as improved market performance compared to fiscal year 2017. Other nonoperating expense increased by \$3.9 million or 22.7 percent, primarily due to a loss on fixed asset disposal resulting from the new Parking Plaza.

The increase in nonoperating income was offset by a Quieter Home Program expenses (net) increase of \$2.0 million or 250.1 percent, due to higher sound attenuation activity. Interest expense (net) was higher by \$10.2 million or 19.1 percent, due to the SE 2017 bond issuance.

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, 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, 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 Federal Inspection Station project.

Capital Grant Contributions (in thousands)

	FY 2017	FY 2018	From 2017 to 2018	
			Increase (Decrease)	% Change
Federal grants	\$ 1,904	\$ 13,328	\$ 11,424	600.0%

	FY 2016	FY 2017	From 2016 to 2017	
			Increase (Decrease)	% Change
Federal grants	\$ 10,477	\$ 1,904	\$ (8,573)	(81.8%)

Capital Grant Contributions are comprised of Airport Improvement Project (AIP) entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. In fiscal year 2018 capital grant contributions increased by \$11.4 million or 600.0 percent compared to fiscal year 2017. Additionally in fiscal year 2017, capital grant contributions decreased by \$8.6 million or 81.8 percent, compared to fiscal year 2016. This was due to the completion of the Runway 9 displaced threshold, Northside taxiway bypass, and storm drain trunk projects.

Variances from year to year relate to the amount of work completed on eligible projects during the fiscal year. In fiscal year 2018, the grant fund increase is primarily due to airfield projects.

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, 2016, 2017 and 2018, is as follows:

	FY 2016	FY 2017	FY 2018
Assets and Deferred Outflows of Resources			
Current assets	\$ 169,078	\$ 191,307	\$ 223,610
Capital assets, net	1,551,007	1,544,909	1,704,141
Noncurrent assets	491,362	494,040	643,474
Total assets	2,211,447	2,230,256	2,571,225
Deferred outflows of resources	4,260	20,246	24,196
Total assets and deferred outflows of resources	2,215,707	2,250,502	2,595,421
Liabilities and Deferred Inflows of Resources			
Current liabilities	103,136	104,422	145,942
Long-term liabilities	1,334,816	1,361,090	1,635,326
Total liabilities	1,437,952	1,465,512	1,781,268
Deferred inflows of resources	1,807	1,815	4,228
Total liabilities and deferred inflows of resources	1,439,759	1,467,327	1,785,496
Net Position			
Net investment in capital assets	310,339	263,952	281,703
Restricted	214,533	225,088	244,188
Unrestricted	251,076	294,133	284,034
Total net position	\$ 775,948	\$ 783,173	\$ 809,925

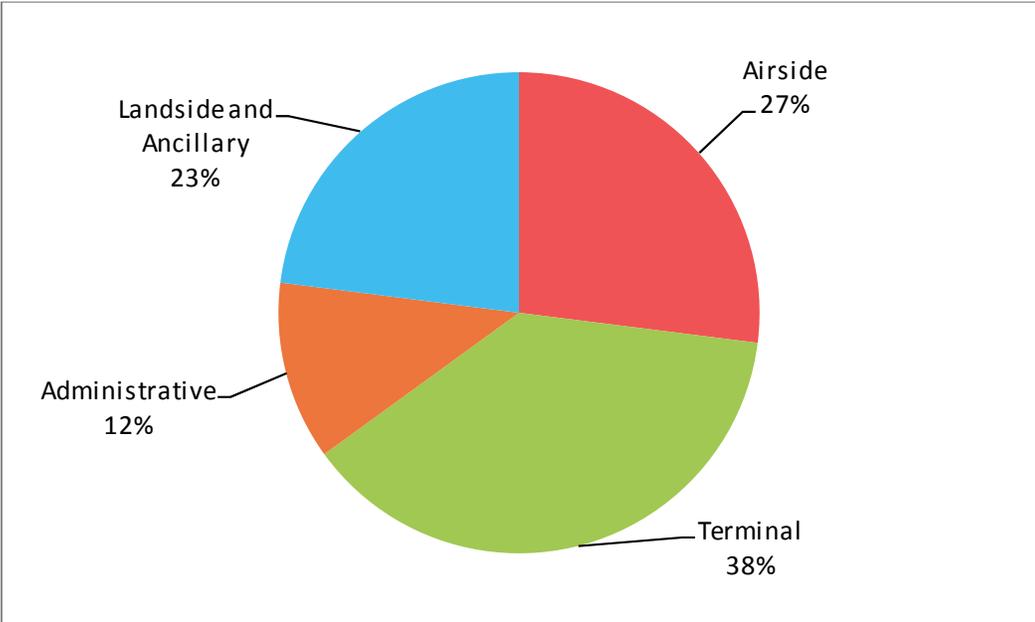
As of June 30, 2018, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$809.9 million. This reflects a \$26.8 million increase in net position from June 30, 2017. The Airport Authority uses the capital assets to provide services 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 \$284 million as of June 30, 2018, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2018, 2017 and 2016, management has designated unrestricted funds in the amount of \$39.3 million, \$25.8 million, and \$31.3 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance and operating contingency.

Capital Program

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

The current Capital Program, which includes projects through 2023, consists of \$300.7 million for airside projects, \$258.9 million for landside and ancillary projects, \$415.9 million for terminal projects, and \$127.8 million for administrative projects.

Capital Program Projects by Type



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

Capital Financing and Debt Management

On October 5, 2010, the Airport Authority issued \$572.6 million of Subordinate Airport Revenue Bonds Series 2010 A, B and C (Series 2010 Bonds). The 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, 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, 32.69 percent of interest payable. The interest rate on the Series 2010 C Bonds, net of subsidy, is 4.46 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, 2018, the principal balance on the subordinate Series 2010 Bonds was \$537.0 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 accrued on the senior Series 2013 Bonds, fund the senior reserve fund, and pay the costs of issuance of the Senior Series 2013 Bonds.

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of \$55.9 million, which is being amortized over the life of the bonds. Interest on the Senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal year ended June 30, 2018, amounted to \$18.26 million, including accrued interest of \$9.48 million. The principal balance on the Series 2013 Bonds as of June 30, 2018 was \$373.3 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 19, 2014, the Airport Authority issued \$305,285,000 of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest on the Series 2014 Bonds, fund deposits to the senior reserve fund, the rolling coverage fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent and mature in fiscal years 2019 to 2045. As of June 30, 2018, 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 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 \$48,423,688, which is being amortized over the life of the bonds. Interest on the senior Series 2017 Bonds is payable semiannually on January 1 and July 1, of each year. Interest expense for the fiscal year ended June 30, 2018, amounted to \$13.2 million, including accrued interest of \$7.27 million. As of June 30, 2018, the principal balance on the Series 2017 was \$291.2 million.

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 agreement that was extended through June 29, 2020. As of June 30, 2018, the Airport Authority's outstanding debt under this agreement consists of \$14.8 million of Series B (AMT) and \$5.4 million Series C (taxable).

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

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

The SDIA's PFC program was established in 1994, and currently authorizes the imposition of a \$4.50 fee on enplaning passengers. There are currently 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 \$25.4 million in grant awards for the federal fiscal year ended September 30, 2018, as compared to \$24.7 million for 2017. 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, 2018 and 2017

Assets and Deferred Outflows of Resources	2018	2017
Current Assets		
Unrestricted:		
Cash and cash equivalents (Note 2)	\$ 7,243,688	\$ 10,743,557
Investments (Notes 2 and 11)	85,690,254	97,353,685
Tenant lease receivables, net	10,837,699	9,321,940
Grants receivable	10,955,228	3,354,396
Note receivable, current portion (Note 3)	1,903,323	1,801,694
Other current assets	7,329,052	4,433,986
Total unrestricted current assets	123,959,244	127,009,258
Restricted cash, cash equivalents and investments with trustees (Notes 2 and 5)	99,650,564	64,297,770
Total current assets	223,609,808	191,307,028
Noncurrent Assets		
Restricted assets (Notes 2 and 5):		
Restricted cash, cash equivalents and investments not with trustees	191,304,621	175,907,551
Restricted investments with trustees	228,598,834	97,763,717
Passenger facility charges receivable (Note 1)	6,635,273	6,155,618
Customer facility charges receivable (Note 1)	4,097,757	3,717,575
Other restricted assets	5,310,167	2,791,385
Total restricted assets	435,946,652	286,335,846
Other noncurrent assets:		
Investments, noncurrent (Note 2)	136,796,912	148,319,754
Note receivable, long-term portion (Note 3)	31,338,762	33,242,085
Cash and cash equivalents designated for specific capital projects and other commitments (Notes 2 and 11)	39,294,169	25,792,246
Net OPEB asset (Note 9)	97,418	-
Other noncurrent assets	-	349,943
Total other noncurrent assets	207,527,261	207,704,028
Capital assets (Note 4):		
Land, land improvements and nondepreciable assets	135,086,591	111,041,142
Buildings and structures	1,692,102,858	1,431,417,373
Machinery and equipment	112,464,061	98,289,644
Runways, roads and parking lots	646,939,284	626,871,756
Construction in progress	110,520,198	171,498,031
	2,697,112,992	2,439,117,946
Less accumulated depreciation	(992,971,931)	(894,209,246)
Capital assets, net	1,704,141,061	1,544,908,700
Total noncurrent assets	2,347,614,974	2,038,948,574
Total assets	2,571,224,782	2,230,255,602
Deferred pension outflows (Notes 6 and 7)	23,113,159	20,245,534
Deferred OPEB outflows (Note 9)	1,082,904	-
Total deferred outflows of resources	24,196,063	20,245,534
Total assets and deferred outflows of resources	\$ 2,595,420,845	\$ 2,250,501,136

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Net Position, Continued June 30, 2018 and 2017

Liabilities, Deferred Inflows of Resources and Net Position	2018	2017
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	\$ 2,589,715	\$ 7,195,303
Accrued liabilities	28,508,254	20,756,128
Compensated absences, current portion (Note 5)	3,093,379	3,217,748
Other current liabilities	11,777,067	8,656,783
Long-term debt, current portion (Note 5)	323,514	298,449
Total payable from unrestricted assets	46,291,929	40,124,411
Payable from restricted assets:		
Accounts payable	51,585	1,135,312
Accrued liabilities	37,247,974	18,873,753
Long-term debt, current portion (Note 5)	22,650,000	11,585,000
Accrued interest on bonds and commercial paper (Note 5)	39,701,005	32,703,705
Total payable from restricted assets	99,650,564	64,297,770
Total current liabilities	145,942,493	104,422,181
Long-Term Liabilities		
Compensated absences, net of current portion (Note 5)	183,209	13,278
Other noncurrent liabilities	626,423	806,360
Long-term debt, net of current portion (Note 5)	1,614,294,048	1,342,159,363
Net pension liability (Notes 6 and 7)	20,222,458	18,111,482
Total long-term liabilities	1,635,326,138	1,361,090,483
Total liabilities	1,781,268,631	1,465,512,664
Deferred inflows of resources		
Deferred pension inflows (Notes 6 and 7)	3,685,838	1,815,440
Deferred OPEB inflows (Note 9)	541,669	-
Total deferred inflows of resources	4,227,507	1,815,440
Total liabilities and deferred inflows of resources	1,785,496,138	1,467,328,104
Net Position		
Net investment in capital assets (Note 1)	281,703,129	263,951,847
Restricted:		
Debt Service	84,852,323	83,274,140
Construction	135,691,506	121,177,898
OPEB	97,418	-
Operation and maintenance expenses	14,236,540	13,844,912
Small business bond guarantee	4,000,000	4,000,000
OCIP loss reserve	5,310,166	2,791,385
Total restricted net position	244,187,953	225,088,335
Unrestricted net position	284,033,625	294,132,850
Total net position	\$ 809,924,707	\$ 783,173,032

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Revenues, Expenses, and Changes in Net Position Years Ended June 30, 2018 and 2017

	2018	2017
Operating revenues:		
Airline revenue:		
Landing fees	\$ 23,900,414	\$ 24,612,412
Aircraft parking fees	3,235,788	2,926,972
Building rentals (<i>Note 12</i>)	62,241,252	56,574,914
Security surcharge	32,303,267	29,468,089
Other aviation revenue	1,476,479	2,799,070
Concession revenue	65,609,858	61,255,811
Parking and ground transportation revenue	53,254,030	49,407,235
Ground and non-airline terminal rentals (<i>Note 12</i>)	22,108,637	20,053,031
Other operating revenue	1,700,548	1,749,405
Total operating revenues	265,830,273	248,846,939
Operating expenses:		
Salaries and benefits (<i>Notes 6, 7 and 8</i>)	47,865,727	46,873,862
Contractual services (<i>Note 14</i>)	45,248,939	44,372,149
Safety and security	30,733,076	28,421,603
Space rental (<i>Note 13</i>)	10,189,836	10,189,944
Utilities	12,509,607	10,735,957
Maintenance	12,602,987	14,269,953
Equipment and systems	597,859	506,154
Materials and supplies	655,698	610,787
Insurance	1,097,868	956,358
Employee development and support	1,248,355	1,347,007
Business development	3,245,967	2,347,199
Equipment rentals and repairs	3,124,471	3,094,559
Total operating expenses before depreciation	169,120,390	163,725,532
Income from operations before depreciation	96,709,883	85,121,407
Depreciation expense	105,531,703	95,229,026
Operating loss	(8,821,820)	(10,107,619)

(Continued)

San Diego County Regional Airport Authority

Statements of Revenues, Expenses and Change in Net Position, Continued Years Ended June 30, 2018 and 2017

	2018	2017
Nonoperating revenues (expenses):		
Passenger facility charges	\$ 46,952,755	\$ 42,199,763
Customer facility charges	41,036,526	36,527,853
Quieter Home Program grant revenue (Note 1)	8,389,249	1,413,999
Quieter Home Program expenses (Note 1)	(11,135,808)	(2,198,744)
Joint Studies Program	(114,387)	-
Interest income	13,374,227	8,133,765
Interest expense (Note 5)	(68,411,379)	(58,178,865)
Build America Bonds subsidy (Note 5)	4,666,190	4,651,203
Other revenues (expenses), net	(13,229,154)	(17,120,558)
Nonoperating revenue, net	21,528,219	15,428,416
Income before federal grants	12,706,399	5,320,797
Federal grants (Note 1)	13,328,021	1,903,686
Change in net position	26,034,420	7,224,483
Net position, as previously reported	783,173,032	775,948,549
Adjustment for adoption of GASB 75	717,255	
Net position, beginning of year, as restated	783,890,287	
Net position, end of year	\$ 809,924,707	\$ 783,173,032

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Cash Flows Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flow s From Operating Activities		
Receipts from customers	\$ 267,462,006	\$ 247,823,092
Payments to suppliers	(164,900,528)	(122,079,920)
Payments to employees	(49,265,624)	(49,487,337)
Other receipts	2,043,904	1,793,123
Net cash provided by operating activities	55,339,758	78,048,958
Cash Flow s From Noncapital Financing Activities		
Settlement receipts (payments)	(3,779,457)	(2,350,067)
Quieter Home Program grant receipts	5,424,925	1,413,999
Quieter Home Program payments	(11,135,808)	(2,198,744)
Joint Studies Program payments	(114,387)	-
Net cash used in noncapital financing activities	(9,604,727)	(3,134,812)
Cash Flow s From Capital and Related Financing Activities		
Capital outlay	(212,327,613)	(97,053,113)
Proceeds on Build America Bonds subsidy	4,666,190	4,651,203
Proceeds from variable rate debt	-	32,550,000
Payment of variable rate debt	(38,835,000)	-
Federal grants received (excluding Quieter Home Program)	8,691,513	6,172,709
Proceeds from passenger facility charges	46,473,100	40,541,802
Proceeds from customer facility charges	40,656,344	35,779,198
Payment of principal on bonds	(11,585,000)	(17,223,000)
Proceeds from issuance of Series 2017 Bonds	339,633,688	-
Payment of capital lease	(298,449)	(275,421)
Interest and debt fees paid	(67,174,633)	(62,605,537)
Net cash provided by (used in) capital and related financing activities	109,900,140	(57,462,159)
Cash Flow s From Investing Activities		
Sales and maturities of investments	467,359,490	106,870,324
Purchases of investments	(625,758,198)	(144,732,956)
Interest received on investments and note receivable	10,963,897	7,726,057
Principal payments received on notes receivable	1,801,694	1,705,491
Net cash used in investing activities	(145,633,117)	(28,431,084)
Net increase (decrease) in cash and cash equivalents	10,002,054	(10,979,097)
Cash and cash equivalents, beginning of year	36,535,803	47,514,900
Cash and cash equivalents, end of year	\$ 46,537,857	\$ 36,535,803

See Notes to Financial Statements.

San Diego County Regional Airport Authority

Statements of Cash Flows, Continued Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Unrestricted cash and cash equivalents	\$ 7,243,688	\$ 10,743,557
Cash and cash equivalents designated for specific capital projects and other commitments	39,294,169	25,792,246
Total cash and cash equivalents	\$ 46,537,857	\$ 36,535,803
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (8,821,820)	\$ (10,107,619)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	105,531,703	95,229,030
Change in pensions/OPEB liability/asset	718,394	16,438,743
Change in deferred outflow s related to pensions/OPEB	(1,938,110)	(15,984,887)
Change in deferred inflow s related to pensions/OPEB	2,412,067	-
Changes in assets and liabilities:		
Tenant lease receivables	(1,515,759)	(793,124)
Other assets	(3,003,518)	(391,094)
Accounts payable	(49,176,177)	(2,448,171)
Accrued liabilities	8,102,069	(3,807,485)
Compensated absences	45,562	(131,087)
Other liabilities	2,985,347	44,652
Net cash provided by operating activities	\$ 55,339,758	\$ 78,048,958
Supplemental Disclosure of Noncash Investing, Capital and Financing Activities		
Additions to capital assets included in accounts payable	\$ 37,299,559	\$ 20,009,065

See Notes to Financial Statements.

San Diego County Regional Airport Authority

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

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

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

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

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

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

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

San Diego County Regional Airport Authority

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, 2018 and 2017, the Airport Authority recovered \$13,079,164 and \$1,903,686, respectively, for approved capital projects and \$8,389,249 and \$1,413,999, respectively, for the Quieter Home Program. Related recoverable costs as of June 30, 2018 and 2017, were \$17,438,885 and \$2,538,248, respectively, for capital projects and \$10,486,561 and \$1,767,499, 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, 2018 and 2017, accrued PFC receivables totaled \$6,635,273 and \$6,155,618, respectively, and there were \$80,297,022 and \$73,311,497 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2018 and 2017, 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.

San Diego County Regional Airport Authority

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

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, 2018 and 2017, accrued CFC receivables totaled \$4,097,757 and \$3,717,575, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2018 and 2017, were \$44,661,454 and \$37,830,593 respectively.

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

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

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.

San Diego County Regional 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, and pedestrian bridges	30
Roadways, bridges, and infrastructure	40-50
Buildings and structures	
Passenger loading bridges, security systems, general upgrades, and remodels	3-10
Baggage handling systems, HVAC, structural improvements, fuel, and storage facility	12-20
Buildings and smart curb improvements	25-50
Machinery and equipment	
Vehicles and emergency vehicles	3-15
Office furniture and equipment	3-10
Communication and electronic systems	3-20
Works of art	15-30

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, 2018 and 2017, the Airport Authority capitalized interest of \$7,218,861 and \$4,774,693, respectively.

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

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

San Diego County Regional Airport Authority

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

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, 2018 and 2017 includes designations of net position that represent tentative management plans that are subject to change, consisting of:

	2018	2017
Operating contingency	\$ 2,000,000	\$ 2,000,000
Insurance contingency	10,249,962	9,531,966
Capital projects and other commitments	27,044,207	14,260,280
Total designated net position	<u>\$ 39,294,169</u>	<u>\$ 25,792,246</u>

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

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

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

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

	2018	2017
Southwest Airlines	38.0%	37.4%
Alaska	13.4%	8.7%
American Airlines	12.8%	12.6%
United Airlines	12.7%	11.9%
Delta	10.6%	10.3%

San Diego County Regional Airport Authority

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

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.

Accounting pronouncements adopted: The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2018:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), effective for the Airport Authority's year ended June 30, 2018.
- GASB Statement No. 85, *Omnibus 2017*, effective for the Airport Authority's year ended June 30, 2018.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, effective for the Airport Authority's year ending June 30, 2018

The implementation of Statement No. 75 resulted in a restatement of beginning net position as of July 1, 2017, which is the beginning of the earliest period restated. Restatement of beginning net position of the prior period presented was not practical as prior actuary reports were issued in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This restatement reclassified amounts previously expensed as salaries and benefits to deferred outflow of resources, and recognized the net OPEB liability as of July 1, 2017. Adjustments to beginning net position for the adoption of this statement follow:

Deferred OPEB contributions	\$	2,012,419
Net OPEB liability		(1,295,164)
Net position, July 1, 2017		(717,255)

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

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, effective for the Airport Authority's year ending June 30, 2019
- GASB Statement No. 84, *Fiduciary Activities*, effective for the Airport Authority's year ending June 30, 2020
- GASB Statement No. 87, *Leases*, effective for the Airport Authority's year ending June 30, 2021
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the Airport Authority's year ending June 30, 2019
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the Airport Authority's year ending June 30, 2021

Reclassifications: Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation. The reclassifications had no effect on the changes in net position.

San Diego County Regional Airport Authority

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:

	2018	2017
Unrestricted and undesignated:		
Cash and cash equivalents	\$ 7,243,688	\$ 10,743,557
Current investments	85,690,254	97,353,685
Noncurrent investments	136,796,912	148,319,754
Total unrestricted and undesignated	<u>229,730,854</u>	<u>256,416,996</u>
Designated for specific capital projects and other commitments: cash and cash equivalents	<u>39,294,169</u>	25,792,246
Restricted:		
Current cash, cash equivalents and investments, with trustees	99,650,564	90,068,047
Noncurrent cash, cash equivalents and investments, not with trustees	191,304,621	175,907,551
Noncurrent investments, with trustees	228,598,834	71,993,440
Total restricted cash, cash equivalents and investments	<u>519,554,019</u>	<u>337,969,038</u>
Total cash, cash equivalents and investments	<u>\$ 788,579,042</u>	<u>\$ 620,178,280</u>

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

	2018	2017
Restricted cash, cash equivalents and investments:		
Bond reserves:		
Operation and maintenance reserve subaccount	\$ 42,709,622	\$ 41,534,736
Operation and maintenance subaccount	14,236,540	13,844,912
Renewal and replacement account	5,400,000	5,400,000
Total reserves	<u>62,346,162</u>	<u>60,779,648</u>
Passenger facility charges unapplied	80,297,022	73,311,497
Customer facility charges unapplied	44,661,454	37,830,593
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	51,974,951	51,512,762
2010 Series debt service account	25,312,063	25,001,407
2013 Series construction fund	2,323	1,720,948
2013 Series debt service reserve fund	33,573,756	33,322,247
2013 Series debt service account	11,430,643	11,338,002
2014 Series construction fund	1,969	37,044
2014 Series debt service reserve fund	22,347,589	22,180,178
2014 Series debt service account	13,781,497	8,153,925
2014 Series rolling coverage fund	6,769,427	6,718,716
2014 Series renew and replace	3,825,876	1,899,455
2017 Series construction fund	131,388,973	-
2017 Series debt service reserve fund	15,154,803	-
2017 Series debt service account	12,685,511	-
Total restricted cash, cash equivalents and investments	<u>\$ 519,554,019</u>	<u>\$ 337,969,038</u>

San Diego County Regional Airport Authority

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	10 percent
Bankers' acceptances	180 days	AAA/Aaa	40 percent	5 percent
Commercial paper	270 days	A-1; P-1; F-1	25 percent	5 percent
Negotiable certificates of deposit	5 years	A	30 percent	5 percent
Medium-term notes	5 years	A	20 percent	5 percent
Money market mutual funds	N/A	AAA/Aaa	20 percent	5 percent
Repurchase agreements	1 year	A	None	None
Local Agency Investment Fund	N/A	N/A	None	\$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	5 percent
Time certificates of deposit	3 years	*	20 percent	5 percent
Bank deposits	N/A	*	None	None

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

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

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

San Diego County Regional Airport Authority

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

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

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

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

*Investment requires collateralization

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

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

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

San Diego County Regional Airport Authority

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

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

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

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

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

San Diego County Regional Airport Authority

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

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

Investment Type	2018					Ratings
	Total	Investment Maturities (in Years)				
		0 - 1	1 - 2	2 - 5		
Investments subject to credit and interest rate risk:						
U.S. Treasury obligations	\$ 124,032,939	\$ 14,814,921	\$ 24,988,888	\$ 84,229,130		AA+
U.S. agency securities	67,281,728	3,988,720	63,293,008	-		AA+
Supranationals	8,020,598	2,961,090	2,959,710	2,099,798		AAA
	5,294,485	-	-	5,294,485		Not rated
Negotiable certificates of deposit	11,911,120	7,994,640	-	3,916,480		AA
	22,642,037	16,941,660	5,700,377	-		A
Medium-term notes	2,876,730	-	-	2,876,730		AAA
	15,749,735	4,464,870	7,409,025	3,875,840		AA
	31,802,519	10,543,467	7,900,497	13,358,555		A
Money market mutual funds	93,517	93,517	-	-		AAA
Local Agency Investment Fund	48,733,079	48,733,079	-	-		Unrated
San Diego County Investment Pool	234,006,333	234,006,333	-	-		Unrated ⁽¹⁾
CalTrust Fund	15,522,832	15,522,832	-	-		AA
Total investments subject to credit and interest rate risk:	587,967,652	\$ 360,065,129	\$ 112,251,505	\$ 115,651,018		
Investments not subject to credit or interest rate risk:						
Nonnegotiable certificates of deposit	15,639,415					
Total Investments	\$ 603,607,067					

Investment Type	2017					Ratings
	Total	Investment Maturities (in Years)				
		0 - 1	1 - 2	2 - 5		
Investments subject to credit and interest rate risk:						
U.S. Treasury obligations	\$ 85,201,348	\$ 9,973,800	\$ 49,865,262	\$ 25,362,286		AA+
U.S. agency securities	109,436,513	4,438,252	41,168,904	63,829,357		AA+
Supranationals	5,982,120	-	2,968,080	3,014,040		AAA
Commercial paper	8,485,280	8,485,280	-	-		A-1+
Negotiable certificates of deposit	46,592,680	25,528,280	21,064,400	-		A-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
Local Agency Investment Fund	48,182,813	48,182,813	-	-		Unrated
San Diego County Investment Pool	157,252,092	157,252,092	-	-		Unrated ⁽¹⁾
CalTrust Fund	15,297,173	15,297,173	-	-		AA
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					

Ratings per Standard and Poor's

(1) Investment rated AAA by Fitch

San Diego County Regional Airport Authority

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, 2018 and 2017.

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, 2018 and 2017, the balance of the note receivable was \$33,242,085 and \$35,043,779, 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
2019	\$ 1,903,323
2020	2,006,052
2021	2,123,843
2022	2,243,644
2023	2,370,203
2024-2028	14,008,274
2029-2033	8,586,746
	<hr/>
	\$ 33,242,085

San Diego County Regional Airport Authority

Note 4. Capital Assets

Capital asset activity for the years ended June 30, 2018 and 2017, are as follows:

	Balance at			Balance at
	June 30, 2017	Increases	Decreases	June 30, 2018
Nondepreciable assets:				
Land	\$ 22,167,595	\$ -	\$ -	\$ 22,167,595
Construction in progress	171,498,032	272,511,934	(333,489,767)	110,520,199
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets	194,105,627	272,511,934	(333,489,767)	133,127,794
Depreciable assets:				
Land improvements	88,873,547	24,535,625	(490,176)	112,918,996
Buildings and structures (1)	1,430,977,373	262,093,480	(1,407,995)	1,691,662,858
Machinery and equipment (2)	98,289,643	15,856,555	(1,682,138)	112,464,060
Runways, roads and parking lots	626,871,756	32,705,934	(12,638,406)	646,939,284
Total capital assets being depreciated	2,245,012,319	335,191,594	(16,218,715)	2,563,985,198
Less accumulated depreciation for:				
Land improvements	(13,595,257)	(7,185,518)	85,769	(20,695,006)
Building and structures	(547,652,555)	(64,299,973)	1,402,095	(610,550,433)
Machinery and equipment	(56,392,656)	(8,475,734)	1,682,137	(63,186,253)
Runways, roads and parking lots	(276,568,778)	(25,570,478)	3,599,017	(298,540,239)
Total accumulated depreciation	(894,209,246)	(105,531,703)	6,769,018	(992,971,931)
Total capital assets being depreciated, net	1,350,803,073	229,659,891	(9,449,697)	1,571,013,267
Capital assets, net	\$ 1,544,908,700	\$ 502,171,825	\$ (342,939,464)	\$ 1,704,141,061

(1) Includes capitalized lease of building with a net present value of future lease payments of \$7,012,496

(2) Includes capitalized leases of office equipment with a net present value of future lease payments of \$131,369

	Balance at			Balance at
	June 30, 2016	Increases	Decreases	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)	(63,647,618)	8,476,840	(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)	13,479,422	(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

San Diego County Regional Airport Authority

Note 5. Long-Term Liabilities

The following is a summary of changes in the long-term liability activity for the years ended June 30, 2018 and 2017:

	Principal Balance at June 30, 2017	Additions/ New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2018	Due Within One Year
Variable Rate Debt					
Series A tax-exempt	\$ 32,550,000	\$ -	\$ (32,550,000)	\$ -	\$ -
Series B tax-exempt	15,849,000	-	(1,055,000)	14,794,000	-
Series C taxable	10,599,000	-	(5,230,000)	5,369,000	-
Total variable rate debt	58,998,000	-	(38,835,000)	20,163,000	-
Bonds payable:					
Series 2010 Bonds	546,420,000	-	(9,430,000)	536,990,000	9,890,000
Series 2013 Bonds	375,465,000	-	(2,155,000)	373,310,000	2,240,000
Series 2014 Bonds	305,285,000	-	-	305,285,000	5,580,000
Series 2017 Bonds	-	291,210,000	-	291,210,000	4,940,000
Bond premiums	60,432,498	48,423,688	(5,690,489)	103,165,697	-
Total bonds payable	1,287,602,498	339,633,688	(17,275,489)	1,609,960,697	22,650,000
Capital Leases	7,442,314	-	(298,449)	7,143,865	323,514
Total debt obligations	1,354,042,812	339,633,688	(56,408,938)	1,637,267,562	22,973,514
Compensated absences	3,231,026	3,138,941	(3,093,379)	3,276,588	3,093,379
Net pension obligation	18,111,482	7,308,825	(5,197,849)	20,222,458	-
Total other accruals	21,342,508	10,447,766	(8,291,228)	23,499,046	3,093,379
Total long-term liabilities	\$ 1,375,385,320	\$ 350,081,454	\$ (64,700,166)	\$ 1,660,766,608	\$ 26,066,893

	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 debt obligations	1,343,144,777	32,550,000	(21,651,965)	1,354,042,812	11,883,449
Compensated absences	3,362,113	3,086,661	(3,217,748)	3,231,026	3,217,748
Net pension obligation (asset)	1,680,759	27,275,582	(10,844,859)	18,111,482	-
Total other accruals	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

San Diego County Regional Airport Authority

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

On December 21, 2012, the Airport Authority defeased all of its outstanding Series 2005 Bonds, by depositing proceeds of Subordinate CP Notes and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2005 Bonds until their final maturity date of July 1, 2020. As of June 30, 2018 and 2017, the amount held in escrow by the trustee was \$15,516,704 and \$20,603,125, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was \$14,605,000 and \$18,985,000, 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, 2018 and 2017, was \$18,263,750 and \$18,349,950, respectively, including accrued interest of \$9,131,875 and \$9,174,975 for fiscal years ending June 30, 2018 and 2017, respectively. The principal balance on the Series 2013 Bonds as of June 30, 2018 and 2017, was \$373,310,000 and \$375,465,000, 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, 2018 and 2017, the amount held by the trustee was \$45,006,722 and \$46,381,197, respectively, which included the July 1 payment and the debt service reserve fund. The total additional amounts held by the Airport Authority for Operating and Maintenance, and Renewal and Replacements reserves for fiscal years 2018 and 2017 was \$62,346,162 and \$60,779,648, 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.

San Diego County Regional Airport Authority

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
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	8,725,000	17,051,225	25,776,225
2024-2028	50,660,000	78,095,450	128,755,450
2029-2033	45,330,000	65,221,975	110,551,975
2034-2038	32,565,000	57,139,125	89,704,125
2039-2043	150,780,000	41,634,250	192,414,250
2044	64,450,000	1,573,750	66,023,750
	<u>\$ 373,310,000</u>	<u>\$ 332,422,925</u>	<u>\$ 705,732,925</u>

Subordinate Lien Series 2010 and 2017 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. The BAB interest subsidies received by the Airport Authority for fiscal years ended June 30, 2018 and 2017, amounted to \$4,666,190 and \$4,651,203, respectively. The interest rate on the Series 2010 C Bonds, net of the subsidy, is 4.46 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, 2018 and 2017, amounted to \$30,259,748 and \$30,716,248, respectively, including accrued interest of \$15,129,875 and \$15,358,125, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2018 and 2017, was \$536,990,000 and \$546,420,000, respectively.

San Diego County Regional Airport Authority

Note 5. Long-Term Liabilities (Continued)

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
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	11,960,000	27,892,767	39,852,767
2024-2028	69,330,000	129,681,617	199,011,617
2029-2033	110,385,000	108,629,628	219,014,628
2034-2038	176,410,000	65,792,997	242,202,997
2039-2041	126,370,000	11,699,976	138,069,976
	<u>\$ 536,990,000</u>	<u>\$ 460,717,765</u>	<u>\$ 997,707,765</u>

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

Interest for the fiscal year ended June 30, 2018, amounted to \$13,245,096, including accrued interest of \$7,268,650. The principal balance on the subordinate Series 2017 Bonds as of June 30, 2018, was \$291,210,000.

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

Years Ending June 30,	Principal	Interest	Total
2019	\$ 4,940,000	\$ 14,425,400	\$ 19,365,400
2020	4,460,000	14,202,000	18,662,000
2021	4,825,000	13,969,875	18,794,875
2022	5,070,000	13,722,500	18,792,500
2023	5,320,000	13,462,750	18,782,750
2024-2028	30,860,000	62,941,750	93,801,750
2029-2033	39,395,000	54,201,375	93,596,375
2034-2038	50,275,000	43,045,875	93,320,875
2039-2043	64,170,000	28,808,750	92,978,750
2044-2048	81,895,000	10,635,875	92,530,875
	<u>\$ 291,210,000</u>	<u>\$ 269,416,150</u>	<u>\$ 560,626,150</u>

San Diego County Regional Airport Authority

Note 5. Long-Term Liabilities (Continued)

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

As subordinate lien bonds, the Series 2010 and 2017 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2018 and 2017, the amount held by the trustee was \$236,516,301 and \$76,514,169, respectively, which included the July 1 payment, a debt service reserve fund, construction fund, and a capitalized interest fund. The public ratings of the Subordinate Series 2010 and 2017 Bonds as of June 30, 2017, are A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

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, 2018, the Authority had an outstanding principal balance on Series A Revolving Obligations of \$0, (the balance was \$32,550,000 as at June 30 2017). At June 30 2018 and 2017, the outstanding principal balances of the Series B Revolving Obligations were \$14,794,000 and \$15,849,000, 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 2018 and 2017, were \$5,369,000 and \$10,599,000 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.

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

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

San Diego County Regional Airport Authority

Note 5. Long-Term Liabilities (Continued)

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, 2018 and 2017, 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, 2018 and 2017 was \$305,285,000.

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 shown previously in the notes. For the fiscal years ended June 30, 2018 and 2017, the amount held by the trustee was \$46,726,358 and \$38,989,318, respectively, which included the July 1 payment, the debt service reserve fund, and the rolling coverage fund.

The public ratings of the Senior Series Special Facility 2014 Bonds as of June 30, 2017, are A-/A3 by Standard & Poor's and Moody's Investors Service.

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

Years Ending June 30,	Principal	Interest	Total
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	6,320,000	15,424,013	21,744,013
2024-2028	37,305,000	71,246,224	108,551,224
2029-2033	48,980,000	59,250,031	108,230,031
2034-2038	64,295,000	43,501,662	107,796,662
2039-2043	84,410,000	22,828,056	107,238,056
2044-2045	40,695,000	2,094,701	42,789,701
	<u>\$ 305,285,000</u>	<u>\$ 278,372,059</u>	<u>\$ 583,657,059</u>

Line of credit: In fiscal year 2018, 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, 2018, 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.

San Diego County Regional Airport Authority

Note 5. Long-Term Liabilities (Continued)

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

The following is a schedule of future lease payments applicable to the RDC installment purchase agreement, the office equipment capital leases, and the net present value of the future lease payments at June 30, 2018:

Years Ending June 30,	Amount
2019	\$ 959,486
2020	932,090
2021	877,298
2022	877,298
2023	877,298
2024-2028	4,386,489
2029-2033	3,874,732
Total lease payments	<u>12,784,691</u>
Less amount representing interest	<u>(5,640,826)</u>
Present value of future lease payments	<u>\$ 7,143,865</u>

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.

San Diego County Regional Airport Authority

Note 6. Defined Benefit Plan (Continued)

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

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

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

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

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

The Airport Authority provides monthly payments for the life of the 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, 2017 and June 30, 2016, Plan membership was as follows:

	2017	2016
Active employees	394	385
Inactive employees entitled to but not yet receiving benefits	119	112
Inactive employees or beneficiaries currently receiving benefits	107	90
Total	620	587

San Diego County Regional Airport Authority

Note 6. Defined Benefit Plan (Continued)

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, 2018, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2016, 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, 2018 and 2017, employees contributed \$2,990,317 and \$2,967,269 respectively, and the Airport Authority contributed \$7,247,201 and \$4,047,780, respectively, to the Plan. Under the Plan, the Airport Authority pays a portion of the classic participant's contribution, referred to as the "off-set". The off-set is equal to 7.00% or 8.50% of the general classic members' base compensation and 9.91% of the executive classic members' base compensation. These contributions are included in the employee contribution. There is no off-set for PEPRAs participants.

Net Pension Liability: The Airport Authority's net pension liability as of June 30, 2018, is measured as the total pension liability, less the pension plan's fiduciary net position. The total pension liability as of June 30, 2018, is measured as of June 30, 2017. The annual valuation used is as of June 30, 2016, rolled forward to June 30, 2017, 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, 2017 and 2016, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2017	June 30, 2016
Valuation date	June 30, 2016	June 30, 2015
Measurement date	June 30, 2017	June 30, 2016
Actuarial cost method	Entry-age normal funding method	Entry-age normal funding method
Asset valuation method	Expected value with smoothing	Expected value with smoothing
Actuarial assumptions:		
Investment rate of return ⁽¹⁾	6.75%	7.00%
Projected salary increase ⁽²⁾	3.05%	3.05%
Cost-of-living adjustment	1.9% per annum, compounded	1.90%
Termination rate ⁽³⁾	3.0% - 11.0%	3.0% - 11.0%
Disability rate ⁽⁴⁾	0.01% - 0.30%	0.01% - 0.30%
Mortality ⁽⁵⁾	0.02% - 13.54%	0.02% - 13.54%

⁽¹⁾ Net of investment expense

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

⁽³⁾ Based on years of service

⁽⁴⁾ Based on age

⁽⁵⁾ All active and retired healthy members: CalPERS Mortality Tables from the CalPERS January 2014

Further details about the actuarial assumptions can be found in the SDCERS June 30, 2017 and June 30, 2016 actuarial reports.

San Diego County Regional Airport Authority

Note 6. Defined Benefit Plan (Continued)

Discount Rate: For the June 30, 2017 and 2016 actuarial valuations, the discount rates used to measure the total pension liability were 6.75 percent and 7.0 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	
		Long-term Expected Real Rates of Return	Long-term Expected Nominal Rates of Return
U.S. equity	21.0%	4.4%	6.7%
Non-U.S. developed equity	15.0%	5.2%	7.5%
Global equity	5.0%	5.1%	7.3%
U.S. fixed income	22.0%	1.3%	3.5%
Emerging market debt	5.0%	3.7%	6.0%
Real estate	11.0%	3.1%	5.3%
Private equity and infrastructure	13.0%	6.2%	8.5%
Opportunity fund	8.0%	4.3%	6.6%
	<u>100.0%</u>		

San Diego County Regional Airport Authority

Note 6. Defined Benefit Plan (Continued)

Changes in the Net Pension Liability: Changes in the total pension liability, plan fiduciary net position and the net pension liability through the year ended June 30, 2018, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 6/30/17	\$ 161,951,893	\$ 143,840,411	\$ 18,111,482
Changes for the year:			
Service cost	6,996,180	-	6,996,180
Interest on total pension liability	11,416,679	-	11,416,679
Difference between expected and actual experience	3,975,029	-	3,975,029
Changes in assumptions	5,871,218	-	5,871,218
Employer contributions	-	5,480,984	(5,480,984)
Member contributions	-	2,990,317	(2,990,317)
Net investment income	-	19,480,875	(19,480,875)
Benefit payments	(4,669,787)	(4,669,787)	-
Administrative expense	-	(325,041)	325,041
Net changes	23,589,319	22,957,348	631,971
Balances as of 6/30/18	\$ 185,541,212	\$ 166,797,759	\$ 18,743,453

Changes in the total pension liability, plan fiduciary net position and the net pension liability through the year ended June 30, 2017, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 6/30/16	\$ 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 6/30/17	\$ 161,951,893	\$ 143,840,411	\$ 18,111,482

San Diego County Regional Airport Authority

Note 6. Defined Benefit Plan (Continued)

Sensitivity of the Net Pension Liability to Discount Rate Changes: The following presents the resulting net pension liability (asset) calculated using the discount rate of 6.75 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, 2018:

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 212,190,155	\$ 185,541,212	\$ 163,647,313
Plan fiduciary net position	166,797,759	166,797,759	166,797,759
Net pension liability	<u>\$ 45,392,396</u>	<u>\$ 18,743,453</u>	<u>\$ (3,150,446)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>78.6%</u>	<u>89.9%</u>	<u>101.9%</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Plan: For the years ended June 30, 2018 and 2017, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$7,491,437 and \$7,451,396, respectively. At June 30, 2018 and 2017, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
June 30, 2018		
Differences between expected and actual experience	\$ 3,485,355	\$ 1,452,351
Net difference between projected and actual earnings	-	2,054,516
Changes in assumptions	11,875,275	-
Employer contributions made subsequent to June 30, 2017 measurement date	7,247,203	-
Total	<u>\$ 22,607,833</u>	<u>\$ 3,506,867</u>
June 30, 2017		
Differences between expected and actual experience	\$ 230,441	\$ 1,815,440
Net difference between projected and actual earnings	6,089,002	-
Changes in assumptions	8,728,242	-
Employer contributions made subsequent to June 30, 2016 measurement date	5,197,849	-
Total	<u>\$ 20,245,534</u>	<u>\$ 1,815,440</u>

The deferred outflows of resources, at June 30, 2018 and 2017, 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, 2019 and 2018, respectively.

San Diego County Regional Airport Authority

Note 6. Defined Benefit Plan (Continued)

Other amounts reported as deferred outflows/inflows of resources related to the plan at June 30, 2018, will be recognized in pension expense as follows:

Fiscal Year-end	
2019	\$ 2,009,284
2020	4,051,282
2021	2,971,643
2022	1,180,515
2023	1,641,039
	\$ 11,853,763

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

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

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

Benefits provided: The Airport Authority provides retirement benefits.

Retirement benefits are provided to POB members with retirement benefits in excess of Code Section 415(b) who have participated in in the Plan since establishment of the POB. Participation ends for a portion of a plan year in which the retirement benefit of a retiree or beneficiary is not limited by Code Section 415(b) or when all benefit obligations to the retiree or beneficiary have been satisfied. Benefit payments are equal to the amount of retirement income that would have been payable, less the amount payable by the Plan. Benefit payments for the year ended June 30 2018, were \$190,871. The POB is unfunded and provides benefits on an annual basis as determined by SDCERS.

As of the measurement date June 30, 2017, Plan membership was as follows:

	2017
Inactive employees or beneficiaries currently receiving benefits	1
Active employees	3
	4

Total Pension Liability: The Airport Authority's total pension liability as of June 30, 2018, is \$1,479,005. The pension liability as of June 30, 2018, is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability follow.

San Diego County Regional Airport Authority

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

Actuarial Assumptions: The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>June 30, 2017</u>
Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry-age normal
Actuarial assumptions:	
Discount rate	3.58%
Inflation rate	3.05%
Interest credited to member contributions	7.00%
Projected salary increases	3.05%

Changes in the Total Pension Liability: Changes in the total pension liability included service cost of \$60,994, interest of \$35,323 as well as amortization of deferred outflows of resources and deferred inflows of resources related to the pension.

