

Audit Committee and Special Board Meeting

Monday, November 15, 2021
10:00 A.M.

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

Board Members

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

Ex-Officio Board Members

Col. Thomas Bedell
Gustavo Dallarda
Gayle Miller

President/CEO

Kimberly J. Becker

This meeting of the San Diego County Regional Airport Authority Audit Committee will be conducted pursuant to the provisions of California Assembly Bill 361 which suspends certain requirements of the Ralph M. Brown Act. On November 4, 2021, the San Diego County Regional Airport Authority Board adopted Resolution Number 2021-0123 finding that as a result of the continuing State of Emergency and the fact that local officials have recommended measures to promote social distancing and a finding that meeting in person continues to present imminent risks to the health and safety of attendees, it is in the best interest of the Authority and the public to continue to conduct meetings of the Board's standing committees virtually pursuant to AB 361. Therefore, in the interest of public health, all Board and Committee Members will be participating in the meeting electronically. In accordance with Assembly Bill 361 and Authority Board Resolution No. 2021-0123, there will be no members of the public in attendance at the Board Meeting. We are providing alternatives to in-person attendance for viewing and participating in the meeting. In lieu of in-person attendance, members of the public may submit their comments in the following manner.

Comment on Agenda Items

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

- Step 1:** Watch the meeting via the live Webcast located at the following link, <https://www.san.org/Airport-Authority/Meetings-Agendas/Audit-Committee?EntryId=13914>
PLEASE NOTE: There is approximately 20 seconds of lag time between the meeting and the Webcast.
- Step 2:** When the Chair introduces the item that you would like to comment on, (*or indicates that it is time for Non-Agenda Public Comment*), call into the public comment line by following the following directions:
REMINDER: Please do not call until the item you want to comment on is being discussed.

Monday, November 15, 2021

1. **Dial 1-619-737-2396**
2. **When prompted, input Conference ID: [144 073 520#](#)**
3. **You will then hear: "If you're the meeting organizer, press star now. You are now joining the meeting." Ignore this message.**
4. **After a few seconds, you will hear: "Please wait for the leader to admit you into the meeting, thank you for your patience." This is an indication that you are in the waiting room, Authority staff will admit you into the meeting when it is your time to speak.**
5. **After being admitted into the meeting, your microphone will be live, please turn off your webcast to avoid feedback. Staff will then ask you to state your name and begin your comments.**

Written Non-Agenda Public comment and/or Public Comment on agenda items may also be submitted to the Authority clerk at clerk@san.org. Comments received no later than 8:30 a.m. on the day of the meeting will be distributed to the Board or Committee and included in the record.

How to Watch the Meeting

You may also view the meeting online at the following link: <https://www.san.org/Airport-Authority/Meetings-Agendas/Audit-Committee?EntryId=13914>

Requests for Accessibility Modifications or Accommodations

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

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

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

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

Monday, November 15, 2021

CALL TO ORDER:

ROLL CALL:

Committee Members: Blakespear, Casillas Salas, Lloyd, Newsom, Vann (Chair),
Vargas, Wong Nickerson

NON-AGENDA PUBLIC COMMENT:

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

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

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the September 13, 2021, regular meeting.

2. EXTERNAL AUDITOR'S FISCAL YEARS ENDED JUNE 30, 2021 REPORT: A) AUDITED FINANCIAL STATEMENTS, B) SINGLE AUDIT REPORTS, C) PASSENGER FACILITY CHARGES COMPLIANCE REPORT, D) CUSTOMER FACILITY CHARGE COMPLIANCE REPORT, AND E) LETTER TO THE BOARD:

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

(Presented by: Elizabeth Stewart, Interim Director, Accounting; Danny Martinez, CPA, CGFM, Managing Director, BKD, LLP)

3. REVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2021:

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

(Presented by: Elizabeth Stewart, Interim Director, Accounting)

4. FISCAL YEAR 2022 FIRST QUARTER REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

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

(Presented by: Lee Parravano, Chief Auditor)

Monday, November 15, 2021

5. REVISION TO THE FISCAL YEAR 2022 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

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

(Requires five (5) affirmative votes of the Audit Committee.)

(Presented by: Lee Parravano, Chief Auditor)

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

Monday, November 15, 2021

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

- 1) Persons wishing to address the Board, ALUC, and Committees shall submit an email to the Clerk at clerk@san.org prior to the initiation of the portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to submit an email shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment Section at the beginning of the agenda is reserved for persons wishing to address the Board, ALUC, and Committees on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board.
- 3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees.
- 4) If many persons have indicated a desire to address the Board, ALUC and Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.

After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

Additional Meeting Information

NOTE: This information is available in alternative formats upon request. To request an Agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device (ALD) for the meeting, please telephone the Authority Clerk's Office at (619) 400-2550 at least three (3) working days prior to the meeting to ensure availability.

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

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

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

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
AUDIT COMMITTEE
MINUTES
MONDAY, SEPTEMBER 13, 2021
BOARD ROOM

CALL TO ORDER: Chair Vann called the Audit Committee Meeting to order at 10:00 a.m., on Monday, September 13, 2021, electronically and via teleconference, pursuant to Executive Order N-08-21, at the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

ROLL CALL:

Present: Committee Members: Blakespear, Casillas Salas, Lloyd,
Newsom, Vann (Chair), Vargas, Wong
Nickerson

Absent: Committee Members: None

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

PRESENTATIONS:

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS:

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the May 10, 2021, regular meeting and the June 21, 2021, special meeting.

ACTION: Moved by Board Member Casillas Salas and seconded by Board Member Vargas to approve staff's recommendation. Motion carried unanimously noting Committee Member Newsom's ABSTENTION and Committee Member Wong Nickerson as ABSENT.

2. FISCAL YEAR 2021 ANNUAL REPORT FROM THE AUDIT COMMITTEE:

Carmen Vann, Audit Committee Chair, provided an overview of the report.

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

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

3. FISCAL YEAR 2021 ANNUAL REPORT FROM THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation on the Fiscal Year 2021 Annual Report from the Office of the Chief Auditor that included Fiscal Year 2021 Performance Measures, Engagements Completed in 4th Quarter, General Audit Activities – Recommendation Follow-Up, General Audit Activities – Ethics, General Audit Activities – Quality Assurance and Improvement Program (QAIP) and Audit Spotlight – Automobile Citations.

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

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

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

Lee Parravano, Chief Auditor, provided a presentation on the Annual Review of the Charter of the Audit Committee

RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed revision to the charter and forward this item to the Board with a recommendation for approval.

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

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

Lee Parravano, Chief Auditor, provided a presentation on the Annual Review of the Charter for the Office of the Chief Auditor.

RECOMMENDATION: Staff recommends that the Audit Committee accept the proposed revision to the charter and forward this item to the Board with a recommendation for approval.

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

6. REVISION TO THE FISCAL YEAR 2022 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

Lee Parravano, Chief Auditor, provided a presentation on the Revision to the Fiscal Year 2022 Audit Plan of the Office of the Chief Auditor.

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

ACTION: Moved by Board Member Casillas Salas and seconded by Board Member Vargas to approve staff's recommendation. Motion carried unanimously.

7. REVIEW OF AUTHORITY CODE 2.08 – PROHIBITED CONFLICTS OF INTEREST:

Lee Parravano, Chief Auditor, provided a presentation on the Review of the Authority Code 2.08 – Prohibited Conflicts of Interest.

RECOMMENDATION: Information item only.

COMMITTEE MEMBER COMMENTS: None.

ADJOURNMENT: The meeting adjourned at 10:43 a.m.

APPROVED BY A MOTION OF THE AUDIT COMMITTEE OF THE SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY THIS 15th DAY OF NOVEMBER, 2021.

LEE PARRAVANO
CHIEF AUDITOR

ATTEST:

TONY R. RUSSELL
DIRECTOR, BOARD SERVICES/
AUTHORITY CLERK

Audit Committee Staff Report

Meeting Date: November 15, 2021

Subject:

External Auditors Fiscal Years Ended June 30, 2021 Report: A) Audited Financial Statements, B) Single Audit Reports, C) Passenger Facility Charges Compliance Report, D) Customer Facility Charge Compliance Report, and E) Letter to the Board

Recommendation:

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

Background/Justification:

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

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

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

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

Meeting Date: November 15, 2021

On November 15, 2021, the Authority's external auditor, BKD, LLP, will present the fiscal year ended June 30, 2021, 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 and approved Fiscal Year 2021 and Fiscal Year 2022 Operating Expense Budgets within the Accounting Department, Services – Auditing line item

Authority Strategies/Focus Areas:

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

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

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

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

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

Application of Inclusionary Policies:

Not applicable.

Prepared by:

Elizabeth Stewart
Interim Director, Accounting

San Diego County Regional Airport Authority

Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

San Diego County Regional Airport Authority

June 30, 2021 and 2020

Contents

Independent Auditor's Report1-2

Management's Discussion and Analysis (Unaudited)3-16

Financial Statements

Statements of Net Position17-18

Statements of Revenues, Expenses and Changes in Net Position19-20

Statements of Cash Flows21-22

Notes to Financial Statements23-66

Required Supplementary Information (Unaudited)

Schedule of Changes in the Net Pension Liability and Related Ratios67

Schedule of Contributions (Pensions)68

Schedule of Changes in the Net Pension Liability and Related Ratios69

Schedule of Contributions (Pensions)70

Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios71

Schedule of Contributions (OPEB).....72

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, 2021 and 2020, 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, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

BKD, LLP

Dallas, Texas
October 22, 2021

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Management's Discussion and Analysis

For The Years Ended June 30, 2021 and 2020

INTRODUCTION

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

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

SAN DIEGO INTERNATIONAL AIRPORT

History of Ownership

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

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

Legislative Background

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

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

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

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

Airport Activities Highlights (2019 – 2021)

The Airport Authority continued to be impacted by the COVID-19 pandemic through the current fiscal year. This followed the trend seen at most commercial airports across the country.

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

| | FY 2019 | FY 2020 | FY 2021 |
|------------------------------------|------------|------------|------------------|
| Enplaned passengers | 12,356,286 | 9,235,459 | 4,860,931 |
| % change from prior year | 5.3% | -25.3% | -47.4% |
| Total passengers | 24,691,673 | 18,450,599 | 9,701,311 |
| % change from prior year | 5.4% | -25.3% | -47.4% |
| Aircraft operations | 228,093 | 190,746 | 130,017 |
| % change from prior year | 4.3% | -16.4% | -31.8% |
| Freight and mail (in tons) | 186,469 | 154,380 | 151,327 |
| % change from prior year | -2.5% | -17.2% | -2.0% |
| Landed weight (in millions pounds) | 14,481 | 12,053 | 7,780 |
| % change from prior year | 5.2% | -16.8% | -35.5% |

Following the sharp decline beginning in March 2020 caused by the COVID-19 pandemic, enplaned passenger traffic levels have improved each month; ultimately though, fiscal year 2021 ended lower than fiscal year 2020 by 47.4 percent. Looking ahead, it is expected SDIA’s major activities will slowly recover as the U.S. economy reopens. This is due in part because SDIA is an origin and destination airport and is not a hub for any airlines. Further, there is a balanced mixture of leisure and business travelers at SDIA. These factors generally add to the stability of SDIA enplanements in comparison to most airports.

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 5.4 percent in 2019, followed by an additional increase of 3.7 percent in 2020. Despite the negative effects of the pandemic, the Airport Authority was able to manage a modest decrease of only 0.7 percent in 2021, due to the significant dollars received from federal relief grants. The following is a summary of the statements of revenues, expenses, and changes in net position (in thousands):

| | FY 2019 | FY 2020 | FY 2021 |
|-------------------------------------|------------|------------|-------------------|
| Operating revenues | \$ 293,679 | \$ 263,036 | \$ 215,944 |
| Operating expenses | (301,548) | (293,837) | (283,349) |
| Nonoperating revenues, net | 43,033 | 58,493 | 47,254 |
| Capital contributions and grants | 8,213 | 4,072 | 13,932 |
| Increase (Decrease) in net position | 43,377 | 31,764 | (6,219) |
| Net position, beginning of year | 809,925 | 853,302 | 885,066 |
| Net position, end of year | \$ 853,302 | \$ 885,066 | \$ 878,847 |

FINANCIAL HIGHLIGHTS

Operating Revenues (in thousands)

| | FY 2020 | FY 2021 | From 2020 to 2021 | |
|---|------------|------------|------------------------|----------|
| | | | Increase (Decrease) | % Change |
| Airline revenue: | | | | |
| Landing fees | \$ 33,242 | \$ 34,046 | \$ 804 | 2.4% |
| Aircraft parking fees | 8,354 | 8,542 | 188 | 2.3% |
| Building rentals | 82,453 | 83,090 | 637 | 0.8% |
| Other aviation revenue | 7,789 | 8,192 | 403 | 5.2% |
| Total airline revenue | 131,838 | 133,870 | 2,032 | 1.5% |
| Concession revenue | 57,243 | 31,097 | (26,146) | (45.7%) |
| Parking and ground transportation revenue | 50,751 | 27,447 | (23,304) | (45.9%) |
| Ground rentals | 21,386 | 21,849 | 463 | 2.2% |
| Other operating revenue | 1,818 | 1,681 | (137) | (7.5%) |
| Total operating revenue | \$ 263,036 | \$ 215,944 | \$ (47,092) | (17.9%) |

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

Fiscal year 2021 compared to 2020: Total airline revenues increased by \$2.0 million, or 1.5 percent, primarily due to increased cost recovery from the airlines in fiscal year 2021, which was a result of higher debt service and lower federal relief grants applied towards airlines cost centers, offset by a decrease in recoverable operating expenses. Landing fees increased \$804 thousand or 2.4 percent. Aircraft parking fees increase \$188 thousand or 2.3 percent. Building rentals increased by \$637 thousand or 0.8 percent. Other aviation revenue increased by \$403 thousand or 5.2 percent, primarily due to the Signatory air carriers not meeting the minimum guarantee in the Airline Operating and Lease Agreement.

On July 1, 2019, the Airport Authority entered into ten-year Airline Operating and Lease Agreements (AOLAs) with passenger airlines and cargo carriers operating at SAN. The AOLAs cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SAN. Under the terms of the AOLA, landing fees and aircraft parking fees are calculated based on a residual rate-setting methodology, in which all costs of the facility and services are recovered from the airlines, and the airlines assume the financial risk. Terminal rental rates are based on a compensatory rate-setting methodology, in which the airlines each pay for only the actual cost of facilities and services they use; financial risk and control is assumed by the airport.

The AOLA also includes signatory and non-signatory rate structures. Air Carriers that signed a non-signatory agreement are charged a 120 percent premium on all signatory rates, fees and charges, except for the Federal Inspection Services fee, which all airlines pay the same rate for use of the immigration and customs facilities. The agreement has no provisions that grant the airlines direct approval rights over capital projects, with the limited exception of certain transportation projects that exceed a \$350 million threshold, as defined in the AOLA. It also allows flexibility to meet the demands of changing airline activity and to accommodate new entrant carriers. Terms of the new agreement financially support execution of the New T1, formerly referred to as the Airport Development Program.

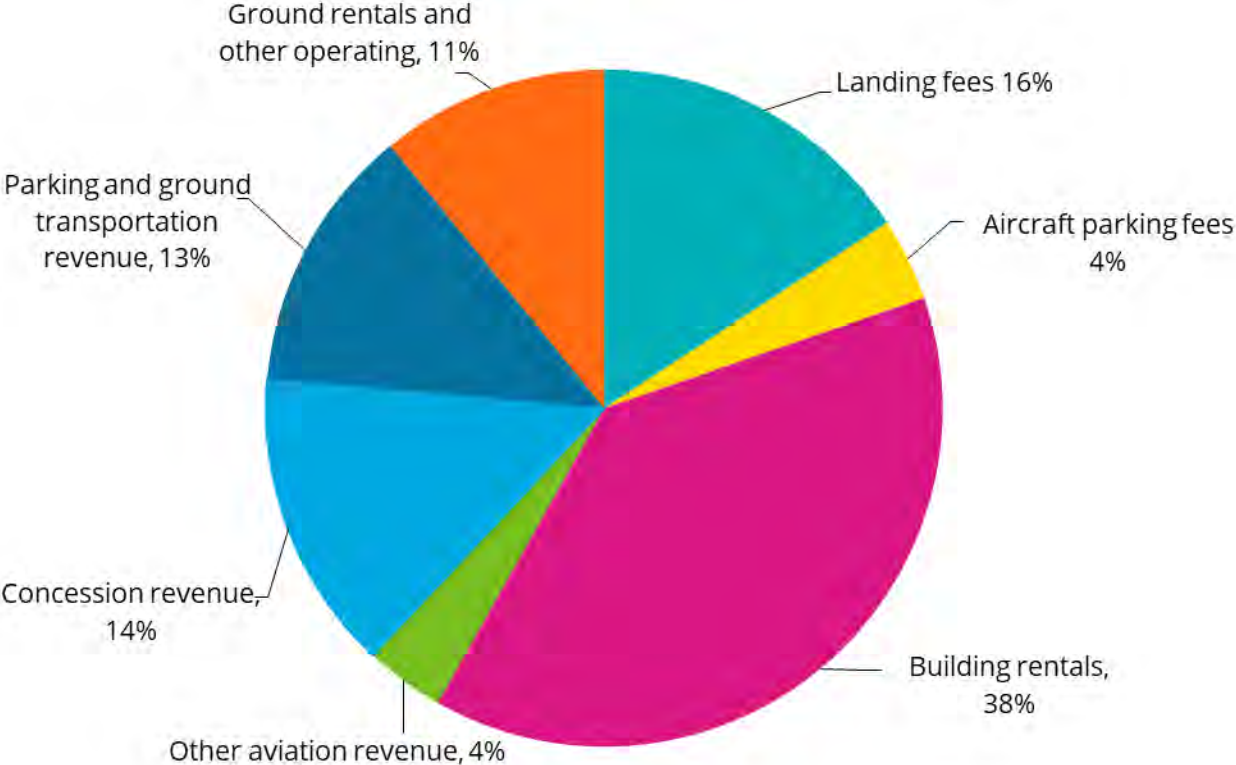
Concession revenue (terminal and rental car) decreased by \$26.1 million or 45.7 percent. This is due to the Airport Authority's Rent Forbearance and Abatement Program, which is available to qualifying non-airline tenants because of the continued impact of the COVID-19 pandemic. This Board approved program primarily provides short-term abatement of monthly minimum annual guaranteed payments for tenants that satisfy the terms and conditions during the program. Parking and ground transportation revenue decreased by \$23.3 million or 45.9 percent, primarily due to lower enplanements. Ground rentals increased by \$463 thousand or 2.2 percent, primarily due to scheduled CPI rent increases and revenue recognized from reimbursements related to Hydrant Fueling projects under the fuel lease with SAN Fuel Company, LLC.

Fiscal year 2020 compared to 2019: Total airline revenues decreased by \$2.5 million, or 1.9 percent, primarily due to the global economic downturn that started in March 2020 which resulted in lower cost recovery from airline tenants. Recoverable expenses were reduced due to activation of the Airport Authority's Financial Resilience Plan which implemented a hiring freeze and limited expenses to essential spending only. In addition, the Airport Authority received a \$91.2 million CARES Act relief grant award and used a portion of the proceeds to pay for certain expenses charged to airline cost centers.

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

Concession and rental car revenue decreased by \$14.0 million or 19.7 percent, reflecting decreased concessionaire sales for March through June and fee abatements granted due to the decline in passenger traffic caused by the pandemic. Parking and ground transportation decreased by \$12.1 million or 19.2 percent, also due to lower enplanements reflecting an impact of the pandemic. Ground and non-airline terminal rentals decreased by \$1.4 million or 6.2 percent. This is primarily due to transferring cargo carriers' apron rent to landing fees based on the terms of the new AOLA and the completion of cost recovery for the Fuel Farm. This decrease was partially offset by scheduled CPI rent increases. Other operating revenue decreased by \$623 thousand or 25.5 percent, primarily due to a decrease in curfew violations and service charges.

**San Diego County Regional Airport Authority
Fiscal Year Ended June 30, 2021
Operating Revenues**



Operating Expenses (in thousands)

| | FY 2020 | FY 2021 | From 2020 to 2021 | |
|--|------------|------------|------------------------|----------|
| | | | Increase (Decrease) | % Change |
| Salaries and benefits | \$ 51,667 | \$ 52,922 | \$ 1,255 | 2.4% |
| Contractual services | 37,694 | 24,977 | (12,717) | (33.7%) |
| Safety and security | 29,457 | 35,086 | 5,629 | 19.1% |
| Space rental | 10,207 | 10,267 | 60 | 0.6% |
| Utilities | 12,748 | 11,730 | (1,018) | (8.0%) |
| Maintenance | 11,584 | 9,111 | (2,473) | (21.3%) |
| Equipment and systems | 336 | 424 | 88 | 26.2% |
| Materials and supplies | 651 | 450 | (201) | (30.9%) |
| Insurance | 1,308 | 1,518 | 210 | 16.1% |
| Employee development and support | 967 | 441 | (526) | (54.4%) |
| Business development | 2,033 | 209 | (1,824) | (89.7%) |
| Equipment rentals and repairs | 3,598 | 3,380 | (218) | (6.1%) |
| Total operating expenses before depreciation | 162,250 | 150,515 | (11,735) | (7.2%) |
| Depreciation | 131,587 | 132,834 | 1,247 | 0.9% |
| Total operating expense | \$ 293,837 | \$ 283,349 | \$ (10,488) | (3.6%) |

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

Fiscal year 2021 compared to 2020: Total fiscal year 2021 operating expenses decreased by \$10.5 million or 3.6 percent. The Airport Authority continued to operate under its Financial Resilience Plan that was activated in March 2020 and eliminated, delayed, or reduced non-essential operating and capital expenditures.

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

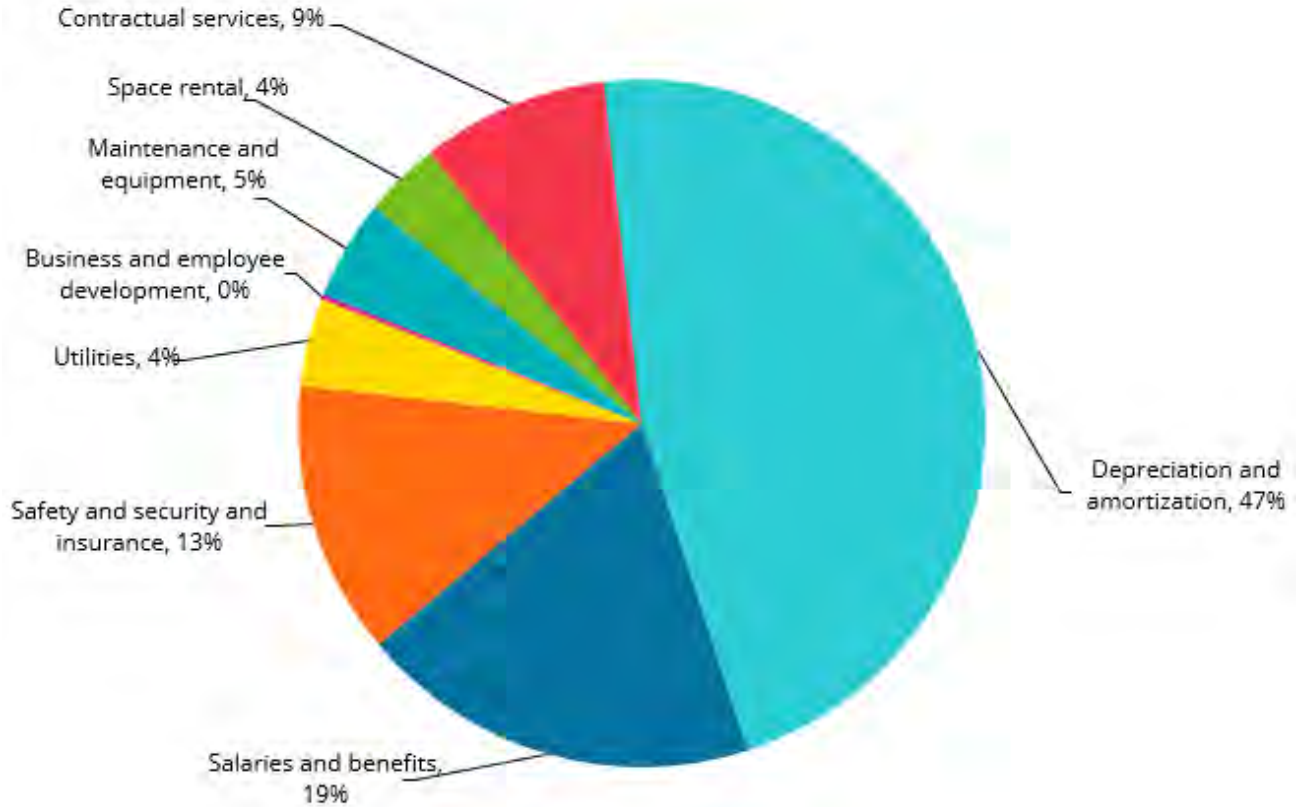
Partially offsetting the decrease in operating expenses described above, salaries and benefits, increased by \$1.3 million or 2.4 percent, due to additional pension expense. In addition, safety and security increased by \$5.6 million or 19.1 percent due to increase in expenses for law enforcement, aircraft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

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

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

Partially offsetting the decrease in operating expenses described above were increases in salaries and benefits, increasing by \$2.1 million or 4.2 percent, due to additional pension expense. Depreciation also increased by \$7.3 million or 5.8 percent, due to additional depreciation for capital projects placed in service in fiscal years 2020 and 2019.

**San Diego County Regional Airport Authority
Fiscal Year Ended June 30, 2021
Operating Expenses**



Nonoperating Revenues (Expenses) (in thousands)

| | FY 2020 | FY 2021 | From 2020 to 2021 | |
|--------------------------------------|-----------|-----------|------------------------|----------|
| | | | Increase (Decrease) | % Change |
| Passenger facility charges | \$ 34,393 | \$ 22,110 | \$ (12,283) | (35.7%) |
| Customer facility charges | 30,240 | 15,755 | (14,485) | (47.9%) |
| Federal Relief Grants | 36,895 | 77,219 | 40,324 | 109.3% |
| Quieter Home Program, net | (3,295) | (3,233) | 62 | 1.9% |
| Investment income | 32,430 | 4,175 | (28,255) | (87.1%) |
| Interest expense, net | (73,612) | (68,067) | 5,545 | 7.5% |
| Other nonoperating income (expenses) | 1,442 | (705) | (2,147) | 148.9% |
| Nonoperating revenues, net | \$ 58,493 | \$ 47,254 | \$ (11,239) | (19.2%) |

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

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

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

Federal Relief Grants include *Coronavirus Aid, Relief, and Economic Security Act (CARES Act)* grants and *Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA)* funds received from the federal government. CARES Act was approved by the United States Congress and signed into law by the President on March 27, 2020. It was a legislative action to address the crisis created by the COVID-19 pandemic and included direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Airport Authority was awarded \$91.2 million in CARES Act grant funds, The Airport Authority drew \$54.3 million in fiscal year 2021 and \$36.9 million in fiscal year 2020.

CRRSAA was signed into law on December 27, 2020, and included nearly \$2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease pandemic. To distribute these funds, the FAA established the *Airport Coronavirus Response Grant Program (ACRGP)* to make grants to all airports that are part of the national airport system, including all commercial service airports, all reliever airports, and some public-owned general aviation airports. The Airport Authority was awarded \$22.9 million on March 26, 2021. As of June 30, 2021, \$20.2 million of the award had been received and 2.7 million was recorded as grants receivable.

Quieter Home Program includes sound attenuation construction improvements at all eligible single-family and multi-family dwellings located in the Year 2020 65 dB Community Noise Equivalent Level contour. The project is eligible for the FAA's Airport Improvement Program (AIP) which awards grants for certain eligible Airport Authority expenditures. The \$3.2 million of expenses represents the authority's cost, net of the grant funds utilized in FY21. From inception through the end of fiscal year 2021, the Airport Authority has spent \$244.9 million and received reimbursement for \$195.4 million.

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

Interest expense includes interest paid and accrued on the Bonds, Variable Debt, and Lease Interest. As of June 30, 2021 and 2020, interest expense was \$68.1 million and \$75.7 million, respectively. The 2010 Series C Bonds were issued as Build America Bonds and, as such, the Airport Authority received a cash subsidy from the U.S. Treasury equal to 32.7 percent of the interest payable. The Build America Bonds were defeased in December 2019. The interest subsidy for the fiscal year ended 2020 was \$2.1 million.

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

Fiscal year 2021 compared to 2020: Nonoperating revenues (net) decreased by \$11.2 million or 19.2 percent. The increase in Federal Relief Grant income in fiscal year 2021 was \$40.3 million or 109.3 percent. The increase in federal relief grant income was partially offset by decreases in PFCs and CFCs due to reduced enplaned passengers caused by the pandemic. PFCs decreased by \$12.3 million or 35.7 percent, and CFCs decreased by \$14.5 million or 47.9 percent. Investment income decreased by \$28.3 million or 87.1 percent, this was caused by a combination of lower yields on investments that resulted in \$6.2 million decrease in interest income and \$22.1 million reversal of prior years' unrealized gains due to market fluctuations. Other nonoperating income (expenses) decreased by \$2.1 million or 148.9 percent, primarily due to the swing in legal settlement income received in fiscal year 2020 as opposed to non-operating expense recognized in fiscal year 2021.

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

The increases noted above were partially offset by decreases in PFCs and CFCs due to reduced enplaned passengers caused by the pandemic. PFCs decreased by \$14.8 million or 30.1 percent, and CFCs decreased by \$11.7 million or 27.9 percent.

Federal Grant Contributions (in thousands)

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

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

Federal Grant Contributions are comprised of Airport Improvement Project (AIP) entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. In fiscal year 2021 federal grant contributions increased by \$9.9 million, or 242.1 percent compared to fiscal year 2020. This was primarily due to a delay from fiscal year 2020 to fiscal year 2021 of a grant funded Cross-Taxiway project. In fiscal year 2020, federal grant contributions decreased by \$4.1 million, or 50.4 percent compared to fiscal year 2019.

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, 2019, 2020, and 2021, is as follows:

| | FY 2019 | FY 2020 | FY 2021 |
|--|------------|------------|------------|
| Assets and Deferred Outflows of Resources | | | |
| Current assets | \$ 244,592 | \$ 349,617 | \$ 416,818 |
| Capital assets, net | 1,722,150 | 1,788,601 | 1,829,708 |
| Noncurrent assets | 598,156 | 773,751 | 607,194 |
| Total assets | 2,564,898 | 2,911,969 | 2,853,719 |
| Deferred outflows of resources | 26,681 | 22,761 | 33,472 |
| Total assets and deferred outflows of resources | 2,591,579 | 2,934,730 | 2,887,191 |
| Liabilities and Deferred Inflows of Resources | | | |
| Current liabilities | 131,085 | 162,269 | 153,448 |
| Long-term liabilities | 1,600,230 | 1,875,514 | 1,847,870 |
| Total liabilities | 1,731,315 | 2,037,783 | 2,001,318 |
| Deferred inflows of resources | 6,961 | 11,881 | 7,026 |
| Total liabilities and deferred inflows of resources | 1,738,276 | 2,049,664 | 2,008,344 |
| Net Position | | | |
| Net investment in capital assets | 281,491 | 266,213 | 327,216 |
| Restricted | 246,508 | 211,329 | 192,484 |
| Unrestricted | 325,303 | 407,524 | 359,147 |
| Total net position | \$ 853,302 | \$ 885,066 | \$ 878,847 |

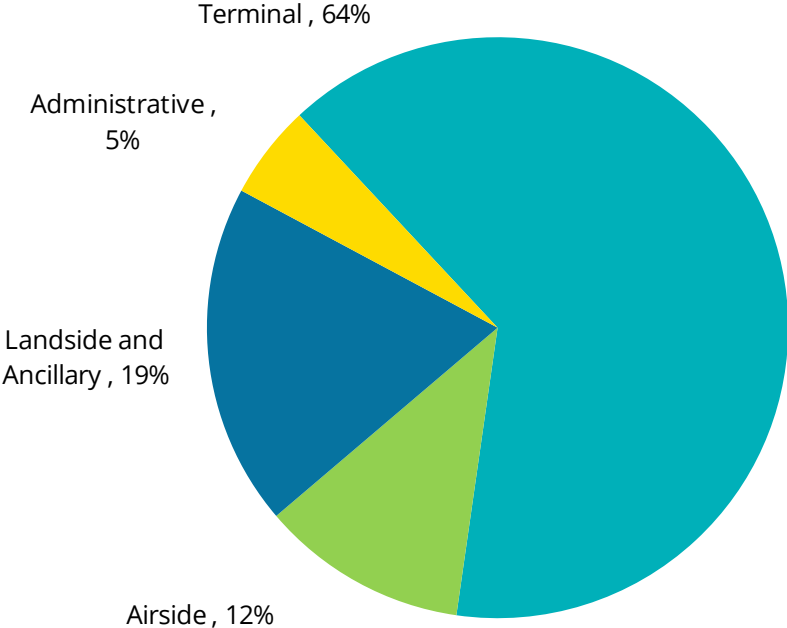
As of June 30, 2021, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$879 million. This reflects a \$6.2 million or .7 percent decrease in net position from June 30, 2020. The Airport Authority uses capital assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital assets is reported net of related debt, the funds required to repay this debt must be provided annually from operations. The unrestricted net position of \$359.1 million as of June 30, 2021, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2021, 2020, and 2019, management has designated unrestricted funds in the amount of \$22.5 million, \$43.4 million, and \$26.2 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance and operating contingency.

Capital Program

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

The current Capital Program, which includes projects through 2026, consists of \$422 million for airside projects, \$683 million for landside and ancillary projects, \$2.4 billion for terminal projects, which includes the replacement of Terminal 1, and \$192 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 January 30, 2013, the Airport Authority issued \$379.6 million of Senior Airport Revenue Bonds Series 2013 A and B (Series 2013 Bonds). The Senior Series 2013 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accrued on the senior Series 2013 Bonds, fund the senior reserve fund, and pay the costs of issuance of the Senior Series 2013 Bonds.

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of \$55.9 million, which is being amortized over the life of the bonds. Interest on the Senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal year ended June 30, 2021, amounted to \$17.69 million, including accrued interest of \$8.84 million. The principal balance on the Series 2013 Bonds as of June 30, 2021, was \$360.8 million.

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

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

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

The Series 2014 A Bonds were structured as tax-exempt non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent and mature in fiscal years 2019 to 2045. Interest expense for the fiscal year ended June 30, 2021, amounted to \$15.8 million, including accrued interest of \$7.9 million. As of June 30, 2021, the principal balance on the Series 2014 Bonds was \$288.0 million.

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

On August 3, 2017, the Airport Authority issued \$291.2 million of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds). The Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund \$32.6 million of the Airport Authority's outstanding variable rate debt, which was issued during 2017, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of \$48.4 million, which is being amortized over the life of the bonds. Interest on the senior Series 2017 Bonds is payable semiannually on January 1 and July 1, of each year. Interest expense for the fiscal year ended June 30, 2021, amounted to \$13.9 million, including accrued interest of \$6.92 million. As of June 30, 2021, the principal balance on the Series 2017 was \$276.9 million.

On December 11, 2019, the Airport Authority issued \$338.8 million of Series A Subordinate Airport Revenue and Revenue Refunding Bonds and \$124.9 million of Series B Subordinate Airport Revenue Bonds (Series 2019 Bonds). The Subordinate Series 2019 Bonds were issued to finance certain capital improvements at SDIA including a new facilities maintenance building and storm water capture and reuse projects, fund a portion of the interest accruing on the subordinate Series 2019 Bonds, refund \$34.3 million of the Airport Authority's outstanding variable rate debt, fund the Series 2010C Escrow account, account to refund the 2010C bonds, fund the subordinate reserve fund, and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2019 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2021 to 2050. The bonds were issued at a premium of \$96.9 million, which is being amortized over the life of the bonds. Interest on the Series 2019 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal year ended June 30, 2021, amounted to \$22.3 million, including accrued interest of \$11.1 million. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2021, was \$462.4 million.

The Airport Authority issued \$241.6 million of Series A, B, and C Subordinate Airport Revenue Refunding Bonds (Series 2020 Bonds). The Authority entered into a Forward Delivery Purchase Contract on December 11, 2019, and delivered the 2020 Bonds Proceeds on April 8, 2020. Proceeds from the sale of the 2020 Bonds were used to fund the Series 2010 A and B Bonds escrow accounts to refund the 2010 A/B bonds and pay the costs of issuance of the subordinate Series 2020 Bonds. The Series 2020 Bonds are structured as serial bonds that bear interest rates of 5.00 percent and mature in fiscal years 2021 to 2041. The bonds were issued at a premium of \$49.4 million, which is being amortized over the life of the bonds. Interest on the Series 2020 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal years ended June 30, 2021, amounted to \$12.0 million, including accrued interest of \$6.0 million. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2020, was \$240.8 million.

Interest expense on the Series 2010, 2013, 2014, 2017, 2019, and 2020 Bonds for fiscal years ended June 30, 2021 and 2020, of \$81.7 million and \$81.3 million, respectively, was offset by bond premium amortization of \$14.1 million in fiscal year 2021 and \$9.6 million in fiscal year 2020.

As of June 30, 2021 the Airport Authority did not maintain a short-term debt program. Subsequent to fiscal year 2021, on July 19, 2021, the Airport Authority entered into an agreement with Bank of America N.A. to establish a Revolving Line of Credit for \$200,000,000. The agreement is for a term of three years and is a subordinate obligation of the Authority.

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

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

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately \$131.6 million in grant awards for the federal fiscal year ended September 30, 2021, as compared to \$119.9 million for 2020. 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) 400-2822. A copy of the financial report is available at www.san.org

San Diego County Regional Airport Authority

Statements of Net Position June 30, 2021 and 2020

| Assets and Deferred Outflows of Resources | 2021 | 2020 |
|--|-------------------------|-------------------------|
| Current Assets | | |
| Unrestricted: | | |
| Cash and cash equivalents (<i>Note 2</i>) | \$ 40,910,032 | \$ 36,935,136 |
| Investments (<i>Notes 2 and 11</i>) | 241,485,681 | 159,562,631 |
| Tenant lease receivables, net | 23,041,393 | 22,826,211 |
| Grants receivable | 7,665,691 | 25,467,263 |
| Note receivable, current portion (<i>Note 3</i>) | 2,243,644 | 2,123,843 |
| Other current assets | 8,280,970 | 9,216,212 |
| Total unrestricted current assets | 323,627,411 | 256,131,296 |
| Restricted cash, cash equivalents and investments with trustees (<i>Notes 2 and 5</i>) | 93,190,368 | 93,486,053 |
| Total current assets | 416,817,779 | 349,617,349 |
| Noncurrent Assets | | |
| Restricted assets (<i>Notes 2 and 5</i>): | | |
| Restricted cash, cash equivalents and investments not with trustees | 142,401,039 | 174,924,058 |
| Restricted cash, cash equivalents and investments with trustees | 338,135,700 | 360,941,845 |
| Passenger facility charges receivable (<i>Note 1</i>) | 5,762,062 | 428,687 |
| Customer facility charges receivable (<i>Note 1</i>) | 2,384,282 | 1,135,327 |
| Other restricted assets | 5,075,109 | 5,519,914 |
| Total restricted assets | 493,758,192 | 542,949,831 |
| Other noncurrent assets: | | |
| Investments, noncurrent (<i>Note 2</i>) | 39,904,555 | 137,429,307 |
| Note receivable, long-term portion (<i>Note 3</i>) | 24,965,223 | 27,208,867 |
| Cash and cash equivalents designated for specific capital projects and other commitments (<i>Notes 2 and 11</i>) | 46,916,337 | 64,026,034 |
| Net OPEB asset (<i>Note 9</i>) | 1,649,215 | 2,136,494 |
| Total other noncurrent assets | 113,435,330 | 230,800,702 |
| Capital assets (<i>Note 4</i>): | | |
| Land, land improvements and nondepreciable assets | 186,378,344 | 136,757,114 |
| Buildings and structures | 1,885,767,510 | 1,747,847,784 |
| Machinery and equipment | 122,982,559 | 135,435,875 |
| Runways, roads and parking lots | 719,974,821 | 708,999,286 |
| Construction in progress | 248,535,465 | 288,353,299 |
| | 3,163,638,699 | 3,017,393,358 |
| Less accumulated depreciation | (1,333,930,303) | (1,228,792,352) |
| Capital assets, net | 1,829,708,396 | 1,788,601,006 |
| Total noncurrent assets | 2,436,901,918 | 2,562,351,539 |
| Total assets | 2,853,719,697 | 2,911,968,888 |
| Deferred outflows of resources: | | |
| Deferred pension outflows (<i>Note 6 and 7</i>) | 31,657,453 | 21,647,509 |
| Deferred OPEB outflows (<i>Note 9</i>) | 1,813,895 | 1,113,811 |
| Total deferred outflows of resources | 33,471,348 | 22,761,320 |
| Total assets and deferred outflows of resources | \$ 2,887,191,045 | \$ 2,934,730,208 |

(Continued)

San Diego County Regional Airport Authority

Statements of Net Position, Continued June 30, 2021 and 2020

| Liabilities, Deferred Inflows of Resources and Net Position | 2021 | 2020 |
|--|-------------------------|-------------------------|
| Current Liabilities | | |
| Payable from unrestricted assets: | | |
| Accounts payable | \$ 6,671,722 | \$ 11,144,310 |
| Accrued liabilities | 44,766,955 | 31,209,234 |
| Compensated absences, current portion (<i>Note 5</i>) | 2,538,532 | 2,847,306 |
| Other current liabilities | 5,757,420 | 23,312,345 |
| Long-term debt, current portion (<i>Note 5</i>) | 323,293 | 269,427 |
| Total payable from unrestricted assets | 60,057,922 | 68,782,622 |
| Payable from restricted assets: | | |
| Accounts payable | 11,726,364 | 6,595,678 |
| Accrued liabilities | 4,096,308 | 15,618,238 |
| Long-term debt, current portion (<i>Note 5</i>) | 36,720,000 | 31,560,000 |
| Accrued interest on variable rate debt and bonds (<i>Note 5</i>) | 40,847,696 | 39,712,137 |
| Total payable from restricted assets | 93,390,368 | 93,486,053 |
| Total current liabilities | 153,448,290 | 162,268,675 |
| Long-Term Liabilities | | |
| Compensated absences, net of current portion (<i>Note 5</i>) | 2,223,411 | 1,241,278 |
| Other noncurrent liabilities | 4,426,248 | 668,290 |
| Long-term debt, net of current portion (<i>Note 5</i>) | 1,804,756,564 | 1,855,876,151 |
| Net pension liability (<i>Note 6 and 7</i>) | 36,464,210 | 17,728,734 |
| Total long-term liabilities | 1,847,870,433 | 1,875,514,453 |
| Total liabilities | 2,001,318,723 | 2,037,783,128 |
| Deferred inflows of resources | | |
| Deferred pension inflows (<i>Note 6 and 7</i>) | 2,266,382 | 6,409,312 |
| Deferred OPEB inflows (<i>Note 9</i>) | 890,973 | 1,400,369 |
| Deferred gain on refunding | 3,868,146 | 4,071,732 |
| Total deferred inflows of resources | 7,025,501 | 11,881,413 |
| Total liabilities and deferred inflows of resources | \$ 2,008,344,224 | \$ 2,049,664,541 |
| Net Position | | |
| Net investment in capital assets | 327,215,879 | 266,212,751 |
| Restricted: | | |
| Debt Service | 83,213,762 | 75,586,323 |
| Construction | 86,078,848 | 109,650,020 |
| OPEB | 1,649,215 | 2,136,494 |
| Operation and maintenance expenses | 14,245,003 | 14,436,251 |
| Small business bond guarantee | 2,222,300 | 4,000,000 |
| OCIP loss reserve | 5,075,108 | 5,519,913 |
| Total restricted net position | 192,484,236 | 211,329,001 |
| Unrestricted net position | 359,146,706 | 407,523,915 |
| Total net position | \$ 878,846,821 | \$ 885,065,667 |

See Notes to Financial Statements

San Diego County Regional Airport Authority

Statements of Revenues, Expenses, and Changes in Net Position June 30, 2021 and 2020

| | 2021 | 2020 |
|--|------------------------|------------------------|
| Operating Revenues: | | |
| Airline revenue: | | |
| Landing fees | \$ 34,046,303 | \$ 33,241,410 |
| Aircraft parking fees | 8,541,663 | 8,354,052 |
| Building rentals (<i>Note 12</i>) | 83,090,210 | 82,453,273 |
| Other aviation revenue | 8,191,525 | 7,788,791 |
| Concession revenue | 31,096,870 | 57,243,328 |
| Parking and ground transportation revenue | 27,446,678 | 50,750,966 |
| Ground and non-airline terminal rentals (<i>Note 12</i>) | 21,848,936 | 21,386,342 |
| Other operating revenue | 1,682,151 | 1,817,810 |
| Total operating revenues | 215,944,336 | 263,035,972 |
| Operating Expenses: | | |
| Salaries and benefits (<i>Notes 6, 7, and 8</i>) | 52,922,356 | 51,666,850 |
| Contractual services (<i>Note 14</i>) | 24,976,596 | 37,693,633 |
| Safety and security | 35,085,809 | 29,456,872 |
| Space rental (<i>Note 13</i>) | 10,266,657 | 10,207,066 |
| Utilities | 11,729,710 | 12,747,899 |
| Maintenance | 9,110,601 | 11,584,303 |
| Equipment and systems | 424,500 | 336,469 |
| Materials and supplies | 449,999 | 650,975 |
| Insurance | 1,518,538 | 1,308,471 |
| Employee development and support | 441,883 | 966,575 |
| Business development | 208,731 | 2,033,120 |
| Equipment rentals and repairs | 3,380,121 | 3,598,348 |
| Total operating expenses before depreciation | 150,515,501 | 162,250,581 |
| Income from operations before depreciation | 65,428,835 | 100,785,391 |
| Depreciation expense | 132,833,789 | 131,587,039 |
| Operating loss | \$ (67,404,954) | \$ (30,801,648) |

(Continued)

San Diego County Regional Airport Authority

Statements of Revenues, Expenses, and Changes in Net Position, Continued June 30, 2021 and 2020

| | 2021 | 2020 |
|--|----------------|----------------|
| Nonoperating Revenues (Expenses): | | |
| Passenger facility charges | \$ 22,109,906 | \$ 34,392,981 |
| Customer facility charges | 15,755,254 | 30,239,698 |
| Federal relief grants | 77,218,785 | 36,895,488 |
| Quieter Home Program grant revenue (<i>Note 1</i>) | 12,292,767 | 12,155,776 |
| Quieter Home Program expenses (<i>Note 1</i>) | (15,525,646) | (15,450,983) |
| Investment income | 4,175,353 | 32,429,489 |
| Interest expense (<i>Note 5</i>) | (68,067,154) | (75,700,970) |
| Build America Bonds subsidy (<i>Note 5</i>) | - | 2,089,397 |
| Other revenues (expenses), net | (704,894) | 1,442,102 |
| Nonoperating revenue, net | 47,254,371 | 58,492,978 |
| Income before federal grants | (20,150,583) | 27,691,330 |
| Federal Grants (<i>Note 1</i>) | 13,931,737 | 4,071,980 |
| Change in net position | (6,218,846) | 31,763,310 |
| Net position, beginning of year | 885,065,667 | 853,302,357 |
| Net position, end of year | \$ 878,846,821 | \$ 885,065,667 |

San Diego County Regional Airport Authority

Statements of Cash Flows June 30, 2021 and 2020

| | 2021 | 2020 |
|--|----------------------|-----------------------|
| Cash Flows From Operating Activities | | |
| Receipts from customers | \$ 200,250,036 | \$ 265,194,930 |
| Payments to suppliers | (86,798,975) | (103,828,307) |
| Payments to employees | (48,665,421) | (52,578,787) |
| Other receipts | 1,683,852 | 1,699,331 |
| Net cash provided by operating activities | 66,469,492 | 110,487,167 |
| Cash Flows From Noncapital Financing Activities | | |
| Settlement receipts (payments) | (704,894) | 1,442,102 |
| Quieter Home Program grant receipts | 16,387,129 | 7,252,520 |
| Quieter Home Program payments | (15,525,646) | (15,450,983) |
| Net cash provided by (used in) noncapital financing activities | 156,589 | (6,756,361) |
| Cash Flows From Capital and Related Financing Activities | | |
| Capital outlay | (180,332,423) | (197,716,114) |
| Proceeds on Build America Bonds subsidy | - | 2,089,397 |
| Proceeds from variable rate debt | - | 34,040,000 |
| Payment of variable rate debt | - | (47,759,000) |
| Federal grants received (excluding Quieter Home Program) | 104,857,732 | 24,552,219 |
| Proceeds from passenger facility charges | 16,776,531 | 40,924,276 |
| Proceeds from customer facility charges | 14,506,299 | 33,443,563 |
| Payment of principal on bonds | (31,560,000) | (528,735,000) |
| Proceeds from issuance of Series 2019 Bonds | - | 610,021,863 |
| Proceeds from issuance of Series 2020 Bonds | - | 241,640,000 |
| Payment of capital lease | (295,134) | (323,243) |
| Interest and debt fees paid | (81,239,634) | (94,444,671) |
| Net cash provided by (used in) capital and related financing activities | (157,286,629) | 117,733,290 |
| Cash Flows From Investing Activities | | |
| Sales and maturities of investments | 359,672,049 | 407,557,391 |
| Purchases of investments | (312,867,581) | (599,747,577) |
| Interest received on investments and note receivable | 4,175,353 | 33,186,340 |
| Principal payments received on notes receivable | 2,123,843 | 2,006,052 |
| Net cash provided by (used in) investing activities | 53,103,664 | (156,997,794) |
| Net increase (decrease) in cash and cash equivalents | (37,556,884) | 64,466,302 |
| Cash and cash equivalents, beginning of year | 100,961,170 | 36,494,868 |
| Cash and cash equivalents, end of year | \$ 63,404,286 | \$ 100,961,170 |

(Continued)

San Diego County Regional Airport Authority

Statements of Cash Flows, Continued June 30, 2021 and 2020

| | 2021 | 2020 |
|--|----------------------|-----------------------|
| Reconciliation of Cash and Cash Equivalents to the Statements of Net Position | | |
| Unrestricted cash and cash equivalents | \$ 40,910,032 | \$ 36,935,136 |
| Cash and cash equivalents designated for specific capital projects and other commitments | 46,916,337 | 64,026,034 |
| Total cash and cash equivalents | <u>\$ 87,826,369</u> | <u>\$ 100,961,170</u> |
| Reconciliation of Operating Loss to Net Cash Provided by Operating Activities | | |
| Operating loss | \$ (67,404,954) | \$ (30,801,648) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation expense | 132,833,789 | 131,587,039 |
| Change in pensions/OPEB liability/asset | 19,222,755 | (4,042,556) |
| Change in deferred outflows related to pensions/OPEB | (10,710,028) | 3,919,532 |
| Change in deferred inflows related to pensions/OPEB | (4,652,326) | 848,671 |
| Changes in assets and liabilities: | | |
| Tenant lease receivables | (215,182) | (10,335,110) |
| Other assets | 1,380,047 | (3,065,871) |
| Accounts payable | (4,472,588) | 5,473,307 |
| Accrued liabilities | 13,557,721 | 2,107,367 |
| Compensated absences | 673,359 | 538,373 |
| Other liabilities | (13,743,101) | 14,258,063 |
| Net cash provided by operating activities | <u>\$ 66,469,492</u> | <u>\$ 110,487,167</u> |
| Supplemental Disclosure of Noncash Investing, Capital and Financing Activities | | |
| Additions to capital assets included in accounts payable | \$ 15,822,672 | \$ 22,213,916 |

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.

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.

San Diego County Regional Airport Authority

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

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

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

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, 2021 and 2020, the Airport Authority recovered \$13,931,737 and \$4,071,980, respectively, for approved capital projects and \$12,292,767 and \$12,155,776, respectively, for the Quieter Home Program.

CARES Act: The *Coronavirus Aid, Relief, and Economic Security Act (CARES)*, was signed into law on March 27, 2020, to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. As of June 30, 2021 and 2020, the Airport Authority drew \$54.3M and \$36.9M, respectively.

CRRSAA: The *Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA)*, was signed into law on December 27, 2020, and includes nearly \$2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease pandemic. To distribute these funds, the FAA established the *Airport Coronavirus Response Grant Program (ACRGP)* to make grants to all airports that are part of the national airport system, including all commercial service airports, all reliever airports, and some public-owned general aviation airports. The Airport Authority was awarded \$22.9 million on March 26, 2021. As of June 30, 2021, \$20.2 million of the award had been received and \$2.7 million was recorded as grants receivable..

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

In accordance with the program, PFC revenue must be used to pay allowable costs for approved capital projects, contribute to the Airport Authority's noise mitigation (Quieter Home Program), or to repay debt service issued to build eligible capital projects. As of June 30, 2021 and 2020, accrued PFC receivables totaled \$5,762,062 and \$428,687 respectively, and there were \$51,233,055 and \$65,034,830 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2021 and 2020, respectively.

San Diego County Regional Airport Authority

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

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

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

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

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects and operate the related ground transportation system. The current CFC rate, which has been in effect since January 1, 2017, is \$9.00 per day for a maximum of five days. As of June 30, 2021 and 2020, accrued CFC receivables totaled \$2,384,282 and \$1,135,327, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2021 and 2020, were \$26,299,449 and \$43,051,177, 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.

San Diego County Regional Airport Authority

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

- Debt Refunding - These amounts represent the gain or loss from the refunding of debt. These differences are deferred and recognized as interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.

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

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

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

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

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

San Diego County Regional Airport Authority

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

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

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

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

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

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

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

Unrestricted net position as of June 30, 2021 and 2020, includes designations of net position that represent tentative management plans that are subject to change, consisting of:

| | 2021 | 2020 |
|--|---------------|---------------|
| Operating contingency | \$ 2,000,000 | \$ 2,000,000 |
| Insurance contingency | 12,403,950 | 11,685,954 |
| Capital projects and other commitments | 8,090,304 | 29,675,668 |
| Total designated net position | \$ 22,494,254 | \$ 43,361,622 |

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.

San Diego County Regional Airport Authority

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

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:

| | 2021 | 2020 |
|--------------------|-------|-------|
| Southwest Airlines | 33.5% | 37.6% |
| Alaska Airlines | 16.6% | 14.3% |
| American Airlines | 15.8% | 12.2% |
| United Airlines | 12.3% | 12.0% |
| Delta Airlines | 11.7% | 12.7% |

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

Additionally, the Airport Authority has a single-employer defined benefit preservation of benefit pension plan administered through 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

San Diego County Regional Airport Authority

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

Accounting pronouncements adopted: The Airport Authority has adopted and implemented the following GASB statements, which had no impact on previously reported net position, during the year ended June 30, 2021:

- GASB Statement No. 84, *Fiduciary Activities*, effective for the Airport Authority's year ending June 30, 2021
- GASB Statement No. 90, *Majority Equity Interests*, an amendment of GASB Statements No. 14 and No. 61, effective for the Airport Authority's year ended June 30, 2021.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for the Airport Authority's year ending June 30, 2021.

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. 87, *Leases*, effective for the Airport Authority's year ending June 30, 2022
- GASB Statement No. 91, *Conduit Debt Obligations*, effective for the Airport Authority's year ended June 30, 2023.

Reclassifications: Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation. The reclassifications had no effect on the changes in net position.

Note 2. Cash, Cash Equivalents and Investments

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

| | 2021 | 2020 |
|---|-----------------------|-------------------------|
| Unrestricted and Undesignated: | | |
| Cash and cash equivalents | \$ 40,910,032 | \$ 36,935,136 |
| Current investments | 241,485,681 | 159,562,631 |
| Noncurrent investments | 39,904,555 | 137,429,307 |
| Total unrestricted and undesignated | <u>322,300,268</u> | <u>333,927,074</u> |
| Designated for specific capital projects and other commitments: cash and cash equivalents | <u>46,916,337</u> | 64,026,034 |
| Restricted: | | |
| Current cash, cash equivalents and investments, with trustees | 93,190,368 | 93,486,053 |
| Noncurrent cash, cash equivalents and investments, not with trustees | 142,401,039 | 174,924,058 |
| Noncurrent cash, cash equivalents and investments, with trustees | 338,135,700 | 360,941,845 |
| Total restricted cash, cash equivalents and investments | <u>573,727,107</u> | <u>629,351,956</u> |
| Total cash, cash equivalents and investments | <u>\$ 942,943,712</u> | <u>\$ 1,027,305,064</u> |

San Diego County Regional Airport Authority

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

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

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| Restricted cash, cash equivalents, and investments: | | |
| Bond reserves: | | |
| Operation and maintenance reserve subaccount | \$ 42,735,010 | \$ 43,308,755 |
| Operation and maintenance subaccount | 14,245,003 | 14,436,251 |
| Renewal and replacement account | 5,400,000 | 5,400,000 |
| Total bonds reserves | 62,380,013 | 63,145,006 |
| Passenger facility charges unapplied | 51,233,055 | 65,034,830 |
| Customer facility charges unapplied | 26,699,449 | 43,051,177 |
| Small business development bond guarantee | 2,222,300 | 4,000,000 |
| 2010 Series debt service reserve fund | 3 | 30,146,892 |
| 2010 Series debt service account | - | 11,344,678 |
| 2013 Series construction fund | 87 | 87 |
| 2013 Series debt service reserve fund | 34,307,365 | 34,260,842 |
| 2013 Series debt service account | 17,157,962 | 16,981,079 |
| 2014 Series construction fund | 2,848 | 3,031 |
| 2014 Series debt service reserve fund | 22,305,314 | 22,796,477 |
| 2014 Series debt service account | 14,156,186 | 14,130,702 |
| 2014 Series rolling coverage fund | 7,170,595 | 7,133,754 |
| 2014 Series renew and replace | 9,428,461 | 7,452,635 |
| 2017 Series construction fund | 478,587 | 2,352,993 |
| 2017 Series debt service reserve fund | 12,241,130 | 12,537,440 |
| 2017 Series debt service account | 14,897,086 | 15,077,845 |
| 2019 Series construction fund | 199,855,483 | 222,216,692 |
| 2019 Series debt service account | 12,275,954 | 7,990,051 |
| 2019 Series debt service reserve fund | 29,607,535 | 29,918,507 |
| 2019 Series CAP interest fund | 6,797,251 | 16,110,292 |
| 2019 Series cost of issuance | - | 3,224 |
| 2020 Series cost of issuance | - | 57,969 |
| 2020 Series debt services | 20,095,215 | 3,605,753 |
| 2020 Service debt service reserve fund | 30,415,228 | - |
| Total restricted cash, cash equivalents, and investments | \$ 573,727,107 | \$ 629,351,956 |

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 | \$75 million |
| San Diego County Investment Pool | N/A | N/A | None | \$75 million |
| Local Government Investment Pool | N/A | N/A | None | \$75 million |
| U.S. State and California agency indebtedness | 5 years | A | 20 percent | 5 percent |
| Placement service certificates of deposits | 3 years | N/A | 30 percent | 5 percent |
| Time certificates of deposit | 3 years | * | 20 percent | 5 percent |
| Bank deposits | N/A | * | None | None |
| Asset-Backed Securities | 5 years | AA | 10 Percent | 5 percent |
| Mortgage Backed Securities | 5 years | AA | 10 Percent | 5 percent |
| Mortgage Pass-through Securities | 5 years | AA | 10 Percent | 5 percent |
| Collateralized Mortgage Obligation | 5 years | AA | 10 Percent | 5 percent |

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

San Diego County Regional Airport Authority

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

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.

