

SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

**EXECUTIVE/FINANCE COMMITTEE
and
SPECIAL BOARD MEETING**

AGENDA

Monday, May 9, 2016
9:00 A.M.

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

Board Members

Robert H. Gleason
Board Chair
David Alvarez
C. April Boling
Greg Cox
Jim Desmond
Lloyd B. Hubbs
Jim Janney
Paul Robinson
Mary Sessom

Ex-Officio Board Members

Laurie Berman
Eraina Ortega
Col. Jason Woodworth

President / CEO

Thella F. Bowens

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. If comments are made to the Committee 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. ***Please note that agenda items may be taken out of order.***

Staff Reports and documentation relating to each item of business on the Agenda are on file in Corporate & Information Governance and are available for public inspection.

***NOTE:** This Committee Meeting also is noticed as a Special Meeting of the Board to (1) foster communication among Board members in compliance with the Brown Act; and (2) preserve the advisory function of the Committee.

Board members who are not members of this Committee may attend and participate in Committee discussions. Since sometimes more than a quorum of the Board may be in attendance, to comply with the Brown Act, this Committee meeting also is noticed as a Special Meeting of the Board.

To preserve the proper function of the Committee, only members officially assigned to this Committee are entitled to vote on any item before the Committee. This Committee only has the power to review items and make recommendations to the Board. Accordingly, this Committee cannot, and will not, take any final action that is binding on the Board or the Authority, even if a quorum of the Board is present.

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMITTEE MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.***

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

Executive Committee

Committee Members: Gleason (Chair), Janney, Robinson

Finance Committee

Committee Members: Alvarez, Boling (Chair), Cox, Janney, Sessom

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. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

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

NEW BUSINESS

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the April 4, 2016 regular meeting.

FINANCE COMMITTEE NEW BUSINESS

2. REVIEW OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2016:

RECOMMENDATION: Accept the report.

Presented by Kathy Kiefer, Senior Director, Finance and Asset Management

3. REVIEW OF THE AUTHORITY'S INVESTMENT REPORT AS OF MARCH 31, 2016:

RECOMMENDATION: Accept the report.

Presented by Geoff Bryant, Manager, Airport Finance

4. **ANNUAL REVIEW OF AUTHORITY POLICY 4.40 – DEBT ISSUANCE AND MANAGEMENT:**
RECOMMENDATION: Forward to the Board for approval.
Presented by Scott Brickner, Vice President, Finance & Asset Management/
Treasurer and Geoff Bryant, Manager, Airport Finance

5. **ANNUAL REVIEW AND APPROVAL OF AMENDMENTS TO AUTHORITY POLICY 4.20 - GUIDELINES FOR PRUDENT INVESTMENTS, AND DELEGATION OF AUTHORITY TO INVEST AND MANAGE AUTHORITY FUNDS TO THE VICE PRESIDENT, FINANCE AND ASSET MANAGEMENT/TREASURER:**
RECOMMENDATION: Forward to the Board for approval.
Presented by Scott Brickner, Vice President, Finance & Asset Management/
Treasurer and Geoff Bryant, Manager, Airport Finance

EXECUTIVE COMMITTEE NEW BUSINESS

6. **PRE-APPROVAL OF TRAVEL REQUESTS AND APPROVAL OF BUSINESS AND TRAVEL EXPENSE REIMBURSEMENT REQUESTS FOR BOARD MEMBERS, THE PRESIDENT/CEO, THE CHIEF AUDITOR AND GENERAL COUNSEL:**
RECOMMENDATION: Pre-approve travel requests and approve business and travel expense reimbursement requests.
Presented by Tony R. Russell, Director, Corporate & Information Governance/Authority Clerk

REVIEW OF FUTURE AGENDAS

7. **REVIEW OF THE DRAFT AGENDA FOR THE MAY 19, 2016 BOARD MEETING:**
Presented by: Thella F. Bowens, President/CEO

8. **REVIEW OF THE DRAFT AGENDA FOR THE MAY 19, 2016 AIRPORT LAND USE COMMISSION MEETING:**
Presented by: Thella F. Bowens, President/CEO

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. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

COMMITTEE MEMBER COMMENTS

ADJOURNMENT

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

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

Additional Meeting Information

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

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

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

You may also reach the SDCRAA Administration 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.