Sensitivity of the Total Pension Liability to Discount Rate Changes: The following presents the resulting total pension liability calculated using the discount rate of 3.58 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal years ended June 30, 2018:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total Pension Liability	\$ 1,783,438	\$ 1,479,005	\$ 1,239,482

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the POB: For the year ended June 30, 2018, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 73, of \$1,177,544. At June 30, 2018, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected & actual experience	\$ 323,607	\$ -
Change of assumptions	181,719	178,971
Total	<u>\$ 505,326</u>	<u>\$ 178,971</u>

San Diego County Regional Airport Authority

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

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

Years Ending June 30	Amount
2019	\$ 74,358
2020	74,358
2021	74,358
2022	74,357
2023	28,924
	<hr/>
	\$ 326,355

Note 8. Employees' Deferred Compensation Plan

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

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

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

Note 9. Other Postemployment Benefits

GASB 45

The Airport Authority provides an agent multiple-employer defined benefit 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.

San Diego County Regional Airport Authority

Note 9. Other Postemployment Benefits (Continued)

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. During the fiscal year ended June 30, 2018, the Airport Authority's contributions were \$461,859.

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, 2017. According to the July 1, 2015, actuarial valuation, the ARC was \$ 2,013,000 for fiscal year 2017. 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
7/1/17	16/17	2,013	2,013	(59)	(4)	4	2,013

San Diego County Regional Airport Authority

Note 9. 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%

GASB 75

GASB Statement No. 75 was used to account for the June 30, 2018, net OPEB asset. A measurement date of June 30, 2017, was used for the June 30, 2018, OPEB asset and expense. The information that follows was determined as of a valuation date of July 1, 2017.

Membership in the OPEB by membership class at June 30, 2017, is as follows:

	<u>2017</u>
Active employees	<u>173</u>
Inactive employees or beneficiaries currently receiving benefits	<u>61</u>
Total	<u><u>234</u></u>

San Diego County Regional Airport Authority

Note 9. Other Postemployment Benefits (Continued)

Actuarial Assumptions: The total OPEB liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	2.75%
Projected salary increase	3.00%
Investment rate of return	7.28%, net of OPEB plan investment expense, including inflation.
Actuarial cost method	Entry Age Normal, with amortization of 7/1/2017 unfunded liability over the period ending 6/30/2037 and amortization of subsequent unanticipated changes in liability over 15-year periods.
Asset valuation method	6 year asset smoothing
Retirement age	Rates used are the same as used in the June 30, 2016, San Diego City Employees' Retirements System actuarial valuation.
Mortality	RP-2006 Mortality Table projected with future improvements from 2006 using fully generational projection Scale MP-2017.

Health care cost trends rates	Year	Medical		Dental
		Pre-65	Post-65	
	2017	7.6%	8.7%	5.0%
	2018	7.2%	8.2%	5.0%
	2019	6.8%	7.7%	5.0%
	2020	6.4%	7.2%	5.0%
	2021	6.0%	6.6%	5.0%
	2022	5.5%	6.1%	5.0%
	2023	5.0%	5.5%	5.0%
	2024	4.7%	5.0%	5.0%
	2025	4.5%	4.5%	5.0%

Following the implementation of GASB Statement No. 75 through the June 30, 2017 actuarial report, changes of assumptions were made from the June 30, 2015 actuarial report. These changes include updated assumptions for mortality, disability, retirement, plan participation, spouse election and baseline trends. These changes resulted in a deferred outflow of resources signifying an expectation of increased future OPEB costs.

San Diego County Regional Airport Authority

Note 9. Other Postemployment Benefits (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rates of Return
Public Equity	57%	5.71%
Fixed Income	27%	2.40%
REITs	8%	7.88%
TIPS	5%	2.25%
Commodities	3%	4.95%
	100%	

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

Changes in the Net OPEB Liability (Asset): Changes in the total OPEB liability, plan fiduciary net position and the net OPEB liability (asset) through the year ended June 30, 2018, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances as of 6/30/17	\$ 21,884,188	\$ 20,589,024	\$ 1,295,164
Changes for the year:			
Service cost	411,052	-	411,052
Interest on total OPEB liability	1,606,959	-	1,606,959
Difference between expected and actual experience	-	-	-
Changes in assumptions	766,830	-	766,830
Employer contributions	-	2,012,419	(2,012,419)
Member contributions	-	-	-
Net investment income	-	2,175,582	(2,175,582)
Benefit payments	(451,189)	(451,189)	-
Administrative expense	-	(10,578)	10,578
Net changes	2,333,652	3,726,234	(1,392,582)
Balances as of 6/30/18	\$ 24,217,840	\$ 24,315,258	\$ (97,418)

San Diego County Regional Airport Authority

Note 9. Other Postemployment Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend

Rates: The net OPEB liability of the Authority has been calculated using a discount rate of 7.28%. The following presents the net OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease	Current Discount	1% Increase
Total OPEB liability	\$ 27,874,346	\$ 24,217,840	\$ 21,237,345
Plan fiduciary net position	24,315,258	24,315,258	24,315,258
Net OPEB liability (asset)	<u>\$ 3,559,088</u>	<u>\$ (97,418)</u>	<u>\$ (3,077,913)</u>

The net OPEB liability of the Authority has been calculated using health care cost trend rates of 8.7% decreasing to 4.5% in 2025 and thereafter. The following presents the net OPEB liability using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1% Decrease	Trend Rate	1% Increase
Total OPEB liability	\$ 21,100,042	\$ 24,217,840	\$ 28,046,331
Plan fiduciary net position	24,315,258	24,315,258	24,315,258
Net OPEB liability (asset)	<u>\$ (3,215,216)</u>	<u>\$ (97,418)</u>	<u>\$ 3,731,073</u>

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

For the year ended June 30, 2018, the Airport Authority recognized OPEB expense, as measured in accordance with GASB Statement No. 75, of \$540,459, and reported deferred inflows of resources and deferred outflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ -	\$ (541,669)
Changes in assumptions	621,045	-
Employer contributions subsequent to June 30, 2017 measurement date	461,859	-
Total	<u>\$ 1,082,904</u>	<u>\$ (541,669)</u>

San Diego County Regional Airport Authority

Note 9. Other Postemployment Benefits (Continued)

The deferred outflows of resources at June 30, 2018 related to OPEB resulting from Airport Authority contributions subsequent the measurement date and prior to year-end will be recognized as an addition to the net OPEB asset at June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2018, related to the OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	Amount
2019	\$ 10,368
2020	10,368
2021	10,368
2022	10,368
2023	37,904
Total	<u>\$ 79,376</u>

Note 10. Risk Management

The Airport Authority has a comprehensive Risk Management Program comprised of 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.
- 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, 2018 and 2017, the Airport Authority has designated \$10,249,962 and \$9,531,966, 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 senior 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 2018, 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.

San Diego County Regional Airport Authority

Note 11. Disclosures About Fair Value of Assets

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

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

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at the fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
Investments by fair value level				
U.S. Treasury obligations	\$ 124,032,939	\$ 124,032,939	\$ -	\$ -
U.S. agency securities	67,281,728	-	67,281,728	-
Non-U.S. Securities	13,315,083	13,315,083	-	-
Negotiable certificates of deposit	34,553,157	-	34,553,157	-
Medium-term notes	50,428,984	-	50,428,984	-
Total investments by fair value level	289,611,891	\$ 137,348,022	\$ 152,263,869	\$ -
Investments measured at amortized cost	93,517			
Investments measured at net asset value	15,522,832			
Non-negotiable certificate of deposit	15,639,415			
Local Agency Investment Fund	48,733,079			
San Diego County Investment Pool	234,006,333			
Total investments	\$ 603,607,067			

San Diego County Regional Airport Authority

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

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 certificates of deposit	46,592,680	-	46,592,680	-
Medium-term notes	39,564,537	-	39,564,537	-
Total investments by fair value level	295,262,478	\$ 91,183,468	\$ 204,079,010	\$ -
Investments measured at amortized cost	630,996			
Investments measured at net asset value	15,297,173			
Non-negotiable certificate of deposit	15,413,828			
Local Agency Investment Fund	48,182,813			
San Diego County Investment Pool	157,252,092			
Total investments	\$ 532,039,380			

Note 12. Lease Revenues

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

Certain capital assets, such as loading bridges, airfield, and building space, are leased to signatory airlines under the Airline Operating leases. The Airport Authority's Airline Operating leases are governed by a policy statement issued by the Federal Aviation Administration and as such rates are determined each year based upon a combination of residual and compensatory rate setting methodologies, which do not exceed actual costs of operating the airport. Such costs are allocated to each signatory airline based upon factors such as landed weights, enplanements, square footage, acres, etc. These regulated leases are not included in the schedule below.

Other capital assets are leased to concessionaires. As of June 30, 2018, the Airport Authority had 83 terminal food service and retail concession locations as part of a comprehensive concessions program designed to provide a world class shopping and dining experience for the millions of passengers who use SDIA. Concession lease payments for space within the terminals are typically based on the greater of the percentage of tenant sales or an agreed upon minimum guarantee. The amounts exceeding the minimum guarantee are not included in the schedule below.

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 non-cancellable lease and will convert to Facility Rent when bonds are repaid.

San Diego County Regional Airport Authority

Note 12. Lease Revenues (Continued)

The minimum future lease payments to be received under the Airport Authority's non-cancelable lease agreements, including known minimum escalations, as of June 30, 2018, are as follows:

Years Ending June 30,	Amount
2019	\$ 32,717,960
2020	29,755,952
2021	26,095,603
2022	25,200,507
2023	24,558,480
2024-2028	79,615,734
2029-2033	75,306,013
2034-2038	82,885,986
2039-2043	91,888,617
2044-2048	88,902,848
2049-2053	13,140,114
2054-2058	724,440
2059-2063	724,440
2064-2068	724,440
2069-2073	72,444
Total	\$ 572,313,578

Note 13. Lease Commitments

Operating Leases

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

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

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

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

San Diego County Regional Airport Authority

Note 13. Lease Commitments (Continued)

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

Years Ending June 30,	Amount
2019	\$ 10,176,660
2020	10,176,660
2021	10,176,660
2022	10,176,660
2023	10,176,660
2024-2028	50,883,300
2029-2033	50,883,300
2034-2038	50,883,300
2039-2043	50,883,300
2044-2048	50,883,300
2049-2053	50,883,300
2054-2058	50,883,300
2059-2063	50,883,300
2064-2068	50,883,300
2069-2073	5,088,330
	<u>\$ 513,921,330</u>

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

	2018	2017
Rental payments made	<u>\$ 10,189,944</u>	<u>\$ 10,189,944</u>

Note 14. Commitments and Contingencies

Commitments: As of June 30, 2018 and 2017, 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, 2018 and 2017, these funds totaled approximately \$27 million and \$14.3 million, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.

San Diego County Regional Airport Authority

Note 14. Commitments and Contingencies (Continued)

- ii. Support services. As part of the MOU, services provided by the District Harbor Police are required to be purchased by the Airport Authority as long as SDIA continues to operate at the current location. At the time of the transfer, the Airport Authority entered into a Master Services Agreement, a Police Services Agreement and a Communications Services Agreement with the District, which described the services that the Airport Authority could purchase and the manner of calculating the payments for such services. The largest amount that became payable under any of these agreements is under the Police Services Agreement, which is for Harbor Police services. The District provides monthly billings to the Airport Authority, with payment generally due 30 days after the date of the invoice, and provision of appropriate supporting documentation. During the years ended June 30, 2018 and 2017, the Airport Authority expensed \$19,337,603 and \$17,799,133 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, 2018, were \$35.9 million for parking management services and \$44.2 million for airport shuttle services. These contracts are scheduled for completion in 2018.
- iv. In fiscal year 2015, the Board approved a \$29.2 million contract with SP Plus Corporation to transport rental car companies' customers between the Rental Car Center facility and the terminals. The contract scope also includes the operation, management and maintenance of the shuttle vehicles. In fiscal year 2016, the Board approved an additional \$1.2 million. As of June 30, 2018, \$17.7 million had been spent and the contract is due to be completed in fiscal year 2021.
- v. In fiscal year 2015, the Board approved a \$60 million contract with AECOM Technical Services, Inc. for on call program management services. In fiscal year 2018, the Board approved an additional \$8 million. As of June 30, 2018, \$48.2 million had been spent and the contract is due to be completed in fiscal year 2019.
- vi. 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 2018 and 2017, the Board approved an additional \$2 million and \$85.7 million respectively. As of June 30, 2018, \$82.2 million had been spent and the contract is due to be completed in fiscal year 2019.
- vii. In fiscal year 2017, the Board approved a \$186.6 million contract with Turner-PCL A Joint Venture for Terminal 2 West Federal Inspection Station build out. In fiscal year 2018, the Board approved an additional \$1.6 million. As of June 30, 2018, \$129.1 million had been spent and the contract is due to be completed in fiscal year 2020.
- viii. 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. In fiscal year 2018, the Authority added an additional \$82K. As of June 30, 2018, \$3.3 million had been spent and the contract was completed in fiscal year 2018.
- ix. In fiscal year 2018, the Board approved a \$3.4 million contract with Prava Construction Services, Inc. for Terminal 2 East improvements. As of June 30, 2018, \$3.3 million had been spent and the contract was completed in fiscal year 2018.
- x. In fiscal year 2018, the Board approved a \$5.8 million contract with Granite Construction Company to clear objects from object free area (OFA) on existing taxiway B. As of June 30, 2018, \$3.9 million had been spent and the contract is due to be completed in early fiscal year 2019.

San Diego County Regional Airport Authority

Note 14. Commitments and Contingencies (Continued)

- xi. In fiscal year 2018, the Board approved a \$20.4 million contract with Granite Construction Company to rehabilitate runway 9-27 & cross taxiway B-1, B4-7, C3 & C6. As of June 30, 2018, \$15.4 million had been spent and the contract is due to be completed in fiscal year 2019.

Contingencies: As of June 30, 2018, 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.

Note 15. Subsequent Events

Airline Operating and Lease Agreement: The five year Airline Operating and Lease Agreement went into hold over effective July 1, 2018. The agreement was due to expire on June 30, 2018. Pursuant to Section 28.01 of the agreement, the Authority approved the airlines' holding over its tenancy on all of the leased premises beyond the June 30, 2018. The holding over is on a month-to-month basis. The airlines will continue to pay all of the airline rent, fees and charges required by the agreement. A new agreement is being negotiated with the airlines. It is expected to be completed by March 2019 with an effective date of July 1, 2019.

San Diego County Regional Airport Authority

**Required Supplementary Information (Unaudited)
Fiscal Year Ended June 30, 2018**

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.

San Diego County Regional Airport Authority

Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2018

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

	2018	2017	2016	2015
Total Pension Liability:				
Service cost	\$ 6,996,180	\$ 6,205,263	\$ 6,154,579	\$ 6,099,481
Interest (includes interest on service cost)	11,416,679	10,277,610	9,327,538	8,465,485
Differences between expected and actual experience	3,975,029	(2,178,527)	345,661	-
Effect of changes of assumptions	5,871,218	10,473,890	-	-
Benefit payments, including refunds of member contributions	(4,669,787)	(3,023,391)	(2,482,523)	(2,913,221)
Net change in total pension liability	23,589,319	21,754,845	13,345,255	11,651,745
Total pension liability - beginning	161,951,893	140,197,048	126,851,793	115,200,048
Total pension liability - ending	\$ 185,541,212	\$ 161,951,893	\$ 140,197,048	\$ 126,851,793
Plan Fiduciary Net Position:				
Contributions - employer	\$ 5,480,984	\$ 4,047,780	\$ 3,897,545	\$ 3,924,988
Contributions - employee	2,990,317	2,967,269	2,840,236	2,765,079
Net investment income	19,480,875	1,651,283	4,390,185	18,302,683
Benefit payments, including refunds of member contributions	(4,669,786)	(3,023,391)	(2,482,523)	(2,913,221)
Administrative expense	(325,042)	(318,817)	(332,290)	(332,645)
Net change in plan fiduciary net position	22,957,348	5,324,124	8,313,153	21,746,884
Plan fiduciary net position - beginning	143,840,411	138,516,287	130,203,134	108,456,250
Plan fiduciary net position - ending	\$ 166,797,759	\$ 143,840,411	\$ 138,516,287	\$ 130,203,134
Net pension liability (asset) - ending	\$ 18,743,453	\$ 18,111,482	\$ 1,680,761	\$ (3,351,341)
Plan fiduciary net position as a percentage of the total pension liability	89.90%	88.82%	98.80%	102.64%
Covered payroll	\$ 31,131,795	\$ 29,189,357	\$ 27,955,455	\$ 26,380,323
Net pension liability as a percentage of covered payroll	60.21%	62.05%	6.01%	(12.70%)

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

San Diego County Regional Airport Authority

Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2018

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

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 5,416	\$ 3,765	\$ 3,666	\$ 3,823	\$ 2,900
Contributions in relation to the actuarially determined contribution	7,247	5,421	3,948	3,823	3,728
Contribution deficiency (excess)	\$ (1,831)	\$ (1,656)	\$ (282)	\$ -	\$ (828)
Covered payroll	\$ 30,848	\$ 31,506	\$ 29,189	\$ 27,955	\$ 26,380
Contributions as a percentage of covered payroll	23.49%	17.21%	13.53%	13.68%	14.13%
	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 2,600	\$ 3,800	\$ 4,300	\$ 3,000	\$ 3,000
Contributions in relation to the actuarially determined contribution	2,600	3,800	4,300	7,600	3,035
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (4,600)	\$ (35)
Covered payroll	\$ 24,840	\$ 25,148	\$ 25,596	\$ 24,693	\$ 23,488
Contributions as a percentage of covered payroll	10.47%	15.11%	16.80%	30.78%	12.92%

* This schedule is presented for the fiscal year.

Note to schedule: This schedule is intended to display the most recent 10 years of data for annual pension contributions.

San Diego County Regional Airport Authority

Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2018

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

	2018
Total Pension Liability	
Service cost	\$ 60,994
Interest cost	35,323
Differences between expected and actual experience	388,329
Changes of assumptions	(214,765)
Net Change in Total Pension Liability	269,881
Total pension liability -beginning	1,209,124
Total pension liability - ending	\$ 1,479,005
Covered payroll	31,131,795
Net Pension Liability as a percentage of covered payroll	4.8%

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

San Diego County Regional Airport Authority

Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2018

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

	2018
Actuarially determined contribution	\$ -
Contributions in relation to the actuarially determined contribution	56,513
Contribution deficiency (excess)	\$ (56,513)
Covered payroll	\$ 30,828,256
Contributions as a percentage of covered payroll	0.18%

*** This schedule is presented for the fiscal year.**

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

San Diego County Regional Airport Authority

**Required Supplementary Information (Unaudited)
Fiscal Year Ended June 30, 2018**

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

	2018
Total OPEB Liability	
Service Cost	\$ 411,052
Interest Cost	1,606,959
Changes of Assumptions	766,830
Benefit Payments	(451,189)
Net Change in Total OPEB Liability	2,333,652
Total OPEB Liability (Beginning)	21,884,188
Total OPEB Liability (Ending)	\$ 24,217,840
Plan Fiduciary Net Position	
Contributions—Employer	\$ 2,012,419
Net Investment Income	2,175,582
Benefit Payments	(451,189)
Administrative Expense	(10,578)
Net Change in Plan Fiduciary Net Position	3,726,234
Plan Fiduciary Net Position (Beginning)	20,589,024
Plan Fiduciary Net Position (Ending)	\$ 24,315,258
Net OPEB Asset	(97,418)
Net Position as a Percentage of OPEB Liability	100.40%
Covered Payroll	16,141,609
Net OPEB Liability as a Percentage of Covered Payroll	(0.60%)

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

San Diego County Regional Airport Authority

Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2018

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

	2018
Actuarially determined contribution	\$ 472
Contributions in relation to the actuarially determined contribution	462
Contribution deficiency (excess)	\$ 10
Covered payroll	\$ 15,674
Contributions as a percentage of covered payroll	2.95%

* This schedule is presented for the fiscal year.

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

San Diego County Regional Airport Authority

Single Audit Reports

Year Ended June 30, 2018
(With Independent Auditor's Report Thereon)



San Diego County Regional Airport Authority

June 30, 2018

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San Diego County Regional Airport Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

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		\$ -	\$ 3,213,447
Airport Improvement Program (AIP)	20.106		-	3,199,656
Airport Improvement Program (AIP)	20.106		-	248,857
Airport Improvement Program (AIP)	20.106		-	9,864,580
Airport Improvement Program (AIP)	20.106		-	1,976,146
Airport Improvement Program (AIP)	20.106		-	3,214,584
Total U.S. Department of Transportation - Federal Aviation Administration			-	21,717,270
Total Federal Awards Expended			\$ -	\$ 21,717,270

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, 2018. 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.

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

Independent Auditor's Report

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, 2018, 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 17, 2018, which contained an emphasis of matter paragraph regarding a change in accounting principle.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport Authority's internal control over financial reporting (internal control) 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 Airport Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 17, 2018

**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, 2018. The Airport Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

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, 2018, and have issued our report thereon dated October 17, 2018, 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 17, 2018

San Diego County Regional Airport Authority
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2018

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, 2018

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
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No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
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No matters are reportable.

San Diego County Regional Airport Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

Reference Number	Summary of Finding	Status
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No matters are reportable.

San Diego County Regional Airport Authority

Passenger Facility Charge Compliance Report

Year Ended June 30, 2018
(With Independent Auditor's Report Thereon)



San Diego County Regional Airport Authority
Passenger Facility Charge Program
June 30, 2018

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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, 2018

Revenues	Date Approved	Amount Approved For Use	Cumulative Total - June 30, 2017	Quarter Ended			Year Ended June 30, 2018	Cumulative Total - June 30, 2018	
				September 30, 2017	December 31, 2017	March 31, 2018			
Passenger facility charge collections			\$ 650,500,702	\$ 11,572,360	\$ 11,196,034	\$ 11,087,549	\$ 12,617,157	\$ 46,473,100	\$ 696,973,802
Interest earned			12,991,062	194,615	215,891	234,274	260,310	905,090	13,896,152
Total passenger facility charge revenue received			<u>\$ 663,491,764</u>	<u>\$ 11,766,975</u>	<u>\$ 11,411,925</u>	<u>\$ 11,321,823</u>	<u>\$ 12,877,467</u>	<u>\$ 47,378,190</u>	<u>\$ 710,869,954</u>
Expenditures									
Application 95-01-C-04-SAN	7/26/1995	\$ 103,804,864	\$ 103,804,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,804,864
Application 98-02-C-04-SAN	7/24/1998	45,496,665	45,496,665	-	-	-	-	-	45,496,665
Application 03-03-C-01-SAN	5/20/2003	65,058,035	65,058,035	-	-	-	-	-	65,058,035
Application 05-04-C-01-SAN	11/22/2005	44,822,518	44,822,518	-	-	-	-	-	44,822,518
Application 08-05-C-01-SAN	6/27/2008	19,031,690	19,031,690	-	-	-	-	-	19,031,690
Application 09-07-C-00-SAN	9/30/2009	85,181,950	79,489,990	-	-	-	-	-	79,489,990
Application 10-08-C-00-SAN	11/24/2010	1,118,567,229	198,901,483	7,501,335	7,501,335	7,501,335	7,501,335	30,005,340	228,906,823
Application 12-10-C-00-SAN	7/3/2012	27,835,280	21,898,844	-	1,256,650	735,756	666,309	2,658,715	24,557,559
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	-	5,202,247	-	2,526,476	7,728,723	18,013,458
Total passenger facility charge revenue expended		<u>\$ 1,554,985,893</u>	<u>\$ 590,180,718</u>	<u>\$ 7,501,335</u>	<u>\$ 13,960,232</u>	<u>\$ 8,237,091</u>	<u>\$ 10,694,120</u>	<u>\$ 40,392,778</u>	<u>\$ 630,573,496</u>

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

San Diego County Regional Airport Authority

Passenger Facility Charge Program

Note to Schedule of Passenger Facility Charge Collections and Expenditures

Year Ended June 30, 2018

Note 1. General

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

PFC expenditures may consist of direct project costs, administrative costs, debt service and bond financing costs, as applicable to active applications. The accompanying schedule of Passenger Facility Charge Collections and Expenditures includes eligible expenditures that have been applied against PFCs collected as of June 30, 2018.

**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

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

Report on Compliance for Passenger Facility Charge Program

We have audited San Diego County Regional Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) that could have a direct and material effect on the passenger facility charge program for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Passenger Facility Charge Program

In our opinion, the San Diego County Regional Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2018.

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, 2018, and have issued our report thereon dated October 17, 2018, 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 17, 2018

San Diego County Regional Airport Authority
Passenger Facility Charge Audit Summary
Year Ended June 30, 2018

Summary of Auditor's Results

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

San Diego County Regional Airport Authority
Schedule of Passenger Facility Charge Program
Findings and Questioned Costs
Year Ended June 30, 2018

Findings Required to be Reported by the Guide

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

No matters are reportable.

San Diego County Regional Airport Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

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

No matters are reportable.

San Diego County Regional Airport Authority

Customer Facility Charge Compliance Report

Year Ended June 30, 2018
(With Independent Auditor's Report Thereon)



San Diego County Regional Airport Authority
Customer Facility Charge Program
June 30, 2018

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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, 2018

Description	Beginning Balance, Unapplied CFC	CFC Collections	Interest Earned	Expenditures	Ending Balance, Unapplied CFC
Collections and expenditures, quarter ended September 30, 2017	\$ 37,913,566	\$ 11,130,585	\$ 105,712	\$ 8,885,064	\$ 40,264,799
Collections and expenditures, quarter ended December 31, 2017	40,264,799	9,864,932	117,766	7,449,627	42,797,870
Collections and expenditures, quarter ended March 31, 2018	42,797,870	8,754,070	126,218	9,397,765	42,280,393
Collections and expenditures, quarter ended June 30, 2018	42,280,393	<u>10,906,757</u>	<u>139,807</u>	<u>8,568,370</u>	44,758,587
		<u>\$ 40,656,344</u>	<u>\$ 489,503</u>	<u>\$ 34,300,826</u>	

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

San Diego County Regional Airport Authority

Customer Facility Charge Program

Notes to Schedule of Customer Facility Charge Collections and Expenditures Year Ended June 30, 2018

Note 1. General

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

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

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects. 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, 2018.

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

Independent Auditor's Report

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

Report on Compliance for Customer Facility Charge Program

We have audited San Diego County Regional Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the *California Civil Code Section 1936* (Code) that could have a direct and material effect on the customer facility charge program for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Customer Facility Charge Program

In our opinion, the San Diego County Regional Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its customer facility charge program for the year ended June 30, 2018.

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, 2018, and have issued our report thereon, dated October 17, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Customer Facility Charge Collections and Expenditures is presented for purposes of additional analysis, as specified in the Code, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Customer Facility Charge Collections and Expenditures* is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Dallas, Texas
October 17, 2018

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, 2018, 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 (Code), an ordinance of the State of California

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

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

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

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

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

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas 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 and other post-employment benefit 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 and other post-employment benefit plans
- Disclosures about fair value of assets
- Commitments and contingencies
- Restatement related to the adoption of GASB 75

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. An adjustment proposed was not recorded because its aggregate effect is not currently material.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- None

Proposed Audit Adjustments Not Recorded

- None

Attached is a summary of an uncorrected misstatement during the current engagement and pertaining to the latest period presented that was determined by management to be immaterial to the financial statements as a whole.

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

No matters are reportable.

Difficulties Encountered in Performing the Audit

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

Other Material Communication

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

- Management representation letter (*attached*)

OTHER MATTERS

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

GASB Statement No. 87, Leases (GASB 87)

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

GASB 87 is effective for financial statements for fiscal years beginning after December 15, 2019. Earlier application is encouraged. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period (GASB 89)

GASB 89 requires that interest costs incurred before the end of a construction period be recognized as expenses in the period in which the costs are incurred. As a result, the interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB 89 is effective for financial statements for fiscal years beginning after December 15, 2019. Earlier application is encouraged. GASB 89 will be applied prospectively to interest incurred after the date of adoption.

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 17, 2018

October 17, 2018

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, 2018 and 2017 and your audit of our compliance with requirements applicable to our major federal awards program, our passenger facility charge program and customer facility charge program as of and for the year ended June 30, 2018. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

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

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

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter May 18, 2018 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. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
 8. We have no knowledge of any known or suspected:
 - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
 - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
 9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Airport Authority received in communications from employees, customers, regulators, suppliers or others.
 10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.
 11. Except as reflected in the financial statements, there are no:
 - (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
 - (b) Material transactions omitted or improperly recorded in the financial statements.
 - (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - (d) Events occurring subsequent to the statement of net position date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - (e) Agreements to purchase assets previously sold.
 - (f) Restrictions on cash balances or compensating balance agreements.

- (g) Guarantees, whether written or oral, under which the Airport Authority is contingently liable.
12. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
 13. We have no reason to believe the Airport Authority owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
 14. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
 15. Adequate provisions and allowances have been accrued for any material losses from:
 - (a) Uncollectible receivables.
 - (b) 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.
 16. Except as disclosed in the financial statements, we have:
 - (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
 - (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
 17. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
 18. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.
 19. With regard to deposit and investment activities:
 - (a) All deposit and investment transactions have been made in accordance with legal and contractual requirements.
 - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - (c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
 20. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.

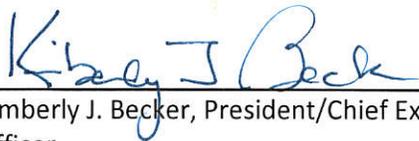
21. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
22. We have identified and 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.
23. 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.
24. We have a process to track the status of audit findings and recommendations.
25. 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.
26. With regard to federal awards programs, passenger facility charge and customer facility charge programs:
 - (a) We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations or in any other form.
 - (b) We have identified the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; 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 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 and the applicable payment system.
- (j) Amounts claimed or used for matching were determined in accordance with Uniform Guidance regarding 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.

27. 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.

28. 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.
29. 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.
30. 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/Chief Executive Officer



Scott M. Brickner, Vice President/Chief Financial Officer

San Diego County Regional Airport Authority

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	223,609,808		223,609,808	
Non-Current Assets & Deferred Outflows	2,371,811,037		2,371,811,037	
Current Liabilities	(145,942,493)		(145,942,493)	
Non-Current Liabilities & Deferred Inflows	(1,639,553,645)		(1,639,553,645)	
Current Ratio	1.532		1.532	
Total Assets & Deferred Outflows	2,595,420,845		2,595,420,845	
Total Liabilities & Deferred Inflows	(1,785,496,138)		(1,785,496,138)	
Total Net Position	(809,924,707)		(809,924,707)	
Operating Revenues	(265,830,273)		(265,830,273)	
Operating Expenses	169,120,390	(815,998)	168,304,392	-0.48%
Nonoperating (Revenues) Exp	(21,528,219)		(21,528,219)	
Change in Net Position	(26,034,420)	(815,998)	(26,850,418)	3.13%

Client: San Diego County Regional Airport Authority
 Period Ending: June 30, 2018

Major Enterprise Fund
 SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred Outflows				Liabilities & Deferred Inflows				Operating				Net Effect on Following Year			
			Current		Non-Current		Current		Non-Current		Revenues		Expenses (Revenues) Exp		Net Position		Change in Net Position	
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
To adjust NP for the Preservation of Benefits plan.		F	0	0	0	0	0	0	0	0	(815,998)	0	815,998	0	0			
	Net Position												815,998					
	Salaries and Benefits										(815,998)							
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	(815,998)	0	815,998	0	0			
Total passed adjustments			0	0	0	0	0	0	0	0	(815,998)	0	815,998	0	0			
			Impact on Change in Net Position											(815,998)				
			Impact on Net Position											0				

STAFF REPORT

Meeting Date: **DECEMBER 6, 2018**

Subject:

Review of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2018

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.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, is submitted as Attachment A.

Fiscal Impact:

Adequate funding for the audit conducted by BKD, LLP, is included in the adopted Fiscal Year 2019 and conceptually approved Fiscal Year 2020 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
CHIEF FINANCIAL OFFICER

KATHY KIEFER
SENIOR DIRECTOR, FINANCE & ASSEST MANAGEMENT

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SAN DIEGO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2018 & 2017





SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
SAN DIEGO, CALIFORNIA

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2018 & 2017

PREPARED BY

ACCOUNTING DEPARTMENT OF THE
SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

Scott Brickner

Vice President/Chief Financial Officer

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, 2018 & 2017

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

AUTHORITY ORGANIZATION CHART

AUTHORITY BOARD MEMBERS AND EXECUTIVE STAFF

GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING



October 23, 2018

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, 2018 and 2017. The purpose of this report is to provide the Airport Authority Board, the public and other interested parties with reliable information concerning the financial condition and results of the operations of the Airport Authority. The Airport Authority’s Accounting Department prepared this report following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). Responsibility for the accuracy, completeness and fairness of the presented data, including all disclosures, rests with the Airport Authority management.

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

The Airport Authority 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, 2018 and 2017.

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.

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 2.2% during 2017, 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 estimates the population of San Diego County to be 3.34 million as of January 1, 2018. The county is the second largest in California, in terms of population, and the City of San Diego ranks as the second largest city in the state. The majority of the county’s population is concentrated in its western portion adjacent to the ocean. The largest cities in the county are San Diego (43 percent), Chula Vista

(8 percent), Oceanside (5 percent), Escondido (5 percent), Carlsbad (3 percent), and El Cajon (3 percent). The combined San Diego/Tijuana metropolitan population is estimated to be around 5 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. The U.S. Bureau of Labor Statistics notes that the county’s average unemployment rate for June 2018 was 3.7 percent compared to June 2017, at 4.3 percent. California’s unemployment rate was 4.5 percent in June 2018 and 4.7 percent in June 2017,

and the national unemployment rate was 4.2 percent as of June 2018 compared to 4.4 percent as of June 2017. See the Statistical Section for additional economic information.

SAN’s enplaned passengers grew a very robust 10.7 percent in fiscal year 2018, reflecting continuing economic and industry strength. Total enplaned passengers were 11.7 million, compared to 10.6 million in fiscal year 2017. See the MD&A section of the Financial Section of this report for further discussion of the current year activity.

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 (SAN) and address the region’s long-term air transportation needs.

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

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

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

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

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



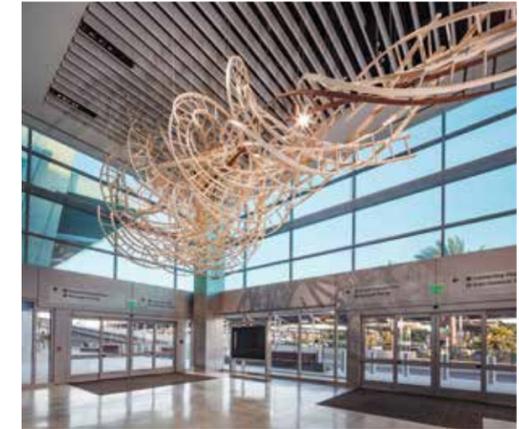
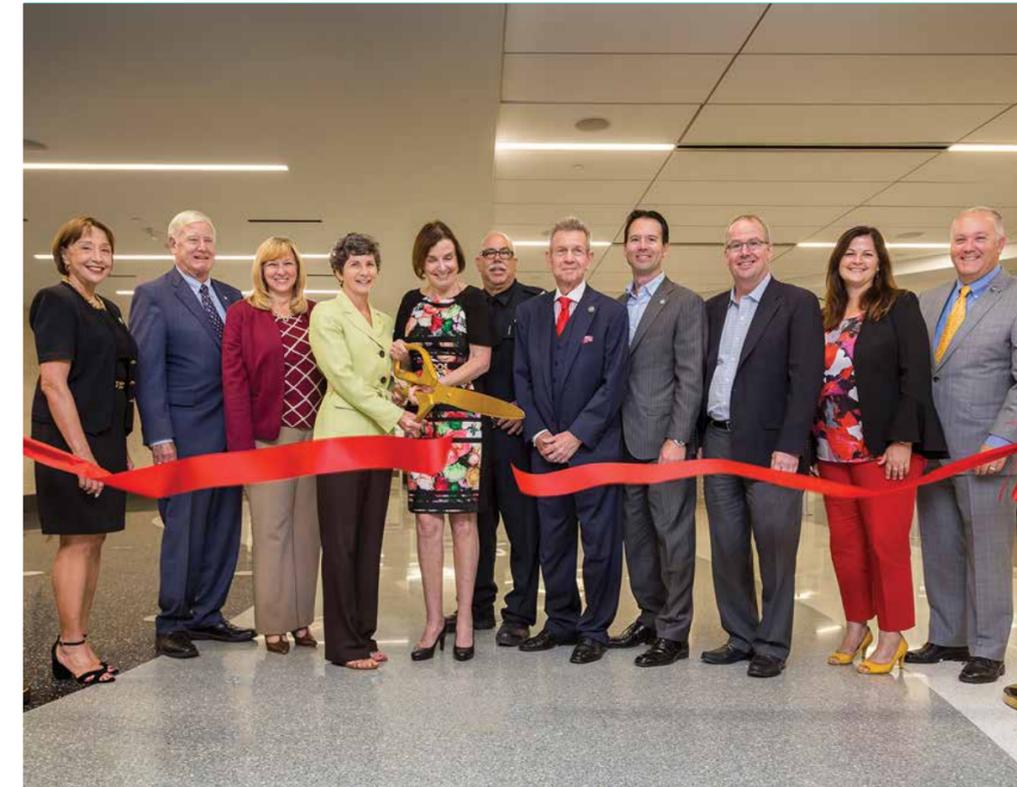
AIRPORT EXPANDS SERVICE TO DOMESTIC AND INTERNATIONAL MARKETS

San Diego International Airport (SAN) added 21 flights to exciting destinations on eight airlines in Fiscal Year 2018, including:

- Alaska Airlines – Albuquerque, NM
- Alaska Airlines – Austin, TX
- Alaska Airlines – Dallas/Love, TX
- Alaska Airlines – Kansas City, MO
- Alaska Airlines – Mexico City, MX

- Alaska Airlines – Minneapolis/St. Paul, MN
- Alaska Airlines – Omaha, NE
- Alaska Airlines – San Francisco, CA
- Alaska Airlines – St. Louis, MO
- Alaska Airlines – Steamboat Springs/Hayden, CO
- Allegiant Air – Eugene, OR
- Frontier Airlines – Colorado Springs, CO
- Frontier Airlines – Oklahoma City, OK
- Frontier Airlines – San Antonio, TX
- Frontier Airlines – Tulsa, OK
- Hawaiian Airlines – Maui, HI
- Lufthansa – Frankfurt
- Southwest Airlines – El Paso, TX
- Southwest Airlines – Tampa, FL
- Spirit Airlines – Detroit, MI
- Sun Country – San Jose del Cabo, MX

With the addition of these flights, SAN now offers nonstop service to more than 60 domestic and nine international destinations.



RIBBON-CUTTING HELD FOR INNOVATIVE NEW INTERNATIONAL ARRIVALS FACILITY

The Airport Authority held a ribbon-cutting in June 2018 to mark the completion of a new 130,000-square-foot International Arrivals facility at SAN’s Terminal 2.

The new facility will allow the airport to accommodate the increase in international passengers resulting from recently added overseas flights. SAN has experienced significant growth in international arrivals in the past 25 years – from about 50,000 passengers a year in the early 1990s to more than 400,000 a year in 2017. That number – and the associated economic impact – will continue to grow as more international nonstop flights are added.

At 130,000 square feet, the new facility is five times larger than the previous facility. It also increases the number of international gates at the airport from three to six and offers the latest biometric facial recognition technologies, as well as an expanded baggage claim and passenger wait area. This has resulted in reduced wait times and a more welcoming environment.

The facility also features two integrated public artworks. Paths Woven, by artist Aaron T. Stephan, is a suspended artwork in the public waiting area that consists of 25 ladders representing the many individual journeys that converge at an airport. In baggage claim, visitors will see Carry On by artist Walter Hood, made up of 52 glass panels featuring more than 600 photos of unique, symbolic items contributed by members of the San Diego community and airport staff.

The total cost of the project is estimated at \$229.4 million. The new facility will serve these airlines: British Airways, Edelweiss Air, Japan Airlines, Lufthansa, Alaska Airlines, Southwest Airlines, and Spirit Airlines. SAN currently offers nonstop flights to and from six countries – Japan, Germany, Switzerland, the U.K., Mexico and Canada.



TERMINAL 2 PARKING PLAZA OPENS

The airport opened a much-needed 2,900-space Parking Plaza in front of Terminal 2 in May 2018, providing a net increase of 1,700 spaces of critical close-in parking. Having an adequate supply of convenient, close-in parking is viewed by the Airport Authority as a core customer service need.

The \$127.8 million Parking Plaza features numerous sustainable features, including advanced parking guidance technology to reduce unnecessary vehicle circulation and

idling, energy-saving lighting controls and fixtures, a scenic overlook deck and public art. The project also includes 16 electric vehicle (EV) charging ports as well as 145 “EV-ready” parking stalls, allowing the airport to quickly increase chargers as customer demand grows in the future.

The Airport Authority is pursuing “Parksmart” certification for this project. Parksmart is similar to LEED but focuses on recognizing sustainable practices in parking structure design, technology, programming and management. If successful, SAN would be one of the first airports in the U.S. to be certified under the green parking program.

Another notable feature is a below-ground rainwater storage system with a capacity of nearly 100,000 gallons. Rainwater captured by this system will be treated and used in the adjacent Central Utility Plant to help manage air temperatures in the terminals. Currently, the airport uses potable water for this purpose.

SMALL BUSINESS, BIG IMPACT

The Airport Authority’s Small Business Development program had a very productive year and exceeded its goal of having 8.4 percent of federally funded projects to include Disadvantaged Business Enterprises (DBEs).

In total, \$157 million in capital improvement contracts for local business and \$63 million in

contracts for small businesses were implemented at SAN. This achievement was possible due to numerous outreach initiatives to small and underrepresented enterprises, including a Meet the Primes event that was attended by 450 small businesses interested in learning about on-site opportunities, and an Airport Disadvantaged Business Enterprise Program (ACDBE) Lunch & Learn that was a networking opportunity for joint venture concessionaires and ACDBEs.

One of the challenges for the program is the lack of qualified small businesses available to work on projects at SAN, especially due to the volume of large capital projects that are simultaneously happening across the Southern California region. The initiatives highlighted above help the Airport Authority address this growing challenge.

AIRPORT AUTHORITY BEGINS NEGOTIATIONS WITH AIRLINES ON NEW AIRLINE OPERATING AND LEASE AGREEMENT

The Authority’s existing agreement with airline partners expired July 1, 2018 and the agreement has transitioned to hold over status. Negotiations on a new agreement with the airlines have been ongoing, with spring of 2019 as the target date

to have executed agreements in place. Financial terms of the agreement are being negotiated to include support of the Authority’s capital program, including the Airport Development Plan.



SAN SIGNS SUSTAINABILITY DECLARATION

On November 13, 2017, SAN officially signed the “Airports Sustainability Declaration.” The declaration, which is voluntary and non-binding, calls for airports to develop, implement and expand initiatives that improve the

sustainability and resilience of airports and their surrounding communities.

The declaration promotes four key principles – collaboration, transparency, innovation and engagement – and encourages partnerships between airports on a worldwide scale. The declaration is also aligned with the 17 action areas

of the United Nations Sustainable Development Goals, which were adopted by the United States and over 190 other countries in 2015. SAN is implementing a portfolio of policies and projects that support the Airports Sustainability Declaration and its main principles.





OPPORTUNITIES ABOUND FOR INNOVATION LAB'S INAUGURAL ACCELERATION PROGRAM

The unique Innovation Lab was launched to reduce barriers for innovators to break into the aviation industry. Its goals are to enhance the passenger experience, improve operational efficiency and decrease costs for the Airport Authority.

The Airport Authority established the Innovation Lab in part of the former Commuter Terminal, which was decommissioned in June 2015. The 3,500-square-foot space offers a functional mini-

terminal area with ticket counters and a bag claim carousel, all without passenger or security concerns to work around.

The Airport Authority, in concert with its Innovation Lab's third-party operator, Detecon Innovation Institute, in April 2018 released the first two "opportunity statements" to solicit applicants to participate in its accelerator program. One opportunity focused on airport parking while the other zeroed in on ways to assist passengers with unique needs to simplify the journey through the airport.



QUIETER HOME PROGRAM GAINS MOMENTUM

The Airport Authority strives to be a good neighbor to surrounding communities. In 2017, one of its most important community programs – the Quieter Home Program – gained momentum. The Quieter Home Program provides improvements and retrofits to homes around SAN to reduce interior sound levels from overhead planes.

In May 2018, the program began construction on homes in the Loma Portal, Ocean Beach, Midtown, South Park and Golden Hill communities. To date, the Quieter Home Program has treated more than 3,500 homes, providing sound reduction benefits for nearly 9,000 residents.

AIRPORT AUTHORITY COMPLETES MAJOR BOND SALE, EARNS LOWEST INTEREST RATE IN AIRPORT'S HISTORY

The Airport Authority in July 2017 completed a major bond sale. Proceeds covered construction costs of the Terminal 2 Parking Plaza and international arrivals facility, which opened in mid-2018. More than \$291 million in Subordinate

Airport Revenue Bonds were issued at a favorable all-in borrowing cost of 3.74 percent for the bonds, the lowest long-term rate the Authority has ever attained. Accessing the market at a favorable interest rate saves an estimated \$43.4 million in debt service cost over the 30-year term of the bonds.