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

San Diego County Regional Airport Authority

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

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.

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

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

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

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

San Diego County Regional Airport Authority

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 Maturity and Ratings Schedule

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

| Investment Type | 2020 | | | | Ratings |
|---|-----------------------|----------------------------------|---------------|---------------|-----------|
| | Total | Investment Maturities (in Years) | | | |
| | | 0 - 1 | 1 - 2 | 2 - 5 | |
| Investments subject to credit and interest rate risk: | | | | | |
| U.S. Treasury obligations | \$ 152,277,194 | \$ 38,947,897 | \$ 54,461,073 | \$ 58,868,224 | AA+ |
| U.S. Agency securities | 147,157,246 | 22,271,155 | 32,673,767 | 92,212,324 | AA+ |
| | 6,810,765 | - | - | 6,810,765 | Not rated |
| Supranationals | 4,199,896 | 2,148,056 | 2,051,840 | - | AAA |
| | 5,610,140 | - | - | 5,610,140 | Not rated |
| Commercial Paper | 2,499,500 | 2,499,500 | - | - | A-1 |
| Medium-term notes | 3,041,070 | 3,041,070 | - | - | AAA |
| | 22,040,080 | 4,048,800 | 4,115,480 | 13,875,800 | AA |
| | 39,801,962 | 5,335,102 | 13,705,980 | 20,760,880 | A |
| | 5,176,600 | - | - | 5,176,600 | AA+ |
| | 4,028,440 | 4,028,440 | - | - | A+ |
| Municipal Bonds | 4,000,000 | 4,000,000 | - | - | A-1+ |
| Money market mutual funds | 110,878,565 | 110,878,565 | - | - | AAA |
| Local Agency Investment Fund | 146,314,756 | 146,314,756 | - | - | Not rated |
| San Diego County Investment Pool | 293,587,647 | 293,587,647 | - | - | AAA |
| CalTrust Fund | 16,362,863 | 16,362,863 | - | - | AA |
| Total investments subject to credit and interest rate risk: | 963,786,724 | 560,021,237 | 107,008,140 | 203,314,732 | |
| Investments not subject to credit or interest rate risk: | | | | | |
| Nonnegotiable certificates of deposit | 16,271,235 | | | | |
| Total Investments | <u>\$ 980,057,959</u> | | | | |

Ratings per Standard and Poor's

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, 2021 and 2020.

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, 2021 and 2020, the balance of the note receivable was \$27,208,867 and \$29,332,710, 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 |
|------------------------------|----------------------|
| 2022 | \$ 2,243,644 |
| 2023 | 2,370,203 |
| 2024 | 2,500,653 |
| 2025 | 2,644,957 |
| 2026 | 2,794,153 |
| 2027-2031 | 14,655,257 |
| | <u>\$ 27,208,867</u> |

San Diego County Regional Airport Authority

Note 4. Capital Assets

Capital asset activity for the years ended June 30, 2021 and 2020, are as follows:

| | Balance at June 30, 2020 | Increases | Decreases | Balance at June 30, 2021 |
|--|-----------------------------|-----------------------|-------------------------|-----------------------------|
| Nondepreciable assets: | | | | |
| Land | \$ 22,167,594 | \$ - | \$ - | \$ 22,167,594 |
| Construction in progress | 288,353,299 | 173,459,061 | (213,276,895) | 248,535,465 |
| Intangible asset | 440,000 | - | - | 440,000 |
| Total nondepreciable assets | 310,960,893 | 173,459,061 | (213,276,895) | 271,143,059 |
| Depreciable assets: | | | | |
| Land improvements | 114,589,520 | 49,181,230 | - | 163,770,750 |
| Buildings and structures (1) | 1,747,407,784 | 148,946,010 | (10,586,284) | 1,885,767,510 |
| Machinery and equipment | 135,435,875 | 3,324,571 | (15,777,887) | 122,982,559 |
| Runways, roads and parking lots | 708,999,286 | 12,709,855 | (1,734,320) | 719,974,821 |
| Total capital assets being depreciated | 2,706,432,465 | 214,161,666 | (28,098,491) | 2,892,495,640 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (35,941,711) | (9,533,871) | - | (45,475,582) |
| Building and structures | (752,724,619) | (81,869,287) | 10,586,287 | (824,007,619) |
| Machinery and equipment | (84,805,802) | (11,671,187) | 15,540,927 | (80,936,062) |
| Runways, roads and parking lots | (355,320,220) | (29,759,445) | 1,568,624 | (383,511,041) |
| Total accumulated depreciation | (1,228,792,352) | (132,833,789) | 27,695,839 | (1,333,930,303) |
| Total capital assets being depreciated, net | 1,477,640,113 | 81,327,877 | (402,653) | 1,558,565,337 |
| Capital assets, net | \$ 1,788,601,006 | \$ 254,786,938 | \$ (213,679,548) | \$ 1,829,708,396 |

(1) Includes capitalized lease of building with a net present value of future lease payments of \$6,201,975

| | Balance at June 30, 2019 | Increases | Decreases | Balance at June 30, 2020 |
|--|-----------------------------|-----------------------|------------------------|-----------------------------|
| Nondepreciable assets: | | | | |
| Land | \$ 22,167,594 | \$ - | \$ - | \$ 22,167,594 |
| Construction in progress | 144,432,325 | 197,072,893 | (53,151,919) | 288,353,299 |
| Intangible asset | 440,000 | - | - | 440,000 |
| Total nondepreciable assets | 167,039,919 | 197,072,893 | (53,151,919) | 310,960,893 |
| Depreciable assets: | | | | |
| Land improvements | 113,682,793 | 906,727 | - | 114,589,520 |
| Buildings and structures (1) | 1,708,864,802 | 38,542,982 | - | 1,747,407,784 |
| Machinery and equipment | 131,172,226 | 4,263,649 | - | 135,435,875 |
| Runways, roads and parking lots | 698,595,118 | 10,297,728 | 106,440 | 708,999,286 |
| Total capital assets being depreciated | 2,652,314,939 | 54,011,086 | 106,440 | 2,706,432,465 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (28,301,823) | (7,639,888) | - | (35,941,711) |
| Building and structures | (670,750,529) | (81,974,090) | - | (752,724,619) |
| Machinery and equipment | (72,553,452) | (12,252,350) | - | (84,805,802) |
| Runways, roads and parking lots | (325,599,509) | (29,720,711) | - | (355,320,220) |
| Total accumulated depreciation | (1,097,205,313) | (131,587,039) | - | (1,228,792,352) |
| Total capital assets being depreciated, net | 1,555,109,626 | (77,575,953) | 106,440 | 1,477,640,113 |
| Capital assets, net | \$ 1,722,149,545 | \$ 119,496,940 | \$ (53,045,479) | \$ 1,788,601,006 |

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

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, 2021 and 2020:

| | Principal Balance at June 30, 2020 | Additions /New Issuances | Reductions/ Repayments | Principal Balance at June 30, 2021 | Due Within One Year |
|-----------------------------|--|-----------------------------|---------------------------|--|------------------------|
| Bonds payable: | | | | | |
| Series 2010 Bonds | \$ 10,865,000 | \$ - | \$ (10,865,000) | \$ - | \$ - |
| Series 2013 Bonds | 368,750,000 | - | (7,925,000) | 360,825,000 | 8,315,000 |
| Series 2014 Bonds | 293,985,000 | - | (5,890,000) | 288,095,000 | 6,090,000 |
| Series 2017 Bonds | 281,810,000 | - | (4,825,000) | 276,985,000 | 5,070,000 |
| Series 2019 Bonds | 463,680,000 | - | (1,235,000) | 462,445,000 | 3,420,000 |
| Series 2020 Bonds | 241,640,000 | - | (820,000) | 240,820,000 | 13,825,000 |
| Bond premiums | 220,478,470 | - | (14,050,587) | 206,427,883 | - |
| Total bonds payable | 1,881,208,470 | - | (45,610,587) | 1,835,597,883 | 36,720,000 |
| Capital leases | 6,497,108 | - | (295,134) | 6,201,974 | 323,293 |
| Total debt obligations | 1,887,705,578 | - | (45,905,721) | 1,841,799,857 | 37,043,293 |
| Compensated absences | 4,088,584 | 3,211,891 | (2,538,532) | 4,761,943 | 2,538,532 |
| Total long-term liabilities | \$ 1,891,794,162 | \$ 3,211,891 | \$ (48,444,253) | \$ 1,846,561,800 | \$ 39,581,825 |

| | Principal Balance at June 30, 2019 | Additions /New Issuances | Reductions/ Repayments | Principal Balance at June 30, 2020 | Due Within One Year |
|-----------------------------|--|-----------------------------|---------------------------|--|------------------------|
| Variable Rate Debt | | | | | |
| Series B tax-exempt | \$ 13,719,000 | \$ - | \$ (13,719,000) | \$ - | \$ - |
| Revolv LOC | - | 34,040,000 | (34,040,000) | - | - |
| Total variable rate debt | 13,719,000 | 34,040,000 | (47,759,000) | - | - |
| Bonds payable: | | | | | |
| Series 2010 Bonds | 527,100,000 | - | (516,235,000) | 10,865,000 | 10,865,000 |
| Series 2013 Bonds | 371,070,000 | - | (2,320,000) | 368,750,000 | 7,925,000 |
| Series 2014 Bonds | 299,705,000 | - | (5,720,000) | 293,985,000 | 5,890,000 |
| Series 2017 Bonds | 286,270,000 | - | (4,460,000) | 281,810,000 | 4,825,000 |
| Series 2019 Bonds | - | 463,680,000 | - | 463,680,000 | 1,235,000 |
| Series 2020 Bonds | - | 241,640,000 | - | 241,640,000 | 820,000 |
| Bond premiums | 97,483,919 | 146,341,863 | (23,347,312) | 220,478,470 | - |
| Total bonds payable | 1,581,628,919 | 851,661,863 | (552,082,312) | 1,881,208,470 | 31,560,000 |
| Capital leases | 6,820,351 | - | (323,243) | 6,497,108 | 269,427 |
| Total debt obligations | 1,602,168,270 | 885,701,863 | (600,164,555) | 1,887,705,578 | 31,829,427 |
| Compensated absences | 3,550,211 | 3,385,678 | (2,847,305) | 4,088,584 | 2,847,306 |
| Total long-term liabilities | \$ 1,605,718,481 | \$ 889,087,541 | \$ (603,011,860) | \$ 1,891,794,162 | \$ 34,676,733 |

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 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, 2021 and 2020, the amount held in escrow by the trustee was \$0 and \$5,226,683, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was \$0 and \$5,125,000, 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, 2021 and 2020, was \$17,685,100 and \$18,081,350, respectively, including accrued interest of \$8,842,550 and \$9,040,675 for fiscal years ending June 30, 2021 and 2020, respectively. The principal balance on the Series 2013 Bonds as of June 30, 2021 and 2020, was \$360,825,000 and \$368,750,000, respectively.

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

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's books, as shown previously in the notes. For the fiscal years ended June 30, 2021 and 2020, the amount held by the trustee was \$51,465,414 and \$51,242,009, 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 2021 and 2020 was \$62,380,013 and \$63,145,006, respectively. The public ratings of the Series 2013 Bonds as of June 30, 2021, are A/A1/AA- 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:

| <u>Years Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|-----------------------|-----------------------|-----------------------|
| 2022 | \$ 8,315,000 | \$ 17,477,225 | \$ 25,792,225 |
| 2023 | 8,725,000 | 17,051,225 | 25,776,225 |
| 2024 | 9,170,000 | 16,603,850 | 25,773,850 |
| 2025 | 9,625,000 | 16,133,975 | 25,758,975 |
| 2026 | 10,105,000 | 15,640,725 | 25,745,725 |
| 2027-2031 | 58,435,000 | 70,163,750 | 128,598,750 |
| 2032-2036 | 25,815,000 | 60,048,125 | 85,863,125 |
| 2037-2041 | 46,130,000 | 51,281,250 | 97,411,250 |
| 2042-2044 | 184,505,000 | 13,792,875 | 198,297,875 |
| | <u>\$ 360,825,000</u> | <u>\$ 278,193,000</u> | <u>\$ 639,018,000</u> |

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

The Subordinate Series 2010 C Bonds were refunded and defeased on December 11, 2019, when the Airport Authority issued Subordinate Series 2019A Revenue Refunding Bonds. The proceeds of the Series 2019 Bonds included an amount to fund the escrow which was used to pay the principal and interest of the Series 2010C Bonds. As of June 30, 2021, the balance of the 2010C escrow fund was \$0. Subordinate Series 2010 A and B (except series maturing July 1, 2020) were refunded and defeased on April 8, 2020, when the Airport Authority Issued Series 2020A, 2020B, and 2020C Revenue Refunding Bonds. The proceeds of the Subordinate Series 2020 Bonds included an amount to fund the escrow which was used to pay the principal and interest of the Series 2010A and 2010B Bonds. As of June 30, 2021, the balance of the 2010A escrow fund was \$0 and the balance of the 2010B escrow fund was \$0. Amount on deposit in the escrow funds was used to pay the redemption price and interest on the Refunded Series 2010 Bonds on July 1, 2020.

As a result of the refunding, the Airport Authority reduced its total debt service requirements by \$142.8 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$100.0 million.

Interest for the fiscal years ended June 30, 2021 and 2020, amounted to \$407,438 and \$17,869,205, respectively, including accrued interest of \$0 and \$407,438, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2021 and 2020, was \$0 and \$10,865,000, respectively.

San Diego County Regional Airport Authority

Note 5. Long-Term Liabilities (Continued)

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

Interest for the fiscal years ended June 30, 2021 and 2020, amounted to \$13,849,250 and \$14,090,500, respectively, including accrued interest of \$6,924,625 and \$7,045,250, respectively. The principal balance on the subordinate Series 2017 Bonds as of June 30, 2021 and 2020, was \$276,985,000 and \$281,810,000, respectively.

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

| Years Ending June 30, | Principal | Interest | Total |
|------------------------------|-----------------------|-----------------------|-----------------------|
| 2022 | \$ 5,070,000 | \$ 13,722,500 | \$ 18,792,500 |
| 2023 | 5,320,000 | 13,462,750 | 18,782,750 |
| 2024 | 5,585,000 | 13,190,125 | 18,775,125 |
| 2025 | 5,865,000 | 12,903,875 | 18,768,875 |
| 2026 | 6,155,000 | 12,603,375 | 18,758,375 |
| 2027-2031 | 35,730,000 | 57,955,500 | 93,685,500 |
| 2032-2036 | 45,600,000 | 47,836,750 | 93,436,750 |
| 2037-2041 | 58,200,000 | 34,923,500 | 93,123,500 |
| 2042-2046 | 74,290,000 | 18,440,500 | 92,730,500 |
| 2047-2048 | 35,170,000 | 1,780,000 | 36,950,000 |
| | <u>\$ 276,985,000</u> | <u>\$ 226,818,875</u> | <u>\$ 503,803,875</u> |

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

Interest for the fiscal years ended June 30, 2021 and 2020, amounted to \$22,292,100 and \$12,418,806, respectively, including accrued interest of \$11,146,051 and \$12,418,806, respectively. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2021 and 2020, was \$462,445,000 and \$463,680,000, respectively.

San Diego County Regional Airport Authority

Note 5. Long-Term Liabilities (Continued)

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

| Years Ending June 30, | Principal | Interest | Total |
|------------------------------|-----------------------|-----------------------|-----------------------|
| 2022 | \$ 3,420,000 | \$ 22,292,100 | \$ 25,712,100 |
| 2023 | 4,440,000 | 22,121,100 | 26,561,100 |
| 2024 | 6,095,000 | 21,899,100 | 27,994,100 |
| 2025 | 6,400,000 | 21,594,350 | 27,994,350 |
| 2026 | 5,615,000 | 21,274,350 | 26,889,350 |
| 2027-2031 | 32,580,000 | 101,868,500 | 134,448,500 |
| 2032-2036 | 108,750,000 | 87,243,000 | 195,993,000 |
| 2037-2041 | 163,700,000 | 55,332,800 | 219,032,800 |
| 2042-2046 | 66,135,000 | 25,957,200 | 92,092,200 |
| 2047-2051 | 65,310,000 | 8,362,500 | 73,672,500 |
| | <u>\$ 462,445,000</u> | <u>\$ 387,945,000</u> | <u>\$ 850,390,000</u> |

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

Interest for the fiscal years ended June 30, 2021 and 2020, amounted to \$12,041,000 and \$2,785,572, respectively, including accrued interest of \$6,020,500 and \$2,785,572, respectively. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2021 and 2020, was \$240,820,000 and \$241,640,000, respectively.

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

| Years Ending June 30, | Principal | Interest | Total |
|------------------------------|-----------------------|-----------------------|-----------------------|
| 2022 | \$ 13,825,000 | \$ 12,041,000 | \$ 25,866,000 |
| 2023 | 14,520,000 | 11,349,750 | 25,869,750 |
| 2024 | 15,240,000 | 10,623,750 | 25,863,750 |
| 2025 | 16,005,000 | 9,861,750 | 25,866,750 |
| 2026 | 11,275,000 | 9,061,500 | 20,336,500 |
| 2027-2031 | 65,395,000 | 36,268,750 | 101,663,750 |
| 2032-2036 | 57,755,000 | 19,881,250 | 77,636,250 |
| 2037-2041 | 46,805,000 | 7,250,250 | 54,055,250 |
| | <u>\$ 240,820,000</u> | <u>\$ 116,338,000</u> | <u>\$ 357,158,000</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 2017, 2019, and 2020 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2021 and 2020, the amount held by the trustee was \$326,663,469 and \$351,362,336, respectively, which included the July 1 payment, a debt service reserve fund, construction fund, and a capitalized interest fund. The public ratings of the Subordinate Series 2010, 2017, 2019, and 2020 Bonds as of June 30, 2020, are A-/A2/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

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

The Series 2014 A Bonds were structured as tax-exempt and non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent. The bonds were issued at a premium of \$594,226, which is amortized over the life of the bonds. Interest on the Series 2014 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for fiscal years ended June 30, 2021 and 2020, was \$15,827,940 and \$16,028,789, respectively, including accrued interest of \$7,913,970 and \$8,014,395, respectively. The principal balance on the Series 2014 Bonds for fiscal years ended June 30, 2021 and 2020 was \$288,095,000 and \$293,985,000, respectively.

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

The Series 2014 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's net position, as shown previously in the notes. For the fiscal years ended June 30, 2021 and 2020, the amount held by the trustee was \$53,063,404 and \$51,516,600, respectively, which included the July 1 payment, the debt service reserve fund, and the rolling coverage fund.

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

San Diego County Regional Airport Authority

Note 5. Long-Term Liabilities (Continued)

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

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2022 | \$ 6,090,000 | \$ 15,714,362 | \$ 21,804,362 |
| 2023 | 6,320,000 | 15,424,013 | 21,744,013 |
| 2024 | 6,670,000 | 15,060,682 | 21,730,682 |
| 2025 | 7,045,000 | 14,677,074 | 21,722,074 |
| 2026 | 7,440,000 | 14,271,928 | 21,711,928 |
| 2027-2031 | 43,925,000 | 64,443,360 | 108,368,360 |
| 2032-2036 | 57,665,000 | 50,319,070 | 107,984,070 |
| 2037-2041 | 75,700,000 | 31,777,897 | 107,477,897 |
| 2042-2045 | 77,240,000 | 8,370,662 | 85,610,662 |
| | <u>\$ 288,095,000</u> | <u>\$ 230,059,047</u> | <u>\$ 518,154,047</u> |

Interest expense on the Series 2010, 2013, 2014, 2017, 2019, and 2020 Bonds for fiscal years ended June 30, 2021 and 2020, of \$81.7 million and \$81.3 million, respectively, was offset by bond premium amortization of \$14.1 million in fiscal year 2021 and \$9.6 million in fiscal year 2020.

Line of credit: In fiscal year 2021, the Airport Authority maintained a \$2,000,000 line of credit held with US Bank, which is collateralized with a Treasury bond. This line is utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2021, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

The Airport Authority had the following used and unused balances in line of credit type debt instruments as of June 30, 2021 and 2020:

| | June 30, 2021 | | June 30, 2020 | |
|----------------|---------------|--------------|---------------|--------------|
| | Used | Unused | Used | Unused |
| Line of credit | \$ - | \$ 2,000,000 | \$ - | \$ 4,000,000 |
| | \$ - | \$ 2,000,000 | \$ - | \$ 4,000,000 |

Subordinate Short-Term Debt Program: As at June 30, 2021, the Authority did not maintain a short-term debt program. Subsequent to fiscal year 2021, on July 19, 2021, the Authority entered into an agreement with Bank of America N.A. to establish a Revolving Line of Credit for \$200,000,000.

Event of Default: In the event of default of all general airport revenue bonds issued by the Airport Authority, acceleration is not a remedy. For the Letter of Credit and Reimbursement Agreement, an event of default could result in either an acceleration or an interest rate increase of 3.00 – 7.00 percent in addition to the base rate. Other than this, there are no significant finance-related consequences in the event of default on other debt instruments. The Airport Authority's Letter of Credit and Reimbursement Agreement is collateralized with a \$2,222,000 Treasury bond. Excluding general airport revenue bonds, special facility bonds, and capital leases, no other assets have been pledged or collateralized for any other debt instruments. General Airport revenue bonds are secured by a pledge of Net Revenues which are generally defined as all revenues and other cash receipts of the Airport Authority's operations less amounts required to pay for operations and maintenance expenses of the airport (net revenues do not include cash received from PFC's, CFC's or Federal Grants). The special facility bonds are secured by a pledge of the Trust Estate.

San Diego County Regional Airport Authority

Note 5. Long-Term Liabilities (Continued)

Capital Leases

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, 2021:

| Years Ending June 30, | Amount |
|--|---------------------|
| 2022 | \$ 877,298 |
| 2023 | 877,298 |
| 2024 | 877,298 |
| 2025 | 877,298 |
| 2026 | 877,298 |
| 2027-2031 | 4,386,489 |
| 2032-2033 | 1,242,839 |
| Total Lease Payments | 10,015,817 |
| Less amount representing interest | (3,813,843) |
| Present value of future lease payments | <u>\$ 6,201,974</u> |

Note 6. Defined Benefit Plan

Introduction: The Airport Authority has two defined benefit pension plans which cumulatively represent the net pension liability and related deferred inflows and deferred outflows of resource balances as reported on the statement of net position. The below schedule represents aggregating information as of June 30, 2021 and 2020:

| | Defined Benefit Plan (GASB No. 68) | Preservation of Benefits Trust Plan (GASB No. 73) | Total |
|--------------------------------|--|--|---------------|
| Balances as of 6/30/2021 | | | |
| Pension expense | \$ 12,879,899 | \$ 338,696 | \$ 13,218,595 |
| Net pension liability | 34,018,795 | 2,445,415 | 36,464,210 |
| Deferred outflows of resources | 30,748,781 | 908,672 | 31,657,453 |
| Deferred inflows of resources | 2,065,506 | 200,876 | 2,266,382 |
| Balances as of 6/30/2020 | | | |
| Pension expense | \$ 9,905,772 | \$ 214,006 | \$ 10,219,778 |
| Net pension liability | 15,961,502 | 1,767,232 | 17,728,734 |
| Deferred outflows of resources | 21,105,307 | 542,202 | 21,647,509 |
| Deferred inflows of resources | 6,190,685 | 218,627 | 6,409,312 |

San Diego County Regional Airport Authority

Note 6. Defined Benefit Plan (Continued)

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

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

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

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

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

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

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

The classic participant retirement benefit is calculated by using monthly salary amounts based on the highest continuous 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.

San Diego County Regional Airport Authority

Note 6. Defined Benefit Plan (Continued)

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

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

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

As of the measurement dates June 30, 2020 and June 30, 2019, Plan membership was as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| Active employees | 414 | 407 |
| Inactive employees entitled to but not yet receiving benefits | 149 | 143 |
| Inactive employees or beneficiaries currently receiving benefits | 132 | 117 |
| Total | <u>695</u> | <u>667</u> |

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

The actuarial valuation is completed as of June 30 of each year. Once accepted by the SDCERS Board, the approved rates for Airport Authority apply to the fiscal year beginning 12 months after the valuation date. For June 30, 2021, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2019, 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, 2021 and 2020, employees contributed \$3,123,119 and \$3,321,661 respectively, and the Airport Authority contributed \$8,522,311 and \$8,355,880, respectively, to the Plan. Under the Plan, the Airport Authority pays a portion of the classic participant's contribution, referred to as the "off-set". The off-set is equal to 7.00 percent or 8.50 percent of the general classic members' base compensation and 9.55 percent of the executive classic members' base compensation. These contributions are included in the employee contribution. There is no off-set for PEPRAs participants.

San Diego County Regional Airport Authority

Note 6. Defined Benefit Plan (Continued)

Net Pension Liability: The Airport Authority's net pension liability as of June 30, 2021, is measured as the total pension liability, less the pension plan's fiduciary net position. The total pension liability as of June 30, 2021, is measured as of June 30, 2020. The annual valuation used is as of June 30, 2019, rolled forward to June 30, 2020, 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, 2020 and 2019, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | June 30, 2020 | June 30, 2019 |
|---|---------------------------------|---------------------------------|
| Valuation date | June 30, 2019 | June 30, 2018 |
| Measurement date | June 30, 2020 | June 30, 2019 |
| Actuarial cost method | Entry-age normal funding method | Entry-age normal funding method |
| Asset valuation method | Expected value with smoothing | Expected value with smoothing |
| Actuarial assumptions: | | |
| Investment rate of return ⁽¹⁾ | 6.50% | 6.50% |
| Inflation Rate | 3.05% | 3.05% |
| Interest Credited to Member Contributions | 6.50% | 6.50% |
| Projected salary increase ⁽²⁾ | 3.05% | 3.05% |
| Cost-of-living adjustment | 1.9% per annum, compounded | 1.9% per annum, compounded |
| Termination rate ⁽³⁾ | 2.0% - 16.0% | 3.0% - 11.0% |
| Disability rate ⁽⁴⁾ | 0.01% - 0.20% | 0.01% - 0.30% |
| Mortality ⁽⁵⁾ | 0.02% - 13.54% | 0.02% - 13.54% |

⁽¹⁾ Net of investment expense

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

⁽³⁾ Based on years of service

⁽⁴⁾ Based on age

⁽⁵⁾ All active and retired healthy members: CalPERS Mortality Tables from the CalPERS January 2014 Experience Study

Further details about the actuarial assumptions can be found in the SDCERS June 30, 2020 and June 30, 2019 actuarial reports.

Discount Rate: For the June 30, 2020 and 2019 actuarial valuations, the discount rate used to measure the total pension liability was 6.50 percent. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability (asset).

San Diego County Regional Airport Authority

Note 6. Defined Benefit Plan (Continued)

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

| Asset Class | Target Allocation | Long-term Expected Real Rates of Return | Long-term Expected Nominal Rates of Return |
|-----------------------------------|--------------------------|--|---|
| Domestic equity | 17.2% | 4.7% | 6.9% |
| International equity | 14.2% | 5.7% | 7.9% |
| Global equity | 8.0% | 5.3% | 7.5% |
| Domestic fixed income | 21.6% | -0.3% | 1.8% |
| Emerging market debt | 5.0% | 2.5% | 4.6% |
| Real estate | 11.0% | 4.3% | 6.5% |
| Private equity and infrastructure | 13.0% | 7.6% | 9.9% |
| Opportunity fund | 10.0% | 4.3% | 6.5% |
| | <u>100.0%</u> | | |

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

| | Increase (Decrease) | | |
|---|------------------------------------|-----------------------------------|--|
| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a) - (b) |
| Balances as of June 30, 2020 | \$ 218,788,911 | \$ 202,827,408 | \$ 15,961,503 |
| Changes for the year: | | | |
| Service cost | 7,857,035 | - | 7,857,035 |
| Interest on total pension liability | 14,257,205 | - | 14,257,205 |
| Difference between expected and actual experience | 925,862 | - | 925,862 |
| Changes in assumptions | 6,767,001 | - | 6,767,001 |
| Employer contributions | - | 8,424,834 | (8,424,834) |
| Member contributions | - | 3,321,661 | (3,321,661) |
| Net investment income | - | 390,013 | (390,013) |
| Benefit payments | (6,733,942) | (6,733,942) | - |
| Administrative expense | - | (386,697) | 386,697 |
| Net changes | <u>23,073,161</u> | <u>5,015,869</u> | <u>18,057,292</u> |
| Balances as of June 30, 2021 | <u>\$ 241,862,072</u> | <u>\$ 207,843,277</u> | <u>\$ 34,018,795</u> |

San Diego County Regional Airport Authority

Note 6. Defined Benefit Plan (Continued)

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

| | Increase (Decrease) | | |
|---|--|---------------------------------------|--|
| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a) - (b) |
| Balances as of June 30, 2019 | \$ 204,875,918 | \$ 186,502,637 | \$ 18,373,281 |
| Changes for the year: | | | |
| Service cost | 7,632,696 | - | 7,632,696 |
| Interest on total pension liability | 13,355,418 | - | 13,355,418 |
| Difference between expected and actual experience | (645,462) | - | (645,462) |
| Changes in assumptions | - | - | - |
| Employer contributions | - | 7,848,712 | (7,848,712) |
| Member contributions | - | 3,178,464 | (3,178,464) |
| Net investment income | - | 12,086,349 | (12,086,349) |
| Benefit payments | (6,429,659) | (6,429,659) | - |
| Administrative expense | - | (359,095) | 359,095 |
| Net changes | <u>13,912,993</u> | <u>16,324,771</u> | <u>(2,411,778)</u> |
| Balances as of June 30, 2020 | <u>\$ 218,788,911</u> | <u>\$ 202,827,408</u> | <u>\$ 15,961,503</u> |

Sensitivity of the Net Pension Liability to Discount Rate Changes: The following presents the resulting net pension liability calculated using the discount rate of 6.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal years ended June 30, 2021:

| | 1% Decrease 5.50% | Current 6.50% | 1% Increase 7.50% |
|--|------------------------------|--------------------------|------------------------------|
| Total pension liability | \$ 276,438,379 | \$ 241,862,072 | \$ 213,625,853 |
| Plan fiduciary net position | <u>207,843,276</u> | <u>207,843,277</u> | <u>207,843,276</u> |
| Net pension liability | <u>\$ 68,595,103</u> | <u>\$ 34,018,795</u> | <u>\$ 5,782,577</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>75.2%</u> | <u>85.9%</u> | <u>97.3%</u> |

San Diego County Regional Airport Authority

Note 6. Defined Benefit Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Plan: For the years ended June 30, 2021 and 2020, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$12,879,899 and \$9,905,772, respectively. At June 30, 2021 and 2020, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

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

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

The deferred outflows of resources, at June 30, 2021 and 2020, resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end will be recognized as a reduction of the net pension liability at June 30, 2022 and 2021, respectively.

Other amounts reported as deferred outflows/inflows of resources related to the plan at June 30, 2021, will be recognized in pension expense as follows:

| Years Ended June 30, | |
|-----------------------------|----------------------|
| 2022 | \$ 5,409,170 |
| 2023 | 5,869,695 |
| 2024 | 4,721,590 |
| 2025 | 4,160,509 |
| | <u>\$ 20,160,964</u> |

San Diego County Regional Airport Authority

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

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

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

Benefits provided: The Airport Authority provides retirement benefits.

Retirement benefits are provided to POB members with retirement benefits in excess of Code Section 415(b) who have participated in in the Plan since establishment of the POB. Participation ends for a portion of a plan year in which the retirement benefit of a retiree or beneficiary is not limited by Code Section 415(b) or when all benefit obligations to the retiree or beneficiary have been satisfied. Benefit payments are equal to the amount of retirement income that would have been payable, less the amount payable by the Plan. Benefit payments for the years ended June 30, 2021 and 2020, were \$43,301 and \$47,081, respectively. The POB is unfunded and provides benefits on an annual basis as determined by SDCERS.

As of the measurement dates of June 30, 2020 and 2019, Plan membership was as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| Active employees | 2 | 2 |
| Inactive employees or beneficiaries currently receiving benefits | 2 | 2 |
| Total | <u>4</u> | <u>4</u> |

Total Pension Liability: The Airport Authority's total pension liability as of June 30, 2021 and 2020, was \$2,445,415 and \$1,767,232, respectively. The pension liability as of June 30, 2021, is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, 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, 2020 and 2019, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|---|----------------------|----------------------|
| Valuation date | June 30, 2019 | June 30, 2018 |
| Measurement date | June 30, 2020 | June 30, 2019 |
| Actuarial cost method | Entry-age normal | Entry-age normal |
| Actuarial assumptions: | | |
| Discount rate | 2.21% | 3.50% |
| Inflation rate | 3.05% | 3.05% |
| Interest credited to member contributions | 6.50% | 6.50% |
| Projected salary increases | 3.05% | 3.05% |

San Diego County Regional Airport Authority

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

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

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

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

| | <u>Total Pension Liability</u> |
|---|--------------------------------|
| Balances as of June 30, 2019 | \$ 1,656,062 |
| Changes for the year: | |
| Service cost | 49,343 |
| Interest on total pension liability | 64,133 |
| Difference between expected and actual experience | (64,295) |
| Changes in assumptions | 109,070 |
| Benefit payments | (47,081) |
| Net changes | <u>111,170</u> |
| Balances as of June 30, 2020 | <u>\$ 1,767,232</u> |

Sensitivity of the Total Pension Liability to Discount Rate Changes: The following presents the resulting total pension liability calculated using the discount rate of 2.21 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal year ended June 30, 2021:

| | <u>1% Decrease</u> <u>1.21%</u> | <u>Current Rate</u> <u>2.21%</u> | <u>1% Increase</u> <u>3.21%</u> |
|-------------------------|------------------------------------|-------------------------------------|------------------------------------|
| Total pension liability | \$ 2,984,375 | \$ 2,445,415 | \$ 1,492,635 |

San Diego County Regional Airport Authority

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the POB: For the year ended June 30, 2021 and 2020, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 73, of \$338,696 and \$214,006. At June 30, 2021 and 2020, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

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

| June 30, 2020 | <u>Deferred of Resources</u> | <u>Deferred of Resources</u> |
|--|----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 322,838 | \$ 51,436 |
| Changes in assumptions | 178,115 | 167,191 |
| Employer contributions subsequent to June 30, 2019 measurement date | 41,249 | - |
| Total | <u>\$ 542,202</u> | <u>\$ 218,627</u> |

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

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

| <u>Years Ended June 30,</u> | |
|-----------------------------|-------------------|
| 2022 | \$ 175,925 |
| 2023 | 147,000 |
| 2024 | 120,831 |
| | <u>\$ 443,756</u> |

San Diego County Regional Airport Authority

Note 8. Employees' Deferred Compensation Plan

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

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

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

Note 9. Other Postemployment Benefits

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

Plan description: As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for approximately 2 million California public employees, retirees, and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States, managing more than \$392 billion in assets for more than 2,890 California employers. In 1988 and 2007, enabling statutes and regulations were enacted which permitted CalPERS to form the CERBT fund, an irrevocable Section 115 Trust, for the purpose of receiving employer contributions that will prefund health and other postemployment benefit costs for retirees and their beneficiaries. Financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding policy: CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the actuarially determined contributions (ADCs). As of May 9, 2009, the agreement with CERBT was approved. The retirees' contribution rate was raised from 5 percent to 10 percent of plan costs for single coverage and the entire cost of vision benefits, lowering the OPEB liabilities of the Airport Authority. Annually, the Airport Authority's goal is to fund 100 percent of the actuarially calculated ADC for its OPEB. In previous years, the Airport Authority has made contributions above the annual ADC which has resulted in a net OPEB asset. During the fiscal years ended June 30, 2021 and 2020, the Airport Authority's contributions were \$919,462 and \$784,845, respectively.

A measurement date of June 30, 2020 and 2019, was used for the June 30, 2021 and June 2020, OPEB assets and expenses. The information that follows was determined as of a valuation date of June 30, 2020 and June 30, 2019, respectively. Assumptions used in the June 30, 2020 valuation were rolled forward from the June 30, 2019 valuation.

San Diego County Regional Airport Authority

Note 9. Other Postemployment Benefits (Continued)

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

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| Active employees | 141 | 151 |
| Inactive employees entitles to but not receiving benefits | 1 | - |
| Inactive employees or beneficiaries currently receiving benefits | 86 | 79 |
| Total | <u>228</u> | <u>230</u> |

Actuarial Assumptions: The total OPEB liability in the June 30, 2020 and 2019, actuarial valuations was determined using the following actuarial assumptions, applied to all period included in the measurement:

| | |
|---|---|
| Actuarial Valuation Date | June 30, 2019 |
| Contribution Policy | Authority contributes at least the full ADC |
| Inflation | 2.75% |
| Projected salary increase | 3.00% |
| Investment rate of return | 6.75%; Expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust |
| Actuarial cost method | Entry Age Normal Level Percent of Pay |
| Asset valuation method | 5 year asset smoothing |
| Retirement age | SDCERS 2010-2015 Experience Study |
| Mortality | CalPERS 1997-2015 Experience Study |
| Mortality Improvement | Mortality projected fully generational with Scale MP-2019 |
| Medical Trend | Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4% in 2076; Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076 |
| Healthcare Participation of Future Retirees | 90% |
| Spousal Assumption for Future Retirees | Currently covered - 2-party coverage if currently have 2 party or family coverage; Currently waived - 80% cover spouses at retirement |

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

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

San Diego County Regional Airport Authority

Note 9. Other Postemployment Benefits (Continued)

Discount Rate: The discount rate used to measure the net OPEB liability (asset) at June 30, 2021 and 2020, was 6.75 percent and 6.75 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 net OPEB liability.

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

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

San Diego County Regional Airport Authority

Note 9. Other Postemployment Benefits (Continued)

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

| | Increase (Decrease) | | |
|--|-------------------------|---------------------------|-----------------------------------|
| | Total OPEB Liability | Fiduciary Net Position | Net OPEB Liability/ (Asset) |
| Balances as of June 30, 2019 | \$ 25,804,494 | \$ 26,199,041 | \$ (394,547) |
| Changes for the year: | | | |
| Service cost | 449,596 | - | 449,596 |
| Interest on total OPEB liability | 1,883,080 | - | 1,883,080 |
| Difference between expected and actual experience | (169,582) | - | (169,582) |
| Changes in assumptions | (1,531,369) | - | (1,531,369) |
| Employer contributions | - | 775,225 | (775,225) |
| Member contributions | - | - | - |
| Net investment income | - | 1,604,058 | (1,604,058) |
| Benefit payments | (775,225) | (775,225) | - |
| Administrative expense | - | (5,611) | 5,611 |
| Net changes | (143,500) | 1,598,447 | (1,741,947) |
| Balances as of June 30, 2020 | <u>\$ 25,660,994</u> | <u>\$ 27,797,488</u> | <u>\$ (2,136,494)</u> |

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Health Care Cost Trend Rates: The net OPEB liability (asset) of the Authority has been calculated using a discount rate of 6.75 percent. The following presents the net OPEB liability (asset) using a discount rate 1 percent higher and 1 percent lower than the current discount rate.

| | 1% Decrease 5.75% | Current Rate 6.75% | 1% Increase 7.75% |
|----------------------------|----------------------|-----------------------|-----------------------|
| Net OPEB liability (asset) | <u>\$ 2,174,982</u> | <u>\$ (1,649,215)</u> | <u>\$ (4,804,196)</u> |

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

| | 1% Decrease | Trend Rate | 1% Increase |
|----------------------------|-----------------------|-----------------------|---------------------|
| Net OPEB liability (asset) | <u>\$ (5,163,937)</u> | <u>\$ (1,649,215)</u> | <u>\$ 2,636,278</u> |

San Diego County Regional Airport Authority

Note 9. Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB: For the years ended June 30, 2021 and 2020, the Airport Authority recognized OPEB expense, as measured in accordance with GASB Statement No. 75, of \$197,770 and \$71,854, respectively, and reported deferred inflows of resources and deferred outflows of resources related to the OPEB from the following sources:

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

| June 30, 2020 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Net difference between projected and actual earnings | \$ - | \$ 104,407 |
| Net difference between expected and actual experience | - | 129,205 |
| Changes in assumptions | 329,475 | 1,166,757 |
| Employer contributions made subsequent to June 30, 2019 measurement date | 784,336 | - |
| Total | <u>\$ 1,113,811</u> | <u>\$ 1,400,369</u> |

The deferred outflows of resources at June 30, 2021 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, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2021, related to the OPEB will be recognized in OPEB expense as follows:

| Years Ended June 30, | |
|-----------------------------|-----------------|
| 2022 | \$ (180,596) |
| 2023 | (153,056) |
| 2024 | 158,361 |
| 2025 | 178,751 |
| Total | <u>\$ 3,460</u> |

San Diego County Regional Airport Authority

Note 10. Risk Management

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

Commercially issued insurance:

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

Self-insurance: Due to the exorbitant cost of earthquake insurance, the Airport Authority self-insures for losses due to earthquake damage. Effective July 1, 2007, the Airport Authority removed the purchase of commercial earthquake insurance from the Risk Management Program and increased reliance on the laws designed to assist public entities through the Federal Emergency Management Agency and the California Disaster Assistance Act. As of June 30, 2021 and 2020, the Airport Authority has designated \$12,403,950 and \$11,685,954, respectively, from its net position, as an insurance contingency.

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

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

During fiscal year 2021, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

Note 11. Fair Value of Assets

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

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

San Diego County Regional Airport Authority

Note 11. Fair Value of Assets (Continued)

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at the fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020:

| | 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, 2021 | | | | |
| Investments by fair value level | | | | |
| U.S. Treasury obligations | \$ 111,584,806 | \$ 111,584,806 | \$ - | \$ - |
| U.S. agency securities | 129,121,554 | - | 129,121,554 | - |
| Non-U.S Securities | 7,562,695 | 7,562,695 | - | - |
| Negotiable certificates of deposit | 2,222,300 | - | 2,222,300 | - |
| Municipal Bonds | 5,194,250 | - | 5,194,250 | - |
| Medium-term notes | 49,085,135 | - | 49,085,135 | - |
| Total investments by fair value level | <u>304,770,740</u> | <u>\$ 119,147,501</u> | <u>\$ 185,623,239</u> | <u>\$ -</u> |
| Investments measured at amortized cost | | | | |
| Money Market Mutual funds | 117,578,335 | | | |
| Non-negotiable certificate of deposit | 16,615,890 | | | |
| Investments measured at net asset value | | | | |
| Caltrust | 16,410,450 | | | |
| Local Agency Investment Fund | 192,705,889 | | | |
| San Diego County Investment Pool | <u>270,367,612</u> | | | |
| Total investments | <u>\$ 918,448,916</u> | | | |
| | | | | |
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| June 30, 2020 | | | | |
| Investments by fair value level | | | | |
| U.S. Treasury obligations | \$ 152,277,194 | \$ 152,277,194 | \$ - | \$ - |
| U.S. agency securities | 153,968,011 | - | 153,968,011 | - |
| Non-U.S Securities | 9,810,036 | 9,810,036 | - | - |
| Commercial Paper | 2,499,500 | - | 2,499,500 | - |
| Negotiable certificates of deposit | 8,028,440 | - | 8,028,440 | - |
| Municipal Bonds | 5,176,600 | - | 5,176,600 | - |
| Medium-term notes | 64,883,112 | - | 64,883,112 | - |
| Total investments by fair value level | <u>396,642,893</u> | <u>\$ 162,087,230</u> | <u>\$ 234,555,663</u> | <u>\$ -</u> |
| Investments measured at amortized cost | | | | |
| Money Market Mutual funds | 110,878,565 | | | |
| Non-negotiable certificate of deposit | 16,271,235 | | | |
| Investments measured at net asset value | | | | |
| Caltrust | 16,362,863 | | | |
| Local Agency Investment Fund | 146,314,756 | | | |
| San Diego County Investment Pool | <u>293,587,647</u> | | | |
| Total investments | <u>\$ 980,057,959</u> | | | |

San Diego County Regional Airport Authority

Note 12. Lease Revenues

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

Certain capital assets, such as loading bridges, airfield, and building space, are leased to signatory and non-signatory airlines. A policy statement issued by the Federal Aviation Administration governs the Airport Authority's Airline Operating Lease Agreement (AOLA) of these assets and as such, rates are determined each year based upon a combination of residual and compensatory rate setting methodologies, which do not exceed actual costs of operating the airport. Such costs are allocated to each signatory airline based upon factors such as landed weights, enplanements, square footage, acres, etc. Costs are offset by payments from non-signatory airlines for the usage of those assets. The Airport Authority's current AOLA is effective July 1, 2019 through June 30, 2029.

Other capital assets are leased to terminal and rental car concessionaires. Concession lease payments for space within the terminals are typically based on the greater of a percentage of tenant sales or an agreed upon minimum guarantee. Prior to the start of the economic downturn brought on by the COVID-19 pandemic, the Airport Authority had 85 retail and dining concessions open, all designed to provide a world class shopping and dining experience for the millions of passengers who use SDIA. Many locations closed temporarily due to the effects of the pandemic.

Over the year, enplanements have continued to increase month over month and many of the shops and restaurants that temporarily closed have since reopened. As of June 30, 2021, there are 54 terminal food service and retail concession locations open. However, total enplanements for the year are 47.4 percent lower than the previous year. Therefore, in October 2020, January 2021, and April 2021 the Board approved three-month extensions of the Rent Forbearance and Abatement Program. This program, and its extensions, have provided abatement of certain rents and fees to qualifying concessionaires and rental car companies, for a period beginning April 1, 2020 through June 30, 2021. The Airport Authority will continue to evaluate the possibility of additional extensions as the economy recovers.

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

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, 2021, are as follows:

| Years Ending June 30, | Amount |
|------------------------------|-----------------------|
| 2022 | \$ 32,077,713 |
| 2023 | 28,854,700 |
| 2024 | 25,576,029 |
| 2025 | 18,889,541 |
| 2026 | 16,037,534 |
| 2027-2031 | 83,924,750 |
| 2032-2036 | 91,000,736 |
| 2037-2041 | 99,404,788 |
| 2042-2046 | 109,386,165 |
| 2047-2051 | 48,382,433 |
| 2052-2056 | 724,440 |
| 2057-2061 | 724,440 |
| 2062-2066 | 724,440 |
| 2067-2071 | 362,220 |
| | <u>\$ 556,069,929</u> |

San Diego County Regional Airport Authority

Note 12. Lease Revenues (Continued)

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

Note 13. Lease Commitments

Operating Leases

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

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

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

SDUPD North Harbor Drive lease: The Airport Authority is leasing from the District approximately 135,521 square feet of land area located at 3032 North Harbor Drive under a lease that commenced on June 1, 2021, and expires May 31, 2026, for an annual rent of \$406,563.

SDUPD Harbor Island Drive lease: The Airport Authority is leasing from the District approximately 60,958 square feet of land area located on the east side of Harbor Island Drive near North Harbor Drive and 277,456 square feet of land are located north easterly of the neck of Harbor Island Drive and adjacent easterly to 1380 Harbor Island Drive under a lease that commenced on June 1, 2021 and expires August 30, 2025, for an annual rent of \$966,264.

SDUPD Pacific Highway lease: The Airport Authority is leasing property from the District located at 2535 Pacific under a lease that commenced on June 1, 2021, and expires May 31, 2041, for an annual rent of \$314,490.

California Street Lease Assumption: The Airport Authority is leasing property located at 2554 California Street under a lease that commenced on January 25, 2021, and expires December 31, 2022, for an annual rent of \$114,732.

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:

| <u>Years Ending June 30,</u> | <u>Amount</u> |
|------------------------------|-----------------------|
| 2022 | \$ 11,978,709 |
| 2023 | 11,921,343 |
| 2024 | 11,863,977 |
| 2025 | 11,863,977 |
| 2026 | 11,024,877 |
| 2027-2031 | 52,447,014 |
| 2032-2036 | 52,447,014 |
| 2037-2041 | 52,447,014 |
| 2042-2046 | 50,883,300 |
| 2047-2051 | 50,883,300 |
| 2052-2056 | 50,883,300 |
| 2057-2061 | 50,883,300 |
| 2061-2066 | 50,883,300 |
| 2067-2068 | 15,264,990 |
| | <u>\$ 485,675,415</u> |

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

| | <u>2021</u> | <u>2020</u> |
|----------------------|----------------------|----------------------|
| Rental payments made | <u>\$ 10,266,658</u> | <u>\$ 10,207,066</u> |

Note 14. Commitments and Contingencies

Commitments: As of June 30, 2021 and 2020, 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 noncurrent assets, primarily for the unpaid contractual portion of capital projects that are currently in progress and will not be funded by grants or additional debt but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. At June 30, 2021 and 2020, these funds totaled approximately \$8.1 million and \$29.7 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, 2021 and 2020, the Airport Authority expensed \$22,242,854 and \$16,723,815, respectively, for these services.
- iii. In fiscal year 2019, the Board approved \$38 million contract with Ace Parking Management Inc., for parking management services. As of June 30, 2021, \$13.6 million has been spent and the contract is scheduled for completion in fiscal year 2023.
- iv. In fiscal year 2019, the Board approved \$45 million contract with Ace Parking Management Inc., for airport shuttle services. As of June 30, 2021, \$13.8 million has been spent for shuttle services and the contract is scheduled for completion in fiscal year 2022.
- v. In fiscal year 2015, the Board approved a \$29.2 million contract with SP Plus Corporation to transport rental car companies' customers between the Rental Car Center facility and the terminals. The contract scope also includes the operation, management and maintenance of the shuttle vehicles. In fiscal years 2016, 2019, and 2021, the Board approved an additional \$1.2 million, \$14.6 million and \$1.3 million. As of June 30, 2021, \$44 million had been spent and the contract is scheduled for completion in fiscal year 2022.
- vi. In fiscal year 2019, the Board approved a \$19.5 million contract with AECOM Technical Services, Inc. for on call program management, staffing support, and consulting services. In fiscal year 2020, the board approved additional \$134.8 million. As of June 30, 2021, \$31.9 million has been spent and the contract is scheduled for completion in fiscal year 2024.
- vii. In fiscal year 2019, the Board approved a \$40.9 million contract with Granite Construction Company to provide a new hydrant fueling infrastructure on the north side of the runway. As of June 30, 2021, \$39.5 million had been spent and the contract was completed in fiscal year 2021.
- viii. In fiscal year 2021, the Board approved a \$16.2 million contract with Granite Construction Company to provide a Construction of the West Refueler Loading Facility and the West Solid Waste Facility. As of June 30, 2021, \$640K had been spent and the contract is scheduled for completion in fiscal year 2022.
- ix. In fiscal year 2019, the Board approved a \$152.9 million contract with Sundt Construction, Inc. for the design and construction of Airport Support Facilities. As of June 30, 2021, \$144.8 million had been spent and the contract is scheduled for completion in early fiscal year 2022.
- x. In fiscal year 2021, the Board approved an \$80 million contract with Turner-Flatiron, A Joint Venture for the design-build of terminal and roadways. As of June 30, 2021, \$36 million had been spent and the contract is scheduled for completion in early fiscal year 2022.

San Diego County Regional Airport Authority

Note 14. Commitments and Contingencies (Continued)

- x. In fiscal year 2019, the Board approved an \$11.7 million contract with Pacific Rim Mechanical for HVAC repair and maintenance services. As of June 30, 2021, \$6.1 million had been spent and the contract is scheduled for completion in fiscal year 2022.
- xii. In fiscal years 2012 through 2018, the Board had approved a total of \$9.4 million with LeighFisher for a SDIA development plan consultant. In fiscal year 2019 and 2020 the Board approved an additional \$2.3 million and \$800,000. As of June 30, 2021, \$11.8 million had been spent and the contract is scheduled for completion in fiscal year 2022.
- xiii. In fiscal year 2020, the Board approved a \$35 million contract with Jacobs Engineering Group, Inc. to provide Airside-Landside Engineering consulting services. As of June 30, 2021, \$19.8 million had been spent and the contract is scheduled for completion in fiscal year 2025.

Contingencies: As of June 30, 2021, the Airport Authority is subject to contingencies arising from matters as described below:

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

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

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

San Diego County Regional Airport Authority

Note 15. Subsequent Events

On July 19, 2021 the Authority entered into an agreement with Bank of America N.A. to establish a Revolving Line of Credit for \$200,000,000. The agreement is for a term of three years and is a subordinate obligation of the Authority. Tax exempt interest is calculated as a 50 basis point spread on the SIFMA index and taxable interest is calculated as a 62 basis point spread on the BSBY index. Unutilized fees are 30 basis points up to 40 percent utilization and 0 percent thereafter.

On July 1, 2021, the Authority Board approved a contract with Sundt Construction Company Inc., for a maximum contract price not to exceed \$91,379,967 for the design and construction of Airport Development Program New Administration Building project.

On August 10, 2021, pursuant to the American Rescue Plan Act of 2021, the Authority was awarded a \$78.8 million Federal Aviation Administration (FAA) Airport Rescue Grant. These funds provide economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the COVID-19 pandemic. Funds provided under this grant must only be used for airport operational expenses or debt service payments. An additional \$10.8 million has been allocated to SAN to provide relief from rent and minimum annual guarantees to eligible in-terminal airport concessions. The award of this grant is pending development of guidance by the FAA for use of concessions relief grants.

On October 7, 2021, the Authority Board approved an amendment to the contract with TurnerFlatiron, a Joint Venture establishing a maximum contract price not to exceed \$2,610,417,181 for the design and construction of Airport Development Program Terminal and Roadways project.

On October 7, 2021, the Authority Board approved a contract with Griffith Company Inc., in the amount of \$251,671,315 for the Airport Development Program Airside Improvements project.

On October 15, 2021, the Airport Authority purchased real property located at 2554-2610 California Street, San Diego, California for \$3,250,000.

San Diego County Regional Airport Authority

Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2021

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Pension Liability: | | | | | | | |
| Service cost | \$ 7,857,035 | \$ 7,632,696 | \$ 7,390,428 | \$ 6,996,180 | \$ 6,205,263 | \$ 6,154,579 | \$ 6,099,481 |
| Interest (includes interest on service cost) | 14,257,205 | 13,355,418 | 12,621,226 | 11,416,679 | 10,277,610 | 9,327,538 | 8,465,485 |
| Differences between expected and actual experience | 925,862 | (645,462) | (2,630,285) | 3,975,029 | (2,178,527) | 345,661 | - |
| Effect of changes of assumptions | 6,767,001 | - | 6,416,088 | 5,871,218 | 10,473,890 | - | - |
| Benefit payments, including refunds of member contributions | (6,733,942) | (6,429,659) | (4,462,751) | (4,669,787) | (3,023,391) | (2,482,523) | (2,913,221) |
| Net change in total pension liability | 23,073,161 | 13,912,993 | 19,334,706 | 23,589,319 | 21,754,845 | 13,345,255 | 11,651,745 |
| Total pension liability - beginning | 218,788,911 | 204,875,918 | 185,541,212 | 161,951,893 | 140,197,048 | 126,851,793 | 115,200,048 |
| Total pension liability - ending | \$ 241,862,072 | \$ 218,788,911 | \$ 204,875,918 | \$ 185,541,212 | \$ 161,951,893 | \$ 140,197,048 | \$ 126,851,793 |
| Plan Fiduciary Net Position: | | | | | | | |
| Contributions - employer | \$ 8,424,834 | \$ 7,848,712 | \$ 7,318,546 | \$ 5,480,984 | \$ 4,047,780 | \$ 3,897,545 | \$ 3,924,988 |
| Contributions - employee | 3,321,661 | 3,178,464 | 3,162,781 | 2,990,317 | 2,967,269 | 2,840,236 | 2,765,079 |
| Net investment income | 390,013 | 12,086,349 | 14,036,710 | 19,480,875 | 1,651,283 | 4,390,185 | 18,302,683 |
| Benefit payments, including refunds of member contributions | (6,733,942) | (6,429,659) | (4,462,751) | (4,669,786) | (3,023,391) | (2,482,523) | (2,913,221) |
| Administrative expense | (386,697) | (359,094) | (350,408) | (325,042) | (318,817) | (332,290) | (332,645) |
| Net change in plan fiduciary net position | 5,015,869 | 16,324,772 | 19,704,878 | 22,957,348 | 5,324,124 | 8,313,153 | 21,746,884 |
| Plan fiduciary net position - beginning | 202,827,409 | 186,502,637 | 166,797,759 | 143,840,411 | 138,516,287 | 130,203,134 | 108,456,250 |
| Plan fiduciary net position - ending | \$ 207,843,278 | \$ 202,827,409 | \$ 186,502,637 | \$ 166,797,759 | \$ 143,840,411 | \$ 138,516,287 | \$ 130,203,134 |
| Net pension liability (asset) - ending | \$ 34,018,794 | \$ 15,961,502 | \$ 18,373,281 | \$ 18,743,453 | \$ 18,111,482 | \$ 1,680,761 | \$ (3,351,341) |
| Plan fiduciary net position as a percentage of the total pension liability | 85.93% | 92.70% | 91.03% | 89.90% | 88.82% | 98.80% | 102.64% |
| Covered payroll | \$ 32,828,449 | \$ 31,584,841 | \$ 31,628,301 | \$ 31,131,795 | \$ 29,189,357 | \$ 27,955,455 | \$ 26,380,323 |
| Net pension liability as a percentage of covered payroll | 103.63% | 50.54% | 58.17% | 60.21% | 62.05% | 6.01% | (12.70%) |

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

San Diego County Regional Airport Authority

Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2021

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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|------------|------------|------------|------------|------------|
| Actuarially determined contribution | \$ 6,125 | \$ 6,159 | \$ 5,740 | \$ 5,416 | \$ 3,765 |
| Contributions in relation to the actuarially determined contribution | 8,522 | 8,356 | 7,783 | 7,247 | 5,421 |
| Contribution deficiency (excess) | \$ (2,397) | \$ (2,197) | \$ (2,043) | \$ (1,831) | \$ (1,656) |
| Covered payroll | \$ 31,296 | \$ 32,828 | \$ 31,585 | \$ 31,628 | \$ 31,506 |
| Contributions as a percentage of covered payroll | 27.23% | 25.45% | 24.64% | 22.91% | 17.21% |
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Actuarially determined contribution | \$ 3,666 | \$ 3,823 | \$ 2,900 | \$ 2,600 | \$ 3,800 |
| Contributions in relation to the actuarially determined contribution | 3,948 | 3,823 | 3,728 | 2,600 | 3,800 |
| Contribution deficiency (excess) | \$ (282) | \$ - | \$ (828) | \$ - | \$ - |
| Covered payroll | \$ 29,189 | \$ 27,955 | \$ 26,380 | \$ 24,840 | \$ 25,148 |
| Contributions as a percentage of covered payroll | 13.53% | 13.68% | 14.13% | 10.47% | 15.11% |

* This schedule is presented for the fiscal year.