UPCOMING MEETING SCHEDULE

<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
June 13	Monday	9:00 A.M.	Regular	Board Room

DRAFT
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
EXECUTIVE AND FINANCE COMMITTEE
MINUTES
MONDAY, APRIL 4, 2016
SAN DIEGO INTERNATIONAL AIRPORT
BOARD ROOM

CALL TO ORDER:

Chair Gleason called the Executive and Finance Committee and Special Board meeting to order at 9:02 a.m., on Monday, April 4, 2016, in the Board Room of the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

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

ROLL CALL:

Executive Committee

Present: Committee Members: Gleason, Janney, Robinson,

Absent: Committee Members: None

Finance Committee

Present: Committee Members: Alvarez, Boling, Cox, Janney

Absent: Committee Members: Sessom

Also Present: Thella F. Bowens, President/CEO; Breton Lobner, General Counsel; Tony Russell, Director of Corporate and Information Governance/Authority Clerk; Ariel Levy-Mayer, Assistant Authority Clerk I

Board member Alvarez arrived during the course of the meeting.

NON-AGENDA PUBLIC COMMENT: None

NEW BUSINESS

1. APPROVAL OF MINUTES:

RECOMMENDATION: Approve the minutes of the March 7, 2016 regular meeting.

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

FINANCE COMMITTEE NEW BUSINESS

2. REVIEW OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE EIGHT MONTHS ENDED FEBRUARY 29, 2016:

Kathy Kiefer, Senior Director, Finance/Asset Management, provided a presentation on the Review of the Unaudited Financial Statements for the Eight Months Ended February 29, 2016 which included, Operating Revenues for the Month Ended February 29, 2016, Operating Expenses for the Month Ended February 29, 2016, Financial Summary for the Month Ended February 29, 2016, Non-operating Revenues and Expenses for the Month Ended February 29, 2016, Operating Revenues for the Eight Months Ended February 29, 2016 (Unaudited), Operating Expenses for the Eight Months Ended February 29, 2016, Financial Summary for the Eight Months Ended February 29, 2016, Non-operating Revenues and Expenses for the Eight Months Ended February 29, 2016, and Statements of Net Position (Unaudited) as of February 29, 2016.

RECOMMENDATION: Accept the report.

3. REVIEW OF THE AUTHORITY'S INVESTMENT REPORT AS OF FEBRUARY 29, 2016:

Geoff Bryant, Manager, Airport Finance, provided a presentation on the Authority's Investment Report as of February 29, 2016 which included, Total Portfolio Summary, Portfolio Composition by Security Type, Portfolio Composition by Credit Rating, Portfolio Composition by Maturity, Benchmark Comparison, Detail of Security Holdings, Portfolio Investment Transactions, Bond Proceeds Summary, and Bond Proceeds Investment Transactions.

RECOMMENDATION: Accept the report.

EXECUTIVE COMMITTEE NEW BUSINESS

4. PRE-APPROVAL OF TRAVEL REQUESTS AND APPROVAL OF BUSINESS AND TRAVEL EXPENSE REIMBURSEMENT REQUESTS FOR BOARD MEMBERS, THE PRESIDENT/CEO, THE CHIEF AUDITOR AND GENERAL COUNSEL:

RECOMMENDATION: Pre-approve travel requests and approve business and travel expense reimbursement requests.

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

REVIEW OF FUTURE AGENDAS

5. REVIEW OF THE DRAFT AGENDA FOR THE APRIL 21, 2016 BOARD MEETING:

Thella F. Bowens, President/CEO, provided an overview of the draft agenda for the April 21, 2016 Board Meeting.

Chair Gleason requested that the Staff Report for Item 5, "Authorize and Adopt Creation of a Seasonal International Air Service Incentive Program (SIASIP)", include background on current domestic and international air service.