The bond sale's advantageous circumstances were due to several factors, including the Airport Authority's careful timing of market entry for the

sale, pricing during a time when rates were more attractive, and its strong financial profile as evidenced by favorable credit ratings for Airport Authority bonds from the nation's top three ratings agencies: Fitch Ratings, Moody's Investor Services and Standard & Poor's.



RUNWAY REHABILITATION PROJECT PROVES TO BE EFFICIENT AND SUSTAINABLE

In addition to the Parking Plaza and new international arrivals facility, SAN has been working on several other major capital improvement projects including runway rehabilitation. In November 2017, the airport's single Runway 9-27 was closed from midnight to 5:00 AM to allow milling, paving, and re-striping activities to occur. Each night, a 22.5-foot-wide by approximately 2,100-foot long lane was replaced with new asphalt paving with the runway being completed in only 74 days.

In 2018, the Authority will continue its efforts to rehabilitate its single runway and various taxiways. Specifically, the current runway lights will be replaced with energy-saving LED lights, the runway pavement will be grooved and striped and eight cross taxiways will be rehabilitated.



SAN DIEGO INTERNATIONAL AIRPORT WINS ENVIRONMENTAL EXCELLENCE AWARD

Two projects at SAN that advance water conservation and reuse efforts received the Industrial Environmental Association's (IEA) 2017 Environmental Excellence Award in October 2017. SAN's Terminal 2 Parking Plaza was recognized for an innovative rainwater capture system. The airport's air conditioning condensate collection system was also recognized.

The new Parking Plaza was designed to capture 100 percent of the rain that falls on the 7.6-acre structure, routing it into a below-ground storage system with a capacity of nearly 100,000 gallons. Instead of becoming storm water runoff, potentially impacting San Diego Bay, the collected

rainwater will be used by the adjacent Central Utility Plant to help heat and cool the terminals.

The Airport's Air Conditioning Condensate Capture and Reuse program saves significant amounts of water (condensate) that drips from the air conditioning units of the passenger boarding bridges. The program has resulted in capturing over 100,000 gallons of clean water annually for reuse around other areas of the airport facility. Potential storm water compliance issues have also been evaded.



SAN DIEGO INTERNATIONAL AIRPORT UNVEILS ICONIC DYNAMIC, SOLAR-POWERED PUBLIC ART INSTALLATION ON RENTAL CAR CENTER

In September 2017, SAN and artist team Ueberall International officially unveiled DAZZLE, the region's largest high-tech public art installation spanning the nearly one-third-mile façade of the

airport's Rental Car Center facing Pacific Highway. The artwork is named for the military dazzle camouflage technique used in World War I in which the outlines of ships would be camouflaged through the use of stripes and patterns.

The 1,600-foot long digital art installation features 2,100 e-paper solar-powered panels that collectively display synchronized animated designs

to include water ripples and dancing snowflakes. Through the utilization of E Ink technology, the entire display consumes about as much energy as a PC computer.



SAN DIEGO INTERNATIONAL AIRPORT RECOGNIZED FOR ENGAGEMENT IN CARBON REDUCTION EFFORTS

The Airport Authority's continuing efforts to reduce the airport's carbon footprint have been recognized by the global agency that enforces carbon standards for airports worldwide. SAN has been certified at "Level 3 Optimization," one of only 10 airports in North America to achieve this designation or higher from the Airports Council International's Airport Carbon Accreditation (ACA) program. The third-party verified program is a framework that helps airports identify, manage, and reduce their carbon emissions.

Level 3 certification acknowledges that the airport has gone beyond implementing a carbon management plan that reduces emissions under its control; and is now effectively partnering with airlines, concessions, and ground transportation operators to help them lower their emissions at the airport. SAN's goal is to reach the highest level of certification, Level 3+ (Carbon Neutrality), by 2022.

AIRPORT LAUNCHES GREEN CONCESSIONS PROGRAM

In July 2017, SAN launched the Green Concessions program, which rewards and recognizes airport concessionaires that help reduce water and energy use, minimize waste and educate consumers on what green business is all about.

The Green Concessions program is designed to help our concessionaires adopt sustainable business practices that benefit their individual businesses, the airport as a whole, and the environment.

The Authority provides support and assistance to concessionaires interested in being certified. The certification is good for a one-year period with the opportunity for renewal. More than 30 businesses have been certified as Green Concessions.



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 capital program provides for critical improvements and asset preservation. Security, environmental remediation, terminal upgrades and development are the main focus of the capital program. The budget process begins in the fall with senior management collaborating with the Board to update, review and formulate the strategies and initiatives that drive business performance. The management team engages in cross-functional discussions to arrive at key decisions and agreements. The effort is designed to align divisional requirements with the Airport Authority's overall strategies and initiatives.

FINANCIAL INFORMATION



The Airport Authority Board sets policy that provides for appropriate internal controls and provides oversight to ensure that the assets of the Airport Authority are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with GAAP. Internal controls are designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

The Airport Authority completed fiscal year 2018 with operating income (before depreciation) of \$96.7 million. Fiscal year 2018 also grew as compared to fiscal year 2017, with enplanements increasing 10.7 percent, total passengers increasing 10.8 percent, and freight and mail tons increasing 1.6 percent. The accompanying Management's Discussion and Analysis provides a detailed narrative overview.

ACKNOWLEDGEMENTS

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

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

Respectfully submitted,

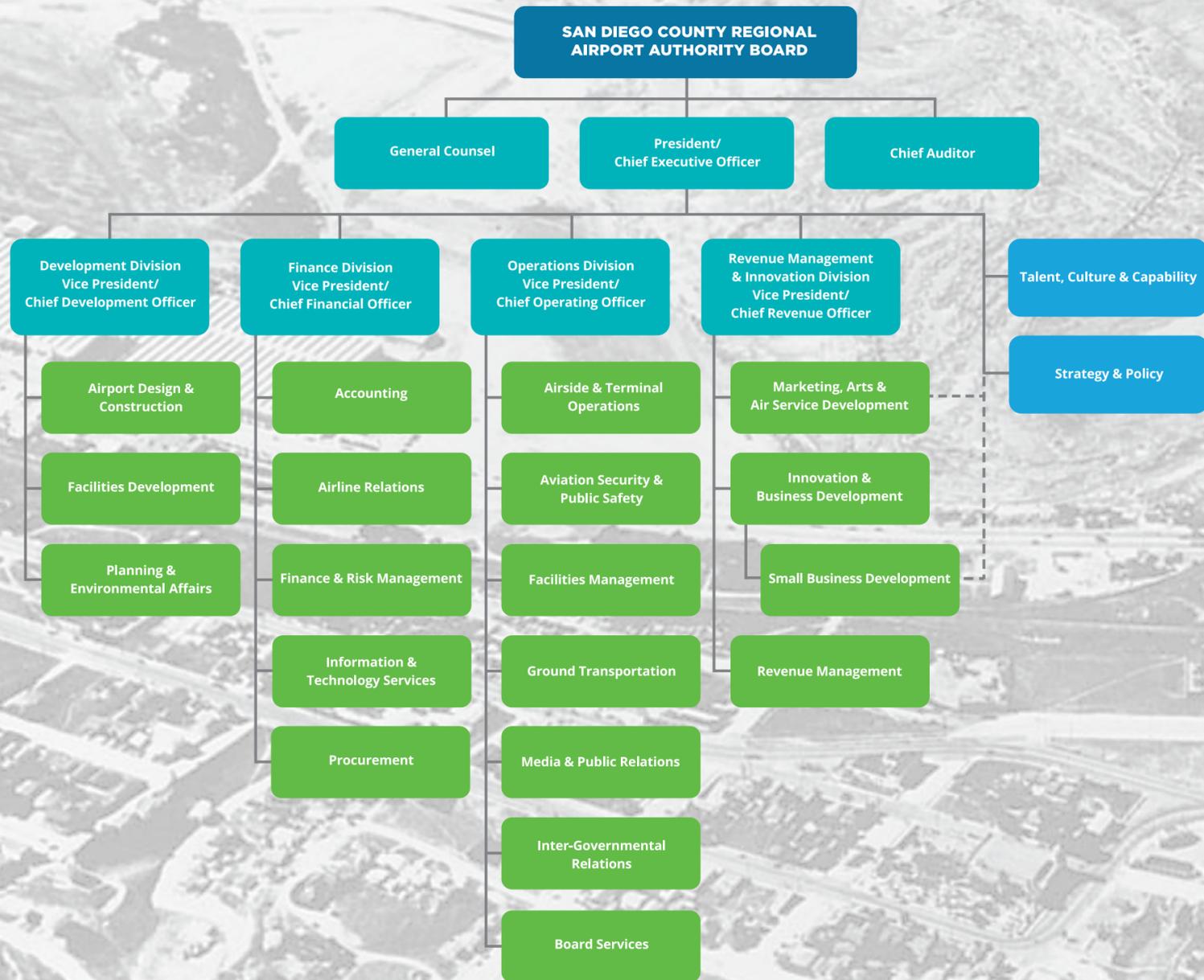


Kimberly J. Becker
President | Chief Executive Officer



Scott Brickner, CPA
Vice President | Chief Financial Officer





AS OF JUNE 30, 2018

AIRPORT AUTHORITY BOARD

EXECUTIVE COMMITTEE MEMBERS:

- C. APRIL BOLING**, BOARD CHAIRMAN
- PAUL ROBINSON**, VICE CHAIR
- MICHAEL SCHUMACHER**

EX-OFFICIO MEMBERS

- TIM GUBBINS**
- JACQUELINE WONG-HERNANDEZ**
- COLONEL JASON G. WOODWORTH**

GENERAL MEMBERS:

- GREG COX**
- JIM DESMOND**
- MARK KERSEY**
- ROBERT T. LLOYD**
- JOHANNA SCHIAVONI**
- MARK B. WEST**



EXECUTIVE STAFF

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



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, 2017. This is the fifteenth 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, 2017

Christopher P. Morill

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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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 financial statements of the San Diego County Regional Airport Authority (Airport Authority) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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

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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2018, the Airport Authority changed its method of accounting for postemployment benefits other than pensions (OPEB) with the adoption of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefit information 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 17, 2018



INTRODUCTION

SAN DIEGO INTERNATIONAL AIRPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Period July 1, 2017 to June 30, 2018

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.

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
(2016 – 2018)**

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 (2016 – 2018)

The Airport Authority experienced continued growth during the current and prior two fiscal years. This follows the overall trend of healthy growth in the airport industry over the last several years as improving economic conditions fuel demand for airport services.

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

	FY 2016	FY 2017	FY 2018
Enplaned passengers	10,206,222	10,596,483	11,728,880
% increase	5.1%	3.8%	10.7%
Total passengers	20,397,170	21,140,067	23,431,340
% increase	5.1%	3.6%	10.8%
Aircraft operations	193,451	201,011	218,671
% increase	(0.9%)	3.9%	8.8%
Freight and mail (in tons)	185,655	188,607	191,550
% increase	3.9%	1.6%	1.6%
Landed weight (in thousands)	12,048	12,616	13,781
% increase	4.6%	4.7%	9.2%

Overall, the strong economy is reflected in the FY 2018 Airport Activities results at SDIA. There was a substantial increase in enplaned passengers in fiscal year 2018 of 10.7 percent. Additionally,

freight and mail tons increased by 1.6 percent. New airline routes also factored into the sizable increases of aircraft operations and landed weight.



The metric ‘Changes in Net Position’ is an indicator of whether the Airport Authority’s overall financial condition has improved or deteriorated during the fiscal year. Net position increased by 4.5 percent in

2016, was followed by a slight 0.9 percent increase in 2017, and was followed by a larger increase of 3.4 percent in 2018.

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

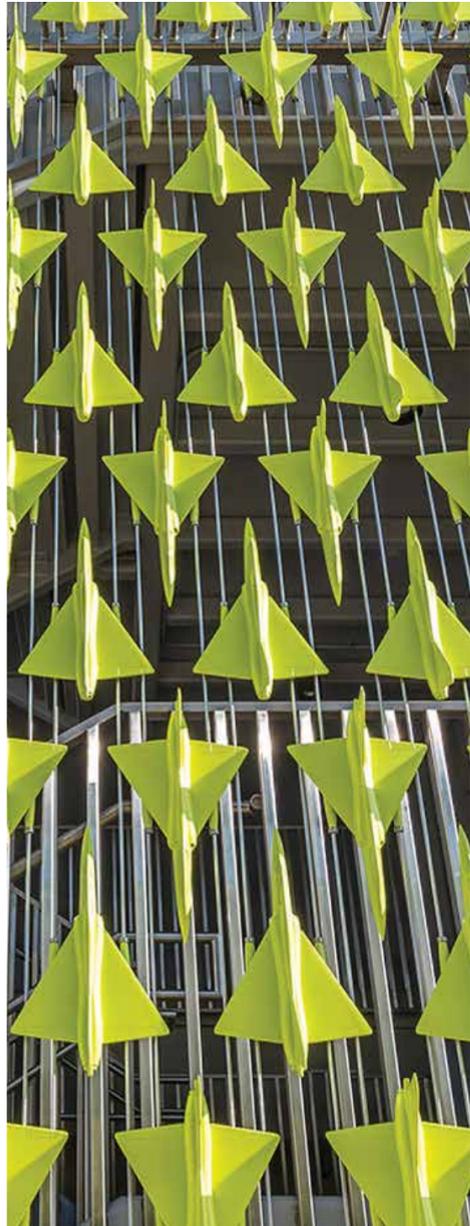
Following is a summary of the statements of revenues, expenses and changes in net position (in thousands):

	FY 2016	FY 2017	FY 2018
Operating revenues	\$ 233,994	\$ 248,847	\$ 265,830
Operating expenses	(241,429)	(258,954)	(274,652)
Nonoperating revenues, net	31,933	15,428	21,528
Capital contributions and grants	10,477	1,904	13,328
Increase in net position	34,975	7,225	26,034
Net position, beginning of year	742,741	775,949	783,174
Prior-period adjustment	(1,767)	-	717
Net position, end of year	\$ 775,949	\$ 783,174	\$ 809,925

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 and 75 caused prior-period adjustments

in fiscal years 2016 and 2018 respectively. The cumulative changes in accounting for pension and postretirement benefit liabilities are reflected in these adjustments.

OPERATING REVENUES
(IN THOUSANDS)



	FY 2017	FY 2018	From 2017 to 2018	
			Increase (Decrease)	% Change
Airline revenue:				
Landing fees	\$ 24,612	\$ 23,900	\$ (712)	(2.9%)
Aircraft parking fees	2,927	3,236	309	10.6%
Building rentals	56,575	62,241	5,666	10.0%
Security surcharge	29,468	32,303	2,835	9.6%
Other aviation revenue	2,799	1,477	(1,322)	(47.2%)
Total airline revenue	116,381	123,157	6,776	5.8%
Concession revenue	61,256	65,610	4,354	7.1%
Parking and ground transportation revenue	49,407	53,254	3,847	7.8%
Ground and non-airline terminal rentals	20,053	22,109	2,056	10.3%
Other operating revenue	1,750	1,701	(49)	(2.8%)
Total operating revenue	\$ 248,847	\$ 265,831	\$ 16,984	6.8%

	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	56,575	5,302	10.3%
Security surcharge	29,223	29,468	245	0.8%
Other aviation revenue	5,023	2,799	(2,224)	(44.3%)
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	47.9%
Total operating revenue	\$ 233,994	\$ 248,847	\$ 14,853	6.3%

FISCAL YEAR 2018 COMPARED TO 2017:

Total airline revenues increased by \$6.8 million, or 5.8 percent, primarily due to an increased cost recovery for the airlines which was higher in fiscal year 2018, compared to 2017. Landing fees decreased by \$712 thousand or 2.9 percent due to airfield-related cost savings. Aircraft parking fees increased by \$309 thousand or 10.6 percent due to additional overnight aircraft parking positions. Building rentals increased by \$5.7 million or 10.0 percent due to increased cost recovery from airline rents. Security surcharge increased by \$2.8 million or 9.6 percent, primarily due to increased terminal security charges. Other aviation revenue decreased by \$1.3 million or 47.2 percent, mostly due to common use cost recovery charges. Concession revenue increased by \$4.4 million or 7.1 percent, reflecting increased enplanements. Parking and ground transportation increased by \$3.8 million or 7.8 percent, due to higher enplanements and higher trip fees from transportation network companies. Ground and non-airline terminal rentals increased by \$2.1 million or 10.3 percent. This increase was primarily due to fuel facility rentals, and scheduled rent increases.

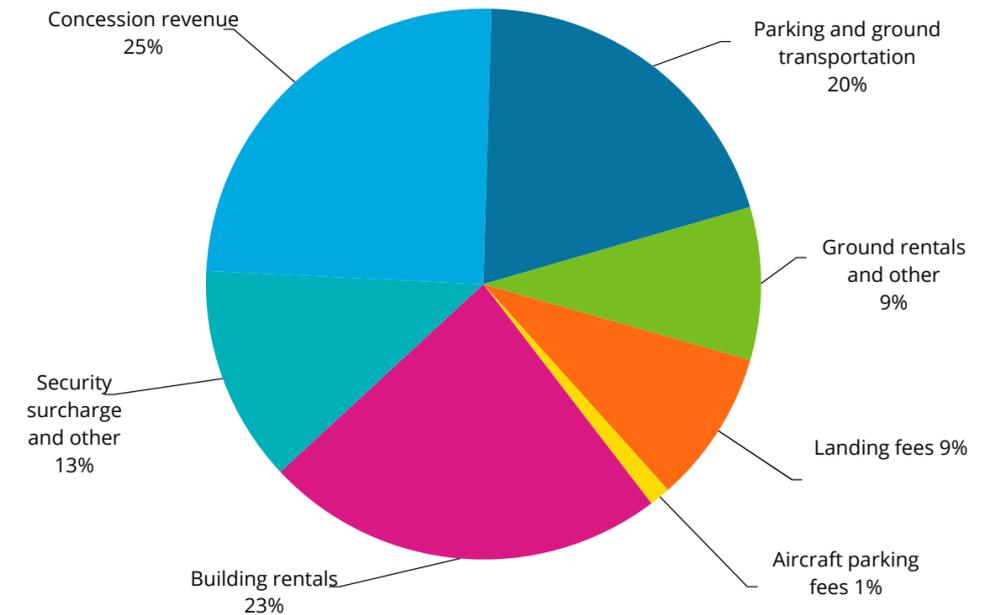
FISCAL YEAR 2017 COMPARED TO 2016:

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 \$5.3 million or 10.3 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 parking revenue, and permits. Ground non-airline terminal rentals increased by \$3.8 million or 23.6 percent, due in part to new non-tenant agreements and increased Fixed Base Operator rents. Other operating revenue increased by \$567 thousand or 47.9 percent, primarily due to higher landing fees at the Fixed Base Operator, and higher fees for miscellaneous services.

OPERATING REVENUES
(CONTINUED)

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
FISCAL YEAR ENDED JUNE 30, 2018 | OPERATING REVENUES



OPERATING EXPENSES
(IN THOUSANDS)



Salaries and benefits	\$ 46,874	\$ 47,866	\$ 992	2.1%
Contractual services	44,372	45,249	877	2.0%
Safety and security	28,422	30,733	2,311	8.1%
Space rental	10,190	10,190	-	0.0%
Utilities	10,736	12,509	1,773	16.5%
Maintenance	14,270	12,603	(1,667)	(11.7%)
Equipment and systems	506	598	92	18.2%
Materials and supplies	611	656	45	7.4%
Insurance	956	1,098	142	14.9%
Employee development and support	1,347	1,248	(99)	(7.3%)
Business development	2,347	3,246	899	38.3%
Equipment rentals and repairs	3,095	3,124	29	0.9%
Total operating expenses before depreciation	163,726	169,120	5,394	3.3%
Depreciation	95,229	105,532	10,303	10.8%
Total operating expense	\$ 258,955	\$ 274,652	\$ 15,697	6.1%

	FY 2017	FY 2018	From 2017 to 2018	
			Increase (Decrease)	% Change
Salaries and benefits	\$ 46,874	\$ 47,866	\$ 992	2.1%
Contractual services	44,372	45,249	877	2.0%
Safety and security	28,422	30,733	2,311	8.1%
Space rental	10,190	10,190	-	0.0%
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Maintenance	14,270	12,603	(1,667)	(11.7%)
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Materials and supplies	611	656	45	7.4%
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Equipment rentals and repairs	3,095	3,124	29	0.9%
Total operating expenses before depreciation	163,726	169,120	5,394	3.3%
Depreciation	95,229	105,532	10,303	10.8%
Total operating expense	\$ 258,955	\$ 274,652	\$ 15,697	6.1%

Salaries and benefits	\$ 42,025	\$ 46,874	\$ 4,849	11.5%
Contractual services	38,215	44,372	6,157	16.1%
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	506	(202)	(28.5%)
Materials and supplies	536	611	75	14.0%
Insurance	950	956	6	0.6%
Employee development and support	1,242	1,347	105	8.5%
Business development	2,390	2,347	(43)	(1.8%)
Equipment rentals and repairs	2,852	3,095	243	8.5%
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 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	44,372	6,157	16.1%
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	506	(202)	(28.5%)
Materials and supplies	536	611	75	14.0%
Insurance	950	956	6	0.6%
Employee development and support	1,242	1,347	105	8.5%
Business development	2,390	2,347	(43)	(1.8%)
Equipment rentals and repairs	2,852	3,095	243	8.5%
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%

FISCAL YEAR 2018 COMPARED TO 2017: Total fiscal year 2018 operating expenses increased by \$15.7 million or 6.1 percent. Salaries and benefits increased by \$992 thousand or 2.1 percent, due to planned wage and benefit increases. Contractual services increased by \$877 thousand or 2.0 percent, mainly due to higher expenses in custodial services. Safety and security increased by \$2.3 million or 8.1 percent due to higher law enforcement and emergency services costs. Utilities increased by \$1.8 million or 16.5 percent, due to higher usage as a result of the increase in total passengers. Equipment and systems increased by \$92 thousand or 18.2 percent, mainly due to additional computer equipment and licenses. Insurance increased by \$142 thousand or 14.9 percent, primarily due to higher coverage costs of various policies. Business development increased by \$899 thousand or 38.3 percent, mainly due to community outreach. Depreciation increased by \$10.3 million or 10.8 percent, due to the Parking Plaza and international passenger area (FIS) being placed in service.

Offsetting this increase in operating expenses was the following decrease: Maintenance expenses decreased \$1.7 million, or 11.7 percent, due in part to lower electrical and HVAC maintenance contract costs.

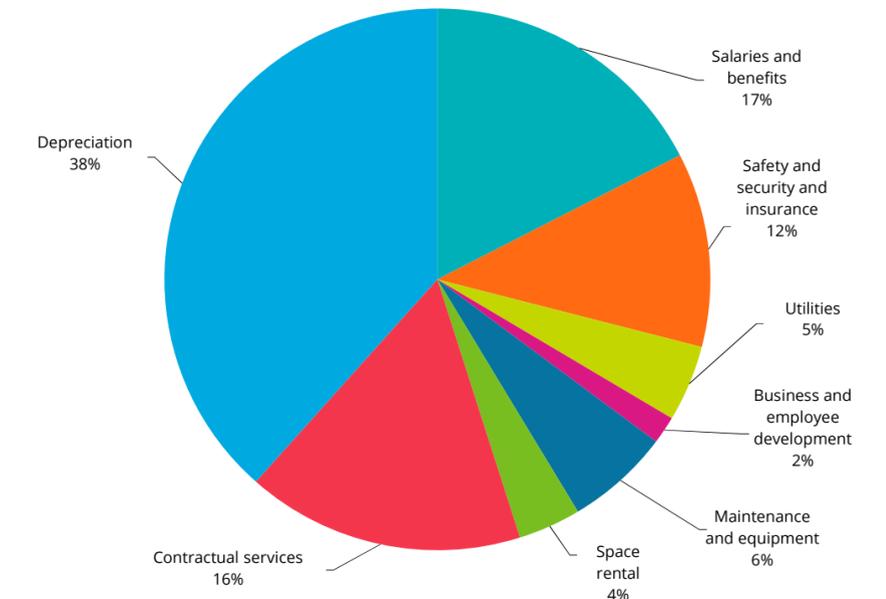
FISCAL YEAR 2017 COMPARED TO 2016: Total fiscal year 2017 operating expenses increased by \$17.5 million or 7.3 percent. Salaries and benefits increased by \$4.8 million or 11.5 percent, due to a GASB 68 valuation adjustment and planned wage and benefit increases. Contractual services increased by \$6.2 million or 16.1 percent, mainly due to higher expenses in parking, noise monitoring, and a full year of Rental Car Center bussing. Maintenance expenses increased \$148 thousand, or 1.0 percent, due to slightly higher major maintenance projects. Materials and supplies increased \$75 thousand or 14.0 percent, partly due to higher maintenance and safety expenditures. Employee development and support increased by \$105 thousand or 8.5 percent, due to higher recruitment and training expenses. Depreciation increased by \$7.4 million or 8.5 percent, due to a full year of depreciation for the Rental Car Center. Equipment rentals and repairs increased by \$243

thousand or 8.5 percent, mainly due to higher maintenance contract and computer licensing expenses.

Offsetting this increase in operating expenses were the following decreases: Safety and security decreased by \$299 thousand or 1.0 percent due to an estimate 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 \$202 thousand or 28.5 percent, due to lower office movement and reconfiguration expenses.

OPERATING EXPENSES
(CONTINUED)

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
FISCAL YEAR ENDED JUNE 30, 2018 | OPERATING EXPENSES



**NONOPERATION REVENUES
(EXPENSES)
(IN THOUSANDS)**



	FY 2017	FY 2018	From 2017 to 2018 Increase (Decrease)	% Change
Passenger facility charges	\$ 42,200	\$ 46,953	\$ 4,753	11.3%
Customer facility charges	36,528	41,037	4,509	12.3%
Quieter Home Program, net	(785)	(2,747)	(1,962)	(249.9%)
Joint studies program	-	(114)	(114)	-
Interest income	8,134	13,374	5,240	64.4%
Interest expense, net	(53,528)	(63,745)	(10,217)	(19.1%)
Other nonoperating income (expenses)	(17,121)	(13,230)	3,891	22.7%
Nonoperating revenues, net	\$ 15,428	\$ 21,528	\$ 6,100	39.5%

	FY 2016	FY 2017	From 2016 to 2017 Increase (Decrease)	% 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%)

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 RCC.

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 2018, the Airport Authority has spent \$201.5 million and received reimbursement for \$162.2 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 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, 2018 and 2017 was \$7.2 million and \$4.8 million, respectively. The bond premium amortization from all four 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 32.7 percent of the interest payable. The interest subsidy for the fiscal years ended June 30, 2018 and 2017 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 2018 COMPARED TO 2017:

Nonoperating revenues (net) increased by \$6.1 million or 39.5 percent. Passenger facility charges increased by \$4.8 million or 11.3 percent, due to a

10.7 percent increase in enplaned passengers. Customer facility charges increased by \$4.5 million or 12.3 percent, due to a corresponding increase in rental car transactions and a full year receiving the increased daily fee previously discussed. Interest income increased by \$5.2 million or 64.4 percent, due to an increase in dollars invested from the Series 2017 bond issuance as well as improved market performance compared to fiscal year 2017. Other nonoperating expense decreased by \$3.9 million or 22.7 percent, primarily due to a loss on fixed asset disposal resulting from the new Parking Plaza.

The increase in nonoperating income was offset by a Quieter Home Program expenses (net) increase of \$2.0 million or 249.9 percent, due to higher sound attenuation activity. Interest expense (net) was higher by \$10.2 million or 19.1 percent, due to the Series 2017 bond issuance.

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, 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, 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 Federal Inspection Station project.

**CAPITAL GRANT CONTRIBUTION
(IN THOUSANDS)**

	FY 2017	FY 2018	From 2017 to 2018 Increase (Decrease)	% Change
Federal grants	\$ 1,904	\$ 13,328	\$ 11,424	600.0%

	FY 2016	FY 2017	From 2016 to 2017 Increase (Decrease)	% Change
Federal grants	\$ 10,477	\$ 1,904	\$ (8,573)	(81.8%)

CAPITAL GRANT CONTRIBUTIONS are comprised of Airport Improvement Project (AIP) entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. In fiscal year 2018 capital grant contributions increased by \$11.4 million or

600.0 percent compared to fiscal year 2017. Additionally in fiscal year 2017, capital grant contributions decreased by \$8.6 million or 81.8 percent, compared to fiscal year 2016. This was due to the completion of the Runway 9 displaced threshold, Northside taxiway bypass, and storm drain trunk projects.

Variances from year to year relate to the amount of work completed on eligible projects during the fiscal year. In fiscal year 2018, the grant fund increase is primarily due to airfield projects.

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, 2016, 2017 and 2018, is as follows:

	FY 2016	FY 2017	FY 2018
Assets and Deferred Outflows of Resources			
Current assets	\$ 169,078	\$ 180,941	\$ 223,610
Capital assets, net	1,551,007	1,544,909	1,704,141
Noncurrent assets	491,362	504,406	643,474
Total assets	2,211,447	2,230,256	2,571,225
Deferred outflows of resources	4,260	20,246	24,196
Total assets and deferred outflows of resources	2,215,707	2,250,502	2,595,421
Liabilities and Deferred Inflows of Resources			
Current liabilities	103,136	104,422	145,942
Long-term liabilities	1,334,816	1,361,090	1,635,326
Total liabilities	1,437,952	1,465,512	1,781,268
Deferred inflows of resources	1,807	1,815	4,228
Total liabilities and deferred inflows of resources	1,439,759	1,467,327	1,785,496
Net Position			
Net investment in capital assets	310,339	263,952	281,703
Restricted	214,533	225,088	244,188
Unrestricted	251,076	294,133	284,034
Total net position	\$ 775,948	\$ 783,173	\$ 809,925

As of June 30, 2018, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$809.9 million. This reflects a \$26.8 million increase in net position from June 30, 2017. 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 \$284 million as of June 30, 2018, may be used to meet any of the Airport Authority's

ongoing obligations. As of June 30, 2018, 2017 and 2016, management has designated unrestricted funds in the amount of \$39.3 million, \$25.8 million, and \$31.3 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance and operating contingency.

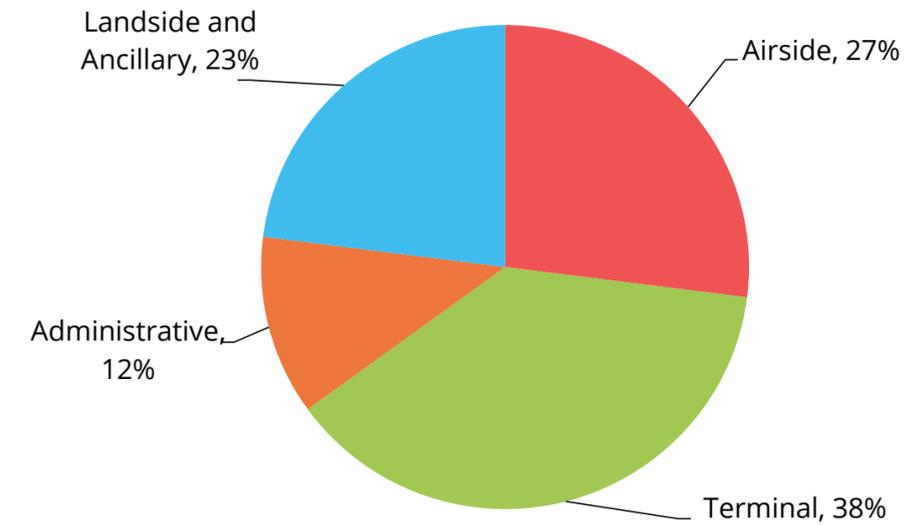
The Capital Program is a rolling five-year program that provides critical improvements and asset additions. The program includes capital projects that address federal security requirements, airfield security, environmental remediation, terminal upgrades and development. Funding sources for the projects include the Federal Aviation Administration's Airport Improvement Program,

Transportation Security Agency grants, Passenger Facility Charges, Customer Facility Charges, airport operating revenues, airport revenue bonds, special facility bonds, and short-term borrowing using commercial paper/revolving lines of credit.

The current Capital Program, which includes projects through 2023, consists of \$300.7 million for airside projects, \$258.9 million for landside and ancillary projects, \$415.9 million for terminal projects, and \$127.8 million for administrative projects.

CAPITAL PROGRAM

Capital Program Projects by Type



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



CAPITAL FINANCING AND DEBT MANAGEMENT



On October 5, 2010, the Airport Authority issued \$572.6 million of Subordinate Airport Revenue Bonds Series 2010 A, B and C (Series 2010 Bonds). The 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, 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, 32.69 percent of interest payable. The interest rate on the Series 2010 C Bonds, net of subsidy, is 4.46 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, 2018, the principal balance on the subordinate Series 2010 Bonds was \$537.0 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 accrued on the senior Series 2013 Bonds, fund the senior reserve fund, and pay the costs of issuance of the Senior Series 2013 Bonds.

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of \$55.9 million, which is being amortized over the life of the bonds. Interest on the Senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal year ended June 30, 2018, amounted to \$18.26 million, including accrued interest of \$9.48 million. The principal balance on the Series 2013 Bonds as of June 30, 2018 was \$373.3 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 19, 2014, the Airport Authority issued \$305,285,000 of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The

Series 2014 Bonds were issued to finance a portion of the costs of the development and construction of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest on the Series 2014 Bonds, fund deposits to the senior reserve fund, the rolling coverage fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent and mature in fiscal years 2019 to 2045. As of June 30, 2018, 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 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 \$48,423,688, which is being amortized over the life of the bonds. Interest on the senior Series 2017 Bonds is payable semiannually on January 1 and July 1, of each year. Interest expense for the fiscal year ended June 30, 2018, amounted to \$13.2 million, including accrued interest of \$7.27 million. As of June 30, 2018, the principal balance on the Series 2017 was \$291.2 million.

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 agreement that was extended through June 29, 2020. As of June 30, 2018, the Airport Authority's outstanding debt under this agreement consists of \$14.8 million of Series B (AMT) and \$5.4 million Series C (taxable).

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

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

The SDIA's PFC program was established in 1994, and currently authorizes the imposition of a \$4.50 fee on enplaning passengers. There are currently 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 \$25.4 million in grant awards for the federal fiscal year ended September 30, 2018, as compared to \$24.7 million for 2017. Grant awards are recognized as nonoperating revenue or capital contributions as eligible expenses are incurred.

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

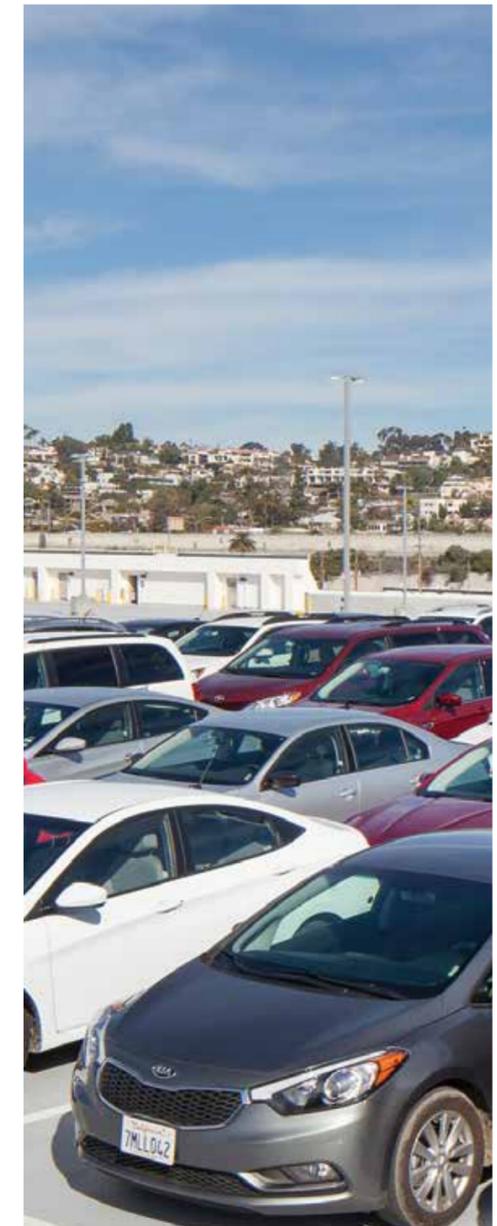
in writing to the Accounting Department, P.O. Box 82776, San Diego, CA 92138. The Accounting Department can also be reached at (619) 400-2807. A copy of the financial report is available at www.san.org.

REQUEST FOR INFORMATION



Assets and Deferred Outflows of Resources	2018	2017
Current Assets		
Unrestricted:		
Cash and cash equivalents (Note 2)	\$ 7,243,688	\$ 10,743,557
Investments (Notes 2 and 11)	85,690,254	97,353,685
Tenant lease receivables, net	10,837,699	9,321,940
Grants receivable	10,955,228	3,354,396
Note receivable, current portion (Note 3)	1,903,323	1,801,694
Other current assets	7,329,052	4,433,986
Total unrestricted current assets	123,959,244	127,009,258
Restricted cash, cash equivalents and investments with trustees (Notes 2 and 5)	99,650,564	64,297,770
Total current assets	223,609,808	191,307,028
Noncurrent Assets		
Restricted assets (Notes 2 and 5):		
Restricted cash, cash equivalents and investments not with trustees	191,304,621	175,907,551
Restricted investments with trustees	228,598,834	97,763,717
Passenger facility charges receivable (Note 1)	6,635,273	6,155,618
Customer facility charges receivable (Note 1)	4,097,757	3,717,575
Other restricted assets	5,310,167	2,791,385
Total restricted assets	435,946,652	286,335,846
Other noncurrent assets:		
Investments, noncurrent (Note 2)	136,796,912	148,319,754
Note receivable, long-term portion (Note 3)	31,338,762	33,242,085
Cash and cash equivalents designated for specific capital projects and other commitments (Notes 2 and 11)	39,294,169	25,792,246
Net OPEB asset (Note 9)	97,418	-
Other noncurrent assets	-	349,943
Total other noncurrent assets	207,527,261	207,704,028
Capital assets (Note 4):		
Land, land improvements and nondepreciable assets	135,086,591	111,041,142
Buildings and structures	1,692,102,858	1,431,417,373
Machinery and equipment	112,464,061	98,289,644
Runways, roads and parking lots	646,939,284	626,871,756
Construction in progress	110,520,198	171,498,031
	2,697,112,992	2,439,117,946
Less accumulated depreciation	(992,971,931)	(894,209,246)
Capital assets, net	1,704,141,061	1,544,908,700
Total noncurrent assets	2,347,614,974	2,038,948,574
Total assets	2,571,224,782	2,230,255,602
Deferred outflows of resources:		
Deferred pension outflows (Note 6 and 7)	23,113,159	20,245,534
Deferred OPEB outflows (Note 9)	1,082,904	-
Total deferred outflows of resources	24,196,063	20,245,534
Total assets and deferred outflows of resources	\$ 2,595,420,845	\$ 2,250,501,136

See Notes to Financial Statements.



Liabilities, Deferred Inflows of Resources and Net Position	2018	2017
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	\$ 2,589,715	\$ 7,195,303
Accrued liabilities	28,508,254	20,756,128
Compensated absences, current portion (Note 5)	3,093,379	3,217,748
Other current liabilities	11,777,067	8,656,783
Long-term debt, current portion (Note 5)	323,514	298,449
Total payable from unrestricted assets	46,291,929	40,124,411
Payable from restricted assets:		
Accounts payable	51,585	1,135,312
Accrued liabilities	37,247,974	18,873,753
Long-term debt, current portion (Note 5)	22,650,000	11,585,000
Accrued interest on bonds and commercial paper (Note 5)	39,701,005	32,703,705
Total payable from restricted assets	99,650,564	64,297,770
Total current liabilities	145,942,493	104,422,181
Long-Term Liabilities		
Compensated absences, net of current portion (Note 5)	183,209	13,278
Other noncurrent liabilities	626,423	806,360
Long-term debt, net of current portion (Note 5)	1,614,294,048	1,342,159,363
Net pension liability (Note 6 and 7)	20,222,458	18,111,482
Total long-term liabilities	1,635,326,138	1,361,090,483
Total liabilities	1,781,268,631	1,465,512,664
Deferred inflows of resources		
Deferred pension inflows (Note 6 and 7)	3,685,838	1,815,440
Deferred OPEB inflows (Note 9)	541,669	-
Total deferred inflows of resources	4,227,507	1,815,440
Total liabilities and deferred inflows of resources	\$ 1,785,496,138	\$ 1,467,328,104
Net Position		
Net investment in capital assets (Note 1)	281,703,129	263,951,847
Restricted:		
Debt Service	84,852,323	83,274,140
Construction	135,691,506	121,177,898
OPEB	97,418	-
Operation and maintenance expenses	14,236,540	13,844,912
Small business bond guarantee	4,000,000	4,000,000
OCIP loss reserve	5,310,166	2,791,385
Total restricted net position	244,187,953	225,088,335
Unrestricted net position	284,033,625	294,132,850
Total net position	\$ 809,924,707	\$ 783,173,032

See Notes to Financial Statements.

SAN DIEGO COUNTY REGIONAL
AIRPORT AUTHORITY

STATEMENTS OF REVENUES,
EXPENSES AND CHANGES
IN NET POSITION
JUNE 30, 2018 AND 2017



	2018	2017
Operating revenues:		
Airline revenue:		
Landing fees	\$ 23,900,414	\$ 24,612,412
Aircraft parking fees	3,235,788	2,926,972
Building rentals (Note 12)	62,241,252	56,574,914
Security surcharge	32,303,267	29,468,089
Other aviation revenue	1,476,479	2,799,070
Concession revenue	65,609,858	61,255,811
Parking and ground transportation revenue	53,254,030	49,407,235
Ground and non-airline terminal rentals (Note 12)	22,108,637	20,053,031
Other operating revenue	1,700,548	1,749,405
Total operating revenues	265,830,273	248,846,939
Operating expenses:		
Salaries and benefits (Notes 6, 7, and 8)	47,865,727	46,873,859
Contractual services (Note 14)	45,248,939	44,372,149
Safety and security	30,733,076	28,421,603
Space rental (Note 13)	10,189,836	10,189,944
Utilities	12,509,607	10,735,957
Maintenance	12,602,987	14,269,953
Equipment and systems	597,859	506,154
Materials and supplies	655,698	610,787
Insurance	1,097,868	956,358
Employee development and support	1,248,355	1,347,007
Business development	3,245,967	2,347,199
Equipment rentals and repairs	3,124,471	3,094,559
Total operating expenses before depreciation	169,120,390	163,725,529
Income from operations before depreciation	96,709,883	85,121,410
Depreciation expense	105,531,703	95,229,029
Operating loss	\$ (8,821,820)	\$ (10,107,619)

See Notes to Financial Statements.

(Continued)

SAN DIEGO COUNTY REGIONAL
AIRPORT AUTHORITY

STATEMENTS OF REVENUES,
EXPENSES AND CHANGES
IN NET POSITION (CONTINUED)
JUNE 30, 2018 AND 2017

	2018	2017
Nonoperating revenues (expenses):		
Passenger facility charges	\$ 46,952,755	\$ 42,199,763
Customer facility charges	41,036,526	36,527,853
Quieter Home Program grant revenue (Note 1)	8,389,249	1,413,999
Quieter Home Program expenses (Note 1)	(11,135,808)	(2,198,744)
Joint Studies Program	(114,387)	-
Interest income	13,374,227	8,133,765
Interest expense (Note 5)	(68,411,379)	(58,178,865)
Build America Bonds subsidy (Note 5)	4,666,190	4,651,203
Other revenues (expenses), net	(13,229,154)	(17,120,558)
Nonoperating revenue, net	21,528,219	15,428,416
Income before federal grants	12,706,399	5,320,797
Federal grants (Note 1)	13,328,021	1,903,686
Change in net position	26,034,420	7,224,483
Net position, as previously reported	783,173,032	775,948,549
Adjustment for adoption of GASB 75	717,255	
Net position, beginning of year, as restated	783,890,287	
Net position, end of year	\$ 809,924,707	\$ 783,173,032

See Notes to Financial Statements.