San Diego County Regional Airport Authority

Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2021

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

Preservation of Benefits Trust Plan

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

Note to schedule: This schedule is intended to display the most recent 10 years of data for annual changes in the total pension liability. Until such time has elapsed after implementing GASB Statement No. 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, 2021

Schedule of Contributions (Pensions), Last 10 Fiscal Years: Preservation of Benefits Trust Plan

| | 2021 | 2020 | 2019 | 2018 |
|--|--------------------|--------------------|--------------------|--------------------|
| Actuarially determined contribution | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the actuarially determined contribution | 42,682 | 41,249 | 45,353 | 56,513 |
| Contribution deficiency (excess) | <u>\$ (42,682)</u> | <u>\$ (41,249)</u> | <u>\$ (45,353)</u> | <u>\$ (56,513)</u> |
| Covered payroll | \$ 31,295,787 | \$ 32,828,449 | \$ 31,584,841 | \$ 31,628,301 |
| Contributions as a percentage of covered payroll | 0.14% | 0.13% | 0.14% | 0.18% |

* This schedule is presented for the fiscal year.

Note to schedule: This schedule is intended to display the most recent 10 years of data for annual 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, 2021

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

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

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

San Diego County Regional Airport Authority

Required Supplementary Information (Unaudited) Fiscal Year Ended June 30, 2021

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

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

* This schedule is presented for the fiscal year.

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

San Diego County Regional Airport Authority

Single Audit Reports

June 30, 2021

San Diego County Regional Airport Authority

June 30, 2021

Contents

| | |
|---|----|
| Schedule of Expenditures of Federal Awards | 1 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report | 2 |
| 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 | 4 |
| Schedule of Findings and Questioned Costs | 7 |
| Summary Schedule of Prior Audit Findings | 10 |

San Diego County Regional Airport Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

| Federal Grantor/Pass - Through Grantor/Program or Cluster Title | Assistance Listing Number | Other Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
|--|---------------------------------|--------------------------------|--|-------------------------|
| <u>U.S. Department of Transportation - Federal Aviation Administration:</u> | | | | |
| Direct Programs: | | | | |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-80 | \$ - | \$ 470,648 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-81 | - | 2,977,332 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-83 | - | 2,684,844 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-84 | - | 6,302,823 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-85 | - | 156,776 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-86 | - | 3,977,434 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-87 | - | 5,582,314 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-89 | - | 1,306,151 |
| Airport Improvement Program (AIP) | 20.106 | 3-06-0214-90 | - | 1,706,465 |
| ACRGP – Airport Improvement Program (AIP) | 20.106 | 3-06-0214-91 | - | 20,183,359 |
| ACRGP – Airport Improvement Program (AIP) | 20.106 | 3-06-0214-92 | - | 2,709,020 |
| COVID-19 – Airport Improvement Program (AIP) | 20.106 | 3-06-0214-88 | - | <u>54,326,406</u> |
| Total Airport Improvement Program (AIP) | | | | 102,383,572 |
| Law Enforcement Officer Reimbursement Agreement Program | 97.090 | | - | 343,680 |
| TSA Airport Checked Baggage Inspection System Program – (ARRA) | 97.117 | | - | <u>1,059,721</u> |
| Total U.S. Department of Transportation - Federal Aviation Administration | | | <u>\$ -</u> | <u>\$ 103,786,973</u> |

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 programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Airport Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Airport Authority.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Airport Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the San Diego County Regional Airport Authority (Airport Authority), which comprise the statement of net position as of June 30, 2021, 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 22, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Dallas, Texas
October 22, 2021

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

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

We have audited San Diego County Regional Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Airport Authority's major federal program for the year ended June 30, 2021. 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 programs.

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, 2021.

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, 2021, and have issued our report thereon dated October 22, 2021, 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 22, 2021

San Diego County Regional Airport Authority
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

7. The Airport Authority's major program was:

| Cluster/Program | Assistance Listing Number |
|--|--|
| Airport Improvement Program (including ACRGP and COVID-19) | 20.106 |

8. The threshold used to distinguish between Type A and Type B programs was \$3,000,000.

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, 2021

Findings Required to be Reported by *Government Auditing Standards*

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

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

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

No matters are reportable.

San Diego County Regional Airport Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

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

No matters are reportable.

San Diego County Regional Airport Authority

Passenger Facility Charge Program

Compliance Report

Year Ended June 30, 2021

(With Independent Auditor's Report Thereon)

San Diego County Regional Airport Authority

Passenger Facility Charge Program

Table of Contents

June 30, 2021

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

San Diego County Regional Airport Authority
Passenger Facility Charge Program
Schedule of Passenger Facility Charge Collections and Expenditures
Year Ended June 30, 2021

| Revenues | Date Approved | Amount Approved For Use | Cumulative Total – June 30, 2020 | Quarter Ended | | | | Year Ended June 30, 2021 | Cumulative Total – June 30, 2021 |
|---|---------------|-------------------------|----------------------------------|----------------------|---------------------|---------------------|----------------------|--------------------------|----------------------------------|
| | | | | September 30, 2020 | December 31, 2020 | March 31, 2021 | June 30, 2021 | | |
| Passenger facility charge collections | | | \$ 786,771,085 | \$ 1,605,660 | \$ 3,874,564 | \$ 3,326,658 | \$ 7,971,648 | \$ 16,778,530 | \$ 803,549,615 |
| Interest earned | | | 16,438,823 | 142,991 | 122,403 | 111,969 | 2,755,208 | 3,132,571 | 19,571,394 |
| Total passenger facility charge revenue received | | | \$ 803,209,908 | \$ 1,748,651 | \$ 3,996,967 | \$ 3,438,627 | \$ 10,726,856 | \$ 19,911,101 | \$ 823,121,009 |
| 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 | 288,917,503 | 5,001,333 | 5,001,333 | 5,001,333 | 5,001,333 | 20,005,332 | 308,922,835 |
| Application 12-10-C-00-SAN | 7/3/2012 | 27,835,280 | 25,858,133 | - | - | - | - | - | 25,858,133 |
| Application 15-11-U-00-SAN | 7/1/2008 | 1,391,894 | 1,391,894 | - | - | - | - | - | 1,391,894 |
| Application 16-12-C-00-SAN | 10/28/2016 | 43,795,768 | 24,304,291 | 529,928 | 620,947 | 518,336 | 938,336 | 2,607,547 | 26,911,838 |
| Application 19-13-C-00-SAN | 2/14/2019 | 40,000,000 | 40,000,000 | 11,100,000 | - | - | - | 11,100,000 | 51,100,000 |
| Total passenger facility charge revenue expended | | \$ 1,594,985,893 | \$ 738,175,583 | \$ 16,631,261 | \$ 5,622,280 | \$ 5,519,669 | \$ 5,939,669 | \$ 33,712,879 | \$ 771,888,462 |

See Notes to Schedule of Passenger Facility Charge Collections and Expenditures

San Diego County Regional Airport Authority
Passenger Facility Charge Program
Notes to Schedule of Passenger Facility Charge Collections and Expenditures
Year Ended June 30, 2021

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, 2021.

Note 2: Interest Earned

The quarter ended June 30, 2021, includes \$2,368,021 of interest earned in prior periods that has been maintained by the Airport Authority for PFC activity but was not reported in the prior quarters' Total Passenger Facility Charge Revenue Received.

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

Independent Auditor's Report

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

Report on Compliance for Passenger Facility Charge Program

We have audited San Diego County Regional Airport Authority's (Airport Authority) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) that could have a direct and material effect on the passenger facility charge program for the year ended June 30, 2021.

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, 2021.

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, 2021, and have issued our report thereon dated October 22, 2021, 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 22, 2021

San Diego County Regional Airport Authority
Passenger Facility Charge Program Audit Summary
Year Ended June 30, 2021

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, 2021

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, 2021

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

No matters are reportable.

San Diego County Regional Airport Authority

Customer Facility Charge Program

Compliance Report

Year Ended June 30, 2021

(With Independent Auditor's Report Thereon)

San Diego County Regional Airport Authority
Customer Facility Charge Program
June 30, 2021

Contents

| | |
|--|----------|
| Schedule of Customer Facility Charge Collections and Expenditures | 1 |
| Notes to Schedule of Customer Facility Charge Collections and Expenditures | 2 |
| Report on Compliance for the Customer Facility Charge Program; Report on Internal Control Over Compliance; and Report on Schedule of Customer Facility Charge Collections and Expenditures – Independent Auditor’s Report | 3 |

San Diego County Regional Airport Authority
Customer Facility Charge Program
Schedule of Customer Facility Charge Collections and Expenditures
Year Ended June 30, 2021

| Description | Beginning Balance, Unapplied CFC | CFC Collections | Interest Earned | Expenditures | Ending Balance, Unapplied CFC |
|--|---|----------------------------|----------------------------|----------------------|--|
| Collections and expenditures, quarter ended September 30, 2020 | \$ 42,808,810 | \$ 2,765,945 | \$ 103,601 | \$ 7,010,414 | \$ 38,667,942 |
| Collections and expenditures, quarter ended December 31, 2020 | \$ 38,667,942 | 3,697,570 | 101,717 | 7,881,216 | \$ 34,586,013 |
| Collections and expenditures, quarter ended March 31, 2021 | \$ 34,586,013 | 2,697,144 | 96,784 | 7,879,840 | \$ 29,500,101 |
| Collections and expenditures, quarter ended June 30, 2021 | \$ 29,500,101 | <u>5,204,611</u> | <u>92,769</u> | <u>8,167,218</u> | \$ 26,630,263 |
| | | <u>\$ 14,365,270</u> | <u>\$ 394,871</u> | <u>\$ 30,938,688</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, 2021

Note 1: General

In May 2009, Assembly Bill 491 of the 2001-2002 California Legislature (codified in California Civil Code Section 1939 et seq.) authorized the San Diego County Regional Airport Authority (Airport Authority) to impose a \$10 Customer Facility Charge (CFC) per contract on rental cars at the San Diego International Airport.

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

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

Note 2: Basis of Presentation

The accompanying *Schedule of Customer Facility Charge Collections and Expenditures* includes the CFC activity of the Airport Authority and is presented on the modified cash basis of accounting. Under the modified cash basis of accounting, CFC revenues are recognized when received rather than when earned (collections) and eligible expenditures are recognized when the related goods or services are provided or incurred. The information in this schedule is presented for purposes of additional analysis, as specified in California Civil Code Section 1939.

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, 2021.

**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 1939* (Code) that could have a direct and material effect on the customer facility charge program for the year ended June 30, 2021.

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, 2021.

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, 2021, and have issued our report thereon, dated October 22, 2021, 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 22, 2021



To the Members of the Board
San Diego County of 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, 2021, 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; U.S. Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) Issued by the Federal Aviation Administration, and the *California Civil Code Section 1939* (Code), an ordinance of the State of California

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

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

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

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

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

GASB 84, *Fiduciary Activities*

Effective July 1, 2020, the Airport Authority adopted GASB 84, *Fiduciary Activities*. GASB 84 established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on: (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. The Airport does not have any fiduciary activities required to be reported in the ACFR.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

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

- Fair market value of investments
- Valuation allowance for various receivables
- Estimated useful lives of capital assets

Financial Statement Disclosures

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

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

Audit Adjustments

No matters are reportable.

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 Communications

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

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

OTHER MATTERS

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

GASB Statement No. 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 fiscal year 2022. 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. The Airport Authority is currently in the process of implementing the standard.

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 22, 2021



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

Provided to:
BKD, LLP
Certified Public Accountants
14241 Dallas Parkway, Suite 1100
Dallas, Texas 75254

The undersigned (“We”) are providing this letter in connection with BKD’s audits of our financial statements as of and for the years ended June 30, 2021 and 2020 and your audit of our compliance with requirements applicable to our major federal awards program as of and for the year ended June 30, 2021.

Our representations are current and effective as of the date of BKD’s report: October 22, 2021.

Our engagement with BKD is based on our contract for services dated: April 22, 2021.

Our Responsibility and Consideration of Material Matters

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

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

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

Confirmation of Matters Specific to the Subject Matter of BKD’s Report

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

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

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

statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Airport Authority received in communications from employees, customers, regulators, suppliers, or others.
9. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.
10. We have disclosed to you the identity of the Airport Authority'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 the entity can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

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 records.
 - c. Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - d. Events occurring subsequent to the statement of net position date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - e. Agreements to purchase assets previously sold.
 - f. Restrictions on cash balances or compensating balance agreements.
 - g. Guarantees, whether written or oral, under which the Airport Authority is contingently liable.
12. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
13. We have no reason to believe the Airport Authority owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

14. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
15. Adequate provisions and allowances have been accrued for any material losses from:
 - a. Uncollectible receivables.
 - b. Sales/lease/service commitments, including those unable to be fulfilled.
 - c. Purchase commitments in excess of normal requirements or above prevailing market prices.
16. Except as disclosed in the financial statements, the Airport Authority has:
 - a. Satisfactory title to all recorded assets, and they are not subject to any liens, pledges, or other encumbrances.
 - b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
17. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of net position date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
18. 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.
19. Except as already disclosed, we have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
20. With respect to any nonattest services you have provided us during the year, including assisting with the preparation of the annual comprehensive financial report (ACFR) and assistance with submission of our data collection form to the Federal Audit Clearinghouse:
 - a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

- b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
 - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - d. We have evaluated the adequacy of the services performed and any findings that resulted.
21. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.
22. 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.
23. As an entity subject to *Government Auditing Standards*:
- a. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.
 - b. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
 - c. We have identified and disclosed to you any violations or possible violations of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
 - d. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
 - e. We have a process to track the status of audit findings and recommendations.
 - f. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the

corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.

24. We have provided our views on any findings, conclusions, and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.
25. With regard to federal awards, passenger facility charge and customer facility charge programs:
 - a. We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations, or in any other form.
 - b. We have identified the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; period of performance 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), the Passenger Facility Charge Audit Guide for Public Agencies, and California Code 1949, as applicable to our Customer Facility Charge program..
 - d. We are responsible to understand and comply with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal awards programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we believe the Airport Authority has complied with all applicable compliance requirements.
 - e. We are responsible for establishing and maintaining effective internal control over compliance to provide reasonable assurance we have administered each of our federal awards, passenger facility charge and customer facility charge programs in compliance with federal statutes, regulations, and the terms and conditions of the federal awards and passenger facility charge and customer facility charge programs.

- f. We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.
 - g. The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.
 - h. The costs charged to federal awards are in accordance with applicable cost principles.
 - i. The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency and , the applicable payment system
 - j. Amounts claimed or used for matching were determined in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) regarding cost principles.
 - k. We have disclosed to you any communications from federal awarding agencies concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.
 - l. We have identified to you any previous compliance audits, attestation engagements, and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other monitoring.
 - m. The reporting package does not contain any protected personally identifiable information.
26. 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.
27. 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.
28. We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the Airport Authority's financial statements. Further, management and governance are solely responsible for all aspects of managing the Airport Authority, including questioning the quality and valuation of investments and other assets; reviewing allowances for uncollectible amounts; evaluating capital needs and liquidity plans.
29. We have disclosed all fiduciary activities and related information for the evaluation and determination of the required presentation related to GASB 84, Fiduciary Activities in our Annual Comprehensive Financial Report.

Elizabeth Stewart

Elizabeth M. Stewart, Interim Director,
Accounting



Report to the Audit Committee

November 15, 2021

Financial Statement and Compliance Audit Year Ended June 30, 2021

Presented by

Danny Martinez, CPA, CGFM

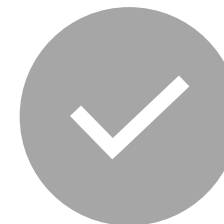
Agenda



AUDIT RESULTS



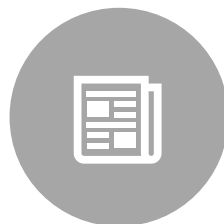
FINANCIAL HIGHLIGHTS



REQUIRED COMMUNICATIONS



FINDINGS



INDUSTRY NEWS



QUESTIONS

Everyone needs a trusted advisor.
Who's yours?

BKD

**Audit Results
For Year Ended
June 30, 2021**





Audit Results

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

Everyone needs a trusted advisor.
Who's yours?





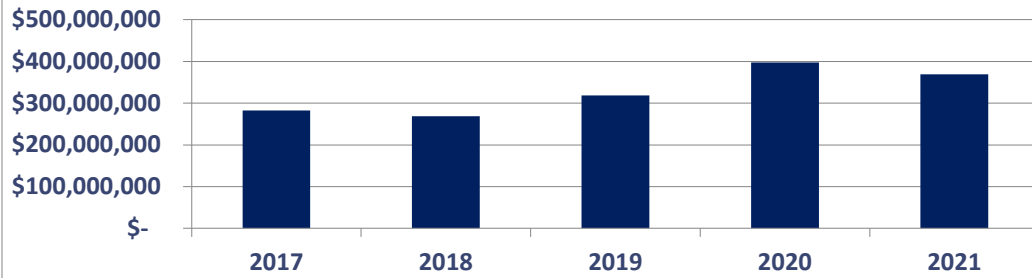
**Areas of
Audit
Emphasis**

| Audit Area | Steps Performed |
|--|---|
| All significant transaction cycles | Gained understanding of internal control design and operation (during Covid) |
| Accounts Receivable (including tenants and grants) | Evaluated the allowance, gained and understanding and tested accounting or deferrals/waivers, verified cutoff for grants |
| Capital Assets | Tested first and last pay application of year for big projects, testing construction in progress additions and transfers as well as capital asset disposals |
| Single Audit | Audited the Airport Improvement Program, including FAA CARES and ACRGP money spent through June 30, 2021 |

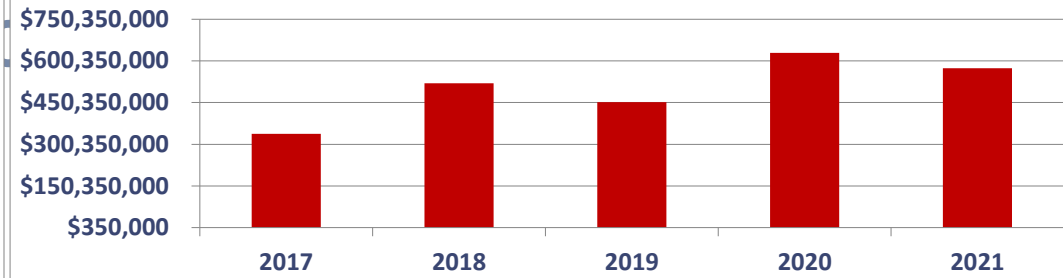
Financial Highlights



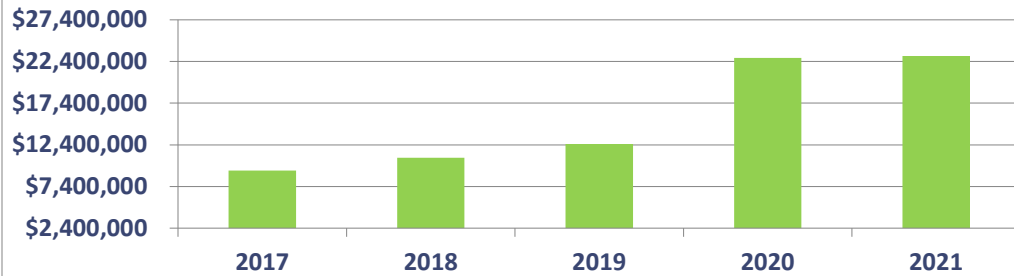
Cash, Cash Equivalents and Investments - Unrestricted



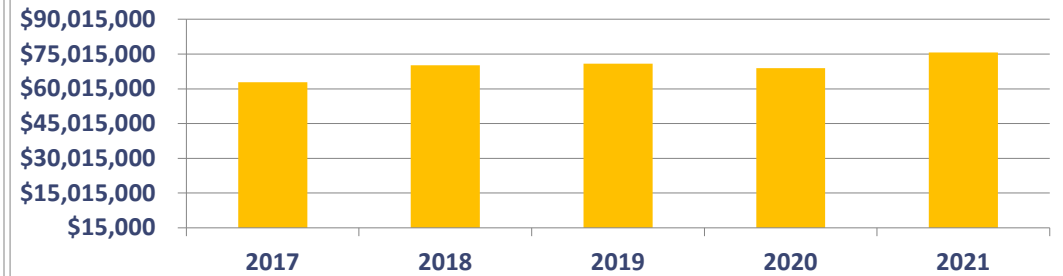
Cash, Cash Equivalents and Investments - Restricted



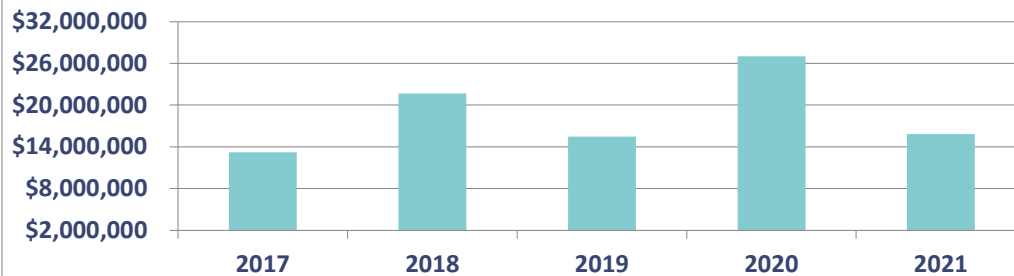
Tenant Lease Receivables



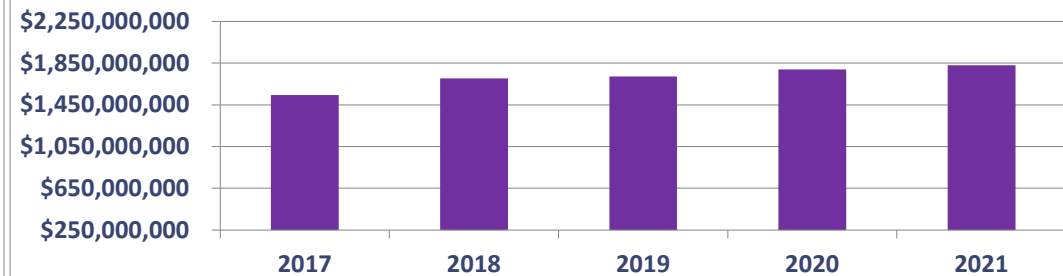
Other Assets and Deferred Outflows



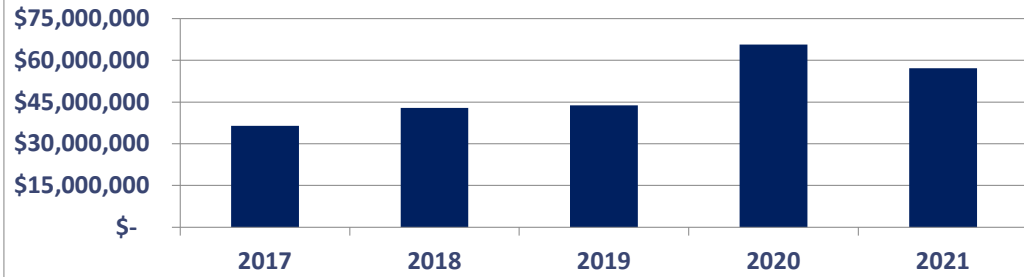
Grant, PFC & CFC Receivables



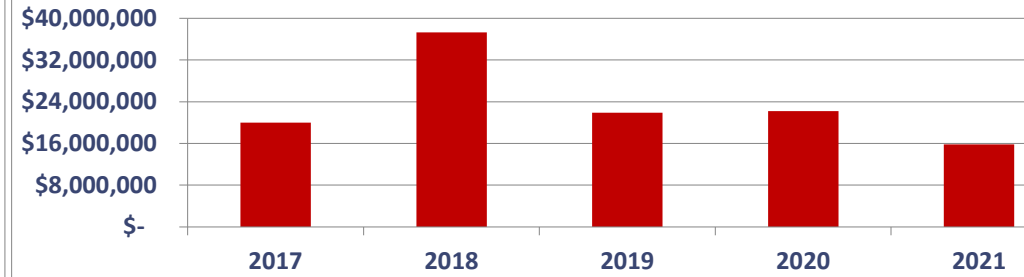
Capital Assets, Net



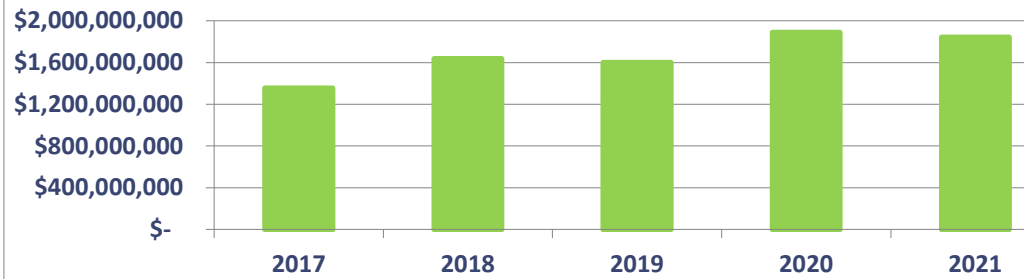
Accounts Payable and Accrued Liabilities- Unrestricted



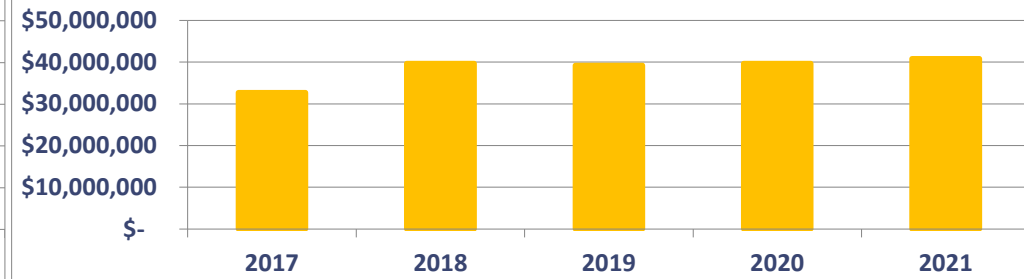
Accounts Payable and Accrued Liabilities- Restricted



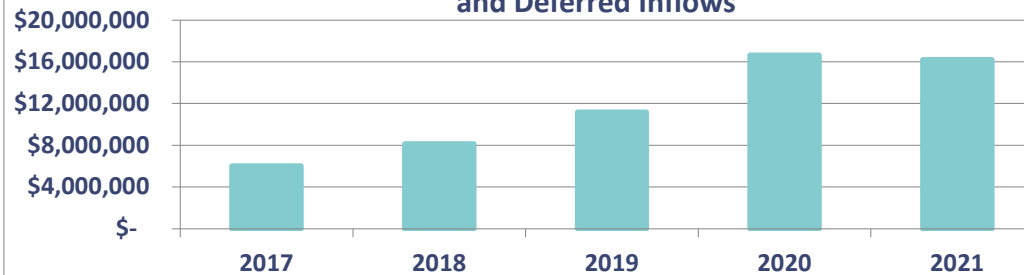
Long-Term Debt



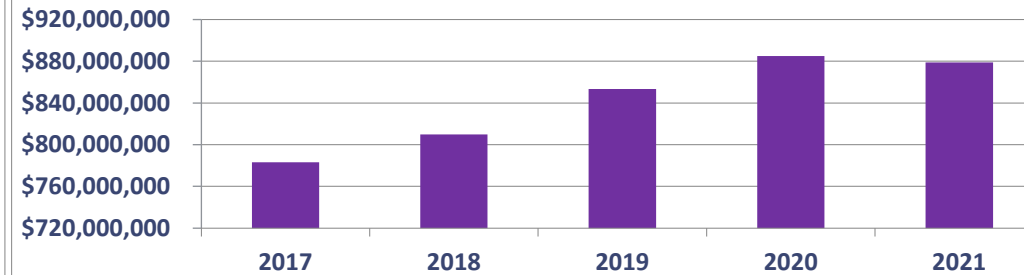
Accrued Interest on Debt



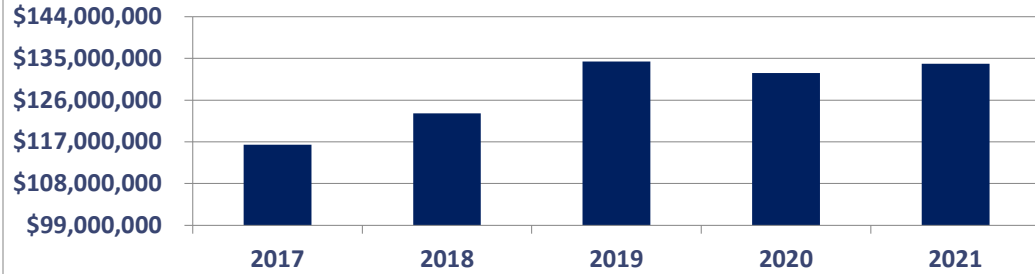
Other Liabilities Compensated Absences and Deferred Inflows



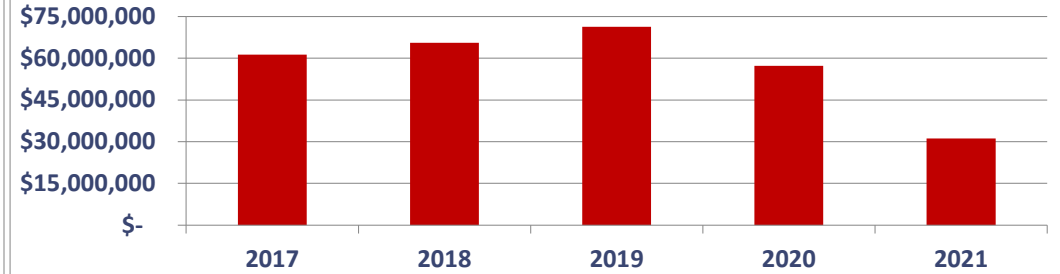
Total Net Position



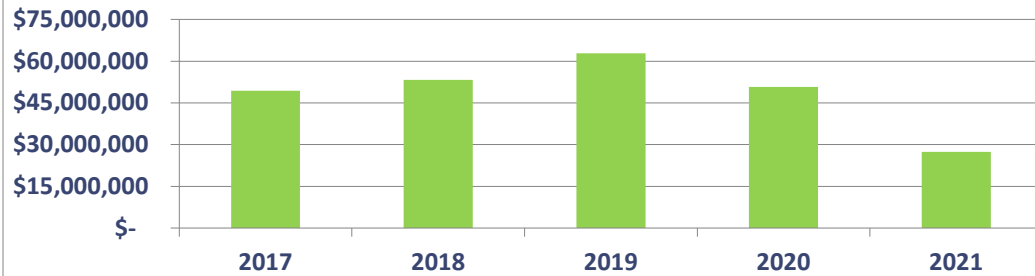
Airline Revenue



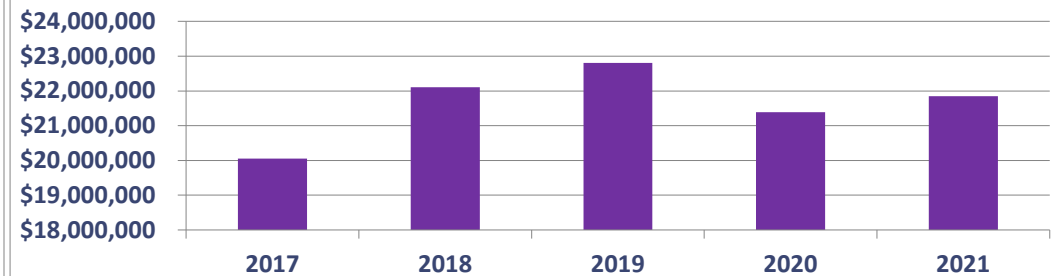
Concession Revenue



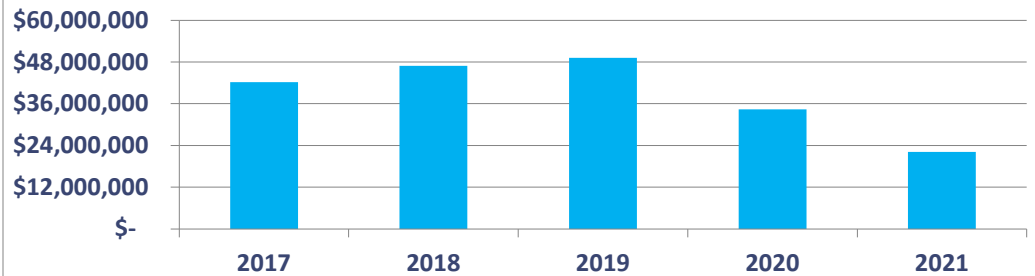
Parking and Ground Transportation Revenue



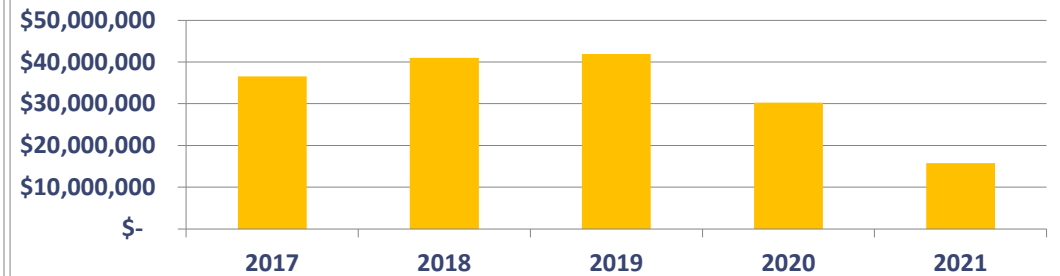
Ground and Non-Airline Terminal Rentals



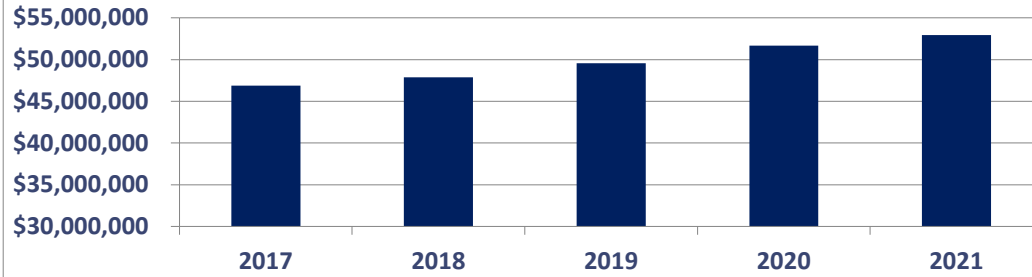
Passenger Facility Charges



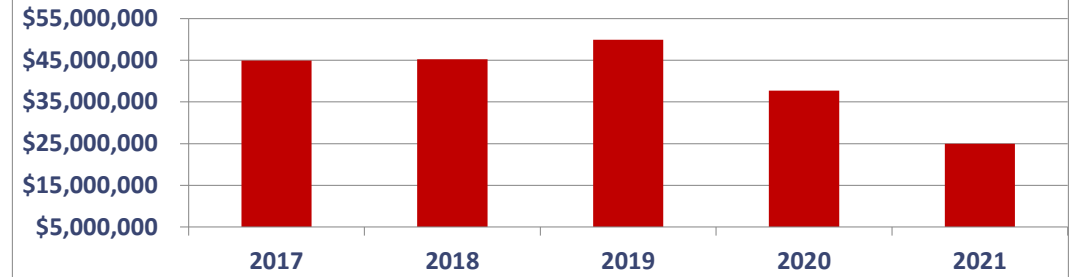
Customer Facility Charges



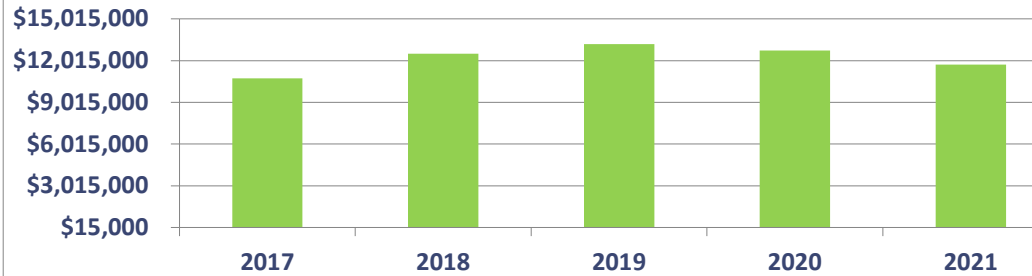
Salaries and Benefits



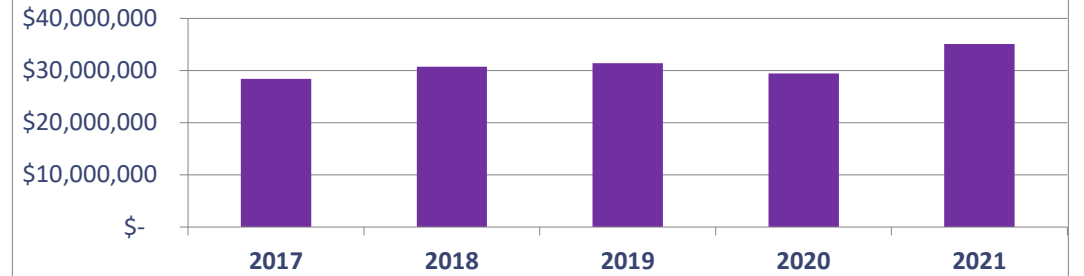
Contractual Services



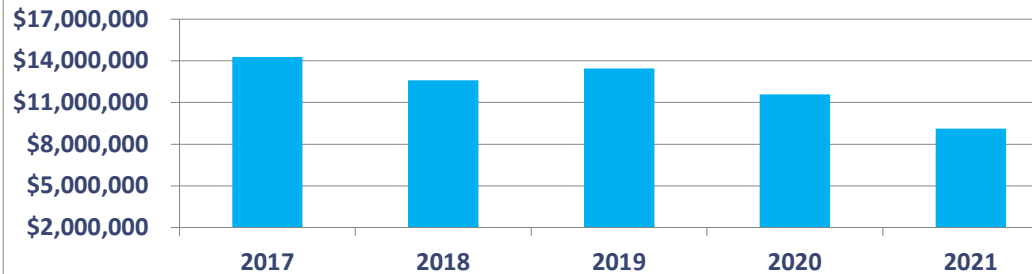
Utilities



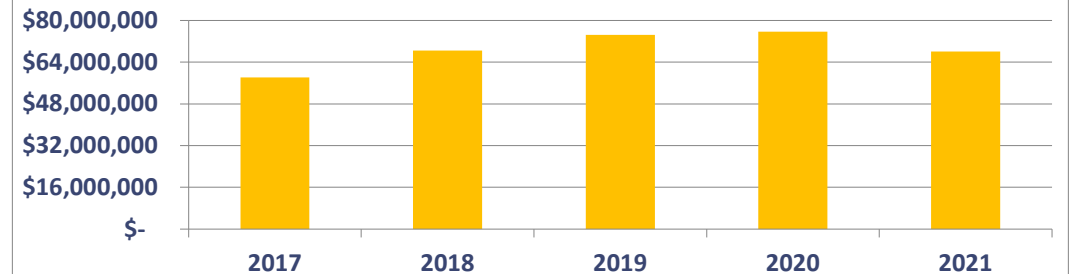
Safety and Security



Maintenance



Interest Expense



Everyone needs a trusted advisor.
Who's yours?



Financial Highlights - COVID



FAA CARES Act Funding

Statements of Revenues, Expenses and Change in Net Assets, Continued June 30, 2021 and 2020

| | 2021 | 2020 |
|---|----------------|----------------|
| Nonoperating Revenues (Expenses): | | |
| Passenger facility charges | \$ 22,109,906 | \$ 34,392,981 |
| Customer facility charges | 15,755,254 | 30,239,698 |
| Federal relief grants | 77,218,785 | 36,895,488 |
| Quieter Home Program grant revenue (Note 1) | 12,292,767 | 12,155,776 |
| Quieter Home Program expenses (Note 1) | (15,525,646) | (15,450,983) |
| Investment income | 4,175,353 | 32,429,489 |
| Interest expense (Note 5) | (68,067,154) | (75,700,970) |
| Build America Bonds subsidy (Note 5) | - | 2,089,397 |
| Other revenues (expenses), net | (704,894) | 1,442,102 |
| Nonoperating revenue, net | 47,254,371 | 58,492,978 |
| Income before federal grants | (20,150,583) | 27,691,330 |
| Federal Grants (Note 1) | 13,931,737 | 4,071,980 |
| Change in net position | (6,218,846) | 31,763,310 |
| Net position, beginning of year | 885,065,667 | 853,302,357 |
| Net position, end of year | \$ 878,846,821 | \$ 885,065,667 |

See Notes to Financial Statements.

Federal Relief Grants include *Coronavirus Aid, Relief, and Economic Security Act (CARES Act)* grants and *Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA)* funds received from the federal government. CARES Act was approved by the United States Congress and signed into law by the President on March 27, 2020. It was a legislative action to address the crisis created by the COVID-19 pandemic and included direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Airport Authority was awarded \$91.2 million in CARES Act grant funds, The Airport Authority drew \$54.3 million in fiscal year 2021 and \$36.9 million in fiscal year 2020.

CRRSAA was signed into law on December 27, 2020, and included nearly \$2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease pandemic. To distribute these funds, the FAA established the *Airport Coronavirus Response Grant Program (ACRGP)* to make grants to all airports that are part of the national airport system, including all commercial service airports, all reliever airports, and some public-owned general aviation airports. The Airport Authority was awarded \$22.9 million on March 26, 2021 and subsequently drew \$20.2 million of the award prior to June 30, 2021.

Everyone needs a trusted advisor.
Who's yours?

BKD

Tenant Lease Receivable, Net

Statements of Net Position

June 30, 2021 and 2020

| Assets and Deferred Outflows of Resources | 2021 | 2020 |
|--|--------------------|--------------------|
| Current Assets | | |
| Unrestricted: | | |
| Cash and cash equivalents (Note 2) | \$ 40,910,032 | \$ 36,935,136 |
| Investments (Notes 2 and 11) | 73,641,056 | 159,562,631 |
| Tenant lease receivables, net | 23,041,393 | 22,826,211 |
| Grants receivable | 7,665,691 | 25,467,263 |
| Note receivable, current portion (Note 3) | 2,243,644 | 2,123,843 |
| Other current assets | 8,280,970 | 9,216,212 |
| Total unrestricted current assets | 155,782,786 | 256,131,296 |
| Restricted cash, cash equivalents and investments with trustees (Notes 2 and 5) | 93,190,368 | 93,486,053 |
| Total current assets | 248,973,154 | 349,617,349 |

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.

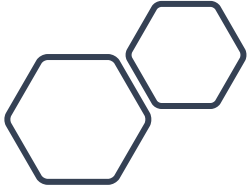
Other Note Disclosures

Commitments and Contingencies

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

Subsequent Events

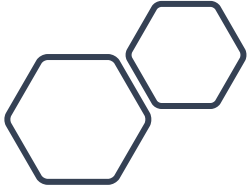
- › Subsequent to June 30, 2021, on July 19, 2021 the Authority entered into an agreement with Bank of America N.A. to establish a Revolving Line of Credit for \$200,000,000. The agreement is for a term of three years and is a subordinate obligation of the Authority. Tax exempt interest is calculated as a 50 basis point spread on the SIFMA index and taxable interest is calculated as a 62 basis point spread on the BSBY index. Unutilized fees are 30 basis points up to 40 percent utilization and 0 percent thereafter.
- › On July 1, 2021, the Authority Board approved a contract with Sundt Construction Company Inc., for a maximum contract price not to exceed \$91,379,967 for the design and construction of Airport Development Program New Administration Building project.
- › On August 10, 2021, pursuant to the American Rescue Plan Act of 2021, the Authority was awarded a \$78.8 million Federal Aviation Administration (FAA) Airport Rescue Grant. These funds provide economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the COVID-19 pandemic. Funds provided under this grant must only be used for airport operational expenses or debt service payments. An additional \$10.8m has been allocated to SAN to provide relief from rent and minimum annual guarantees to eligible in-terminal airport concessions. The award of this grant is pending development of guidance by the FAA for use of concessions relief grants.
- › On October 7, 2021, the Authority Board approved an amendment to the contract with TurnerFlatiron, a Joint Venture establishing a maximum contract price not to exceed \$2,610,417,181 for the design and construction of Airport Development Program Terminal and Roadways project.
- › On October 7, 2021, the Authority Board approved a contract with Griffith Company Inc., in the amount of \$251,671,315 for the Airport Development Program Airside Improvements project.
- › On October 15, 2021, the Airport Authority purchased real property located at 2554-2610 California Street, San Diego, California for \$3,250,000.



Required Communications

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

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



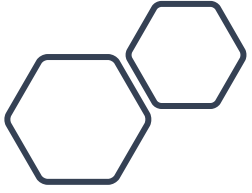
Findings



Findings Reporting in CY

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





Industry Developments

Industry Developments affecting the Airport Authority

- › *GASB 87*, Leases to be implemented for FY2022
 - June 30 year ends now go first
- › Environmental, Social and Governance Issues
 - The drumbeat for increased and more standardized disclosures on environmental, social, and governance (ESG) issues has grown louder in the recent year
- › BKD is dedicating resources to update Airport training materials and webcasts

Questions?



Connect with Us

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 - dmartinez@bkd.com
 - LinkedIn – dannymartinezcpa
 - www.bkd.com



Audit Committee Staff Report

Meeting Date: November 15, 2021

Subject:

Review of the Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended June 30, 2021

Recommendation:

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

Background/Justification:

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

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

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

The Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021, is submitted as Attachment A

Fiscal Impact:

The Annual Comprehensive Financial Report is internally prepared and produced. Additional cost for the review conducted by BKD, LLP, is included in the adopted and approved Fiscal Year 2021 and Fiscal Year 2022 Operating Expense Budgets within the Accounting Department Services – Other line item.

Authority Strategies/Focus Areas:

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

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

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

Application of Inclusionary Policies:

Not applicable

Prepared by:

Elizabeth Stewart
Interim Director, Accounting

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
SAN DIEGO, CALIFORNIA

An aerial photograph of the San Diego International Airport. The image shows the airport's runways, taxiways, and terminal buildings. A large white rectangular box is overlaid in the center of the image, containing the title and fiscal year information. The background shows the airport's proximity to the San Diego Bay and surrounding urban areas.

**ANNUAL COMPREHENSIVE
FINANCIAL
REPORT**

FISCAL YEARS ENDED JUNE 30, 2021 & 2020



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
SAN DIEGO, CALIFORNIA

ANNUAL COMPREHENSIVE
**FINANCIAL
REPORT**

FISCAL YEARS ENDED JUNE 30, 2021 & 2020

PREPARED BY

ACCOUNTING DEPARTMENT OF THE
SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

Scott Brickner

Vice President/Chief Financial Officer

Elizabeth Stewart

Interim Director, Accounting

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
 SAN DIEGO, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
 FOR THE FISCAL YEARS ENDED JUNE 30, 2021 & 2020

TABLE OF CONTENTS

| | | | | | | |
|-----------------------------|---|-------------|--|--|--|-------|
| INTRODUCTORY SECTION | Letter of Transmittal | vi-xv | | STATISTICAL SECTION (UNAUDITED) | Authority Landing Fee Rate | 75 |
| (UNAUDITED) | Authority Organization Chart | xvi | | <i>continued</i> | Terminal Rates Billed to Airlines | 76 |
| | Authority Board Members and Executive Staff | xvii | | | Airline Cost per Enplaned Passenger | 77 |
| | GFOA Certificate of Achievement For Excellence in Financial Reporting | xviii-xviii | | | Authority Employee Head Count | 78 |
| | | | | | Aircraft Operations | 79 |
| | | | | | Aircraft Landed Weights | 80 |
| | | | | | Aircraft Landed Weights by Airline | 81-82 |
| | | | | | Passenger Enplanements | 83 |
| | | | | | Enplanement Market Share by Airline by Fiscal Year | 85-86 |
| | | | | | Capital Assets | 87 |
| | | | | | Population and Per Capita Personal Income - San Diego County | 88 |
| | | | | | Principal Employers in San Diego County | 88 |
| | | | | | Labor Force, Employment and Unemployment Rates | 89 |
| | | | | | Debt Service Coverage | 90 |
| | | | | | Debt Service Coverage - Series 2014 CFC Bonds | 91 |
| | | | | | Debt Per Enplaned Passenger | 92 |
| FINANCIAL SECTION | Independent Auditor's Report | 2-3 | | | | |
| | Management's Discussion and Analysis (Unaudited) | 5-17 | | | | |
| | Basic Financial Statements: | | | | | |
| | Statements of Net Position | 18-19 | | | | |
| | Statements of Revenues, Expenses and Changes in Net Position | 20-21 | | | | |
| | Statements of Cash Flows | 22-23 | | | | |
| | Notes to Financial Statements | 25-67 | | | | |
| | Required Supplementary Information (Unaudited) | 68-71 | | | | |
| STATISTICAL SECTION | Authority Operating Revenues and O&M Expenses | 73 | | | | |
| (UNAUDITED) | Authority Net Position by Component | 73 | | | | |
| | Authority Changes in Net Position | 74 | | | | |
| | Authority Largest Sources of Revenues | 75 | | | | |

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

AUTHORITY ORGANIZATION CHART

AUTHORITY BOARD MEMBERS AND EXECUTIVE STAFF

GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

サンデーエゴヘようこそ





October 20, 2021

To Members of the Board and the Public:

We are pleased to present the Annual Comprehensive Financial Report of the San Diego County Regional Airport Authority ("Airport Authority") for the fiscal years ended June 30, 2021 and 2020. 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, 2021 and 2020.

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.

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

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

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

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

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

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

In addition to overwhelming health and economic impacts, the COVID-19 pandemic caused an unprecedented global transportation crisis. Many of years of sustained growth abruptly ended in March of 2020, throwing the air travel industry into survival mode due to the devastating loss of passenger traffic and revenues. Yet, as travel and tourism are both dependent upon, and vital pieces of, the global economy, the industry is expected to recover. Signs of the recovery are well under way, but how long recovery to pre-pandemic numbers will take is still unknown.

In March 2021, we began to see an increase in passengers and activity. Japan Airlines resumed its nonstop service between SAN and Tokyo in March 2021. A combination of people being more confident to travel, new destination offerings being added, and pent-up demand contributed to monthly passenger increases through the spring and summer months. By the end of FY 2021, most domestic, Canadian, and Mexican routes had been recovered and some of the lost international service was supplanted with additional new domestic routes. The Air Trade Area for SAN includes San Diego County as well as portions of neighboring Orange, Imperial and Riverside Counties, and Baja California, Mexico.

US Gross Domestic Product (GDP) growth in the first two quarters of 2021 was 6.3 percent and 6.6 percent respectively. The increase in second quarter GDP reflected the continued economic recovery, reopening of establishments, and continued government response related to the COVID-19 pandemic.

The Census Bureau estimates the population of San Diego County to be 3.32 million as of July 1, 2021. The county is the second largest in California, in terms of population, and the City of San Diego ranks as the second largest city in the state. The majority of the county's population is concentrated in its western portion adjacent to the ocean. The largest cities in the county are San Diego (42%), Chula Vista (3 percent), Oceanside (5 percent), Escondido (5 percent), Carlsbad (3 percent), El Cajon (3 percent), and Vista (3 percent). The combined San Diego/Tijuana metropolitan population is estimated to be approximately 5.4 million inhabitants.

Although the impact from the COVID-19 pandemic was pervasive and substantial, San Diego County's economic climate has remained relatively stable. According to the U.S. Bureau of Labor Statistics, the county's average unemployment rate for June

ECONOMIC CONDITION

2021 was 7.0 percent compared to 13.8 percent in June 2020. California's unemployment rate was 7.7 percent in June 2021 and 13.7 percent in June 2020, and the national unemployment rate was 5.9 percent as of June 2021 compared to 10.5 percent as of June 2020. See the Statistical Section for additional economic information.

San Diego has always been a desirable place to visit and do business and the Airport Authority is optimistic that with vaccinations available and continued health and safety measures being implemented, the public will continue to gain confidence and take to the skies again. The Authority implemented our Financial Resilience Plan at the beginning of the pandemic, which included a hiring freeze, delay of capital project implementation, and focus on essential spending only, among other measures. While some of these measures have been relaxed with the increase in passenger traffic, the Authority will continue to ensure our financial stability through conservative spending, careful monitoring and responsible planning.



MAJOR INITIATIVES, AWARDS, AND ACCOMPLISHMENTS

SAN ADDS SEVERAL NEW AIR SERVICE ROUTES

Despite the challenges brought on by COVID-19, San Diego International Airport welcomed several new air service routes and restored many that had been suspended in FY 2021. Today SAN offers more service to Hawaii than ever before.

Southwest Airlines continued to be the number one carrier at SAN. In addition to new nonstop service to Norfolk, Virginia, in November 2020, Southwest celebrated the inaugural nonstop flight to Honolulu, Hawaii and later added three new flights to Kahului, Maui, Kona, Island of Hawaii and Lihue, Kauai.

Alaska Airlines service continues to grow and now has 33 nonstop destinations from SAN. New routes include nonstop service to Missoula, Montana, New York City and Fort Lauderdale, Florida. The airline also added nonstop service to Santa Barbara, along with seasonal non-stop flights to Jackson Hole, Wyoming, Bozeman and Kalispell, Montana. Alaska was also the first carrier to resume international service to Mexico and added a new route to Cancún.

Allegiant Air added five new seasonal routes to Kalispell, Montana, Pasco, Washington, Bozeman, Montana, Des Moines, Iowa and Mesa Arizona. JetBlue began nonstop service to Newark, New

Jersey in August 2020, marking the first new route following the start of the pandemic in March 2020.

In March 2021 after a year for being suspended, Japan Airlines resumed nonstop flights between Tokyo, Japan and British Airways' flights to London returned in October 2021.

Looking ahead to fall 2021, SAN will welcome Canadian-based ultra-low-cost carrier Swoop, through seasonal service from Edmonton, Alberta, Canada from October to April 2022.

SAN DIEGO INTERNATIONAL AIRPORT PERSEVERES THROUGH THE PANDEMIC

2020 was a difficult year for the aviation industry, with sudden and lasting decreases in passenger numbers. Throughout the pandemic, the airport remained open as a critical piece of the nation's transportation infrastructure. The Airport Authority's work to restore confidence in air travel, maintain the health and safety of the traveling public, employees and the community remained the top priority throughout the year.

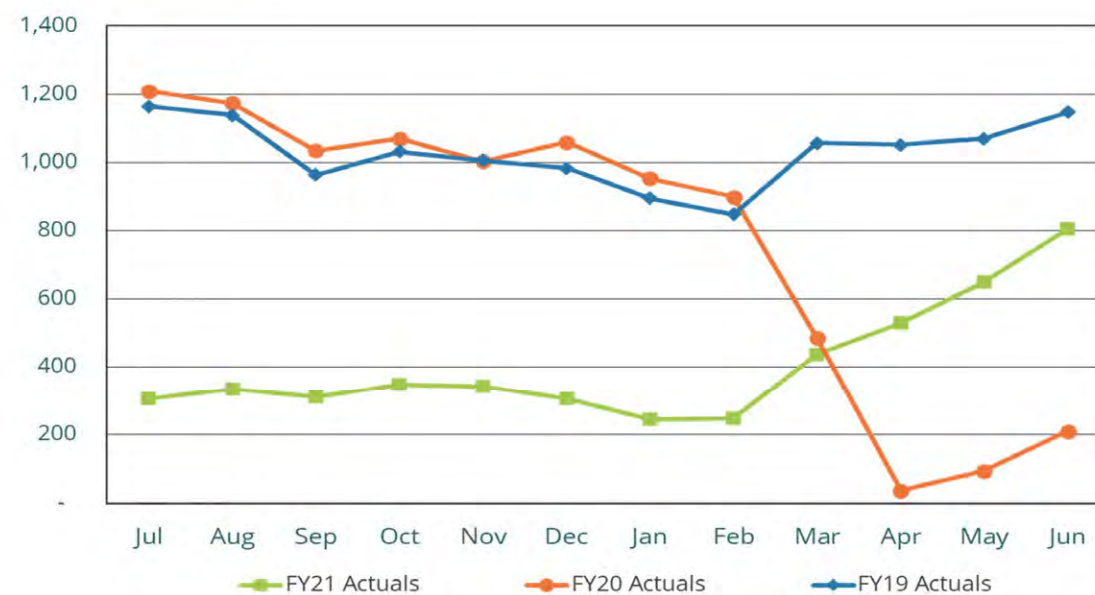
The Airport Authority implemented several operational modifications and efficiencies to help the airport maintain a high level of customer service and ensure the health and safety of passengers, most notably through the launch of the "Let's Go Safely" program. The Authority also quickly implemented its Financial Resilience Plan to counteract the financial impacts from the pandemic and ensure the financial stability.