Board Member Boling requested that Item 5 be removed from the Consent agenda and placed under New Business. She also requested that Item 13, "Status Update and Possible Direction on Community Noise Issues", be changed to "Status Update and Possible Action on Community Noise Issues".

6. REVIEW OF THE DRAFT AGENDA FOR THE APRIL 21, 2016 AIRPORT LAND USE COMMISSION MEETING:

Thella F. Bowens, President/CEO, provided an overview of the draft agenda for the April 21, 2016 ALUC Meeting.

ACTION: Moved by Board Member Robinson and seconded by Board Member Janney to approve Items 5 and 6 as amended. Motion carried unanimously.

NON-AGENDA PUBLIC COMMENT: None

COMMITTEE MEMBER COMMENTS:

Committee Member Alvarez stated he would be forwarding a letter to the Board from Duty Free Americas, regarding their concerns.

President/CEO Bowens announced that Alaska Airlines is to acquire Virgin America airlines.

ADJOURNMENT:

The meeting was adjourned at 9:39 a.m. The next meeting of the Executive and Finance Committee will be held on Monday, May 9, 2016, at 9:00 a.m. in the Board Room at the San Diego International Airport, Administration Building, 3225 N. Harbor Drive, San Diego, CA 92101.

APPROVED BY A MOTION OF THE SAN DIEGO COUNTY REGIONAL AIRPORT
AUTHORITY EXECUTIVE COMMITTEE THIS 9th DAY OF MAY, 2016.

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

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Statements of Net Position
as of March 31, 2016
(Unaudited)
Revised

ASSETS

	March	
	2016	2015
Current assets:		
Cash and investments ⁽¹⁾	\$ 67,781,969	\$ 68,701,375
Tenant lease receivable, net of allowance of 2016: (\$224,404) and 2015: (\$60,384)	6,561,203	8,516,443
Grants receivable	6,812,309	4,046,381
Notes receivable-current portion	1,608,986	1,528,512
Prepaid expenses and other current assets	7,436,291	6,507,116
Total current assets	90,200,758	89,299,827
Cash designated for capital projects and other ⁽¹⁾	37,729,375	22,409,779
Restricted assets:		
Cash and investments:		
Bonds reserve ⁽¹⁾	56,867,703	54,943,134
Passenger facility charges and interest unapplied ⁽¹⁾	70,186,885	63,021,378
Customer facility charges and interest unapplied ⁽¹⁾	36,543,270	41,776,408
Commercial paper reserve ⁽¹⁾	-	-
SBD Bond Guarantee ⁽¹⁾	4,000,000	4,000,000
Bond proceeds held by trustee ⁽¹⁾	181,186,123	338,368,477
Commercial paper interest held by trustee ⁽¹⁾	-	-
Passenger facility charges receivable	4,577,215	5,032,658
Customer facility charges receivable	4,940,258	2,974,395
OCIP insurance reserve	3,772,465	5,433,044
Total restricted assets	362,073,919	515,549,494
Noncurrent assets:		
Capital assets:		
Land and land improvements	83,598,180	71,081,846
Runways, roads and parking lots	589,521,475	575,158,659
Buildings and structures	1,410,938,006	1,042,820,643
Machinery and equipment	42,849,141	14,293,022
Vehicles	14,552,937	5,520,387
Office furniture and equipment	32,395,071	32,519,669
Works of art	8,103,463	3,423,910
Construction-in-progress	155,338,638	411,340,850
	2,337,296,911	2,156,158,986
Less accumulated depreciation	(793,126,210)	(717,047,850)
Total capital assets, net	1,544,170,701	1,439,111,136
Other assets:		
Notes receivable - long-term portion	35,553,713	37,221,310
Investments-long-term portion ⁽¹⁾	125,828,057	87,967,970
Net pension asset	-	6,468,042
Security deposit	349,943	500,367
Total other assets	161,731,713	132,157,689
Deferred outflows of resources:		
Deferred pension contributions	6,019,409	-
Total assets and deferred outflows of resources	\$ 2,201,925,876	\$ 2,198,527,924