	2018	2017
Cash Flows From Operating Activities		
Receipts from customers	\$ 267,462,006	\$ 247,823,092
Payments to suppliers	(164,900,528)	(122,079,920)
Payments to employees	(49,265,624)	(49,487,337)
Other receipts	2,043,904	1,793,123
Net cash provided by operating activities	55,339,758	78,048,958
Cash Flows From Noncapital Financing Activities		
Settlement receipts (payments)	(3,779,457)	(2,350,067)
Quieter Home Program grant receipts	5,424,925	1,413,999
Quieter Home Program payments	(11,135,808)	(2,198,744)
Joint Studies Program payments	(114,387)	-
Net cash used in noncapital financing activities	(9,604,727)	(3,134,812)
Cash Flows From Capital and Related Financing Activities		
Capital outlay	(212,327,613)	(97,053,113)
Proceeds on Build America Bonds subsidy	4,666,190	4,651,203
Proceeds from variable debt	-	32,550,000
Federal grants received (excluding Quieter Home Program)	8,691,513	6,172,709
Proceeds from passenger facility charges	46,473,100	40,541,802
Proceeds from customer facility charges	40,656,344	35,779,198
Proceeds from issuance of Series 2017 Bonds	339,633,688	-
Payment of from variable debt	(38,835,000)	-
Payment of principal on bonds	(11,585,000)	(17,223,000)
Payment of capital lease	(298,449)	(275,421)
Interest and debt fees paid	(67,174,633)	(62,605,537)
Net cash used in capital and related financing activities	109,900,140	(57,462,159)
Cash Flows From Investing Activities		
Sales and maturities of investments	467,359,490	106,870,324
Purchases of investments	(625,758,198)	(144,732,956)
Interest received on investments and note receivable	10,963,897	7,726,057
Principal payments received on notes receivable	1,801,694	1,705,491
Net cash provided by (used in) investing activities	(145,633,117)	(28,431,084)
Net increase (decrease) in cash and cash equivalents	10,002,054	(10,979,097)
Cash and cash equivalents, beginning of year	36,535,803	47,514,900
Cash and cash equivalents, end of year	\$ 46,537,857	\$ 36,535,803

See Notes to Financial Statements.

	2018	2017
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Unrestricted cash and cash equivalents	\$ 7,243,688	\$ 10,743,557
Cash and cash equivalents designated for specific capital projects and other commitments	39,294,169	25,792,246
Total cash and cash equivalents	\$ 46,537,857	\$ 36,535,803
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (8,821,820)	\$ (10,107,619)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	105,531,703	95,229,030
Change in pension expense	718,394	453,856
Change in deferred outflows related to pensions/OPEB	(1,938,110)	-
Change in deferred inflows related to pensions/OPEB	2,412,067	-
Changes in assets and liabilities:		
Tenant lease receivables	(1,515,759)	(793,124)
Other assets	(3,003,518)	(391,094)
Accounts payable	(49,176,177)	(2,448,171)
Accrued liabilities	8,102,069	(3,807,485)
Compensated absences	45,562	(131,087)
Other liabilities	2,985,347	44,652
Net cash provided by operating activities	\$ 55,339,758	\$ 78,048,958
Supplemental Disclosure of Noncash Investing, Capital and Financing Activities		
Additions to capital assets included in accounts payable	\$ 37,299,559	\$ 20,009,065

See Notes to Financial Statements.



NOTE 1.

NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY:

The San Diego County Regional Airport Authority (Airport Authority), an autonomous public agency, was established in accordance with, Assembly Bill 93 (2001), as modified by Senate Bill 1896 (2002), which together comprise the San Diego County Regional Airport Authority Act (the Act). The Act required, among other things, the transfer of the assets and operations of the San Diego International Airport (SDIA) from the San Diego Unified Port District (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 (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



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

NOTE 1.

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, 2018 and 2017, the Airport Authority recovered \$13,079,164 and \$1,903,686, respectively, for approved capital projects and \$8,389,249 and \$1,413,999, respectively, for the Quieter Home Program. Related recoverable costs as of June 30, 2018 and 2017, were \$17,438,885 and \$2,538,248, respectively, for capital projects and \$10,486,561 and \$1,767,499, 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, 2018 and 2017, accrued PFC receivables totaled \$6,635,273 and \$6,155,618, respectively, and there were \$80,297,022 and \$73,311,497 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2018 and 2017, 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, 2018 and 2017, accrued CFC receivables totaled \$4,097,757 and \$3,717,575, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2018 and 2017, were \$44,661,454 and \$37,830,593 respectively.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES:

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

- Employer Contributions – Pensions and OPEB– These contributions are those made after the measurement date through the fiscal year end (July 1st – June 30th) resulting in a cash outlay not yet recognized under GASB 68 or GASB 75. This amount is deferred and recognized in the following fiscal year. This item is presented as a deferred outflow of resources.
- Investment difference – Pensions and OPEB –

These amounts represent the difference in projected and actual earnings on pension/OPEB plan assets. These differences are deferred and amortized over a closed five-year period. This item can be presented as both a deferred outflow and deferred inflow of resources and is combined annually as a single net unamortized balance.

- Experience difference – Pensions and OPEB – These amounts represent the difference in expected and actual pension/OPEB experience. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.
- Assumption changes – Pensions and OPEB – These amounts represent the difference resulting from a change in assumptions used to measure the underlying net pension/OPEB liability/asset. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.

CAPITAL ASSETS:

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

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

NOTE 1.

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



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

NOTE 1.

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

Asset Category	(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, 2018 and 2017, the Airport Authority capitalized interest of \$7,218,861 and \$4,774,693, respectively.

CAPITAL ASSET IMPAIRMENT:

The Airport Authority's capital assets include property, equipment and infrastructure assets. A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The Airport Authority evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Common indicators of impairment include

evidence of physical damage where restoration efforts are needed to restore service utility, enactment or approval of laws or regulations setting standards that the capital asset would not be able to meet, technological development or evidence of obsolescence, a change in the manner or expected duration of use of a capital asset or construction stoppage. The Airport Authority reports the effects of capital asset impairments in its financial statements when they occur and accounts for insurance recoveries in the same manner. The Airport Authority's management has determined that no impairments of capital assets currently exist.

RETENTIONS PAYABLE:

The Airport Authority enters into construction contracts that may include retention provisions such that a certain percentage of the contract amount is held for payment until completion of the contract and acceptance by the Airport Authority. The Airport Authority's policy is to record the retention payable only after completion of the work and acceptance of the contractor invoices have occurred. Retentions payable on completed

contracts are included with accounts payable on the accompanying statements of net position. Amounts related to unpaid retentions on uncompleted contracts are included in accrued liabilities

COMPENSATED ABSENCES:

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

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.

Unrestricted net position as of June 30, 2018 and 2017 includes designations of net position that represent tentative management plans that are subject to change, consisting of:

	2018	2017
Operating contingency	\$ 2,000,000	\$ 2,000,000
Insurance contingency	10,249,962	9,531,966
Capital projects and other commitments	27,044,207	14,260,280
Total designated net position	\$ 39,294,169	\$ 25,792,246

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

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.

administering the airport system, including depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions and grants.

CONCENTRATIONS:

A significant portion of the Airport Authority's earnings and revenues are directly or indirectly

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

	2018	2017
Southwest Airlines	38.0%	37.4%
Alaska	13.4%	8.7%
American Airlines	12.8%	12.6%
United Airlines	12.7%	11.9%
Delta	10.6%	10.3%

NOTE 1.

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

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.



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

NOTE 1.

DEFINED BENEFIT PENSION PLAN:

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

ACCOUNTING PRONOUNCEMENTS ADOPTED:

The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2018:

- GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), effective for the Airport Authority's year ended June 30, 2018.
- GASB Statement No. 85, Omnibus 2017, effective for the Airport Authority's year ended June 30, 2018.
- GASB Statement No. 86, Certain Debt Extinguishment Issues, effective for the Airport Authority's year ending June 30, 2018

The implementation of Statement No. 75 resulted in a restatement of beginning net position as of July 1, 2017, which is the beginning of the earliest period restated. Restatement of beginning net position of the prior period presented was not practical as prior actuary reports were issued in accordance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This restatement reclassified amounts previously expensed as salaries and benefits to deferred outflow of resources, and recognized the net OPEB liability as of July 1, 2017.

Adjustments to beginning net position for the adoption of this statement follow:

Deferred OPEB contributions	\$ 2,012,419
Net OPEB liability	1,295,164
Net position, July 1, 2017	717,255

ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED:

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

- GASB Statement No. 83, Certain Asset Retirement Obligations, effective for the Airport Authority's year ending June 30, 2019
- GASB Statement No. 84, Fiduciary Activities, effective for the Airport Authority's year ending June 30, 2020
- GASB Statement No. 87, Leases, effective for the Airport Authority's year ending June 30, 2021
- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, effective for the Airport Authority's year ending June 30, 2019
- GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, effective for the Airport Authority's year ending June 30, 2021

RECLASSIFICATIONS:

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation. The reclassifications had no effect on the changes in net position.



CASH, CASH EQUIVALENTS & INVESTMENTS

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

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

	2018	2017
Unrestricted and Undesignated:		
Cash and cash equivalents	\$ 7,243,688	\$ 10,743,557
Current investments	85,690,254	97,353,685
Noncurrent investments	136,796,912	148,319,754
Total unrestricted and undesignated	229,730,854	256,416,996
Designated for specific capital projects and other commitments: cash and cash equivalents	39,294,169	25,792,246
Restricted:		
Current cash, cash equivalents and investments, with trustees	99,650,564	90,068,047
Noncurrent cash, cash equivalents and investments, not with trustees	191,304,621	175,907,551
Noncurrent investments, with trustees	228,598,834	71,993,440
Total restricted cash, cash equivalents and investments	519,554,019	337,969,038
Total cash, cash equivalents and investments	\$ 788,579,042	\$ 620,178,280

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

	2018	2017
Restricted cash, cash equivalents and investments:		
Bond reserves:		
Operation and maintenance reserve subaccount	\$ 42,709,622	\$ 41,534,736
Operation and maintenance subaccount	14,236,540	13,844,912
Renewal and replacement account	5,400,000	5,400,000
Total bonds reserves	62,346,162	60,779,648
Passenger facility charges unapplied	80,297,022	73,311,497
Customer facility charges unapplied	44,661,454	37,830,593
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	51,974,951	51,512,762
2010 Series debt service account	25,312,063	25,001,407
2013 Series construction fund	2,323	1,720,948
2013 Series debt service reserve fund	33,573,756	33,322,247
2013 Series debt service account	11,430,643	11,338,002
2014 Series construction fund	1,969	37,044
2014 Series debt service reserve fund	22,347,589	22,180,178
2014 Series debt service account	13,781,497	8,153,925
2014 Series rolling coverage fund	6,769,427	6,718,716
2014 Series renew and replace	3,825,876	1,899,455
2017 Series construction fund	131,388,973	-
2017 Series debt service reserve fund	15,154,803	-
2017 Series debt service account	12,685,511	-
Total restricted cash, cash equivalents and investments	\$ 519,554,019	\$ 337,969,038



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.

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

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

INVESTMENT IN STATE INVESTMENT POOLS:

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

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

INVESTMENT IN COUNTY INVESTMENT POOL:

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

NOTE 2.

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

NOTE 2. INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS:

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

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

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

*Investment requires collateralization

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

INVESTMENTS HELD BY TRUSTEE:

The Airport Authority has monies held by trustees pledged for the security and payment of certain

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.

debt instruments, the payment of bond interest during construction and the payment of capital project costs.

DISCLOSURES RELATED TO INTEREST RATE RISK:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, investments with longer maturities have greater fair value sensitivity to changes in market interest rates. One of the ways the Airport Authority manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities. These staggered maturities also provide consistent cash flow and fulfill liquidity needs for operations. The Airport Authority monitors interest rate risk inherent in its portfolio by measuring the segmented time

distribution of its portfolio. The Airport Authority has no specific limitations with respect to this metric.

CUSTODIAL CREDIT RISK (DEPOSITS):

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



CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

NOTE 2. The maturity ranges and credit ratings for the Airport Authority's investment securities as of June 30, are presented in the following tables:

Investment Type	2018				Ratings
	Total	Investment Maturities (in Years)			
		0 - 1	1 - 2	2 - 5	
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	\$124,032,939	\$14,814,921	\$24,988,888	\$84,229,130	AA+
U.S. agency securities	67,281,728	3,988,720	63,293,008	-	AA+
Supranationals	8,020,598	2,961,090	2,959,710	2,099,798	AAA
	5,294,485	-	-	5,294,485	Not rated
Negotiable certificates of deposit	11,911,120	7,994,640	-	3,916,480	AA
	22,642,037	16,941,660	5,700,377	-	A
Medium-term notes	2,876,730	-	-	2,876,730	AAA
	15,749,735	4,464,870	7,409,025	3,875,840	AA
	31,802,519	10,543,467	7,900,497	13,358,555	A
Money market mutual funds	93,517	93,517	-	-	AAA
Local Agency Investment Fund	48,733,079	48,733,079	-	-	Unrated
San Diego County Investment Pool	234,006,333	234,006,333	-	-	Unrated ⁽¹⁾
CalTrust Fund	15,522,832	15,522,832	-	-	AA
Total investments subject to credit and interest rate risk:	587,967,652	360,065,129	112,251,505	115,651,018	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	15,639,415				
Total Investments	<u>\$603,607,067</u>				

Investment Type	2017				Ratings
	Total	Investment Maturities (in Years)			
		0 - 1	1 - 2	2 - 5	
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	\$ 85,201,348	\$ 9,973,800	\$49,865,262	\$25,362,286	AA+
U.S. agency securities	109,436,513	4,438,252	41,168,904	63,829,357	AA+
Supranationals	5,982,120	-	2,968,080	3,014,040	AAA
Commercial paper	8,485,280	8,485,280	-	-	A-1+
Negotiable certificates of deposit	46,592,680	25,528,280	21,064,400	-	A-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
Local Agency Investment Fund	48,182,813	48,182,813	-	-	Unrated
San Diego County Investment Pool	157,252,092	157,252,092	-	-	Unrated ⁽¹⁾
CalTrust Fund	15,297,173	15,297,174	-	-	AA
Total investments subject to credit and interest rate risk:	516,625,552	281,733,905	130,168,172	104,723,476	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	15,413,828				
Total Investments	<u>\$532,039,380</u>				

Ratings per Standard and Poor's
(1) Investment rated AAA by Fitch

CONCENTRATION OF CREDIT RISK:
The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated in the table provided earlier in this note. The Airport Authority requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity, issuer or class of securities. The Airport Authority had no concentrations of credit risk at June 30, 2018 and 2017.

FOREIGN CURRENCY RISK:
The Airport Authority's investment policy does not allow investments in foreign securities.

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

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, 2018 and 2017, the balance of the note receivable was \$33,242,085 and \$35,043,779, respectively.

NOTE 3. NOTE RECEIVABLE

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
2019	\$ 1,903,323
2020	2,006,052
2021	2,123,843
2022	2,243,644
2023	2,370,203
2024-2028	14,008,274
2029-2031	8,586,746
	<u>\$ 33,242,085</u>



NOTE 4. Capital asset activity for the years ended June 30, 2018 and 2017 are as follows:

CAPITAL ASSETS

	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Nondepreciable assets:				
Land	\$ 22,167,595	\$ -	\$ -	\$ 22,167,595
Construction in progress	171,498,032	272,511,934	(333,489,767)	110,520,199
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets	194,105,627	272,511,934	(333,489,767)	133,127,794
Depreciable assets:				
Land improvements	88,873,547	24,535,625	(490,176)	112,918,996
Buildings and structures (1)	1,430,977,373	262,093,480	(1,407,995)	1,691,662,858
Machinery and equipment (2)	98,289,643	15,856,555	(1,682,138)	112,464,060
Runways, roads and parking lots	626,871,756	32,705,934	(12,638,406)	646,939,284
Total capital assets being depreciated	2,245,012,319	335,191,594	(16,218,715)	2,563,985,198
Less accumulated depreciation for:				
Land improvements	(13,595,257)	(7,185,518)	85,769	(20,695,006)
Building and structures	(547,652,555)	(64,299,973)	1,402,095	(610,550,433)
Machinery and equipment	(56,392,656)	(8,475,734)	1,682,137	(63,186,253)
Runways, roads and parking lots	(276,568,778)	(25,570,478)	3,599,017	(298,540,239)
Total accumulated depreciation	(894,209,246)	(105,531,703)	6,769,018	(992,971,931)
Total capital assets being depreciated, net	1,350,803,073	229,659,891	(9,449,697)	1,571,013,267
Capital assets, net	\$ 1,544,908,700	\$ 502,171,825	\$ (342,939,464)	\$ 1,704,141,061

(1) Includes capitalized lease of building with a net present value of future lease payments of \$7,012,496
 (2) Includes capitalized leases of office equipment with a net present value of future lease payments of \$131,369

	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)	(63,647,618)	8,476,840	(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)	13,479,422	(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



The following is a summary of changes in the long-term liability activity for the years ended June 30, 2018 and 2017:

NOTE 5.

LONG-TERM LIABILITIES

	Principal Balance at June 30, 2017	Additions /New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2018	Due Within One Year
Variable Rate Debt					
Series A tax-exempt	\$ 32,550,000	\$ -	\$ (32,550,000)	\$ -	\$ -
Series B tax-exempt	15,849,000	-	(1,055,000)	14,794,000	-
Series C taxable	10,599,000	-	(5,230,000)	5,369,000	-
Total variable rate debt	58,998,000	-	(38,835,000)	20,163,000	-
Bonds payable:					
Series 2010 Bonds	546,420,000	-	(9,430,000)	536,990,000	9,890,000
Series 2013 Bonds	375,465,000	-	(2,155,000)	373,310,000	2,240,000
Series 2014 Bonds	305,285,000	-	-	305,285,000	5,580,000
Series 2017 Bonds	-	291,210,000	-	291,210,000	4,940,000
Bond premiums	60,432,498	48,423,688	(5,690,489)	103,165,697	-
Total bonds payable	1,287,602,498	339,633,688	(17,275,489)	1,609,960,697	22,650,000
Capital leases	7,442,314	-	(298,449)	7,143,865	323,514
Total debt obligations	1,354,042,812	339,633,688	(56,408,938)	1,637,267,562	22,973,514
Compensated absences					
Net pension liability	3,231,026	3,138,941	(3,093,379)	3,276,588	3,093,379
Total other accruals	18,111,482	7,308,825	(5,197,849)	20,222,458	-
Total long-term liabilities	\$ 1,375,385,320	\$ 350,081,454	\$ (64,700,166)	\$ 1,660,766,608	\$ 26,066,893

	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 debt obligations	1,343,144,777	32,550,000	(21,651,965)	1,354,042,812	11,883,449
Compensated absences					
Net pension liability	3,362,113	3,086,661	(3,217,748)	3,231,026	3,217,748
Total other accruals	1,680,759	27,275,582	(10,844,859)	18,111,482	-
Total long-term liabilities	\$ 1,348,187,649	\$ 62,912,243	\$ (35,714,572)	\$ 1,375,385,320	\$ 15,101,197

LONG-TERM LIABILITIES
(CONTINUED)

NOTE 5. SENIOR LIEN AIRPORT REVENUE BONDS,
SERIES 2005 AND REFUNDED SERIES 1995:

The California Maritime Infrastructure Authority issued \$76,690,000 of Airport Revenue Bonds (Series 1995 Bonds) for the District, pursuant to a trust agreement dated December 1, 1995. The proceeds of the Series 1995 Bonds, 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 November 9, 2005, the Airport Authority issued 56,270,000 of senior lien Series 2005 bonds to refund all of the then-outstanding Series 1995 Bonds, fund a debt service reserve account and pay cost of issuance.

On December 21, 2012, the Airport Authority defeased all of its outstanding Series 2005 Bonds, by depositing proceeds of Subordinate CP Notes and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2005 Bonds until their final maturity date of July 1, 2020. As of June 30, 2018 and 2017, the amount held in escrow by the trustee was \$15,516,704 and \$20,603,125, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was \$14,605,000 and \$18,985,000, 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, 2018 and 2017, was \$18,263,750 and \$18,349,950, respectively, including accrued interest of \$9,131,875 and \$9,174,975 for fiscal years ending June 30, 2018 and 2017, respectively. The principal balance on the Series 2013 Bonds as of June 30, 2018 and 2017, was \$373,310,000 and \$375,465,000, 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, 2018 and 2017, the amount held by the trustee was \$45,006,722 and \$46,381,197, respectively, which included the July 1 payment and the debt service reserve fund. The total additional amounts held by the Airport Authority for Operating and Maintenance, and Renewal and Replacements reserves for fiscal years 2018 and 2017 was \$62,346,162 and \$60,779,648,

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.

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
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	8,725,000	17,051,225	25,776,225
2024-2028	50,660,000	78,095,450	128,755,450
2029-2033	45,330,000	65,221,975	110,551,975
2034-2038	32,565,000	57,139,125	89,704,125
2039-2043	150,780,000	41,634,250	192,414,250
2044	64,450,000	1,573,750	66,023,750
	<u>\$ 373,310,000</u>	<u>\$ 332,422,925</u>	<u>\$ 705,732,925</u>

SUBORDINATE LIEN SERIES 2010 AND
2017 BONDS:

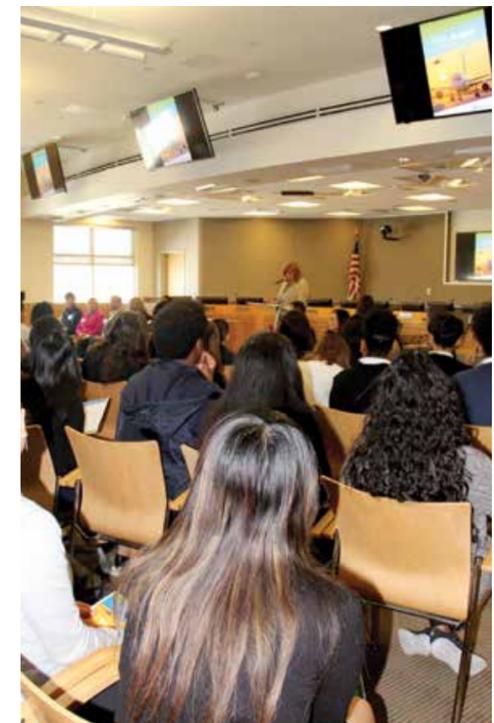
On October 5, 2010, the Airport Authority issued \$572,565,000 of Series A, B and C Subordinate Airport Revenue Bonds (Series 2010 Bonds). The subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the subordinate Series 2010 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. The BAB interest subsidies received by the Airport Authority for fiscal years ended June 30,

2018 and 2017, amounted to \$4,666,190 and \$4,651,203, respectively. The interest rate on the Series 2010 C Bonds, net of the subsidy, is 4.46 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, 2018 and 2017, amounted to \$30,259,748 and \$30,716,248, respectively, including accrued interest of \$15,129,875 and \$15,358,125, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2018 and 2017, was \$536,990,000 and \$546,420,000, respectively.

NOTE 5.
LONG-TERM LIABILITIES
(CONTINUED)



NOTE 5. The required debt service payments for the Series 2010 Bonds for the fiscal years ending June 30, are as follows:

**LONG-TERM LIABILITIES
(CONTINUED)**

Years Ending June 30,	Principal	Interest	Total
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	11,960,000	27,892,767	39,852,767
2024-2028	69,330,000	129,681,617	199,011,617
2029-2033	110,385,000	108,629,628	219,014,628
2034-2038	176,410,000	65,792,997	242,202,997
2039-2041	126,370,000	11,699,976	138,069,976
	<u>\$ 536,990,000</u>	<u>\$ 460,717,765</u>	<u>\$ 997,707,765</u>

The Airport Authority issued \$291,210,000 of Series A and B Subordinate Airport Revenue Bonds on August 3, 2017. The Subordinate Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund \$32,550,000 of the Airport Authority's outstanding variable rate debt, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00

percent to 5.00 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of \$48,423,688, which is being amortized over the life of the bonds. Interest on the Series 2017 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal year ended June 30, 2018, amounted to \$13,245,096, including accrued interest of \$7,268,650. The principal balance on the subordinate Series 2017 Bonds as of June 30, 2018, was \$291,210,000.

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

Years Ending June 30,	Principal	Interest	Total
2019	\$ 4,940,000	\$ 14,425,400	\$ 19,365,400
2020	4,460,000	14,202,000	18,662,000
2021	4,825,000	13,969,875	18,794,875
2022	5,070,000	13,722,500	18,792,500
2023	5,320,000	13,462,750	18,782,750
2024-2028	30,860,000	62,941,750	93,801,750
2029-2033	39,395,000	54,201,375	93,596,375
2034-2038	50,275,000	43,045,875	93,320,875
2039-2043	64,170,000	28,808,750	92,978,750
2040-2048	81,895,000	10,635,875	92,530,875
	<u>\$ 291,210,000</u>	<u>\$ 269,416,150</u>	<u>\$ 560,626,150</u>



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

As subordinate lien bonds, the Series 2010 and 2017 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2018 and 2017, the amount held by the trustee was \$236,516,301 and \$76,514,169, respectively, which included the July 1 payment, a debt service reserve fund, construction fund, and a capitalized interest fund. The public ratings of the Subordinate Series 2010 and 2017 Bonds as of June 30, 2017, are A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

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, 2018, the Authority had an outstanding principal balance on Series A Revolving Obligations of \$0, (the balance was \$32,550,000 as of June 30

2017). At June 30 2018 and 2017, the outstanding principal balances of the Series B Revolving Obligations were \$14,794,000 and \$15,849,000, 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 2018 and 2017, were \$5,369,000 and \$10,599,000 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.

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

SENIOR LIEN SPECIAL FACILITIES REVENUE BONDS, SERIES 2014: On February 19, 2014, the Airport Authority issued \$305,285,000 of Series A and B Senior Special Facilities Revenue Bonds (Series 2014 Bonds). The Series 2014 Bonds were issued to finance a portion of the costs of the development and construction

**NOTE 5.
LONG-TERM LIABILITIES
(CONTINUED)**

**LONG-TERM LIABILITIES
(CONTINUED)**

NOTE 5.

of a consolidated rental car facility and related improvements at SDIA, fund a portion of the interest accruing on the Series 2014 Bonds, fund deposits to the senior reserve fund and pay the costs of issuance of the Series 2014 Bonds.

The Series 2014 A Bonds were structured as tax-exempt and non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent. The bonds were issued at a premium of \$594,226, which is amortized over the life of the bonds. Interest on the Series 2014 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for fiscal years ended June 30, 2018 and 2017, 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, 2018 and 2017 was \$305,285,000.

The Series 2014 Bonds are special limited obligations of the Airport Authority, payable solely

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
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	6,320,000	15,424,013	21,744,013
2024-2028	37,305,000	71,246,224	108,551,224
2029-2033	48,980,000	59,250,031	108,230,031
2034-2038	64,295,000	43,501,662	107,796,662
2039-2043	84,410,000	22,828,056	107,238,056
2044-2045	40,695,000	2,094,701	42,789,701
	<u>\$ 305,285,000</u>	<u>\$ 278,372,059</u>	<u>\$ 583,657,059</u>

LINE OF CREDIT:

In fiscal year 2018, 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

from and secured by a pledge of the Trust Estate, which includes, among other things, customer facility charges collected from the rental car companies operating at the Airport and remitted to the Trustee. No revenues of the Airport Authority other than the customer facility charges and the Bond Funding Supplemental Consideration (as defined in the bond indenture), are pledged to the payment of the Series 2014 Bonds. The Series 2014 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's net position, as shown previously in the notes. For the fiscal years ended June 30, 2018 and 2017, the amount held by the trustee was \$46,726,358 and \$38,989,318, respectively, which included the July 1 payment, the debt service reserve fund, and the rolling coverage fund.

The public ratings of the Senior Series Special Facility 2014 Bonds as of June 30, 2017, are A-/A3 by Standard & Poor's and Moody's Investors Service.

the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2018, 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 a five year capital lease agreement for office equipment that requires a monthly lease payment of \$6,849. The agreement expires January 2020.

RECEIVING DISTRIBUTION CENTER LEASE:

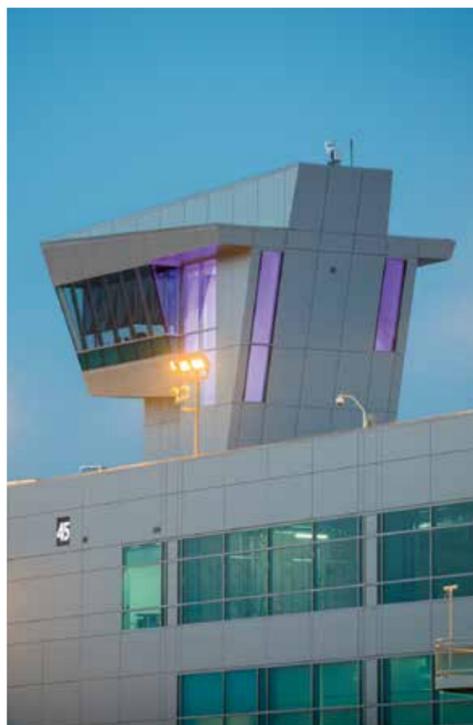
The following is a schedule of future lease payments applicable to the RDC installment purchase agreement, the office equipment capital leases, and the net present value of the future lease payments at June 30, 2018:

Years Ending June 30,	Amount
2019	959,486
2020	932,090
2021	877,298
2022	877,298
2023	877,298
2024-2028	4,386,489
2029-2033	<u>3,874,732</u>
Total lease payments	12,784,691
Less amount representing interest	<u>(5,640,826)</u>
Present value of future lease payments	<u>\$ 7,143,865</u>

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)**





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 found on the San Diego City Employees’ Retirement System website at www.SDCERS.org.

BENEFITS PROVIDED: The Airport Authority provides retirement, disability, and death benefits.

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

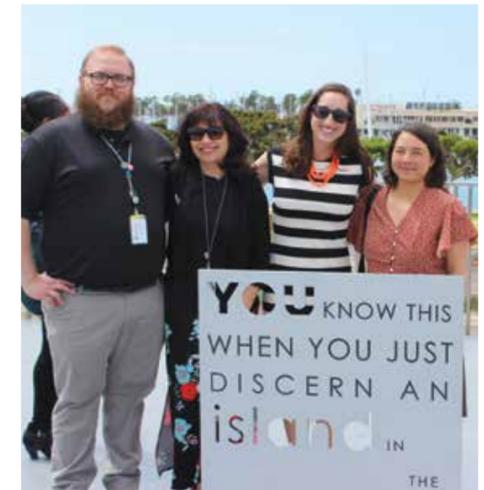
The classic participant retirement benefit is calculated by using monthly salary amounts based on the highest continuous 26 bi-weekly pay periods divided by 12. The eligibility of the classic participants begins at age 62 with five years of service, or age 55 with 20 years of service.

The PEPRA participant’s benefit is calculated by using monthly salary amounts based on the highest 36 consecutive months divided by 36. Pensionable 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

NOTE 6.

DEFINED BENEFIT PLAN



**DEFINED BENEFIT PLAN
(CONTINUED)**

NOTE 6.

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

As of the measurement dates June 30, 2017 and June 30, 2016, Plan membership was as follows:

	2017	2016
Active employees	394	385
Inactive employees entitled to but not yet receiving benefits	119	112
Inactive employees or beneficiaries currently receiving benefits	107	90
Total	620	587

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, 2018, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2016, 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

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.

on the normal cost rate and an amortization of any unfunded actuarial liability.

For the years ended June 30, 2018 and 2017, employees contributed \$2,990,317 and \$2,967,269 respectively, and the Airport Authority contributed \$5,480,984 and \$4,047,780, respectively, to the Plan. Under the Plan, the Airport Authority pays a portion of the classic participant's contribution, referred to as the "off-set". The off-set is equal to 7.00% or 8.50% of the general classic members' base compensation and 9.91% of the executive classic members' base compensation. These contributions are included in the employee contribution. There is no off-set for PEPRA participants.

NET PENSION LIABILITY:

The Airport Authority's net pension liability as of June 30, 2018, is measured as the total pension liability, less the pension plan's fiduciary net position. The total pension liability as of June 30, 2018, is measured as of June 30, 2017. The annual valuation used is as of June 30, 2016, rolled forward to June 30, 2017, 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, 2017 and 2016, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2017	June 30, 2016
Valuation date	June 30, 2016	June 30, 2015
Measurement date	June 30, 2017	June 30, 2016
Actuarial cost method	Entry-age normal funding method	Entry-age normal funding method
Asset valuation method	Expected value with smoothing	Expected value with smoothing
Actuarial assumptions:		
Investment rate of return ⁽¹⁾	6.75%	7.00%
Projected salary increase ⁽²⁾	3.05%	3.05%
Cost-of-living adjustment	1.9% per annum, compounded	1.90%
Termination rate ⁽³⁾	3.0% - 11.0%	3.0% - 11.0%
Disability rate ⁽⁴⁾	0.01% - 0.30%	0.01% - 0.30%
Mortality ⁽⁵⁾	0.02% - 13.54%	0.02% - 13.54%

⁽¹⁾ Net of investment expense

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

⁽³⁾ Based on years of service

⁽⁴⁾ Based on age

⁽⁵⁾ All active and retired healthy members: CalPERS Mortality Tables from the CalPERS January 2014 Experience Study, 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 Disability Mortality Table base rates from the CalPERS January 2014 Experience Study, projected 20 years from 2009 base year using a variation of scale MP-2015.

Additional details about the actuarial assumptions can be found in the SDCERS June 30, 2017 and June 30, 2016 actuarial reports.

DISCOUNT RATE:

For the June 30, 2017 and 2016 actuarial valuations, the discount rates used to measure the total pension liability were 6.75 percent and 7.0 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).

Asset Class	Target Allocation	Long-term Expected Real Rates of Return	Long-term Expected Nominal Rates of Return
U.S. equity	21.0%	4.4%	6.7%
Non-U.S. developed equity	15.0%	5.2%	7.5%
Global equity	5.0%	5.1%	7.3%
U.S. fixed income	22.0%	1.3%	3.5%
Emerging market debt	5.0%	3.7%	6.0%
Real estate	11.0%	3.1%	5.3%
Private equity and infrastructure	13.0%	6.2%	8.5%
Opportunity fund	8.0%	4.3%	6.6%
	100.0%		

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.

NOTE 6.

**DEFINED BENEFIT PLAN
(CONTINUED)**



NOTE 6.
DEFINED BENEFIT PLAN
(CONTINUED)

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, 2018, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 6/30/17	\$ 161,951,893	\$ 143,840,411	\$ 18,111,482
Changes for the year:			
Service cost	6,996,180	-	6,996,180
Interest on total pension liability	11,416,679	-	11,416,679
Difference between expected and actual experience	3,975,029	-	3,975,029
Changes in assumptions	5,871,218	-	5,871,218
Employer contributions	-	5,480,984	(5,480,984)
Member contributions	-	2,990,317	(2,990,317)
Net investment income	-	19,480,875	(19,480,875)
Benefit payments	(4,669,787)	(4,669,787)	-
Administrative expense	-	(325,041)	325,041
Net changes	23,589,319	22,957,348	631,971
Balances as of 6/30/18	\$ 185,541,212	\$ 166,797,759	\$ 18,743,453

Changes in the total pension liability, plan fiduciary net position and the net pension liability (asset) through the year ended June 30, 2017, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of 6/30/16	\$ 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 6/30/17	\$ 161,951,893	\$ 143,840,411	\$ 18,111,482



SENSITIVITY OF THE NET PENSION LIABILITY TO DISCOUNT RATE CHANGES:

The following presents the resulting net pension liability (asset) calculated using the discount rate of 6.75 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, 2018:

	1% Decrease	Current Discount Rate	1% Increase
	Total pension liability	\$ 212,190,155	\$ 185,541,212
Plan fiduciary net position	166,797,759	166,797,759	166,797,759
Net pension liability (asset)	\$ 45,392,396	\$ 18,743,453	\$ (3,150,446)
Plan fiduciary net position as a percentage of the total pension liability	78.6%	89.9%	101.9%

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

For the years ended June 30, 2018 and 2017, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$7,491,437 and \$7,451,396, respectively. At June 30, 2018 and 2017, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
For June 30, 2018		
Differences between expected and actual experience	\$ 3,485,355	\$ 1,452,351
Net difference between projected and actual earnings	-	2,054,516
Changes in assumptions	11,875,275	-
Employer contributions made subsequent to June 30, 2017 measurement date	7,247,203	-
Total	\$ 22,607,833	\$ 3,506,867

	Deferred Outflows of Resources	Deferred Inflows of Resources
For June 30, 2017		
Differences between expected and actual experience	\$ 230,441	\$ 1,815,440
Net difference between projected and actual earnings	6,089,002	-
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

The deferred outflows of resources, at June 30, 2018 and 2017, 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, 2019 and 2018, respectively.

NOTE 6.
DEFINED BENEFIT PLAN
(CONTINUED)



NOTE 6. Other amounts reported as deferred outflows/inflows of resources related to the plan at June 30, 2018, will be recognized in pension expense as follows:

**DEFINED BENEFIT PLAN
(CONTINUED)**

Years ended June 30,		
2019	\$	2,009,284
2020		4,051,282
2021		2,971,643
2022		1,180,515
2023		1,641,039
	\$	<u>11,853,763</u>



**PRESERVATION OF BENEFITS TRUST PLAN (POB)
DESCRIPTION:**

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

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

BENEFITS PROVIDED:

The Airport Authority provides retirement benefits. Retirement benefits are provided to POB members with retirement benefits in excess of Code Section 415(b) who have participated in in the Plan since establishment of the POB. Participation ends for a portion of a plan year in which the retirement benefit of a retiree or beneficiary is not limited by Code Section 415(b) or when all benefit obligations to the retiree or beneficiary have been satisfied. Benefit payments are equal to the amount of retirement income that would have been payable, less the amount payable by the Plan. Benefit payments for the year ended June 30 2018, were \$190,871. The POB is unfunded and provides benefits on an annual basis as determined by SDCERS.

As of the measurement date June 30, 2017, Plan membership was as follows:

	2017
Active employees	3
Inactive employees or beneficiaries currently receiving benefits	1
Total	<u>4</u>

TOTAL PENSION LIABILITY:

The Airport Authority's total pension liability as of June 30, 2018, is \$1,479,005. The pension liability as of June 30, 2018, is measured as of June 30, 2017, using an annual actuarial valuation as of

June 30, 2016, rolled forward to June 30, 2017, 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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2017
Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actarial cost method	Entry-age normal
Actuarial assumptions:	
Discount rate	3.58%
Inflation rate	3.05%
Interest credited to member contributions	7.00%
projected salary increases	3.05%

NOTE 7.

PRESERVATION OF BENEFITS TRUST PLAN (GASB NO. 73)



PRESERVATION OF BENEFITS TRUST PLAN (GASB NO. 73) (CONTINUED)

NOTE 7. CHANGES IN THE TOTAL PENSION LIABILITY: amortization of deferred outflows of resources and Changes in the total pension liability included service cost of \$60,994, interest of \$35,323 as well as deferred inflows of resources related to the pension.

SENSITIVITY OF THE TOTAL PENSION LIABILITY TO DISCOUNT RATE CHANGES: The following presents the resulting total pension liability calculated using the discount rate of 3.58 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal years ended June 30, 2018:

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 1,783,438	\$ 1,479,005	\$ 1,239,482

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

For the year ended June 30, 2018, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 73, of \$1,177,544. At June 30, 2018, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 323,607	\$ -
Changes in assumptions	181,719	178,971
Total	\$ 505,326	\$ 178,971

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

Years ended June 30,	
2019	\$ 74,358
2020	74,358
2021	74,358
2022	74,357
2023	28,924
	<u>\$ 326,355</u>



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

The plan is administered by the Airport Authority and contracted to an unrelated financial institution. Under the terms of an IRC Section 457 deferred

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

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

NOTE 8. EMPLOYEES' DEFERRED COMPENSATION PLAN

GASB 45

The Airport Authority provides an agent multiple-employer defined benefit 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. During the fiscal year ended June 30, 2018, the Airport Authority's contributions were \$461,859.

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

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

NOTE 9.

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, 2017. According to the July 1, 2015, actuarial valuation, the ARC was \$ 2,013,000 for fiscal year 2017. 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



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	ARC	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
7/1/17	16/17	2,013	2,013	(59)	(4)	4	2,013

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.

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 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%

GASB 75

GASB Statement No. 75 was used to account for the June 30, 2018, net OPEB asset. A measurement date of June 30, 2017, was used for the June 30,

2018, OPEB asset and expense. The information that follows was determined as of a valuation date of July 1, 2017.

Membership in the OPEB by membership class at June 30, 2017, is as follows:

	2017
Active employees	173
Inactive employees or beneficiaries currently receiving benefits	61
Total	234

NOTE 9.

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)



OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

NOTE 9. ACTUARIAL ASSUMPTIONS:

The total OPEB liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	2.75%
Projected salary increase	3.00%
Investment rate of return	7.28%, net of OPEB plan investment expense, including inflation.
Actuarial cost method	Entry Age Normal, with amortization of 7/1/2017 unfunded liability over the period ending 6/30/2037 and amortization of subsequent unanticipated changes in liability over 15-year periods.
Asset valuation method	6 year asset smoothing
Retirement age	Rates used are the same as used in the June 30, 2016 San Diego City Employees' Retirements System actuarial valuation.
Mortality	RP-2006 Mortality Table projected with future improvements from 2006 using fully generational projection Scale MP-2017.

Year	Medical		
	Pre-65	Post-65	Dental
2017	7.6%	8.7%	5.0%
2018	7.2%	8.2%	5.0%
2019	6.8%	7.7%	5.0%
2020	6.4%	7.2%	5.0%
2021	6.0%	6.6%	5.0%
2022	5.5%	6.1%	5.0%
2023	5.0%	5.5%	5.0%
2024	4.7%	5.0%	5.0%
2025	4.5%	4.5%	5.0%

Following the implementation of GASB Statement No. 75 through the June 30, 2017 actuarial report, changes of assumptions were made from the June 30, 2015 actuarial report. These changes include updated assumptions for mortality, disability, retirement, plan participation, spouse election and baseline trends. These changes resulted in a deferred outflow of resources signifying an expectation of increased future OPEB costs.

was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

DISCOUNT RATE:

The discount rate used to measure the total OPEB liability (asset) was 7.28 percent. Based on those assumptions, the OPEB Plan's fiduciary net position



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

NOTE 9.

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rates of Return
Public Equity	57%	5.71%
Fixed Income	27%	2.40%
REITs	8%	7.88%
TIPS	5%	2.25%
Commodities	3%	4.95%
	<u>100%</u>	

Changes in the Net OPEB Liability (Asset): Changes in the total OPEB liability, plan fiduciary net position and the net OPEB liability (asset) through the year ended June 30, 2018, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability/ (Asset) (a) - (b)
Balances as of 6/30/17	\$ 21,884,188	\$ 20,589,024	
Changes for the year:			
Service cost	411,052	-	411,052
Interest on total OPEB liability	1,606,959	-	1,606,959
Difference between expected and actual experience	-	-	-
Changes in assumptions	766,830	-	766,830
Employer contributions	-	2,012,419	(2,012,419)
Member contributions	-	-	-
Net investment income	-	2,175,582	(2,175,582)
Benefit payments	(451,189)	(451,189)	-
Administrative expense	-	(10,578)	10,578
Net changes	<u>2,333,652</u>	<u>3,726,234</u>	<u>(1,392,582)</u>
Balances as of 6/30/18	<u>\$ 24,217,840</u>	<u>\$ 24,315,258</u>	<u>\$ (1,392,582)</u>



OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

NOTE 9. SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE AND HEALTH CARE COST TREND RATES:

The net OPEB liability of the Authority has been calculated using a discount rate of 7.28%. The following presents the net OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease	Current Discount	1% Increase
Total OPEB liability	\$ 27,874,346	\$ 24,217,840	\$ 21,237,345
Plan fiduciary net position	24,315,258	24,315,258	24,315,258
Net OPEB liability (asset)	\$ 3,559,088	\$ (97,418)	\$ (3,077,913)

The net OPEB liability of the Authority has been calculated using health care cost trend rates of 8.7% decreasing to 4.5% in 2025 and thereafter. The following presents the net OPEB liability using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1% Decrease	Trend Rate	1% Increase
Total OPEB liability	\$ 21,100,042	\$ 24,217,840	\$ 28,046,331
Plan fiduciary net position	24,315,258	24,315,258	24,315,258
Net OPEB liability (asset)	\$ (3,215,216)	\$ (97,418)	\$ 3,731,073

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO THE OPEB:

For the year ended June 30, 2018, the Airport Authority recognized OPEB expense, as measured in accordance with GASB Statement No. 75, of \$540,459, and reported deferred inflows of resources and deferred outflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ -	\$ (541,669)
Changes in assumptions	621,045	-
Employer contributions made subsequent to June 30, 2017 measurement date	461,859	-
Total	\$ 1,082,904	\$ (541,669)



The deferred outflows of resources at June 30, 2018 related to OPEB resulting from Airport Authority contributions subsequent the measurement date and prior to year-end will be recognized as an addition to the net OPEB asset at June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2018, related to the OPEB will be recognized in OPEB expense as follows:

Years ended June 30,	
2019	\$ 10,368
2020	10,368
2021	10,368
2022	10,368
2023	37,904
Total	\$ 79,376

The Airport Authority has a comprehensive Risk Management Program comprised of 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.
- 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, 2018 and 2017, the Airport Authority has designated \$10,249,962 and \$9,531,966, 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 senior 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 2018, 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 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

NOTE 10. RISK MANAGEMENT

DISCLOSURES ABOUT FAIR VALUE OF ASSETS

NOTE 11.