Enplanements for twelve months after the pandemic began from March 2020 through February 2021, were 74% below the previous twelve-month period. Beginning in March 2021, as the vaccines became more widely available,

enplanements gradually increased each month. By June 2021, they had improved to 30% below June 2019 numbers. Slight improvements continued into the remaining summer months.

Enplanements

In thousands



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY RECEIVES ENVIRONMENTAL EXCELLENCE AWARD

The Industrial Environmental Association (IEA) selected the San Diego County Regional Airport Authority as a 2020 Environmental Excellence Award winner for the Northside Stormwater Capture Cistern. Award winners were evaluated by a panel of industry experts from the IEA and the California Manufacturers and Technology Association on projects that demonstrate science driven environmental leadership and best practices.

The Northside Stormwater Capture Cistern is the first element of the Stormwater Capture and Reuse System to come from the Airport Authority Water Stewardship Plan. The storage

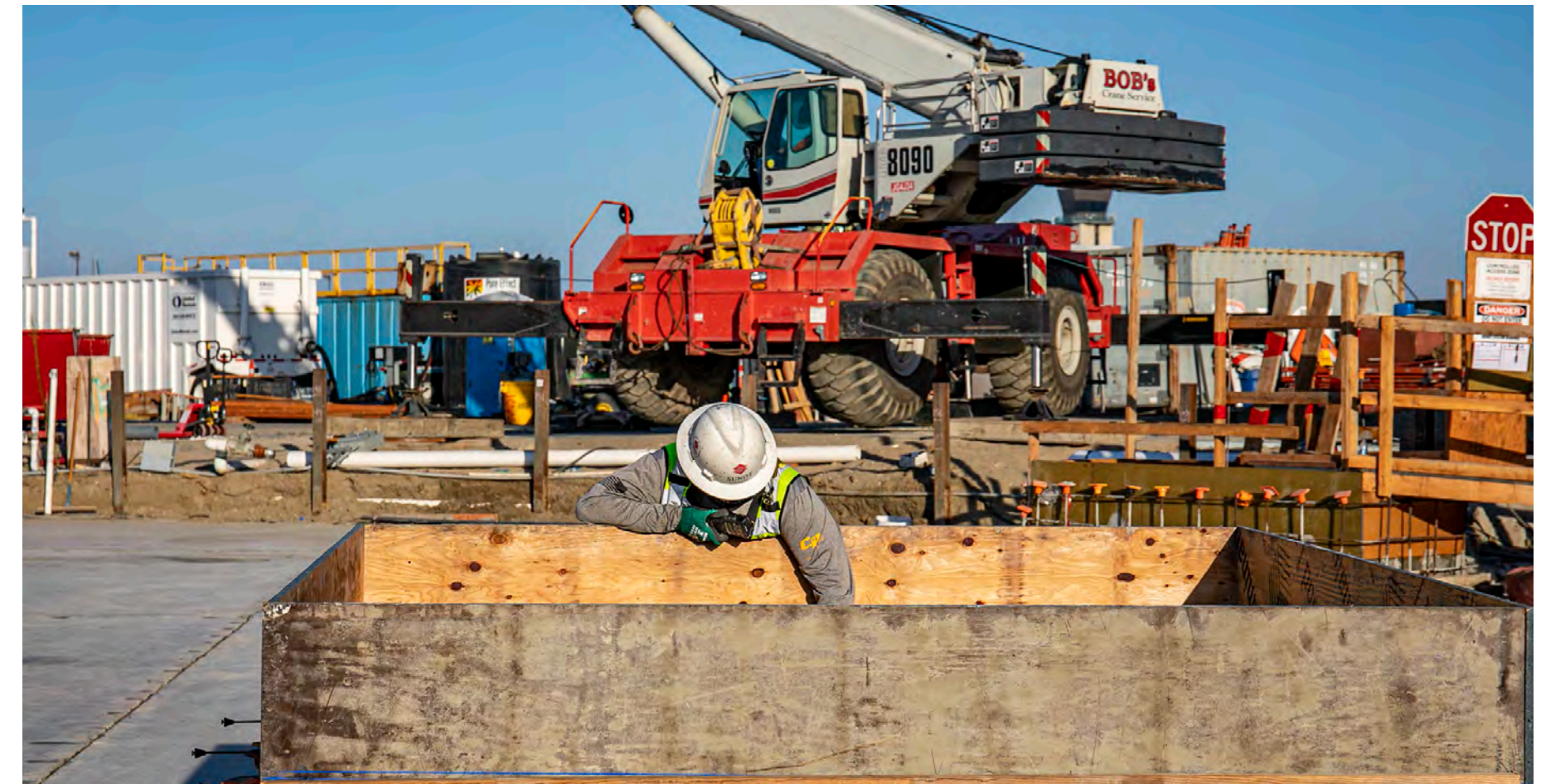
capacity for the Stormwater Capture and Reuse System was conceived as three separate elements of approximately three million gallons each. The first of these three elements to be constructed is the Northside Stormwater Capture Cistern.

The Northside Stormwater Capture Cistern has been constructed to capture stormwater runoff from 80 acres of airport property on the north side of the airport runway, approximately 16 million gallons annually. The captured stormwater will be used to wash cars at the nearby Rental Car Center where an average of 4,000 cars are washed daily.

Development of the Northside Cistern is driven by scientific analysis and provides an innovative response to regional permit requirements for both stormwater pollution prevention and post-construction requirements for development/

redevelopment, while creating a new source of water in San Diego's drought-prone arid environment.

Environmental stewardship is a hallmark of operations at the San Diego International Airport. The Airport Authority instituted one of the first sustainability policies for a major airport in the United States. The Airport Authority is committed to building and operating sustainably and strives to protect the wide variety of natural resources that exist at SAN's location. For more information about SAN's sustainability policy and our sustainability report, please visit sustain.san.org.



AIRPORT INNOVATION LAB'S FIFTH GROUP TESTS UNIQUE CONCEPTS TO ENHANCE PASSENGER HEALTH AND SAFETY

COVID forced airports around the world, including San Diego International Airport (SAN), to re-evaluate health and safety protocols to mitigate spreading the virus. At SAN, the fifth cohort of the Airport Innovation Lab was focused specifically on identifying companies with solutions that could enhance the touchless journey, enhance cleanliness and sanitation or advance queue management.

Six companies were invited into the 16-week program to test and refine ideas in a real-life airport environment.

Each of the companies and concepts invited into the fifth cohort have the potential to shape the future airport customer experience and support

recovery efforts. Those innovations that succeed at SAN in the midst of the pandemic will allow the airport to be ready for when passenger volumes return to normal.

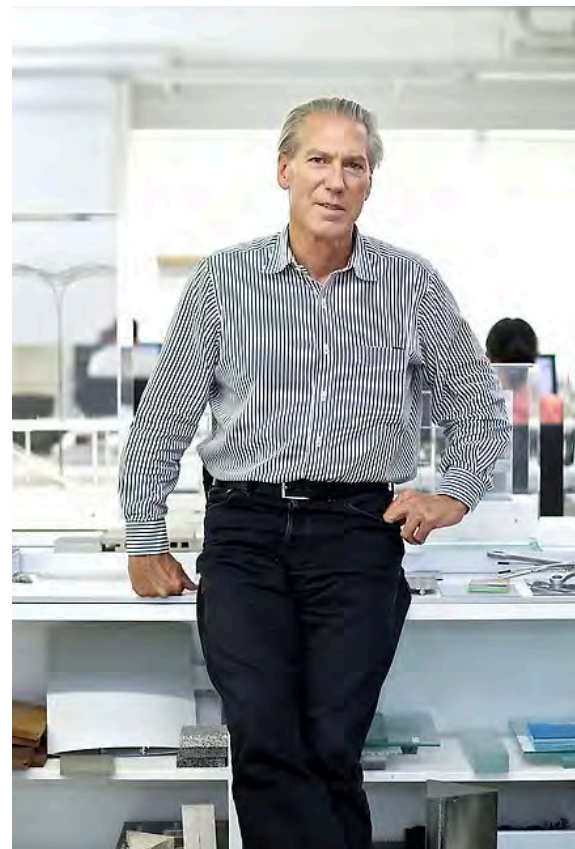
Pre-pandemic, participating companies tested and developed their concepts in this 3,500-square-foot space which offers a functional mini-terminal area with ticket counters and a bag claim carousel, all without passenger or security concern to work around. With the onset of the pandemic, the program shifted to a full-virtual format which included online workshops, sessions with subject matter experts from the Airport Authority and potentially live testing in the airport as health and safety restrictions allowed.

Companies work diligently throughout the program to have the opportunity to win a contract from the Airport Authority and/or gain entry to other airports and analogous businesses including other transportation hubs, convention centers,



shopping malls and other large venues such as ballparks, theme parks and hotels.

The unique Airport Innovation Lab was launched to reduce barriers for innovators to break into the aviation industry. For more information, go to www.innovate.san.org.



RENOWNED ARTIST JAMES CARPENTER SELECTED AS LEAD ARTIST FOR AIRPORT'S NEW TERMINAL 1 (NEW T1)

San Diego International Airport's planned replacement for the aging Terminal 1 will be a unique integration of art and architecture, with the façade being designed by renowned artist James Carpenter.

From the beginning, the San Diego County Regional Airport Authority's Board has been committed to incorporating art into the New T1 project. As a result, Carpenter will be an integral member of the Board-approved design-build team, which includes Turner-Flatiron and Gensler. Typically, artists are commissioned to design original works of art inside and outside the building, but this collaboration is the first of its kind for the Airport Authority. Carpenter and team have been charged with developing a design for the building itself, focusing on its south façade.

The goal of this approach is to develop a design that harnesses the abundance of sunshine San Diego enjoys, creating a warm and welcoming feeling for passengers. Carpenter and his team aspire to transform the interior of the New T1 space through a varying play of light and color that occurs throughout the day. Their design will celebrate the changing character of the sky from sunrise to sunset, using a variety of design elements he refers to as "light interventions."

Carpenter and his studio are also committed to sustainability in their practice, which aligns with the Airport Authority's ongoing focus on environmental stewardship. The new Terminal 1 building design will be climate-resilient and adaptive; and will utilize both renewable electricity and a stormwater capture and reuse system.

Construction on the New T1 is scheduled to begin in early 2022, pending National Environmental Protection Act (NEPA) approval, with completion anticipated by late 2026.

AIRPORT AUTHORITY HOSTS 2020 "MEET THE PRIMES" VIRTUAL EVENT TO CONNECT BUSINESSES

"Meet the Primes" is one of several outreach events lead by the Airport Authority's Small Business Department to ensure the local, small, historically underutilized, service-disabled veteran and emerging businesses have every opportunity to do business with the Airport Authority.

Due to the ongoing challenges of COVID-19, the San Diego County Regional Airport Authority (Airport Authority) hosted its annual "Meet the Primes" event virtually in the fall. First introduced in 2015, the event is designed to introduce small and disadvantaged businesses to representatives

of the Airport Authority, other public agencies, and construction and concessionaire prime contractors. Despite the pandemic and shift to the virtual format, the Airport Authority had more than 400 participants this year.

Participants were provided the unique opportunity to attend presentations that provided information on successful business strategies, learn about doing business with the Airport Authority, how to apply for the Authority's Local Business Enterprise (LBE) certification, how to be informed about future projects and available small business opportunities. Several other San Diego County agencies participated in the event to provide attendees with other regional contracting opportunities and share available resources

provided by support services centers and organizations within Southern California.



SAN DIEGO INTERNATIONAL AIRPORT WELCOMES PERFORMING ARTS RESIDENCY PROGRAM ARTIST MARGARET NOBLE

The San Diego International Airport Arts Program includes performing arts, public art, and temporary exhibitions components which are aimed at engaging travelers and creating an ambiance unique to the culture of San Diego. The Performing Arts Residency Program cultivates the local performing arts community by inviting artists to develop and perform new work over the course of five months that simultaneously enriches the airport experience for customers.

In late 2020, Performing Arts Residency Program featured Margaret Noble and her work [Sky][Muse]. Born in Texas and raised in California, Noble's experimental artworks have been exhibited nationally and internationally. Her interdisciplinary work resides at the intersection of sound, sculpture, and performance and is influenced by the dynamic, dance music cultures of southern California.

Through her Performing Arts Residency, Noble presented a series of audio-visual works designed to ignite, delight, and reframe the airport



experience. Inspired by Brian Eno's seminal work Music for Airports and the historical art traditions of visual music and graphical notation, [Sky][Muse] is a collection of animated graphics accessible and experienced through personal devices. For

passengers preparing to move through portals, time zones, and geographies these short, digital works were designed to enhance their travel by elevating their sensory experiences of color, light, and sound.



SAN DIEGO INTERNATIONAL AIRPORT RECEIVES \$18 MILLION IN FEDERAL GRANT FOR NOISE MITIGATION MEASURES

In the fall of 2020, it was announced that the San Diego International Airport would receive a total of \$18,023,885 in two airport safety and infrastructure grants through the Federal Aviation Administration (FAA) for noise mitigation measures. The \$18 million in grants marks the largest annual amount given to SAN by the FAA for its Quieter Home Program, the airport's residential sound insulation program.

The FAA has determined that residences within the 65 to 69 decibel level contour map around SAN may be eligible for sound insulation treatments to mitigate aircraft noise. The FAA has set a goal of reducing interior noise levels for eligible residents by at least five decibels inside the home, providing a noticeable reduction in noise. The Airport Authority's Quieter Home Program is the means to obtain that goal.

Primarily, the funds go towards sound insulating approximately 200 to 400 homes per year, depending on the size of the home, in the areas most impacted by aircraft noise. Through the program, homes may receive retrofitted exterior

doors and windows, installation of a ventilation system, and other items such as weather stripping and caulking around openings. Since its inception, the Quieter Home Program has retrofitted more than 4,300 single-family and multi-family residences immediately east and west of the airport.

This year the Airport Authority also began a non-residential program to sound insulate noise-sensitive properties such as schools and churches. It is estimated that once the program is initiated, one non-residential noise-sensitive property can be sound insulated each year.



AIRPORT AUTHORITY RECEIVES GFOA DISTINGUISHED BUDGET PRESENTATION AWARD FOR 16TH CONSECUTIVE YEAR

The Authority received its fifteenth consecutive Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for its annual budget for the fiscal year beginning July 1, 2020. The GFOA Distinguished Budget Presentation Awards Program (Budget Awards Program) was established to encourage and assist

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

AIRPORT AUTHORITY AWARDED ACHIEVEMENT OF EXCELLENCE IN PROCUREMENT

The Airport Authority was awarded the Achievement of Excellence in Procurement® (AEP) for 2021 from the National Procurement Institute, Inc. (NPI). The award recognizes organizations that demonstrate excellence in innovation, professionalism, productivity, leadership and

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



AIRPORT AUTHORITY AWARDED CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to San Diego County Regional Airport Authority for its Annual Comprehensive Financial Report (Annual Report) for the fiscal year

ended June 30, 2019. It is judged by an impartial panel to meet the high standards of the program, which includes demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the Annual Report. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

The Airport Authority submitted an application for the Certificate of Achievement Award for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020 and believe that it meets the program's requirements. Due the pandemic, the certification process is taking longer than usual.

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

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

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

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.

FINANCIAL INFORMATION



The Airport Authority Board sets policy that enables implementation of appropriate internal controls and provides oversight to ensure that the assets of the Airport Authority are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with GAAP. Internal controls are designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

Facility Charges, Customer Facility Charges and grant reimbursements (including the Coronavirus Aid, Relief, and Economic Security Act and Airport Coronavirus Response Grant Program funding's in fiscal year 2020 and 2021).

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

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

The Airport Authority completed fiscal year 2021 with operating income (before depreciation) of \$65.4 million, a decrease of 35.1 percent compared to fiscal year 2020. Enplanements decreased 47.4 percent, and airport operations decreased 31.8 percent in fiscal year 2021 compared to fiscal year 2020. These decreases were a direct result of the COVID-19 impact on the economy and transportation industry. The accompanying Management's Discussion and Analysis provides a detailed narrative overview.

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

Respectfully submitted,

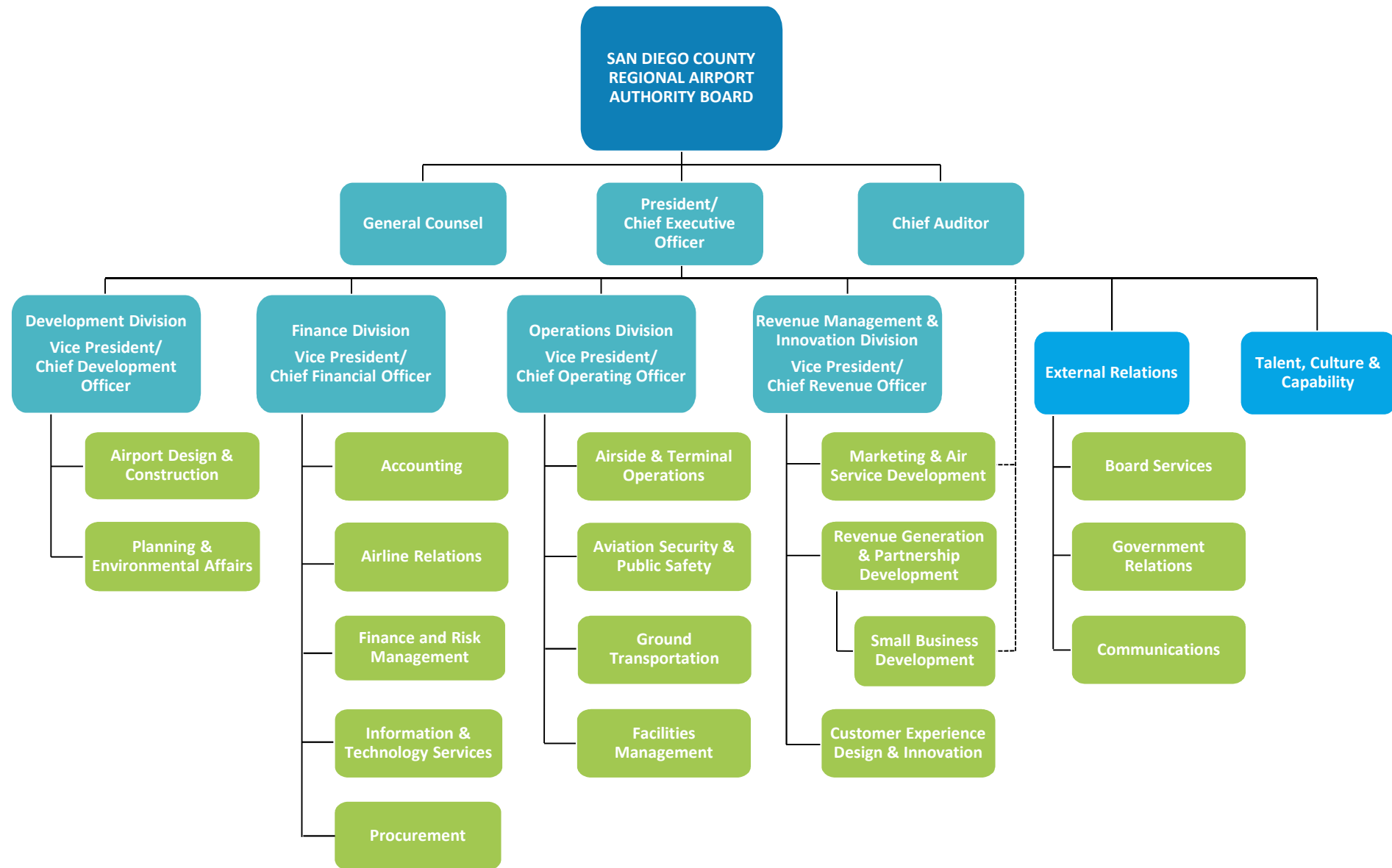


Kimberly J. Becker
President | Chief Executive Officer



Scott Brickner, CPA
Vice President | Chief Financial Officer





AIRPORT AUTHORITY BOARD

EXECUTIVE MEMBERS:

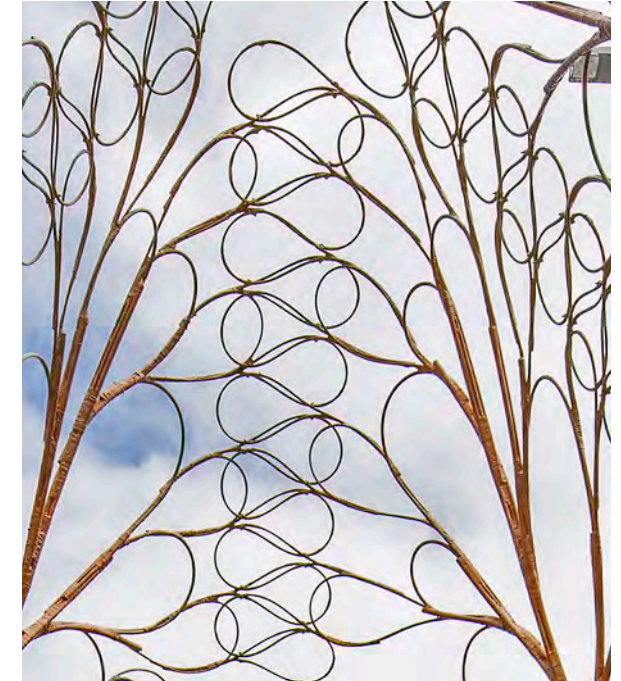
JOHANNA SCHIAVONI, BOARD CHAIR
PAUL ROBINSON, VICE CHAIR

EX-OFFICIO MEMBERS:

COLONEL THOMAS M. BEDELL
GUSTAVO DALLARDA
GAYLE MILLER

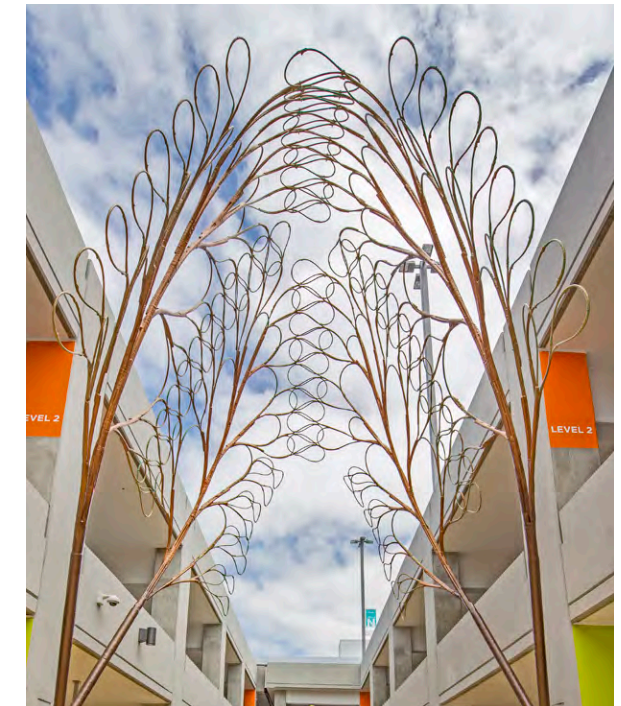
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GIL CABRERA
ROBERT T. LLOYD
PAUL MCNAMARA
MARY CASILLAS SALAS
NORA VARGAS
MARNI VON WILPERT



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AMY GONZALEZ, GENERAL COUNSEL
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DENNIS PROBST, VICE PRESIDENT/CHIEF DEVELOPMENT OFFICER
ANGELA SHAFER-PAYNE, VICE PRESIDENT/CHIEF OPERATING OFFICER





Government Finance Officers Association

Certificate of
Achievement
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Reporting

Presented to

**San Diego County
Regional Airport Authority
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to San Diego County Regional Airport Authority for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2019. This was the seventeenth consecutive year that the Airport Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. The 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. The Airport Authority submitted an application for the Certificate of Achievement Award for its Annual Report for the fiscal year ended June 30, 2020. Due the pandemic, the certification process has been delayed. We plan to submit the June 30, 2021 Annual Report to the GFOA to determine eligibility for another certificate.



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

BASIC FINANCIAL STATEMENTS:

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

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)



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Independent Auditor's Report

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

Report on the Financial Statements

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, 2021 and 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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

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, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021, on our consideration of the Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
October 22, 2021



INTRODUCTION

SAN DIEGO INTERNATIONAL AIRPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Years Ended June 30, 2021 and 2020

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

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

Airport Authority is vested with five principal responsibilities:

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

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



AIRPORT ACTIVITIES HIGHLIGHTS (2019 – 2021)

AIRPORT ACTIVITIES HIGHLIGHTS (2019 – 2021)

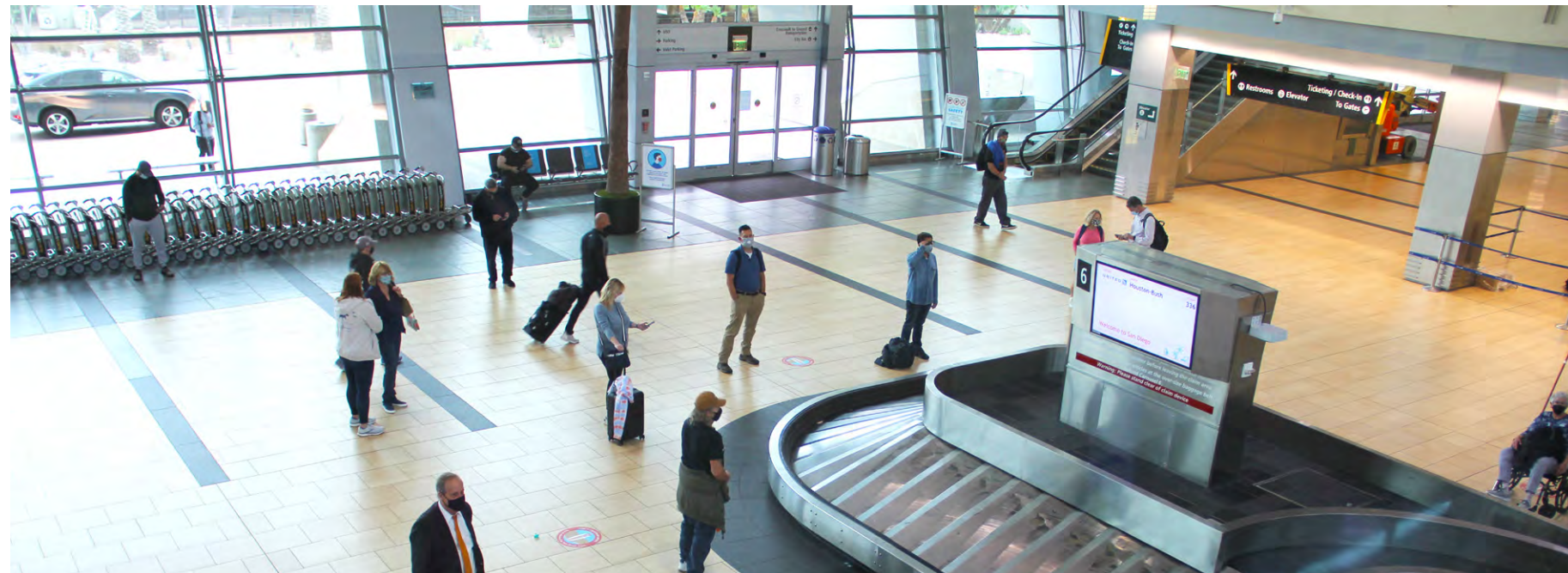
The Airport Authority continued to be impacted by the COVID-19 pandemic through the current fiscal year. This followed the trend seen at most commercial airports across the country.

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

| | FY 2019 | FY 2020 | FY 2021 |
|------------------------------------|------------|------------|------------------|
| Enplaned passengers | 12,356,286 | 9,235,459 | 4,860,931 |
| % change from prior year | 5.3% | -25.3% | -47.4% |
| Total passengers | 24,691,673 | 18,450,599 | 9,701,311 |
| % change from prior year | 5.4% | -25.3% | -47.4% |
| Aircraft operations | 228,093 | 190,746 | 130,017 |
| % change from prior year | 4.3% | -16.4% | -31.8% |
| Freight and mail (in tons) | 186,469 | 154,380 | 151,327 |
| % change from prior year | -2.5% | -17.2% | -2.0% |
| Landed weight (in millions pounds) | 14,481 | 12,053 | 7,780 |
| % change from prior year | 5.2% | -16.8% | -35.5% |

Following the sharp decline beginning in March 2020 caused by the COVID-19 pandemic, enplaned passenger traffic levels have improved each month; ultimately though, fiscal year 2021 ended lower than fiscal year 2020 by 47.4 percent. Looking ahead, it is expected SDIA's major activities will slowly recover as the U.S. economy

reopens. This is due in part because SDIA is an origin and destination airport and is not a hub for any airlines. Further, there is a balanced mixture of leisure and business travelers at SDIA. These factors generally add to the stability of SDIA enplanements in comparison to most airports.



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

The metric 'Changes in Net Position' is an indicator of whether the Airport Authority's overall financial condition has improved or deteriorated during the fiscal year. Net position increased 5.4 percent in 2019, followed by an additional increase of 3.7 percent in 2020. Despite the negative effects of the pandemic, the Airport Authority was able to manage a modest decrease of only 0.7 percent in 2021, due to the significant dollars received from federal relief grants. The following is a summary of the statements of revenues, expenses and changes in net position (in thousands):

| | FY 2019 | FY 2020 | FY 2021 |
|-------------------------------------|------------|------------|-------------------|
| Operating revenues | \$ 293,679 | \$ 263,036 | \$ 215,944 |
| Operating expenses | (301,548) | (293,837) | (283,349) |
| Nonoperating revenues, net | 43,033 | 58,493 | 47,254 |
| Capital contributions and grants | 8,213 | 4,072 | 13,932 |
| Increase (Decrease) in net position | 43,377 | 31,764 | (6,219) |
| Net position, beginning of year | 809,925 | 853,302 | 885,066 |
| Net position, end of year | \$ 853,302 | \$ 885,066 | \$ 878,847 |

OPERATING REVENUES (IN THOUSANDS)



OPERATING REVENUES
(IN THOUSANDS)

| | FY 2020 | FY 2021 | From 2020 to 2021 | |
|---|------------|------------|------------------------|----------|
| | | | Increase (Decrease) | % Change |
| Airline revenue: | | | | |
| Landing fees | \$ 33,242 | \$ 34,046 | \$ 804 | 2.4% |
| Aircraft parking fees | 8,354 | 8,542 | 188 | 2.3% |
| Building rentals | 82,453 | 83,090 | 637 | 0.8% |
| Other aviation revenue | 7,789 | 8,192 | 403 | 5.2% |
| Total airline revenue | 131,838 | 133,870 | 2,032 | 1.5% |
| Concession revenue | 57,243 | 31,097 | (26,146) | (45.7%) |
| Parking and ground transportation revenue | 50,751 | 27,446 | (23,305) | (45.9%) |
| Ground rentals | 21,386 | 21,849 | 463 | 2.2% |
| Other operating revenue | 1,818 | 1,682 | (136) | (7.5%) |
| Total operating revenue | \$ 263,036 | \$ 215,944 | \$ (47,092) | (17.9%) |

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

FISCAL YEAR 2021 COMPARED TO 2020:

Total airline revenues increased by \$2.0 million, or 1.5 percent, primarily due to increased cost recovery from the airlines in fiscal year 2021, which was a result of higher debt service and lower federal relief grants applied towards airlines cost centers, offset by a decrease in recoverable operating expenses. Landing fees increased \$804 thousand or 2.4 percent. Aircraft parking fees increased \$188 thousand or 2.3 percent. Building rentals

increased by \$637 thousand or 0.8 percent. Other aviation revenue increased by \$403 thousand or 5.2 percent, primarily due to the Signatory air carriers not meeting the minimum guarantee in the Airline Operating and Lease Agreement.

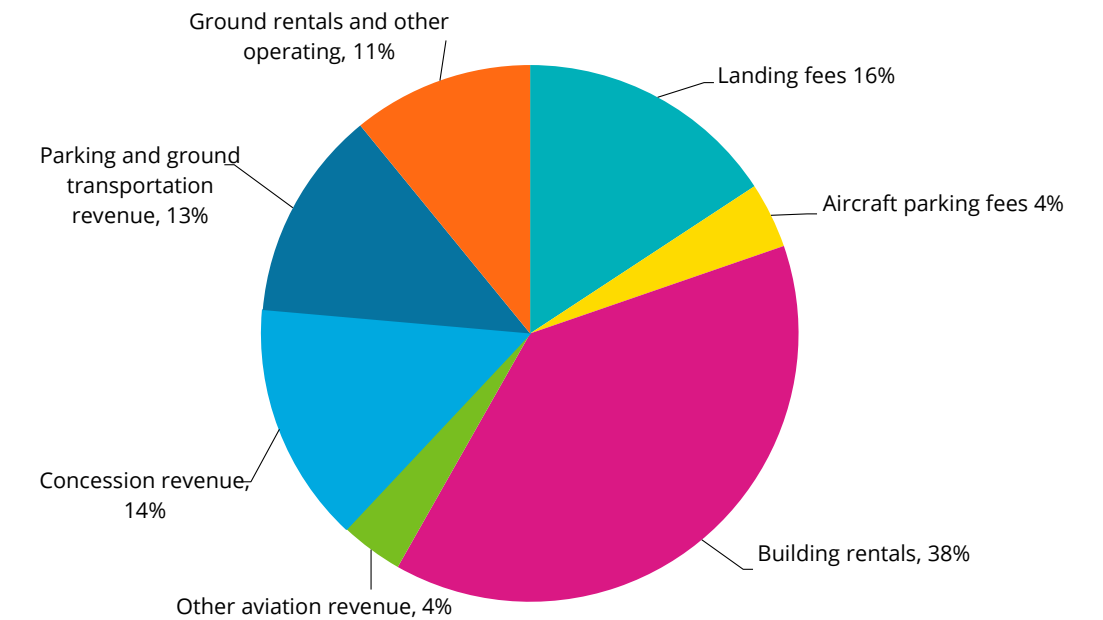
On July 1, 2019, the Airport Authority entered into ten-year Airline Operating and Lease Agreements (AOLAs) with passenger airlines and cargo carriers operating at SAN. The AOLAs cover the use of and

rate-setting mechanisms for the airfield and terminal facilities at SAN. Under the terms of the AOLA, landing fees and aircraft parking fees are calculated based on a residual rate-setting methodology, in which all costs of the facility and services are recovered from the airlines, and the airlines assume the financial risk. Terminal rental rates are based on a compensatory rate-setting methodology, in which the airlines each pay for only the actual cost of facilities and services they use; financial risk and control is assumed by the airport.

The AOLA also includes signatory and non-signatory rate structures. Air Carriers that signed a non-signatory agreement are charged a 120 percent premium on all signatory rates, fees and charges, except for the Federal Inspection Services fee, which all airlines pay the same rate for use of the immigration and customs facilities. The agreement has no provisions that grant the airlines direct approval rights over capital projects, with the limited exception of certain transportation projects that exceed a \$350 million threshold, as defined in the AOLA. It also allows flexibility to meet the demands of changing airline activity and to accommodate new entrant carriers. Terms of the new agreement financially support execution of the New T1, formerly referred to as the Airport Development Program.

Concession revenue (terminal and rental car) decreased by \$26.1 million or 45.7 percent. This is due to the Airport Authority's Rent Forbearance and Abatement Program, which is available to qualifying non-airline tenants because of the continued impact of the COVID-19 pandemic. This Board approved program primarily provides short-term abatement of monthly minimum annual guaranteed payments for tenants that satisfy the terms and conditions during the program. Parking and ground transportation revenue decreased by \$23.3 million or 45.9 percent, primarily due to lower enplanements. Ground rentals increased by \$463 thousand or 2.2 percent, primarily due to scheduled CPI rent increases and revenue recognized from reimbursements related to Hydrant Fueling projects under the fuel lease with SAN Fuel Company, LLC.

OPERATING REVENUES
(CONTINUED)



FISCAL YEAR 2020 COMPARED TO 2019:

Total airline revenues decreased by \$2.5 million, or 1.9 percent, primarily due to the global economic downturn that started in March 2020 which resulted in lower cost recovery from airline tenants.

Recoverable expenses were reduced due to activation of the Airport Authority's Financial Resilience Plan which implemented a hiring freeze and limited expenses to essential spending only. In addition, the Airport Authority received a \$91.2 million CARES Act relief grant award and used a portion of the proceeds to pay for certain expenses charged to airline cost centers.

Landing fees increased by \$8.4 million or 34.0 percent due to airfield security costs being recovered under landing fees pursuant to the new AOLA. Aircraft parking fees increased by \$4.9 million or 140.7 percent. Building rentals increased by \$11.5 million or 16.3 percent due to terminal security costs being recovered under building rentals pursuant to the new AOLA. Security surcharges decreased by \$33.6 million or 100 percent, reflecting the new AOLA classification of

security expenses in landing fees and building rental categories. Other aviation revenue increased by \$6.2 million or 388.0 percent, due to the recovery of common use space costs under the new AOLA.

Concession and rental car revenue decreased by \$14.0 million or 19.7 percent, reflecting decreased concessionaire sales for March through June and fee abatements granted due to the decline in passenger traffic caused by the pandemic. Parking and ground transportation decreased by \$12.1 million or 19.2 percent, also due to lower enplanements reflecting an impact of the pandemic. Ground and non-airline terminal rentals decreased by \$1.4 million or 6.2 percent. This is primarily due to transferring cargo carriers' apron rent to landing fees based on the terms of the new AOLA and the completion of cost recovery for the Fuel Farm. This decrease was partially offset by scheduled CPI rent increases. Other operating revenue decreased by \$623 thousand or 25.5 percent, primarily due to a decrease in curfew violations and service charges.

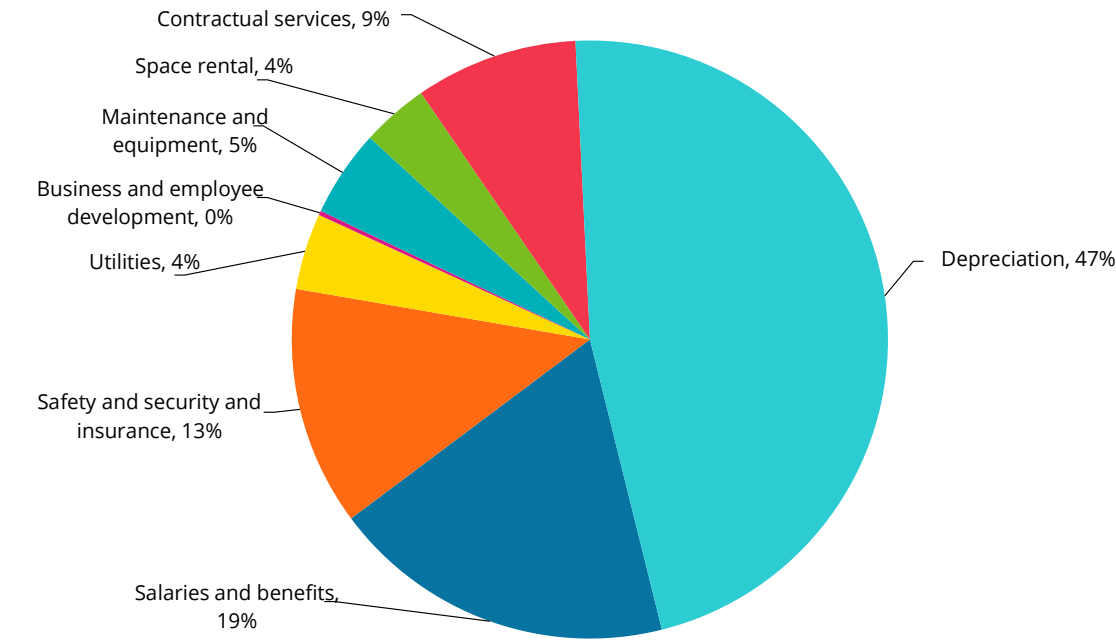


OPERATING EXPENSES
(IN THOUSANDS)

| | FY 2020 | FY 2021 | From 2020 to 2021 | |
|--|------------|------------|------------------------|----------|
| | | | Increase (Decrease) | % Change |
| Salaries and benefits | \$ 51,667 | \$ 52,922 | \$ 1,255 | 2.4% |
| Contractual services | 37,694 | 24,977 | (12,717) | (33.7%) |
| Safety and security | 29,457 | 35,086 | 5,629 | 19.1% |
| Space rental | 10,207 | 10,267 | 60 | 0.6% |
| Utilities | 12,748 | 11,730 | (1,018) | (8.0%) |
| Maintenance | 11,584 | 9,111 | (2,473) | (21.3%) |
| Equipment and systems | 336 | 424 | 88 | 26.2% |
| Materials and supplies | 651 | 450 | (201) | (30.9%) |
| Insurance | 1,308 | 1,518 | 210 | 16.1% |
| Employee development and support | 967 | 441 | (526) | (54.4%) |
| Business development | 2,033 | 209 | (1,824) | (89.7%) |
| Equipment rentals and repairs | 3,598 | 3,380 | (218) | (6.1%) |
| Total operating expenses before depreciation | 162,250 | 150,515 | (11,735) | (7.2%) |
| Depreciation | 131,587 | 132,834 | 1,247 | 0.9% |
| Total operating expense | \$ 293,837 | \$ 283,349 | \$ (10,488) | (3.6%) |

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

OPERATING EXPENSES
(CONTINUED)



FISCAL YEAR 2021 COMPARED TO 2020:

Total fiscal year 2021 operating expenses decreased by \$10.5 million or 3.6 percent. The Airport Authority continued to operate under its Financial Resilience Plan that was activated in March 2020 and eliminated, delayed, or reduced non-essential operating and capital expenditures.

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

Partially offsetting the decrease in operating expenses described above, salaries and benefits increased by \$1.3 million or 2.4 percent, due to

additional pension expense. In addition, safety and security increased by \$5.6 million or 19.1 percent due to an increase in expenses for law enforcement, aircraft rescue and firefighting and emergency medical services.

FISCAL YEAR 2020 COMPARED TO 2019:

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

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

Partially offsetting the decrease in operating expenses described above were increases in salaries and benefits, increasing by \$2.1 million or 4.2 percent, due to additional pension expense. Depreciation also increased by \$7.3 million or 5.8 percent, due to additional depreciation for capital projects placed in service in fiscal years 2020 and 2019.

NONOPERATING REVENUES
(EXPENSES)
(IN THOUSANDS)

| | FY 2020 | FY 2021 | From 2020 to 2021 | |
|--------------------------------------|-----------|-----------|------------------------|----------|
| | | | Increase (Decrease) | % Change |
| Passenger facility charges | \$ 34,393 | \$ 22,110 | \$ (12,283) | (35.7%) |
| Customer facility charges | 30,240 | 15,755 | (14,485) | (47.9%) |
| Federal Relief Grants | 36,895 | 77,219 | 40,324 | 109.3% |
| Quieter Home Program, net | (3,295) | (3,233) | 62 | 1.9% |
| Investment income | 32,430 | 4,175 | (28,255) | (87.1%) |
| Interest expense, net | (73,612) | (68,067) | 5,545 | 7.5% |
| Other nonoperating income (expenses) | 1,442 | (705) | (2,147) | 148.9% |
| Nonoperating revenues, net | \$ 58,493 | \$ 47,254 | \$ (11,239) | (19.2%) |

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

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

Customer Facility Charges (CFCs) are authorized under Section 1939 of the California Civil Code and approved by legislation under Senate Bill 1510. The revenues collected have been used to plan and construct a consolidated rental car facility and operate the related ground transportation system.

The rental car agencies remit to the Airport Authority collection of the fee monthly. The current CFC fee is \$9.00 per day, up to five days for rental car transactions that originate at the Rental Car Center. For car rental transactions of non-RCC tenants, the CFC rate is \$3.41 per day, up to five days for rental car transactions.

Federal Relief Grants include Coronavirus Aid, Relief, and Economic Security Act (CARES Act) grants and Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) funds received from the federal government. CARES Act was approved by the United States Congress and signed into law by the President on March 27, 2020. It was a legislative action to address the crisis created by the COVID-19 pandemic and included direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The

Airport Authority was awarded \$91.2 million in CARES Act grant funds. The Airport Authority drew \$54.3 million in fiscal year 2021 and \$36.9 million in fiscal year 2020.

CRRSAA was signed into law on December 27, 2020 and included nearly \$2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease pandemic. To distribute these funds, the FAA established the Airport Coronavirus Response Grant Program (ACRGP) to make grants to all airports that are part of the national airport system, including all commercial service airports, all reliever airports, and some public-owned general aviation airports. The Airport Authority was awarded \$22.9 million on March 26, 2021. As of June 30, 2021, \$20.2 million of the award had been received and \$2.7 million was recorded as grants receivable.

Quieter Home Program includes sound attenuation construction improvements at all eligible single-family and multi-family dwellings located in the Year 2020 65 dB Community Noise Equivalent Level contour. The project is eligible for the FAA's Airport Improvement Program (AIP) which awards grants for certain eligible Airport Authority expenditures. The \$3.2 million of expenses represents the authority's cost, net of the grant funds utilized in FY21. From inception through the end of fiscal year 2021, the Airport Authority has spent \$244.9 million and received reimbursement for \$195.4 million.

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

Interest expense includes interest paid and accrued on the Bonds, Variable Debt, and Lease Interest. As of June 30, 2021, and 2020 interest expense was \$68.1 million and \$75.7 million, respectively. The 2010 Series C Bonds were issued as Build America Bonds and, as such, the Airport Authority received a cash subsidy from the U.S.

Treasury equal to 32.7 percent of the interest payable. The Build America Bonds were defeased in December 2019. The interest subsidy for the fiscal year ended 2020 was \$2.1 million.

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

Fiscal year 2021 compared to 2020: Nonoperating revenues (net) decreased by \$11.2 million or 19.2 percent. The increase in Federal Relief Grant income in fiscal year 2021 was \$40.3 million or 109.3 percent. The increase in federal relief grant income was partially offset by decreases in PFCs and CFCs due to reduced enplaned passengers caused by the pandemic. PFCs decreased by \$12.3 million or 35.7 percent, and CFCs decreased by \$14.5 million or 47.9 percent. Investment income decreased by \$28.3 million or 87.1 percent. This was caused by a combination of lower yields on investments which resulted in a \$6.2 million decrease in interest income and \$22.1 million reversal of prior years' unrealized gains due to market fluctuations. Other nonoperating income

(expenses) decreased by \$2.1 million or 148.9 percent, primarily due to the swing in legal settlement income received in fiscal year 2020 as opposed to non-operating expense recognized in fiscal year 2021.27.9 percent..

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

The increases noted above were partially offset by decreases in PFCs and CFCs due to reduced enplaned passengers caused by the pandemic. PFCs decreased by \$14.8 million or 30.1 percent, and CFCs decreased by \$11.7 million or 27.9 percent.

FEDERAL GRANT CONTRIBUTIONS
(IN THOUSANDS)

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

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

Federal Grant Contributions are comprised of Airport Improvement Project (AIP) entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and State organizations. These funds are recognized as

revenue as the work is completed on the eligible projects. In fiscal year 2021 federal grant contributions increased by \$9.9 million, or 242.1 percent compared to fiscal year 2020. This was primarily due to a delay from fiscal year 2020 to

fiscal year 2021 of a grant funded Cross-Taxiway project. In fiscal year 2020, federal grant contributions decreased by \$4.1 million, or 50.4 percent compared to fiscal year 2019.

ASSETS, LIABILITIES AND NET POSITION (IN THOUSANDS)



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

A summary comparison of the Airport Authority's assets, liabilities and net position at June 30, 2019, 2020 and 2021, is as follows:

| | FY 2019 | FY 2020 | FY 2021 |
|--|------------|------------|------------|
| Assets and Deferred Outflows of Resources | | | |
| Current assets | \$ 244,592 | \$ 349,617 | \$ 248,973 |
| Capital assets, net | 1,722,150 | 1,788,601 | 1,829,708 |
| Noncurrent assets | 598,156 | 773,751 | 775,038 |
| Total assets | 2,564,898 | 2,911,969 | 2,853,719 |
| Deferred outflows of resources | 26,681 | 22,761 | 33,472 |
| Total assets and deferred outflows of resources | 2,591,579 | 2,934,730 | 2,887,191 |
| Liabilities and Deferred Inflows of Resources | | | |
| Current liabilities | 131,085 | 162,269 | 153,248 |
| Long-term liabilities | 1,600,230 | 1,875,514 | 1,848,070 |
| Total liabilities | 1,731,315 | 2,037,783 | 2,001,318 |
| Deferred inflows of resources | 6,961 | 11,881 | 7,026 |
| Total liabilities and deferred inflows of resources | 1,738,276 | 2,049,664 | 2,008,344 |
| Net Position | | | |
| Net investment in capital assets | 281,491 | 266,213 | 327,216 |
| Restricted | 246,508 | 211,329 | 192,484 |
| Unrestricted | 325,303 | 407,524 | 359,147 |
| Total net position | \$ 853,302 | \$ 885,066 | \$ 878,847 |

As of June 30, 2021, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$879 million. This reflects a \$6.2 million or .7 percent decrease in net position from June 30, 2020. The Airport Authority uses capital assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital assets is reported net of related debt, the funds required to

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

repay this debt must be provided annually from operations. The unrestricted net position of \$359.1 million as of June 30, 2021 may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2021, 2020 and 2019, management has designated unrestricted funds in the amount of \$22.5 million, \$43.4 million, and \$26.2 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance and operating contingency.

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

The current Capital Program, which includes projects through 2026, consists of \$422 million for airside projects, \$683 million for landside and ancillary projects, \$2.4 billion for terminal projects, which includes the replacement of Terminal 1, and \$192 million for administrative projects.

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

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

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of \$55.9 million, which is being amortized over the life of the bonds. Interest on the Senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal year ended June 30, 2021, amounted to \$17.69 million, including accrued

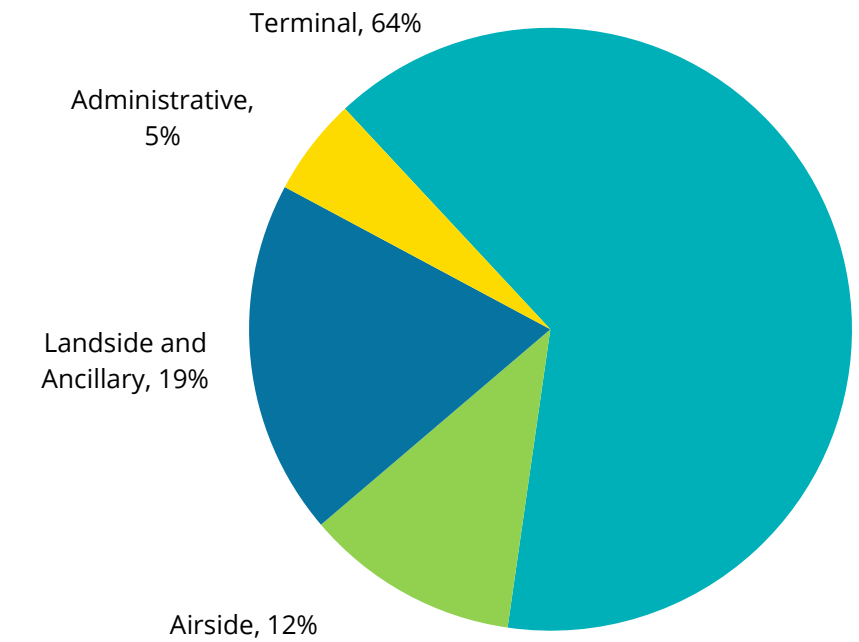
interest of \$8.84 million. The principal balance on the Series 2013 Bonds as of June 30, 2021 was \$360.8 million.

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

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for

CAPITAL PROGRAM

**Capital Program Budget by Type
FY 2022 - 2026**



CAPITAL FINANCING AND DEBT MANAGEMENT

CAPITAL FINANCING AND DEBT MANAGEMENT (CONTINUED)

that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a reserve account with the bond trustee and to reserve certain amounts in the Airport Authority's books, as shown in Note 2.

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

The Series 2014 A Bonds were structured as tax-exempt non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent and mature in fiscal years 2019 to 2045. Interest expense for the fiscal year ended June 30, 2021, amounted to \$15.8 million, including

accrued interest of \$7.9 million. As of June 30, 2021, the principal balance on the Series 2014 Bonds was \$288.0 million.

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

On August 3, 2017, the Airport Authority issued \$291.2 million of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds). The Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund \$32.6 million of the Airport Authority's outstanding variable rate debt, which was issued during 2017, and fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2019 to

2048. The bonds were issued at a premium of \$48.4 million, which is being amortized over the life of the bonds. Interest on the senior Series 2017 Bonds is payable semiannually on January 1 and July 1, of each year. Interest expense for the fiscal year ended June 30, 2021, amounted to \$13.9 million, including accrued interest of \$6.92 million. As of June 30, 2021, the principal balance on the Series 2017 was \$276.9 million.

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

the Series 2019 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal year ended June 30, 2021, amounted to \$22.3 million, including accrued interest of \$11.1 million. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2021, was \$462.4 million.

The Airport Authority issued \$241.6 million of Series A, B and C Subordinate Airport Revenue Refunding Bonds (Series 2020 Bonds). The Authority entered into a Forward Delivery Purchase Contract on December 11, 2019 and delivered the 2020 Bonds Proceeds on April 8, 2020. Proceeds from the sale of the 2020 Bonds were used to fund the Series 2010 A and B Bonds escrow accounts to refund the 2010 A/B Bonds and pay the costs of issuance of the subordinate Series 2020 Bonds. The Series 2020 Bonds are structured as serial bonds that bear interest rates of 5.00 percent and mature in fiscal years 2021 to 2041. The bonds were issued at a premium of \$49.4 million, which is being amortized over the life of the bonds. Interest on the Series 2020 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal year ended June 30, 2021, amounted to \$12.0 million, including accrued interest of \$6.0 million. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2020, was \$240.8 million.

Interest expense on the Series 2010, 2013, 2014 2017, 2019 and 2020 Bonds for fiscal years ended June 30, 2021 and June 30, 2020 was \$81.7 million

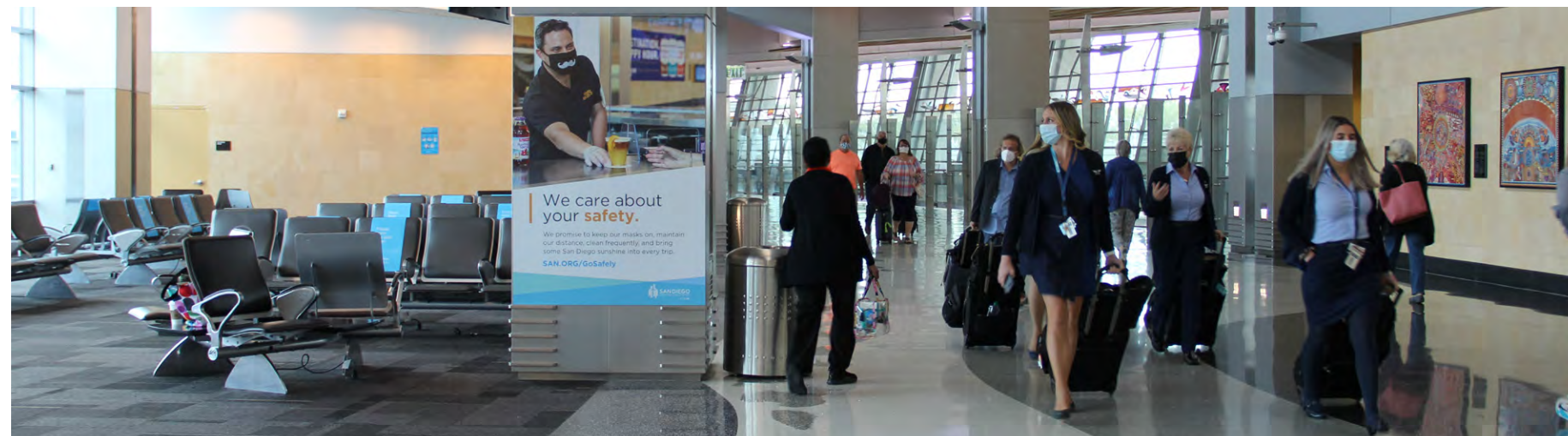
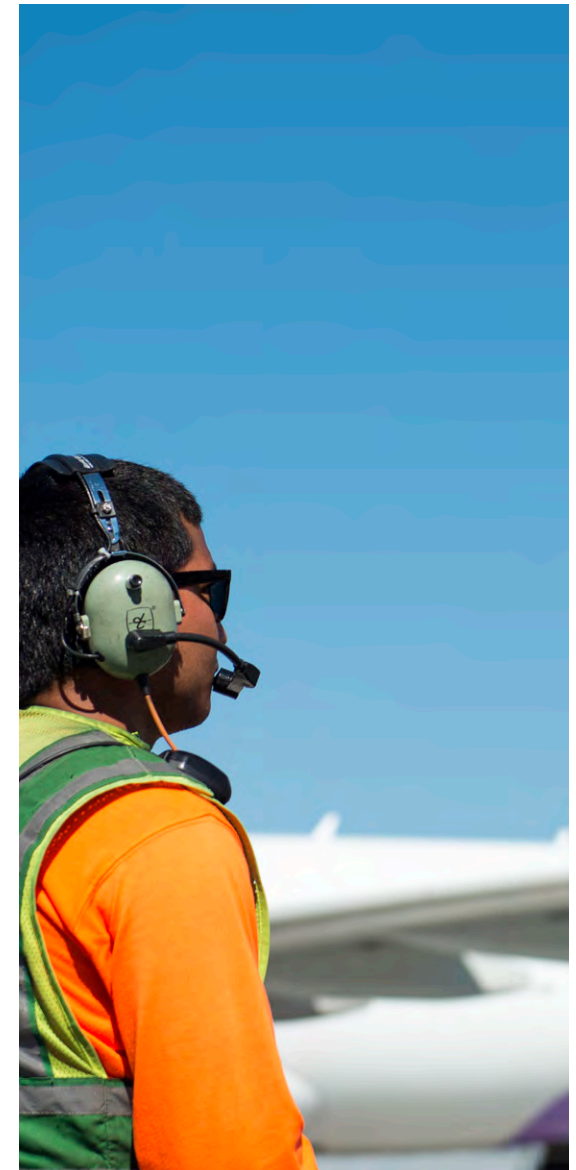
and \$81.3 million, respectively, was offset by bond premium amortization of \$14.1 million in fiscal year 2021 and \$9.6 million in fiscal year 2020.