⁽¹⁾ Total cash and investments, \$580,123,383 for 2016 and \$681,188,521 for 2015

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Statements of Net Position
as of March 31, 2016
(Unaudited)
Revised

LIABILITIES AND NET POSITION

	March	
	2016	2015
Current liabilities:		
Accounts payable and accrued liabilities	\$ 48,693,630	\$ 63,368,743
Deposits and other current liabilities	8,419,893	4,050,102
Total current liabilities	57,113,523	67,418,845
Current liabilities - payable from restricted assets:		
Current portion of long-term debt	11,090,000	10,695,000
Accrued interest on bonds and variable debt	16,476,903	16,575,278
Total liabilities payable from restricted assets	27,566,903	27,270,278
Long-term liabilities:		
Variable debt	38,705,000	44,884,000
Other long-term liabilities	5,949,966	13,731,530
Long term debt - bonds net of amortized premium	1,292,808,546	1,308,162,273
Total long-term liabilities	1,337,463,512	1,366,777,803
Total liabilities	1,422,143,938	1,461,466,926
Deferred inflows of resources:		
Deferred pension investment gains	8,167,978	-
Total liabilities and deferred inflows of resources	\$ 1,430,311,916	\$ 1,461,466,926
Net Position:		
Invested in capital assets, net of related debt	374,920,018	405,412,229
Other restricted	180,466,433	176,343,863
Unrestricted:		
Designated	37,729,375	28,049,876
Undesignated	178,498,134	127,255,031
Total Net Position	\$ 771,613,960	\$ 737,060,999

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Position
For the Month Ended March 31, 2016
(Unaudited)
Revised

	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating revenues:					
Aviation revenue:					
Landing fees	\$ 2,082,799	\$ 2,199,653	\$ 116,854	6%	\$ 1,947,695
Aircraft parking Fees	239,608	221,526	(18,082)	(8)%	226,320
Building rentals	4,436,892	4,474,169	37,277	1%	4,541,851
Security surcharge	2,307,068	2,304,985	(2,083)	(0)%	2,210,825
CUPPS Support Charges	100,544	100,545	1	0%	93,750
Other aviation revenue	132,537	132,187	(350)	(0)%	135,781
Terminal rent non-airline	119,291	113,038	(6,253)	(5)%	103,467
Terminal concessions	1,767,146	2,138,803	371,657	21%	1,761,558
Rental car license fees	2,367,218	2,518,731	151,513	6%	2,428,914
Rental car center cost recovery	-	147,654	147,654	-	-
License fees other	374,596	383,061	8,465	2%	367,793
Parking revenue	3,099,773	3,377,360	277,587	9%	3,207,461
Ground transportation permits and citations	336,866	397,402	60,536	18%	230,808
Ground rentals	1,471,209	1,615,989	144,780	10%	984,509
Grant reimbursements	24,800	24,800	-	0%	24,800
Other operating revenue	39,441	54,596	15,155	38%	40,955
Total operating revenues	18,899,788	20,204,499	1,304,711	7%	18,306,487
Operating expenses:					
Salaries and benefits	4,965,088	4,485,588	479,500	10%	3,127,179
Contractual services	3,452,187	3,086,644	365,543	11%	2,649,319
Safety and security	2,708,117	2,739,586	(31,469)	(1)%	1,890,095
Space rental	869,049	869,139	(90)	(0)%	868,365
Utilities	1,102,868	728,677	374,191	34%	707,338
Maintenance	1,181,708	583,795	597,913	51%	1,383,640
Equipment and systems	28,635	17,642	10,993	38%	6,783
Materials and supplies	34,653	36,144	(1,491)	(4)%	51,246
Insurance	110,207	78,592	31,615	29%	85,628
Employee development and support	143,057	131,226	11,831	8%	133,882
Business development	228,209	468,097	(239,888)	(105)%	70,679
Equipment rentals and repairs	361,713	640,951	(279,238)	(77)%	753,612
Total operating expenses	15,185,491	13,866,081	1,319,410	9%	11,727,766
Depreciation	7,664,912	7,664,912	-	-	6,711,435
Operating income (loss)	(3,950,615)	(1,326,494)	2,624,121	66%	(132,714)
Nonoperating revenue (expenses):					
Passenger facility charges	4,042,387	3,838,796	(203,591)	(5)%	3,713,860
Customer facility charges (Rental Car Center)	3,122,424	3,045,550	(76,874)	(2)%	2,960,097
Quieter Home Program	(351,478)	(416,410)	(64,932)	(18)%	(308,995)
Interest income	378,591	223,129	(155,462)	(41)%	485,858
BAB interest rebate	385,935	385,851	(84)	-	385,851
Interest expense	(5,616,341)	(4,558,688)	1,057,653	19%	(4,984,468)
Bond amortization cost	352,077	352,077	-	0%	359,350
Other nonoperating income (expenses)	(833)	437,193	438,026	-	(1,060,723)
Nonoperating revenue, net	2,312,762	3,307,498	994,736	43%	1,550,830
Change in net position before capital grant contribution	(1,637,853)	1,981,004	3,618,857	(221)%	1,418,116
Capital grant contributions	18,750	14,369	(4,381)	(23)%	89,934
Change in net position	\$ (1,619,103)	\$ 1,995,373	\$ 3,614,476	223%	\$ 1,508,050