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

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

RECURRING MEASUREMENTS

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at

the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

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

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, 2018 and 2017:

June 30, 2018	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	\$ 124,032,939	\$ 124,032,939	\$ -	\$ -
U.S. agency securities	67,281,728	-	67,281,728	-
Non-U.S. Securities	13,315,083	13,315,083	-	-
Negotiable certificates of deposit	34,553,157	-	34,553,157	-
Medium-term notes	50,428,984	-	50,428,984	-
Total investments by fair value level	\$ 289,611,891	\$ 137,348,022	\$ 152,263,869	\$ -
Investments measured at amortized cost	93,517			
Investments measured at net asset value	15,522,832			
Non-negotiable certificate of deposit	15,639,415			
Local Agency Investment Fund	48,733,079			
San Diego County Investment Pool	234,006,333			
Total investments	\$ 603,607,067			

NOTE 11.

DISCLOSURES ABOUT FAIR VALUE OF ASSETS (CONTINUED)

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 certificates of deposit	46,592,680	-	46,592,680	-
Medium-term notes	39,564,537	-	39,564,537	-
Total investments by fair value level	\$ 295,262,478	\$ 91,183,468	\$ 204,079,010	\$ -
Investments measured at amortized cost	630,996			
Investments measured at net asset value	15,297,173			
Non-negotiable certificate of deposit	15,413,828			
Local Agency Investment Fund	48,182,813			
San Diego County Investment Pool	157,252,092			
Total investments	\$ 532,039,380			

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

Certain capital assets, such as loading bridges, airfield, and building space, are leased to signatory airlines under the Airline Operating leases. The Airport Authority's Airline Operating leases are governed by a policy statement issued by the Federal Aviation Administration and as such rates are determined each year based upon a combination of residual and compensatory rate setting methodologies, which do not exceed actual costs of operating the airport. Such costs are allocated to each signatory airline based upon factors such as landed weights, enplanements, square footage, acres, etc. These regulated leases are not included in the schedule below.

Other capital assets are leased to concessionaires. As of June 30, 2018, the Airport Authority had 83 terminal food service and retail concession locations as part of a comprehensive concessions program designed to provide a world class

shopping and dining experience for the millions of passengers who use SDIA. Concession lease payments for space within the terminals are typically based on the greater of the percentage of tenant sales or an agreed upon minimum guarantee. The amounts exceeding the minimum guarantee are not included in the schedule below.

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 the bonds are repaid.

NOTE 12.

LEASE REVENUES

NOTE 12. The minimum future lease payments to be received under the Airport Authority's non-cancelable lease agreements, including known minimum escalations, as of June 30, 2018, are as follows:

**LEASE REVENUES
(CONTINUED)**

Years Ending June 30,	Amount
2019	\$ 32,717,960
2020	29,755,952
2021	26,095,603
2022	25,200,507
2023	24,558,480
2024-2028	79,615,734
2029-2033	75,306,013
2034-2038	82,885,986
2039-2043	91,888,617
2044-2048	88,902,848
2049-2053	13,140,114
2054-2058	724,440
2059-2063	724,440
2064-2068	724,440
2069-2073	72,444
Total	\$ 572,313,578

The minimum future lease payments to be paid under the Airport Authority's non-cancelable lease agreements, including known minimum escalations, as of June 30, 2018, are as follows:

Years Ending June 30,	Amount
2019	\$ 10,176,660
2020	10,176,660
2021	10,176,660
2022	10,176,660
2023	10,176,660
2024-2028	50,883,300
2029-2033	50,883,300
2034-2038	50,883,300
2039-2043	50,883,300
2044-2048	50,883,300
2049-2053	50,883,300
2054-2058	50,883,300
2059-2063	50,883,300
2064-2068	50,883,300
2069-2073	5,088,330
	\$ 513,921,330

NOTE 13.

**LEASE COMMITMENTS
(CONTINUED)**

NOTE 13. OPERATING LEASES

LEASE COMMITMENTS

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:

	2018	2017
Rental payments made	\$ 10,189,944	\$ 10,189,944



NOTE 14.
COMMITMENTS AND CONTINGENCIES



COMMITMENTS:

As of June 30, 2018 and 2017, 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, 2018 and 2017, these funds totaled approximately \$27 million and \$14.3 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, 2018 and 2017, the Airport Authority expensed \$19,337,603 and \$17,799,133 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, 2018, were \$35.9 million for parking management services and \$44.2 million for airport shuttle services. These contracts are scheduled for completion in October 2018.
- iv. In fiscal year 2015, the Board approved a \$29.2 million contract with SP Plus Corporation to transport rental car companies' customers between the Rental Car Center facility and the terminals. The contract scope also includes the operation, management and maintenance of the shuttle vehicles. In fiscal year 2016, the Board approved an additional \$1.2 million. As of June 30, 2018, \$17.7 million had been spent and the contract is due to be completed in fiscal year 2021.
- v. In fiscal year 2015, the Board approved a \$60 million contract with AECOM Technical Services, Inc. for on call program management services. In fiscal year 2018, the Board approved an additional \$8 million. As of June 30, 2018, \$48.2 million had been spent and the contract is due to be completed in fiscal year 2019.
- vi. 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 2018 and 2017, the Board approved an additional \$2 million and \$85.7 million respectively. As of June 30, 2018, \$82.2 million had been spent and the contract is due to be completed in fiscal year 2019.
- vii. In fiscal year 2017, the Board approved a \$186.6 million contract with Turner-PCL A Joint Venture for Terminal 2 West Federal Inspection Station build out. In fiscal year 2018, the Board

- approved an additional \$1.6 million. As of June 30, 2018, \$129.1 million had been spent and the contract is due to be completed in fiscal year 2020.
- viii. 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. In fiscal year 2018, the Authority added an additional \$82,000. As of June 30, 2018, \$3.3 million had been spent and the contract was completed in fiscal year 2018.
- ix. In fiscal year 2018, the Board approved a \$3.4 million contract with Prava Construction Services, Inc. for Terminal 2 East improvements. As of June 30, 2018, \$3.3 million had been spent and the contract was completed in fiscal year 2018.
- x. In fiscal year 2018, the Board approved a \$5.8 million contract with Granite Construction Company to clear objects from object free area (OFA) on existing taxiway B. As of June 30, 2018, \$3.9 million had been spent and the contract is due to be completed in early fiscal year 2019.
- xi. In fiscal year 2018, the Board approved a \$20.4 million contract with Granite Construction Company to rehabilitate runway 9-27 & cross taxiway B-1, B4-7, C3 & C6. As of June 30, 2018, \$15.4 million had been spent and the contract is due to be completed in fiscal year 2019.

AIRLINE OPERATING AND LEASE AGREEMENT:

The five year Airline Operating and Lease Agreement went into hold over effective July 1, 2018. The agreement expired on June 30, 2018. Pursuant to Section 28.01 of the agreement, the Authority approved the airlines' holding over its tenancy on all of the leased premises beyond

CONTINGENCIES:

As of June 30, 2018, 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.

June 30, 2018. The holding over is on a month-to-month basis. The airlines will continue to pay all of the airline rent, fees and charges required by the agreement. A new agreement is being negotiated with the airlines. It is expected to be completed by March 2019 with an effective date of July 1, 2019.

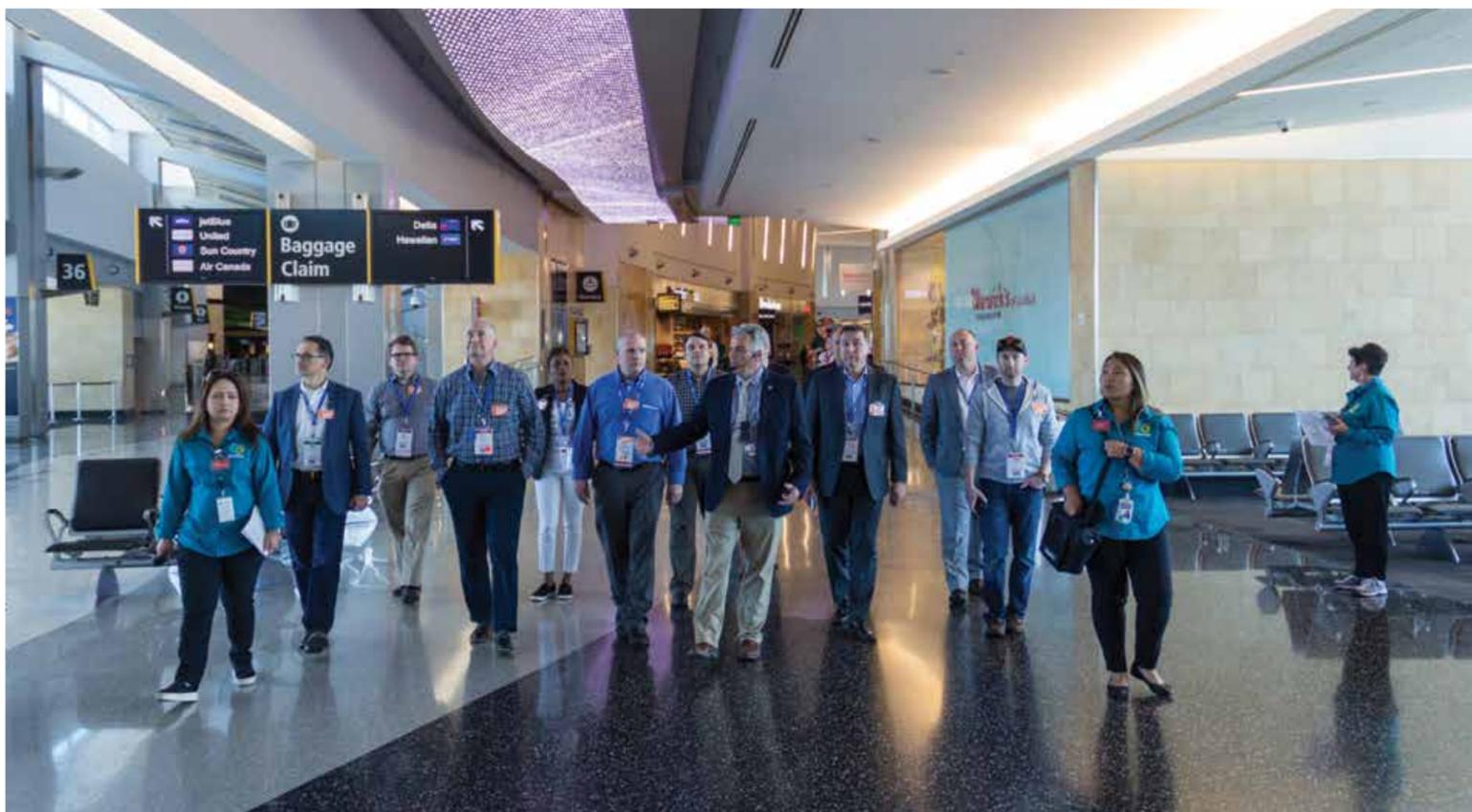
NOTE 14.
COMMITMENTS AND CONTINGENCIES (CONTINUED)

NOTE 15.
SUBSEQUENT EVENTS

**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 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%
7/1/13	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 AND RELATED RATIOS
LAST 10 FISCAL YEARS (PLAN YEAR REPORTED IN SUBSEQUENT FISCAL YEAR)**

	2018	2017	2016	2015
Total Pension Liability:				
Service cost	\$ 6,996,180	\$ 6,205,263	\$ 6,154,579	\$ 6,099,481
Interest (includes interest on service cost)	11,416,679	10,277,610	9,327,538	8,465,485
Differences between expected and actual experience	3,975,029	(2,178,527)	345,661	-
Effect of changes of assumptions	5,871,218	10,473,890	-	-
Benefit payments, including refunds of member contributions	(4,669,787)	(3,023,391)	(2,482,523)	(2,913,221)
Net change in total pension liability	23,589,319	21,754,845	13,345,255	11,651,745
Total pension liability - beginning	161,951,893	140,197,048	126,851,793	115,200,048
Total pension liability - ending	\$ 185,541,212	\$ 161,951,893	\$ 140,197,048	\$ 126,851,793
Plan Fiduciary Net Position:				
Contributions - employer	\$ 5,480,984	\$ 4,047,780	\$ 3,897,545	\$ 3,924,988
Contributions - employee	2,990,317	2,967,269	2,840,236	2,765,079
Net investment income	19,480,875	1,651,283	4,390,185	18,302,683
Benefit payments, including refunds of member contributions	(4,669,786)	(3,023,391)	(2,482,523)	(2,913,221)
Administrative expense	(325,042)	(318,817)	(332,290)	(332,645)
Net change in plan fiduciary net position	22,957,348	5,324,124	8,313,153	21,746,884
Plan fiduciary net position - beginning	143,840,411	138,516,287	130,203,134	108,456,250
Plan fiduciary net position - ending	\$ 166,797,759	\$ 143,840,411	\$ 138,516,287	\$ 130,203,134
Net pension liability (asset) - ending	\$ 18,743,453	\$ 18,111,482	\$ 1,680,761	\$ (3,351,341)
Plan fiduciary net position as a percentage of the total pension liability	89.90%	88.82%	98.80%	102.64%
Covered payroll	\$ 31,131,795	\$ 29,189,357	\$ 27,955,455	\$ 26,380,323
Net pension liability as a percentage of covered payroll	60.21%	62.05%	6.01%	(12.70%)

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

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FISCAL YEAR ENDED JUNE 30, 2018

SCHEDULE OF CONTRIBUTIONS LAST 10 FISCAL YEARS (IN THOUSANDS) (GASB STATEMENT NO. 68):

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 5,416	\$ 3,765	\$ 3,666	\$ 3,823	\$ 2,900
Contributions in relation to the actuarially determined contribution	7,247	5,421	3,948	3,823	3,728
Contribution deficiency (excess)	\$ (1,831)	\$ (1,656)	\$ (282)	\$ -	\$ (828)
Covered payroll	\$ 30,848	\$ 31,506	\$ 29,189	\$ 27,955	\$ 26,380
Contributions as a percentage of covered payroll	23.49%	17.21%	13.53%	13.68%	14.13%

	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 2,600	\$ 3,800	\$ 4,300	\$ 3,000	\$ 3,000
Contributions in relation to the actuarially determined contribution	2,600	3,800	4,300	7,600	3,035
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (4,600)	\$ (35)
Covered payroll	\$ 24,840	\$ 25,148	\$ 25,596	\$ 24,693	\$ 23,488
Contributions as a percentage of covered payroll	10.47%	15.11%	16.80%	30.78%	12.92%

* This schedule is presented for the fiscal year.

Note to schedule: This schedule is intended to display the most recent 10 years of data for the annual pension contributions.



SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (PLAN YEAR REPORTED IN SUBSEQUENT FISCAL YEAR)

	2018
Total Pension Liability	
Service cost	\$ 60,994
Interest cost	35,323
Differences between expected and actual experience	388,329
Changes of assumptions	(214,765)
Net Change in Total Pension Liability	269,881
Total pension liability -beginning	1,209,124
Total pension liability - ending	\$ 1,479,005
Covered payroll	31,131,795
Net Pension Liability as a percentage of payroll	4.8%

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

SCHEDULE OF CONTRIBUTIONS (PENSIONS), LAST 10 FISCAL YEARS:

	2018
Actuarially determined contribution	\$ -
Contributions in relation to the actuarially determined contribution	56,513
Contribution deficiency (excess)	\$ (56,513)
Covered payroll	\$ 30,828,256
Contributions as a percentage of covered payroll	0.18%

* This schedule is presented for the fiscal year.

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

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
LAST 10 FISCAL YEARS (PLAN YEAR REPORTED IN SUBSEQUENT FISCAL YEAR)

	2018
Total OPEB Liability	
Service Cost	\$ 411,052
Interest Cost	1,606,959
Changes of Assumptions	766,830
Benefit Payments	(451,189)
Net Change in Total OPEB Liability	2,333,652
Total OPEB Liability (Beginning)	21,884,188
Total OPEB Liability (Ending)	\$ 24,217,840
Plan Fiduciary Net Position	
Contributions—Employer	\$ 2,012,419
Net Investment Income	2,175,582
Benefit Payments	(451,189)
Administrative Expense	(10,578)
Net Change in Plan Fiduciary Net Position	3,726,234
Plan Fiduciary Net Position (Beginning)	20,589,024
Plan Fiduciary Net Position (Ending)	\$ 24,315,258
Net OPEB Asset	(97,418)
Net Position as a Percentage of OPEB Liability	100.40%
Covered Payroll	16,141,609
Net OPEB Liability as a Percentage of Payroll	(0.6%)

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



SCHEDULE OF CONTRIBUTIONS (OPEB), LAST 10 FISCAL YEARS (DOLLARS IN THOUSANDS):

	2018
Actuarially determined contribution	\$ 472
Contributions in relation to the actuarially determined contribution	462
Contribution deficiency (excess)	\$ 10
Covered payroll	\$ 15,674
Contributions as a percentage of covered payroll	2.95%

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



REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)





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
- Labor force, employment, and unemployment rates

DEBT INFORMATION:

- Debt service coverage
- Debt service coverage - Series 2014 CFC Bonds
- Debt per enplaned passenger



USO Ground Transportation
Parking
Designated Smoking Area
2

EXHIBIT S-1
AUTHORITY REVENUES AND
O&M EXPENSES (\$'000)

Fiscal Years Ended June 30,

Operating Revenues	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Airline revenue										
Landing fees	\$ 18,689	\$ 18,672	\$ 18,579	\$ 18,419	\$ 19,658	\$ 19,107	\$ 21,390	\$ 23,985	\$ 24,612	\$ 23,900
Aircraft parking fees	3,221	3,406	2,921	3,134	3,191	2,503	2,716	2,701	2,927	3,236
Building rentals	23,057	23,835	26,980	30,633	41,840	46,001	48,153	53,536	56,575	62,241
Security surcharge	10,204	11,900	14,886	18,649	23,360	25,777	25,180	29,223	29,468	32,303
Other aviation revenue	1,565	1,585	1,597	1,595	1,591	4,488	4,893	2,760	2,799	1,476
Concession revenue	36,280	36,249	37,103	40,427	42,041	47,770	52,496	29,249	32,624	65,610
Parking and ground transportation revenue	31,492	30,296	31,645	31,470	35,750	38,959	41,633	75,131	78,039	53,254
Ground rentals	5,776	5,923	8,656	8,044	9,162	9,603	13,074	16,226	20,053	22,109
Other operating revenue	693	1,829	1,640	1,179	905	1,529	971	1,183	1,750	1,701
Total Operating Revenues	\$ 130,977	\$ 133,695	\$ 144,007	\$ 153,550	\$ 177,498	\$ 195,737	\$ 210,505	\$ 233,994	\$ 248,847	\$ 265,830

Operating Expenses Before Depreciation	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Salaries and benefits	\$ 34,741	\$ 35,386	\$ 38,267	\$ 37,237	\$ 38,092	\$ 39,135	\$ 39,211	\$ 42,025	\$ 46,874	\$ 47,866
Contractual services	27,464	27,999	26,113	26,906	29,284	31,559	32,422	38,215	44,927	45,249
Safety and security	19,930	20,131	21,344	22,625	23,994	24,151	23,464	28,721	28,422	30,733
Space rental	10,888	10,906	10,906	11,415	10,897	10,478	10,433	10,367	10,206	10,190
Utilities	6,912	6,871	6,413	6,674	6,659	8,680	10,152	11,480	10,736	12,509
Maintenance	8,002	9,231	8,174	8,497	11,204	13,982	14,516	14,122	14,270	12,603
Equipment and systems	678	891	570	403	469	643	1,805	708	502	598
Materials and supplies	641	413	345	304	406	440	519	536	651	655
Insurance	1,096	1,166	1,066	764	795	988	1,145	949	956	1,098
Employee development and support	1,030	990	1,041	916	1,235	1,171	1,136	1,242	1,393	1,248
Business development	2,509	2,033	2,275	2,093	2,444	2,661	2,493	2,390	2,351	3,246
Equipment rentals and repairs	1,387	1,271	1,327	1,335	1,317	2,932	2,951	2,852	2,438	3,124
Total Operating Expenses Before Depreciation	\$ 115,278	\$ 117,288	\$ 117,841	\$ 119,169	\$ 126,796	\$ 136,821	\$ 140,250	\$ 153,608	\$ 163,726	\$ 169,120

Source: San Diego County Regional Airport Authority

EXHIBIT S-2
AUTHORITY NET POSITION
BY COMPONENT (\$'000)

Fiscal Years Ended June 30,

	2009	2010*	2011	2012	2013	2014	2015	2016**	2017	2018***
Net investment in capital assets	\$ 249,498	\$ 274,769	\$ 352,276	\$ 339,467	\$ 359,640	\$ 312,780	\$ 316,250	\$ 310,339	\$ 263,952	\$ 281,703
Other restricted net position	167,827	139,672	147,513	172,076	167,384	204,642	215,968	214,533	225,088	244,188
Unrestricted net position	95,858	145,224	102,466	149,346	200,040	209,594	210,522	251,076	294,133	284,034
Total net position	\$ 513,183	\$ 559,664	\$ 602,255	\$ 660,889	\$ 727,064	\$ 727,016	\$ 742,740	\$ 775,949	\$ 783,173	\$ 809,925

* Amounts for 2010 and after were restated as per GASB 65
 ** Amounts for 2016 were restated as per GASB 68
 *** Amounts for 2018 were restated as per GASB 75
 Source: San Diego County Regional Airport Authority

EXHIBIT S-3
AUTHORITY CHANGES IN NET
POSITION (\$'000)

Fiscal Years Ended June 30,

	2009	2010*	2011	2012	2013	2014	2015	2016**	2017	2018***
Operating revenues:										
Airline revenue:										
Landing fees	\$ 18,689	\$ 18,672	\$ 18,579	\$ 18,419	\$ 19,658	\$ 19,107	\$ 21,390	\$ 23,985	\$ 24,612	\$ 23,900
Aircraft parking fees	3,221	3,406	2,921	3,134	3,191	2,503	2,716	2,701	2,927	3,236
Building rentals	23,057	23,835	26,980	30,633	41,840	46,001	48,153	53,536	56,575	62,241
Security surcharge	10,204	11,900	14,886	18,649	23,360	25,777	25,180	29,223	29,468	32,303
Other aviation revenue	1,565	1,584	1,597	1,595	1,591	4,488	4,893	2,760	2,799	1,476
Concession revenue	36,280	36,249	37,103	40,427	42,041	47,770	52,496	29,249	32,624	65,610
Parking and ground transportation	31,492	30,296	31,645	31,470	35,750	38,959	41,633	75,131	78,039	53,254
Ground rentals	5,776	5,923	8,656	8,044	9,162	9,603	13,074	16,226	20,053	22,109
Other operating revenue	693	1,829	1,640	1,179	905	1,529	971	1,183	1,750	1,701
Total operating revenues	130,977	133,695	144,007	153,550	177,498	195,737	210,505	233,994	248,847	265,830
Operating expenses:										
Salaries and benefits	34,741	35,386	38,267	37,237	38,092	39,135	39,211	42,025	46,874	47,866
Contractual services	27,464	27,999	26,113	26,906	29,284	31,559	32,422	38,215	44,927	45,249
Safety and security	19,930	20,131	21,344	22,625	23,994	24,151	23,464	28,721	28,422	30,733
Space rental	10,888	10,906	10,906	11,415	10,897	10,478	10,433	10,367	10,206	10,190
Utilities	6,912	6,871	6,413	6,674	6,659	8,680	10,152	11,480	10,736	12,510
Maintenance	8,002	9,231	8,174	8,497	11,204	13,982	14,516	14,122	14,270	12,603
Equipment and systems	678	891	570	403	469	643	1,805	708	502	598
Materials and supplies	641	413	345	304	406	440	519	536	651	655
Insurance	1,096	1,166	1,066	764	795	988	1,145	949	956	1,098
Employee development and support	1,030	990	1,041	916	1,235	1,171	1,136	1,242	1,393	1,248
Business development	2,509	2,033	2,275	2,093	2,444	2,661	2,493	2,390	2,351	3,246
Equipment rentals and repairs	1,387	1,271	1,327	1,335	1,317	2,932	2,951	2,852	2,438	3,124
Total operating expenses before depreciation	115,278	117,288	117,841	119,169	126,796	136,821	140,250	153,608	163,726	169,120
Income from operations before depreciation	15,699	16,407	26,166	34,381	50,702	58,916	70,255	80,386	85,121	96,710
Depreciation	38,423	42,651	50,435	46,164	46,100	81,598	81,887	87,821	95,229	105,532
Operating income (loss)	(22,724)	(26,244)	(24,269)	(11,783)	4,602	(22,682)	(11,632)	(7,435)	(10,108)	(8,822)
Nonoperating revenues (expenses):										
Passenger facility charges	33,219	34,049	33,998	34,639	35,437	35,770	38,517	40,258	42,200	46,953
Customer facility charges	1,695	10,783	10,986	11,487	19,117	27,545	32,465	33,208	36,528	41,037
Quieter Home Program, net	(5,573)	(1,629)	(3,359)	(3,531)	(1,589)	(2,750)	(2,811)	(3,698)	(785)	(2,748)
Joint Studies Program	(180)	(244)	(129)	(73)	(55)	(152)	(145)	(101)		(114)
Interest income	9,434	6,667	6,408	5,492	4,140	5,211	5,747	5,999	8,134	13,374
Interest expense	(2,771)	(3,245)	(10,998)	(395)	(12,054)	(51,983)	(55,187)	(50,636)	(58,179)	(68,411)
Build America Bonds Rebate	-	-	3,691	4,996	4,779	4,636	4,631	4,656	4,651	4,666
Other revenues (expenses), net	316	(1,004)	(92)	(3,032)	(4,279)	434	1,367	2,247	(17,121)	(13,229)
Nonoperating revenue, net	36,140	45,376	40,505	49,583	45,496	18,711	24,584	31,933	15,428	21,528
Income before capital grant contributions	13,416	19,132	16,236	37,800	50,098	(3,971)	12,952	24,498	5,321	12,706
Capital grant contributions	4,646	27,350	26,355	20,834	16,077	3,924	10,765	10,477	1,904	13,329
Change in net position	18,062	46,482	42,591	58,634	66,175	(47)	23,717	34,975	7,224	26,035
Prior Period Adjustment	-	-	-	-	-	-	(7,995)	(1,767)		717
Net position, beginning of year	495,121	513,183	559,664	602,255	660,889	727,064	727,017	742,740	775,949	783,173
Net position, end of year	\$ 513,183	\$ 559,666	\$ 602,255	\$ 660,889	\$ 727,064	\$ 727,017	\$ 742,740	\$ 775,949	\$ 783,173	\$ 809,925

* Amounts for 2010 and after were restated as per GASB 65
 ** Amounts for 2016 were restated as per GASB 68
 *** Amounts for 2018 were restated as per GASB 75
 Source: San Diego County Regional Airport Authority

EXHIBIT S-4 AUTHORITY LARGEST SOURCES OF REVENUE (\$'000)

Fiscal Years Ended June 30,

Tenant	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018 % of Total Operating Revenue
Southwest Airlines	\$ 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	\$ 38,403,919	14.4%
United Airlines	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	17,520,412	6.6%
Delta Airlines	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	17,007,240	6.4%
American Airlines*	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	16,581,217	6.2%
Alaska Airlines**	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	16,352,834	6.2%
Enterprise Rent-A-Car	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	12,285,652	4.6%
Hertz Rent-A-Car	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	11,017,486	4.1%
Avis Budget Rent-A-Car Group	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	6,021,091	2.3%
SSP America	-	-	-	-	-	-	-	4,476,873	5,004,393	5,869,320	2.2%
Landmark Aviation	-	-	-	-	-	2,027,308	5,042,672	5,536,511	5,675,514	5,867,379	2.2%

* On December 9, 2013, AMR Corporation (American Airlines) merged with US Airways Group, forming American Airlines Group. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. Data for US Airways and American Airlines have been combined in this table.

** Alaska Airlines and Virgin America received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. Data for Alaska Airlines and Virgin America have been combined in this table.

Source: San Diego County Regional Airport Authority

EXHIBIT S-6 TERMINAL RATES BILLED TO AIRLINES

Fiscal Years Ended June 30,

Fiscal Year	Terminal Rates Per Sq. Ft. \$ ⁽¹⁾	% Change
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	\$125.79	11.3%
2017	\$133.95	6.5%
2018	\$150.19	12.1%

⁽¹⁾ Net of janitorial credit



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.

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 ⁽¹⁾	Cost per Enplaned Passenger
2009	8,536	\$6.36
2010	8,454	\$6.73
2011	8,441	\$7.54
2012	8,575	\$8.33
2013	8,738	\$10.16
2014	9,082	\$10.54
2015	9,713	\$10.26
2016	10,206	\$10.71
2017	10,596	\$10.71
2018	11,729	\$10.35

COST PER ENPLANED PASSENGER



Source: San Diego County Regional Airport Authority

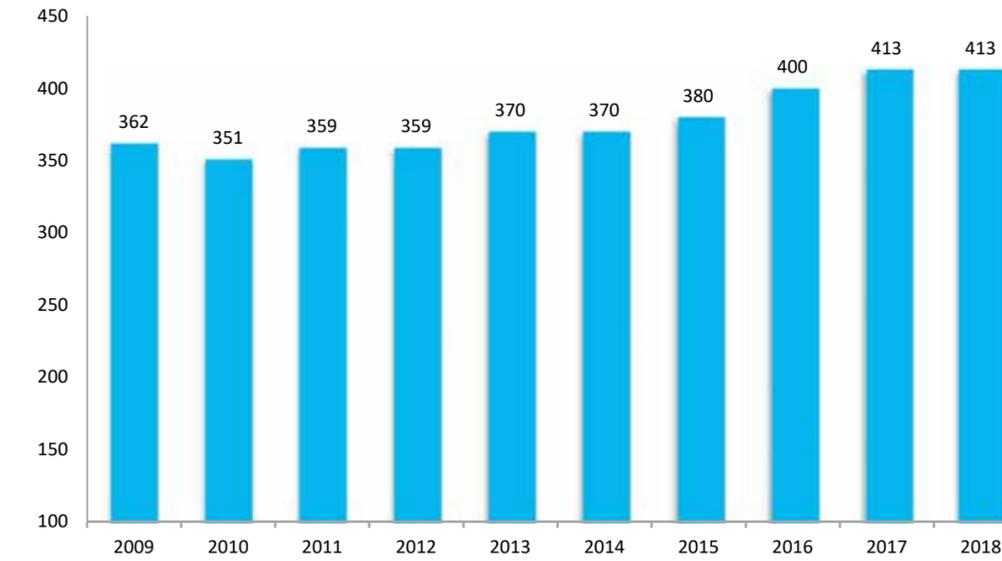
Airline Cost per Enplaned Passenger is the total annual cost of fees and charges paid by the airlines divided by the total fiscal year enplanements.



EXHIBIT S-8
AUTHORITY EMPLOYEE
HEAD COUNT

Fiscal Years Ended June 30,

AUTHORITY EMPLOYEE HEAD COUNT



Source: San Diego County Regional Airport Authority

The Airport Authority does not have part-time employees. This chart reflects the average number of employees for the fiscal years shown above.



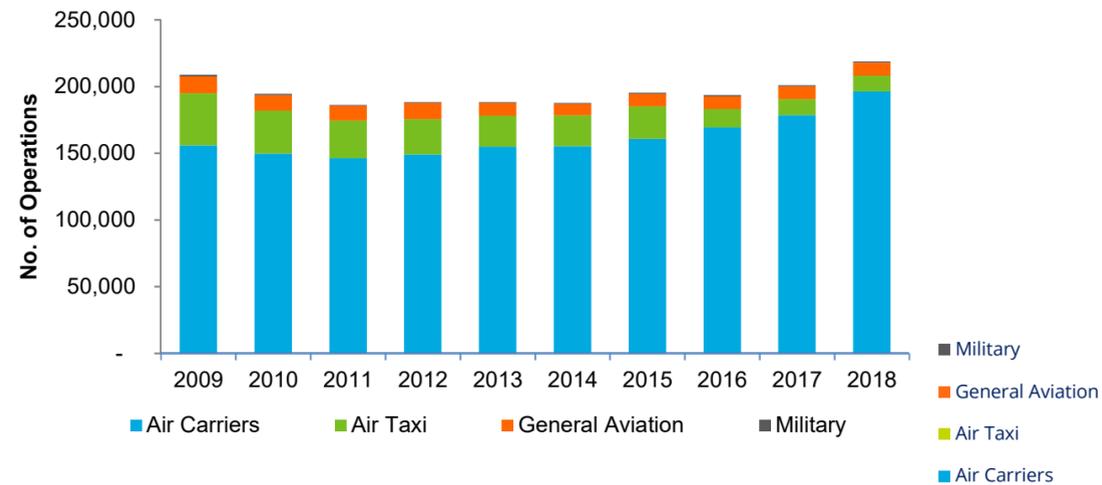
EXHIBIT S-9
AIRCRAFT OPERATIONS
(TAKEOFFS & LANDINGS)

Fiscal Years Ended June 30,

Fiscal Year	Air Carriers	Air Taxi	General Aviation	Military	Total
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
2018	196,253	11,903	9,816	699	218,671

Source: FAA ATADS Report: Air Operations Standard Report (itinerant only)

AIRCRAFT OPERATIONS



Source: San Diego County Regional Airport Authority

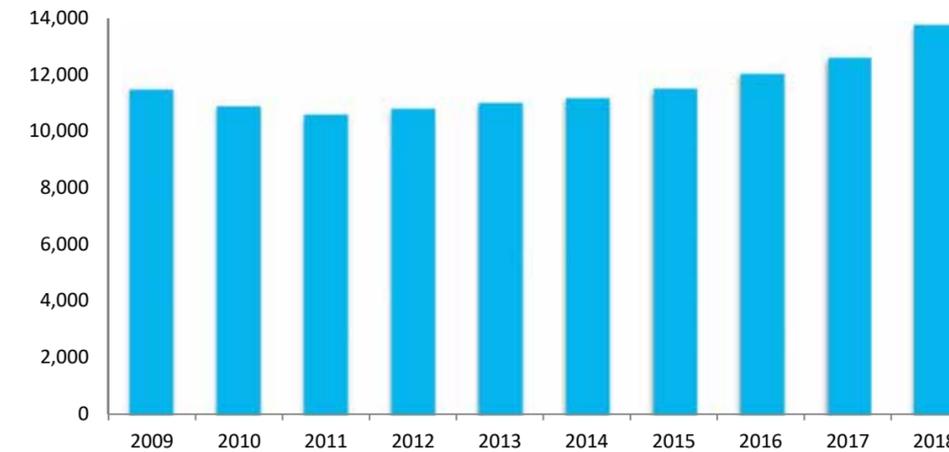
Aircraft Operations are the takeoffs and landings at SDIA. They represent the level of demand for air service by the airlines operating at SDIA.

EXHIBIT S-10
AIRCRAFT LANDED
WEIGHTS (IN MILLIONS LBS)

Fiscal Years Ended June 30,

Fiscal Year	Aircraft Landed Weight	% Change
2009	11,497	(8.0)%
2010	10,893	(5.3)%
2011	10,606	(2.6)%
2012	10,820	2.0 %
2013	11,016	1.8 %
2014	11,187	1.6 %
2015	11,524	3.0 %
2016	12,048	4.6 %
2017	12,616	4.7 %
2018	13,770	9.1 %

AIRCRAFT LANDED WEIGHTS (IN MILLIONS LBS)



Source: San Diego County Regional Airport Authority

Landed Weight is the maximum gross certificated landed weight in one million pound units as stated in the airlines' flight operational manual. Landed weight is used to calculate landing fees for both airline and general aviation aircraft operated at the airport.

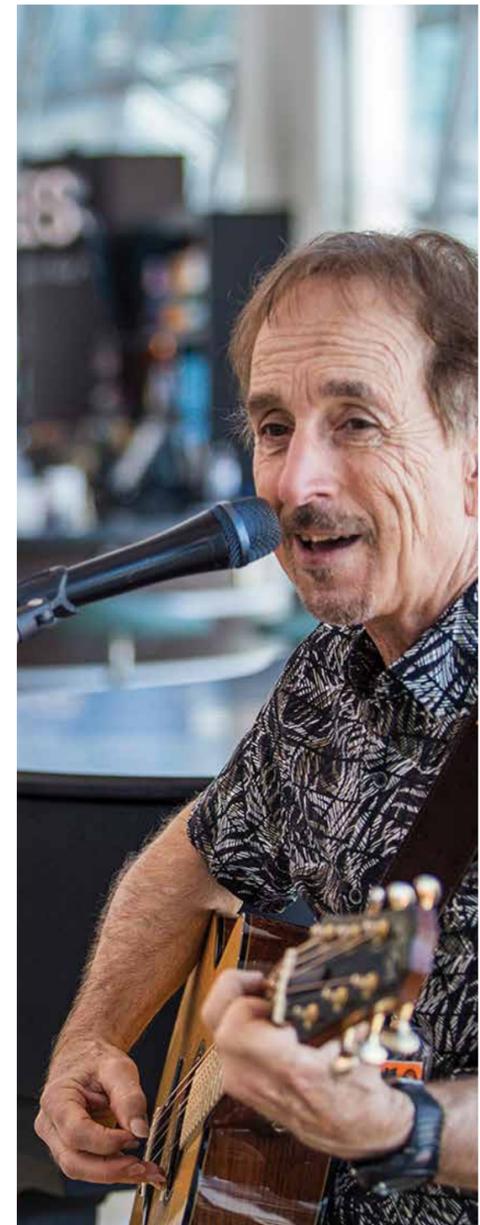


EXHIBIT S-11
AIRCRAFT LANDED WEIGHTS BY AIRLINE (THOUSAND POUNDS)

Fiscal Years Ended June 30,

Airline	Landed Weight (in thousands)									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Southwest Airlines	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	4,924,451
United Airlines ¹	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	1,492,873
American Airlines ²	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	1,471,318
Delta Airlines	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	1,183,702
Alaska Airlines ³	536,281	511,813	595,238	648,359	750,000	884,727	888,065	924,310	999,875	1,131,807
Skywest Airlines	219,416	332,408	338,812	306,789	428,595	396,054	408,608	359,197	465,023	627,038
Federal Express	402,665	400,303	421,239	452,453	451,797	419,127	384,686	444,038	390,716	388,782
Spirit Airlines	-	-	-	98,931	208,200	245,669	296,925	351,977	286,162	328,424
Compass Airlines	-	-	-	-	-	10,979	172,754	307,793	296,581	312,883
JetBlue Airlines	297,340	201,071	167,369	166,232	168,080	189,979	193,848	199,232	244,364	293,160
Frontier Airlines	237,269	227,847	249,492	208,936	196,614	192,493	153,880	115,238	167,590	232,794
Virgin America ³	221,333	205,348	173,686	208,253	235,934	232,136	240,781	281,411	278,741	231,087
British Airways	-	-	13,800	167,440	163,760	166,980	166,980	183,760	217,360	208,926
Hawaiian Airlines	137,145	121,600	134,080	118,088	140,637	147,325	146,284	147,406	147,568	161,486
United Parcel	127,900	118,874	120,158	120,454	118,180	121,742	127,660	135,318	146,778	143,678
Subtotal	10,512,097	10,136,906	10,136,528	10,342,881	10,520,566	10,639,741	11,059,773	11,578,336	12,069,869	13,132,409
All Others	984,661	755,961	469,632	477,021	495,150	547,024	463,947	469,806	546,199	637,537
Total	11,496,758	10,892,867	10,606,160	10,819,902	11,015,716	11,186,766	11,523,720	12,048,142	12,616,068	13,769,945
Annual % Change	-8.0%	-5.3%	-2.6%	2.0%	1.8%	1.6%	3.0%	4.6%	4.7%	9.1%

Source: San Diego County Regional Airport Authority

¹ United and Continental completed their merger on October 1, 2010 and began operating as United on November 30, 2011. The enplanements are combined for the purpose of this table.

² US Airways merged with American Airlines on December 9, 2013. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. The enplanements are combined for the purpose of this table.

³ Alaska Airlines and Virgin America received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. The enplanements are combined for the purpose of this table.

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

Fiscal Years Ended June 30,

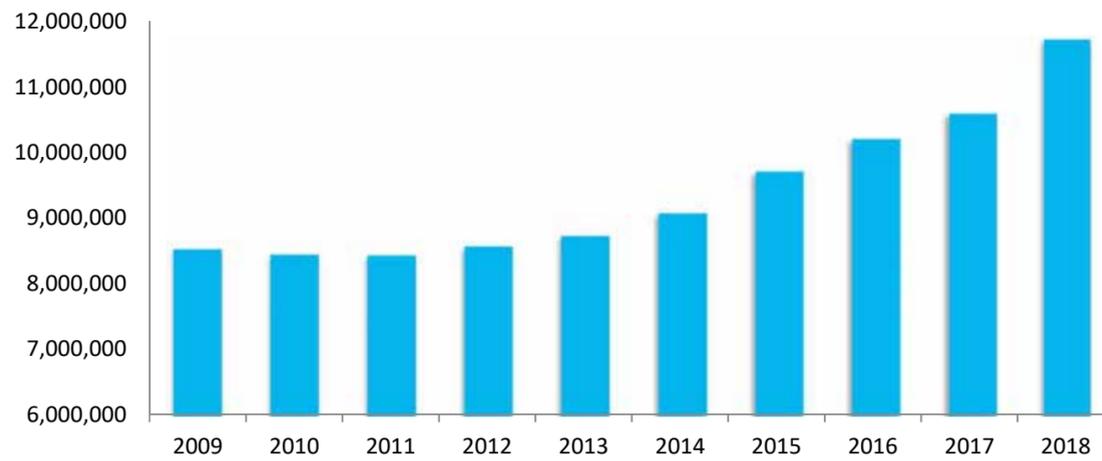
Airline	Market Share									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Southwest Airlines	38.4%	37.4%	37.7%	36.5%	35.5%	35.1%	36.6%	35.3%	35.4%	35.8%
United Airlines ¹	14.5%	15.3%	14.9%	13.9%	12.6%	12.0%	10.7%	10.4%	10.7%	10.8%
American Airlines ²	13.3%	12.8%	12.0%	12.4%	12.2%	12.1%	11.8%	12.2%	11.3%	10.7%
Delta Airlines	6.2%	8.2%	10.0%	9.7%	9.3%	9.1%	9.3%	9.6%	9.3%	8.6%
Alaska Airlines ³	4.7%	4.7%	5.6%	6.0%	6.8%	7.9%	7.7%	7.7%	7.9%	8.2%
Skywest Airlines	1.9%	3.1%	3.2%	2.8%	3.9%	3.5%	3.5%	3.0%	3.7%	4.6%
Federal Express	3.5%	3.7%	4.0%	4.2%	4.1%	3.7%	3.3%	3.7%	3.1%	2.8%
Spirit Airlines	0.0%	0.0%	0.0%	0.9%	1.9%	2.2%	2.6%	2.9%	2.3%	2.4%
Compass Airlines	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	1.5%	2.6%	2.4%	2.3%
JetBlue Airlines	2.6%	1.8%	1.6%	1.5%	1.5%	1.7%	1.7%	1.7%	1.9%	2.1%
Frontier Airlines	2.1%	2.1%	2.4%	1.9%	1.8%	1.7%	1.3%	1.0%	1.5%	1.7%
Virgin America ³	1.9%	1.9%	1.6%	1.9%	2.1%	2.1%	2.1%	2.3%	2.2%	1.7%
British Airways	0.0%	0.0%	0.1%	1.5%	1.5%	1.5%	1.4%	1.5%	1.7%	1.5%
Hawaiian Airlines	1.2%	1.1%	1.3%	1.1%	1.3%	1.3%	1.3%	1.2%	1.2%	1.2%
United Parcel	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%	1.0%
Subtotal	91.4%	93.1%	95.6%	95.6%	95.5%	95.1%	96.0%	96.1%	95.7%	95.4%
All Others	8.6%	6.9%	4.4%	4.4%	4.5%	4.9%	4.0%	3.9%	4.3%	4.6%
Total	100.0%									

EXHIBIT S-12
PASSENGER
ENPLANEMENTS

Fiscal Years Ended June 30,

FiscalYear	Enplaned Passengers	% Change SAN	% Change US Average
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 %
2018	11,728,880	10.7 %	5.8 %

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).