As of June 30, 2021 the Airport Authority did not maintain a short-term debt program. Subsequent to fiscal year 2021 on July 19, 2021 the Airport Authority entered into an agreement with Bank of America N.A. to establish a Revolving Line of Credit for \$200,000,000. The agreement is for a term of three years and is a subordinate obligation of the Authority.

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

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

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately \$131.6 million in grant awards for the federal fiscal year ended September 30, 2021, as compared to \$119.9 million for 2020. 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) 400-2822. A copy of the financial report is available at www.san.org



| Assets and Deferred Outflows of Resources | 2021 | 2020 |
|---|-------------------------|-------------------------|
| Current Assets | | |
| Unrestricted: | | |
| Cash and cash equivalents (Note 2) | \$ 40,910,032 | \$ 36,935,136 |
| Investments (Notes 2 and 11) | 241,485,681 | 159,562,631 |
| Tenant lease receivables, net | 23,041,393 | 22,826,211 |
| Grants receivable | 7,665,691 | 25,467,263 |
| Note receivable, current portion (Note 3) | 2,243,644 | 2,123,843 |
| Other current assets | 8,280,970 | 9,216,212 |
| Total unrestricted current assets | 323,627,411 | 256,131,296 |
| Restricted cash, cash equivalents and investments with trustees (Notes 2 and 5) | 93,190,368 | 93,486,053 |
| Total current assets | 416,817,779 | 349,617,349 |
| Noncurrent Assets | | |
| Restricted assets (Notes 2 and 5): | | |
| Restricted cash, cash equivalents and investments not with trustees | 142,401,039 | 174,924,058 |
| Restricted cash, cash equivalents and investments with trustees | 338,135,700 | 360,941,845 |
| Passenger facility charges receivable (Note 1) | 5,762,062 | 428,687 |
| Customer facility charges receivable (Note 1) | 2,384,282 | 1,135,327 |
| Other restricted assets | 5,075,109 | 5,519,914 |
| Total restricted assets | 493,758,192 | 542,949,831 |
| Other noncurrent assets: | | |
| Investments, noncurrent (Note 2) | 39,904,555 | 137,429,307 |
| Note receivable, long-term portion (Note 3) | 24,965,223 | 27,208,867 |
| Cash and cash equivalents designated for specific capital projects and other commitments (Notes 2 and 11) | 46,916,337 | 64,026,034 |
| Net OPEB asset (Note 9) | 1,649,215 | 2,136,494 |
| Total other noncurrent assets | 113,435,330 | 230,800,702 |
| Capital assets (Note 4): | | |
| Land, land improvements and nondepreciable assets | 186,378,344 | 136,757,114 |
| Buildings and structures | 1,885,767,510 | 1,747,847,784 |
| Machinery and equipment | 122,982,559 | 135,435,875 |
| Runways, roads and parking lots | 719,974,821 | 708,999,286 |
| Construction in progress | 248,535,465 | 288,353,299 |
| | 3,163,638,699 | 3,017,393,358 |
| Less accumulated depreciation | (1,333,930,303) | (1,228,792,352) |
| Capital assets, net | 1,829,708,396 | 1,788,601,006 |
| Total noncurrent assets | 2,436,901,918 | 2,562,351,539 |
| Total assets | 2,853,719,697 | 2,911,968,888 |
| Deferred outflows of resources: | | |
| Deferred pension outflows (Note 6 and 7) | 31,657,453 | 21,647,509 |
| Deferred OPEB outflows (Note 9) | 1,813,895 | 1,113,811 |
| Total deferred outflows of resources | 33,471,348 | 22,761,320 |
| Total assets and deferred outflows of resources | \$ 2,887,191,045 | \$ 2,934,730,208 |

(continued)

See Notes to Financial Statements.

| Liabilities, Deferred Inflows of Resources and Net Position | 2021 | 2020 |
|---|-------------------------|-------------------------|
| Current Liabilities | | |
| Payable from unrestricted assets: | | |
| Accounts payable | \$ 6,671,722 | \$ 11,144,310 |
| Accrued liabilities | 44,766,955 | 31,209,234 |
| Compensated absences, current portion (Note 5) | 2,538,532 | 2,847,306 |
| Other current liabilities | 5,757,420 | 23,312,345 |
| Long-term debt, current portion (Note 5) | 323,293 | 269,427 |
| Total payable from unrestricted assets | 60,057,922 | 68,782,622 |
| Payable from restricted assets: | | |
| Accounts payable | 11,726,364 | 6,595,678 |
| Accrued liabilities | 4,096,308 | 15,618,238 |
| Long-term debt, current portion (Note 5) | 36,720,000 | 31,560,000 |
| Accrued interest on variable rate debt and bonds (Note 5) | 40,847,696 | 39,712,137 |
| Total payable from restricted assets | 93,390,368 | 93,486,053 |
| Total current liabilities | 153,448,290 | 162,268,675 |
| Long-Term Liabilities | | |
| Compensated absences, net of current portion (Note 5) | 2,223,411 | 1,241,278 |
| Other noncurrent liabilities | 4,426,248 | 668,290 |
| Long-term debt, net of current portion (Note 5) | 1,804,756,564 | 1,855,876,151 |
| Net pension liability (Note 6 and 7) | 36,464,210 | 17,728,734 |
| Total long-term liabilities | 1,847,870,433 | 1,875,514,453 |
| Total liabilities | 2,001,318,723 | 2,037,783,128 |
| Deferred inflows of resources | | |
| Deferred pension inflows (Note 6 and 7) | 2,266,382 | 6,409,312 |
| Deferred OPEB inflows (Note 9) | 890,973 | 1,400,369 |
| Deferred gain on refunding | 3,868,146 | 4,071,732 |
| Total deferred inflows of resources | 7,025,501 | 11,881,413 |
| Total liabilities and deferred inflows of resources | \$ 2,008,344,224 | \$ 2,049,664,541 |
| Net Position | | |
| Net investment in capital assets | 327,215,879 | 266,212,751 |
| Restricted: | | |
| Debt Service | 83,213,762 | 75,586,323 |
| Construction | 86,078,848 | 109,650,020 |
| OPEB | 1,649,215 | 2,136,494 |
| Operation and maintenance expenses | 14,245,003 | 14,436,251 |
| Small business bond guarantee | 2,222,300 | 4,000,000 |
| OCIP loss reserve | 5,075,108 | 5,519,913 |
| Total restricted net position | 192,484,236 | 211,329,001 |
| Unrestricted net position | 359,146,706 | 407,523,915 |
| Total net position | \$ 878,846,821 | \$ 885,065,667 |

See Notes to Financial Statements.

SAN DIEGO COUNTY REGIONAL
AIRPORT AUTHORITY

STATEMENTS OF REVENUES,
EXPENSES AND CHANGES
IN NET POSITION
FOR THE FISCAL YEARS ENDED
JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|------------------------|------------------------|
| Operating revenues: | | |
| Airline revenue: | | |
| Landing fees | \$ 34,046,303 | \$ 33,241,410 |
| Aircraft parking fees | 8,541,663 | 8,354,052 |
| Building rentals (Note 12) | 83,090,210 | 82,453,273 |
| Other aviation revenue | 8,191,525 | 7,788,791 |
| Concession revenue | 31,096,870 | 57,243,328 |
| Parking and ground transportation revenue | 27,446,678 | 50,750,966 |
| Ground and non-airline terminal rentals (Note 12) | 21,848,936 | 21,386,342 |
| Other operating revenue | 1,682,151 | 1,817,810 |
| Total operating revenues | 215,944,336 | 263,035,972 |
| Operating expenses: | | |
| Salaries and benefits (Notes 6, 7, 8 and 9) | 52,922,356 | 51,666,850 |
| Contractual services (Note 14) | 24,976,596 | 37,693,633 |
| Safety and security | 35,085,809 | 29,456,872 |
| Space rental (Note 13) | 10,266,657 | 10,207,066 |
| Utilities | 11,729,710 | 12,747,899 |
| Maintenance | 9,110,601 | 11,584,303 |
| Equipment and systems | 424,500 | 336,469 |
| Materials and supplies | 449,999 | 650,975 |
| Insurance | 1,518,538 | 1,308,471 |
| Employee development and support | 441,883 | 966,575 |
| Business development | 208,731 | 2,033,120 |
| Equipment rentals and repairs | 3,380,121 | 3,598,348 |
| Total operating expenses before depreciation | 150,515,501 | 162,250,581 |
| Income from operations before depreciation | 65,428,835 | 100,785,391 |
| Depreciation expense | 132,833,789 | 131,587,039 |
| Operating loss | \$ (67,404,954) | \$ (30,801,648) |

(continued)

See Notes to Financial Statements.

SAN DIEGO COUNTY REGIONAL
AIRPORT AUTHORITY

STATEMENTS OF REVENUES,
EXPENSES AND CHANGES
IN NET POSITION (CONTINUED)
FOR THE FISCAL YEARS ENDED
JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|----------------|----------------|
| Nonoperating revenues (expenses): | | |
| Passenger facility charges | \$ 22,109,906 | \$ 34,392,981 |
| Customer facility charges | 15,755,254 | 30,239,698 |
| Federal relief grants | 77,218,785 | 36,895,488 |
| Quieter Home Program grant revenue (Note 1) | 12,292,767 | 12,155,776 |
| Quieter Home Program expenses (Note 1) | (15,525,646) | (15,450,983) |
| Investment income | 4,175,353 | 32,429,489 |
| Interest expense (Note 5) | (68,067,154) | (75,700,970) |
| Build America Bonds subsidy (Note 5) | - | 2,089,397 |
| Other revenues (expenses), net | (704,894) | 1,442,102 |
| Nonoperating revenue, net | 47,254,371 | 58,492,978 |
| Income before federal grants | (20,150,583) | 27,691,330 |
| Federal grants (Note 1) | 13,931,737 | 4,071,980 |
| Change in net position | (6,218,846) | 31,763,310 |
| Net position, beginning of year | 885,065,667 | 853,302,357 |
| Net position, end of year | \$ 878,846,821 | \$ 885,065,667 |

See Notes to Financial Statements.



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020



| | 2021 | 2020 |
|--|----------------------|----------------------|
| Cash Flows From Operating Activities | | |
| Receipts from customers | \$ 200,250,036 | \$ 265,194,930 |
| Payments to suppliers | (86,798,975) | (103,828,307) |
| Payments to employees | (48,665,421) | (52,578,787) |
| Other receipts | 1,683,852 | 1,699,331 |
| Net cash provided by operating activities | 66,469,492 | 110,487,167 |
| Cash Flows From Noncapital Financing Activities | | |
| Settlement receipts (payments) | (704,894) | 1,442,102 |
| Quieter Home Program grant receipts | 16,387,129 | 7,252,520 |
| Quieter Home Program payments | (15,525,646) | (15,450,983) |
| Net cash provided by (used in) noncapital financing activities | 156,589 | (6,756,361) |
| Cash Flows From Capital and Related Financing Activities | | |
| Capital outlay | (180,332,423) | (197,716,114) |
| Proceeds on Build America Bonds subsidy | - | 2,089,397 |
| Proceeds from variable rate debt | - | 34,040,000 |
| Payment of variable rate debt | - | (47,759,000) |
| Federal grants received (excluding Quieter Home Program) | 104,857,732 | 24,552,219 |
| Proceeds from passenger facility charges | 16,776,531 | 40,924,276 |
| Proceeds from customer facility charges | 14,506,299 | 33,443,563 |
| Payment of principal on bonds | (31,560,000) | (528,735,000) |
| Proceeds from issuance of Series 2019 Bonds | - | 610,021,863 |
| Proceeds from issuance of Series 2020 Bonds | - | 241,640,000 |
| Payment of capital lease | (295,134) | (323,243) |
| Interest and debt fees paid | (81,239,634) | (94,444,671) |
| Net cash provided by (used in) capital and related financing activities | (157,286,629) | 117,733,290 |
| Cash Flows From Investing Activities | | |
| Sales and maturities of investments | 359,672,049 | 407,557,391 |
| Purchases of investments | (312,867,581) | (599,747,577) |
| Interest received on investments and note receivable | 4,175,353 | 33,186,340 |
| Principal payments received on notes receivable | 2,123,843 | 2,006,052 |
| Net cash provided by (used in) investing activities | 53,103,664 | (156,997,794) |
| Net increase (decrease) in cash and cash equivalents | (37,556,884) | 64,466,302 |
| Cash and cash equivalents, beginning of year | 100,961,170 | 36,494,868 |
| Cash and cash equivalents, end of year | \$ 63,404,286 | \$ 100,961,170 |

See Notes to Financial Statements.

(continued)

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS, (CONTINUED) FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|--|----------------------|-----------------------|
| Reconciliation of Cash and Cash Equivalents to the Statements of Net Position | | |
| Unrestricted cash and cash equivalents | \$ 40,910,032 | \$ 36,935,136 |
| Cash and cash equivalents designated for specific capital projects and other commitments | 22,494,254 | 64,026,034 |
| Total cash and cash equivalents | \$ 63,404,286 | \$ 100,961,170 |
| Reconciliation of Operating Loss to Net Cash Provided by Operating Activities | | |
| Operating loss | \$ (67,404,954) | \$ (30,801,648) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation expense | 132,833,789 | 131,587,039 |
| Change in pensions/OPEB liability/asset | 19,222,755 | (4,042,556) |
| Change in deferred outflows related to pensions/OPEB | (10,710,028) | 3,919,532 |
| Change in deferred inflows related to pensions/OPEB | (4,652,326) | 848,671 |
| Changes in assets and liabilities: | | |
| Tenant lease receivables | (215,182) | (10,335,110) |
| Other assets | 1,380,047 | (3,065,871) |
| Accounts payable | (4,472,588) | 5,473,307 |
| Accrued liabilities | 13,557,721 | 2,107,367 |
| Compensated absences | 673,359 | 538,373 |
| Other liabilities | (13,743,101) | 14,258,063 |
| Net cash provided by operating activities | \$ 66,469,492 | \$ 110,487,167 |
| Supplemental Disclosure of Noncash Investing, Capital and Financing Activities | | |
| Additions to capital assets included in accounts payable | \$ 15,822,672 | \$ 22,213,916 |

See Notes to Financial Statements.





NOTE 1.

NATURE OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS:

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

INVESTMENTS:

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

TENANT LEASE RECEIVABLES:

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

REPORTING ENTITY:

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

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

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements should include all organizations, agencies, boards, commissions and authorities for which the Airport Authority is financially accountable. The Airport Authority has also considered all other potential organizations for which the nature and significance of their relationships with the Airport Authority are such that exclusion would cause the Airport Authority's financial statements to be misleading or

incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

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

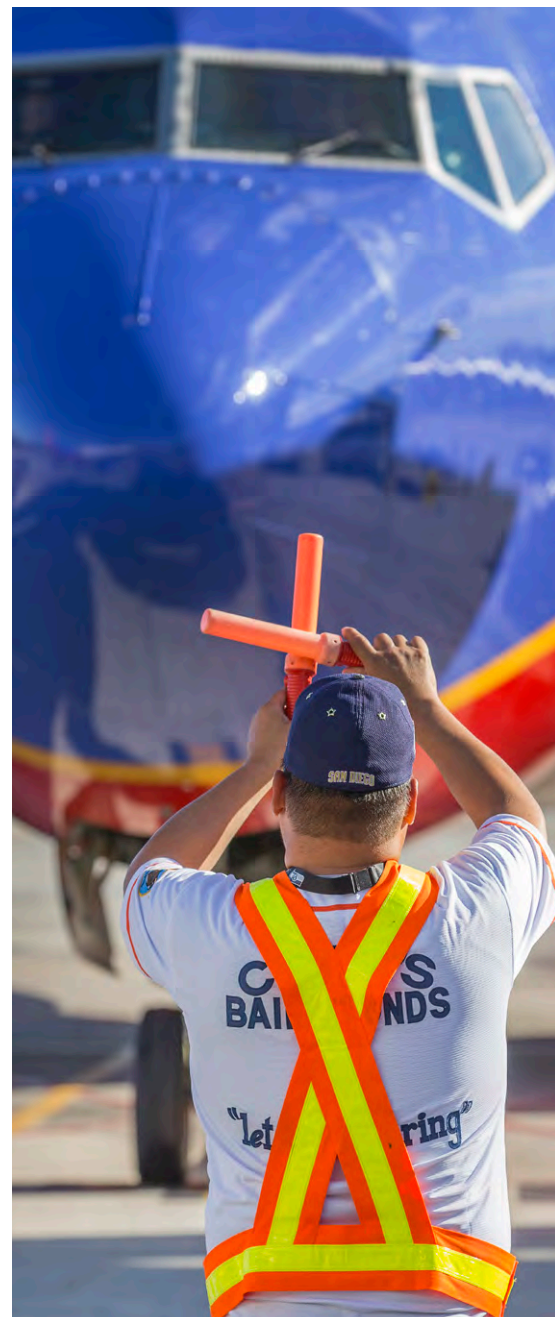
MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

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

USE OF ESTIMATES:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, as well as the

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



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, 2021 and 2020, the Airport Authority recovered \$13,931,737 and \$4,071,980, respectively, for approved capital projects and \$12,292,767 and \$12,155,776, respectively, for the Quieter Home Program.

CARES ACT:

The Coronavirus Aid, Relief, and Economic Security Act (CARES), was signed into law on March 27, 2020, to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. As of June 30, 2021 and 2020, the Airport Authority drew \$54.3M and \$36.9M, respectively.

CRRSAA:

The Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA), was signed into law on December 27, 2020, and includes nearly \$2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease pandemic. To distribute these funds, the FAA established the Airport Coronavirus Response Grant Program (ACRGP) to make grants to all airports that are part of the national airport

system, including all commercial service airports, all reliever airports, and some public-owned general aviation airports. The Airport Authority was awarded \$22.9 million on March 26, 2021. As of June 30, 2021, \$20.2 million of the award had been received and \$2.7 million was recorded as grants receivable.

Passenger facility charges (PFC):

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

In accordance with the program, PFC revenue must be used to pay allowable costs for approved capital projects, contribute to the Airport Authority's noise mitigation (Quieter Home Program), or to repay debt service issued to build eligible capital projects. As of June 30, 2021 and 2020, accrued PFC receivables totaled \$5,762,062 and \$428,687 respectively, and there were \$51,233,055 and \$65,034,830 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2021 and 2020, respectively.

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

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

Customer facility charges (CFC):

The Airport Authority received approval in May 2009 from the State of California under Section

1939 of the California Civil Code to impose a \$10.00 CFC per contract on rental cars at SDIA.

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects and operate the related ground transportation system. The current CFC rate, which has been in effect since January 1, 2017, is \$9.00 per day for a maximum of five days. As of June 30, 2021 and 2020, accrued CFC receivables totaled \$2,384,282 and \$1,135,327, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2021 and 2020, were \$26,299,449, and \$43,051,177, respectively.

Deferred Outflows/Inflows of Resources:

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

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

over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.

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

CAPITAL ASSETS:

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

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

NOTE 1.

NATURE OF ORGANIZATION
& SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES
(CONTINUED)



NATURE OF ORGANIZATION
& SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES
(CONTINUED)

NOTE 1. Depreciation is computed by use of the straight-line method over the following estimated useful lives:

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

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

CAPITAL ASSET IMPAIRMENT:

The Airport Authority's capital assets include property, equipment and infrastructure assets. A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The Airport Authority evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Common indicators of impairment include evidence of physical damage where restoration efforts are needed to restore service utility, enactment or

approval of laws or regulations setting standards that the capital asset would not be able to meet, technological development or evidence of obsolescence, a change in the manner or expected duration of use of a capital asset or construction stoppage. The Airport Authority reports the effects of capital asset impairments in its financial statements when they occur and accounts for insurance recoveries in the same manner. The Airport Authority's management has determined that no impairments of capital assets currently exist.

RETENTIONS PAYABLE:

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

COMPENSATED ABSENCES:

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

BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS:

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

AIRPORT AUTHORITY NET POSITION:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by

the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets includes unspent debt proceeds.

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

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.

Unrestricted net position as of June 30, 2021 and 2020 includes designations of net position that represent tentative management plans that are subject to change, consisting of:

| | 2021 | 2020 |
|--|---------------|---------------|
| Operating contingency | \$ 2,000,000 | \$ 2,000,000 |
| Insurance contingency | 12,403,950 | 11,685,954 |
| Capital projects and other commitments | 8,090,304 | 29,675,668 |
| Total designated net position | \$ 22,494,254 | \$ 43,361,622 |

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.

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:

| | 2021 | 2020 |
|--------------------|-------|-------|
| Southwest Airlines | 33.5% | 37.6% |
| Alaska Airlines | 16.6% | 14.3% |
| American Airlines | 15.8% | 12.2% |
| United Airlines | 12.3% | 12.0% |
| Delta Airlines | 11.7% | 12.7% |

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



NOTE 1.

NATURE OF ORGANIZATION
& SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES
(CONTINUED)

NATURE OF ORGANIZATION
& SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES
(CONTINUED)

NOTE 1.

DEFINED BENEFIT PENSION PLAN:

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

Additionally, the Airport Authority has a single-employer defined benefit preservation of benefit pension plan administered through 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OTHER POSTEMPLOYMENT BENEFIT PLAN:

The Airport Authority provides an agent multiple-employer defined benefit postemployment benefit plan (the OPEB Plan). The OPEB Plan funds are managed by California Public Employees Retirement System (CalPERS) under the California Employer's Retiree Benefit Trust (CERBT) fund. For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis

as they are reported by the OPEB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ACCOUNTING PRONOUNCEMENTS ADOPTED:

The Airport Authority has adopted and implemented the following GASB statements, which had no impact on previously reported net position, during the year ended June 30, 2021:

- GASB Statement No. 84, Fiduciary Activities, effective for the Airport Authority's year ending June 30, 2021
- GASB Statement No. 90, Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61, effective for the Airport Authority's year ended June 30, 2021.
- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, effective for the Airport Authority's year ending June 30, 2021.

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. 87, Leases, effective for the Airport Authority's year ending June 30, 2022
- GASB Statement No. 91, Conduit Debt Obligations, effective for the Airport Authority's year ended June 30, 2023.

RECLASSIFICATIONS:

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation. The reclassifications had no effect on the changes in net position.



NOTE 2. SUMMARY OF CASH, CASH EQUIVALENTS AND INVESTMENTS:

CASH, CASH EQUIVALENTS & INVESTMENTS

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

| | 2021 | 2020 |
|---|----------------|------------------|
| Unrestricted and Undesignated: | | |
| Cash and cash equivalents | \$ 40,910,032 | \$ 36,935,136 |
| Current investments | 241,485,681 | 159,562,631 |
| Noncurrent investments | 39,904,555 | 137,429,307 |
| Total unrestricted and undesignated | 322,300,268 | 333,927,074 |
| Designated for specific capital projects and other commitments: cash and cash equivalents | 46,916,337 | 64,026,034 |
| Restricted: | | |
| Current cash, cash equivalents and investments, with trustees | 93,190,368 | 93,486,053 |
| Noncurrent cash, cash equivalents and investments, not with trustees | 142,401,039 | 174,924,058 |
| Noncurrent cash, cash equivalents and investments, with trustees | 338,135,700 | 360,941,845 |
| Total restricted cash, cash equivalents and investments | 573,727,107 | 629,351,956 |
| Total cash, cash equivalents and investments | \$ 942,943,712 | \$ 1,027,305,064 |

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

| | 2021 | 2020 |
|---|----------------|----------------|
| Restricted cash, cash equivalents and investments: | | |
| Bond reserves: | | |
| Operation and maintenance reserve subaccount | \$ 42,735,010 | \$ 43,308,755 |
| Operation and maintenance subaccount | 14,245,003 | 14,436,251 |
| Renewal and replacement account | 5,400,000 | 5,400,000 |
| Total bonds reserves | 62,380,013 | 63,145,006 |
| Passenger facility charges unapplied | 51,233,055 | 65,034,830 |
| Customer facility charges unapplied | 26,699,449 | 43,051,177 |
| Small business development bond guarantee | 2,222,300 | 4,000,000 |
| 2010 Series debt service reserve fund | 3 | 30,146,892 |
| 2010 Series debt service account | - | 11,344,678 |
| 2013 Series construction fund | 87 | 87 |
| 2013 Series debt service reserve fund | 34,307,365 | 34,260,842 |
| 2013 Series debt service account | 17,157,962 | 16,981,079 |
| 2014 Series construction fund | 2,848 | 3,031 |
| 2014 Series debt service reserve fund | 22,305,314 | 22,796,477 |
| 2014 Series debt service account | 14,156,186 | 14,130,702 |
| 2014 Series rolling coverage fund | 7,170,595 | 7,133,754 |
| 2014 Series renew and replace | 9,428,461 | 7,452,635 |
| 2017 Series construction fund | 478,587 | 2,352,993 |
| 2017 Series debt service reserve fund | 12,241,130 | 12,537,440 |
| 2017 Series debt service account | 14,897,086 | 15,077,845 |
| 2019 Series construction fund | 199,855,483 | 222,216,692 |
| 2019 Series debt service account | 12,275,954 | 7,990,051 |
| 2019 Series debt service reserve fund | 29,607,535 | 29,918,507 |
| 2019 Series CAP interest fund | 6,797,251 | 16,110,292 |
| 2019 Series cost of issuance | - | 3,224 |
| 2020 Series cost of issuance | - | 57,969 |
| 2020 Series debt services | 20,095,215 | 3,605,753 |
| 2020 Service debt service reserve fund | 30,415,228 | - |
| Total restricted cash, cash equivalents and investments | \$ 573,727,107 | \$ 629,351,956 |



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 | \$75 million |
| San Diego County Investment Pool | N/A | N/A | None | \$75 million |
| Local Government Investment Pool | N/A | N/A | None | \$75 million |
| U.S. State and California agency | 5 years | A | 20 percent | 5 percent |
| Placement service certificates of deposits | 3 years | N/A | 30 percent | 5 percent |
| Time certificates of deposit | 3 years | * | 20 percent | 5 percent |
| Bank deposits | N/A | * | None | None |
| Asset-Backed Securities | 5 years | AA | 10 Percent | 5 percent |
| Mortgage Backed Securities | 5 years | AA | 10 Percent | 5 percent |
| Mortgage Pass-through Securities | 5 years | AA | 10 Percent | 5 percent |
| Collateralized Mortgage Obligation | 5 years | AA | 10 Percent | 5 percent |

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

INVESTMENT IN STATE INVESTMENT POOLS:

The Airport Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Airport Authority's investments in this pool are reported in the accompanying financial statements at fair value based upon the Airport Authority's pro rata share of the amortized cost basis provided by LAIF for

the entire LAIF portfolio (in relation to the amortized cost of each portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

INVESTMENT IN COUNTY INVESTMENT POOL:

The Airport Authority is a voluntary participant in the San Diego County Investment Pool (SDCIP) that is regulated by California Government Code Section 16429 under the oversight of the County Treasurer

NOTE 2.

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

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.

CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

NOTE 2. INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS:

Investments held by the bond trustee are governed by the provisions of the debt agreement, in addition to the general provisions of the California Government Code and the Airport Authority's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee,

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

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

*Investment requires collateralization

The primary objective of the Airport Authority's investment policy is to invest public funds in a manner that will provide the highest security of the funds under management while meeting the daily cash flow demands of the Airport Authority.

Assets of the Airport Authority that are not bond proceeds, which are invested in securities as permitted in the bond indenture, are described in the preceding table. In addition, there are various credit criteria as defined in the Airport Authority's investment policy as depicted in the previous section entitled "Investments authorized in accordance with California Government Code Section 53601 and under the provisions of the Airport Authority's investment policy."

INVESTMENTS HELD BY TRUSTEE:

The Airport Authority has monies held by

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.

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.

CUSTODIAL CREDIT RISK (DEPOSITS):

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

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

CUSTODIAL CREDIT RISK (INVESTMENTS):

Custodial credit risk for investments is the risk that the Airport Authority will not be able to recover the value of its investments in the event of a counterparty failure. The Airport Authority uses third-party banks' custody and safekeeping services for its registered investment securities.

Securities are held in custody at third-party banks registered in the name of the Airport Authority and are segregated from securities owned by those institutions or held in custody by those institutions.

DISCLOSURES RELATED TO CREDIT RISK:

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

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



CASH, CASH EQUIVALENTS & INVESTMENTS (CONTINUED)

NOTE 2. The maturity ranges and credit ratings for the Airport Authority's investment securities as of June 30 are presented in the following tables:

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

| Investment Type | Total | 2020 Investment Maturities (in Years) | | | Ratings |
|---|----------------|--|---------------|---------------|-----------|
| | | 0 - 1 | 1 - 2 | 2 - 5 | |
| Investments subject to credit and interest rate risk: | | | | | |
| U.S. Treasury obligations | \$ 152,277,194 | \$ 38,947,897 | \$ 54,461,073 | \$ 58,868,224 | AA+ |
| U.S. Agency securities | 147,157,246 | 22,271,155 | 32,673,767 | 92,212,324 | AA+ |
| | 6,810,765 | - | - | 6,810,765 | Not rated |
| Supranationals | 4,199,896 | 2,148,056 | 2,051,840 | - | AAA |
| | 5,610,140 | - | - | 5,610,140 | Not rated |
| Commercial Paper | 2,499,500 | 2,499,500 | - | - | A-1 |
| Medium-term notes | 3,041,070 | 3,041,070 | - | - | AAA |
| | 22,040,080 | 4,048,800 | 4,115,480 | 13,875,800 | AA |
| | 39,801,962 | 5,335,102 | 13,705,980 | 20,760,880 | A |
| Municipal Bonds | 5,176,600 | - | - | 5,176,600 | AA+ |
| Negotiable certificates of deposit | 4,028,440 | 4,028,440 | - | - | A+ |
| | 4,000,000 | 4,000,000 | - | - | A-1+ |
| Money market mutual funds | 110,878,565 | 110,878,565 | - | - | AAA |
| Local Agency Investment Fund | 146,314,756 | 146,314,756 | - | - | Not rated |
| San Diego County Investment Pool | 293,587,647 | 293,587,647 | - | - | AAA |
| CalTrust Fund | 16,362,863 | 16,362,863 | - | - | AA |
| Total investments subject to credit and interest rate risk: | 963,786,724 | 560,021,237 | 107,008,140 | 203,314,732 | |
| Investments not subject to credit or interest rate risk: | | | | | |
| Nonnegotiable certificates of deposit | \$ 16,271,235 | | | | |
| Total Investments | \$ 980,057,959 | | | | |

Ratings per Standard and Poor's

CONCENTRATION OF CREDIT RISK:
The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated in the table provided earlier in this note. The Airport Authority requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity,

issuer or class of securities. The Airport Authority had no concentrations of credit risk at June 30, 2021 and 2020.

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, 2021 and 2020, the balance of the note receivable was \$27,208,867 and \$29,332,710, 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 |
|-----------------------|----------------------|
| 2022 | \$ 2,243,644 |
| 2023 | 2,370,203 |
| 2024 | 2,500,653 |
| 2025 | 2,644,957 |
| 2026 | 2,794,153 |
| 2027-2031 | 14,655,257 |
| | <u>\$ 27,208,867</u> |



NOTE 4. Capital asset activity for the years ended June 30, 2021 and 2020, are as follows:

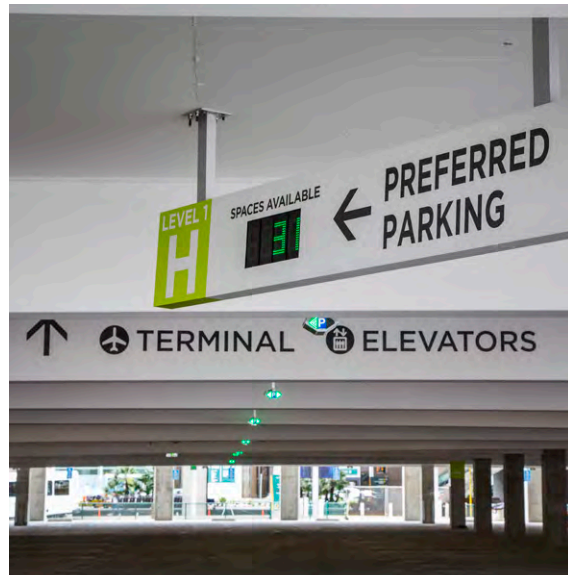
CAPITAL ASSETS

| | Balance at June 30, 2020 | Increases | Decreases | Balance at June 30, 2021 |
|---|-----------------------------|----------------|------------------|-----------------------------|
| Nondepreciable assets: | | | | |
| Land | \$ 22,167,594 | \$ - | \$ - | \$ 22,167,594 |
| Construction in progress | 288,353,299 | 173,459,061 | (213,276,895) | 248,535,465 |
| Intangible asset | 440,000 | - | - | 440,000 |
| Total nondepreciable assets | 310,960,893 | 173,459,061 | (213,276,895) | 271,143,059 |
| Depreciable assets: | | | | |
| Land improvements | 114,589,520 | 49,181,230 | - | 163,770,750 |
| Buildings and structures (1) | 1,747,407,784 | 148,946,010 | (10,586,284) | 1,885,767,510 |
| Machinery and equipment | 135,435,875 | 3,324,571 | (15,777,887) | 122,982,559 |
| Runways, roads and parking lots | 708,999,286 | 12,709,855 | (1,734,320) | 719,974,821 |
| Total capital assets being depreciated | 2,706,432,465 | 214,161,666 | (28,098,491) | 2,892,495,640 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (35,941,711) | (9,533,871) | - | (45,475,582) |
| Building and structures | (752,724,619) | (81,869,287) | 10,586,287 | (824,007,618) |
| Machinery and equipment | (84,805,802) | (11,671,187) | 15,540,927 | (80,936,062) |
| Runways, roads and parking lots | (355,320,220) | (29,759,445) | 1,568,624 | (383,511,041) |
| Total accumulated depreciation | (1,228,792,352) | (132,833,789) | 27,695,839 | (1,333,930,303) |
| Total capital assets being depreciated, net | 1,477,640,113 | 81,327,877 | (402,653) | 1,558,565,337 |
| Capital assets, net | \$ 1,788,601,006 | \$ 254,786,938 | \$ (213,679,548) | \$ 1,829,708,396 |

(1) Includes capitalized lease of building with a net present value of future lease payments of \$6,201,975

| | Balance at June 30, 2019 | Increases | Decreases | Balance at June 30, 2020 |
|---|-----------------------------|----------------|-----------------|-----------------------------|
| Nondepreciable assets: | | | | |
| Land | \$ 22,167,594 | \$ - | \$ - | \$ 22,167,594 |
| Construction in progress | 144,432,325 | 197,072,893 | (53,151,919) | 288,353,299 |
| Intangible asset | 440,000 | - | - | 440,000 |
| Total nondepreciable assets | 167,039,919 | 197,072,893 | (53,151,919) | 310,960,893 |
| Depreciable assets: | | | | |
| Land improvements | 113,682,793 | 906,727 | - | 114,589,520 |
| Buildings and structures (1) | 1,708,864,802 | 38,542,982 | - | 1,747,407,784 |
| Machinery and equipment | 131,172,226 | 4,263,649 | - | 135,435,875 |
| Runways, roads and parking lots | 698,595,118 | 10,297,728 | 106,440 | 708,999,286 |
| Total capital assets being depreciated | 2,652,314,939 | 54,011,086 | 106,440 | 2,706,432,465 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (28,301,823) | (7,639,888) | - | (35,941,711) |
| Building and structures | (670,750,529) | (81,974,090) | - | (752,724,619) |
| Machinery and equipment | (72,553,452) | (12,252,350) | - | (84,805,802) |
| Runways, roads and parking lots | (325,599,509) | (29,720,711) | - | (355,320,220) |
| Total accumulated depreciation | (1,097,205,313) | (131,587,039) | - | (1,228,792,352) |
| Total capital assets being depreciated, net | 1,555,109,626 | (77,575,953) | 106,440 | 1,477,640,113 |
| Capital assets, net | \$ 1,722,149,545 | \$ 119,496,940 | \$ (53,045,479) | \$ 1,788,601,006 |

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



The following is a summary of changes in the long-term liability activity for the years ended June 30, 2021 and 2020:

NOTE 5.

LONG-TERM LIABILITIES

| | Principal Balance at June 30, 2020 | Additions /New Issuances | Reductions/ Repayments | Principal Balance at June 30, 2021 | Due Within One Year |
|-----------------------------|--|-----------------------------|---------------------------|--|------------------------|
| Bonds payable: | | | | | |
| Series 2010 Bonds | \$ 10,865,000 | \$ - | \$ (10,865,000) | \$ - | \$ - |
| Series 2013 Bonds | 368,750,000 | - | (7,925,000) | 360,825,000 | 8,315,000 |
| Series 2014 Bonds | 293,985,000 | - | (5,890,000) | 288,095,000 | 6,090,000 |
| Series 2017 Bonds | 281,810,000 | - | (4,825,000) | 276,985,000 | 5,070,000 |
| Series 2019 Bonds | 463,680,000 | - | (1,235,000) | 462,445,000 | 3,420,000 |
| Series 2020 Bonds | 241,640,000 | - | (820,000) | 240,820,000 | 13,825,000 |
| Bond premiums | 220,478,470 | - | (14,050,587) | 206,427,883 | - |
| Total bonds payable | 1,881,208,470 | - | (45,610,587) | 1,835,597,883 | 36,720,000 |
| Capital leases | 6,497,108 | - | (295,134) | 6,201,974 | 323,293 |
| Total debt obligations | 1,887,705,578 | - | (45,905,721) | 1,841,799,857 | 37,043,293 |
| Compensated absences | 4,088,584 | 3,211,891 | (2,538,532) | 4,761,943 | 2,538,532 |
| Total long-term liabilities | \$ 1,891,794,162 | \$ 3,211,891 | \$ (48,444,253) | \$ 1,846,561,800 | \$ 39,581,825 |

| | Principal Balance at June 30, 2019 | Additions /New Issuances | Reductions/ Repayments | Principal Balance at June 30, 2020 | Due Within One Year |
|--------------------------------|--|-----------------------------|---------------------------|--|------------------------|
| Variable Rate Debt | | | | | |
| Series B tax-exempt Revolv LOC | \$ 13,719,000 | \$ - | \$ (13,719,000) | \$ - | \$ - |
| Total variable rate debt | 13,719,000 | 34,040,000 | (34,040,000) | - | - |
| Bonds payable: | | | | | |
| Series 2010 Bonds | 527,100,000 | - | (516,235,000) | 10,865,000 | 10,865,000 |
| Series 2013 Bonds | 371,070,000 | - | (2,320,000) | 368,750,000 | 7,925,000 |
| Series 2014 Bonds | 299,705,000 | - | (5,720,000) | 293,985,000 | 5,890,000 |
| Series 2017 Bonds | 286,270,000 | - | (4,460,000) | 281,810,000 | 4,825,000 |
| Series 2019 Bonds | - | 463,680,000 | - | 463,680,000 | 1,235,000 |
| Series 2020 Bonds | - | 241,640,000 | - | 241,640,000 | 820,000 |
| Bond premiums | 97,483,919 | 146,341,863 | (23,347,312) | 220,478,470 | - |
| Total bonds payable | 1,581,628,919 | 851,661,863 | (552,082,312) | 1,881,208,470 | 31,560,000 |
| Capital leases | 6,820,351 | - | (323,243) | 6,497,108 | 269,427 |
| Total debt obligations | 1,602,168,270 | 885,701,863 | (600,164,555) | 1,887,705,578 | 31,829,427 |
| Compensated absences | 3,550,211 | 3,385,678 | (2,847,305) | 4,088,584 | 2,847,306 |
| Total long-term liabilities | \$ 1,605,718,481 | \$ 889,087,541 | \$ (603,011,860) | \$ 1,891,794,162 | \$ 34,676,733 |



LONG-TERM LIABILITIES
(CONTINUED)

NOTE 5.

SENIOR LIEN AIRPORT REVENUE BONDS, SERIES 2005 AND REFUNDED SERIES 1995:

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

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

On December 21, 2012, the Airport Authority defeased all of its outstanding Series 2005 Bonds, by depositing proceeds of Subordinate CP Notes and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2005 Bonds until their final maturity date of July 1, 2020. As of June 30, 2021 and 2020, the amount held in escrow by the trustee was \$0 and \$5,226,683, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was \$0 and \$5,125,000, 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, 2021 and 2020, was \$17,685,100 and \$18,081,350, respectively, including accrued interest of \$8,842,550 and \$9,040,675 for fiscal years ending June 30, 2021 and 2020, respectively. The principal balance on the Series 2013 Bonds as of June 30, 2021 and 2020, was \$360,825,000 and \$368,750,000, respectively.

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

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's books, as shown previously in the notes. For the fiscal years ended June 30, 2021 and 2020, the amount held by the trustee was \$51,465,414 and \$51,242,009, 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 2021 and 2020 was \$62,380,013 and \$63,145,006, respectively. The public ratings of the Series 2013 Bonds as of June 30, 2021, are A/A1/AA- 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 |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2022 | 8,315,000 | \$ 17,477,225 | \$ 25,792,225 |
| 2023 | 8,725,000 | 17,051,225 | 25,776,225 |
| 2024 | 9,170,000 | 16,603,850 | 25,773,850 |
| 2025 | 9,625,000 | 16,133,975 | 25,758,975 |
| 2026 | 10,105,000 | 15,640,725 | 25,745,725 |
| 2027-2031 | 58,435,000 | 70,163,750 | 128,598,750 |
| 2032-2036 | 25,815,000 | 60,048,125 | 85,863,125 |
| 2037-2041 | 46,130,000 | 51,281,250 | 97,411,250 |
| 2042-2044 | 184,505,000 | 13,792,875 | 198,297,875 |
| | <u>\$ 360,825,000</u> | <u>\$ 278,193,000</u> | <u>\$ 639,018,000</u> |

SUBORDINATE LIEN SERIES 2010, 2017, 2019 AND 2020 BONDS:

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

The Subordinate Series 2010C Bonds were refunded and defeased on December 11, 2019, when the Airport Authority issued Subordinate Series 2019A Revenue Refunding Bonds. The proceeds of the Series 2019 Bonds included an amount to fund the escrow which was used to pay the principal and interest of the Series 2010C Bonds. As of June 30, 2021, the balance of the 2010C escrow fund was \$0. Subordinate Series 2010 A and B (except series maturing July 1, 2020) were refunded and defeased on April 8, 2020 when the Airport Authority Issued Series 2020A, 2020B, and 2020C Revenue Refunding Bonds. The proceeds of the Subordinate Series 2020 Bonds included an amount to fund the escrow which was used to pay the principal and interest of the Series 2010A and 2010B Bonds. As of June 30,

2021 the balance of the 2010A escrow fund was \$0 and the balance of the 2010B escrow fund was \$0. Amount on deposit in the escrow funds was used to pay the redemption price and interest on the Refunded Series 2010 Bonds on July 1, 2020.

As a result of the refunding, the Airport Authority reduced its total debt service requirements by \$142.8 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$100.0 million.

Interest for the fiscal years ended June 30, 2021 and 2020, amounted to \$407,438 and \$17,869,205, respectively, including accrued interest of \$0, and \$407,438, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2021 and 2020, was \$0 and \$10,865,000, respectively.

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

NOTE 5.

LONG-TERM LIABILITIES
(CONTINUED)

Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of \$48,423,688, which is being amortized over the life of the bonds. Interest on the Series 2017 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2021 and 2020, amounted to \$13,849,250 and \$14,090,500, respectively, including accrued interest of \$6,924,625 and \$7,045,250, respectively. The principal balance on the subordinate Series 2017 Bonds as of June 30, 2021 and 2020, was \$276,985,000 and \$281,810,000, respectively.

NOTE 5.

LONG-TERM LIABILITIES
(CONTINUED)

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

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2022 | 5,070,000 | 13,722,500 | \$ 18,792,500 |
| 2023 | 5,320,000 | 13,462,750 | 18,782,750 |
| 2024 | 5,585,000 | 13,190,125 | 18,775,125 |
| 2025 | 5,865,000 | 12,903,875 | 18,768,875 |
| 2026 | 6,155,000 | 12,603,375 | 18,758,375 |
| 2027-2031 | 35,730,000 | 57,955,500 | 93,685,500 |
| 2032-2036 | 45,600,000 | 47,836,750 | 93,436,750 |
| 2037-2041 | 58,200,000 | 34,923,500 | 93,123,500 |
| 2042-2046 | 74,290,000 | 18,440,500 | 92,730,500 |
| 2047-2048 | 35,170,000 | 1,780,000 | 36,950,000 |
| | <u>\$ 276,985,000</u> | <u>\$ 226,818,875</u> | <u>\$ 503,803,875</u> |

The Airport Authority issued \$338,775,000 of Series A Subordinate Airport Revenue and Revenue Refunding Bonds and \$124,905,000 of Series B Subordinate Airport Revenue Bonds on December 11, 2019 (Series 2019 Bonds). The Subordinate Series 2019 Bonds were issued to finance certain capital improvements at SDIA including a new facilities maintenance building and storm water capture and reuse projects, fund a portion of the interest accruing on the subordinate Series 2019 Bonds, refund \$34,321,000 of the Airport Authority's outstanding variable rate debt, fund the Series 2010C Escrow account, fund the subordinate reserve fund, and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2019 Bonds are structured as serial and

term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2021 to 2050. The bonds were issued at a premium of \$96,927,688, which is being amortized over the life of the bonds. Interest on the Series 2019 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2021 and 2020, amounted to \$22,292,100 and \$12,418,806, respectively, including accrued interest of \$11,146,051 and \$12,418,806, respectively. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2021 and 2020, was \$462,445,000 and \$463,680,000, respectively.



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

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2022 | \$ 3,420,000 | \$ 22,292,100 | \$ 25,712,100 |
| 2023 | 4,440,000 | 22,121,100 | 26,561,100 |
| 2024 | 6,095,000 | 21,899,100 | 27,994,100 |
| 2025 | 6,400,000 | 21,594,350 | 27,994,350 |
| 2026 | 5,615,000 | 21,274,350 | 26,889,350 |
| 2027-2031 | 32,580,000 | 101,868,500 | 134,448,500 |
| 2032-2036 | 108,750,000 | 87,243,000 | 195,993,000 |
| 2037-2041 | 163,700,000 | 55,332,800 | 219,032,800 |
| 2042-2046 | 66,135,000 | 25,957,200 | 92,092,200 |
| 2047-2051 | 65,310,000 | 8,362,500 | 73,672,500 |
| | <u>\$ 462,445,000</u> | <u>\$ 387,945,000</u> | <u>\$ 850,390,000</u> |

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

\$49,414,175, which is being amortized over the life of the bonds. Interest on the Series 2020 Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal years ended June 30, 2021 and 2020, amounted to \$12,041,000 and \$2,785,572, respectively, including accrued interest of \$6,020,500 and \$2,785,572, respectively. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2021 and 2020, was \$240,820,000 and \$241,640,000, respectively.

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

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2022 | \$ 13,825,000 | \$ 12,041,000 | \$ 25,866,000 |
| 2023 | 14,520,000 | 11,349,750 | 25,869,750 |
| 2024 | 15,240,000 | 10,623,750 | 25,863,750 |
| 2025 | 16,005,000 | 9,861,750 | 25,866,750 |
| 2026 | 11,275,000 | 9,061,500 | 20,336,500 |
| 2027-2031 | 65,395,000 | 36,268,750 | 101,663,750 |
| 2032-2036 | 57,755,000 | 19,881,250 | 77,636,250 |
| 2037-2041 | 46,805,000 | 7,250,250 | 54,055,250 |
| | <u>\$ 240,820,000</u> | <u>\$ 116,338,000</u> | <u>\$ 357,158,000</u> |

NOTE 5.

LONG-TERM LIABILITIES
(CONTINUED)



LONG-TERM LIABILITIES
(CONTINUED)

NOTE 5.

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

As subordinate lien bonds, the Series 2017, 2019 and 2020 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2021 and 2020, the amount held by the trustee was \$326,663,469 and \$351,362,336, respectively, which included the July 1 payment, a debt service reserve fund, construction fund, and a capitalized interest fund. The public ratings of the Subordinate Series 2010, 2017, 2019 and 2020 Bonds as of June 30, 2020, are A-/A2/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

Senior Lien Special Facilities Revenue Bonds, Series 2014:

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

The Series 2014 A Bonds were structured as tax-exempt and non-AMT term bonds that bear

interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent. The bonds were issued at a premium of \$594,226, which is amortized over the life of the bonds. Interest on the Series 2014 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for fiscal years ended June 30, 2021 and 2020, was \$15,827,940 and \$16,028,789, respectively, including accrued interest of \$7,913,970 and \$8,014,395, respectively. The principal balance on the Series 2014 Bonds for fiscal years ended June 30, 2021 and 2020 was \$288,095,000 and \$293,985,000, respectively.

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

The Series 2014 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's net position, as shown previously in the notes. For the fiscal years ended June 30, 2021 and 2020, the amount held by the trustee was \$53,063,404 and \$51,516,600, respectively, which included the July 1 payment, the debt service reserve fund, and the rolling coverage fund.

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

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

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2022 | \$ 6,090,000 | \$ 15,714,362 | \$ 21,804,362 |
| 2023 | 6,320,000 | 15,424,013 | 21,744,013 |
| 2024 | 6,670,000 | 15,060,682 | 21,730,682 |
| 2025 | 7,045,000 | 14,677,074 | 21,722,074 |
| 2026 | 7,440,000 | 14,271,928 | 21,711,928 |
| 2027-2031 | 43,925,000 | 64,443,360 | 108,368,360 |
| 2032-2036 | 57,665,000 | 50,319,070 | 107,984,070 |
| 2037-2041 | 75,700,000 | 31,777,897 | 107,477,897 |
| 2042-2045 | 77,240,000 | 8,370,662 | 85,610,662 |
| | <u>\$ 288,095,000</u> | <u>\$ 230,059,047</u> | <u>\$ 518,154,047</u> |

Interest expense on the Series 2010, 2013, 2014 2017, 2019 and 2020 Bonds for fiscal years ended June 30, 2021 and June 30, 2020 of \$81.7 million and \$81.3 million, respectively, was offset by bond premium amortization of \$14.1 million in fiscal year 2021 and \$9.6 million in fiscal year 2020.

Line of credit:

In fiscal year 2021, the Airport Authority maintained

a \$2,000,000 line of credit held with US Bank, which is collateralized with a Treasury bond. This line is utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2021, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

The Airport Authority had the following used and unused balances in line of credit type debt instruments as of June 30, 2021 and 2020:

| Line of credit | June 30, 2021 | | June 30, 2020 | |
|----------------|---------------|---------------------|---------------|---------------------|
| | Used | Unused | Used | Unused |
| | \$ - | 2,000,000 | \$ - | 4,000,000 |
| | <u>\$ -</u> | <u>\$ 2,000,000</u> | <u>\$ -</u> | <u>\$ 4,000,000</u> |

NOTE 5.

LONG-TERM LIABILITIES
(CONTINUED)



LONG-TERM LIABILITIES
(CONTINUED)

NOTE 5.

Subordinate Short-Term Debt Program:

As at June 30, 2021 the Authority did not maintain a short-term debt program. Subsequent to fiscal year 2021 on July 19, 2021 the Authority entered into an agreement with Bank of America N.A. to establish a Revolving Line of Credit for \$200,000,000.

Event of Default:

In the event of default of all general airport revenue bonds issued by the Airport Authority, acceleration is not a remedy. For the Letter of Credit and Reimbursement Agreement, an event of default could result in either an acceleration or an interest rate increase of 3.00 – 7.00 percent in addition to the base rate. Other than this, there are no significant finance-related consequences in the event of default on other debt instruments. The Airport Authority's Letter of Credit and Reimbursement Agreement is collateralized with a \$2,222,000 Treasury bond. Excluding general airport revenue bonds, special facility bonds, and capital leases, no other assets have been pledged

The following is a schedule of future lease payments applicable to the RDC installment purchase agreement and the net present value of the future lease payments at June 30, 2021:

| Total Years Ending June 30, | Amount |
|--|---------------------|
| 2022 | \$ 877,298 |
| 2023 | 877,298 |
| 2024 | 877,298 |
| 2025 | 877,298 |
| 2026 | 877,298 |
| 2027-2031 | 4,386,489 |
| 2032-2033 | 1,242,839 |
| Total Lease Payments | 10,015,817 |
| Less amount representing interest | (3,813,843) |
| Present value of future lease payments | <u>\$ 6,201,974</u> |

or collateralized for any other debt instruments. General Airport revenue bonds are secured by a pledge of Net Revenues which are generally defined as all revenues and other cash receipts of the Airport Authority's operations less amounts required to pay for operations and maintenance expenses of the airport (net revenues do not include cash received from PFC's, CFC's or Federal Grants). The special facility bonds are secured by a pledge of the Trust Estate.

CAPITAL LEASES

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

INTRODUCTION:

The Airport Authority has two defined benefit pension plans which cumulatively represent the net pension liability and related deferred inflows and deferred outflows of resource balances as reported on the statement of net position. The below schedule represents aggregating information as of June 30, 2021 and 2020:

| | Defined Benefit Plan (GASB No. 68) | Preservation of Benefits Trust Plan (GASB No. 73) | Total |
|--------------------------------|--|---|---------------|
| Balances as of 6/30/2021 | | | |
| Pension expense | \$ 12,879,899 | \$ 338,696 | \$ 13,218,595 |
| Net pension liability | 34,018,795 | 2,445,415 | 36,464,210 |
| Deferred outflows of resources | 30,748,781 | 908,672 | 31,657,453 |
| Deferred inflows of resources | 2,065,506 | 200,876 | 2,266,382 |
| Balances as of 6/30/2020 | | | |
| Pension expense | \$ 9,905,772 | \$ 214,006 | \$ 10,219,778 |
| Net pension liability | 15,961,502 | 1,767,232 | 17,728,734 |
| Deferred outflows of resources | 21,105,307 | 542,202 | 21,647,509 |
| Deferred inflows of resources | 6,190,685 | 218,627 | 6,409,312 |

PLAN DESCRIPTION:

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

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

SDCERS is governed by a 13-member Board, responsible for the administration of retirement

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

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

The San Diego City Charter Section 144 and San Diego Municipal Code Sections 24.0100 et seq. assign the authority to establish and amend the benefit provisions of the plans that participate in SDCERS to the SDCERS Board. The Airport Authority contributes to the Federal Social Security Program. The SDCERS Board issues a publicly available financial report that includes financial statements and required supplementary

NOTE 6.

DEFINED BENEFIT PLAN

information for SDCERS. The financial report may be found on the San Diego City Employees' Retirement System website at www.sdcers.org.

BENEFITS PROVIDED: The Airport Authority provides retirement, disability, and death benefits.

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

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

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

**DEFINED BENEFIT PLAN
(CONTINUED)**

NOTE 6. PEPRA participants begins at age 52 with five years of service.

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

Employees with ten years of continuous service are eligible to receive non-industrial disability and

As of the measurement dates June 30, 2020 and June 30, 2019, Plan membership was as follows:

| | 2020 | 2019 |
|--|------------|------------|
| Active employees | 414 | 407 |
| Inactive employees entitled to but not yet receiving benefits | 149 | 143 |
| Inactive employees or beneficiaries currently receiving benefits | 132 | 117 |
| Total | <u>695</u> | <u>667</u> |

CONTRIBUTIONS:

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

The actuarial valuation is completed as of June 30, of each year. Once accepted by the SDCERS Board, the approved rates for Airport Authority apply to the fiscal year beginning 12 months after the valuation date. For June 30, 2021, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2019, actuarial valuation.

employees with no service requirement can receive industrial disability.

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

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

For the years ended June 30, 2021 and 2020, employees contributed \$3,123,119 and \$3,321,661 respectively, and the Airport Authority contributed \$8,522,311 and \$8,355,880, respectively, to the Plan. Under the Plan, the Airport Authority pays a portion of the classic participant's contribution, referred to as the "off-set". The off-set is equal to 7.00% or 8.50% of the general classic members' base compensation and 9.55% of the executive classic members' base compensation. These contributions are included in the employee contribution. There is no off-set for PEPRA participants.

NET PENSION LIABILITY:

The Airport Authority's net pension liability as of June 30, 2021, is measured as the total pension liability, less the pension plan's fiduciary net position. The total pension liability as of June 30, 2021, is measured as of June 30, 2020. The

annual valuation used is as of June 30, 2019, rolled forward to June 30, 2020, 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, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | June 30, 2020 | June 30, 2019 |
|---|---------------------------------|---------------------------------|
| Valuation date | June 30, 2019 | June 30, 2018 |
| Measurement date | June 30, 2020 | June 30, 2019 |
| Actarial cost method | Entry-age normal funding method | Entry-age normal funding method |
| Asset valuation method | Expected value with smoothing | Expected value with smoothing |
| Actuarial assumptions: | | |
| Investment rate of return ⁽¹⁾ | 6.50% | 6.50% |
| Inflation Rate | 3.05% | 3.05% |
| Interest Credited to Member Contributions | 6.50% | 6.50% |
| Projected salary increase ⁽²⁾ | 3.05% | 3.05% |
| Cost-of-living adjustment | 1.9% per annum, compounded | 1.9% per annum, compounded |
| Termination rate ⁽³⁾ | 2.0% - 16.0% | 3.0% - 11.0% |
| Disability rate ⁽⁴⁾ | 0.01% - 0.20% | 0.01% - 0.30% |
| Mortality ⁽⁵⁾ | 0.02% - 13.54% | 0.02% - 13.54% |

⁽¹⁾ Net of investment expense

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

⁽³⁾ Based on years of service

⁽⁴⁾ Based on age

⁽⁵⁾ All active and retired healthy members: CalPERS Mortality Tables from the CalPERS January 2014 Experience Study

Further details about the actuarial assumptions can be found in the SDCERS June 30, 2020 and June 30, 2019 actuarial reports.