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

Fiscal Years Ended June 30,

Air Carrier	Enplanements										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Aeromexico	27,772	24,335	-	-	-	-	-	-	-	-	-
Air Canada	27,255	46,959	58,539	56,470	45,058	36,636	41,175	48,985	74,018	60,337	
Air Canada Jazz	-	13,982	-	-	-	-	-	-	19,256	50,347	
AirTran Airways	66,475	37,530	17,978	-	-	-	-	-	-	-	
Alaska Airlines ¹	428,515	435,722	514,498	579,457	673,731	830,349	871,775	902,705	918,841	1,031,337	
Allegiant Airlines	21,309	32,803	18,416	18,099	15,466	7,859	7,406	16,825	49,480	44,934	
American Airlines ²	735,067	704,909	658,752	664,466	650,826	693,995	747,493	1,369,003	1,339,489	1,366,634	
British Airways	-	-	6,912	81,437	81,534	84,600	84,263	89,723	90,200	82,543	
Condor	-	-	-	-	-	-	-	-	3,902	7,815	
Continental Airlines ³	503,242	507,443	496,100	-	-	-	-	-	-	-	
Delta Air Lines	618,127	900,510	919,323	935,777	904,734	915,907	992,498	1,061,889	1,088,647	1,126,873	
Edelweiss	-	-	-	-	-	-	-	-	1,215	6,990	
Frontier Airlines	203,689	196,628	219,008	198,708	184,020	185,270	150,595	118,990	180,235	254,760	
Hawaiian Airlines	100,626	90,874	98,887	86,211	94,283	98,667	96,963	102,462	107,776	108,971	
Japan Airlines	-	-	-	-	18,249	54,213	59,372	59,647	59,916	62,034	
JetBlue Airways	235,199	167,031	141,684	147,051	152,571	173,282	178,590	182,605	224,700	248,325	
Lufthansa	-	-	-	-	-	-	-	-	-	13,037	
Midwest Airlines	8,380	-	-	-	-	-	-	-	-	-	
Northwest Airlines	272,684	-	-	-	-	-	-	-	-	-	
Southwest Airlines	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	4,457,984	
Spirit Airlines	-	-	-	77,873	164,189	201,414	252,219	327,183	287,208	317,387	
Sun Country Airlines	35,885	24,984	24,175	15,889	23,836	27,276	28,732	34,886	40,109	41,983	
United Airlines ³	927,023	920,960	878,307	1,266,007	1,175,869	1,167,661	1,113,510	1,165,565	1,266,055	1,405,663	
US Airways ²	563,392	512,558	523,378	535,906	560,738	554,244	523,034	-	-	-	
Virgin America ¹	155,649	151,110	133,377	166,326	168,297	156,729	175,973	211,075	212,158	183,672	
Volaris	-	-	-	45,589	30,885	23,285	20,004	21,343	3,948	-	
WestJet	1,526	18,738	19,360	25,535	27,746	31,805	33,723	34,516	41,043	39,285	
Other	2,622	-	-	-	-	-	-	-	-	-	
Total Air Carrier	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	10,910,911	
Regional											
Compass	-	-	-	-	-	8,563	140,012	249,723	195,126	250,947	
Express Jet Airlines	36,034	-	-	-	-	-	-	-	-	-	
Horizon Air	-	-	-	5,900	77,392	84,000	83,764	64,758	53,517	82,131	
Mesa Airlines	7,381	18,670	6,709	12,766	206	-	-	-	-	-	
Seaport Airlines	-	-	-	-	196	1,128	3,298	2,292	-	-	
Skywest Airlines	203,543	271,766	272,365	263,144	352,189	341,365	371,979	301,592	372,157	484,891	
Total Regional	479,247	497,708	434,495	422,384	512,360	486,182	599,053	618,365	620,800	817,969	
Total Passengers	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	11,728,880	

¹ Alaska Airlines and Virgin America received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. The enplanements are combined for the purpose of this table.

² US Airways merged with American Airlines on December 9, 2013. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. The enplanements are combined for the purpose of this table.

³ United and Continental completed their merger on October 1, 2010 and began operating as United on November 30, 2011. The enplanements are combined for the purpose of this table.

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

Fiscal Years Ended June 30,

Air Carrier	Market Share										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Aeromexico	0.3%	0.3%	-	-	-	-	-	-	-	-	-
Air Canada	0.3%	0.6%	0.7%	0.7%	0.5%	0.4%	0.4%	0.5%	0.7%	0.6%	
Air Canada Jazz	-	0.2%	-	-	-	-	-	-	0.2%	0.4%	
AirTran Airways	0.8%	0.4%	0.2%	-	-	-	-	-	-	-	
Alaska Airlines ¹	5.0%	5.2%	6.1%	6.8%	7.7%	9.1%	9.0%	8.8%	8.7%	8.8%	
Allegiant Airlines	0.2%	0.4%	0.2%	0.2%	0.2%	0.1%	0.1%	0.2%	0.5%	0.4%	
American Airlines ²	8.6%	8.3%	7.8%	7.7%	7.4%	7.6%	7.7%	13.4%	12.6%	11.7%	
British Airways	-	-	0.1%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.7%	
Condor	-	-	-	-	-	-	-	-	0.0%	0.1%	
Continental Airlines ³	5.9%	6.0%	5.9%	-	-	-	-	-	-	-	
Delta Air Lines	7.2%	10.7%	10.9%	10.9%	10.4%	10.1%	10.2%	10.4%	10.3%	9.6%	
Edelweiss	-	-	-	-	-	-	-	-	0.0%	0.1%	
Frontier Airlines	2.4%	2.3%	2.6%	2.3%	2.1%	2.0%	1.6%	1.2%	1.7%	2.2%	
Hawaiian Airlines	1.2%	1.1%	1.2%	1.0%	1.1%	1.1%	1.0%	1.0%	1.0%	0.9%	
Japan Airlines	-	-	-	-	0.2%	0.6%	0.6%	0.6%	0.6%	0.5%	
JetBlue Airways	2.8%	2.0%	1.7%	1.7%	1.7%	1.9%	1.8%	1.8%	2.1%	2.1%	
Lufthansa	-	-	-	-	-	-	-	-	-	0.1%	
Midwest Airlines	0.1%	-	-	-	-	-	-	-	-	-	
Northwest Airlines	3.2%	-	-	-	-	-	-	-	-	-	
Southwest Airlines	36.6%	37.7%	38.8%	37.9%	37.2%	36.9%	38.5%	37.6%	37.4%	38.0%	
Spirit Airlines	-	-	-	0.9%	1.9%	2.2%	2.6%	3.2%	2.7%	2.7%	
Sun Country Airlines	0.4%	0.3%	0.3%	0.2%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	
United Airlines ³	10.9%	10.9%	10.4%	14.8%	13.5%	12.9%	11.5%	11.4%	11.9%	12.0%	
US Airways ²	6.6%	6.1%	6.2%	6.2%	6.4%	6.1%	5.4%	-	-	-	
Virgin America ¹	1.8%	1.8%	1.6%	1.9%	1.9%	1.7%	1.8%	2.1%	2.0%	1.6%	
Volaris	-	-	-	0.5%	0.4%	0.3%	0.2%	0.2%	0.0%	-	
WestJet	0.0%	0.2%	0.2%	0.3%	0.3%	0.4%	0.3%	0.3%	0.4%	0.3%	
Other	0.0%	-	-	-	-	-	-	-	-	-	
Total Air Carrier	94.4%	94.1%	94.9%	95.1%	94.1%	94.6%	93.8%	93.9%	94.1%	93.0%	
Regional											
Compass	-	-	-	-	-	0.1%	1.4%	1.9%	1.8%	2.1%	
Express Jet Airlines	0.4%	-	-	-	-	-	-	-	-	-	
Horizon Air	-	-	-	-	0.9%	0.9%	0.9%	0.6%	0.5%	0.7%	
Mesa Airlines	0.1%	0.2%	0.1%	0.1%	0.0%	-	-	-	-	-	
Seaport Airlines	-	-	-	-	0.0%	0.0%	0.0%	0.0%	-	-	
Skywest Airlines	2.4%	3.2%	3.2%	3.1%	4.0%	3.8%	3.8%	3.0%	3.5%	4.1%	
Total Regional	5.6%	5.9%	5.1%	4.9%	5.9%	5.4%	6.2%	6.1%	5.9%	7.7%	
Total Passengers	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	569,920
Airport Land Area	661 acres
On airport parking spaces (public)	3,436
Off airport parking spaces (public)	3,370

Source: San Diego County Regional Airport Authority

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

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



Calendar Year	Estimated Population ⁽¹⁾	% Change	Per Capita Personal Income ⁽¹⁾	% Change	Total Personal Income ⁽¹⁾ (in billions)	% Change
2009	3,077,633	0.9 %	\$48,464	(3.2)%	\$137.3	(3.2)%
2010	3,102,852	0.8 %	\$48,566	0.2 %	\$136.6	(0.5)%
2011	3,135,806	1.1 %	\$49,938	2.8 %	\$145.7	6.7 %
2012	3,174,446	1.2 %	\$50,670	1.5 %	\$152.7	4.8 %
2013	3,208,946	1.1 %	\$51,223	1.1 %	\$157.8	3.3 %
2014	3,248,547	1.2 %	\$52,889	3.3 %	\$167.1	5.9 %
2015	3,275,084	0.8 %	\$54,708	3.4 %	\$175.9	5.3 %
2016	3,300,891	0.8 %	\$55,797	2.0 %	\$184.2	4.7 %
2017	3,327,564	0.8 %	\$56,437	1.1 %	\$192.5	4.5 %
2018	3,352,564	0.8 %	\$57,473	1.8 %	\$202.8	5.4 %

Source: California Department of Transportation - San Diego County

⁽¹⁾ 2017 and 2018 population, per capita personal income and personal income are estimates by the California Department of Transportation.

Employer	Local Employees	Rank	Percentage of Total Industry Employment	Employer	Local Employees	Rank	Percentage of Total Industry Employment
State of California	50,200	1	3.2%	State of California	41,400	1	2.7%
U.S. Federal Government	46,700	2	2.9%	U.S. Federal Government	40,800	2	2.6%
University of California, San Diego	32,524	3	2.1%	University of California, San Diego	30,078	3	1.9%
Sharp Health Care	17,962	4	1.1%	County of San Diego	16,303	4	1.1%
Scripps Health	15,238	5	1.0%	San Diego Unified School District	15,800	5	1.0%
Qualcomm Inc.	12,600	6	0.8%	Sharp Health Care	14,390	6	0.9%
City of San Diego	11,544	7	0.7%	Scripps Health	11,690	7	0.8%
Kaiser Permanente	8,965	8	0.6%	City of San Diego	11,054	8	0.7%
UC San Diego Health	8,923	9	0.6%	Qualcomm Inc.	9,444	9	0.6%
San Diego Community College District	6,817	10	0.4%	Kaiser Permanente	7,608	10	0.5%
Total Civilian Labor Force in San Diego County (June 2017):			1,585,000	Total Civilian Labor Force in San Diego County (June 2008):			1,545,800

Source: Employers - San Diego Journal Book of Lists: 2017 & 2009

Total Industry Employment - California Employment Development Dept., Labor Market Info June 2017 - March 2017 Benchmark

EXHIBIT S-17
LABOR FORCE, EMPLOYMENT,
& UNEMPLOYMENT RATES

Year	Labor Force	Employment	Unemployment	Unemployment Rate	
				SD County	State
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	1,397,600	146,600	9.5%	10.6%
2013	1,548,000	1,421,000	126,900	8.2%	9.2%
2014	1,544,600	1,444,000	100,600	6.5%	7.4%
2015	1,555,900	1,473,500	82,400	5.3%	6.3%
2016	1,569,000	1,491,700	77,300	4.9%	5.6%
2017	1,584,500	1,518,100	66,300	4.2%	4.9%
2018	1,584,000	1,525,500	58,400	3.7%	4.5%

Source: California Employment Development Dept., Labor Market Information Division
Unemployment Rate and Labor Force, not seasonally adjusted



EXHIBIT S-18
DEBT SERVICE COVERAGE

Fiscal Years Ended June 30,

	2009	2010	2011 ⁽⁶⁾	2012	2013	2014	2015	2016	2017	2018
Senior Bonds										
Revenues ⁽¹⁾	\$ 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	\$ 276,983,726
Operating and Maintenance Expenses	(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)	(157,246,523)
Net Revenues ⁽²⁾	\$ 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	\$ 119,737,204
Senior Bond Debt Service ⁽³⁾										
Principal	\$ 2,950,000	\$ 3,105,000	\$ 3,265,000	\$ 3,430,000	\$ -	\$ -	\$ 2,030,000	\$ 2,090,000	\$ 2,155,000	\$ 2,240,000
Interest	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	18,263,750
PFCs used to pay debt service	-	-	-	-	(714,077)	(7,140,301)	(8,669,966)	(9,490,326)	(9,548,626)	(9,547,482)
Total Debt Service for the Senior Bond	\$ 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	\$ 10,956,268
Senior Bonds Debt Service Coverage (x)	4.33	4.08	5.95	7.35	30.83	6.65	6.32	7.93	9.23	10.93
Subordinate Debt										
Subordinate Net Revenues ⁽²⁾		\$ 26,508,502	\$ 34,014,656	\$ 52,624,971	\$ 53,725,191	\$ 60,594,296	\$ 76,298,832	\$ 90,128,835	\$ 108,780,936	
Subordinate Annual Debt Service ⁽⁴⁾										
Principal		\$ 715,000	\$ 980,000	\$ 1,000,000	\$ 5,785,000	\$ 8,665,000	\$ 9,000,000	\$ 9,430,000	\$ 14,830,000	
Interest		2,971,984	6,599,760	26,194,616	27,069,283	26,853,179	26,435,600	26,085,029	37,197,656	
Commercial Paper		1,220,226	1,077,867	5,519,872	6,446,951	6,736,945	6,760,189	7,000,066	7,335,123	
PFCs used to pay debt service		-	-	(20,061,962)	(20,718,863)	(21,554,245)	(20,331,674)	(20,456,707)	(20,457,851)	
Total Subordinate Annual Debt Service		\$ 4,907,211	\$ 8,657,627	\$ 12,652,526	\$ 18,582,371	\$ 20,700,879	\$ 21,864,115	\$ 22,058,389	\$ 38,904,928	
Subordinate Obligations Debt Service Coverage (x)		5.40	3.93	4.16	2.89	2.93	3.49	4.09	2.80	
Aggregate Debt										
Aggregate Net Revenues		\$ 31,862,727	\$ 39,370,631	\$ 54,389,383	\$ 63,230,325	\$ 71,988,905	\$ 87,313,106	\$ 101,085,159	\$ 119,737,204	
Aggregate Annual Debt Service										
Principal		3,980,000	4,410,000	1,000,000	5,785,000	10,695,000	11,090,000	11,585,000	17,070,000	
Interest		5,061,209	8,525,735	28,673,105	43,714,718	44,887,754	44,850,200	44,434,979	55,461,406	
Variable Rate Debt ⁽⁵⁾		1,220,226	1,077,867	5,519,872	6,446,951	6,736,945	6,760,189	7,000,066	7,335,123	
PFC Funds Applied to Debt Service		-	-	(20,776,039)	(27,859,164)	(30,224,211)	(29,822,000)	(30,005,333)	(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	\$ 49,861,196	
Aggregate Obligations Debt Service Coverage		3.11	2.81	3.77	2.25	2.24	2.65	3.06	2.40	

(1) Revenues are calculated pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture.

(2) Net Revenues and Subordinate Net Revenues are calculated pursuant to the provisions of the Master Senior Indenture and Master Subordinate Indenture, as appropriate.

(3) Debt service with respect to the Senior Bonds is calculated pursuant to the provisions of the Master Senior Indenture.

(4) Subordinate Annual Debt Service is calculated pursuant to the provisions of the Master Subordinate Indenture.

(5) Includes principal and interest.

(6) Information regarding Subordinate Obligations Debt Service Coverage provided in connection with the first fiscal year for which Subordinate Annual Debt Service was due with respect to the 2010 Bonds. Subordinate Annual Debt Service for prior years consisted of debt service on the Authority's Subordinate Commercial Paper Notes and is not presented for Fiscal Years 2009-2010.

EXHIBIT S-19
DEBT SERVICE COVERAGE -
SERIES 2014 CFC BONDS

	2014	2015	2016	2017	2018
CFC Collections	\$ 27,545,001	\$ 32,464,843	\$ 33,207,946	\$ 36,527,853	\$ 41,036,526
Bond Funding Supplemental Consideration	-	-	-	-	-
Transfers from CFC Stabilization Fund	-	-	-	-	-
Interest Earnings ¹	204,194	295,726	332,761	466,134	919,740
Total Amounts Available	27,749,195	32,760,569	33,540,707	36,993,987	41,956,266
Rolling Coverage Fund Balance ²	-	-	2,451,182	4,902,363	6,576,363
Total Amounts Available, plus Rolling Coverage Fund Balance	\$ 27,749,195	\$ 27,749,195	\$ 35,991,889	\$ 41,896,350	\$ 48,532,629
Series 2014 Debt Service Requirements	-	-	8,170,605	16,341,210	21,921,210
Coverage excluding Rolling Coverage Fund	N/A	N/A	4.11	2.26	1.91
Coverage including Rolling Coverage Fund	N/A	N/A	4.41	2.56	2.21

- 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.
³ On January 1, 2014 and 2017, CFC rates changed.



EXHIBIT S-20
DEBT PER ENPLANED
PASSENGER

Fiscal Year	Outstanding Bond Debt ⁽¹⁾	Outstanding Commercial Paper Debt	Capital Leases	Total Outstanding Debt	Enplaned Passengers	Debt per Enplaned Passenger
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
2018	1,609,960,696	20,163,000	7,143,865	1,637,267,561	11,728,880	139.59

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







STAFF REPORT

Meeting Date: **DECEMBER 6, 2018**

Subject:

Award a Contract to Ace Electric, Inc. for Apron Lighting LED Upgrade at San Diego International Airport

Recommendation:

Adopt Resolution No. 2018-0135, awarding a contract to Ace Electric, Inc., in the amount of \$681,429 for Project No. 601055, Apron Lighting LED Upgrade at San Diego International Airport.

Background/Justification:

This project is a San Diego County Regional Airport Authority Board approved project in the FY2018-FY2019 Facilities Management Capital Improvement Program for capitalized maintenance projects.

This project will replace approximately 125 existing high pressure sodium flood lights with LED lighting at Terminal 2 East and Terminal 2 West (Attachment A) which will benefit the airport through reduced annual energy and maintenance costs. Energy consumption will be reduced by 600 mega-watt hours per year equating to an estimated \$100,000 per year in utility savings and contributing to the airport Strategic Energy Plan. Maintenance costs for lamp replacement will be reduced by an estimated 80% due to the longer life of LED lights. The project will also provide quality lighting for maintenance needs with reduced glare to surrounding areas.

This opportunity was advertised on September 10, 2018, and sealed bids were opened on October 10, 2018. The following bids were received: (Attachment B)

Company	Total Bid
Ace Electric, Inc.	\$681,429.00
Sturgeon Electric California	\$825,845.00
Morrow-Meadows Corporation	\$838,946.00
Ensley Electric	\$896,150.00
Southern Contracting Company	\$917,089.00
Clear Blue Energy	*\$956,616.19
Energy Management Collaborative LLC	\$990,420.00
Neal Electric	**\$1,075,620.00
Mac Electric	***\$1,147,955.19
HMS Construction Inc.	\$1,237,663.00

*Corrected bid amount is \$956,617.84

**Corrected bid amount is \$1,075,611.06

***Corrected bid amount is \$1,147,955.33

The Engineer's estimate is \$1,087,950.00.

Page 2 of 3

The low bid of \$681,429.00, submitted by Ace Electric, Inc., is responsive and is considered responsible. Staff recommends award to Ace Electric, Inc. in the amount of \$681,429.00.

Fiscal Impact:

Adequate funds for the Apron Lighting LED Upgrade is included within the Board approved FY2018-FY2019 Capital Improvement Budget for capitalized maintenance projects. Source of funding for this project is 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 project is consistent with a Categorical Exemption Section 15301 – Class 1 – Existing Facilities and 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 and 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 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 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:

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 opportunities for sub-contractor participation; therefore, at the option of the Authority, Policy 5.14 was applied. Policy 5.14 establishes separate goals for the participation of: (1) small businesses; (2) local businesses; and, (3) service disabled veteran owned small businesses (SDVOSB). The local business participation goal can only be applied when the overall local business participation of all Authority contracts at the time of solicitation is less than 60%. The maximum preference applied under Policy 5.14 is seven percent (7%): three percent (3%) for small business participation; two percent (2%) for local business participation; and, two percent (2%) for SDVOSB participation. 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. When bid price is not the primary selection criteria, the preference is only applied to determine which proposers are interviewed for final consideration. Per Policy 5.14, the preference is not applied in the final selection.

In accordance with Policy 5.14, Ace Electric met the SBE goal of 29% with 29% certified small business participation for a 3% certified small business preference and did not meet the SDVOSB goal of 3% for a 2% SDVOSB participation preference. At the time of the solicitation it was determined that the Authority's overall local business participation exceeded 60%, therefore no preference was applied for local business participation.

Prepared by:

DAVID LAGUARDIA
DIRECTOR, FACILITIES MANAGEMENT

Attachment A



CIP 601055 Apron Lighting LED Upgrade Staff Report

BID TABULATION

Project Title: **Apron Lighting LED Upgrade**

CIP Number: **601055**

DATE/TIME BIDS OPENED: **October 10, 2018**

ENGINEER'S ESTIMATE: \$ 1,830,680.00				ENGINEER'S ESTIMATE		1 Ace Electric, Inc. 6061 Fairmount Avenue San Diego, CA 92120 CSLB 835109 DIR 1000001519 3/31/2020 6/30/2019 TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA		2 Sturgeon Electric California 13501 Benson Avenue Chino, CA 91710 CSLB 1009619 DIR 1000037327 12/31/2019 6/30/2019 LIBERTY MUTUAL INSURANCE COMPANY		3 Morrow-Meadows Corp. 13000 Kirkham Way Poway, CA 92064 CSLB 230813 DIR 1000000078 6/30/2020 6/30/2019 FIDELITY AND DEPOSIT COMPANY OF MARYLAND		4 Ensley Electric 985 Singing Ridge Road El Cajon, CA 92019 CSLB 879402 DIR 1000014898 6/30/2020 6/30/2019 United State Fire Insurance Company	
BID ITEM NO.	TITLE	QUANTITY	UNIT ITEM	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)
GUARANTEE OF GOOD FAITH:													
Bid Schedule A - General Base Bid													
1	Overhead	120	Day	\$ 3,000.00	\$ 360,000.00	\$ 200.00	\$ 24,000.00	\$ 1,000.00	\$ 120,000.00	\$ 1,642.00	\$ 197,040.00	\$ 300.00	\$ 36,000.00
2	Allowance for Unforeseen and Miscellaneous Conditions	1	Allowance	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00
3	Mobilization/Demobilization	1	LS	\$ 50,000.00	\$ 50,000.00	\$ 36,600.00	\$ 36,600.00	\$ 80,000.00	\$ 80,000.00	\$ 53,984.00	\$ 53,984.00	\$ 45,000.00	\$ 45,000.00
4	Airfield Construction Area Control	1	LS	\$ 50,000.00	\$ 50,000.00	\$ 80,000.00	\$ 80,000.00	\$ 40,000.00	\$ 40,000.00	\$ 10,500.00	\$ 10,500.00	\$ 50,000.00	\$ 50,000.00
Total for Bid Schedule A					\$ 535,000		\$ 215,600.00		\$ 315,000.00		\$ 336,524.00		\$ 206,000.00
Bid Schedule B - TERMINAL 2 WEST AND TERMINAL 2 EAST BASE BID													
1	Turn Power Off and Back On	30	DAY	\$ 100.00	\$ 3,000.00	\$ 98.00	\$ 2,940.00	\$ 500.00	\$ 15,000.00	\$ 94.00	\$ 2,820.00	\$ 300.00	\$ 9,000.00
2	Bracket Arm Removal	55	EA	\$ 300.00	\$ 16,500.00	\$ 77.00	\$ 4,235.00	\$ 450.00	\$ 24,750.00	\$ 94.00	\$ 5,170.00	\$ 200.00	\$ 11,000.00
3	Luminaire Removal	191	EA	\$ 300.00	\$ 57,300.00	\$ 49.00	\$ 9,359.00	\$ 120.00	\$ 22,920.00	\$ 63.00	\$ 12,033.00	\$ 50.00	\$ 9,550.00
4	Pole Wiring Removal to Pole Base	37	EA	\$ 100.00	\$ 3,700.00	\$ 25.00	\$ 925.00	\$ 210.00	\$ 7,770.00	\$ 94.00	\$ 3,478.00	\$ 100.00	\$ 3,700.00
5	Furnish and Install New LED Driver Cabinet (including luminaire drivers)	37	EA	\$ 1,150.00	\$ 42,550.00	\$ 2,551.00	\$ 94,387.00	\$ 2,300.00	\$ 85,100.00	\$ 3,015.00	\$ 111,555.00	\$ 4,500.00	\$ 166,500.00
6	Furnish LED Driver spares (shelf stock)	12	EA	\$ 1,000.00	\$ 12,000.00	\$ 525.00	\$ 6,300.00	\$ 500.00	\$ 6,000.00	\$ 547.00	\$ 6,564.00	\$ 600.00	\$ 7,200.00
7	Furnish and Install New Luminaire	37	EA	\$ 1,300.00	\$ 48,100.00	\$ 591.00	\$ 21,867.00	\$ 750.00	\$ 27,750.00	\$ 567.00	\$ 20,979.00	\$ 600.00	\$ 22,200.00
8	Furnish and Install Wiring Harness to New Luminaire	110	EA	\$ 180.00	\$ 19,800.00	\$ 199.00	\$ 21,890.00	\$ 300.00	\$ 33,000.00	\$ 189.00	\$ 20,790.00	\$ 500.00	\$ 55,000.00
9	Furnish and Install New LED Luminaire	110	EA	\$ 2,800.00	\$ 308,000.00	\$ 2,659.00	\$ 292,490.00	\$ 2,025.00	\$ 222,750.00	\$ 2,753.00	\$ 302,830.00	\$ 3,300.00	\$ 363,000.00
10	Furnish New LED Luminaire Spares (shelf stock)	3	EA	\$ 500.00	\$ 1,500.00	\$ 2,605.00	\$ 7,815.00	\$ 2,835.00	\$ 8,505.00	\$ 2,721.00	\$ 8,163.00	\$ 3,000.00	\$ 9,000.00
11	Provide Lighting Calculations	1	LS	\$ 7,500.00	\$ 7,500.00	\$ 101.00	\$ 101.00	\$ 10,000.00	\$ 10,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
12	Terminate Wiring to LED Luminaire	110	EA	\$ 100.00	\$ 11,000.00	\$ 25.00	\$ 2,750.00	\$ 210.00	\$ 23,100.00	\$ 32.00	\$ 3,520.00	\$ 100.00	\$ 11,000.00
13	Aim LED Luminaire	110	EA	\$ 200.00	\$ 22,000.00	\$ 7.00	\$ 770.00	\$ 220.00	\$ 24,200.00	\$ 32.00	\$ 3,520.00	\$ 200.00	\$ 22,000.00
Total for Bid Schedule B					\$ 552,950.00		\$ 465,829.00		\$ 510,845.00		\$ 502,422.00		\$ 690,150.00
Total for (Bid Schedule A+B)					\$ 1,087,950.00		\$ 681,429.00		\$ 825,845.00		\$ 838,946.00		\$ 896,150.00
CONTRACTOR's Submitted Bid Schedule Amount							\$ 681,429.00		\$ 825,845.00		\$ 838,946.00		\$ 896,150.00
ADDENDUM NO. NOTED BY BIDDERS ON THEIR SUBMITTED BID SCHEDULE:													
1	ISSUED ON 10/4 Manufacturer added to approved list as they were used as basis of design.					Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

BID TABULATION

Project Title: **Apron Lighting LED Upg**

DATE/TIME BIDS OPENED: **October 10, 2018**

ENGINEER'S ESTIMATE: \$ 1,830,680.00				5 Southern Contracting Company 559 N. Twin Oaks Valley Road San Marcos, CA 92069 CSLB 222252 DIR 1000002172 12/31/2018 6/30/2019 TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA		6 Clear Blue Energy Corp. 17150 Via Del Campo Suite 203 San Diego, CA 92127 CSLB 951112 DIR 1000039375 8/31/2020 6/30/2019 DEVELOPER'S SURETY AND INDEMNITY COMPANY		7 Energy Management Collaborative LLC 2890 Vicksburg Lane North Plymouth, MN 55447 CSLB 1006619 DIR 1000061484 8/31/2019 6/30/2019 HARTFORD FIRE INSURANCE COMPANY		8 Neal Electric 2790 Business Park Drive Vista, CA 92081 CSLB 802588 DIR 1000000327 12/31/2019 6/30/2019 Fidelity and Deposit Company of Maryland		9 Mac Electric 10439 Roselle Street San Diego, CA 92121 CSLB 911785 DIR 1000050902 3/31/2020 6/30/2019 Employers Mutual Casualty Company		10 HMS Construction Inc. 2885 Scott Stree Vista, CA 92081 CSLB 765590 DIR 1000000923 7/31/2019 6/30/2019 Travfellers Casualty and Surety Company of America	
BID ITEM NO.	TITLE	QUANTITY	UNIT ITEM	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)
GUARANTEE OF GOOD FAITH:															
Bid Schedule A - General Base Bid															
1	Overhead	120	Day	\$ 1,417.00	\$ 170,040.00	\$ 2,064.64	\$ 247,756.80	\$ 80.00	\$ 9,600.00	\$ 776.63	\$ 93,195.60	\$ 2,485.89	\$ 298,306.80	\$ 1,500.00	\$ 180,000.00
2	Allowance for Unforeseen and Miscellaneous Conditions	1	Allowance	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00
3	Mobilization/Demobilization	1	LS	\$ 75,000.00	\$ 75,000.00	\$ 188,422.20	\$ 188,422.20	\$ 349,000.00	\$ 349,000.00	\$ 97,445.00	\$ 97,445.00	\$ 117,591.10	\$ 117,591.10	\$ 84,245.00	\$ 84,245.00
4	Airfield Construction Area Control	1	LS	\$ 15,125.00	\$ 15,125.00	\$ 36,000.00	\$ 36,000.00	\$ 4,000.00	\$ 4,000.00	\$ 111,045.00	\$ 111,045.00	\$ 160,784.74	\$ 160,784.74	\$ 14,139.00	\$ 14,139.00
Total for Bid Schedule A					\$ 335,165.00		\$ 547,179.00		\$ 437,600.00		\$ 376,685.60		\$ 651,682.64		\$ 353,384.00

Bid Schedule B - TERMINAL 2 WEST AND TERMINAL 2 EAST BASE BID															
BID ITEM NO.	TITLE	QUANTITY	UNIT ITEM	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)
1	Turn Power Off and Back On	30	DAY	\$ 625.00	\$ 18,750.00	\$ 128.56	\$ 3,856.80	\$ 185.00	\$ 5,550.00	\$ 297.00	\$ 8,910.00	\$ 107.41	\$ 3,222.30	\$ 350.00	\$ 10,500.00
2	Bracket Arm Removal	55	EA	\$ 188.00	\$ 10,340.00	\$ 131.56	\$ 7,235.80	\$ 250.00	\$ 13,750.00	\$ 266.55	\$ 14,660.25	\$ 210.52	\$ 11,578.60	\$ 700.00	\$ 38,500.00
3	Luminaire Removal	191	EA	\$ 250.00	\$ 47,750.00	\$ 67.28	\$ 12,850.48	\$ 125.00	\$ 23,875.00	\$ 182.41	\$ 34,840.31	\$ 210.52	\$ 40,209.32	\$ 176.00	\$ 33,616.00
4	Pole Wiring Removal to Pole Base	37	EA	\$ 500.00	\$ 18,500.00	\$ 129.56	\$ 4,793.72	\$ 85.00	\$ 3,145.00	\$ 108.65	\$ 4,020.05	\$ 10.53	\$ 389.61	\$ 227.00	\$ 8,399.00
5	Furnish and Install New LED Driver Cabinet (including luminaire drivers)	37	EA	\$ 1,875.00	\$ 69,375.00	\$ 2,690.78	\$ 99,558.86	\$ 2,720.00	\$ 100,640.00	\$ 2,617.30	\$ 96,840.10	\$ 2,636.59	\$ 97,553.83	\$ 4,850.00	\$ 179,450.00
6	Furnish LED Driver spares (shelf stock)	12	EA	\$ 312.00	\$ 3,744.00	\$ 129.30	\$ 1,551.60	\$ 575.00	\$ 6,900.00	\$ 606.25	\$ 7,275.00	\$ 496.33	\$ 5,955.96	\$ 748.00	\$ 8,976.00
7	Furnish and Install New Luminaire	37	EA	\$ 625.00	\$ 23,125.00	\$ 311.09	\$ 11,510.33	\$ 590.00	\$ 21,830.00	\$ 1,364.32	\$ 50,479.84	\$ 557.95	\$ 20,644.15	\$ 1,224.00	\$ 45,288.00
8	Furnish and Install Wiring Harness to New Luminaire	110	EA	\$ 625.00	\$ 68,750.00	\$ 175.60	\$ 19,316.00	\$ 260.00	\$ 28,600.00	\$ 367.55	\$ 40,430.50	\$ 153.22	\$ 16,854.20	\$ 565.00	\$ 62,150.00
9	Furnish and Install New LED Luminaire	110	EA	\$ 2,500.00	\$ 275,000.00	\$ 1,954.17	\$ 214,958.70	\$ 2,990.00	\$ 328,900.00	\$ 3,728.00	\$ 410,080.00	\$ 2,532.39	\$ 278,562.90	\$ 4,070.00	\$ 447,700.00
10	Furnish New LED Luminaire Spares (shelf stock)	3	EA	\$ 1,875.00	\$ 5,625.00	\$ 1,412.60	\$ 4,237.80	\$ 2,860.00	\$ 8,580.00	\$ 2,966.67	\$ 8,900.01	\$ 2,469.24	\$ 7,407.72	\$ 3,720.00	\$ 11,160.00
11	Provide Lighting Calculations	1	LS	\$ 3,125.00	\$ 3,125.00	\$ 1,285.55	\$ 1,285.55	\$ 50.00	\$ 50.00	\$ 980.00	\$ 980.00	\$ -	\$ -	\$ 700.00	\$ 700.00
12	Terminate Wiring to LED Luminaire	110	EA	\$ 156.50	\$ 17,215.00	\$ 128.56	\$ 14,141.60	\$ 65.00	\$ 7,150.00	\$ 97.77	\$ 10,754.70	\$ 21.05	\$ 2,315.50	\$ 172.00	\$ 18,920.00
13	Aim LED Luminaire	110	EA	\$ 187.50	\$ 20,625.00	\$ 128.56	\$ 14,141.60	\$ 35.00	\$ 3,850.00	\$ 97.77	\$ 10,754.70	\$ 105.26	\$ 11,578.60	\$ 172.00	\$ 18,920.00
Total for Bid Schedule B					\$ 581,924.00		\$ 409,438.84		\$ 552,820.00		\$ 698,925.46		\$ 496,272.69		\$ 884,279.00

Total for (Bid Schedule A+B)		\$ 917,089.00		\$ 956,617.84		\$ 990,420.00		\$ 1,075,611.06		\$ 1,147,955.33		\$ 1,237,663.00
CONTRACTOR's Submitted Bid Schedule Amount		\$ 917,089.00		\$ 956,616.19		\$ 990,420.00		\$ 1,075,620.00		\$ 1,147,955.19		\$ 1,237,663.00

ADDENDUM NO. NOTED BY BIDDERS ON THEIR SUBMITTED BID SCHEDULE:															
BID ITEM NO.	TITLE	QUANTITY	UNIT ITEM	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)
1	ISSUED ON 10/4 Manufacturer added to approved list as they were used as basis of design.			Yes	Yes										

RESOLUTION NO. 2018-0135

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY AWARDING A CONTRACT TO ACE ELECTRIC, INC., IN THE AMOUNT OF \$681,429 FOR PROJECT NO. 601055, APRON LIGHTING LED UPGRADE AT SAN DIEGO INTERNATIONAL AIRPORT

WHEREAS, this project is a San Diego County Regional Airport Authority (“Authority”) Board (“Board”) approved project in the FY2018-FY2019 Facilities Management Capital Improvement Program for capitalized maintenance projects; and

WHEREAS, this project will replace approximately 125 existing high pressure sodium flood lights with LED lighting at Terminal 2 East and Terminal 2 West which will benefit the airport through reduced annual energy and maintenance costs; and

WHEREAS, energy consumption will be reduced by 600 mega-watt hours per year equating to an estimated \$100,000 per year in utility savings and contributing to the airport Strategic Energy Master Plan; and

WHEREAS, maintenance costs for lamp replacement will be reduced by an estimated 80% due to longer life of LED lights; and

WHEREAS, the project will provide quality lighting for maintenance needs with reduced glare to surrounding areas; and

WHEREAS, the Request for Bids for this project was advertised on September 10, 2018; and

WHEREAS, on October 10, 2018, the Authority opened sealed bids received in response to the Bid Solicitation Package; and

WHEREAS, the low bidder, Ace Electric, Inc., submitted a bid in the amount of \$681,429.00; and

WHEREAS, the Authority’s staff has duly considered Ace Electric, Inc.’s bid, and has determined Ace Electric, Inc., is responsible and that its bid is responsive in all respects; and

WHEREAS, the Board believes that it is in the best interest of the Authority and the public that it serves, to award Ace Electric, Inc., the contract for Project No. 601055, Apron Lighting LED Upgrade, 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 Ace Electric, Inc. in the amount of \$681,429, for Project No. 601055, Apron Lighting LED Upgrade at San Diego International Airport; and

BE IT FURTHER RESOLVED that the Authority's President/CEO or designee is authorized to execute and deliver such contract to Ace Electric, Inc.; and

BE IT FURTHER RESOLVED that the San Diego County Regional Airport Authority and its officers, employee, and agents are hereby authorized, empowered, and directed to do and perform such acts as may be necessary or appropriate in order to effectuate fully the foregoing resolution; and

BE IT FURTHER RESOLVED by the Board finds that this project is consistent with a Categorical Exemption Section 15301 – Class 1 – Existing Facilities and 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 and 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 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 capacity; 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 6th day of December, 2018, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES /
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

STAFF REPORT

Meeting Date: **DECEMBER 6, 2018**

Subject:

Approve and Authorize the President/CEO to Execute a Fourth Amendment to the Public Art Agreement with Ball-Nogues Studio for Parking Plaza Public Art Project

Recommendation:

Adopt Resolution No. 2018-0136, approving and authorizing the President/CEO to execute a Fourth Amendment to the Public Art Agreement with Ball-Nogues Design Studio, LLC to extend the term for an additional 2 months resulting in a termination date of March 1, 2019.

Background/Justification:

On September 17, 2015 the Authority Board approved the Airport Art Advisory Committee's recommendation to award Ball-Nogues Studio, LLC ("Artist") the commission for the Parking Plaza Public Art Project (Resolution No. 2015-0091). The Authority and Artist are parties to an Agreement for Design, Fabrication and Installation of Public Art Work with an original term beginning on October 7, 2015 and ending on January 31, 2018 in an amount not to exceed \$900,000 ("Agreement"). On April 8, 2016, a First Amendment to the Agreement was executed, increasing the not to exceed amount by \$5,000 as a result of needing the Artist to develop a new Conceptual Proposal due to architectural changes to their installation site. On May 19, 2016, the Authority Board approved and authorized the President/CEO to execute a Second Amendment to the Agreement, extending the term through August 1, 2018 (Resolution No. 2016-0043) in order to align the artwork development with the larger Parking Plaza project schedule. On July 12, 2018, the Authority Board approved and authorized the President/CEO to execute a Third Amendment to the Agreement, extending the term through January 1, 2019 (Resolution No. 2018-0073) due to a number of circumstances that impacted the Artist's fabrication schedule.

At this stage, the Artist has completed the largest portion of their installation, which is sited in the central light of the Parking Plaza, as well as fabrication of 75% of the remaining artwork elements that will be installed in the east and west light wells. The Artist has requested additional time to complete the artwork due to circumstances related to a key fabrication partner employed by the Artist. Accordingly, staff is recommending extending the Agreement by two (2) months to account for the delay, and provide the necessary additional time for the fabrication and installation of the *Boulevard* artwork.

No additional funds or changes to the terms and conditions of the Agreement will take place as a result of this requested Board action.

Fiscal Impact:

Adequate funds for the Parking Plaza Public Art Project are included within the Board approved FY2019 – FY2023 Capital Program Budget in Project No. 104187B. Sources of funding for this project include Bonds.

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:

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, the recommended firm Ball-Nogues Design Studio, LLC did not receive the small business preference.

Prepared by:

LAUREN LOCKHART
ART PROGRAM MANAGER

CHRIS CHALUPSKY
SR. MANAGER, ARTS & COMMUNITY

RESOLUTION NO. 2018-0136

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY APPROVING AND AUTHORIZING THE PRESIDENT/CEO TO EXECUTE A FOURTH AMENDMENT TO THE PUBLIC ART AGREEMENT WITH BALL-NOGUES DESIGN STUDIO, LLC TO EXTEND THE TERM FOR AN ADDITIONAL TWO (2) MONTHS RESULTING IN A TERMINATION DATE OF MARCH 1, 2019

WHEREAS, on September 17, 2015, the Authority Board approved the Airport Art Advisory Committee's recommendation to award Ball-Nogues Design Studio, LLC ("Artist") the commission for the Parking Plaza Public Art opportunity as evidenced by Resolution No. 2015-0091; and

WHEREAS, the Authority and Artist are parties to an Agreement for Design, Fabrication and Installation of Public Art Work ("Agreement"); and

WHEREAS, the Agreement is on file in the office of the Authority Clerk as Document 209722 OS dated November 15, 2015 which began October 7, 2015, and ended January 31, 2018; and

WHEREAS, on April 8, 2016, a First Amendment to the Agreement; (1) revised Exhibit A; (2) revised Exhibit B; and (3) revised Exhibit C; and

WHEREAS, on May 19, 2016, a Second Amendment to the Agreement extended the Agreement term seven (7) months resulting in a new expiration date of August 1, 2018; and

WHEREAS, on July 12, 2018, a Third Amendment to the Agreement extended the Agreement term five (5) months resulting in a new expiration date of January 1, 2019; and

WHEREAS, the Artist has requested additional time to complete the work; and

WHEREAS, the Board finds it in the best interest of the Authority to extend the term of the Agreement to allow the Artist to complete the work; and

NOW THEREFORE BE IT RESOLVED that the Board hereby approves and authorizes the President/CEO to execute a Fourth Amendment to the Public Art Agreement with Ball-Nogues Design Studio, LLC to extend the term for an additional two (2) months resulting in a termination date of March 1, 2019; 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, APPROVED AND ADOPTED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 6th day of December, 2018, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

STAFF REPORT

Meeting Date: **DECEMBER 6, 2018**

Subject:

Approve the December 2018 Legislative Report and 2019 Legislative Agenda

Recommendation:

Adopt Resolution No. 2018-0137, approving the December 2018 Legislative Report and the 2019 Legislative Agenda.

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 2018 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.

The 2019 Legislative Agenda (Attachment B) includes general legislative guidelines and specific goals that the Authority's legislative team recommends the Board approve for the upcoming year. Following Board approval, staff will work with the Authority's legislative consultants to closely monitor and implement Board direction in the policy areas included in the 2019 Legislative Agenda.

State Legislative Action

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

The California State Legislature is scheduled to convene its 2019-2020 legislative session for organizational purposes on December 3, 2018.

Federal Legislative Action

Following the November 6th election, Democrats gained control of the House while Republicans retained control of the Senate.

On September 28th, President Trump signed into law five of the 12 regular appropriations bills that included a continuing resolution to ensure that federal funding for the remaining seven agencies will continue through December 7, 2018. Congress will have less than two weeks, when they reconvene the week of November 26th, to finalize the remaining seven spending measures, including DOT/FAA and DHS/TSA/CBP.

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:

ANGELA SHAFER-PAYNE
VICE PRESIDENT, OPERATIONS

RESOLUTION NO. 2018-0137

A RESOLUTION OF THE BOARD OF THE SAN
DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
APPROVING THE DECEMBER 2018 LEGISLATIVE
REPORT AND THE 2019 LEGISLATIVE AGENDA

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 2018 Legislative Report (“Attachment A”) and the 2019 Legislative Agenda (“Attachment B”); 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 6th day of December, 2018, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

December 2018 Legislative Report

State Legislation

New Assembly Bills

There are no new Assembly bills to report.

New Senate Bills

There are no new Senate bills to report.

*Shaded text represents new or updated legislative information

Federal Legislation

New House Bills

There are no new House bills to report.

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

Anticipated Impact/Discussion

Although this bill is not expected to directly impact operations at San Diego International Airport, the information collected by the study may be useful in helping the Airport 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 House Committee on Transportation and Infrastructure

Position: Support (3/2/17)

*Shaded text represents new or updated legislative information

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, 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 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 DHS 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 DHS to conduct an assessment of information systems used to share homeland security information between fusion centers and the Department

*Shaded text represents new or updated legislative information

Anticipated Impact/Discussion

Although this bill is not expected to impact operations at San Diego International Airport, it will be monitored closely for any potential impact to DHS 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 Airport 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 – Introduced and referred to House Committee on Transportation and Infrastructure

Position: Support (4/6/17)

Legislation/Topic

H.R. 2514 (DeFazio) – Funding for Aviation Screeners and Threat Elimination Restoration Act

Background/Summary

H.R. 2514 would ensure that revenues collected from passengers as aviation security fees are used to help finance the costs of aviation security screening by repealing a requirement that a portion of these fees be deposited in the federal government’s general fund.

*Shaded text represents new or updated legislative information

Anticipated Impact/Discussion

Enactment of this legislation would ensure that aviation security fees are used for their stated purpose, and help to ensure that funding is available to provide an adequate level of screening at the nation's airports.

Status: 5/18/17 – Introduced and referred to House Committee on Homeland Security

Position: Support (1/4/18)

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 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 Federal Aviation Administration (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

*Shaded text represents new or updated legislative information

- 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 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 on a vote of 32 to 25

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

Legislation/Topic

H.R. 4559 (Estes) – Global Aviation System Security Reform Act

Background/Summary

This legislation would require that the Transportation Security Administration (TSA) undertake several actions, including the following:

- Conduct a coordinated global aviation security review within 90 days to address ways to improve aviation security standards across the globe, including cybersecurity threats
- Establish best practices based on this review and report to Congress on the actions that the TSA Administrator has taken to implement these practices

Anticipated Impact/Discussion

This legislation is not expected to have any significant impact on the Airport Authority or San Diego International Airport if enacted.

Status: 1/9/18 – Approved by the House on a voice vote
9/12/18 – Approved by the Senate Committee on Commerce, Science, and Transportation

Position: Watch (2/1/18)

*Shaded text represents new or updated legislative information

Legislation/Topic

H.R. 4561 (Bilirakis) – Security Assessment Feasibility for Equipment Testing and Evaluation of Capabilities for Our Homeland Act

Background/Summary

This legislation would authorize third-party testing of transportation security screening technology and ensure that third-party entities do not have a financial stake in vendor technology being tested. The bill would also require that any entity providing third-party testing be owned and controlled by U.S. citizens and require Transportation Security Administration to establish a coordinated program for detection testing within a year.

Anticipated Impact/Discussion

This legislation is not expected to have any significant impact on the Airport Authority or San Diego International Airport if enacted.

Status: 1/9/18 – Approved by the House of Representatives on a voice vote and Referred to Senate Committee on Commerce, Science, and Transportation

Position: Watch (2/1/18)

Legislation/Topic

H.R. 4577 (Rogers) – Domestic Explosives Detection Canine Capability Building Act

Background/Summary

H.R. 4577 would establish a working group to determine ways to develop a domestic canine breeding network to procure high-quality explosive detection canines. This bill would also require that the Transportation Security Administration consult with other federal relevant agencies, including Customs and Border Protection and the Secret Service, in developing its canine program.

Anticipated Impact/Discussion

This legislation is not expected to have any significant impact on the Airport Authority or San Diego International Airport if enacted.

Status: 1/9/18 – Approved by the House on a voice vote and referred to Senate Committee on Commerce, Science, and Transportation

Position: Watch (2/1/18)

*Shaded text represents new or updated legislative information

Legislation/Topic

H.R. 4581 (Fitzpatrick) – Screening and Vetting Passenger Exchange Act

Background/Summary

This legislation would require the Secretary of the Department of Homeland Security to develop best practices for utilizing advanced passenger information and passenger name record data for counterterrorism screening and vetting operations.

Anticipated Impact/Discussion

This legislation is not expected to have any significant impact on the Airport Authority or San Diego International Airport if enacted.

Status: 1/9/18 – Approved by the House on a vote of 415 to 1
9/4/18 – Approved by Senate Committee on Homeland Security and Governmental Affairs

Position: Watch (2/1/18)

Legislation/Topic

H.R. 4627 (Donovan) – Shielding Public Spaces from Vehicular Terrorism Act

Background/Summary

H.R. 4627 would amend the Homeland Security Act of 2002 to authorize expenditures to combat emerging terrorist threats, including vehicular attacks. The bill expands eligibility of Department on Homeland Security grants through the Urban Area Security Initiative and the State Homeland Security Grant Program to include “addressing security vulnerabilities of public spaces, including through the installation of bollards and other target hardening activities.”

Anticipated Impact/Discussion

Although this bill is not expected to directly impact operations at San Diego International Airport, it will be monitored closely for any potential grant funding opportunities.

Status: 6/19/18 – Approved by House Committee on Homeland Security on a voice vote and referred to Senate Committee on Homeland Security and Governmental Affairs

Position: Watch (7/12/18)

*Shaded text represents new or updated legislative information

Legislation/Topic

H.R. 4737 (Wasserman-Schultz) – Airport Advanced Logistics, Emergency Response and Training (Airport ALERT) Act

Background/Summary

This legislation would require all Category X airports to establish integrated Airport Operations Centers. It would also require airports to include security and emergency preparedness training requirements in their Airport Security Plan (ASP), including mass evacuation plans, risk communication plans, continuity of operations plans and airport family assistance and customer care plans.

Anticipated Impact/Discussion

As San Diego International Airport (SDIA) is currently classified as a Category 1 airport, the requirement in H.R. 4737 for Category X airports to have an integrated and unified operations center would not currently apply to SDIA. Additionally, although this legislation does not provide adequate details concerning the specific mandates in the bill, H.R. 4737 is expected to require the Airport Authority to undertake several unfunded actions that would be duplicative of security-related activities currently conducted by Authority staff. Authority staff will work with airport advocacy associations who plan to discuss their concerns with this bill with the author in an effort to improve this legislation.

Status: 1/8/18 – Introduced and Referred to House Committee on Homeland Security

Position: Watch (2/1/18)

Legislation/Topic

H.R. 5003 (Hultgren) – Amend the Internal Revenue Code of 1986 to Reinstate Advance Refunding Bonds

Background/Summary

The Tax Cuts and Jobs Act (H.R. 1), signed into law in 2017, eliminated advance refunding of bonds. H.R. 5003 would amend the Internal Revenue Code of 1986 to reinstate advance refunding of bonds, restoring the flexibility for the management of municipal debt that may assist state and local governments finance infrastructure projects.

Anticipated Impact/Discussion

Although it is unclear at this time if the Airport Authority will advance refund bonds in the future, this bill might benefit the Airport Authority by providing the flexibility to advance refund bonds if necessary, depending on future financial market conditions.

*Shaded text represents new or updated legislative information

Status: 2/13/18 – Introduced and Referred to House Committee on Ways and Means

Position: Watch (4/5/18)

Legislation/Topic

H.R. 6265 (Katko) – PreCheck is PreCheck Act of 2018

Background/Summary

This legislation would limit the Transportation Security Administration's (TSA) use of PreCheck lanes to only those travelers who are enrolled in PreCheck or other Department of Homeland Security (DHS) Trusted Traveler programs within one year of enactment of this Act. This legislation would require TSA to develop modified risk screening protocols for lanes other than designated PreCheck lanes for use by low-risk passengers and would require TSA to develop and implement a long-term strategy to increase enrollment in PreCheck to expand the total population of trusted travelers.

Anticipated Impact/Discussion

Although this bill is not expected to impact operations at San Diego International Airport, it will be monitored closely for any potential impact to TSA screening protocols including PreCheck or other Trusted Traveler programs.

Status: 9/4/18 – Approved by House on a voice vote and Referred to the Senate Committee on Commerce, Science, and Transportation

Position: Watch (9/13/18)

Legislation/Topic

H.R. 6461 (Coleman) – TSA National Deployment Force Act

Background/Summary

This legislation would establish within the Transportation Security Administration (TSA) a national deployment force, authorizing the use of this new workforce to provide rapid and efficient response to augment homeland security operations:

- When airports need temporary personnel due to an emergency, seasonal demands, hiring shortfalls, severe weather conditions, passenger volume mitigation, equipment support or other reasons
- When special events require additional security occur
- In response to the aftermath of a manmade disaster, including a terrorist attack
- When other such situations arise

*Shaded text represents new or updated legislative information

Anticipated Impact/Discussion

This legislation is not expected to have any significant impact on the Airport Authority or San Diego International Airport if enacted.

Status: 9/4/18 – Approved by House on a voice vote and Referred to Senate Committee on Commerce, Science, and Transportation

Position: Watch (9/13/18)

New Senate Bills

There are no new Senate bills to report.

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 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)

*Shaded text represents new or updated legislative information

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.

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

Position: Watch (5/4/17)

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)

*Shaded text represents new or updated legislative information

Legislation/Topic

S. 2314 (McCaskill) – The Border and Port Security Act

Background/Summary

This bill would require the Commissioner of Customs and Border Protection (CBP) to hire, train, and assign at least 500 new CBP officers annually until the number of CBP officers equals the number of CBP officers needed under the CBP's Workload Staffing Model.

Anticipated Impact/Discussion

If enacted, this bill could potentially result in additional CBP officers at San Diego International Airport depending on the allocation of the additional CBP officers that would be hired pursuant to this bill. California Senator Kamala Harris is a cosponsor of S. 2314.

Status: 1/10/18 – Introduced and Referred to Senate Committee on Homeland Security and Governmental Affairs

Position: Support (2/1/18)

Legislation/Topic

S. 2422 (Warren) – Study on the Health Impacts of Air Traffic Noise and Pollution

Background/Summary

S. 2422 would require the Administrator of the Federal Aviation Administration to enter into an arrangement with the Health and Medicine Division of the National Academies of Sciences, Engineering, and Medicine to convene a committee of experts in health and environmental science to examine the various health impacts of air traffic noise and pollution.

Anticipated Impact/Discussion

Although this bill is not expected to directly impact operations at San Diego International Airport, the information collected by the study may be useful in helping the Airport Authority describe any potential health or impacts of air traffic noise and pollution.

Status: 2/13/18 – Introduced and Referred to Senate Committee on Science, Commerce and Transportation

Position: Watch (4/5/18)

*Shaded text represents new or updated legislative information

Legislation/Topic

S. 2836 (Johnson) – Preventing Emerging Threats Act of 2018

Background/Summary

The goal of S. 2836 is to assist the Department of Homeland Security in preventing emerging threats from unmanned aircraft systems (UAS) and vehicles. Specifically, this bill:

- Gives the Department of Homeland Security (DHS) and the Department of Justice the authority they need to protect important buildings and assets when there is a security risk posed by a UAS
- Directs DHS to perform research and testing of technology
- Requires DHS to conduct several assessments to evaluate emerging threats that drones may pose to state or private critical infrastructures and domestic large hub airports as well as emerging threats of vehicles “vehicular terrorism” when used to inflict violence and intimidation on individuals
- Includes a 5-year sunset provision

Anticipated Impact/Discussion

This bill could benefit the San Diego International Airport (SDIA) by providing law enforcement officials with additional enforcement tools to deter unsafe UAS operations near SDIA.

Status: 6/13/18 – Approved by Senate Committee on Homeland Security and Governmental Affairs

Position: Watch (7/12/18)

Legislation/Topic

S. 2859 (Peters) – Secure Airport Public Spaces Act of 2018

Background/Summary

S. 2859 would add a provision to allow for the use of passenger facility charge (PFC) revenue to enhance security at airports including projects for the construction, repair, or improvement of facilities at an airport, or for the acquisition or installation of equipment at an airport directly and substantially related to the movement of passengers and baggage in air transportation. The bill would also make projects for the installation of security cameras eligible for the Airport Improvement Program (AIP).

Anticipated Impact/Discussion

This bill could benefit the San Diego International Airport by increasing eligibility for the use of PFCs or AIP grants for security related projects, although, this bill does not include any adjustment to the current \$4.50 PFC limit established by Congress in 2000.

*Shaded text represents new or updated legislative information

Status: 5/16/18 – Introduced in the Senate and Referred to Senate Committee on
Commerce, Science, and Transportation

Position: Watch (7/12/18)

*Shaded text represents new or updated legislative information

**San Diego County Regional Airport Authority
2019 Legislative Agenda**

State Policy/Legislation

REAL ID Satellite Offices

The REAL ID Act of 2005 establishes federal standards for state-issued driver licenses and non-driver identification cards. To comply with this law, the Department of Homeland Security issued regulations requiring domestic air travelers, beginning on January 22, 2018, to either possess a state driver license that is compliant with the REAL ID Act or show an alternative form of identification acceptable to the Transportation Security Administration in order to board their flight. However, California is one of the states that have obtained a waiver to allow its driver licenses to be used as an acceptable form of identification beyond DHS' January 22, 2018, compliance date. Because of this waiver, non-REAL ID compliant California driver licenses can be used to board a domestic flight until October 1, 2020.

Because many air travelers, particularly those who travel infrequently, may not be aware of the federal requirements to obtain an enhanced REAL ID license by October 1, 2020, in order to travel by air, airports have a direct interest in ensuring that travelers arriving at the airport beginning October 1, 2020, have a REAL ID driver license. To assist the State of California Department of Motor Vehicles (DMV) in the issuance of REAL ID licenses, airports could coordinate with the DMV to locate satellite DMV offices at airports to provide a convenient location for travelers to apply for REAL ID licenses.

Action: Support efforts by the California Airports Council to work with the California DMV to potentially establish satellite offices at airports to assist travelers in obtaining REAL ID driver's licenses by the October 1, 2020, compliance deadline.

Transportation Network Companies/Taxicab Operations

During the 2018 legislative session, Governor Brown signed into law Assembly Bill 1376, legislation creating the "TNC Access for All Act," to facilitate the increased use of wheelchair-accessible vehicles (WAVs) by TNCs and their drivers. Beginning July 1, 2019, the California Public Utilities Commission (CPUC) will require each TNC to pay a fee of at least \$0.05 dollars per TNC trip completed. The fees would be distributed to access providers that provide on-demand transportation to meet the needs of individuals with disabilities. This program is set to sunset on January 1, 2026.

Senate Bills 1014 and 1080 were also signed into law by the Governor during the 2018 legislative session. Senate Bill 1014 requires each TNC to develop GHG emission reduction plans beginning January 1, 2022, and would require the California Air Resource Board (CARB) to adopt emission reduction goals by January 1, 2023. Senate

Bill 1080 requires a TNC driver to possess either a valid California driver's license or a valid driver's license issued by another state or territory in the U.S., if the TNC driver is a nonresident active duty military member or dependent.

It is possible that the State Legislature or the Administration will consider additional changes to TNC or taxicab operations and regulation, such as further consolidation of ground transportation oversight.

Action: Work with the California Airports Council and others to monitor TNC and taxicab-related legislation and regulations, their anticipated impact on SDIA, and state efforts to provide fair competition between the various modes of ground transportation. Work to ensure that airports retain authority to regulate access to and operations of all ground transportation modes at their respective airports.

Personal Vehicle Sharing Programs

Legislation was introduced during the 2018 legislative session to regulate new vehicle rental business models that involve individuals listing their personal vehicles for rent on a website through a personal ride sharing company. Governor Brown signed Assembly Bill 2873 into law, prohibiting a personal vehicle sharing program from facilitating or arranging a vehicle for transportation if the vehicle is subject to a manufacturer's safety recall. Assembly Bill 2246 would have added the term "personal ride sharing program" to the definition of "rental company" or "rental car company" in applicable sections of state law but died in the Assembly Committee on Judiciary.

Action: Work with the California Airports Council and others to monitor the pending litigation, specifically the City of San Francisco vs. Turo lawsuit, and personal vehicle sharing program legislation and regulations, their anticipated impact on SDIA, and state efforts to define personal vehicle sharing companies.

Drones (Unmanned Aerial Vehicles)

The potential hazard of unmanned aircraft systems (UAS) to other aircraft in flight, persons on the ground and critical infrastructures continue to be addressed through state and federal legislation. In 2018, the State Legislature considered two bills that addressed UAS: Assembly Bill 3173 and Senate Bill 1355. Assembly Bill 3173 would have made it an infraction to operate an unregistered UAS that is required to be registered under federal law but died in the Senate Committee on Appropriations. Senate Bill 1355 was signed into law by the Governor, making it a crime to knowingly operate an UAS over a correctional facility.

As there are still public safety and privacy concerns with the use of drones, it is possible that additional drone legislation will be considered by the State Legislature.

Action: Work closely with the California Airports Council, local members of the state delegation, City of San Diego staff and law enforcement to track, and, if necessary, assist in the development of legislation and regulations to protect airport operations from drone interference.

Autonomous Vehicles

A number of bills were introduced during the 2018 legislative session that addressed regulations and operations of autonomous or self-driving vehicles. Assembly Bill 87 was signed into law by Governor Brown, authorizing a peace officer or specified public employee to remove from a highway a vehicle that uses autonomous technology if there is no approved application or permit to test, deploy, or otherwise operate the autonomous vehicle on public roads.

As the testing and implementation of autonomous vehicles evolves, it is possible that the State Legislature or the Administration will consider additional regulations and operations of autonomous vehicles.

Action: Work closely with the California Airport Council and others to monitor autonomous vehicle legislation and regulations, their anticipated benefit or impact on SDIA. Work to ensure that airports retain authority to regulate access to and operations of all ground transportation modes at their respective airports.

Sustainability & Energy Use Reduction

The Airport Authority continues to explore actions that can be taken to build on its efforts to become more sustainable and energy-independent. Authority staff continues to monitor and investigate funding opportunities for sustainable initiatives at San Diego International Airport (SDIA). Specific areas of investment are expected to include additional zero-emission ground support equipment and other airport vehicles and electric charging infrastructure.

In addition, Authority staff will continue to identify requirements and charges that could impede our ability to utilize non-traditional and “green” energy supplies to power SDIA facilities and equipment as well as actions that could be taken to alter current public utility rules, regulations and statutes.

Action: Identify opportunities to obtain funding for airport projects that will reduce SDIA’s reliance on traditional utilities and allow for the implementation of sustainable resources. Also, identify any regulatory and statutory impediments to potential projects and activities that would increase energy independence at SDIA and coordinate with other interested parties to remove any identified impediments.

Cap-and-Trade Program/Volkswagen Settlement Funding

In 2016, the Governor signed into law Assembly Bill 1613, the Budget Act of 2016, approving the following appropriations pursuant to the State’s Cap-and-Trade program:

- Transit and Intercity Rail Capital Program: \$135 million
- Urban Greening Programs: \$80 million
- Active Transportation Program local assistance: \$10 million
- Clean Vehicle Rebate Project: \$133 million
- Enhanced Fleet Modernization Program and Plus-Up Pilot Project: \$80 million
- Heavy Duty Vehicles and Off-Road Equipment Investments: \$150 million
- Waste Reduction and Management Program: \$40 million
- Weatherization and Renewable Energy Projects: \$20 million

In addition, under the terms of a settlement with the State of California, the automaker Volkswagen (VW) is required to invest \$800 million in zero-emission vehicle (ZEV) projects in California over a ten-year period. Eligible projects include installing ZEV fueling infrastructure (for both electric- and hydrogen-powered cars), funding brand-neutral consumer awareness campaigns that will help grow the ZEV vehicle market, and investing in projects such as car-sharing programs that will increase access to ZEVs for all consumers in California. These projects are expected to grow the state's ZEV program and lay the foundation for achieving the State's air quality and climate change goals.

Staff will identify potential SDIA projects and programs that would be eligible for Cap-and-Trade funding and VW settlement funds and develop a strategy to compete for this funding.

Action: Continue to work with the Authority's legislative consultants, California Airports Council, and others to identify and pursue available funding from emission reduction programs, such as the Cap-and-Trade Program and the VW settlement program, to fund eligible Authority programs and projects and submit strategic comments on draft funding guidelines when necessary.

Aviation Fuel Tax

The State of California charges sales tax on aviation fuel sold at California airports. The state deposits revenue from that tax into its general fund and is not restricted to using that revenue for aviation-related projects and programs. In 2015, the Federal Aviation Administration (FAA) notified the state of a federal policy clarification requiring state and local governments to redirect certain general sales tax revenues derived from aviation fuel to airport capital and operating costs in accordance with federal law. State and local governments are required to implement compliance plans by December 8, 2017. The State of California responded to the FAA declaring that state expenditures on airport capital and operating costs exceed the estimated state general sales tax revenues derived from aviation fuel and that the state is, therefore, in compliance with federal law. However, discussions between the state and the FAA concerning the state's compliance with federal policy continue.

Action: Continue to work with the California Airports Council, other airports and local and state governments to formulate a strategy and develop any necessary legislation to ensure the State of California's compliance with FAA policy.

State Mandates

Authority staff continues to work with its legislative consultants and the California Airports Council to identify proposals that could impose unfunded state mandates on the Authority or San Diego International Airport (SDIA), thereby increasing Authority expenses.

Action: Monitor unfunded state mandates and analyze their impact/cost to the Authority/SDIA.

State Grants

Staff will continue to work with the Authority's legislative consultants and others to identify and apply for any applicable state grant funding, including grants for security, environmental/sustainability initiatives, airport development projects, arts and education programs, planning and energy-related programs. Opportunities may include seeking funds from sources such as the State-sponsored Greenhouse Gas (GHG) emissions auctions and the Volkswagen Settlement Agreement's Environmental Trust Fund.

Action: Continue to identify and pursue available State funding for eligible Authority programs and projects and submit strategic comments on draft funding guidelines when necessary.

California Air Resources Board Regulations

California Air Resources Board staff has met several times with the California Airports Council staff and member airports to discuss CARB's proposed implementation of new zero-emission bus and ground equipment regulations. CARB staff has been informed that these proposed regulations, if implemented, would eliminate access by California airports to federal funding provided under the Voluntary Airport Low Emission (VALE) and Airport Zero Emissions Vehicle and Infrastructure Pilot Program (ZEV) grant programs. CARB staff is now considering the possibility of implementing zero-emission requirements that would allow airports to procure zero emission vehicles via a voluntary method while achieving emission reduction goals set by CARB to comply with the State Implementation Plan.

Action: Continue to coordinate with the California Airports Council and others to dialogue with California Air Resources Board representatives to preserve access by California airports to the Voluntary Airport Low Emission (VALE) and Airport Zero Emissions Vehicle and Infrastructure Pilot Program (ZEV) grant programs.

Federal Policy/Legislation

Infrastructure Funding

The Trump Administration unveiled its \$1.5 trillion infrastructure plan on February 12, 2018, which calls for \$200 billion in federal funds to stimulate private and local investment in the nation's infrastructure. The proposed plan would eliminate the Alternative Minimum Tax (AMT) preference on Private Activity Bonds (PAB) but would not alter the federal Passenger Facility Charge (PFC) cap of \$4.50. Congress has also released infrastructure proposals. The House and Senate Democrats have released separate \$1 trillion infrastructure plans that would be paid for by rolling back Republican tax cuts. The plans are estimated to create 15 million jobs. Additionally, outgoing Transportation and Infrastructure Committee Chairman Bill Shuster unveiled an infrastructure discussion draft that proposes reforming the highway trust fund, strengthening investment, utilizing innovating financing through public-private partnerships, and accelerating delivery through reforms to the environmental review and permitting process.

There are many indicators that infrastructure funding may be one of the key early issues that the Administration and Congress begin to work on in 2019.

Action: Continue to closely coordinate with our Congressional delegation and airport advocacy associations to identify and pursue opportunities to secure funding for infrastructure projects at SDIA.

Passenger Facility Charge

Congress has not increased the current \$4.50 Passenger Facility Charge (PFC) level in eighteen years. A PFC increase would provide the Authority with additional resources for airport improvements including the implementation of the Airport Development Plan. President Trump signed into law H.R. 302, legislation reauthorizing for five-years Federal Aviation Administration (FAA) programs, taxes, and fees on October 5, 2018. Unfortunately, the legislation did not raise the current \$4.50 cap on PFCs. With the change in leadership, following the 2018 November election, there is an opportunity that the PFC could be adjusted through the appropriations process or through an infrastructure package in the next Congress. We also understand that Congress may pass a third set of agency appropriation bills (a minibus appropriations package) before the December 7th funding deadline. It is likely to include the Transportation, Housing and Urban Development and Related Agencies (THUD) appropriations bill. We do not anticipate that if the THUD bill for this fiscal year is sent to the President, it would include a PFC increase.

Action: Continue to work with airport advocates and San Diego Congressional delegation members to increase the PFC limit and identify any additional infrastructure revenue sources that can be used for SDIA projects.

Customs and Border Protection Staffing

CBP personnel allocations at California airports, as well as CBP fee and airport designation structures, remain insufficient to meet the growing demand of passengers arriving to the U.S. from international destinations. Although Authority representatives have continued to communicate to CBP staff both locally and at CBP headquarters concerning the need for additional Port of San Diego (aviation/maritime) CBP resources to accommodate additional international travel at SDIA, this issue remains unresolved. The Fiscal Year 2017 Consolidated Appropriations Act provided \$65,400,000 for improving the hiring processes for border patrol agents, CBP officers, and Air and Marine Personnel. The Fiscal Year 2018 Omnibus Appropriations bill provided funding for an additional 328 CBP officers at points of entry. However, the bill did not include funding for additional border patrol agents. Congress is mandated to maintain 21,370 agents but was unable to meet that goal due to aforementioned recruiting and hiring difficulties. The House Fiscal Year 2019 Homeland Security Appropriations Bill includes funding for 375 new CBP officers above the request. The Senate Fiscal Year 2019 Homeland Security Appropriations Bill would fund CBP at a level of \$14.3 billion, a \$239 million increase above the Fiscal Year 2018 enacted level. This increase would support 375 new Border Patrol agents and 375 new CBP officers, equipment, and technology to help adequately staff our ports and borders. Congress hopes to pass an end of year minibus appropriations package with all remaining appropriations bills included. It is not clear if the Homeland Security Appropriations Bills will be considered by the end of this Congress, as there are a number of controversial issues associated with the Department of Homeland Security (DHS).

Action: Continue to closely coordinate with CBP officials, Congress, and other interested parties to ensure that an adequate level of CBP staffing will be provided for existing and new international service at SDIA. The legislative team will also oppose any potential shifting of CBP revenue to pay for non-CBP programs and activities. Remain engaged with Capitol Hill Members and staff to gather intelligence on the likelihood of the Homeland Security Appropriations bill being included in the potential end of year minibus appropriations package.

Unmanned Aircraft Systems (Drones)

The use of unmanned aircraft systems (UAS) or drones by hobbyists and for commercial purposes continues to grow. The FAA Reauthorization bill that was signed into law by President Trump on October 5, 2018, includes several amendments to address the potential threat of drones to aviation activity including the concern of Congress about the safety risks caused by unauthorized operation of UAS in proximity to airports and the safety risks of potential collisions between UAS and manned aircraft.

Action: Continue to work closely with our federal legislative consultants, the California Airports Council (CAC) and others to advocate for the passage of legislation that would reduce the threat of drone impacts on airport operations.

Intermodal Transit Center Funding

Following a year-long airport planning effort involving several elected and appointed San Diego leaders, a concept for an Intermodal Transit Center (ITC) connecting SDIA to other regional transit modes was agreed upon. The San Diego Association of Governments (SANDAG) has begun the planning for the ITC in coordination with Authority staff. However, additional coordination will be necessary when this project moves forward. The Authority will support any efforts by SANDAG to identify and advocate for funding necessary to build the ITC project.

Action: Continue to coordinate with SANDAG, the U.S. Department of Transportation and others to identify and advocate for funding necessary to advance the Intermodal Transit Center.

Federal Grants

The Authority has received various federal grants, including Federal Aviation Administration (FAA) Voluntary Airport Low Emissions (VALE) grants totaling over \$5 million to install preconditioned air units and ground power that allow aircraft to reduce the amount of time needed to run their engines, providing fuel savings and emissions reductions. Staff has also applied for grants under the Better Utilizing Investments to Leverage Development (BUILD) program and recently under the FAA's Zero Emission Vehicle Infrastructure (ZEV) program. Authority staff will continue to work with our legislative consultants and others to identify and apply for any applicable federal grant funding, including FAA Airport Improvement Program (AIP), VALE and ZEV Programs, BUILD, homeland security, infrastructure, and planning funding.

Action: Continue to identify and pursue available federal funding for SDIA programs and projects.

Security

The President signed into law, H.R. 302 on October 5, 2018, reauthorizing the Transportation Security Administration (TSA) for three years. The bill authorized \$55 million annually for the TSA Law Enforcement Officer (LEO) reimbursement program; authorized \$77 million annually for TSA to staff exit lanes; established a five year term for the TSA Administrator; Required TSA to conduct a cost and feasibility study of enhanced employee inspection measures at airports; directed the TSA to establish standards for the certification of third party explosive detection canines for passenger and property screening; limited the use of PreCheck lanes only to travelers who are a member of PreCheck or another Department of Homeland Security trusted traveler program; and required TSA to develop modified risk screening protocols for lanes other than designated PreCheck lanes for use by low-risk passengers.

Congress is expected to continue its consideration of federal measures aimed at enhancing security at U.S. airports. Specific policy issues may include changes to airport employee vetting/screening procedures, bolstering airport credentials, additional screening of Transportation Security Administration (TSA) employees, and tighter restrictions for the Visa Waiver Program.

Action: *Work with airport advocates and others to review and guide proposed changes to current security policies and procedures and work with TSA and other SDIA security personnel to implement the required changes, while maintaining federal funding for programs such as the Law Enforcement Officer Reimbursement program.*

Ground Transportation Providers

The Federal Aviation Administration (FAA) Reauthorization bill that was signed into law on October 5, 2018, did not include a proposal that would have required the Department of Transportation (DOT) to establish a working group to examine ground transportation access and fees at airports and develop a set of recommendations for DOT and Congress to consider.

Action: *Work with our federal legislative consultants, airport advocates, the San Diego Congressional delegation, and others to oppose any efforts that would remove SDIA's ability to manage and maintain control over ground transportation providers.*

Washington, DC Nonstop Air Service

Authority staff continues to explore legislative solutions that would provide an opportunity for air carriers to begin nonstop service to Ronald Reagan Washington National Airport (DCA). Such service would provide San Diego travelers, including the region's significant military population, with a more convenient and quicker option to travel to our nation's capital.

Action: *Advocate for legislative changes that would provide flexibility to allow air carriers to serve SAN-DCA nonstop.*

International Air Service

There is a close link between nonstop air service development and foreign investment attraction. However, frequency restrictions to key markets present a burden to the economic development and global connectivity of U.S. cities to international markets.

Action: Advocate for expanded dialogue between the U.S. Department of State, the Federal Aviation Administration, and the aviation authorities of key trade partners to lift restrictions on air service frequency to important sources of foreign direct investment. Advocate for both airline and airport participation in Open Skies and other negotiations that impact international route development priorities.

ITEM 15

December 2018 Legislative Report and 2019 Legislative Agenda



Presented by:
Richard Harris, Nossaman LLC
Sam Whitehorn, Signal Group

December 6, 2018



Legislative Advocacy Program

- Authority Policy 1.60 authorizes Board to adopt legislative agenda
- Legislative agenda is comprised of general guidelines and specific goals
- Legislative agenda serves as the foundation for Authority's legislative advocacy program
- Monthly legislative reports provide opportunity to give specific direction to staff

2018 State Highlights

AB 3119 (Gonzalez) – San Diego International Airport Mobility and Sustainability Committee – *Support*

- Established an eight-member San Diego International Airport (SDIA) Mobility & Sustainability Committee (Committee)
- Required the Committee to submit a report to the State Legislature by January 1, 2020, addressing specific issues of mobility & sustainability related to SDIA
 - **Not brought up for a vote in Senate Committee on Appropriations**

SB 966 (Weiner) – Onsite Non-Potable Water System Standards – *Support*

- Directs the State Water Resources Control Board to develop regulations
- Assist local governments in developing oversight & management programs for on-site non-potable water systems
- Provides the City and County the guidance to permit the uses the Airport Authority has implemented & is contemplating
- Supports the Airport Authority's goals & efforts to capture & reuse stormwater & air conditioning condensate
 - **Signed into law by the Governor on 9/28/18**

2018 State Highlights

Transportation Network Companies (TNC)

- **SB 1014 (Skinner) Zero-Emission Vehicles - *Watch***
 - Program goal to decrease GHG from TNC vehicles
 - TNCs to develop plan by January 1, 2022
- **SB 1080 (Roth) TNC Driver's Identification - *Watch***
 - Requires TNC drivers to either possess a valid California driver's license or if they are a nonresident active duty military or a dependent, a valid driver's license issued by the other state or territory of the U.S. in which the member or dependent is a resident
- **SB 1376 (Hill) TNC Accessibility Plan - *Watch***
 - Creates "TNC Access to All Act" to facilitate increased use of wheelchair-accessible vehicles (WAVs) by TNCs
 - Beginning July 1, 2019, CPUC will require each TNC to pay a fee of \$0.05 per TNC trip completed
 - Collected fees will be distributed to access providers to meet needs of individuals with disabilities

➤ **All bills were signed into law by the Governor**

State Political Landscape



- Governor Gavin Newsom, Constitutional officers, all Democrats, to be sworn into office January 7
- San Diego Senator Toni Atkins to remain Senate President Pro Tempore. Democrats started with 26 seats and will have 28 in 2019, a supermajority plus one
- Assembly Member Anthony Rendon will remain as Speaker. With final results due November 30, Democrats may enter the 2019-20 session with 60 of the 80 seats.
- New San Diego delegation: Assembly, former Encinitas City Council Member Tasha Boerner-Horvath and Senator, former Assembly Member Brian Jones
- Organized labor and transportation funding won big

2019 State Legislative Proposals

- **REAL ID** – Support efforts by the California Airports Council to obtain legislation authorizing the California DMV to establish satellite offices at airports to assist travelers in obtaining REAL ID driver’s licenses by the October 1, 2020 compliance deadline.
- **Transportation Network Companies (TNC)/Taxicab Operations** – Work with the California Airports Council and others to monitor TNC and taxicab-related legislation and regulations, their anticipated impact to SDIA, and state efforts to provide fair competition between the various modes of ground transportation. Work to ensure that airports retain authority to regulate access to and operations of all ground transportation modes at their respective airports.

2019 State Legislative Proposals

- **Personal Vehicle Sharing Program** – Work with the California Airports Council and others to monitor the pending litigation, specifically the City of San Francisco v. Turo lawsuit, and personal vehicle sharing program legislation and regulations, their anticipated impact on SDIA, and state efforts to define personal vehicle sharing companies.
- **Drones (Unmanned Aerial Vehicles)** – Work closely with the California Airports Council, local members of the state delegation, City of San Diego staff and law enforcement to track, and, if necessary, assist in the development of legislation and regulations to protect airport operations from drone interference.

2019 State Legislative Proposals

- **Autonomous Vehicles** – Work closely with the California Airports Council and others to monitor autonomous vehicle legislation and regulation, and any anticipated impact on SDIA. Work to ensure that airports retain authority to regulate access to and operations of all ground transportation modes at their respective airports.
- **Sustainability & Energy Use Reduction** – Identify opportunities to obtain funding for airport projects that will reduce SDIA’s reliance on traditional utilities and allow for the implementation of sustainable resources. Also, identify any regulatory and statutory impediments to potential projects and activities that would increase energy independence at SDIA and coordinate with other interested parties to remove any identified impediments.

2019 State Legislative Proposals

- **Cap-and-Trade Program/VW Settlement Funding** – Continue to work with the Authority’s legislative consultants, California Airports Council, and others to identify and pursue available funding from emission reduction programs, such as the Cap-and-Trade Program and the VW settlement program, to fund eligible Authority programs and projects and submit strategic comments on draft funding guidelines when necessary.
- **Aviation Fuel Tax** – Continue to work with the California Airports Council, other airports, and local and state governments to formulate a strategy and develop any necessary legislation to ensure the State of California’s compliance with FAA policy.

2019 State Legislative Proposals

- **State Mandates** – Monitor unfunded state mandates and analyze their impact/cost to the Authority/SDIA.
- **State Grants** – Continue to identify and pursue available State funding for eligible Authority programs and projects and submit strategic comments on draft funding guidelines when necessary.
- **California Air Resources Board Regulations** – Continue to coordinate with the California Airports Council and others to dialogue with California Air Resources Board (CARB) representatives to preserve access by California airports to the Voluntary Airport Low Emission (VALE) and Airport Zero Emission Vehicles and Infrastructure Pilot Program (ZEV) grant program.

2018 Federal Highlights

H.R. 302 - FAA Reauthorization Act of 2018 (Public Law 115-254)

- Reauthorizes the programs of the FAA for five years
- Includes \$3.350 billion in Airport Improvement Grants for airports through FY 2023
- Commissions a study which includes considerations on the passenger facility charges & if they should be indexed for inflation, but does not directly authorize a PFC increase from \$4.50
- Does not assist in reestablishing nonstop service to Ronald Reagan Washington National Airport
- **Signed into law by the President on October 5, 2018**

2018 Federal Highlights

S. 1872 (Thune) TSA Modernization Act (Public Law 115-254)

- A five-year term for the TSA Administrator
- Included in the FAA Reauthorization
- First ever TSA reauthorization
- Includes 25 bipartisan Homeland Security bills
- Includes funding for three years at an average of \$7.9 billion
- Establishes a five-year term for the TSA Administrator
- **Signed into law as part of the FAA Reauthorization Act of 2018 by the President on October 5, 2018**

2018 Federal Highlights

H.R. 6265 (Katko) PreCheck is PreCheck Act of 2018

- Some sections included in the FAA Reauthorization (Public Law 115-254)
- Directs TSA to ensure only trusted traveler program members are permitted to use PreCheck screening lanes
- Directs TSA to implement risk modified screening protocol for lanes
- Directs TSA to complete & implement a long term strategy to increase enrollment in the PreCheck program
- **The Sections that were included were signed into law as part of the FAA Reauthorization Act of 2018 by the President on October 5, 2018**

2018 Federal Highlights

H.R. 6147 (Calvert) Interior, Environment, Financial Services and General Government, Agriculture, Rural Development, Food and Drug Administration, and Transportation, Housing and Urban Development Appropriations Act, 2019

- Provides \$750 million in additional “Grants-In-Aid for Airports” funding for airport improvements available through September 30, 2020
- Makes \$17.7 billion in total budgetary resources for the FAA, fully funded:
 - Air Traffic Control – 14,000 Air Traffic Controllers
 - More than 25,000 engineers, maintenance technicians, safety inspectors, & operational support personnel
 - **Passed the House 217-99 on July 19, 2018 & passed the Senate 92-6 on August 1, 2018. House & Senate are currently resolving differences; expected to move as part of an end of year minibus package**

State of Play: Trump Administration



- Much of 2018 focused on the midterms as a referendum on President Trump
- On-time passages of many appropriation bills were the major legislative accomplishment
- President Trump scaled back his support of Air Traffic Control privatization, which, coupled with less than sufficient support in Congress, prompted Shuster to drop privatization from the FAA bill
- Acting Administrator Dan Elwell is unlikely to be nominated as FAA Administrator, currently former Delta Airlines VP Steve Dickson is favored to be the next administrator

State of Play: Congress



2018 Priorities

- Funding the Federal Government
 - Passing remaining appropriations minibus packages

2019 Priorities

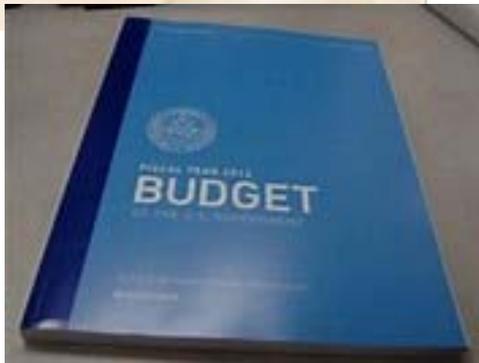
- Fiscal Year 2019 Funding
- Infrastructure
- Healthcare
- Investigations into the White House
- Immigration/DACA
- Trade
- Tax Reform Implementation

Key Aviation Issues



- FY 19 Appropriations
- Infrastructure Package
- Post-Midterm Leadership Changes
 - T&I – Ranking Member Graves
 - Commerce – Chairman Wicker

Appropriations



- Current funding expires on December 7th
- H.R. 6147 – Comprised of eight funding bills
 - Includes THUD
 - Currently in conference stage
 - Does not include a measure to increase PFC

TSA Reauthorization



- Included in the FAA Reauthorization Act of 2018, signed into law by President Trump on October 5, 2018
 - Three year authorization of TSA at \$7.9 million average
 - Establishes five-year term for TSA Administrator
 - Requires TSA to make information available on wait times at security checkpoints in real time

Infrastructure

- Bipartisan action on infrastructure package is likely in 2019
 - House Democrats have released a \$1 trillion infrastructure spending package which relies on the repeal of the GOP tax cut
 - Senate Democrats have released a similar infrastructure package to House Democrats that includes a \$1 trillion investment and would create an estimated 15 million jobs
 - Outgoing Transportation and Infrastructure Committee Chairman Bill Shuster unveiled an Infrastructure Package Discussion Draft that proposes reforming the highway trust fund, strengthening investment, utilizing innovative financing through public private partnerships, and accelerating project delivery through reforms to the environmental review and permitting processes



2019 Federal Legislative Proposals

- **Infrastructure Funding** – Continue to closely coordinate with our Congressional delegation and airport advocacy associations to identify and pursue opportunities to secure funding for infrastructure projects at SDIA.
- **Passenger Facility Charge (PFC)** – Continue to work with airport advocates and San Diego Congressional delegation members to increase the PFC limit and identify any additional infrastructure revenue sources that can be used for SDIA projects.

2019 Federal Legislative Proposals

- **Customs and Border Protection Staffing** – Continue to closely coordinate with CBP officials, Congress, and other interested parties to ensure that an adequate level of CBP staffing will be provided for existing and new international service at SDIA. The legislative team will oppose any potential shifting of CBP revenue to pay for non-CBP programs and activities. Remain engaged with Capitol Hill Members and staff to gather intelligence on the likelihood of the Homeland Security Appropriations bill being included in the potential end of year minibus appropriations package.

2019 Federal Legislative Proposals

- **Unmanned Aerial Vehicles (Drones)** – Continue to work closely with our federal legislative consultants, the California Airports Council and others to advocate for the passage of legislation that would reduce the threat of drone impacts on airport operations.
- **Intermodal Transit Center Funding** – Continue to coordinate with SANDAG, the U.S. Department of Transportation and others to identify and advocate for funding necessary to advance the Intermodal Transit Center.
- **Federal Grants** – Continue to identify and pursue available federal funding for SDIA programs and projects.

2019 Federal Legislative Proposals

- **Security** – Work with airport advocates and others to review and guide proposed changes to current security policies and procedures and work with Transportation Security Administration (TSA) and other SDIA security personnel to implement the required changes, while maintaining federal funding for programs such as the Law Enforcement Officer (LEO) Reimbursement program.
- **Ground Transportation Providers** – Work with our federal legislative consultants, airport advocates, the San Diego Congressional delegates, and others to oppose any efforts that would remove SDIA’s ability to manage and maintain control over ground transportation providers.

2019 Federal Legislative Proposals

- **Washington, DC Nonstop Air Service** – Advocate for legislative changes that would provide flexibility to allow air carriers to serve SAN-DCA nonstop.
- **International Air Service** – Advocate for expanded dialogue between the U.S. Department of State, the Federal Aviation Administration, and the aviation authorities of key trade partners to lift restrictions on air service frequency to important sources of foreign direct investment. Advocate for both airline and airport participation in Open Skies and other negotiations that impact international route development priorities.



Recommended Action

**Adopt Resolution 2018-0137,
approving the December 2018
Legislative Report and the
2019 Legislative Agenda**



Questions?



STAFF REPORT

Meeting Date: **DECEMBER 6, 2018**

Subject:

Award a Contract to Granite Construction Company for Hydrant Fueling Infrastructure at San Diego International Airport

Recommendation:

Adopt Resolution No. 2018-0138, awarding a contract to Granite Construction Company, in the amount of \$40,988,313 for Project No. 104249 Hydrant Fueling Infrastructure at San Diego International Airport.

Background/Justification:

This project is a San Diego County Regional Airport Authority (“Authority”) Board (“Board”) approved project in the FY2019 Capital Improvement Program (“CIP”).

The Hydrant Fueling Infrastructure Project involves the installation of a fuel transmission pipeline and associated infrastructure. The pipeline construction will start on the north side of the runway near the existing bulk fuel storage facility and extend under the existing Engineered Material Arresting System (EMAS) at the end of the runway. The pipeline will ultimately extend to Gates 48, 49, 50, and 51 and connect to 13 hydrant pit assemblies that will be installed as part of the project. Attachment A shows the pipeline route.

The construction of the project presents many complex issues. Because any damage to the EMAS would require an immediate repair that could be very expensive and time consuming, the pipeline under the EMAS will be installed using a specialized trenchless method known as micro tunneling. The work must be completed during the runway overnight “hard closure” period, which ends in May, 2019. Construction in the Runway Safety area can only be performed between 12:01 a.m. and 5:00 a.m., and at the end of the shift the area must be ready to support full flight operations. Every weld on the pipeline must be inspected and tested before work can continue. Because of the high water table, major de-watering of the project site is required.

Due to the complexity of the project construction and the criticality of the fueling system infrastructure to future airport operations, staff engaged Burns & McDonnell, a design firm that is nationally known for their expertise in this field.

A request for bids was advertised on October 3, 2018, and sealed bids were opened on November 5, 2018. One bid was received.

Company	Total Bid
Granite Construction Company	\$40,988,313

Page 2 of 3

Staff analyzed the bid in detail to ensure that the bid was balanced and appeared reasonable. The bid is less than 5% above the Engineer's estimate, which is well within range for a project of this size, complexity, and risk.