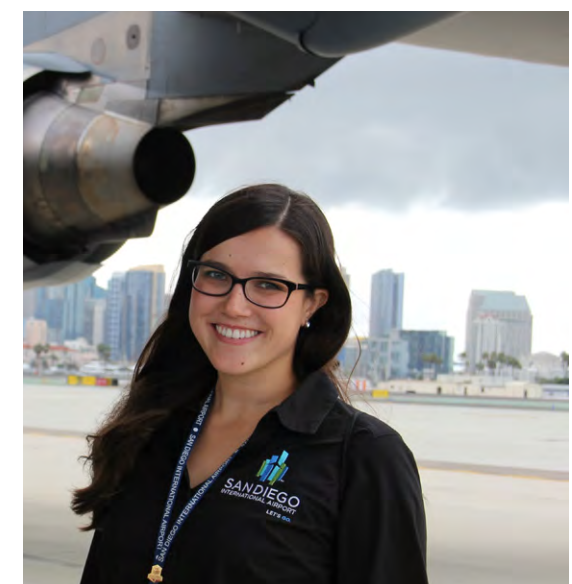
DISCOUNT RATE:

For the June 30, 2020 and 2019 actuarial valuations, the discount rate used to measure the total pension liability was 6.50. 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

NOTE 6.

**DEFINED BENEFIT PLAN
(CONTINUED)**



NOTE 6. 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:

DEFINED BENEFIT PLAN
(CONTINUED)

| Asset Class | Target Allocation | Long-term Expected Real Rates of Return | Long-term Expected Nominal Rates of Return |
|-----------------------------------|-------------------|---|--|
| Domestic equity | 17.2% | 4.7% | 6.9% |
| International equity | 14.2% | 5.7% | 7.9% |
| Global equity | 8.0% | 5.3% | 7.5% |
| Domestic fixed income | 21.6% | -0.3% | 1.8% |
| Emerging market debt | 5.0% | 2.5% | 4.6% |
| Real estate | 11.0% | 4.3% | 6.5% |
| Private equity and infrastructure | 13.0% | 7.6% | 9.9% |
| Opportunity fund | 10.0% | 4.3% | 6.5% |
| | <u>100.0%</u> | | |

CHANGES IN THE NET PENSION LIABILITY:

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

| | Increase (Decrease) | | |
|---|-----------------------------|----------------------------|---|
| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a) - (b) |
| Balances as of June 30, 2020 | \$ 218,788,911 | \$ 202,827,408 | \$ 15,961,503 |
| Changes for the year: | | | |
| Service cost | 7,857,035 | - | 7,857,035 |
| Interest on total pension liability | 14,257,205 | - | 14,257,205 |
| Difference between expected and actual experience | 925,862 | - | 925,862 |
| Changes in assumptions | 6,767,001 | - | 6,767,001 |
| Employer contributions | - | 8,424,834 | (8,424,834) |
| Member contributions | - | 3,321,661 | (3,321,661) |
| Net investment income | - | 390,013 | (390,013) |
| Benefit payments | (6,733,942) | (6,733,942) | - |
| Administrative expense | - | (386,697) | 386,697 |
| Net changes | <u>23,073,161</u> | <u>5,015,869</u> | <u>18,057,292</u> |
| Balances as of June 30, 2021 | <u>\$ 241,862,072</u> | <u>\$ 207,843,277</u> | <u>\$ 34,018,795</u> |

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

| | Increase (Decrease) | | |
|---|-----------------------------|----------------------------|---|
| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a) - (b) |
| Balances as of June 30, 2019 | \$ 204,875,918 | \$ 186,502,637 | \$ 18,373,281 |
| Changes for the year: | | | |
| Service cost | 7,632,696 | - | 7,632,696 |
| Interest on total pension liability | 13,355,418 | - | 13,355,418 |
| Difference between expected and actual experience | (645,462) | - | (645,462) |
| Changes in assumptions | - | - | - |
| Employer contributions | - | 7,848,712 | (7,848,712) |
| Member contributions | - | 3,178,464 | (3,178,464) |
| Net investment income | - | 12,086,349 | (12,086,349) |
| Benefit payments | (6,429,659) | (6,429,659) | - |
| Administrative expense | - | (359,095) | 359,095 |
| Net changes | <u>13,912,993</u> | <u>16,324,771</u> | <u>(2,411,778)</u> |
| Balances as of June 30, 2020 | <u>\$ 218,788,911</u> | <u>\$ 202,827,408</u> | <u>\$ 15,961,503</u> |

SENSITIVITY OF THE NET PENSION LIABILITY TO DISCOUNT RATE CHANGES:

The following presents the resulting net pension liability calculated using the discount rate of 6.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal years ended June 30, 2021:

| | 1% Decrease | Current | 1% Increase |
|--|----------------------|----------------------|---------------------|
| | 5.50% | 6.50% | 7.50% |
| Total pension liability | \$ 276,438,379 | \$ 241,862,072 | \$ 213,625,853 |
| Plan fiduciary net position | 207,843,276 | 207,843,277 | 207,843,276 |
| Net pension liability | <u>\$ 68,595,103</u> | <u>\$ 34,018,795</u> | <u>\$ 5,782,577</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>75.2%</u> | <u>85.9%</u> | <u>97.3%</u> |

NOTE 6.

DEFINED BENEFIT PLAN
(CONTINUED)

NOTE 6.
DEFINED BENEFIT PLAN
(CONTINUED)

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO THE PLAN:

For the years ended June 30, 2021 and 2020, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$12,879,899 and \$9,905,772, respectively. At June 30, 2021 and 2020, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

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

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

The deferred outflows of resources, at June 30, 2021 and 2020, resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end will be recognized as a reduction of the net pension liability at June 30, 2022 and 2021, respectively.

Other amounts reported as deferred outflows/inflows of resources related to the plan at June 30, 2021, will be recognized in pension expense as follows:

| Years ended June 30, | |
|----------------------|----------------------|
| 2022 | \$ 5,409,170 |
| 2023 | 5,869,695 |
| 2024 | 4,721,590 |
| 2025 | 4,160,509 |
| | \$ 20,160,964 |



PRESERVATION OF BENEFITS TRUST PLAN (POB) DESCRIPTION:

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:

Retirement benefits are provided to POB members with retirement benefits in excess of Code Section 415(b) who have participated in the Plan since establishment of the POB. Participation ends for a portion of a plan year in which the retirement benefit of a retiree or beneficiary is not limited by Code Section 415(b) or when all benefit obligations to the retiree or beneficiary have been satisfied. Benefit payments are equal to the amount of retirement income that would have been payable, less the amount payable by the Plan. Benefit payments for the years ended June 30, 2021 and 2020, were \$43,301 and \$47,081, respectively. The POB is unfunded and provides benefits on an annual basis as determined by SDCERS, as determined by SDCERS.

As of the measurement dates of June 30, 2020 and 2019, Plan membership was as follows:

| | 2020 | 2019 |
|--|----------|----------|
| Active employees | 2 | 2 |
| Inactive employees or beneficiaries currently receiving benefits | 2 | 2 |
| Total | 4 | 4 |

TOTAL PENSION LIABILITY:

The Airport Authority's total pension liability as of June 30, 2021 and 2020, was \$2,445,415 and \$1,767,232, respectively. The pension liability as of June 30, 2021, is measured as of June 30,

2020, using an annual actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, 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, 2020 and 2019, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | June 30, 2020 | June 30, 2019 |
|---|------------------|------------------|
| Valuation date | June 30, 2019 | June 30, 2018 |
| Measurement date | June 30, 2020 | June 30, 2019 |
| Actuarial cost method | Entry-age normal | Entry-age normal |
| Actuarial assumptions: | | |
| Discount rate | 2.21% | 3.50% |
| Inflation rate | 3.05% | 3.05% |
| Interest credited to member contributions | 6.50% | 6.50% |
| Projected salary increases | 3.05% | 3.05% |

NOTE 7.
PRESERVATION OF BENEFITS
TRUST PLAN (GASB NO. 73)



PRESERVATION OF BENEFITS TRUST PLAN (GASB NO. 73) (CONTINUED)

NOTE 7. CHANGES IN THE TOTAL PENSION LIABILITY:

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

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

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

| | Total Pension Liability |
|---|-------------------------|
| Balances as of June 30, 2019 | \$ 1,656,062 |
| Changes for the year: | |
| Service cost | 49,343 |
| Interest on total pension liability | 64,133 |
| Difference between expected and actual experience | (64,295) |
| Changes in assumptions | 109,070 |
| Benefit payments | (47,081) |
| Net changes | <u>111,170</u> |
| Balances as of June 30, 2020 | <u>\$ 1,767,232</u> |

SENSITIVITY OF THE TOTAL PENSION LIABILITY TO DISCOUNT RATE CHANGES:

The following presents the resulting total pension liability calculated using the discount rate of 2.21 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal year ended June 30, 2021:

| | 1% Decrease 1.21% | Current Rate 2.21% | 1% Increase 3.21% |
|-------------------------|----------------------|-----------------------|----------------------|
| Total pension liability | \$ 2,984,375 | \$ 2,445,415 | \$ 1,492,635 |

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO THE POB:

For the year ended June 30, 2021 and 2020, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 73, of \$338,696 and \$214,006. At June 30, 2021 and 2020, 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, 2021 | | |
| Differences between expected and actual experience | \$ 225,947 | \$ 84,431 |
| Changes in assumptions | 640,043 | 116,445 |
| Employer contributions subsequent to June 30, 2020 measurement date | 42,682 | - |
| Total | <u>\$ 908,672</u> | <u>\$ 200,876</u> |
| For June 30, 2020 | | |
| Differences between expected and actual experience | \$ 322,838 | \$ 51,436 |
| Changes in assumptions | 178,115 | 167,191 |
| Employer contributions subsequent to June 30, 2019 measurement date | 41,249 | - |
| Total | <u>\$ 542,202</u> | <u>\$ 218,627</u> |

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

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

| | Years ended June 30, | |
|--|----------------------|-------------------|
| | 2022 | \$ 175,925 |
| | 2023 | 147,000 |
| | 2024 | 120,831 |
| | | <u>\$ 443,756</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

NOTE 8.

EMPLOYEES' DEFERRED COMPENSATION PLAN

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.

OTHER POSTEMPLOYMENT BENEFITS

NOTE 9.

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

PLAN DESCRIPTION:

As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for approximately 2 million California public employees, retirees, and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States, managing more than \$392 billion in assets for more than 2,890 California employers. In 1988 and 2007, enabling statutes and regulations were enacted which permitted CalPERS to form the CERBT fund, an irrevocable Section 115 Trust, for the purpose of receiving employer contributions that will prefund health and other postemployment benefit costs for retirees and their beneficiaries. Financial statements for CERBT

may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

FUNDING POLICY:

CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the actuarially determined contributions (ADCs). As of May 9, 2009, the agreement with CERBT was approved. The retirees' contribution rate was raised from 5 percent to 10 percent of plan costs for single coverage and the entire cost of vision benefits, lowering the OPEB liabilities of the Airport Authority. Annually, the Airport Authority's goal is to fund 100 percent of the actuarially calculated ADC for its OPEB. In previous years, the Airport Authority has made contributions above the annual ADC which has resulted in a net OPEB asset. During the fiscal years ended June 30, 2021 and 2020, the Airport Authority's contributions were \$919,462 and \$784,845, respectively.

A measurement date of June 30, 2020 and 2019, was used for the June 30, 2021 and June 2020, OPEB assets and expenses. The information that follows was determined as of a valuation date of June 30, 2020 and June 30, 2019, respectively. Assumptions used in the June 30, 2020 valuation were rolled forward from the June 30, 2019 valuation.

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

| | 2020 | 2019 |
|--|------------|------------|
| Active employees | 141 | 151 |
| Inactive employees entitles to but not receiving benefits | 1 | - |
| Inactive employees or beneficiaries currently receiving benefits | 86 | 79 |
| Total | <u>228</u> | <u>230</u> |



ACTUARIAL ASSUMPTIONS:

The total OPEB liability in the June 30, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions, applied to all period included in the measurement:

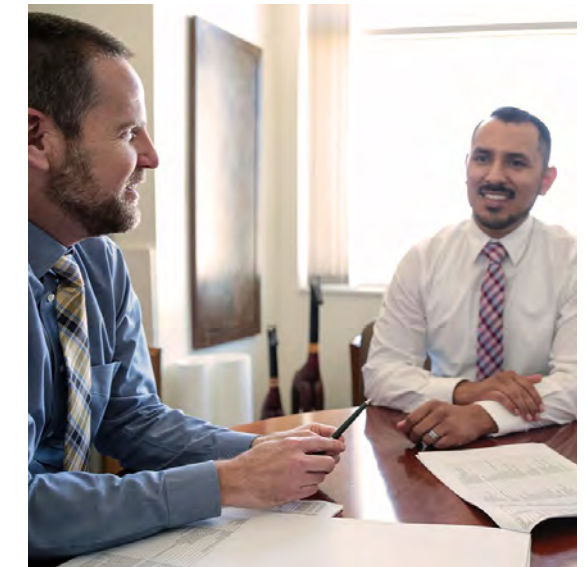
| | |
|---|--|
| Actuarial Valuation Date | June 30, 2019 |
| Contribution Policy | Authority contributes at least the full ADC |
| Inflation | 2.75% |
| Projected salary increase | 3.00% |
| Investment rate of return | 6.75%; Expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust |
| Actuarial cost method | Entry Age Normal Level Percent of Pay |
| Asset valuation method | 5 year asset smoothing |
| Retirement age | SDCERS 2010-2015 Experience Study |
| Mortality | CalPERS 1997-2015 Experience Study |
| Mortality Improvement | Mortality projected fully generational with Scale MP-2019 |
| Medical Trend | Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4% in 2076; Medicare - 6.3% for 2021, decreasing to an ultimate rate of 90% |
| Healthcare Participation of Future Retirees | 90% |
| Spousal Assumption for Future Retirees | Currently covered - 2-party coverage if currently have 2 party or family coverage; Currently waived - 80% cover spouses at retirement |

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

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

NOTE 9.

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)



OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

NOTE 9.

DISCOUNT RATE:

The discount rate used to measure the net OPEB liability (asset) at June 30, 2021 and June 30, 2020 was 6.75%. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the net OPEB liability.

CHANGES IN THE NET OPEB LIABILITY (ASSET):

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

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



NOTE 9.

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

| | Increase (Decrease) | | |
|---|----------------------|------------------------|-----------------------------|
| | Total OPEB Liability | Fiduciary Net Position | Net OPEB Liability/ (Asset) |
| Balances as of June 30, 2019 | \$ 25,804,494 | \$ 26,199,041 | \$ (394,547) |
| Changes for the year: | | | |
| Service cost | 449,596 | - | 449,596 |
| Interest on total OPEB liability | 1,883,080 | - | 1,883,080 |
| Difference between expected and actual experience | (169,582) | - | (169,582) |
| Changes in assumptions | (1,531,369) | - | (1,531,369) |
| Employer contributions | - | 775,225 | (775,225) |
| Member contributions | - | - | - |
| Net investment income | - | 1,604,058 | (1,604,058) |
| Benefit payments | (775,225) | (775,225) | - |
| Administrative expense | - | (5,611) | 5,611 |
| Net changes | (143,500) | 1,598,447 | (1,741,947) |
| Balances as of June 30, 2020 | \$ 25,660,994 | \$ 27,797,488 | \$ (2,136,494) |

SENSITIVITY OF THE NET OPEB LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE AND HEALTH CARE COST TREND RATES:

The net OPEB liability (asset) of the Authority has been calculated using a discount rate of 6.75%. The following presents the net OPEB liability (asset) using a discount rate 1% higher and 1% lower than the current discount rate.

| | 1% Decrease 5.75% | Current Rate 6.75% | 1% Increase 7.75% |
|----------------------------|----------------------|-----------------------|----------------------|
| Net OPEB liability (asset) | \$ 2,174,982 | \$ (1,649,215) | \$ (4,804,196) |

The net OPEB liability (asset) of the Authority has been calculated using health care cost trend rates of 7.25% decreasing to 4.0% in 2076 and thereafter for non-Medicare and 6.3% decreasing to 4.0% in 2076 for Medicare. The following presents the net OPEB liability (asset) 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 |
|----------------------------|----------------|----------------|--------------|
| Net OPEB liability (asset) | \$ (5,163,937) | \$ (1,649,215) | \$ 2,636,278 |

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

NOTE 9. OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO THE OPEB:

For the years ended June 30, 2021 and 2020, the Airport Authority recognized OPEB expense, as measured in accordance with GASB Statement No. 75, of \$197,770 and \$71,854, respectively, and reported deferred inflows of resources and deferred outflows of resources related to the OPEB from the following sources:

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

| For June 30, 2020 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Net difference between projected and actual earnings | \$ - | \$ 104,407 |
| Net difference between expected and actual experience | - | 129,205 |
| Changes in assumptions | 329,475 | 1,166,757 |
| Employer contributions made subsequent to June 30, 2019 measurement date | 784,336 | - |
| Total | \$ 1,113,811 | \$ 1,400,369 |

The deferred outflows of resources at June 30, 2021 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, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2021, related to the OPEB will be recognized in OPEB expense as follows:

| Years ended June 30, | |
|----------------------|--------------|
| 2022 | \$ (180,596) |
| 2023 | (153,056) |
| 2024 | 158,361 |
| 2025 | 178,751 |
| | \$ 3,460 |



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

COMMERCIALLY ISSUED INSURANCE:

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

SELF-INSURANCE:

Due to the exorbitant cost of earthquake insurance, the Airport Authority self-insures for losses due to earthquake damage. Effective July 1, 2007, the Airport Authority removed the purchase of commercial earthquake insurance from the Risk Management Program and increased reliance on the laws designed to assist public entities through

the Federal Emergency Management Agency and the California Disaster Assistance Act. As of June 30, 2021 and 2020, the Airport Authority has designated \$12,403,950 and \$11,685,954, respectively, from its net position, as an insurance contingency.

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

LOSS PREVENTION:

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

During fiscal year 2021, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

NOTE 10. RISK MANAGEMENT

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1

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

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

NOTE 11. DISCLOSURE ABOUT FAIR VALUE OF ASSETS

DISCLOSURES ABOUT FAIR VALUE OF ASSETS

NOTE 11.

RECURRING MEASUREMENTS:

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at the fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020:

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

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|----------------|--|----------------|---|---|
| | | | | | |
| June 30, 2020 | | | | | |
| Investments by fair value level | | | | | |
| U.S. Treasury obligations | \$ 152,277,194 | \$ 152,277,194 | \$ - | \$ - | - |
| U.S. agency securities | 153,968,011 | - | 153,968,011 | - | - |
| Non-U.S. Securities | 9,810,036 | 9,810,036 | - | - | - |
| Commercial Paper | 2,499,500 | - | 2,499,500 | - | - |
| Negotiable certificates of deposit | 8,028,440 | - | 8,028,440 | - | - |
| Municipal Bonds | 5,176,600 | - | 5,176,600 | - | - |
| Medium-term notes | 64,883,112 | - | 64,883,112 | - | - |
| Total investments by fair value level | 396,642,893 | \$ 162,087,230 | \$ 234,555,663 | \$ - | - |
| Investments measured at amortized cost | | | | | |
| Money Market Mutual funds | 110,878,565 | | | | |
| Non-negotiable certificate of deposit | 16,271,235 | | | | |
| Investments measured at net asset value | | | | | |
| Caltrust | 16,362,863 | | | | |
| Local Agency Investment Fund | 146,314,756 | | | | |
| San Diego County Investment Pool | 293,587,647 | | | | |
| Total investments | \$ 980,057,959 | | | | |

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

Certain capital assets, such as loading bridges, airfield, and building space, are leased to signatory and non-signatory airlines. A policy statement issued by the Federal Aviation Administration governs the Airport Authority's Airline Operating Lease Agreement (AOLA) of these assets and as such, rates are determined each year based upon a combination of residual and compensatory rate setting methodologies, which do not exceed actual costs of operating the airport. Such costs are allocated to each signatory airline based upon factors such as landed weights, enplanements, square footage, acres, etc. Costs are offset by payments from non-signatory airlines for the usage of those assets. The Airport Authority's current AOLA is effective July 1, 2019 through June 30, 2029.

Other capital assets are leased to terminal and rental car concessionaires. Concession lease payments for space within the terminals are

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, 2021, are as follows:

| Years Ending June 30, | Amount |
|-----------------------|-----------------------|
| 2022 | \$ 32,077,713 |
| 2023 | 28,854,700 |
| 2024 | 25,576,029 |
| 2025 | 18,889,541 |
| 2026 | 16,037,534 |
| 2027-2031 | 83,924,750 |
| 2032-2036 | 91,000,736 |
| 2037-2041 | 99,404,788 |
| 2042-2046 | 109,386,165 |
| 2047-2051 | 48,382,433 |
| 2052-2056 | 724,440 |
| 2057-2061 | 724,440 |
| 2062-2066 | 724,440 |
| 2067-2071 | 362,220 |
| | \$ 556,069,929 |

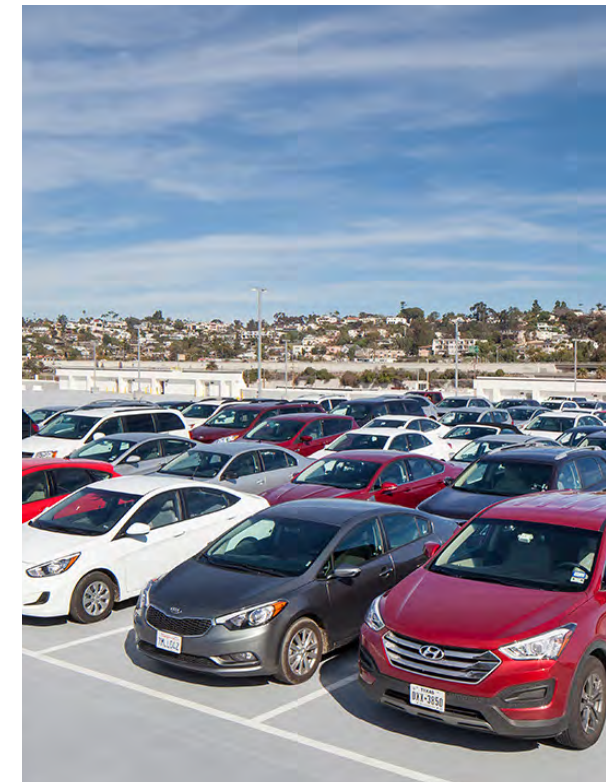
Airline regulated lease payments, amounts exceeding the minimum guarantee, and the lease abatements mentioned in the preceding paragraphs are not reflected in this schedule.

NOTE 12.

LEASE REVENUES

rental car companies, for a period beginning April 1, 2020 through June 30, 2021. The Airport Authority will continue to evaluate the possibility of additional extensions as the economy recovers.

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



LEASE COMMITMENTS

NOTE 13.

SDUPD Harbor Island Drive lease:

The Airport Authority is leasing from the District approximately 60,958 square feet of land area located on the east side of Harbor Island Drive near North Harbor Drive and 277,456 square feet of land are located north easterly of the neck of Harbor Island Drive and adjacent easterly to 1380 Harbor Island Drive under a lease that commenced on June 1, 2021 and expires August 30, 2025 for an annual rent of \$966,264.

SDUPD Pacific Highway lease:

The Airport Authority is leasing property from the District located at 2535 Pacific under a lease that

commenced on June 1, 2021 and expires May 31, 2041 for an annual rent of \$314,490.

California Street Lease Assumption:

The Airport Authority is leasing property located at 2554 California Street under a lease that commenced on January 25, 2021 and expires December 31, 2022 for an annual rent of \$114,732.

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

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

| Years Ending June 30, | Amount |
|-----------------------|-----------------------|
| 2022 | \$ 11,978,709 |
| 2023 | 11,921,343 |
| 2024 | 11,863,977 |
| 2025 | 11,863,977 |
| 2026 | 11,024,877 |
| 2027-2031 | 52,447,014 |
| 2032-2036 | 52,447,014 |
| 2037-2041 | 52,447,014 |
| 2042-2046 | 50,883,300 |
| 2047-2051 | 50,883,300 |
| 2052-2056 | 50,883,300 |
| 2057-2061 | 50,883,300 |
| 2061-2066 | 50,883,300 |
| 2067-2068 | 15,264,990 |
| | <u>\$ 485,675,415</u> |

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

| Rental payments made | 2021 | 2020 |
|----------------------|----------------------|----------------------|
| | <u>\$ 10,266,658</u> | <u>\$ 10,207,066</u> |

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.

SDUPD North Harbor Drive lease:

The Airport Authority is leasing from the District approximately 135,521 square feet of land area located at 3032 North Harbor Drive under a lease that commenced on June 1, 2021 and expires May 31, 2026 for an annual rent of \$406,563.

COMMITMENTS:

As of June 30, 2021 and 2020, 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 noncurrent assets, primarily for the unpaid contractual portion of capital projects that are currently in progress and will not be funded by grants or additional debt but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. At June 30, 2021 and 2020, these funds totaled approximately \$8.1 million and \$29.7 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, 2021 and 2020, the Airport Authority expensed \$22,242,854 and \$16,723,815 respectively for these services.

- iii. In fiscal year 2019, the Board approved \$38 million contract with Ace Parking Management Inc., for parking management services. As of June 30, 2021, \$13.6 million has been spent and the contract is scheduled for completion in fiscal year 2023.
- iv. In fiscal year 2019, the Board approved \$45 million contract with Ace Parking Management Inc., for airport shuttle services. As of June 30, 2021, \$13.8 million has been spent for shuttle services and the contract is scheduled for completion in fiscal year 2022.
- v. In fiscal year 2015, the Board approved a \$29.2 million contract with SP Plus Corporation to transport rental car companies' customers between the Rental Car Center facility and the terminals. The contract scope also includes the operation, management and maintenance of the shuttle vehicles. In fiscal years 2016, 2019, and 2021, the Board approved an additional \$1.2 million, \$14.6 million and \$1.3 million. As of June 30, 2021, \$44 million had been spent and the contract is scheduled for completion in fiscal year 2022.
- vi. In fiscal year 2019, the Board approved a \$19.5 million contract with AECOM Technical Services, Inc. for on call program management, staffing support and consulting services. In fiscal year 2020, the board approved additional \$134.8 million. As of June 30, 2021, \$31.9 million has been spent and the contract is scheduled for completion in fiscal year 2024.
- vii. In fiscal year 2019, the Board approved a \$40.9 million contract with Granite Construction Company to provide a new hydrant fueling infrastructure on the north side of the runway. As of June 30, 2021,

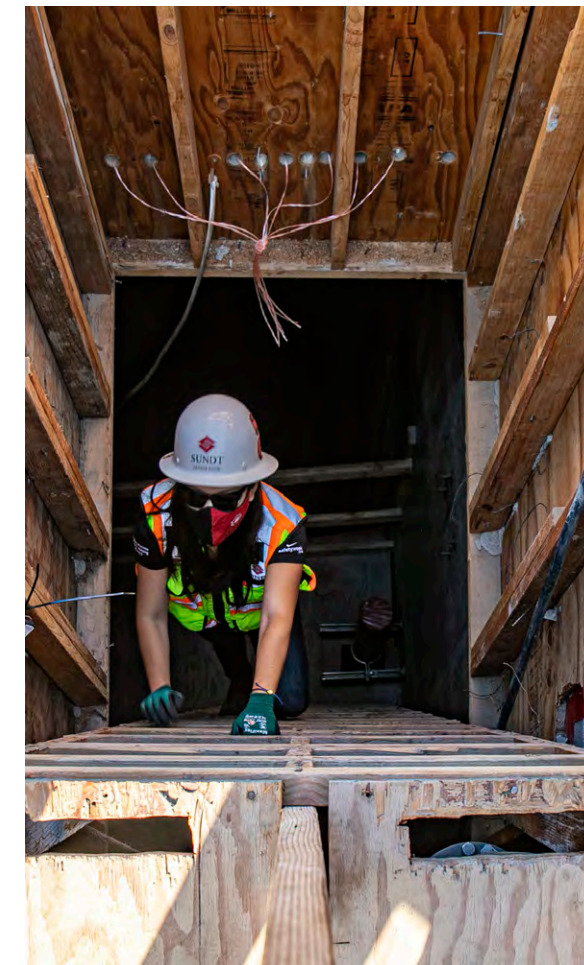
NOTE 14.

COMMITMENTS AND CONTINGENCIES



NOTE 14.

COMMITMENTS AND CONTINGENCIES (CONTINUED)



- \$39.5 million had been spent and the contract was completed in fiscal year 2021.
- viii. In fiscal year 2021, the Board approved a \$16.2 million contract with Granite Construction Company to provide a Construction of the West Refueler Loading Facility and the West Solid Waste Facility. As of June 30, 2021, \$640K had been spent and the contract is scheduled for completion in fiscal year 2022.
- ix. In fiscal year 2019, the Board approved a \$152.9 million contract with Sundt Construction, Inc. for the design and construction of Airport Support Facilities. As of June 30, 2021, \$144.8 million had been spent and the contract is scheduled for completion in early fiscal year 2022.
- x. In fiscal year 2021, the Board approved an \$80 million contract with Turner-Flatiron, A Joint Venture for the design-build of terminal and roadways. As of June 30, 2021, \$36 million had been spent and the contract is scheduled for completion in early fiscal year 2022.
- xi. In fiscal year 2019, the Board approved an \$11.7 million contract with Pacific Rim Mechanical for HVAC repair and maintenance services. As of June 30, 2021, \$6.1 million had been spent and the contract is scheduled for completion in fiscal year 2022.
- xii. In fiscal years 2012 through 2018, the Board had approved a total of \$9.4 million with LeighFisher for a SDIA development plan consultant. In fiscal year 2019 and 2020 the Board approved an additional \$2.3 million and \$800,000. As of June 30, 2021, \$11.8 million had been spent and the contract is scheduled for completion in fiscal year 2022.
- xiii. In fiscal year 2020, the Board approved a \$35 million contract with Jacobs Engineering Group, Inc. to provide Airside-Landside

Engineering consulting services. As of June 30, 2021, \$19.8 million had been spent and the contract is scheduled for completion in fiscal year 2025.

CONTINGENCIES:

As of June 30, 2021, the Airport Authority is subject to contingencies arising from matters as described below:

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

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

The dynamic nature of the COVID-19 pandemic is the cause of numerous uncertainties, some of

which include the ultimate duration or extent of the pandemic; the duration or expansion of travel restrictions and warnings; to what extent the COVID-19 pandemic will continue to disrupt the local or global economy; the extent to which such disruption will adversely impact construction, or other operations at SAN; actions that may be taken by governmental authorities to contain the outbreak or to treat its impact; and duration

On July 19, 2021 the Authority entered into an agreement with Bank of America N.A. to establish a Revolving Line of Credit for \$200,000,000. The agreement is for a term of three years and is a subordinate obligation of the Authority. Tax exempt interest is calculated as a 50 basis point spread on the SIFMA index and taxable interest is calculated as a 62 basis point spread on the BSBY index. Unutilized fees are 30 basis points up to 40 percent utilization and 0 percent thereafter.

On July 1, 2021, the Authority Board approved a contract with Sundt Construction Company Inc., for a maximum contract price not to exceed \$91,379,967 for the design and construction of Airport Development Program New Administration Building project.

On August 10, 2021, pursuant to the American Rescue Plan Act of 2021, the Authority was awarded a \$78.8 million Federal Aviation Administration (FAA) Airport Rescue Grant. These funds provide economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the COVID-19 pandemic. Funds provided under this grant must only be used for airport operational expenses or debt service payments. An additional \$10.8 million has been allocated to SAN to provide relief from rent and minimum annual guarantees to eligible inter-terminal airport concessions. The award of this grant is pending development of guidance by the FAA for use of concessions relief grants.

On October 7, 2021, the Authority Board approved

an amendment to the contract with TurnerFlatiron, a Joint Venture establishing a maximum contract price not to exceed \$2,610,417,181 for the design and construction of Airport Development Program Terminal and Roadways project.

On October 7, 2021, the Authority Board approved a contract with Griffith Company Inc., in the amount of \$251,671,315 for the Airport Development Program Airside Improvements project.

On October 15, 2021, the Airport Authority purchased real property located at 2554-2610 California Street, San Diego, California for \$3,250,000.



NOTE 14.

COMMITMENTS AND CONTINGENCIES (CONTINUED)

NOTE 15.

SUBSEQUENT EVENTS

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (PLAN YEAR REPORTED IN SUBSEQUENT FISCAL YEAR)
DEFINED BENEFIT PLAN**

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Pension Liability: | | | | | | | |
| Service cost | \$ 7,857,035 | \$ 7,632,696 | \$ 7,390,428 | \$ 6,996,180 | \$ 6,205,263 | \$ 6,154,579 | \$ 6,099,481 |
| Interest (includes interest on service cost) | 14,257,205 | 13,355,418 | 12,621,226 | 11,416,679 | 10,277,610 | 9,327,538 | 8,465,485 |
| Differences between expected and actual experience | 925,862 | (645,462) | (2,630,285) | 3,975,029 | (2,178,527) | 345,661 | - |
| Effect of changes of assumptions | 6,767,001 | - | 6,416,088 | 5,871,218 | 10,473,890 | - | - |
| Benefit payments, including refunds of member contributions | (6,733,942) | (6,429,659) | (4,462,751) | (4,669,787) | (3,023,391) | (2,482,523) | (2,913,221) |
| Net change in total pension liability | 23,073,161 | 13,912,993 | 19,334,706 | 23,589,319 | 21,754,845 | 13,345,255 | 11,651,745 |
| Total pension liability - beginning | 218,788,911 | 204,875,918 | 185,541,212 | 161,951,893 | 140,197,048 | 126,851,793 | 115,200,048 |
| Total pension liability - ending | \$ 241,862,072 | \$ 218,788,911 | \$ 204,875,918 | \$ 185,541,212 | \$ 161,951,893 | \$ 140,197,048 | \$ 126,851,793 |
| Plan Fiduciary Net Position: | | | | | | | |
| Contributions - employer | \$ 8,424,834 | \$ 7,848,712 | \$ 7,318,546 | \$ 5,480,984 | \$ 4,047,780 | \$ 3,897,545 | \$ 3,924,988 |
| Contributions - employee | 3,321,661 | 3,178,464 | 3,162,781 | 2,990,317 | 2,967,269 | 2,840,236 | 2,765,079 |
| Net investment income | 390,013 | 12,086,349 | 14,036,710 | 19,480,875 | 1,651,283 | 4,390,185 | 18,302,683 |
| Benefit payments, including refunds of member contributions | (6,733,942) | (6,429,659) | (4,462,751) | (4,669,786) | (3,023,391) | (2,482,523) | (2,913,221) |
| Administrative expense | (386,697) | (359,095) | (350,408) | (325,042) | (318,817) | (332,290) | (332,645) |
| Net change in plan fiduciary net position | 5,015,869 | 16,324,771 | 19,704,878 | 22,957,348 | 5,324,124 | 8,313,153 | 21,746,884 |
| Plan fiduciary net position - beginning | 202,827,408 | 186,502,637 | 166,797,759 | 143,840,411 | 138,516,287 | 130,203,134 | 108,456,250 |
| Plan fiduciary net position - ending | \$ 207,843,277 | \$ 202,827,408 | \$ 186,502,637 | \$ 166,797,759 | \$ 143,840,411 | \$ 138,516,287 | \$ 130,203,134 |
| Net pension liability (asset) - ending | \$ 34,018,795 | \$ 15,961,503 | \$ 18,373,281 | \$ 18,743,453 | \$ 18,111,482 | \$ 1,680,761 | \$ (3,351,341) |
| Plan fiduciary net position as a percentage of the total pension liability | 85.93% | 92.70% | 91.03% | 89.90% | 88.82% | 98.80% | 102.64% |
| Covered payroll | \$ 32,828,449 | \$ 31,584,841 | \$ 31,628,301 | \$ 31,131,795 | \$ 29,189,357 | \$ 27,955,455 | \$ 26,380,323 |
| Net pension liability as a percentage of covered payroll | 103.63% | 50.54% | 58.17% | 60.21% | 62.05% | 6.01% | (12.70%) |

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

**SCHEDULE OF CONTRIBUTIONS (PENSIONS)
LAST 10 FISCAL YEARS (DOLLARS IN THOUSANDS):
DEFINED BENEFIT PLAN**

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|------------|------------|------------|------------|------------|
| Actuarially determined contribution | \$ 6,125 | \$ 6,159 | \$ 5,740 | \$ 5,416 | \$ 3,765 |
| Contributions in relation to the actuarially determined contribution | 8,522 | 8,356 | 7,783 | 7,247 | 5,421 |
| Contribution deficiency (excess) | \$ (2,397) | \$ (2,197) | \$ (2,043) | \$ (1,831) | \$ (1,656) |
| Covered payroll | \$ 31,296 | \$ 32,828 | \$ 31,585 | \$ 31,628 | \$ 31,506 |
| Contributions as a percentage of covered payroll | 27.23% | 25.45% | 24.64% | 22.91% | 17.21% |

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|-----------|-----------|-----------|-----------|-----------|
| Actuarially determined contribution | \$ 3,666 | \$ 3,823 | \$ 2,900 | \$ 2,600 | \$ 3,800 |
| Contributions in relation to the actuarially determined contribution | 3,948 | 3,823 | 3,728 | 2,600 | 3,800 |
| Contribution deficiency (excess) | \$ (282) | \$ - | \$ (828) | \$ - | \$ - |
| Covered payroll | \$ 29,189 | \$ 27,955 | \$ 26,380 | \$ 24,840 | \$ 25,148 |
| Contributions as a percentage of covered payroll | 13.53% | 13.68% | 14.13% | 10.47% | 15.11% |

* This schedule is presented for the fiscal year.



**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (PLAN YEAR REPORTED IN SUBSEQUENT FISCAL YEAR)**

PRESERVATION OF BENEFITS TRUST PLAN

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

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

**SCHEDULE OF CONTRIBUTIONS (PENSIONS), LAST 10 FISCAL YEARS:
PRESERVATION OF BENEFITS TRUST PLAN**

| | 2021 | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|---------------|
| Actuarially determined contribution | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the actuarially determined contribution | 42,682 | 41,249 | 45,353 | 56,513 |
| Contribution deficiency (excess) | \$ (42,682) | \$ (41,249) | \$ (45,353) | \$ (56,513) |
| Covered payroll | \$ 31,295,787 | \$ 32,828,449 | \$ 31,584,841 | \$ 31,628,301 |
| Contributions as a percentage of covered payroll | 0.14% | 0.13% | 0.14% | 0.18% |

* This schedule is presented for the fiscal year.

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

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
LAST 10 FISCAL YEARS (PLAN YEAR REPORTED IN SUBSEQUENT FISCAL YEAR):
OTHER POSTEMPLOYMENT BENEFITS**

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

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

**SCHEDULE OF CONTRIBUTIONS (OPEB)
LAST 10 FISCAL YEARS (DOLLARS IN THOUSANDS):
OTHER POSTEMPLOYMENT BENEFITS**

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

* This schedule is presented for the fiscal year.

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



STATISTICAL SECTION

This part of the Airport Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends Data – These tables contain trend information to help the reader understand how the Airport Authority's financial performance and well-being have changed over time.

- Authority operating revenues and O&M expenses Exhibit S-1
- Authority net position by component Exhibit S-2
- Authority changes in net position Exhibit S-3
- Authority largest sources of revenue Exhibit S-4

Revenue Capacity – These tables contain information to help the reader assess the Airport Authority's most significant revenue sources.

- Authority landing fee rate Exhibit S-5
- Terminal rates billed to airlines Exhibit S-6
- Airline cost per enplaned passenger Exhibit S-7

Operating Information – These tables are intended to provide contextual information about the Airport Authority's operations and resources in order for readers to understand and assess its economic condition.

- Authority employee head count Exhibit S-8
- Aircraft operations Exhibit S-9
- Aircraft landed weight Exhibit S-10
- Aircraft landed weight by airline Exhibit S-11
- Passenger enplanements Exhibit S-12
- Enplanement market share by airline by fiscal year Exhibit S-13
- Capital assets Exhibit S-14

Demographic and Economic Information – These tables offer demographic and economic indicators to help the reader understand the environment within which the Airport Authority's financial activities take place.

- Population & per capita personal income – San Diego County Exhibit S-15
- Principal employers in San Diego County Exhibit S-16
- Labor force, employment and unemployment rates Exhibit S-17

Debt Capacity – These tables present information to help the reader assess the affordability of the Airport Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

- Debt service coverage Exhibit S-18
- Debt services coverage – Series 2014 CFC Bonds Exhibit S-19
- Debt per enplaned passenger Exhibit S-20

EXHIBIT S-4 AUTHORITY LARGEST SOURCES OF REVENUE (\$'000)

Fiscal Years Ended June 30,

| Tenant | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2021 % of Total Operating Revenue |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|
| Southwest Airlines | \$23,357,007 | \$27,598,908 | \$29,548,565 | \$33,107,335 | \$33,838,686 | \$35,960,638 | \$38,403,919 | \$42,358,547 | \$44,940,626 | \$32,981,547 | 15.3% |
| Alaska Airlines** | 4,265,739 | 6,167,257 | 8,008,057 | 9,712,564 | 10,612,367 | 11,705,334 | 16,352,834 | 17,436,299 | 20,633,199 | 19,163,465 | 8.9% |
| American Airlines* | 12,585,537 | 15,173,458 | 15,785,140 | 15,888,023 | 15,321,505 | 17,075,112 | 16,581,217 | 17,073,172 | 17,150,267 | 17,009,804 | 7.9% |
| Delta Airlines | 8,911,886 | 10,898,540 | 12,005,146 | 13,560,515 | 14,418,056 | 16,123,110 | 17,007,240 | 18,367,799 | 22,063,736 | 16,637,440 | 7.7% |
| United Airlines | 10,931,601 | 15,817,886 | 15,364,094 | 15,687,045 | 14,518,119 | 16,227,363 | 17,520,412 | 18,335,068 | 20,204,377 | 16,629,587 | 7.7% |
| Enterprise Rent-A-Car | 7,290,392 | 6,934,784 | 7,162,116 | 7,998,222 | 9,451,127 | 11,188,393 | 12,285,652 | 12,779,605 | 12,238,158 | 5,913,051 | 2.7% |
| Hertz Rent-A-Car | 5,795,690 | 5,961,730 | 6,149,759 | 6,236,082 | 8,225,179 | 11,142,905 | 11,017,486 | 11,538,847 | 10,829,239 | 5,303,020 | 2.5% |
| Signature Flight Support | - | - | - | - | - | - | - | - | - | 4,919,025 | 2.3% |
| Avis Rent-A-Car*** | - | - | - | - | - | - | - | - | 8,446,736 | 4,666,097 | 2.2% |
| FedEx | - | - | - | - | - | - | - | - | - | 3,889,735 | 1.8% |

* On December 9, 2013, AMR Corporation (American Airlines) merged with US Airways Group, forming American Airlines Group. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. Data for US Airways and American Airlines have been combined in this table.

** Alaska Airlines and Virgin America received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. Data for Alaska Airlines and Virgin America have been combined in this table.

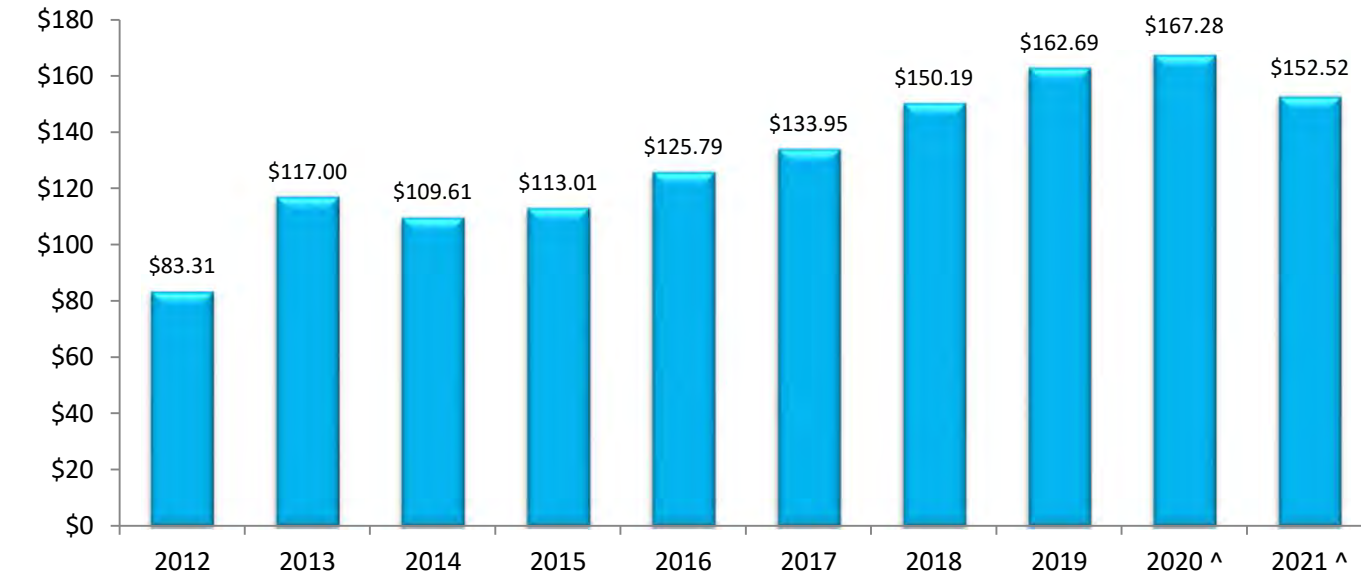
*** On February 2, 2020 Avis Budget Car Rental LLC entered into a purchase agreement with BW-Budget-SDA LLC acquiring all agreements at SAN. Data for BW-Budget and Avis have been combined on this table.

Source: San Diego County Regional Airport Authority

EXHIBIT S-6 TERMINAL RATES BILLED TO AIRLINES

Fiscal Years Ended June 30,

TERMINAL RATE PER SQUARE FOOT



Source: San Diego County Regional Airport Authority

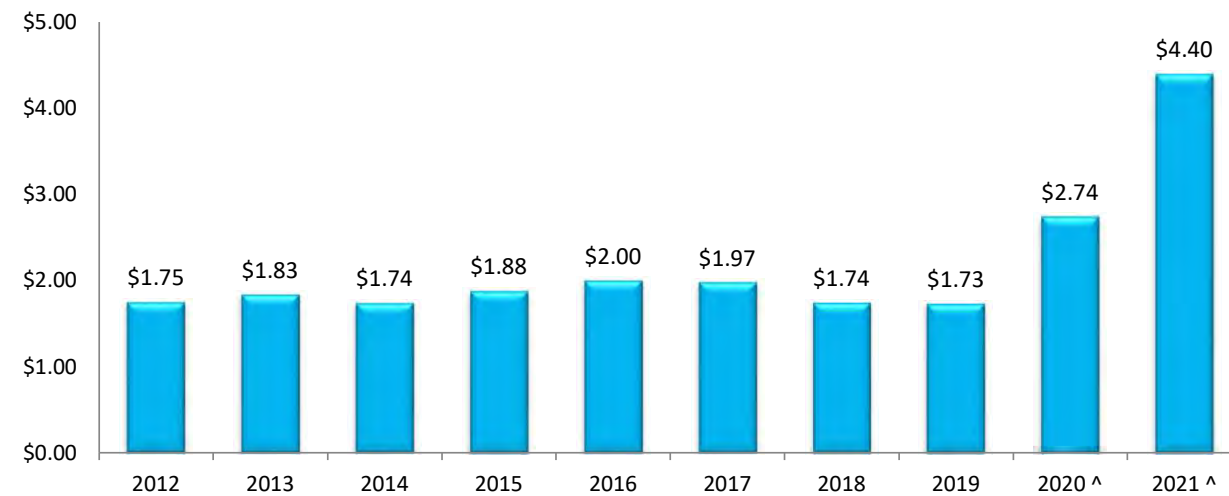
*Signatory Rate

Terminal Rate is the rate billed to the airlines for the rent of terminal space per square foot.

EXHIBIT S-5 AUTHORITY LANDING FEE RATE (\$ PER 1,000 LBS)

Fiscal Years Ended June 30,

AUTHORITY LANDING FEE RATE



Source: San Diego County Regional Airport Authority

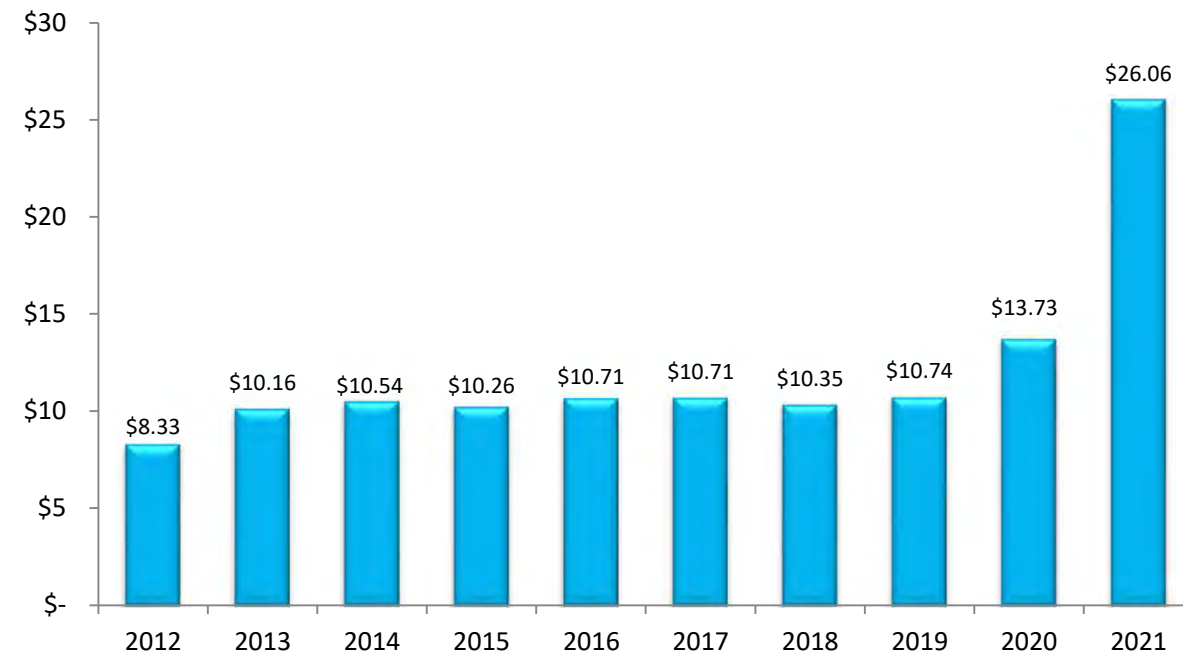
*Signatory Rate

Landing Fees are the revenues from passenger and cargo air carriers for landing aircraft at SDIA.



Fiscal Years Ended June 30,

COST PER ENPLANED PASSENGER



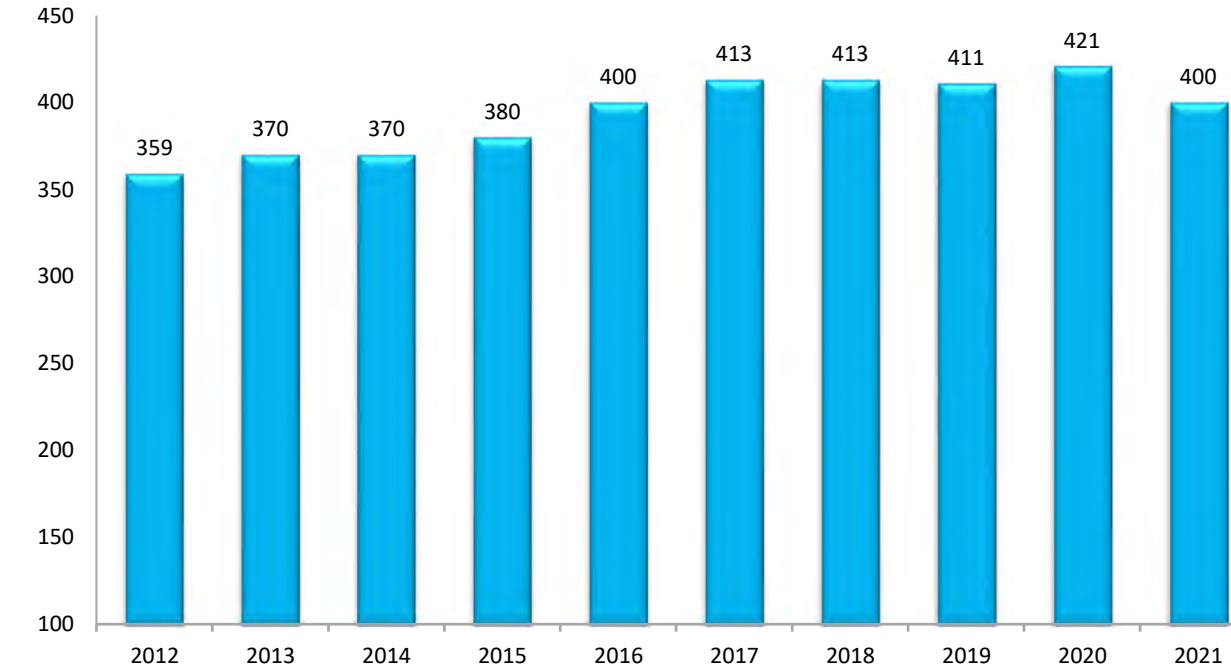
Source: San Diego County Regional Airport Authority

Airline Cost per Enplaned Passenger is the total annual cost of fees and charges paid by the airlines divided by the total fiscal year enplanements.



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.



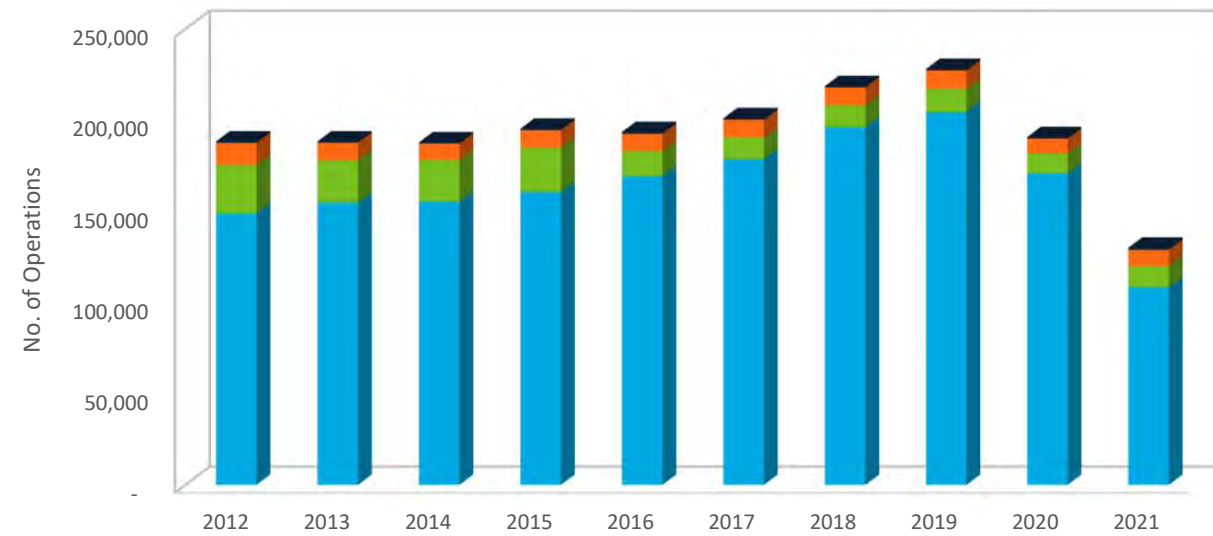
EXHIBIT S-9
AIRCRAFT OPERATIONS
(TAKEOFFS & LANDINGS)

Fiscal Years Ended June 30,

| Fiscal Year | Air Carriers | Air Taxi | General Aviation | Military | Total |
|-------------|--------------|----------|------------------|----------|---------|
| 2012 | 149,104 | 26,398 | 12,120 | 658 | 188,280 |
| 2013 | 154,781 | 23,370 | 9,586 | 567 | 188,304 |
| 2014 | 155,310 | 22,953 | 8,930 | 597 | 187,790 |
| 2015 | 160,726 | 24,336 | 9,534 | 669 | 195,265 |
| 2016 | 169,365 | 13,741 | 9,439 | 906 | 193,451 |
| 2017 | 178,579 | 11,899 | 9,719 | 814 | 201,011 |
| 2018 | 196,253 | 11,903 | 9,816 | 699 | 218,671 |
| 2019 | 204,627 | 12,539 | 10,167 | 759 | 228,092 |
| 2020 | 170,757 | 10,990 | 8,174 | 825 | 190,746 |
| 2021 | 108,240 | 11,844 | 8,835 | 1,098 | 130,017 |

Source: FAA ATADS Report: Air Operations Standard Report (itinerant only)

AIRCRAFT OPERATIONS



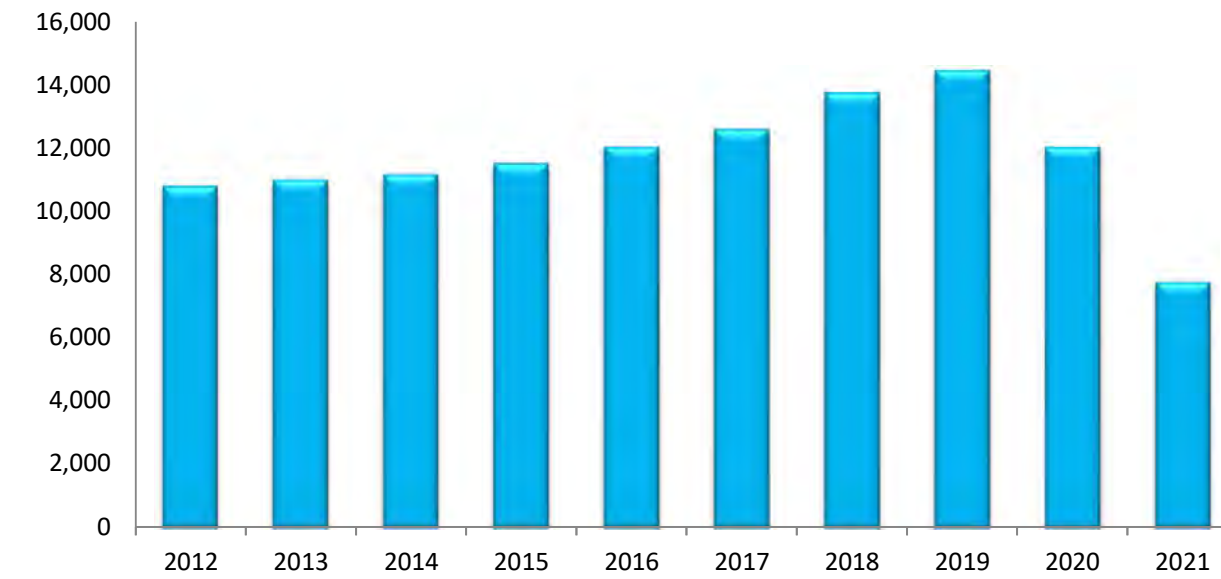
Source: San Diego County Regional Airport Authority

Aircraft Operations are the takeoffs and landings at SDIA. They represent the level of demand for air service by the airlines operating at SDIA.