Granite Construction ("Granite") has completed several recent projects on the airfield, including the Taxiway J Bypass and the Rehabilitation of OFA Taxiway B. The recent rehabilitation of Runway 9-27 was completed ahead of schedule, due to Granite's experience, efficiency, and innovative means and methods. Granite's current airfield projects include Rehabilitate Cross-Taxiways and the North Side VSR and Storm Drain Improvements. Granite is very familiar with the complexities of working on the airfield and has a good working relationship with staff.

The low bid of \$40,988,313.00, submitted by Granite Construction Company (Attachment B), is responsive and is considered responsible. Staff recommends award to Granite Construction Company, in the amount of \$40,988,313.00.

Fiscal Impact:

Adequate funds for Hydrant Fueling Infrastructure is included within the Board approved FY2019-FY2023 Capital Program Budget in Project No. 104249. Source of funding for this project is 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 project is consistent with a Categorical Exemption Section 15301 – Class 1 – Existing Facilities and 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 and 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 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 capacity and Categorical exemption Section 15304 – Minor Alterations to Land - Class 4 and consists of minor public or private alterations in the condition of land, water, and/or vegetation which do not involve removal of healthy, mature, scenic trees except for forestry or agricultural purposes, including but not limited to: (f) Minor trenching and backfilling where the surface is restored.

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 opportunities for sub-contractor participation; therefore; at the option of the Authority, Policy 5.14 was applied. Policy 5.14 establishes separate goals for the participation of: (1) small businesses; (2) local businesses; and, (3) service disabled veteran owned small businesses (SDVOSB). The local business participation goal can only be applied when the overall local business participation of all Authority contracts at the time of solicitation is less than 60%. The maximum preference applied under Policy 5.14 is seven percent (7%): three percent (3%) for small business participation; two percent (2%) for local business participation; and, two percent (2%) for SDVOSB participation. 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. When bid price is not the primary selection criteria, the preference is only applied to determine which proposers are interviewed for final consideration. Per Policy 5.14, the preference is not applied in the final selection.

In accordance with Policy 5.14, Granite Construction Company met the SBE goal of 36% with 42% certified small business participation for a 3% certified small business preference and did not meet the SDVOSB goal of 3% for a 0% SDVOSB participation preference. At the time of the solicitation it was determined that the Authority's overall local business participation exceeded 60%, therefore no preference was applied for local business participation.

Prepared by:

DENNY PROBST
VICE PRESIDENT, DEVELOPMENT DIVISION

ATTACHMENT A
CIP 104249 HYDRANT FUELING INFRASTRUCTURE



The various colors represent the different construction work areas.

BID TABULATION

Project Title: **Hydrant Fueling Infrastructure** CIP Number: **104249**
 DATE/TIME BIDS OPENED: **Monday, November 5, 2018 at 3:00pm**

ENGINEER'S ESTIMATE: \$ 39,252,925.00				ENGINEER'S ESTIMATE		1 Granite Construction Company	
GUARANTEE OF GOOD FAITH:						5860 El Camino Real STE. 200	
						Travelers Casualty and Surety Company of America	
BID ITEM NO.	TITLE	QUANTITY	UNIT ITEM	UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)
Bid Schedule A - Base Bid							
1	SAWCUT EXISTING CONCRETE PAVEMENT AS SPECIFIED	9000	LF	\$ 15.00	\$ 135,000.00	\$ 30.00	\$ 270,000.00
2	SAWCUT EXISTING ASPHALT PAVEMENT	11400	LF	\$ 6.00	\$ 68,400.00	\$ 2.00	\$ 22,800.00
3	REMOVE EXISTING 16 TO 20-INCH THICK CONCRETE PAVEMENT	5200	SY	\$ 80.00	\$ 416,000.00	\$ 143.00	\$ 743,600.00
4	COLD MILL EXISTING 3 TO 8-INCH THICK ASPHALT PAVEMENT	15000	SY	\$ 15.00	\$ 225,000.00	\$ 14.00	\$ 210,000.00
5	REMOVE EXISTING ARTIFICIAL TURF INFIELD PAVEMENT	1,000	SY	\$ 25.00	\$ 25,000.00	\$ 43.00	\$ 43,000.00
6	REMOVE AND REINSTALL EXISTING WOOD HEADER	750	LF	\$ 10.00	\$ 7,500.00	\$ 15.00	\$ 11,250.00
7	AIRFIELD CONSTRUCTION AREA CONTROL AND PHASING	1	LS	\$ 500,000.00	\$ 500,000.00	\$ 4,051,190.00	\$ 4,051,190.00
8	ADDITIONAL RUNWAY CLOSURES	20	NIGHT	\$ 3,000.00	\$ 60,000.00	\$ 100.00	\$ 2,000.00
9	LOW PROFILE BARRICADES	1,550	LF	\$ 16.50	\$ 25,575.00	\$ 19.00	\$ 29,450.00
10	TEMPORARY K-RAIL BARRIERS	4,400	LF	\$ 160.00	\$ 704,000.00	\$ 20.00	\$ 88,000.00
11	TEMPORARY SIGNAGE	24	EA	\$ 1,000.00	\$ 24,000.00	\$ 400.00	\$ 9,600.00
12	TRENCHING, CLSM BACKFILL, AND RESTORATION (FOR FUEL PIPE IN CONCRETE PAVEMENT)	2,650	LF	\$ 30.00	\$ 79,500.00	\$ 320.00	\$ 848,000.00
13	TRENCHING, CLSM BACKFILL, AND RESTORATION (FOR FUEL PIPE IN 3-INCH ASPHALT PAVEMENT)	4,500	LF	\$ 40.00	\$ 180,000.00	\$ 220.00	\$ 990,000.00
14	TRENCHING, CLSM BACKFILL, AND RESTORATION (FOR FUEL PIPE IN 6-INCH ASPHALT PAVEMENT)	550	LF	\$ 40.00	\$ 22,000.00	\$ 225.00	\$ 123,750.00
15	EXCAVATION, TRENCHING, CLSM BACKFILL, AND RESTORATION (FOR FUEL PIPE AND FUEL STRUCTURES IN ARTIFICIAL TURF INFIELD PAVEMENT)	1	LS	\$ 20,000.00	\$ 20,000.00	\$ 150,000.00	\$ 150,000.00
16	TRENCHING, CLSM BACKFILL, AND RESTORATION (FOR DUCT BANK IN 3-INCH ASPHALT PAVEMENT)	4,500	LF	\$ 22.00	\$ 99,000.00	\$ 380.00	\$ 1,710,000.00
17	TRENCHING, CLSM BACKFILL, AND RESTORATION (FOR DUCT BANK IN 6-INCH ASPHALT PAVEMENT)	1,100	LF	\$ 20.00	\$ 22,000.00	\$ 405.00	\$ 445,500.00
18	TRENCHING, CLSM BACKFILL, AND RESTORATION (FOR DUCT BANK IN ARTIFICIAL TURF INFIELD PAVEMENT)	100	LF	\$ 100.00	\$ 10,000.00	\$ 670.00	\$ 67,000.00
19	TRENCHING, CLSM BACKFILL, AND RESTORATION (FOR DUCT BANK IN NATIVE SOIL)	550	LF	\$ 24.00	\$ 13,200.00	\$ 320.00	\$ 176,000.00
20	BURN ASH REMOVAL	500	CY	\$ 50.00	\$ 25,000.00	\$ 150.00	\$ 75,000.00
21	6-INCH CLASS 2 AGGREGATE BASE COURSE - CALTRANS SECTION 26	250	CY	\$ 55.00	\$ 13,750.00	\$ 192.00	\$ 48,000.00
22	3-INCH HOT MIX ASPHALT TYPE A (DUST CAP) - CALTRANS SECTION 39	2,300	TON	\$ 140.00	\$ 322,000.00	\$ 156.00	\$ 358,800.00
23	6-INCH HOT MIX ASPHALT TYPE A (SHOULDER SECTIONS) - CALTRANS SECTION 39	950	TON	\$ 130.00	\$ 123,500.00	\$ 145.00	\$ 137,750.00
24	6-INCH ECONOCRETE	5,200	SY	\$ 25.00	\$ 130,000.00	\$ 43.00	\$ 223,600.00
25	17-INCH PORTLAND CEMENT CONCRETE	5,200	SY	\$ 225.00	\$ 1,170,000.00	\$ 143.00	\$ 743,600.00
26	0.25-INCH FINE SAND AND CURING COMPOUND	5,200	SY	\$ 10.00	\$ 52,000.00	\$ 10.00	\$ 52,000.00
27	BITUMINOUS TACK COAT	300	GAL	\$ 15.00	\$ 4,500.00	\$ 3.50	\$ 1,050.00
28	ASPHALT JOINT SEALING	19,000	LF	\$ 12.00	\$ 228,000.00	\$ 4.00	\$ 76,000.00
29	TEMPORARY PAVEMENT MARKINGS (PLACEMENT AND REMOVAL)	6,600	SF	\$ 15.00	\$ 99,000.00	\$ 4.00	\$ 26,400.00
30	TEMPORARY CBP PERIMETER PAVEMENT MARKING WITH STENCIL (PLACEMENT AND REMOVAL)	2,000	LF	\$ 12.00	\$ 24,000.00	\$ 8.00	\$ 16,000.00
31	PAVEMENT MARKINGS	35,000	SF	\$ 3.00	\$ 105,000.00	\$ 2.00	\$ 70,000.00
32	NON-WOVEN FILTER FABRIC	550	SY	\$ 9.00	\$ 4,950.00	\$ 8.00	\$ 4,400.00
33	1/0 AWG COUNTERPOISE WIRE	12,400	LF	\$ 3.00	\$ 37,200.00	\$ 12.00	\$ 148,800.00
34	INSTALL 6-WAY COMMUNICATIONS CONCRETE DUCT BANK	6,200	LF	\$ 150.00	\$ 930,000.00	\$ 140.00	\$ 868,000.00
35	INSTALL COMMUNICATIONS MANHOLE	16	EA	\$ 6,500.00	\$ 104,000.00	\$ 36,000.00	\$ 576,000.00
36	REINSTALL ARTIFICIAL TURF INFIELD PAVEMENT	69	SY	\$ 100.00	\$ 6,900.00	\$ 137.00	\$ 9,453.00
37	PROJECT SURVEY AND STAKEOUT	1	LS	\$ 65,000.00	\$ 65,000.00	\$ 345,000.00	\$ 345,000.00
38	DAILY OVERHEAD/OPERATING COST	585	DAY	\$ 3,975.00	\$ 2,325,375.00	\$ 13,000.00	\$ 7,605,000.00
39	MOBILIZATION	1	LS	\$ 1,063,000.00	\$ 1,063,000.00	\$ 800,000.00	\$ 800,000.00
40	DEMOBILIZATION	1	LS	\$ 709,000.00	\$ 709,000.00	\$ 700,000.00	\$ 700,000.00
41	14" FUEL PIPING	6,125	LF	\$ 1,060.00	\$ 6,492,500.00	\$ 655.00	\$ 4,011,875.00
42	12" FUEL PIPING	1,700	LF	\$ 540.00	\$ 918,000.00	\$ 300.00	\$ 510,000.00
43	10" FUEL PIPING	25	LF	\$ 540.00	\$ 13,500.00	\$ 3,000.00	\$ 75,000.00
44	HYDRANT LATERAL FUEL PIPING (6" and 8")	550	LF	\$ 350.00	\$ 192,500.00	\$ 700.00	\$ 385,000.00
45	FUEL PIPE EMBEDMENT	1,810	CY	\$ 130.00	\$ 235,300.00	\$ 250.00	\$ 452,500.00
46	BACKFILL FOR FUEL PIPING	9,700	CY	\$ 90.00	\$ 873,000.00	\$ 40.00	\$ 388,000.00
47	ISOLATION VALVE VAULTS (IVV-1, IVV-2)	2	EA	\$ 540,000.00	\$ 1,080,000.00	\$ 625,000.00	\$ 1,250,000.00
48	ISOLATION VALVE PIT (IVP-1)	1	EA	\$ 440,000.00	\$ 440,000.00	\$ 495,000.00	\$ 495,000.00
49	FURNISH AND INSTALL MANUAL 14" DBB VALVE	5	EA	\$ 26,000.00	\$ 130,000.00	\$ 54,000.00	\$ 270,000.00
50	FURNISH AND INSTALL MOV 12" DBB VALVE	1	EA	\$ 20,000.00	\$ 20,000.00	\$ 50,000.00	\$ 50,000.00
51	FURNISH AND INSTALL MOV 10 DBB VALVE	1	EA	\$ 16,000.00	\$ 16,000.00	\$ 38,000.00	\$ 38,000.00
52	INSTALLATION OF 60" CASING PIPE VIA MICROTUNNELING	1,450	LF	\$ 8,000.00	\$ 11,600,000.00	\$ 4,100.00	\$ 5,945,000.00
53	INSTALLATION OF FUEL PIPING AND ELECTRICAL CONDUITS WITHIN CASING PIPE (W/ SPACERS)	1,450	LF	\$ 700.00	\$ 1,015,000.00	\$ 435.00	\$ 630,750.00
54	FURNISH AND INSTALL HIGH POINT VENT (HPV) PIT ASSEMBLY	8	EA	\$ 21,000.00	\$ 168,000.00	\$ 44,000.00	\$ 352,000.00
55	FURNISH AND INSTALL LOW POINT DRAIN (LPD) PIT ASSEMBLY	6	EA	\$ 21,000.00	\$ 126,000.00	\$ 46,000.00	\$ 276,000.00
56	FURNISH AND INSTALL HYDRANT PIT ASSEMBLY	13	EA	\$ 200,000.00	\$ 2,600,000.00	\$ 53,000.00	\$ 689,000.00
57	NITROGEN CHARGING OF FUEL PIPING	1	LS	\$ 400,000.00	\$ 400,000.00	\$ 66,000.00	\$ 66,000.00
58	FURNISH AND INSTALL CATHODIC PROTECTION SYSTEM	1	LS	\$ 150,000.00	\$ 150,000.00	\$ 200,000.00	\$ 200,000.00
59	FURNISH AND INSTALL 1/0 AWG COUNTERPOISE WIRE	2,085	LF	\$ 20.00	\$ 41,700.00	\$ 12.00	\$ 25,020.00
60	FURNISH AND INSTALL 2-WAY CONCRETE-ENCASED DUCTBANKS	90	LF	\$ 140.00	\$ 12,600.00	\$ 50.00	\$ 4,500.00
61	FURNISH AND INSTALL 3-WAY CONCRETE-ENCASED DUCTBANKS	50	LF	\$ 35.00	\$ 1,750.00	\$ 56.00	\$ 2,800.00
62	FURNISH AND INSTALL 4-WAY CONCRETE-ENCASED DUCTBANKS	1350	LF	\$ 175.00	\$ 236,250.00	\$ 62.00	\$ 83,700.00
63	FURNISH AND INSTALL 6-WAY CONCRETE-ENCASED DUCTBANKS	465	LF	\$ 175.00	\$ 81,375.00	\$ 75.00	\$ 34,875.00
64	FURNISH AND INSTALL 10-WAY CONCRETE-ENCASED DUCTBANKS	130	LF	\$ 300.00	\$ 39,000.00	\$ 125.00	\$ 16,250.00
65	FURNISH AND INSTALL FUEL SYSTEM MANHOLES	6	EA	\$ 25,000.00	\$ 150,000.00	\$ 36,000.00	\$ 216,000.00
Total for Bid Schedule A				\$	37,210,825.00	\$	39,343,263.00

BID TABULATION

Project Title: **Hydrant Fueling Infrastructure**

CIP Number: **104249**

DATE/TIME BIDS OPENED: **Monday, November 5, 2018 at 3:00pm**

ENGINEER'S ESTIMATE: \$ 39,252,925.00		ENGINEER'S ESTIMATE	
GUARANTEE OF GOOD FAITH:		1 Granite Construction Company 5860 El Camino Real STE. 200 Travelers Casualty and Surety Company of America	
BID ITEM NO.	TITLE	QUANTITY	UNIT ITEM
		UNIT PRICE (In Figures)	TOTAL (In Figures)

Bid Schedule B - Allowances				UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)
1	ALLOWANCE FOR DEWATERING	1	Allowance	\$ 750,000.00	\$ 750,000.00	\$ -	\$ 750,000.00
2	MAINTENANCE AND PROTECTION OF TRAFFIC	1	Allowance	\$ 200,000.00	\$ 200,000.00	\$ -	\$ 200,000.00
3	ALLOWANCE FOR BURN ASH DISPOSAL	1	Allowance	\$ 150,000.00	\$ 150,000.00	\$ -	\$ 150,000.00
4	ALLOWANCE FOR MISCELLANEOUS UNFORESEEN CONDITIONS	1	Allowance	\$ 100,000.00	\$ 100,000.00	\$ -	\$ 100,000.00
Total for Bid Schedule B					\$ 1,200,000.00		\$ 1,200,000.00

Bid Schedule C - Temporary Erosion/Sediment Control				UNIT PRICE (In Figures)	TOTAL (In Figures)	UNIT PRICE (In Figures)	TOTAL (In Figures)
1	TEMPORARY EROSION/SEDIMENT CONTROL - STORM WATER MANAGEMENT	1	LS	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00
2	TEMPORARY EROSION/SEDIMENT CONTROL - STORM DRAIN INLET PROTECTION	25	EA	\$ 600.00	\$ 15,000.00	\$ 450.00	\$ 11,250.00
3	TEMPORARY EROSION/SEDIMENT CONTROL - TEMPORARY STABILIZED CONSTRUCTION ENTRANCE/EXIT	1	EA	\$ 25,000.00	\$ 25,000.00	\$ 3,500.00	\$ 3,500.00
4	TEMPORARY EROSION/SEDIMENT CONTROL - CONCRETE WASHOUT	1	EA	\$ 8,000.00	\$ 8,000.00	\$ 40,000.00	\$ 40,000.00
5	TEMPORARY EROSION/SEDIMENT CONTROL - SCHEDULING	80	WEEK	\$ 1,000.00	\$ 80,000.00	\$ 100.00	\$ 8,000.00
6	TEMPORARY EROSION/SEDIMENT CONTROL - ROAD SWEEPING	585	DAY	\$ 800.00	\$ 468,000.00	\$ 180.00	\$ 105,300.00
7	TEMPORARY EROSION/SEDIMENT CONTROL - GRAVEL BAGS	1,500	LF	\$ 35.00	\$ 52,500.00	\$ 40.00	\$ 60,000.00
8	TEMPORARY EROSION/SEDIMENT CONTROL - TEMPORARY TIRE WASH ENTRANCE/EXIT	585	DAY	\$ 75.00	\$ 43,875.00	\$ 100.00	\$ 58,500.00
9	TEMPORARY EROSION/SEDIMENT CONTROL - CONTAMINATED SOIL MANAGEMENT	585	DAY	\$ 85.00	\$ 49,725.00	\$ 100.00	\$ 58,500.00
Total for Bid Schedule C					\$ 842,100.00		\$ 445,050.00

Total for (Bid Schedule A+B+C)		\$ 39,252,925.00	\$ 40,988,313.00
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ADDENDUM NO. NOTED BY BIDDERS ON THEIR SUBMITTED BID SCHEDULE:				Yes	Yes	Yes
1						
2						
3						

CONTRACTOR's Submitted Bid Schedule Amount **\$ 40,988,313.00**

Policy 5.14 Points and Bid Adjustment Amount Table				7%
Low Bid Amt	\$	40,988,313.00		
Points	Bid Adjustment Amount Based on Low Bid or Max. \$200,000			
7 or 7%	\$2,869,181.91	7%	7	
6 or 6%	\$2,459,298.78	6%	6	
5 or 5%	\$2,049,415.65	5%	5	
4 or 4%	\$1,639,532.52	4%	4	
3 or 3%	\$1,229,649.39	3%	3	
2 or 2%	\$819,766.26	2%	2	
1 or 1%	\$409,883.13	1%	1	

Policy 5.14 Bid Adjustment Amount	
Points	3
Adjustment Amount (Enter Amount from Table Based on Number of	\$ 200,000.00
	\$40,788,313.00

Distribution: Project Bid Review Checklist (Original)
 Staff Report
 ADC Estimator (Excel File)
 Director, Small Business (PDF copy)
 Program Coordinator, Small Business (PDF copy)
 Project Procurement Analyst (PDF copy)

RESOLUTION NO. 2018-0138

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY AWARDING A CONTRACT TO GRANITE CONSTRUCTION COMPANY, IN THE AMOUNT OF \$40,988,313 FOR PROJECT NO. 104249 HYDRANT FUELING INFRASTRUCTURE AT SAN DIEGO INTERNATIONAL AIRPORT

WHEREAS, this project is a San Diego County Regional Airport Authority (“Authority”) Board (“Board”) approved project in the FY2019 Capital Improvement Program (“CIP”); and

WHEREAS, the Hydrant Fueling Infrastructure Project involves the installation of a fuel transmission pipeline and associated infrastructure; and

WHEREAS, pipeline construction will start on the north side of the runway near the existing bulk fuel storage facility and extend under the existing Engineered Material Arresting System (EMAS) at the end of the runway; and

WHEREAS, the pipeline will ultimately extend to Gates 48, 49, 50, and 51 and connect to 13 hydrant pit assemblies that will be installed as part of the project; and

WHEREAS, the construction of the project presents many complex issues; and

WHEREAS, because any damage to the EMAS would require an immediate repair that could be very expensive and time consuming, the pipeline under the EMAS will be installed using a specialized trenchless method known as micro tunneling; and

WHEREAS, the work must be completed during the runway overnight “hard closure” period, which ends in May, 2019; and

WHEREAS, Construction in the Runway Safety area can only be performed between 12:01 a.m. and 5:00 a.m., and at the end of the shift the area must be ready to support full flight operations; and

WHEREAS, every weld on the pipeline must be inspected and tested before work can continue. Because of the high water table, major de-watering of the project site is required; and

WHEREAS, due to the complexity of the project construction and the criticality of the fueling system infrastructure to future airport operations, staff engaged Burns & McDonnell, a design firm that is nationally known for their expertise in this field; and

WHEREAS, a request for bids was advertised on October 3, 2018, and sealed bids were opened on November 5, 2018; and

WHEREAS, one bid was received; and

WHEREAS, staff analyzed the bid in detail to ensure that the bid was balanced and appeared reasonable; and

WHEREAS, the bid is less than 5% above the Engineer's estimate, which is within range for a project of this size, complexity, and risk; and

WHEREAS, the low bid of \$40,988,313.00, submitted by Granite Construction Company, is responsive and is considered responsible.

NOW, THEREFORE, BE IT RESOLVED that the Board of the San Diego County Regional Airport Authority ("Board") hereby awards a contract to Granite Construction Company in the amount of \$40,988,313.00 for Project No. 104249 Hydrant Fueling Infrastructure at San Diego International Airport; and

BE IT FURTHER RESOLVED by the Board finds that this project is consistent with a Categorical Exemption Section 15301 – Class 1 – Existing Facilities and 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 and 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 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 capacity and Categorical Exemption Section 15304 - Minor Alterations to Land - Class 4 and consists of minor public or private alterations in the condition of land, water, and/or vegetation which do not involve removal of healthy, mature, scenic trees except for forestry or agricultural purposes, including but not limited to: (f) Minor trenching and backfilling where the surface is restored; 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 6th day of December, 2018, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

AMY GONZALEZ
GENERAL COUNSEL

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

STAFF REPORT

Meeting Date: **DECEMBER 6, 2018**

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 2018-2019 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, BOARD SERVICES/AUTHORITY CLERK

Travel Request

KIM BECKER

Kim Becker
Oakland, CA
10/25-26, 2018

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: BU 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: 08/15/2018 PLANNED DATE OF DEPARTURE/RETURN: 10/25/18 10/26/18

3. DESTINATIONS/PURPOSE (Provide detailed explanation as to the purpose of the trip— continue on extra sheets of paper as necessary):

Destination: Oakland, CA Purpose: CAC Board Meeting

Explanation: _____

4. PROJECTED OUT-OF-TOWN TRAVEL EXPENSES

A. TRANSPORTATION COSTS:	
• AIRFARE	\$ <u>550.00</u>
• *RENTAL CAR (Must complete page 2)	\$ _____
• OTHER TRANSPORTATION (Taxi, Train)	\$ <u>100.00</u>
B. LODGING	\$ <u>250.00</u>
C. MEALS	\$ <u>75.00</u>
D. SEMINAR AND CONFERENCE FEES	\$ _____
E. ENTERTAINMENT (If applicable)	\$ _____
F. OTHER INCIDENTAL EXPENSES	\$ _____
TOTAL PROJECTED TRAVEL EXPENSE	\$ <u>975.00</u>

*Permitted in limited circumstances; must be pre-approved. Provide a copy of Out-of-Town Travel Request form to Risk Management prior to travel in order to obtain insurance identification card covering rental period.

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: 10/25/18

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, Martha Morales, Asst. Authority Clerk 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 August 27, 2018 meeting.
 (Leave blank and we will insert the meeting date.)

Amy Gonzalez

**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: Amy Gonzalez Dept: 15
 Position: Board Member President/CEO Gen. Counsel Chief Auditor
 All other Authority employees (does not require executive committee administrator approval)

2. DATE OF REQUEST: 11/6/18 **PLANNED DATE OF DEPARTURE/RETURN:** 1/24/19 / 1/25/19

3. DESTINATIONS/PURPOSE (Provide detailed explanation as to the purpose of the trip– continue on extra sheets of paper as necessary):

Destination: Phoenix, AZ Purpose: ACI Legal Steering Committee
 Explanation:

4. PROJECTED OUT-OF-TOWN TRAVEL EXPENSES

A. TRANSPORTATION COSTS:	
• AIRFARE	\$ <u>250.00</u>
• *RENTAL CAR (Must complete page 2)	\$ _____
• OTHER TRANSPORTATION (Taxi, Train)	\$ <u>30.00</u>
B. LODGING	\$ <u>200.00</u>
C. MEALS	\$ <u>100.00</u>
D. SEMINAR AND CONFERENCE FEES	\$ _____
E. ENTERTAINMENT (If applicable)	\$ _____
F. OTHER INCIDENTAL EXPENSES	\$ _____
TOTAL PROJECTED TRAVEL EXPENSE	\$ <u>580.00</u>

*Permitted in limited circumstances; must be pre-approved. Provide a copy of Out-of-Town Travel Request form to Risk Management prior to travel in order to obtain insurance identification card covering rental period.

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:  Date: 11-7-18

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

APRIL BOLING

Lee Parravano

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
BUSINESS EXPENSE REIMBURSEMENT REPORT**

October 2018
Period Covered

DATE	G/L Account	Description	AMOUNT
10/20/2018	66220	CPA license renewal; State of California for 10/31/2018 to 10/31/2020.	\$120.00
TOTAL			\$120.00

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 Lee Parravano, Chief Auditor

11/15/18

DATE

APPROVED:

NAME

DATE

CALIFORNIA BOARD OF ACCOUNTANCY

2450 VENTURE OAKS WAY, SUITE 300
 SACRAMENTO, CA 95833
 TELEPHONE: (916) 263-3680 FACSIMILE: (916) 263-3672
 WEB ADDRESS: www.cba.ca.gov



CERTIFIED PUBLIC ACCOUNTANT/PUBLIC ACCOUNTANT LICENSE RENEWAL APPLICATION

PART
A

PLEASE COMPLETE ALL PARTS AND RETURN THE ENTIRE APPLICATION.
 MAKE CHECK OR MONEY ORDER PAYABLE TO DEPARTMENT OF CONSUMER AFFAIRS.
 ***** IMPORTANT *****
 REFER TO THE ACCOMPANYING INSTRUCTIONS IN COMPLETING THE APPLICATION

RABCPA
 11/15/17

TYPE	LICENSE NO	LICENSE EXPIRES	REG REVIEW DUE	PRINT NAME	<u>Lee Parmiano</u>
CPA	92125	10/31/18	10/31/22	BUSINESS PHONE	<u>619-400-2435</u>

7/29/18
 3/01/18

HOME/CELL PHONE [REDACTED]
 E-MAIL ADDRESS [REDACTED] (Optional)

- Are you renewing: Active Inactive
 Please also CHECK BOX 1 IN PART B below with the same answer.
- If your address of record shown in PART B is a post office box or mail drop, please write the street address of your residence or business here: _____
- Reporting Convictions/License Discipline: Since you last renewed your license, have you been convicted of any violation of the law in this or any other state, the United States, or other country, or experienced the cancellation, revocation, or suspension of a certificate or right to practice by any other state or foreign body? YES NO
- Retroactive Fingerprints: Have you submitted fingerprints to the Department of Justice as required by Title 16, California Code of Regulations (CCR) section 37.5?
 If actively serving in the military, check this box.
- Have you practiced public accountancy during your two-year reporting period?
- Did you complete the required total number of hours of continuing education (CE) to maintain active status, including four hours of ethics education and the minimum yearly CE requirement?
- Did you complete a Board-approved, two-hour Regulatory Review course since your last renewal?
- Respond to these CE requirement questions as they pertain to work performed during your two-year reporting period.
 Government Auditing CE: Are you subject to the completion of 24 hours of Government Auditing CE?
 Accounting and Auditing (A&A) CE: Are you subject to the completion of 24 hours of A&A CE?
 Preparation Engagement CE: Are you subject to the completion of eight hours of Preparation Engagement CE?
- Fraud CE Requirement: If you answered "yes" to any section of question 8, did you complete four hours of Fraud CE?
- Did you become subject to the Government Auditing or A&A and Fraud CE requirement during the last six months of your two-year renewal period?
 If so, are you requesting a six month extension to complete the required hours?
 If yes, indicate the related engagement starting date here: _____

PEER REVIEW REPORTING REQUIREMENT Pursuant to section 45 of Title 16 of the California Code of Regulations (CCR), you must report to the CBA on the enclosed Peer Review Reporting Form (Form PR-1 (Rev. 1/12)) as part of the renewal process. CPAs/PAs who are not required to undergo peer review or who renew in an inactive status are also required to report to the CBA using this form. By signing the statement in Part B (below) and submitting this license renewal application, you are certifying that you have completed and enclosed Form PR-1 (Rev. 1/12). Renewing your license without filing Form PR-1 (Rev. 1/12) or without having a peer review accepted by a Board-recognized peer review program provider, may subject your license to disciplinary action. Further, pursuant to BPC section 5076, if you provided accounting and auditing services as a sole proprietorship, you are required to have a peer review report accepted by a Board-recognized peer review program no less frequently than every three years.

By signing the statement in Part B (below) and submitting this license renewal application, you are certifying pursuant to BPC section 5019, that you acknowledge that you have read and understand the rules of Professional Conduct adopted by the CBA. (See Article 3.5 of the Accountancy Act (starting at BPC section 5060) and Article 9 of the CBA Regulations (starting at Title 16 CCR section 50)).

PERSONAL INFORMATION COLLECTION AND ACCESS - The information requested on this application is mandatory pursuant to BPC sections 5070.5, 5026 and 5027 and Title 16, CCR sections 80-94. The information provided will be used to determine continued qualification for licensure. The information may be provided to other governmental agencies, or in response to a court order, subpoena, or public records request. You have a right of access to records containing personal information unless the records are exempted from disclosure. Individuals may obtain information regarding the location of his or her records by contacting the CBA's Licensing Manager at 2450 Venture Oaks Way, Suite 300, Sacramento, CA 95833 or (916) 263-3680.

CERTIFIED PUBLIC ACCOUNTANT/PUBLIC ACCOUNTANT
LICENSE RENEWAL APPLICATION

7/29/18
7/01/18

B

2. PLEASE COMPLETE FOR CHANGE OF ADDRESS:
 E. ADDRESS OF RECORD _____
 CITY _____ STATE _____ ZIP _____

AMOUNT DUE IF
 POSTMARKED AFTER
 10/31/18
 \$180.00

LICENSE NO
 CPA 92125

LICENSE EXPIRES
 10/31/18

AMOUNT DUE
 NOW
 \$120.00

3. I HEREBY CERTIFY, UNDER PENALTY OF PERJURY UNDER THE LAWS
 OF THE STATE OF CALIFORNIA, THAT ALL STATEMENTS, ANSWERS
 AND REPRESENTATIONS ON THIS FORM, INCLUDING ANY
 ATTACHED DOCUMENTS, ARE TRUE, COMPLETE AND ACCURATE.

D. SIGNATURE _____
 DATE 10/16/18

1. Current
 License Status
 ACTIVE

I AM RENEWING
 A. ACTIVE
 B. INACTIVE

LEE MICHAEL PARRAVANO
 [REDACTED]
 [REDACTED]

03000316010316010000921254011031180001200000018000

you become subject to the Government Auditing or A&A and Fraud CE requirement during the last six months of your two-year renewal period?
If yes, are you requesting a six month extension to complete the required hours?
If yes, indicate the related engagement starting date here: _____

REVIEW REPORTING REQUIREMENT: Pursuant to section 45 of Title 16 of the California Code of Regulations, you are required to report to the CBA on the enclosed Peer Review Reporting Form (Form PR-1 (Rev. 1/12)) as part of the renewal process. CPAs who are not required to undergo peer review or who renew in an inactive status are also required to report.

LEE PARRAVANO
DEANNA PARRAVANO
[REDACTED]

90-7162/3222

2217

date 10/20/18

Department of Consumer Affairs | \$ 120.00
pay to the order of
one hundred twenty dollars no/w dollars



memo License # 92125

[Signature]

LICENSE RENEWAL APPLICATION

2. PLEASE COMPLETE FOR CHANGE OF ADDRESS
E. ADDRESS OF RECORD _____
CITY _____ STATE _____

AMOUNT DUE IF POSTMARKED AFTER 10/31/18

AMOUNT DUE NOW

3. I HEREBY CERTIFY, UNDER PENALTY OF PERJURY, THAT I AM THE LICENSEE OF THE STATE OF CALIFORNIA, THAT I AM CURRENTLY ACTIVE AND THAT I AM CURRENTLY IN COMPLIANCE WITH THE REQUIREMENTS OF THIS FORM.

J. SCHIAVONI

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

2018

MONTHLY MILEAGE and PARKING FEE REIMBURSEMENT REPORT

EMPLOYEE NAME Johanna S. Schiavoni			PERIOD COVERED 9/27/2018-9/28/2018	
DEPARTMENT/DIVISION Board of Directors				
Date	Miles driven	Destination and purpose of trip	Parking fees & other transportation costs paid	\$\$\$
9/27/18	28.40	South County EDC Elected Officials Reception		
9/28/18	7.00	San Diego City Hall		
SUBTOTAL	35.40			-

Computation of Reimbursement

	35.40
REIMBURSEMENT RATE: (see below) * Rate as of Januar	0.545
TOTAL MILEAGE REIMBURSEMENT	19.29
PARKING FEES/TOLL CHARGES (ATTACH RECEIPTS)	-
TOTAL REIMBURSEMENT REQUESTED	\$ 19.29

<p>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.</p> <p><u>Business Expense Reimbursement Policy 3.30</u></p> <div style="text-align: center; margin-top: 20px;">  </div>	
SIGNATURE OF EMPLOYEE	DEPT./DIV. HEAD APPROVAL

Travel Expense

Kim Becker

**SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
TRAVEL EXPENSE REPORT**

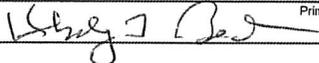
(To be completed within 30 days from travel return date)

TRAVELER: Kimberly J. Becker DEPT. NAME & NO. Strategy & Policy, BU6
 DEPARTURE DATE: 10/25/2018 RETURN DATE: 10/27/2018 REPORT DUE: 11/26/18
 DESTINATION: Oakland, 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							TOTALS
		THURSDAY	FRIDAY	SATURDAY	SUNDAY	MONDAY	TUESDAY	WEDNESDAY	
		10/25/18	10/26/18	10/27/18					
Air Fare, Railroad, Bus (attach copy of itinerary w/charges)	237.96								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.)*									0.00
Hotel*		328.89							328.89
Telephone, Internet and Fax*									0.00
Laundry*									0.00
Tips - separately paid (maids, bellhop, other hotel srvs.)									0.00
Meals (include tips pd.)	Breakfast*								0.00
	Lunch*		20.05						20.05
	Dinner*								0.00
	Other Meals*								0.00
<i>Alcohol is a non-reimbursable expense</i>									
Hospitality ¹ *									0.00
Miscellaneous:									0.00
									0.00
									0.00
*Provide detailed receipts									0.00
Total Expenses prepaid by Authority	237.96	348.94	0.00	0.00	0.00	0.00	0.00	0.00	348.94
Explanation:		Total Expenses Prepaid by Authority							237.96
		Total Expenses Incurred by Employee (including cash advances)							348.94
		Grand Trip Total							586.90
		Less Cash Advance (attach copy of Authority ck)							
		Less Expenses Prepaid by Authority							237.96
		Due Traveler (positive amount)²							
		Due Authority (negative amount)³							348.94
		<i>Note: Send this report to Accounting even if the amount is \$0.</i>							
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 Policy⁴ and 3.30 - Business Expense Reimbursement Policy⁵ 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.

Prepared By: Diane Casey Ext.: 2445
 Traveler Signature:  Date: 11/2/18
 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 _____ meeting.
 (Please leave blank. Whoever clerk's the meeting will insert their name and title.)
 (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.

Kim Becker
Oakland, CA
10/25-26, 2018



SCHEDULE

California Airports Council – Board of Directors Meeting
October 25-26, 2018
Oakland, CA

THURSDAY, OCTOBER 25

6:00 P.M. Cocktails

6:45 P.M. Dinner

Scott's Seafood Jack London Square
2 Broadway
Oakland, CA
510.444.3456

The restaurant is about 0.6 miles from the hotel, about a 10 to 12-minute walk or a 5-minute drive. Please feel free to arrive at the restaurant at your convenience.

FRIDAY, OCTOBER 26

8:30 A.M. Breakfast at Oakland Marriott City Center

9 A.M. CAC Meeting
Business Casual Attire

12 P.M. Working Lunch

1 P.M. Adjournment

Kim Becker
Oakland, CA
10/25-26, 2018

Traveltrust Corporation
374 North Coast Hwy 101, Suite F
Encinitas, CA 92024
Phone: (760) 635-1700



ADD TO OUTLOOK

Wednesday, 30OCT 2018 12:56 PM EDT

Passengers: KIMBERLY JANE BECKER (06)

Agency Reference Number: AFDSQY

Click here to view your current itinerary or ETicket receipt on-line: tripcase.com

Southwest Airlines Confirmation JL6QMJ

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, 25OCT 2018		
	Southwest Airlines From: San Diego CA, USA To: Oakland CA, USA Stops: Nonstop	Flight Number: 1348 Depart: 01:55 PM Arrive: 03:20 PM Duration: 1 hour(s) 25 minute(s) Status: CONFIRMED	Class: F-Economy Miles: 448 / 717 KM
	Equipment: Boeing 737-700 Jet DEPARTS SAN TERMINAL 1 - ARRIVES OAK TERMINAL 2 - L J WILSON Frequent Flyer Number: WN473348610 FREQUENT FLYER NUMBER [REDACTED] EARLYBIRD CHECKIN CONFIRMED EARLYBIRD CHECKIN CONFIRMED Southwest Airlines Confirmation number is JL6QMJ		
AIR	Saturday, 27OCT 2018		
	Southwest Airlines From: San Jose CA, USA To: San Diego CA, USA Stops: Nonstop	Flight Number: 5628 Depart: 07:35 PM Arrive: 08:55 PM Duration: 1 hour(s) 20 minute(s) Status: CONFIRMED	Class: J-Coach/Economy Miles: 404 / 646 KM
	Equipment: Boeing 737-700 Jet DEPARTS SJC TERMINAL B - ARRIVES SAN TERMINAL 1 Frequent Flyer Number: [REDACTED] FREQUENT FLYER NUMBER [REDACTED] Southwest Airlines Confirmation number is NYHDER		

A PORTION OF THIS TRIP MAY BE REFUNDABLE. PLEASE RETURN
UNUSED PORTIONS TO TRAVELTRUST FOR POSSIBLE REFUND.
SOUTHWEST AIRLINES CONFIRMATION NUMBER - JL6QMJ
FOR EMERGENCY SERVICE FROM UNITED STATES - 888-221-6043

Kim Becker
Oakland, CA
10/25-26, 2018

Ticket/Invoice Information

Ticket for: KIMBERLY JANE BECKER
Ticket Nbr: WN1483270014 Electronic Tkt: No Amount: 78.98
Base: 60.26 Tax: 18.72
Charged to: AX*****1013

Ticket for: KIMBERLY JANE BECKER
Ticket Nbr: WN222222221 Electronic Tkt: No Amount: 20.00
Base: 0.00 Tax: 20.00
Charged to: AX*****1013

Ticket for: KIMBERLY JANE BECKER
Ticket Nbr: WN1491124471 Electronic Tkt: No Amount: 48.98
Base: 32.35 Tax: 16.63
Charged to: AX*****1013

Ticket for: KIMBERLY JANE BECKER
Ticket Nbr: WN222222222 Electronic Tkt: No Amount: 20.00
Base: 20.00 Tax: 0.00
Charged to: AX*****1013

Ticket for: KIMBERLY JANE BECKER
Ticket Nbr: WN1494228449 Electronic Tkt: No Amount: 10.00
Base: 10.00 Tax: 0.00
Charged to: AX*****1013

Service fee: KIMBERLY JANE BECKER
Date issued: 8/30/2018
Document Nbr: XD0754508460 Amount: 30.00
Charged to: AX*****1013

Service fee: KIMBERLY JANE BECKER
Date issued: 9/23/2018
Document Nbr: XD0755714232 Amount: 30.00
Charged to: AX*****1013

Total Tickets: 177.96
Total Fees: 60.00
Total Amount: 237.96

Click here 24 hours in advance to obtain boarding passes:
[SOUTHWEST](#)

Click here to review Baggage policies and guidelines:
[SOUTHWEST](#)

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Please allow minimum 3 hour check-in for International flights and 2 hours for Domestic.
For Additional security information visit www.tsa.gov.

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Saturday from 9am-1pm Pacific.
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You can also use the Direct Dial Number 682-233-1914 or the collect number 682-647-0061.
Each call is billable at a minimum \$25.00 per call/reservation

Kim Becker
10/25-10/26/18
Oakland, CA



HILTON OAKLAND AIRPORT
1 HEGENBERGER RD
OAKLAND, CA 94621
United States of America
TELEPHONE 510-635-5000 • FAX 510-635-4062
Reservations
www.hilton.com or 1 800 HILTONS

BECKER, KIMBERLY

[REDACTED]

[REDACTED]

UNITED STATES OF AMERICA

Room No: 1332/K1E
Arrival Date: 10/25/2018 4:02:00 PM
Departure Date: 10/26/2018
Adult/Child: 1/0
Cashier ID: JBE
Room Rate: 286.20
AL: US 8338708
HH # [REDACTED]
VAT #
Folio No/Che 1504595 A

Confirmation Number: 3492803994

HILTON OAKLAND AIRPORT 10/25/2018 4:02:00 AM

DATE	REF NO	DESCRIPTION	CHARGES
10/25/2018	5991879	GUEST ROOM	\$286.20
10/25/2018	5991879	RM OCCUPANCY TAX, CITY TAX	\$40.07
10/25/2018	5991879	RM TOURISM TAX, CITY TAX	\$1.12
10/25/2018	5991879	OTBID ASSESSMENT	\$1.50
WILL BE SETTLED TO MC*9117			\$328.89
EFFECTIVE BALANCE OF			\$0.00

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Kim Becker
CAC Board Meeting
October 25-26, 2018
Oakland, CA

10/25- Lunch

SSP America
URBAN CRAVE T1W
SAN Int'l. Airport
San Diego CA 92101
619-400-2404

** TRANSACTION RECORD **
Tran. #: 2824
RVC: SAN URBH CRV T1W
Table #: 604
Check #: 8654
Group #: 1
Employee #: 10052
Employee: Blen T
MID: 720000271732
Terminal #: 018
Device ID: 13
RRN: 114400000000

PURCHASE

XXXXXXXXXXXX7574
MasterCard
Entry Method: Chip

Amount \$17.18

Tip \$2.87

=====
TOTAL USD \$20.05

10/25/2018 12:50:53 PM
00-001 601700
SANU1US13/SANU1WC13

APPROVED 601700

VERIFIED BY PIN

By entering a verified
PIN, cardholder agrees
to pay issuer such total
in accordance with
issuer's agreement with
cardholder

AID: A0000000041010
APP Name:
Debit MasterCard
TUR: 8000048000
TSI: 6800

Customer Copy

THANK YOU
Come Again

SSP America
Urban Crave T1W
San Diego Int'l. Airport

10052 Blen T

Tbl 604/1 Chk 8654 Gst 1
Oct25'18 12:08PM

Eat In

1 Chicken Quesadil 12.65
1 Pure Lf Sweet 3.29

Subtotal 15.94

Tax 1.24

12:50PM Total 17.18

Win a \$500 Amazon Gift Card
Go to the website to tell us
about your visit and enter
our prize draw
See website for T&C
www.eatonthemove.com/US

LOCATION: 6253413

Customer Care 1-877-325-3777