EXHIBIT S-10
AIRCRAFT LANDED WEIGHTS
(IN MILLIONS LBS)

Fiscal Years Ended June 30,

AIRCRAFT LANDED WEIGHTS (IN MILLIONS LBS)



Source: San Diego County Regional Airport Authority

Landed Weight is the maximum gross certificated landed weight in one million pound units as stated in the airlines' flight operational manual. Landed weight is used to calculate landing fees for both airline and general aviation aircraft operated at the airport.

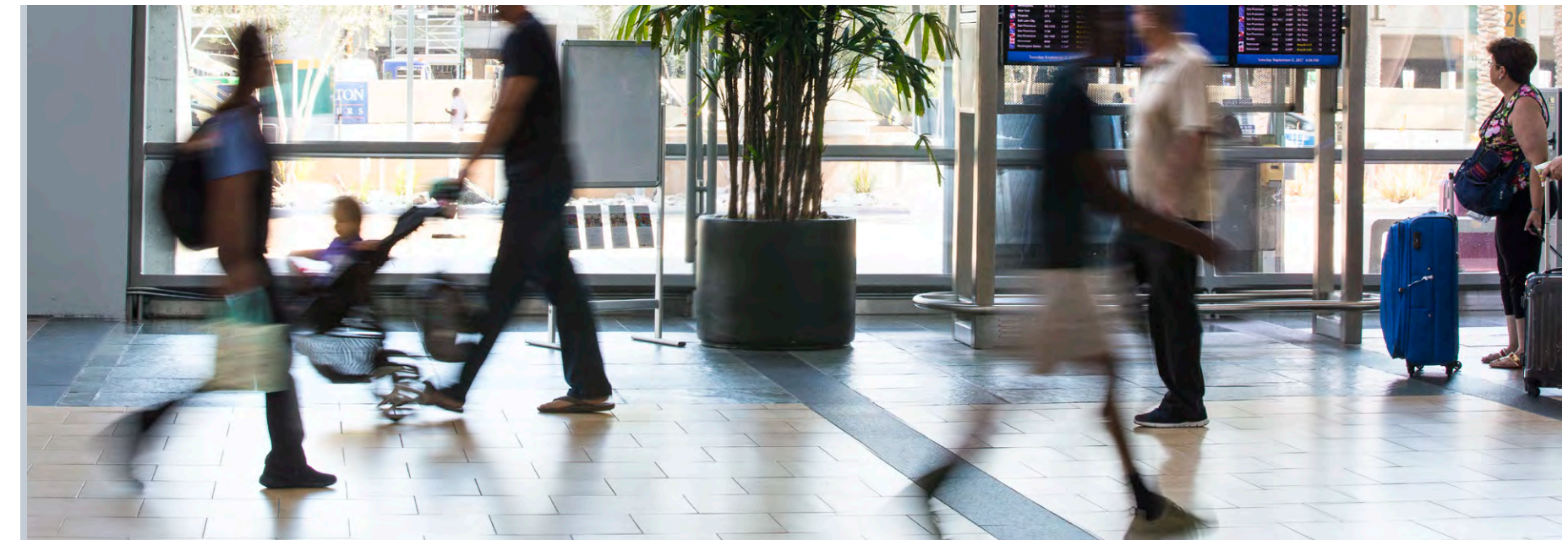


EXHIBIT S-11
AIRCRAFT LANDED WEIGHTS BY
AIRLINE (THOUSAND POUNDS)

Fiscal Years Ended June 30,

| Airline | Landed Weight (in thousands) | | | | | | | | | |
|--------------------------------|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Southwest Airlines | 3,953,536 | 3,907,554 | 3,925,362 | 4,214,314 | 4,257,162 | 4,470,104 | 4,924,451 | 5,180,064 | 4,422,096 | 2,277,011 |
| Delta Airlines | 1,047,068 | 1,023,608 | 1,016,878 | 1,077,103 | 1,153,074 | 1,175,285 | 1,183,702 | 1,389,312 | 1,221,773 | 1,049,374 |
| American Airlines ² | 1,344,140 | 1,339,751 | 1,349,554 | 1,359,911 | 1,467,922 | 1,428,538 | 1,471,318 | 1,415,134 | 1,201,659 | 917,691 |
| Alaska Airlines ³ | 648,359 | 750,000 | 884,727 | 888,065 | 924,310 | 999,875 | 1,131,807 | 1,411,255 | 1,162,582 | 769,364 |
| United Airlines ¹ | 1,502,203 | 1,387,854 | 1,340,736 | 1,227,974 | 1,250,500 | 1,355,185 | 1,492,873 | 1,566,148 | 1,201,192 | 694,980 |
| Skywest Airlines | 306,789 | 428,595 | 396,054 | 408,608 | 359,197 | 465,023 | 627,038 | 637,117 | 481,705 | 504,012 |
| Federal Express | 452,453 | 451,797 | 419,127 | 384,686 | 444,038 | 390,716 | 388,782 | 375,807 | 394,288 | 466,734 |
| Frontier Airlines | 208,936 | 196,614 | 192,493 | 153,880 | 115,238 | 167,590 | 232,794 | 247,145 | 204,924 | 199,836 |
| JetBlue Airlines | 166,232 | 168,080 | 189,979 | 193,848 | 199,232 | 244,364 | 293,160 | 281,715 | 260,940 | 171,957 |
| Horizon Air- Alaska Airlines | 6,572 | 86,478 | 94,972 | 88,241 | 60,268 | 54,799 | 100,303 | 82,650 | 146,100 | 145,050 |
| United Parcel | 120,454 | 118,180 | 121,742 | 127,660 | 135,318 | 146,778 | 143,678 | 138,860 | 146,624 | 138,926 |
| Spirit Airlines | 98,931 | 208,200 | 245,669 | 296,925 | 351,977 | 286,162 | 328,424 | 331,366 | 230,911 | 125,589 |
| Hawaiian Airlines | 118,088 | 140,637 | 147,325 | 146,284 | 147,406 | 147,568 | 161,486 | 237,560 | 155,345 | 122,574 |
| ABX Air | 48,177 | 53,656 | 70,039 | 42,666 | - | - | - | - | 42,542 | 83,216 |
| Allegiant | 19,602 | 14,963 | 7,790 | 7,053 | 17,403 | 57,227 | 47,516 | 31,927 | 19,387 | 38,889 |
| Subtotal | 10,041,539 | 10,275,968 | 10,402,446 | 10,617,218 | 10,883,044 | 11,389,213 | 12,527,333 | 13,326,060 | 11,292,068 | 7,705,202 |
| All Others | 778,362 | 739,748 | 784,320 | 906,502 | 1,165,098 | 1,226,855 | 1,242,613 | 1,155,169 | 761,012 | 74,326 |
| Total | 10,819,902 | 11,015,716 | 11,186,766 | 11,523,720 | 12,048,142 | 12,616,068 | 13,769,945 | 14,481,229 | 12,053,080 | 7,779,528 |
| Annual % Change | 2.0% | 1.8% | 1.6% | 3.0% | 4.6% | 4.7% | 9.1% | 5.2% | -16.8% | -16.8% |

Source: San Diego County Regional Airport Authority

¹ United and Continental completed their merger on October 1, 2010 and began operating as United on November 30, 2011. The enplanements are combined for the purpose of this table.

² US Airways merged with American Airlines on December 9, 2013. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. The enplanements are combined for the purpose of this table.

³ Alaska Airlines and Virgin America received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. The enplanements are combined for the purpose of this table.

EXHIBIT S-11
AIRCRAFT LANDED WEIGHTS BY
AIRLINE (THOUSAND POUNDS)

Fiscal Years Ended June 30,

| Airline | Market Share | | | | | | | | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Southwest Airlines | 36.5% | 35.5% | 35.1% | 36.6% | 35.3% | 35.4% | 35.8% | 35.8% | 36.7% | 29.3% |
| Delta Airlines | 9.7% | 9.3% | 9.1% | 9.3% | 9.6% | 9.3% | 8.6% | 9.6% | 10.1% | 13.5% |
| American Airlines ² | 12.4% | 12.2% | 12.1% | 11.8% | 12.2% | 11.3% | 10.7% | 9.8% | 10.0% | 11.8% |
| Alaska Airlines ³ | 6.0% | 6.8% | 7.9% | 7.7% | 7.7% | 7.9% | 8.2% | 9.7% | 9.6% | 9.9% |
| United Airlines ¹ | 13.9% | 12.6% | 12.0% | 10.7% | 10.4% | 10.7% | 10.8% | 10.8% | 10.0% | 8.9% |
| Skywest Airlines | 2.8% | 3.9% | 3.5% | 3.5% | 3.0% | 3.7% | 4.6% | 4.4% | 4.0% | 6.5% |
| Federal Express | 4.2% | 4.1% | 3.7% | 3.3% | 3.7% | 3.1% | 2.8% | 2.6% | 3.3% | 6.0% |
| Frontier Airlines | 1.9% | 1.8% | 1.7% | 1.3% | 1.0% | 1.5% | 1.7% | 1.7% | 1.7% | 2.6% |
| JetBlue Airlines | 1.5% | 1.5% | 1.7% | 1.7% | 1.7% | 1.9% | 2.1% | 1.9% | 2.2% | 2.2% |
| Horizon Air- Alaska Airlines | 0.1% | 0.8% | 0.8% | 0.8% | 0.5% | 0.4% | 0.7% | 0.6% | 1.2% | 1.9% |
| United Parcel | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% | 1.2% | 1.0% | 1.0% | 1.2% | 1.8% |
| Spirit Airlines | 0.9% | 1.9% | 2.2% | 2.6% | 2.9% | 2.3% | 2.4% | 2.3% | 1.9% | 1.6% |
| Hawaiian Airlines | 1.1% | 1.3% | 1.3% | 1.3% | 1.2% | 1.2% | 1.2% | 1.6% | 1.3% | 1.6% |
| ABX Air | 0.4% | 0.5% | 0.6% | 0.4% | - | - | - | - | 0.4% | 1.1% |
| Allegiant | 0.2% | 0.1% | 0.1% | 0.1% | 0.2% | 0.5% | 0.3% | 0.2% | 0.2% | 0.5% |
| Subtotal | 92.8% | 93.3% | 93.0% | 92.1% | 90.3% | 90.3% | 91.0% | 92.0% | 93.7% | 99.0% |
| All Others | 7.2% | 6.7% | 7.0% | 7.9% | 9.7% | 9.7% | 9.0% | 8.0% | 6.3% | 1.0% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

EXHIBIT S-12
PASSENGER
ENPLANEMENTS

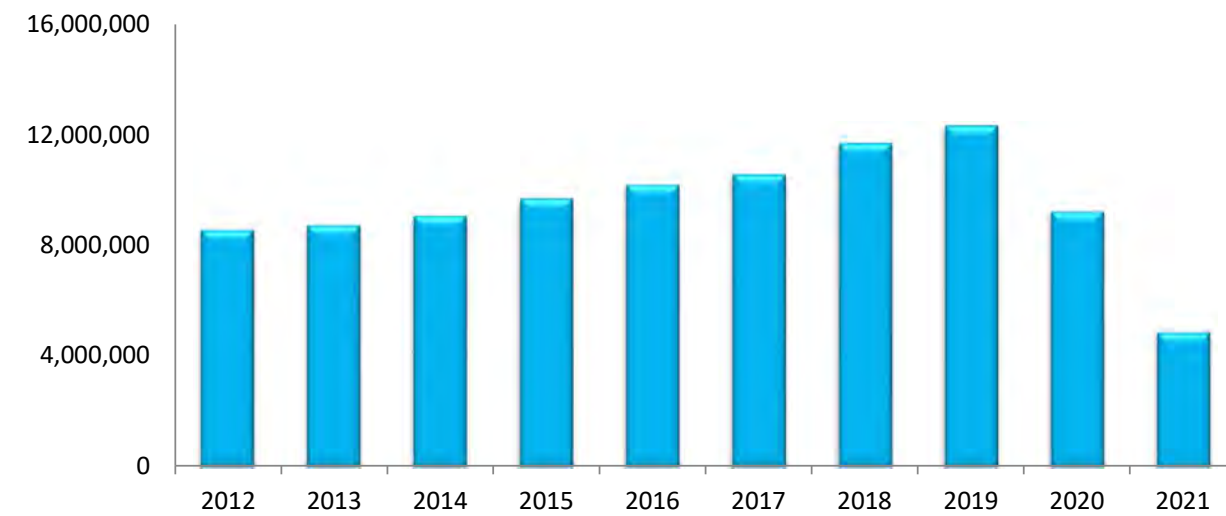
Fiscal Years Ended June 30,

| Fiscal Year | Enplaned Passengers | % Change SAN | % Change US Average * |
|-------------|---------------------|--------------|-----------------------|
| 2012 | 8,575,475 | 1.6 % | 1.7 % |
| 2013 | 8,737,617 | 1.9 % | 0.5 % |
| 2014 | 9,082,244 | 3.9 % | 2.2 % |
| 2015 | 9,713,066 | 6.9 % | 3.7 % |
| 2016 | 10,206,222 | 5.1 % | 5.4 % |
| 2017 | 10,596,483 | 3.8 % | 3.4 % |
| 2018 | 11,731,833 | 10.7 % | 4.3 % |
| 2019 | 12,356,286 | 5.3 % | 4.3 % |
| 2020 | 9,235,459 | (25.3)% | (25.9)% ¹ |
| 2021 | 4,860,931 | (47.4)% | (44.4)% |

* Source: U.S. Department of Transportation T-100

¹ International data for April - June 2021 not available at time of publication.

PASSENGER ENPLANEMENTS



Enplaned Passenger is any revenue passenger boarding at the airport, including any passenger that previously disembarked from another aircraft (i.e. connecting passenger).



EXHIBIT S-13
ENPLANEMENT MARKET SHARE
BY AIRLINE BY FISCAL YEAR

Fiscal Years Ended June 30,

| Air Carrier | Enplanements | | | | | | | | | |
|--------------------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Air Canada | 56,470 | 45,058 | 36,636 | 41,175 | 48,985 | 93,274 | 110,684 | 130,404 | 90,425 | - |
| Alaska Airlines ¹ | 579,457 | 673,731 | 830,349 | 871,775 | 902,705 | 918,841 | 1,031,537 | 1,253,433 | 976,326 | 474,179 |
| Allegiant Airlines | 18,099 | 15,466 | 7,859 | 7,406 | 16,825 | 49,480 | 44,934 | 30,750 | 13,162 | 22,391 |
| American Airlines ² | 664,466 | 650,826 | 693,995 | 747,493 | 1,369,003 | 1,339,489 | 1,366,634 | 1,339,334 | 1,050,613 | 767,833 |
| British Airways | 81,437 | 81,534 | 84,600 | 84,263 | 89,723 | 90,200 | 82,543 | 83,492 | 57,998 | - |
| Condor | - | - | - | - | - | 3,902 | 7,815 | - | - | - |
| Delta Air Lines | 935,777 | 904,734 | 915,907 | 992,498 | 1,061,889 | 1,088,647 | 1,126,873 | 1,336,885 | 1,058,188 | 567,589 |
| Edelweiss | - | - | - | - | - | 1,215 | 6,990 | 6,271 | 2,317 | - |
| Frontier Airlines | 198,708 | 184,020 | 185,270 | 150,595 | 118,990 | 180,235 | 254,760 | 277,320 | 201,280 | 180,181 |
| Hawaiian Airlines | 86,211 | 94,283 | 98,667 | 96,963 | 102,462 | 107,776 | 108,971 | 149,744 | 102,759 | 61,754 |
| Japan Airlines | - | 18,249 | 54,213 | 59,372 | 59,647 | 59,916 | 62,034 | 66,688 | 43,596 | 1,027 |
| JetBlue Airways | 147,051 | 152,571 | 173,282 | 178,590 | 182,605 | 224,700 | 248,325 | 230,909 | 195,279 | 90,332 |
| Lufthansa | - | - | - | - | - | - | 13,037 | 49,974 | 34,654 | - |
| Southwest Airlines | 3,252,290 | 3,253,225 | 3,352,870 | 3,736,688 | 3,840,455 | 3,967,487 | 4,457,984 | 4,656,029 | 3,474,860 | 1,627,594 |
| Spirit Airlines | 77,873 | 164,189 | 201,414 | 252,219 | 327,183 | 287,208 | 318,201 | 323,623 | 225,279 | 111,604 |
| Sun Country Airlines | 15,889 | 23,836 | 27,276 | 28,732 | 34,886 | 40,109 | 41,466 | 40,167 | 37,073 | 23,461 |
| United Airlines ³ | 1,266,007 | 1,175,869 | 1,167,661 | 1,113,510 | 1,165,565 | 1,266,055 | 1,405,663 | 1,481,166 | 1,043,393 | 552,709 |
| US Airways ² | 535,906 | 560,738 | 554,244 | 523,034 | - | - | - | - | - | - |
| Virgin America ¹ | 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 | 25,535 | 27,746 | 31,805 | 33,723 | 34,516 | 41,043 | 39,285 | 42,939 | 28,905 | - |
| Total Air Carrier | 8,153,091 | 8,225,257 | 8,596,062 | 9,114,013 | 9,587,857 | 9,975,683 | 10,911,408 | 11,499,128 | 8,636,107 | 4,480,654 |
| Regional | | | | | | | | | | |
| Compass | - | - | 8,563 | 140,012 | 249,723 | 195,126 | 251,066 | 296,091 | 161,113 | - |
| Horizon Air | 5,900 | 77,392 | 84,000 | 83,764 | 64,758 | 53,517 | 82,131 | 64,135 | 107,373 | 89,894 |
| Skywest Airlines | 263,144 | 352,189 | 341,365 | 371,979 | 301,592 | 372,157 | 487,228 | 496,932 | 330,866 | 290,383 |
| Other | 153,340 | 82,779 | 52,254 | 3,298 | 2,292 | - | - | - | - | - |
| Total Regional | 422,384 | 512,360 | 486,182 | 599,053 | 618,365 | 620,800 | 820,425 | 857,158 | 599,352 | 380,277 |
| Total Passengers | 8,575,475 | 8,737,617 | 9,082,244 | 9,713,066 | 10,206,222 | 10,596,483 | 11,731,833 | 12,356,286 | 9,235,459 | 4,860,931 |

Source: San Diego County Regional Airport Authority

¹ Alaska Airlines and Virgin America received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. The enplanements are combined for the purpose of this table.

² US Airways merged with American Airlines on December 9, 2013. A single operating certificate was issued by the FAA and operational integration was on April 7, 2015. The enplanements are combined for the purpose of this table.

³ United and Continental completed their merger on October 1, 2010 and began operating as United on November 30, 2011. The enplanements are combined for the purpose of this table.

EXHIBIT S-13
ENPLANEMENT MARKET SHARE
BY AIRLINE BY FISCAL YEAR

Fiscal Years Ended June 30,

| Air Carrier | Market Share | | | | | | | | | |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Air Canada | 0.7% | 0.5% | 0.4% | 0.4% | 0.5% | 0.9% | 0.9% | 1.1% | 1.0% | 0.0% |
| Alaska Airlines ¹ | 6.8% | 7.7% | 9.1% | 9.0% | 8.8% | 8.7% | 8.8% | 10.1% | 10.6% | 9.8% |
| Allegiant Airlines | 0.2% | 0.2% | 0.1% | 0.1% | 0.2% | 0.5% | 0.4% | 0.2% | 0.1% | 0.5% |
| American Airlines ² | 7.7% | 7.4% | 7.6% | 7.7% | 13.4% | 12.6% | 11.6% | 10.8% | 11.4% | 15.8% |
| British Airways | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 0.7% | 0.7% | 0.6% | 0.0% |
| Condor | - | - | - | - | - | - | 0.1% | - | - | - |
| Delta Air Lines | 10.9% | 10.4% | 10.1% | 10.2% | 10.4% | 10.3% | 9.6% | 10.8% | 11.5% | 11.7% |
| Edelweiss | - | - | - | - | - | - | 0.1% | 0.1% | 0.0% | 0.0% |
| Frontier Airlines | 2.3% | 2.1% | 2.0% | 1.6% | 1.2% | 1.7% | 2.2% | 2.2% | 2.2% | 3.7% |
| Hawaiian Airlines | 1.0% | 1.1% | 1.1% | 1.0% | 1.0% | 1.0% | 0.9% | 1.2% | 1.1% | 1.3% |
| Japan Airlines | - | 0.2% | 0.6% | 0.6% | 0.6% | 0.6% | 0.5% | 0.5% | 0.5% | 0.0% |
| JetBlue Airways | 1.7% | 1.7% | 1.9% | 1.8% | 1.8% | 2.1% | 2.1% | 1.9% | 2.1% | 1.9% |
| Lufthansa | - | - | - | - | - | - | 0.1% | 0.4% | 0.4% | 0.0% |
| Southwest Airlines | 37.9% | 37.2% | 36.9% | 38.5% | 37.6% | 37.4% | 38.0% | 37.7% | 37.6% | 33.5% |
| Spirit Airlines | 0.9% | 1.9% | 2.2% | 2.6% | 3.2% | 2.7% | 2.7% | 2.6% | 2.4% | 2.3% |
| Sun Country Airlines | 0.2% | 0.3% | 0.3% | 0.3% | 0.3% | 0.4% | 0.4% | 0.3% | 0.4% | 0.5% |
| United Airlines ³ | 14.8% | 13.5% | 12.9% | 11.5% | 11.4% | 11.9% | 12.0% | 12.0% | 11.3% | 11.4% |
| US Airways ² | 6.2% | 6.4% | 6.1% | 5.4% | - | - | - | - | - | - |
| Virgin America ¹ | 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% | - | - | - | - | - |
| WestJet | 0.3% | 0.3% | 0.4% | 0.3% | 0.3% | 0.4% | 0.3% | 0.3% | 0.3% | - |
| Total Air Carrier | 95.1% | 94.1% | 94.6% | 93.8% | 93.9% | 94.1% | 93.0% | 93.1% | 93.5% | 92.2% |
| Regional | | | | | | | | | | |
| Compass | - | - | 0.1% | 1.4% | 1.9% | 1.8% | 2.1% | 2.4% | 1.7% | - |
| Horizon Air | 0.1% | 0.9% | 0.9% | 0.9% | 0.6% | 0.5% | 0.7% | 0.5% | 1.2% | 1.8% |
| Skywest Airlines | 3.1% | 4.0% | 3.8% | 3.8% | 3.0% | 3.5% | 4.2% | 4.0% | 3.6% | 6.0% |
| Other | 1.8% | 0.9% | 0.6% | - | - | - | - | - | - | - |
| Total Regional | 4.9% | 5.9% | 5.4% | 6.2% | 6.1% | 5.9% | 7.0% | 6.9% | 6.5% | 7.8% |
| Total Passengers | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

San Diego International Airport

| | |
|-------------------------------------|------------|
| Number of runways | 1 |
| Length of runway (feet) | 9,401 feet |
| Number of gates | 48 |
| Remote aircraft parking positions | 24 |
| Terminal rentable square footage | 593,293 |
| Airport Land Area | 661 acres |
| On airport parking spaces (public) | 5,258 |
| Off airport parking spaces (public) | 1,781 |

Source: San Diego County Regional Airport Authority

The parking spaces shown above are controlled and operated by the Airport Authority and reported on a weighted average basis.

The terminal rentable square footage is a weighted average figure that reflects square footage changes due to construction or remodeling.



| Calendar Year | Estimated Population ⁽¹⁾ | % Change | Per Capita Personal Income ⁽¹⁾ | % Change | Total Personal Income ⁽¹⁾ (in billions) | % Change |
|---------------|-------------------------------------|----------|---|----------|---|----------|
| 2012 | 3,174,446 | 1.2 % | \$50,670 | 1.5 % | \$152.7 | 4.8 % |
| 2013 | 3,208,946 | 1.1 % | \$51,223 | 1.1 % | \$157.8 | 3.3 % |
| 2014 | 3,248,547 | 1.2 % | \$52,889 | 3.3 % | \$167.1 | 5.9 % |
| 2015 | 3,275,084 | 0.8 % | \$54,708 | 3.4 % | \$175.9 | 5.3 % |
| 2016 | 3,300,891 | 0.8 % | \$55,797 | 2.0 % | \$184.2 | 4.7 % |
| 2017 | 3,327,564 | 0.8 % | \$56,437 | 1.1 % | \$192.5 | 4.5 % |
| 2018 | 3,352,564 | 0.8 % | \$57,473 | 1.8 % | \$202.8 | 5.4 % |
| 2019 | 3,357,442 | 0.1 % | \$64,862 | 12.9 % | \$217.8 | 7.4 % |
| 2020 | 3,362,150 | 0.1 % | \$63,169 | (2.6)% | \$213.8 | (1.8)% |

Source: California Department of Transportation - San Diego County

| Employer | November 2020 | | | Employer | August 2011 | | |
|--------------------------------------|-----------------|------|---|-------------------------------------|-----------------|------|---|
| | Local Employees | Rank | Percentage of Total Industry Employment | | Local Employees | Rank | Percentage of Total Industry Employment |
| University of California, San Diego | 35,802 | 1 | 2.3% | U.S. Federal Government | 46,300 | 1 | 3.0% |
| Naval Base San Diego | 34,534 | 2 | 2.3% | State of California | 45,500 | 2 | 3.0% |
| Sharp Health Care | 19,468 | 3 | 1.3% | University of California, San Diego | 27,393 | 3 | 1.8% |
| Scripps Health | 16,295 | 4 | 1.1% | County of San Diego | 15,109 | 4 | 1.0% |
| General Atomics Aeronautical | 6,745 | 5 | 0.4% | Sharp Health Care | 14,696 | 5 | 1.0% |
| San Diego State University | 6,454 | 6 | 0.4% | Scripps Health | 13,830 | 6 | 0.9% |
| Rady's Children Hospital | 5,711 | 7 | 0.4% | San Diego Unified School District | 13,730 | 7 | 0.9% |
| San Diego Community College District | 5,400 | 8 | 0.4% | Qualcomm Inc. | 10,509 | 8 | 0.7% |
| Sempra Energy | 5,063 | 9 | 0.3% | City of San Diego | 10,211 | 9 | 0.7% |
| YMCA of San Diego | 5,057 | 10 | 0.3% | Kaiser Permanente | 8,200 | 10 | 0.5% |

Source: Employers - San Diego Journal Book of Lists: 2021 & 2012

Total Industry Employment - California Employment Development Dept., Labor Market Info.

| Year | Labor Force | Employment | Unemployment | Unemployment Rate | |
|------|-------------|------------|--------------|-------------------|-------|
| | | | | SD County | State |
| 2012 | 1,544,200 | 1,397,600 | 146,600 | 9.5% | 10.6% |
| 2013 | 1,548,000 | 1,421,000 | 126,900 | 8.2% | 9.2% |
| 2014 | 1,544,600 | 1,444,000 | 100,600 | 6.5% | 7.4% |
| 2015 | 1,555,900 | 1,473,500 | 82,400 | 5.3% | 6.3% |
| 2016 | 1,569,000 | 1,491,700 | 77,300 | 4.9% | 5.6% |
| 2017 | 1,584,500 | 1,518,100 | 66,300 | 4.2% | 4.9% |
| 2018 | 1,584,000 | 1,525,500 | 58,400 | 3.7% | 4.5% |
| 2019 | 1,582,300 | 1,529,500 | 52,900 | 3.3% | 4.2% |
| 2020 | 1,584,400 | 1,365,100 | 219,300 | 13.8% | 13.7% |
| 2021 | 1,527,800 | 1,420,400 | 107,400 | 7.0% | 8.0% |

Source: California Employment Development Department Labor Market Information Division
Unemployment Rate and Labor Force, not seasonally adjusted.



Fiscal Years Ended June 30,

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Senior Bonds | | | | | | | | | | |
| Revenues ⁽¹⁾ | \$ 158,311,779 | \$ 181,051,929 | \$ 199,834,430 | \$ 214,770,544 | \$ 238,640,326 | \$ 255,540,858 | \$ 276,983,726 | \$ 306,683,097 | \$ 280,572,989 | \$ 227,573,518 |
| Operating and Maintenance Expenses | (118,941,148) | (126,662,546) | (136,604,105) | (142,781,639) | (151,327,220) | (154,455,699) | (157,246,523) | (165,925,555) | (136,297,647) | (88,039,540) |
| Net Revenues ⁽²⁾ | \$ 39,370,631 | \$ 54,389,383 | \$ 63,230,325 | \$ 71,988,905 | \$ 87,313,106 | \$ 101,085,159 | \$ 119,737,204 | \$ 140,757,542 | \$ 144,275,342 | \$ 139,533,978 |
| Senior Bond Debt Service⁽³⁾ | | | | | | | | | | |
| Principal | \$ 3,430,000 | \$ - | \$ - | \$ 2,030,000 | \$ 2,090,000 | \$ 2,155,000 | \$ 2,240,000 | \$ 2,320,000 | \$ 7,925,000 | \$ 8,315,000 |
| Interest | 1,925,975 | 2,478,489 | 16,645,435 | 18,034,575 | 18,414,600 | 18,349,950 | 18,263,750 | 18,174,150 | 18,081,350 | 17,685,100 |
| PFCs used to pay debt service | - | (714,077) | (7,140,301) | (8,669,966) | (9,490,326) | (9,548,626) | (9,547,482) | (9,544,261) | (11,260,741) | (11,172,249) |
| CARES Act used to pay debt service | - | - | - | - | - | - | - | - | (6,501,585) | (3,406,934) |
| Total Debt Service for the Senior Bond | \$ 5,355,975 | \$ 1,764,412 | \$ 9,505,134 | \$ 11,394,609 | \$ 11,014,274 | \$ 10,956,324 | \$ 10,956,268 | \$ 10,949,889 | \$ 8,244,024 | \$ 11,420,918 |
| Senior Bonds Debt Service Coverage | 7.35 | 30.83 | 6.65 | 6.32 | 7.93 | 9.23 | 10.93 | 12.85 | 17.50 | 12.22 |
| Subordinate Debt | | | | | | | | | | |
| Subordinate Net Revenues ⁽²⁾ | \$ 34,014,656 | \$ 52,624,971 | \$ 53,725,191 | \$ 60,594,296 | \$ 76,298,832 | \$ 90,128,835 | \$ 108,780,936 | \$ 129,807,653 | \$ 136,031,318 | \$ 128,113,061 |
| Subordinate Annual Debt Service ⁽⁴⁾ | | | | | | | | | | |
| Principal | \$ 980,000 | \$ 1,000,000 | \$ 5,785,000 | \$ 8,665,000 | \$ 9,000,000 | \$ 9,430,000 | \$ 14,830,000 | \$ 15,895,000 | \$ 17,745,000 | \$ 22,315,000 |
| Interest | 6,599,760 | 26,194,616 | 27,069,283 | 26,853,179 | 26,495,600 | 26,085,029 | 37,197,656 | 37,917,500 | 39,404,449 | 41,720,733 |
| Variable Rate Debt ⁽⁵⁾ | 1,077,867 | 5,519,872 | 6,446,951 | 6,736,945 | 6,760,189 | 7,000,066 | 7,335,123 | 7,497,649 | 1,894,813 | - |
| PFCs used to pay debt service | - | (20,061,962) | (20,718,863) | (21,554,245) | (20,331,674) | (20,456,707) | (20,457,851) | (20,461,072) | (18,744,592) | (8,833,085) |
| CARES Act used to pay debt service | - | - | - | - | - | - | - | - | (14,313,843) | (22,593,066) |
| Total Subordinate Annual Debt Service | \$ 8,657,627 | \$ 12,652,526 | \$ 18,582,371 | \$ 20,700,879 | \$ 21,864,115 | \$ 22,058,389 | \$ 38,904,928 | \$ 40,849,077 | \$ 25,985,827 | \$ 32,609,582 |
| Subordinate Obligations Debt Service Coverage | 3.93 | 4.16 | 2.89 | 2.93 | 3.48 | 4.09 | 2.80 | 3.18 | 5.23 | 3.93 |
| Aggregate Debt | | | | | | | | | | |
| Aggregate Net Revenues | \$ 39,370,631 | \$ 54,389,383 | \$ 63,230,325 | \$ 71,988,905 | \$ 87,313,106 | \$ 101,085,159 | \$ 119,737,204 | \$ 140,757,542 | \$ 144,275,342 | \$ 139,533,978 |
| Aggregate Annual Debt Service | | | | | | | | | | |
| Principal | 4,410,000 | 1,000,000 | 5,785,000 | 10,695,000 | 11,090,000 | 11,585,000 | 17,070,000 | 18,215,000 | 25,670,000 | 30,630,000 |
| Interest | 8,525,735 | 28,673,105 | 43,714,718 | 44,887,754 | 44,910,200 | 44,434,979 | 55,461,126 | 56,091,650 | 57,485,799 | 59,405,833 |
| Variable Rate Debt ⁽⁵⁾ | 1,077,867 | 5,519,872 | 6,446,951 | 6,736,945 | 6,760,189 | 7,000,066 | 7,335,123 | 7,497,649 | 1,894,813 | - |
| PFC Funds Applied to Debt Service | - | (20,776,039) | (27,859,164) | (30,224,211) | (29,822,000) | (30,005,333) | (30,005,333) | (30,005,333) | (30,005,333) | (20,005,333) |
| CARES Act used to pay debt service | - | - | - | - | - | - | - | - | (20,815,428) | (26,000,000) |
| Total Annual Debt Service | \$ 14,013,602 | \$ 14,416,938 | \$ 28,087,505 | \$ 32,095,488 | \$ 32,938,389 | \$ 33,014,712 | \$ 49,861,196 | \$ 51,798,966 | \$ 34,229,851 | \$ 44,030,580 |
| Aggregate Obligations Debt Service Coverage | 2.81 | 3.77 | 2.25 | 2.24 | 2.65 | 3.06 | 2.40 | 2.72 | 4.21 | 3.17 |
| Aggregate Net Revenues (Including PFC, BAB Subsidy and CARES Act Grant) | \$ 44,366,552 | \$ 79,944,021 | \$ 95,725,704 | \$ 106,844,335 | \$ 121,791,304 | \$ 135,721,711 | \$ 154,408,727 | \$ 175,449,049 | \$ 197,185,501 | \$ 185,539,311 |
| Total Annual Debt Service (Excluding PFC, BAB Subsidy and CARES Act Grant) | 19,009,523 | 39,971,576 | 60,582,884 | 66,950,918 | 67,416,588 | 67,651,265 | 84,532,719 | 86,490,473 | 87,140,009 | 90,035,833 |
| Revenue Method - Debt Service Coverage on Aggregate Debt | 2.33 | 2.00 | 1.58 | 1.60 | 1.81 | 2.01 | 1.83 | 2.03 | 2.26 | 2.06 |

(1) Revenues are calculated pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture.
(2) Net Revenues and Subordinate Net Revenues are calculated pursuant to the provisions of the Master Senior Indenture and Master Subordinate Indenture, as appropriate.
(3) Debt service with respect to the Senior Bonds is calculated pursuant to the provisions of the Master Senior Indenture.
(4) Subordinate Annual Debt Service is calculated pursuant to the provisions of the Master Subordinate Indenture.
(5) Includes principal and interest.
(6) Information regarding Subordinate Obligations Debt Service Coverage provided in connection with the first fiscal year for which Subordinate Annual Debt Service was due with respect to the 2010 Bonds. Subordinate Annual Debt Service for prior years consisted of debt service on the Authority's Subordinate Commercial Paper Notes and is not presented for Fiscal Years 2009-2010.

EXHIBIT S-19
DEBT SERVICE COVERAGE -
SERIES 2014 CFC BONDS

Fiscal Years Ended June 30,

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
| CFC Collections | \$ 27,545,001 | \$ 32,464,843 | \$ 33,207,946 | \$ 36,527,853 | \$ 41,036,526 | \$ 41,918,554 | \$30,239,698 | \$15,755,254 |
| Bond Funding Supplemental Consideration | - | - | - | - | - | - | - | - |
| Transfers from CFC Stabilization Fund | - | - | - | - | - | - | 3,563,874 | 9,540,452 |
| Interest Earnings ¹ | 204,194 | 295,726 | 332,761 | 466,134 | 919,740 | 1,544,474 | 1,502,382 | 855,813 |
| Total Amounts Available | 27,749,195 | 32,760,569 | 33,540,707 | 36,993,987 | 41,956,266 | 43,463,028 | 35,305,954 | 26,151,519 |
| Rolling Coverage Fund Balance ² | - | - | 2,451,182 | 4,902,363 | 6,576,363 | 6,575,894 | 6,575,637 | 6,575,382 |
| Total Amounts Available, plus Rolling Coverage Fund Balance | \$ 27,749,195 | \$ 27,749,195 | \$ 35,991,889 | \$ 41,896,350 | \$ 48,532,629 | \$ 50,038,922 | \$41,881,591 | \$32,726,901 |
| Series 2014 Debt Service Requirements | - | - | 8,170,605 | 16,341,210 | 21,921,210 | 21,919,646 | 21,918,789 | 21,917,940 |
| Coverage excluding Rolling Coverage Fund | N/A | N/A | 4.11 | 2.26 | 1.91 | 1.98 | 1.61 | 1.19 |
| Coverage including Rolling Coverage Fund | N/A | N/A | 4.41 | 2.56 | 2.21 | 2.28 | 1.91 | 1.49 |

¹ Includes earnings on investments in the Senior Reserve Fund, the Rolling Coverage Fund and the CFC Surplus Fund.

² Includes amount on deposit in the Rolling Coverage Fund at the beginning of each Fiscal Year, up to an amount not to exceed 30% of the Series 2014 Debt Service Requirements for such Fiscal Year.

EXHIBIT S-20
DEBT PER ENPLANED
PASSENGER

Fiscal Years Ended June 30,

| Fiscal Year | Outstanding Bond Debt ⁽¹⁾ | Outstanding Commercial Paper Debt | Capital Leases | Total Outstanding Debt | Enplaned Passengers | Debt per Enplaned Passenger |
|---------------------|--------------------------------------|-----------------------------------|----------------|------------------------|---------------------|-----------------------------|
| 2010 | 46,602,704 | 164,430,000 | 377,172 | 211,409,876 | 8,453,886 | 25.01 |
| 2011 | 640,920,314 | 21,509,000 | 519,866 | 662,949,180 | 8,441,120 | 78.54 |
| 2012 | 635,307,968 | 20,729,000 | 361,641 | 656,398,609 | 8,575,475 | 76.54 |
| 2013 | 1,027,411,188 | 50,969,000 | 8,152,588 | 1,086,532,776 | 8,737,617 | 124.35 |
| 2014 ⁽²⁾ | 1,327,897,591 | 44,884,000 | 7,810,927 | 1,380,592,518 | 9,082,244 | 152.01 |
| 2015 | 1,317,784,291 | 38,705,000 | 7,971,993 | 1,364,461,284 | 9,713,066 | 140.48 |
| 2016 | 1,302,846,043 | 32,581,000 | 7,717,734 | 1,343,144,777 | 10,206,222 | 131.60 |
| 2017 | 1,287,602,498 | 58,998,000 | 7,442,314 | 1,354,042,812 | 10,596,483 | 127.78 |
| 2018 | 1,609,960,696 | 20,163,000 | 7,143,865 | 1,637,267,561 | 11,731,833 | 139.56 |
| 2019 | 1,581,628,919 | 13,719,000 | 6,820,351 | 1,602,168,270 | 12,356,286 | 129.66 |
| 2020 | 1,881,208,470 | - | 6,496,837 | 1,887,705,307 | 9,235,459 | 204.40 |
| 2021 | 1,835,597,883 | - | 6,201,974 | 1,841,799,857 | 4,860,931 | 378.90 |

Source: San Diego County Regional Airport Authority

⁽¹⁾ Outstanding Bond Debt includes unamortized bond premium

⁽²⁾ Starting in 2014, Outstanding Bond Debt includes CFC Bond issuance





SAN DIEGO
INTERNATIONAL AIRPORT

Audit Committee Staff Report

Meeting Date: November 15, 2021

Subject:

Fiscal Year 2022 First Quarter Report from the Office of the Chief Auditor

Recommendation:

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

Background/Justification:

As directed in the Charter for the Office of the Chief Auditor, the Chief Auditor shall communicate to the Authority's Audit Committee and executive management on the performance relative to the Office of the Chief Auditor's (OCA) Audit Plan, results of audit engagements or other activities completed, and to report any risk exposures or control issues identified.

The attached Fiscal Year 2022 First Quarter Report from the OCA (Attachment A) is submitted to the Audit Committee to provide an account of activities and undertakings of the OCA during the period July 1, 2021, through September 30, 2021, and includes details on all recommendations completed or in progress during the first quarter.

A presentation by the OCA on its first quarter activities will be provided to the Audit Committee on November 15, 2021. Upon review of the Fiscal Year 2022 First Quarter Report, staff requests that the Audit Committee forward the report to the Board for acceptance.

Fiscal Impact:

None

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

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

Application of Inclusionary Policies:

Not Applicable

Prepared by:

Lee M. Parravano
Chief Auditor

Office of the Chief Auditor

Fiscal Year 2022 1st Quarter Report

ATTACHMENT A

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY



By The Numbers



Recommendations Issued



Customer Satisfaction Rating



Audit Engagements Completed Under Budget



Auditor Utilization Percentage



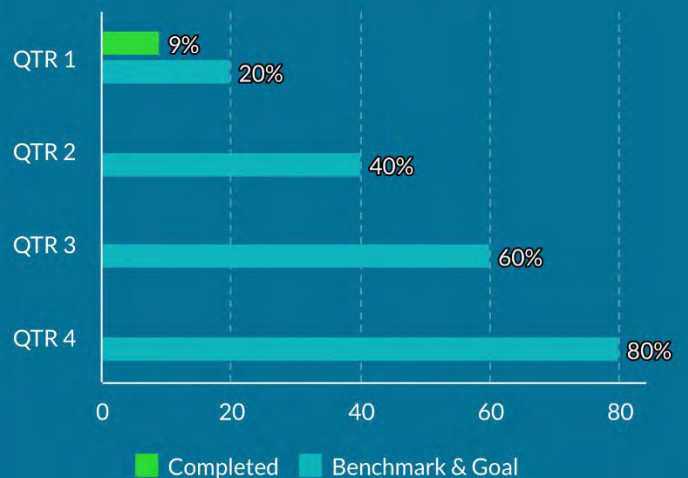
Recommendations Accepted By Management

Audit Engagement Progress



■ Completed (9.09%)
 ■ In Progress (63.64%)
■ Not Started (27.27%)

Audit Engagements Completed vs. Benchmark & Goal





Fiscal Year 2022

First Quarter Report

SAN DIEGO
COUNTY
REGIONAL
AIRPORT
AUTHORITY

Issue Date: November 15, 2021

OFFICE OF THE CHIEF AUDITOR

First Quarter Summary

Executive Summary

During the first quarter we initiated our Fiscal Year 2022 Audit Plan and launched several new audits. At the end of the first quarter we completed 9% of planned audits and have approximately 65% of our planned audits in progress. Several audits in progress are awaiting final documentation and are expected to be issued in the upcoming months. We also completed our ongoing monitoring that is required by our Quality Assurance and Improvement Program and reported those results to the Audit Committee in September. The results of ongoing monitoring resulted in several changes, including changes to the Charter of the Audit Committee, Charter for the Office of the Chief Auditor, and to the Office of the Chief Auditor's (OCA) Policies and Procedures Manual.

Performance Measures

For Fiscal Year 2022, six major performance measures were developed to evaluate the OCA. The OCAs performance against the selected performance measures is displayed in Table 1.¹

Table 1: Status of Performance Measures as of September 30, 2021

| # | Performance Measure | Goal | Actual | Benchmark |
|---|--|------|--------|-----------|
| 1 | Customer satisfaction ratings from auditee | 4.0 | 5.0 | 4.0 |
| 2 | Number of recommendations | 6 | 7 | 6 |
| 3 | Percentage of audit engagements completed | 20% | 9% | 20% |
| 4 | Percentage of recommendations accepted | 95% | 100% | 83% |
| 5 | Percentage of staff time spent on audit engagements and general audit activities | 70% | 66% | 70% |
| 6 | Percentage of audit engagements completed within budget | 80% | 100% | 75% |

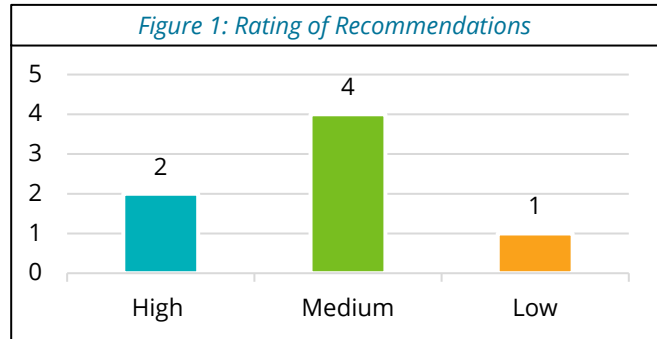
Customer Satisfaction Rating:

After the completion of an audit engagement, a survey is sent to obtain customer satisfaction data. The OCAs goal for customer satisfaction is 4.0, on a 1 to 5 scale (with 1 being very dissatisfied and 5 being very satisfied). To date this Fiscal Year we have achieved a score of 5.0.

¹ The OCA tracks additional performance measures that are not shown above. Their results are compiled and shared with the Audit Committee annually.

Number of Recommendations:

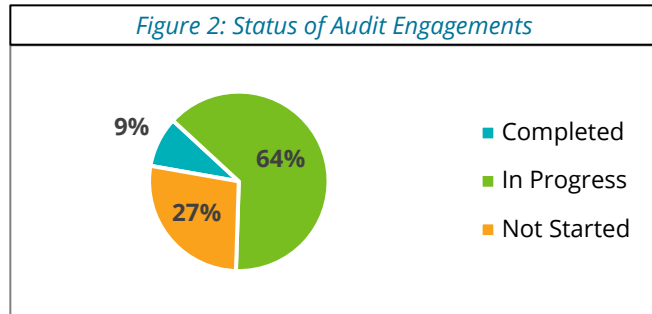
One of the OCAs primary objectives is to identify risks that could pose a threat to the Authority. As of September 30, 2021, the OCA provided seven recommendations to management to remediate a risk identified. Each of the recommendations are rated based on a qualitative value of risk, identified as Low, Medium, or High. A summary of the ratings are shown in Figure 1.



Percentage of Audit Engagements Completed:

As of the first quarter, the OCA completed one audit engagement, or 9%, of audit engagements (1/11 = 9%) on the Fiscal Year 2022 Audit Plan. In addition to the one engagement completed, the OCA had seven engagements in progress as of the end of the first quarter as shown in Figure 2. The engagement completed in the first quarter is summarized in the section titled Audit Engagements.

An alternative way to calculate this performance measure is to acknowledge the hours spent on audits engagements completed and engagements that are in progress, but not yet completed. This calculation results in a completion percentage of 31%.²



The status of all activities in the Fiscal Year 2022 Audit Plan is included in Appendix A.

Percentage of Recommendations Accepted:

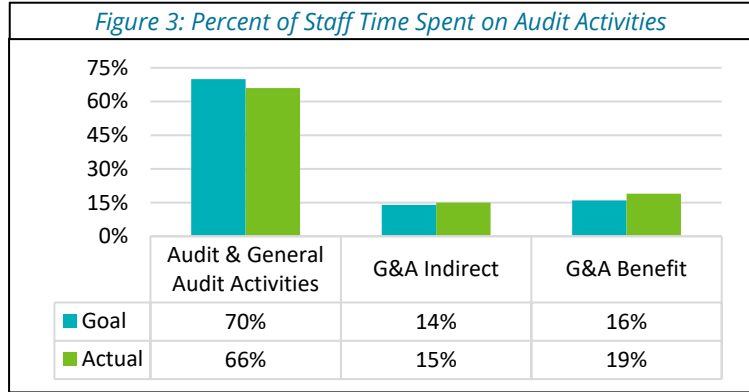
This category helps to evaluate the quality of the findings and recommendations issued by the OCA. Additionally, it helps hold the OCA accountable for the quality of the recommendations issued. As of the first quarter, management accepted 100% of all audit recommendations.

² The OCA has spent 1,488 hours on audit engagements and estimates 4,865 total hours will be needed to complete all Fiscal Year 2022 planned audit and consulting engagements (1,488/4,865=31%). The 31% and total hours of 4,865 exclude the hours for audits that have not been identified yet. These are labeled as "To Be Determined" on Appendix A. To Be Determined Hours total 1,676 (1,203 + 473 = 1,676).

Percentage of Staff Time Spent on Audit Engagements and General Audit Activities:

This measure tracks the time spent on audit engagements and general audit activities.³ The OCAs goal for Fiscal Year 2022 is 70%. The OCA is currently below the established goal, spending 66% of time on audit and general audit activities.

This is largely due to staff using accrued vacation time that they were unable to utilize during the COVID-19 pandemic. As shown in Figure 3, 19% of staff time was utilized on “G&A Benefit” time, which includes vacation and holiday time used by OCA staff. This is above the amount planned by 3%.



Percentage of Audit and Consulting Engagements Completed within Budgeted Time:

This category monitors the efficiency of audit staff in performing audits and consulting engagements. Specifically, audit staff is responsible for the internally prepared budget hours assigned to each audit or consulting engagement. In the first quarter of Fiscal Year 2022, the OCA completed 100% of its projects within the budgeted time, which exceeded the OCAs goal.

³ Appendix A details all planned activities in these categories for Fiscal Year 2022.

Audit Engagements

Issued

The Office of the Chief Auditor completed one audit during the first quarter. Below is a summary of this engagement.

Enterprise Content Management System Access Controls:

The objective of this audit was to determine if access controls within the OpenText Content Server, or as is commonly referred, the Enterprise Content Management System (ECMS) are appropriate. The audit concluded that in general, access controls within ECMS were appropriate. The audit provided seven recommendations. Management's responsiveness to this audit resulted in several of the recommendations being implemented prior to the report being issued.



In Progress

At the close of the first quarter there were seven audit engagements in progress, representing 64% of the audit engagements on the Fiscal Year 2022 Audit Plan. The audits in progress are listed here:

- Harbor Police Contract Management – Appropriate & Equitable
- System Security – AVSEC Penetration Test
- Accounts Receivable / Collections - Abatement Program
- Contractor Monitoring – Engineered Materials Arresting System
- Harbor Police Contract Management – Fiscal Year 2020 True-Up
- Tenant Lease Administration and Management – Rental Car Companies
- Tenant Lease Administration & Management – Terminal Space

General Audit Activities

In addition to performing audit engagements, the OCA is involved in other general audit activities that do not result in a formal audit report/opinion being issued. The OCA is either required⁴ to perform these activities, or believes completion of these activities to be in the best interest of the Authority. A summary of the *General Audit Activities* is presented below.

Risk Assessment and Audit Plan

The OCA is required to submit a risk-based internal Audit Plan to the Audit Committee annually. The Risk Assessment & Audit Plan is the culminating result of data gathering, management discussions, surveys, and data analysis, which is conducted over the course of the year. The Risk Assessment & Audit Plan is presented in May of each year to the Audit Committee for the following fiscal year.



Construction Activities

Construction audit activity for the first quarter of Fiscal Year 2022 consisted of attending meetings regarding the airport support facilities, the Airport Development Program (ADP) terminal and roadways, and new administration building projects. The first task authorization was issued to Baker Tilly, U.S., LLP (Baker Tilly) for development of the risk assessment of the validation phase of the ADP terminal and roadways project. The OCAs Construction Auditor has been working with Baker Tilly on the scope and development of the proposed risk assessment for these construction activities. The OCA remains involved with issues identified by the Airport Design and Construction team and Authority management, providing assistance and attending meetings specific to the aspects of the Authority's construction activity.

Information Technology Meeting Attendance

Information technology's central role to Authority operations makes meeting attendance on this subject a vital activity for the Chief Auditor. In Fiscal Year 2022 meetings have been focused on penetration testing that will take place. The results of these tests will be provided when completed.

Development of Data Analytics

The OCA is actively exploring options to increase the audit coverage through data analytics. Currently, the OCA has a data analytics audit related to Rental Car Companies that was initiated after consultation with various departments at the Authority. The Rental Car Company audit will serve as a foundation to explore other areas where data analytics could benefit the Authority and the OCA.

⁴ Requirements are dictated by the Charter for the Office of the Chief Auditor, Charter of the Audit Committee, or the International Standards for the Professional Practice of Internal Auditing.

Ethics Program Activities

The OCA manages the Authority’s Ethics Program that includes a confidential reporting hotline. During Fiscal Year 2022, thirteen tips/reports were received. All were evaluated as Human Resource, Diversity, and Workplace Respect issues. Tips/reports that are not investigated by the OCA are forwarded to management, as appropriate.

A summary of the tips/reports received in Fiscal Year 2022 is shown in Table 2 below.

Table 2: Ethics Hotline Tips/Reports Received in Fiscal Year 2022

| | Number of Tips / Reports Received | Preliminary Investigation Required | Full Investigation Initiated | Investigation Results Supported Code Violation (Ethics or Workplace)* | Response (email or phone to non-anonymous reports) |
|--|-----------------------------------|------------------------------------|------------------------------|---|--|
| Category | | | | | |
| Human Resource, Diversity, and Workplace Respect | 13 | - | - | - | - |
| Total | 13 | - | - | - | - |

*As required by the Charter for the Office of the Chief Auditor, any fraud or illegal acts that the Chief Auditor becomes aware of are communicated to the Chair of the Audit Committee, General Counsel, and the President/CEO.

Recommendation Follow-up

The OCA is mandated by its Charter to track the recommendations issued in audit reports and to report their implementation status to the Audit Committee on a periodic basis. The OCA tracks recommendations through regular inquiries made to the audited departments or to the owner of the specific recommendation(s) (See Appendix B). These inquiries allow the OCA to determine how many recommendations have been completed, as well as to obtain the status on progress being made to implement the recommendations.

Table 3 below shows the number of recommendations that were *Completed* or *In Progress* as of the first quarter of Fiscal Year 2022, along with the estimated/actual implementation timeframes based on the audit report issue date. Of the Completed recommendations, three were implemented within the initial timeframe identified when the recommendations were issued. Of the In Progress recommendations, 19 recommendations were still within the initial timeframe identified for implementation.

In general, the OCA is satisfied with the progress that Authority departments are currently making with the implementation, as based upon our inquiries during the tracking process.

Table 3: Recommendations with Estimated/Actual Implementation Timeframe

| Recommendations | Zero to 7 Months | 7 Months to 1 Year | Over 1 Year | Total |
|-----------------|------------------|--------------------|-------------|-------|
| Completed | 3 | - | - | 3 |
| In Progress | 9 | 8 | 6 | 23 |

Quality Assurance and Improvement Program

The Institute of Internal Auditors' (IIA) *Standards* require the OCA to maintain a Quality Assurance and Improvement Program (QAIP) that includes internal (self) assessments, ongoing monitoring, and external assessments (required every 5 years). The objective of ongoing monitoring is to provide assurance that the OCAs processes in place are working effectively, to ensure that quality is derived on an audit-by-audit basis.

During the first quarter of Fiscal Year 2022, the OCA completed ongoing monitoring of its activities and operations performed during Fiscal Year 2021. The results were included in the Fiscal Year 2021 OCA Annual Report that was presented during the September 13, 2021, Audit Committee Meeting.

Peer Review Participation

The OCA is required to participate on a peer review team(s) as part of a reciprocal agreement with the Association of Local Government Auditors (ALGA). In this agreement, OCA auditors would participate on a team assigned to assess another organization's compliance with Institute of Internal Auditors' (IIA) *Standards*. The OCA has contacted the regional coordinator of ALGA to schedule staff on an appropriate peer review team.

Administrative

The activities that reside within the Administrative classification include meetings attended by the OCA, holiday and vacation time, and the fulfillment of Continuing Professional Education (CPE) requirements.

Tracking Budget and Expenses

The OCA expenses totaled approximately \$270,000 through the end of the first quarter, which represents 22% of the Fiscal Year 2022 budget. No unexpected or large outlays occurred within the department during the first quarter of Fiscal Year 2022. The OCA expects to remain on budget through the fiscal year-end.

Continuing Professional Development

OCA staff continues to obtain Continuing Professional Education credits as required by their various certifications. During the first quarter, staff attended training on topics that included cybersecurity, Diversity Equity & Inclusion, Internal Controls for cash receipts, ethics, active directory controls, risk, and fraud.

Procedural/Supervisory

One Audit Committee Meeting took place during the first quarter, which occurred on September 13, 2021. The meeting contained all of the regularly scheduled September agenda items, of which the OCA assisted in coordination with the Committee Chair and Board Services.

COVID-19

All OCA staff have been working remotely since March 2020. The pandemic has required the OCA to be flexible with the timing of audit engagements due to the resource limitations caused by the pandemic. At this time, the OCA is preparing to transition back to the office. This will allow for additional opportunities to collaborate, engage with other stakeholders, and allow auditors to synchronize workpapers on a more consistent basis.

Use of Report

The information in this report is intended solely for the use of the San Diego County Regional Airport Authority's (SDCRAA) Audit Committee, Board, and management and is not intended to be, and should not be, used by anyone other than the specified parties.

This report has been authorized for distribution to the Audit Committee and as specified:

- Board Members
- President/Chief Executive Officer
- General Counsel
- Vice Presidents
- Director, Authority Clerk
- Director, Government Relations
- Assistants specified by Board Members and SDCRAA

Appendix A – Fiscal Year 2022 Audit Plan

| # | Activity | Status as of 9/30/2021 | Over/Under Budget | No. of Recs. |
|-------------------------|---|------------------------|-------------------|--------------|
| Audit Engagement | | | | |
| 1 | Harbor Police Contract Management – Appropriate & Equitable | In Progress | | - |
| 2 | System Security – AVSEC Penetration Test | In Progress | | - |
| 3 | Enterprise Content Management System (ECMS) | Completed | Under | 7 |
| 4 | Accounts Receivable / Collections - Abatement Program | In Progress | | - |
| 5 | Contractor Monitoring – Engineered Materials Arresting System | In Progress | | - |
| 6 | Harbor Police Contract Management – Fiscal Year 2020 True-Up | In Progress | | - |
| 7 | Tenant Lease Administration and Management – Rental Car Companies | In Progress | | |
| 8 | System Security – SAN.org website | Not Started | | - |
| 9 | Employee Training and Development | Not Started | | - |
| 10 | Tenant Lease Administration & Management – Terminal Space | In Progress | | - |
| 11 | Airfield Operations - Amadeus | Not Started | | - |
| 12 | To Be Determined – Construction | N/A | | - |
| 13 | To Be Determined - Discretionary | N/A | | - |
| | Totals | | | 7 |
| General Audit | | | | |
| 14 | Risk Assessment & Audit Plan | In Progress | | |
| 15 | Construction Meeting Attendance & Construction Auditor Coordination | In Progress | | |
| 16 | Information Technology Meeting Attendance | In Progress | | |
| 17 | Development of Data Analytics | In Progress | | |
| 18 | Ethics Program | In Progress | | |
| 19 | Recommendation Follow-up | In Progress | | |
| 20 | Quality Assurance & Improvement Program | In Progress | | |
| 21 | Peer Review Participation | | | |
| Administrative | | | | |
| 28 | Indirect - Attendance at Staff/Board/Committee Meetings, Continuing Professional Development, and Other | In Progress | | |
| 29 | Benefit - Vacation, Holiday Time, and Other Leave/Time Off | In Progress | | |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2021 |
|------------------|--|-----------------|--|-----------------------------------|---|--|
| Completed | | | | | | |
| 22-2 | Audit Report 21014 Issued: Sept. 22, 2021 Title: Enterprise Content Management System Access Controls Department: BOARD SERVICES | High | Access to sensitive information should be removed for the group that does not require it to perform their job function. Update on Recommendation #2: During our audit, we notified Management and the ECMS Administrator immediately corrected the situation by removing the specific group from accessing the file folders with sensitive information. | 9/22/2021 | 9/22/2021 | During our audit, we notified Management and the ECMS Administrator immediately corrected the situation by removing the specific group from accessing the file folders with sensitive information. |
| 22-3 | Audit Report 21014 Issued: Sept. 22, 2021 Title: Enterprise Content Management System Access Controls Department: BOARD SERVICES | Medium | Access should be removed to prevent all Authority users from viewing documents within the Authority department identified. Update on Recommendation #3: During our audit, we notified Management of documents visible to all Authority users, and the ECMS Administrator immediately rectified the situation by removing access. | 9/22/2021 | 9/22/2021 | During our audit, we notified Management of documents visible to all Authority users, and the ECMS Administrator immediately rectified the situation by removing access. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2021 |
|------------------|--|-----------------|--|-----------------------------------|---|--|
| Completed | | | | | | |
| 22-4 | Audit Report 21014 Issued: Sept. 22, 2021 Title: Enterprise Content Management System Access Controls Department: BOARD SERVICES | Medium | ECMS access should be removed from a specified employee and access removed from testing/administrative user IDs no longer required. Update on Recommendation #4: During our audit, we notified Management of unneeded user access and IDs, and I&TS staff expeditiously deactivated the specified employee's access and removed the testing/administrative user IDs that were no longer required. | 9/22/2021 | 9/22/2021 | During our audit, we notified Management of unneeded user access and IDs, and I&TS staff expeditiously deactivated the specified employee's access and removed the testing/administrative user IDs that were no longer required. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2021 |
|--------------------|---|-----------------|---|-----------------------------------|---|---|
| In Progress | | | | | | |
| 20-25 | Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT | High | RG&PD should develop and publish a set of universal procedures for lease administration and management, and take active measures to ensure that the manual is updated to remain current. | 11/30/20 | 12/31/2021 | RG&PD is working on developing and publishing a set of procedures for lease administration and management. Working with I&TS on utilizing E1 for lease administration along with setting up demos for other potential property management software. |
| 20-26 | Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT | High | RG&PD staff should continue to evaluate the property management software vendors, first by examining the Authority's Real Estate Management Property Management module already in E1, to implement a desired solution. | 3/31/22 | 3/31/2022 | RG&PD will investigate utilizing the existing E1 software and determine if other software is needed to more efficiently monitor, maintain, and manage the many tenant lease agreements, which the department is responsible. |
| 20-27 | Audit Report 20001 Issued: June 25, 2020 Title: Tenant Lease Administration and Management Department: REVENUE GENERATION & PARTNERSHIP DEVELOPMENT | High | RG&PD, in cooperation with the Finance & Risk Management Department, should analyze the current security deposits on hand, determine if the security deposits on hand are sufficient to cover the risk to the Authority, make adjustments, and document any exceptions to security deposits, as needed. | 3/31/22 | 3/31/2022 | RG&PD will work to implement the recommendations with input from Accounting, Finance, and Risk Management Departments. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2021 |
|--------------------|--|-----------------|--|-----------------------------------|---|--|
| In Progress | | | | | | |
| 21-15 | Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE | High | A) We recommend that the A/P Accountant role in the Authority's E1 financial system be removed from the Accounting Manager. B) In addition, we recommend that the Authority determine if E1 has the ability to require that when any changes are made to the VMF, they be approved by another individual. | 9/30/2021 | 6/30/2022 | Partially Completed A) Completed - Accounting had previously removed the AP Accountant role in the Authority's E1 financial system from the Accounting Manager's menu. B) In Progress - IT made inquiries with Oracle regarding E1 capabilities. Further internal evaluations need to be done within I&TS to determine if this can be implemented. A subsequent procedures document will need to be developed to document the process. |
| 21-31 | Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION | High | GT should coordinate with COSD to identify the cause of the \$54,687 in underpayments and the \$26,082 in duplicate fees charged, and work to ensure that the issues are corrected and that the Authority is properly paid for their citations issued. | 9/30/2021 | 3/31/2022 | 1. GT will attempt to reconcile the the cause of the \$54,867 in underpayments and \$26,082 in duplicate fees charged. 2. GT will examine the current process and include reconciliation steps in the monthly reconciliation SOP to prevent errors in the future. 3. GT will use the monthly reconciliation SOP to analyze the average amount of deficient citation revenue received, and compare that to fees charged for processing, payment plan, NSF, State of CA Fees, etc. 4. Going forward, GT will use the monthly reconciliations and KPI examinations to identify trends in citation revenue deficiencies. 5. GT will examine the option to move to a different processor who can specifically identify citation revenue and charges and provide accurate reconciliations. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2021 |
|--------------------|--|-----------------|---|-----------------------------------|---|--|
| In Progress | | | | | | |
| 21-32 | Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION | High | GT should coordinate with COSD to obtain detailed support of the gross figures provided monthly by COSD and reconcile the amounts of citations paid against the amount remitted to the Authority. | 9/30/2021 | 9/30/2021 | 1. As part of the monthly reconciliation process defined in the SOP, GT will request detailed support for the gross figures provided monthly by CoSD to reconcile the amounts of citations paid to the amount remitted as citation revenue to the Authority. |
| 22-1 | Audit Report 21014 Issued: Sept. 22, 2021 Title: Enterprise Content Management System Access Controls Department: BOARD SERVICES | High | The ECMS Administrator should coordinate with Department Records Coordinators to conduct, periodic reviews of access rights and group permissions to enforce the practice of least privilege, and maintain documentation to show the review was performed by appropriate individuals. | 6/30/2022 | 6/30/2022 | This recommendation was issued on September 22, 2021. As mentioned in the audit report, management responsible for the ECMS was recently transferred to Board Services. Due to the short time between when the report was issued and the deadline to submit the status update, no steps have been taken at this time. Once Board Services gets up to speed, we are confident that we will complete this recommendation by the Initial Estimated Completion Date. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2021 |
|--------------------|--|-----------------|--|-----------------------------------|---|---|
| In Progress | | | | | | |
| 21-17 | Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE | Medium | A) We recommend that the Accounting Manager run and review the Vendor Set-Up Verification Report concurrent with the check run process to capture any vendor changes and to verify that these changes are legitimate. B) In addition, we recommend that the Authority develop a report that captures changes made in E1 to banking information related to employee and Board/Committee Member reimbursements, thus enabling staff to conduct a review of that report concurrent with the check run process. | 9/30/2021 | 6/30/2022 | Partially Completed A) Completed - The Vendor setup verification report has been run concurrent with the check run effective April 27th. B) In Progress - Accounting currently reviews the banking information for employees and Board Members. Accounting has been working with I&TS to modify an existing report to capture changes to employee and Board Member banking information. |
| 21-18 | Audit Report 21009 Issued March 24, 2021 Title: Accounts Payable Process Department: ACCOUNTING/ FINANCE | Medium | The Accounting Department's A/P Team should perform regular periodic maintenance of the Vendor Master File to identify inactive and duplicate vendors and tag them as inactive. | 12/31/2021 | 12/31/2021 | Accounting is actively working to deactivate duplicate and inactive vendors. This is expected to be completed by 12/31/21. |
| 21-25 | Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION | Medium | GT should develop written procedures for all components of the automobile citation process. Specifically, GT should develop written procedures for the export/upload process, reconciliations, and appeals process. | 9/30/2021 | 12/31/2021 | 1. GT will develop Standard Operating Procedures (SOP) for all aspects of the citation process: a) Issuance process, b) Export/upload process, c) Monthly reconciliations, d) Appeals process, and e) Quarterly management review. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2021 |
|--------------------|--|-----------------|--|-----------------------------------|---|---|
| In Progress | | | | | | |
| 21-26 | Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION | Medium | GT should develop KPIs to measure performance of the automobile citation process, and measure actual performance against KPIs on a regular basis. | 9/30/2021 | 12/31/2021 | 1. GT will develop the following KPIs: a) % of citations uploaded on time, b) % of citations with errors, c) % of citations appealed, d) # of citations successfully appealed, e) \$ amount of citations issued each month, f) Type and amount of citations issued each month, g) List of citation infraction type, h) List of upload errors and troubleshooting by citation device, i) Additional KPIs will be developed and reported as identified and warranted. |
| 21-28 | Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION | Medium | GT should develop a methodology to reconcile citations issued by the Authority, transferred to the COSD, and citations charged a processing fee; and, implement the reconciliation to be performed monthly and any discrepancies be corrected. | 9/30/2021 | 3/31/2022 | 1. As part of the monthly reconciliation SOP GT will establish a requirement and methodology to reconcile: a) Monthly citations issued by the Authority to those received by CoSD, b) Monthly \$ amount of citations issued by the Authority to those received by CoSD, c) Monthly \$ amount of citation fees charged by CoSD to number of citations received by CoSD. |
| 21-29 | Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION | Medium | GT should analyze the 317 tickets identified that were never received by COSD. GT should either a) resubmit to the COSD for billing, or b) disregard these tickets, considering the length of time elapsed and the impact to cited motorists. | 9/30/2021 | 12/31/2021 | 1. GT will examine these 317 tickets for disposition to ensure that no payment funds were received. 2. GT will disregard these tickets, considering time elapsed and impact to cited motorists. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2021 |
|--------------------|--|-----------------|---|-----------------------------------|---|--|
| In Progress | | | | | | |
| 21-30 | Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION | Medium | GT should develop and implement a methodology to review citation fine amounts periodically and adjust the amounts as appropriate. | 9/30/2021 | 12/31/2021 | 1. As part of the citation issuance SOP, GT will specify that citation amounts are reviewed annually and benchmarked against other County of San Diego agencies and other California Airports. 2. The initial review will occur in November 2021. 3. Subsequent annual review and benchmarking examinations will occur in April each year thereafter. |
| 22-5 | Audit Report 21014 Issued: Sept. 22, 2021 Title: Enterprise Content Management System Access Controls Department: BOARD SERVICES | Medium | Employee and test/administrative IDs should be reviewed periodically to ensure unneeded user IDs are eliminated timely and that access is removed. | 12/31/2021 | 12/31/2021 | This recommendation was issued on September 22, 2021. As mentioned in the audit report, management responsible for the ECMS was recently transferred to Board Services. Due to the short time between when the report was issued and the deadline to submit the status update, no steps have been taken at this time. Once Board Services gets up to speed, we are confident that we will complete this recommendation by the Initial Estimated Completion Date. |
| 22-6 | Audit Report 21014 Issued: Sept. 22, 2021 Title: Enterprise Content Management System Access Controls Department: BOARD SERVICES | Medium | A formal procedure that includes a documented process for granting and changing access rights should be developed. Documentation should be retained for audit purposes. | 2/28/2022 | 2/28/2022 | This recommendation was issued on September 22, 2021. As mentioned in the audit report, management responsible for the ECMS was recently transferred to Board Services. Due to the short time between when the report was issued and the deadline to submit the status update, no steps have been taken at this time. Once Board Services gets up to speed, we are confident that we will complete this recommendation by the Initial Estimated Completion Date. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2021 |
|--------------------|--|-----------------|---|-----------------------------------|---|--|
| In Progress | | | | | | |
| 21-03 | Audit Report 20004 Issued October 28, 2020 Title: Formal Bidding/Contracting Process Department: PROCUREMENT | Low | We recommend that Authority Management evaluate and update Authority Policies 5.01 and 5.02 where necessary. | 10/15/2021 | 1/21/2022 | Procurement is working in collaboration with Corporate Governance, Development, and the General Counsel's office to recommend changes to the policies. Final recommendations have been submitted for review. |
| 21-06 | Audit Report 18004 Issued: December 8, 2020 Title: Small Business Development Department: SMALL BUSINESS DEVELOPMENT | Low | Small Business Development should examine the cost/benefit of expanding its current software system that monitors DBE and SBE requirements to include LBE, VOSB, and SDVOSB. | 6/30/2021 | 11/30/2021 | The implementation with B2Gnow has been completed as of 9/30/21 and we are just working on a few minor details. Testing should be completed within the next couple of weeks. |
| 21-23 | Audit Report 21002 Issued: April 6, 2021 Title: SAN Information Security Program Compliance Department: INFORMATION & TECHNOLOGY SERVICES | Low | We recommend that I&TS update Standard D-08 Computers, Electronic Media & Monitoring to include all of the prohibited actions, and on an annual basis all Authority computer system users be provided with, and acknowledge receipt of, Standard D-08 Computers, Electronic Media & Monitoring. | 6/30/2021 | 12/31/2021 | The Standard D-08 Computers, Electronic Media & Monitoring form has been updated. I&TS is publishing this form via LMS (the Authority's training software) this month for staff to read and acknowledge along with the annual cyber security training modules. The completion of his recommendation is awaiting completion and acknowledgment from Authority staff, which should occur in the 2nd quarter. |
| 21-24 | Audit Report 21004 Issued: June 2, 2021 Title: Emergency and Sole Source Procurement Department: PROCUREMENT | Low | The Procurement Department should update the Sole Source Justification Form, modifying the approval process to include Procurement, and maintain a dedicated listing of all sole source purchases made. | 9/3/2021 | 11/5/2021 | Procurement has revised the Sole Source Justification Form. The new form can be found in the public folder and is accessible Authority-wide. Revision are being made to the instructions prior to rolling out the new form to Senior staff. |

Appendix B - Status of Recommendations

| Rec. No. | Audit Report Description | Priority Rating | Recommendation | Initial Estimated Completion Date | Revised / Current Estimated Completion Date | Status as of September 30, 2021 |
|--------------------|--|-----------------|--|-----------------------------------|---|--|
| In Progress | | | | | | |
| 21-27 | Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION | Low | GT should establish a written goal to upload all citations within a specified time period (e.g., 24 or 48 hours). Further, GT should implement a system to measure upload time, identify issues with citation uploads, and troubleshoot issues. | 9/30/2021 | 3/21/2022 | 1. As part of the Export/Upload SOP GT will establish a goal to upload all citations within 48 hours of issuance. 2. GT will issue reports on % of citations uploaded daily and within/without 48 hours. 3. GT will issue exception reports for citations processing issues and troubleshooting issues. |
| 21-33 | Audit Report 21005 Issued: June 30, 2021 Title: Automobile Citations Department: GROUND TRANSPORTATION | Low | GT should implement a formal documented approval of all decisions reached within the appeals process. | 9/30/2021 | 9/30/2021 | 1. As part of the Appeals Process SOP GT will establish and implement a formal, documented approval form for all decisions reached within the appeals process. This form will include: a) Date of citation, b) Date of citation appeal, c) Date of appeal review, d) Appeal decision - by party independent of appeal processor, e) Manager review signature and date, and f) Director review signature and date. |
| 22-7 | Audit Report 21014 Issued: Sept. 22, 2021 Title: Enterprise Content Management System Access Controls Department: BOARD SERVICES | Low | The ECMS Administrator should consider utilizing a software tool or other methodology to identify confidential or sensitive information within ECMS to determine if the information is properly safeguarded and only accessible to those with the logical need for that information. | 6/30/2022 | 6/30/2022 | This recommendation was issued on September 22, 2021. As mentioned in the audit report, management responsible for the ECMS was recently transferred to Board Services. Due to the short time between when the report was issued and the deadline to submit the status update, no steps have been taken at this time. Once Board Services gets up to speed, we are confident that we will complete this recommendation by the Initial Estimated Completion Date. |

Fiscal Year 2022 First Quarter Report from the Office of the Chief Auditor

July 1, 2021, through September 30, 2021

Audit Committee Meeting November 15, 2021

Agenda

- Performance Measures
- Audit Spotlight:
 - Enterprise Content Management System (ECMS) Access Controls
- General Audit Activities
 - Recommendation Follow-Up
 - Ethics
 - Construction
 - Video - Flythrough of the New T1

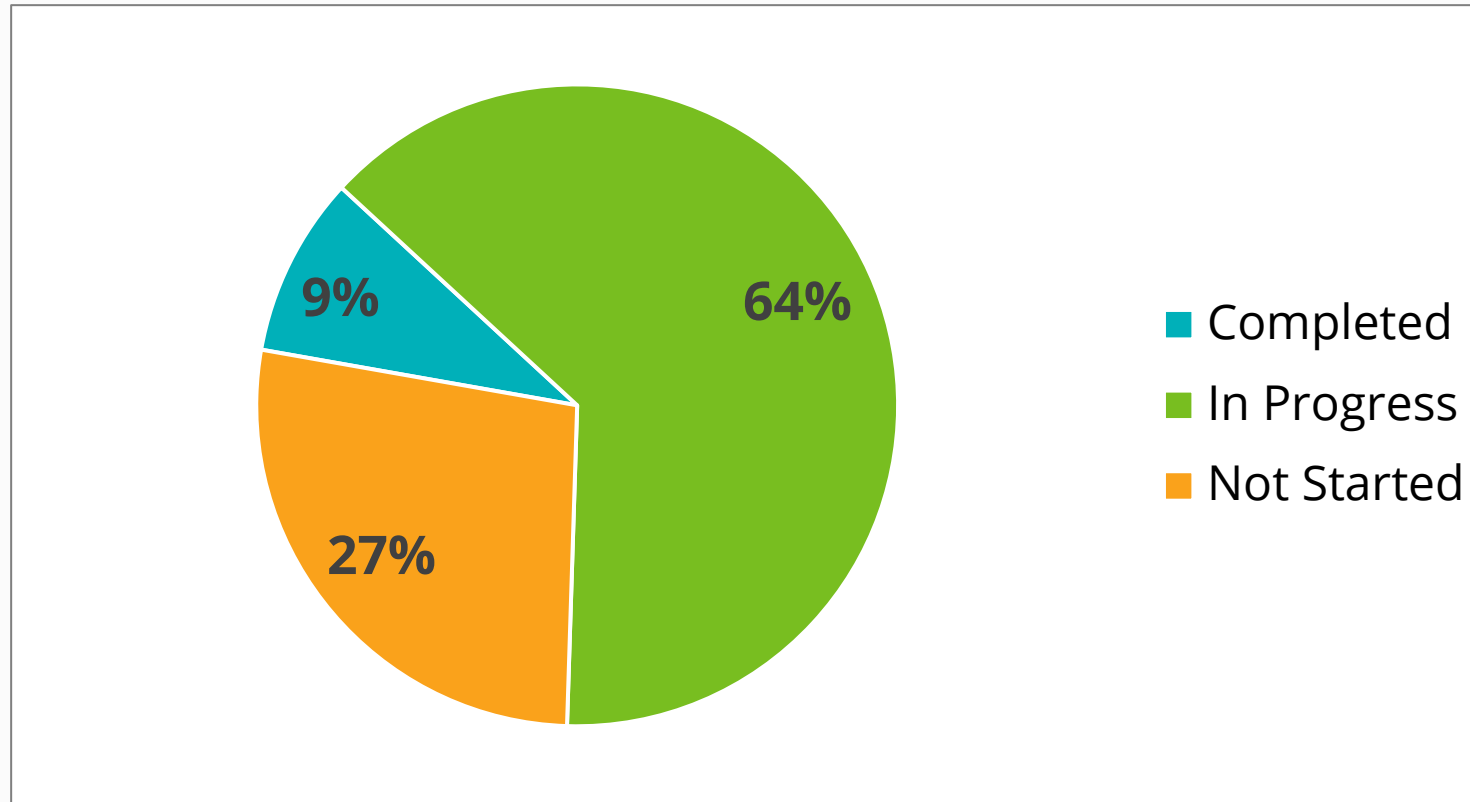


Fiscal Year 2022 Performance Measures

| Performance Measure | Goal | Actual | Benchmark |
|--|------|--------|-----------|
| Customer Satisfaction Rating from Auditee | 4.0 | 5.0 | 4.0 |
| Number of Recommendations | 6 | 7 | 6 |
| Percentage of Audit Engagements Completed | 20% | 9% | 20% |
| Percentage of Recommendations Accepted | 95% | 100% | 83% |
| Percentage of Staff Time Spent on Audit Engagements and General Audit Activities | 70% | 66% | 70% |
| Percentage of Audits Engagements Completed within Budget | 80% | 100% | 75% |

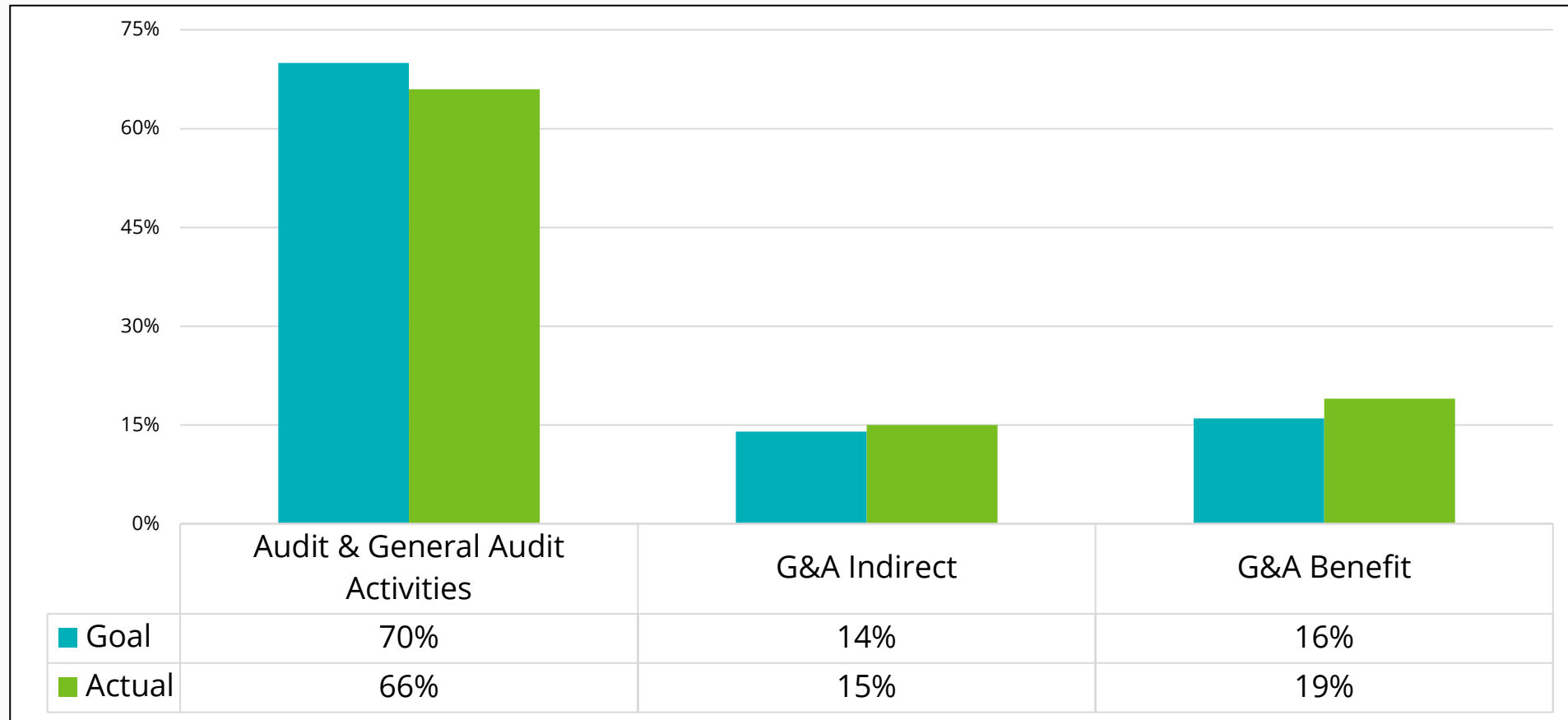
Performance Measures - Additional Details

Percentage of Audit Engagements Completed



Performance Measures - Additional Details

Percentage of Staff Time Spent on Audit Engagements and General Audit Activities

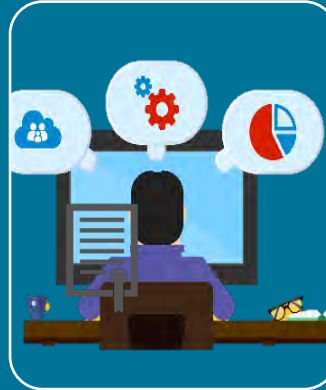


Audit Spotlight - Enterprise Content Management System (ECMS) Access Controls



Background

Enterprise Content Management System

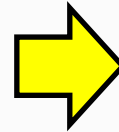


- Document Management Software
- Assists in ensuring compliance with Records Policies & can provide enhanced security
- Upgraded to OpenText Content Server version 16.2 in July 2020

Audit Spotlight - ECMS Access Controls

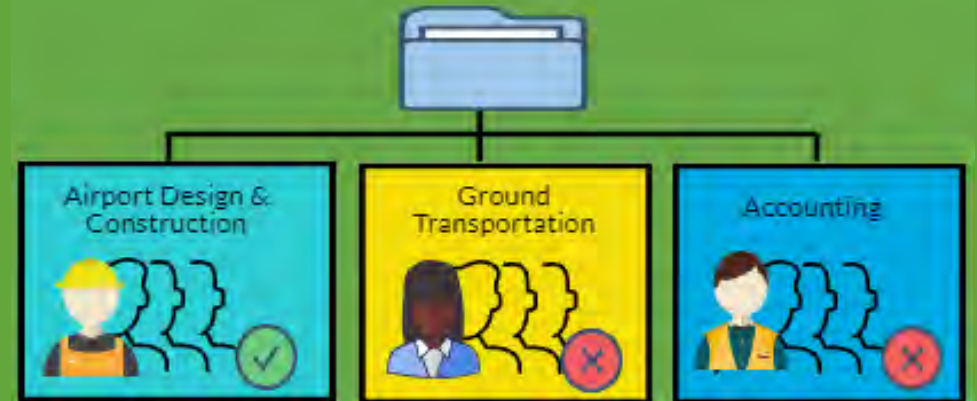
Prior to Upgrade

Access to folders and files were granted to individuals



After Upgrade

Access to folders and files were granted to groups



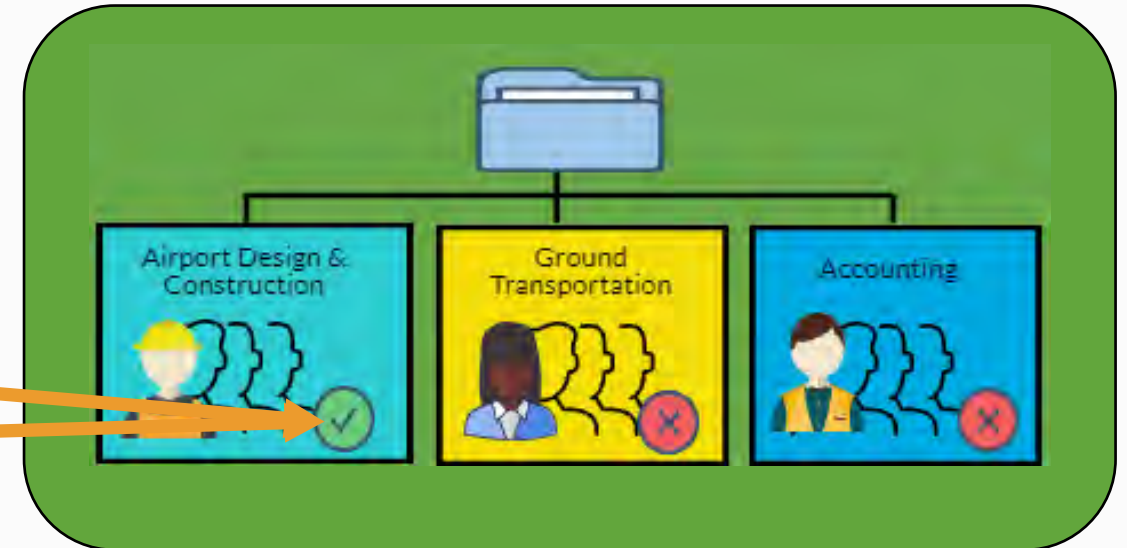
Audit Spotlight – ECMS Access Controls

Objective of Audit

Determine if access controls in ECMS are appropriate.

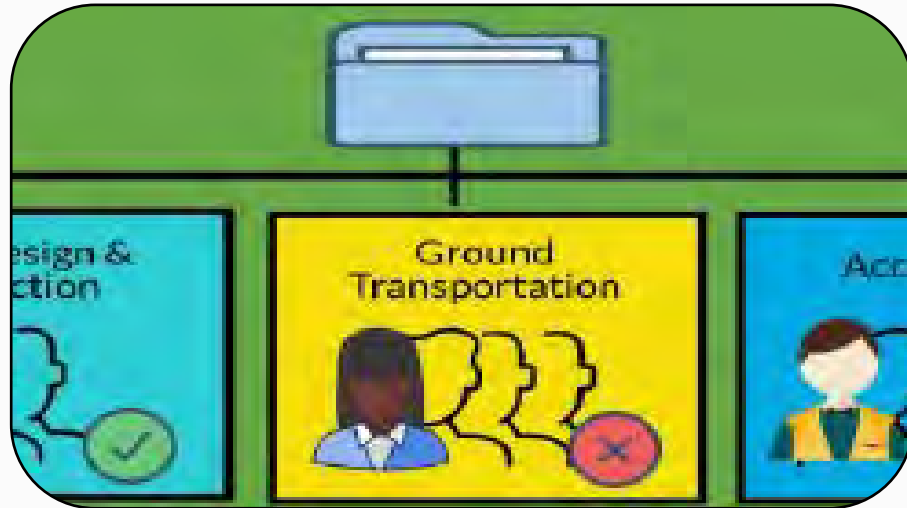
We examined:

1. The process to grant, change, and review access rights
2. Access rights to folders and files

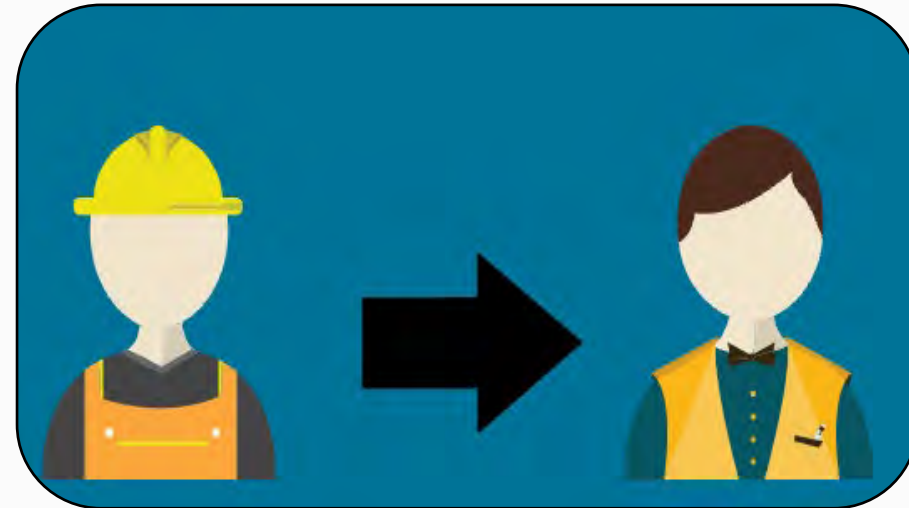


Audit Spotlight - ECMS Access Controls

Strengths Identified



Group Based Permissions



Employee Transfers

Audit Spotlight – ECMS Access Controls

Conclusion

In general, access controls within ECMS were appropriate.

4 Findings and 7 Recommendations

All were accepted by Management.

#1

A review of access rights and permissions is not conducted periodically.

#2

ECMS user access was not timely removed.

#3

Procedures for granting and changing access rights is not documented.

#4

Review of confidential information is not performed.

General Audit Activity - Recommendation Follow-Up

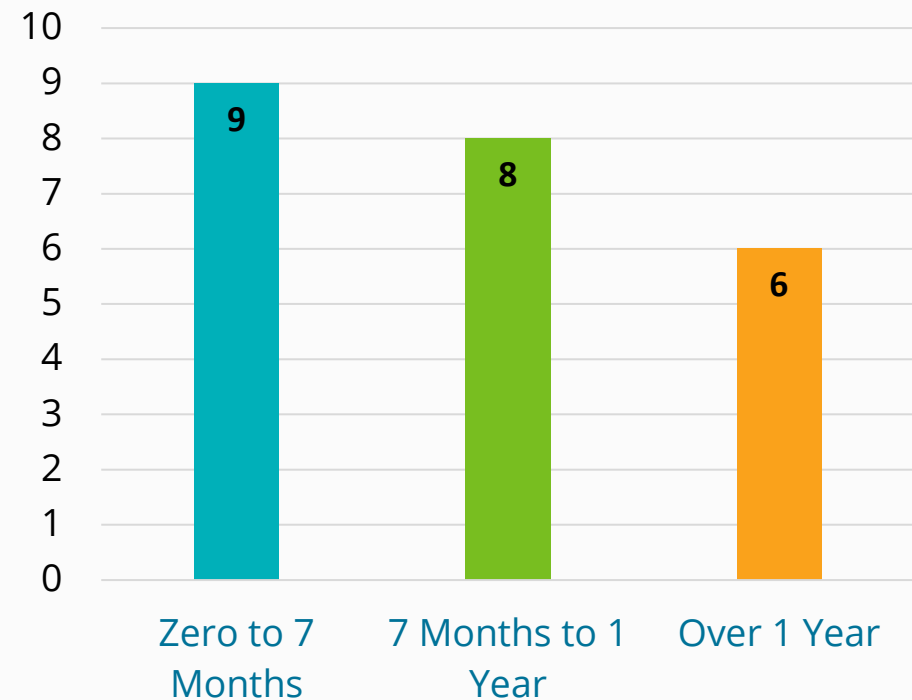
Recommendation Follow Up

| Status as of September 30, 2021 | | | |
|---------------------------------|-------------|--------------|---------|
| Completed | In Progress | Not Accepted | Tracked |
| 3* | 23** | - | 26 |

* 3 recommendations were completed within the initial timeframe identified for implementation.

** 19 recommendations are still within the initial timeframe identified for implementation.

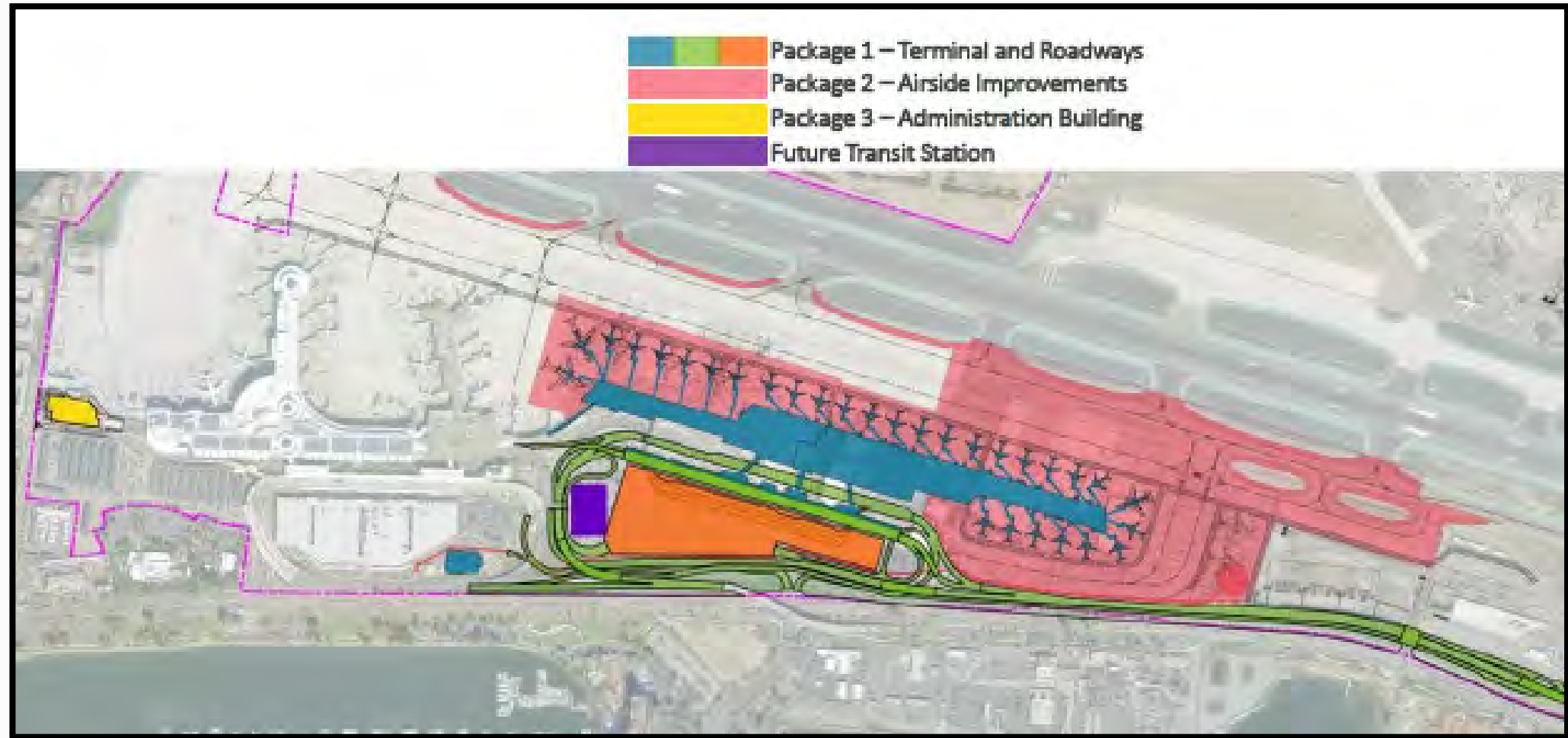
Estimated Implementation Timeframe for In Progress Recommendations



General Audit Activity - Ethics

| | Number of Tips / Reports Received | Preliminary Investigation Required | Full Investigation Initiated | Investigation Results Supported Code Violation (Ethics or Workplace) | Response (to non-anonymous reports) |
|--|-----------------------------------|------------------------------------|------------------------------|--|-------------------------------------|
| Category | | | | | |
| Human Resource, Diversity, and Workplace Respect | 13 | - | - | - | - |
| Total | 13 | - | - | - | - |

General Audit Activity - Construction



General Audit Activity - Construction

| Project Description | Current Budget* |
|--|------------------------|
| Terminals & Roadways MCP | \$2,610,417,181 |
| Airfield Improvements Construction Contract Price | 251,671,315 |
| Taxiway A & B Construction Budget | Included Above |
| Administration Building MCP | 91,379,967 |
| Shuttle Lot Relocation Budget | 7,603,000 |
| Authority Costs (Design Consultants, Program Management, Departmental Support, Insurance, & Permit Fees) | 275,976,629 |
| Program Contingency | 227,251,907 |
| Total ADP + Taxiways | \$3,464,300,000 |

* Per October 7, 2021 Board Meeting Agenda Materials

General Audit Activity - Construction



General Audit Activity - Construction

Video: New T1





Questions?

Audit Committee Staff Report

Meeting Date: November 15, 2021

Subject:

Revision to the Fiscal Year 2022 Audit Plan of the Office of the Chief Auditor

Recommendation:

Staff recommends that the Audit Committee accept the revised Audit Plan and forward it to the Board with a recommendation for approval (***Requires five (5) affirmative votes of the Audit Committee.***)

Background/Justification:

The Charter for the Office of the Chief Auditor, instituted by Board Resolution No. 2003-062 on October 2, 2003, and most recently amended on October 7, 2021, per Board Resolution No. 2021-0109, defines the role and requirements of the Office of the Chief Auditor (OCA).

As directed in the Charter, the Chief Auditor shall submit, at least annually, a risk-based Audit Plan to the Audit Committee and to Authority executive management, and shall review and adjust the Audit Plan, as necessary, responding to changes in business risks, operations, special requests, programs, systems, and controls. All changes to the Audit Plan shall be communicated to the Audit Committee prior to being submitted to the Board for approval.

Additionally, International Standards for the Professional Practice of Internal Auditing require that the Chief Auditor review and adjust the Audit Plan, as necessary.

The OCAs initial Audit Plan for Fiscal Year 2022 was approved by the Audit Committee during its May 10, 2021, meeting, and was subsequently approved on June 3, 2021, by Board Resolution No. 2021-0063.

During the first quarter of Fiscal Year 2022 a review of the Audit Plan was undertaken by the OCA. A revision to adjust the allocation of audit hours to reflect the OCAs operational requirements was approved by the Board on October 7, 2021, by Resolution No. 2021-0110.

At this time a revision to the Fiscal Year 2022 Audit Plan is requested. The OCA identified an audit engagement related to fire extinguishers located at the Authority during the course of the second quarter. Upon notification to management, and with preliminary approval, an audit scope was developed. The preliminary objective of the audit engagement is to determine if the fire extinguishers at the Authority are in compliance with inspection and other requirements.

The resulting proposed changes to the Fiscal Year 2022 Audit Plan include:

- 1) Add an audit of Terminal Maintenance - Fire Extinguishers to the Audit Plan with 275 audit engagement hours.
- 2) Remove 275 discretionary audit hours to initiate the audit engagement of Terminal Maintenance - Fire Extinguishers.

Additionally, the OCA has completed its preliminary audit work on the Tenant Lease Administration and Management audit related to Rental Car Companies. Based on that preliminary audit work, the OCA has determined that the Tenant Lease Administration and Management audit related to Rental Car Companies is not projected for completion in Fiscal Year 2022. It will be carried forward to Fiscal Year 2023. The audit is being carried forward because reports that are submitted by the Rental Car Companies, which contain necessary data to complete the audit, are not available until August 2022, which is after the close of this fiscal year.

The proposed revision to the Fiscal Year 2022 Audit Plan is provided as Attachment A. The Fiscal Year 2022 Audit Plan with all changes incorporated is provided as Attachment B.

Fiscal Impact:

The Chief Auditor Department's adopted Operating Expense Budget for Fiscal Year 2022 and conceptually approved budget for Fiscal Year 2023 meet the allotted budget requirements for the proposed revision to the Fiscal Year 2022 Audit Plan.

Authority Strategies/Focus Areas:

This item supports one or more of the following:

Strategies

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Focus Areas

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

Environmental Review:

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

Application of Inclusionary Policies:

Not Applicable

Prepared by:

Lee M. Parravano
Chief Auditor

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan November 15, 2021

ATTACHMENT A

| Key Work Activity | Objective ¹ | Prior Estimated Hours | Change Requested | Revised Hours |
|---|--|-----------------------|------------------|---------------|
| Audit Hours | | | | |
| Harbor Police Contract Management ² | To determine if Harbor Police costs and services are appropriate and equitable. | 400 | - | 400 |
| System Security ² | To evaluate the Authority's security posture by performing penetration testing of the Authority's Aviation Security and Public Safety's system. | 120 | - | 120 |
| Records Management ² | To determine if access rights in the Authority's Enterprise Content Management System (ECMS) are appropriate. | 290 | - | 290 |
| Accounts Receivable / Collections ² | To determine if the rent abatement program was properly administered and in compliance with applicable Fed requirements of COVID-19 relief acts. | 400 | - | 400 |
| Contractor Monitoring ² | To determine if the Engineered Materials Arresting System (EMAS) project was properly monitored and managed. | 140 | - | 140 |
| Harbor Police Contract Management | To determine if Harbor Police costs and services are appropriate related to the Fiscal Year 2020 True-Up. | 500 | - | 500 |
| Tenant Lease Administration and Management ³ | To determine if the concessions, CFC/TFCs reported to the Authority are accurate for all Airport Rental Car Companies. | 1,140 | - | 1,140 |
| System Security | To evaluate the Authority's security posture by performing penetration testing of the Authority's website. | 325 | - | 325 |
| Employee Training and Development | To determine if employee trainings are administered appropriately. | 525 | - | 525 |
| Tenant Lease Administration & Management | To determine if terminal airport space is managed and billed appropriately. | 525 | - | 525 |
| Airfield Operations Management | To determine the gate software (Amadeus) matches Airline landing fees reported. | 500 | - | 500 |
| Terminal Maintenance | To determine if fire extinguishers are in compliance with inspection and other requirements. | | 275 | 275 |
| To Be Determined | To initiate audits related to construction activities based on a Risk Assessment(s) performed by the External Construction Auditor. | 1,203 | - | 1,203 |
| To Be Determined | To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor. | 473 | (275) | 198 |
| | Total Audit Hours | 6,541 | - | 6,541 |

¹ Objective may change based on the preliminary survey performed by the OCA.

² Audit Activity has been carried forward from Fiscal Year 2021.

³ Audit engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to Fiscal Year 2023. The hours budgeted in Fiscal Year 2022 are 1,140. An additional 375 hours will be needed in Fiscal Year 2023 to complete. The total budget for this audit engagement is 1,515.

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan November 15, 2021

ATTACHMENT A

| Key Work Activity | Objective ⁴ | Original Estimated Hours | Change Requested | Revised Hours |
|--|--|--------------------------|------------------|---------------|
| General Audit Hours | | | | |
| Risk Assessment and Audit Plan ⁵ | To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan. | 212 | - | 212 |
| Construction Meeting Attendance & External Construction Auditor Coordination | Attend various construction meetings and incorporate knowledge into ongoing risk assessments and management of the Construction Auditor. | 380 | - | 380 |
| Information Technology Meeting Attendance | Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed. | 80 | - | 80 |
| Development of Data Analytics | Develop a data analytics program for in terminal concessions or other programs. | 220 | - | 220 |
| Ethics Hotline ⁴ | To review ethics policies and investigate reported incidents. | 210 | - | 210 |
| Recommendation Follow-up ⁴ | To verify that internal and external audit recommendations have been implemented as intended. | 140 | - | 140 |
| Quality Assurance & Improvement Program ⁴ | To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities. | 320 | - | 320 |
| Peer Review Participation | To satisfy the Association of Local Government Auditors (ALGA) requirement for the OCA to volunteer two audit staff to serve on a Quality Assurance Review for another organization. | 180 | - | 180 |
| | Total General Audit Hours | 1,742 | - | 1,742 |
| Administrative Hours | | | | |
| Administrative - Indirect | Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other. | 2,189 | - | 2,189 |
| Administrative - Benefit | Vacation, Holiday Time and Other Time Off. | 2,008 | - | 2,008 |
| | Total Administrative | 4,197 | - | 4,197 |
| | Total Hours | 12,480 | - | 12,480 |

⁴ Objective may change based on the preliminary survey performed by the OCA.

⁵ Required activity in the Charter for the Office of the Chief Auditor.

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan November 15, 2021

ATTACHMENT A

| Key Work Activity | Objective ⁶ | Original Estimated Hours | Change Requested | Revised Hours |
|--|--|--------------------------|------------------|---------------|
| Contingent Audit Hours | | | | |
| Airport Ground Transportation Operations Management | To determine if the privacy and personal information security procedures and practices related to the Automated License Plate Reader (ALPR) system are adequate. | 500 | - | 500 |
| OCIP | To determine if the Owner Controlled Insurance Program (OCIP) is administered appropriately. | 500 | - | 500 |
| Social Media/Website / Webmaster | To determine if the controls around social media and/or website administration are appropriate and adequate. | 450 | - | 450 |
| Management of ALUC, Board, and Standing Board Committee Meetings | To determine if the processes and technology utilized for Board, Airport Land Use Commission (ALUC), and Committee meetings are efficient and appropriate. | 400 | - | 400 |
| Account Provisioning /De-Provisioning | To determine if account provisioning and de-provisioning are performed timely. | 450 | - | 450 |
| Rental Car Shuttle Service Contract Administration | To determine if the Shuttle Service operations are administered appropriately. | 650 | - | 650 |
| TNC Contract Administration & Revenue Collection | To determine if the TNC Contract is administered appropriately. | 475 | - | 475 |
| Employee Parking Card and Policy Administration | To determine if Parking Cards are administered appropriately. | 550 | - | 550 |
| Leaves of Absence / Catastrophic Leave | To determine leaves of absences are administered appropriately. | 525 | - | 525 |
| Innovation Lab Operations | To determine if the Innovation Lab is administered appropriately. | 600 | - | 600 |
| Total Contingent Audit Hours | | 5,100 | - | 5,100 |

⁶ Objective may change based on the preliminary survey performed by the OCA.

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan November 15, 2021

ATTACHMENT B

| Key Work Activity | Objective ¹ | Hours |
|---|--|--------------|
| Audit Hours | | |
| Harbor Police Contract Management ² | To determine if Harbor Police costs and services are appropriate and equitable. | 400 |
| System Security ² | To evaluate the Authority's security posture by performing penetration testing of the Authority's Aviation Security and Public Safety's system. | 120 |
| Records Management ² | To determine if access rights in the Authority's Enterprise Content Management System (ECMS) are appropriate. | 290 |
| Accounts Receivable / Collections ² | To determine if the rent abatement program was properly administered and in compliance with applicable Federal requirements of the COVID-19 relief acts. | 400 |
| Contractor Monitoring ² | To determine if the Engineered Materials Arresting System (EMAS) project was properly monitored and managed. | 140 |
| Harbor Police Contract Management | To determine if Harbor Police costs and services are appropriate related to the Fiscal Year 2020 True-Up. | 500 |
| Tenant Lease Administration and Management ³ | To determine if the concessions, CFC/TFCs reported to the Authority are accurate for all Airport Rental Car Companies. | 1,140 |
| System Security | To evaluate the Authority's security posture by performing penetration testing of the Authority's website. | 325 |
| Employee Training and Development | To determine if employee trainings are administered appropriately. | 525 |
| Tenant Lease Administration & Management | To determine if terminal airport space is managed and billed appropriately. | 525 |
| Airfield Operations Management | To determine the gate software (Amadeus) matches Airline landing fees reported. | 500 |
| Terminal Maintenance | To determine if fire extinguishers are in compliance with inspection and other requirements. | 275 |
| To be Determined | To initiate audits related to construction activities based on a Risk Assessment(s) performed by the External Construction Auditor. | 1,203 |
| To Be Determined | To initiate audit(s)/consulting engagements based on risks identified at the discretion of the Chief Auditor. | 198 |
| | Total Audit Hours | 6,541 |

¹ Objective may change based on the preliminary survey performed by the OCA.

² Audit Activity has been carried forward from Fiscal Year 2021.

³ Audit Engagement is not anticipated to be completed in Fiscal Year 2022. Audit will be carried forward to Fiscal Year 2023. Total Hours above are the hours needed to complete audit steps in Fiscal Year 2022.

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan November 15, 2021

ATTACHMENT B

| Key Work Activity | Objective ⁴ | Hours |
|--|--|---------------|
| General Audit Hours | | |
| Risk Assessment and Audit Plan ⁵ | To conduct a Risk Assessment that will identify the high risk activities to be considered when preparing the annual Audit Plan. | 212 |
| Construction Meeting Attendance & External Construction Auditor Coordination | Attend various construction meetings and incorporate knowledge into ongoing risk assessments and management of the Construction Auditor. | 380 |
| Information Technology Meeting Attendance | Attend various Information Technology meetings, incorporate knowledge into ongoing risk assessments, and initiate audits if needed. | 80 |
| Development of Data Analytics | Develop a data analytics program for in terminal concessions or other programs. | 220 |
| Ethics Hotline ⁴ | To review ethics policies and investigate reported incidents. | 210 |
| Recommendation Follow-up ⁴ | To verify that internal and external audit recommendations have been implemented as intended. | 140 |
| Quality Assurance & Improvement Program ⁴ | To assess conformance with the <i>Standards</i> , whether internal auditors apply the Code of Ethics, and allow for the identification of improvement opportunities. | 320 |
| Peer Review Participation | To satisfy the Association of Local Government Auditors (ALGA) requirement for the OCA to volunteer two audit staff to serve on a Quality Assurance Review for another organization. | 180 |
| | Total General Audit Hours | 1,742 |
| Administrative Hours | | |
| Administrative - Indirect | Attendance at Staff/Board/Committee Meetings, Continuing Professional Development and Other. | 2,189 |
| Administrative - Benefit | Vacation, Holiday Time and Other Time Off. | 2,008 |
| | Total Administrative | 4,197 |
| | Total Hours | 12,480 |

⁴ Objective may change based on the preliminary survey performed by the OCA.

⁵ Required activity in the Charter for the Office of the Chief Auditor.

Office of the Chief Auditor
Fiscal Year 2022
Proposed Audit Plan November 15, 2021

ATTACHMENT B

| Key Work Activity | Objective ⁶ | Hours |
|--|--|--------------|
| Contingent Audit Hours | | |
| Airport Ground Transportation Operations Management | To determine if the privacy and personal information security procedures and practices related to the Automated License Plate Reader (ALPR) system are adequate. | 500 |
| OCIP | To determine if the Owner Controlled Insurance Program (OCIP) is administered appropriately. | 500 |
| Social Media/Website / Webmaster | To determine if the controls around social media and/or website administration are appropriate and adequate. | 450 |
| Management of ALUC, Board, and Standing Board Committee Meetings | To determine if the processes and technology utilized for Board, Airport Land Use Commission (ALUC), and Committee meetings are efficient and appropriate. | 400 |
| Account Provisioning /De-Provisioning | To determine if account provisioning and de-provisioning are performed timely. | 450 |
| Rental Car Shuttle Service Contract Administration | To determine if the Shuttle Service operations are administered appropriately. | 650 |
| TNC Contract Administration & Revenue Collection | To determine if the TNC Contract is administered appropriately. | 475 |
| Employee Parking Card and Policy Administration | To determine if Parking Cards are administered appropriately. | 550 |
| Leaves of Absence / Catastrophic Leave | To determine leaves of absences are administered appropriately. | 525 |
| Innovation Lab Operations | To determine if the Innovation Lab is administered appropriately. | 600 |
| | Total Contingent Audit Hours | 5,100 |

⁶ Objective may change based on the preliminary survey performed by the OCA.

Revision to the Fiscal Year 2022 Audit Plan of the Office of the Chief Auditor

Audit Committee Meeting November 15, 2021

Reasons for Revision



| Description | Hours |
|---|------------|
| Terminal Maintenance - Fire Extinguishers | 275 |
| Total | 275 |

| Description | Hours |
|------------------|--------------|
| To Be Determined | (275) |
| Total | (275) |

Rental Car Companies Audit Additional Details

| Description | Objective | Hours |
|---|---|-------|
| Tenant Lease Administration and Management*** | To determine if the concessions, CFC/TFCs reported to the Authority are accurate for all Airport Rental Car Companies | 1,140 |

*** Audit engagement is not anticipated to be completed in Fiscal Year 2022 and will be carried forward to Fiscal Year 2023. The hours budgeted in Fiscal Year 2022 are 1,140. An additional 375 hours will be needed in Fiscal Year 2023 to complete. The total budget for this audit engagement is 1,515.

Rental Car Companies Audit Additional Details

July 1, 2021

June 30, 2022

-----Audit Period-----



July 20, 2022

- June 2022 data is due to the Authority

August 31, 2022

- CPA Report due to the Authority

November 2022

- Estimated Audit Report issuance

Questions?