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Position
For the Nine Months Ended March 31, 2016 and 2015
(Unaudited)
Revised

	Budget	Actual	Variance Favorable (Unfavorable)	%	Prior Year
				Change	
Operating revenues:					
Aviation revenue:					
Landing fees	\$ 18,207,266	\$ 18,622,812	\$ 415,546	2%	\$ 17,583,807
Aircraft parking fees	2,156,477	2,027,602	(128,875)	(6)%	2,045,595
Building rentals	39,908,570	39,816,703	(91,867)	(0)%	38,148,070
Security surcharge	20,763,608	19,958,976	(804,632)	(4)%	19,897,449
CUPPS Support Charges	904,895	904,905	10	0%	845,530
Other aviation revenue	1,189,768	1,203,922	14,154	1%	1,188,370
Terminal rent non-airline	1,070,822	700,570	(370,252)	(35)%	923,306
Terminal concessions	15,720,342	17,479,900	1,759,558	11%	15,854,442
Rental car license fees	18,923,384	19,659,742	736,358	4%	19,246,566
Rental car center cost recovery	-	347,687	347,687	-	-
License fees other	3,426,814	3,272,803	(154,011)	(4)%	3,284,704
Parking revenue	28,753,432	31,737,345	2,983,913	10%	28,779,974
Ground transportation permits and citations	3,188,059	3,937,689	749,630	24%	2,351,535
Ground rentals	9,369,307	10,571,717	1,202,410	13%	8,546,937
Grant reimbursements	219,200	219,930	730	0%	219,130
Other operating revenue	354,978	616,131	261,153	74%	505,078
Total operating revenues	164,156,922	171,078,434	6,921,512	4%	159,420,493
Operating expenses:					
Salaries and benefits	33,888,685	32,098,280	1,790,405	5%	33,763,027
Contractual services	28,150,232	27,171,546	978,686	3%	22,284,938
Safety and security	19,374,284	18,870,193	504,091	3%	17,733,341
Space rental	7,821,375	7,760,418	60,957	1%	7,825,374
Utilities	9,422,398	8,640,933	781,465	8%	7,869,646
Maintenance	10,917,404	10,256,447	660,957	6%	10,021,585
Equipment and systems	382,581	374,733	7,848	2%	145,109
Materials and supplies	312,405	360,302	(47,897)	(15)%	304,040
Insurance	991,858	710,391	281,467	28%	794,320
Employee development and support	1,024,241	882,935	141,306	14%	696,488
Business development	2,101,856	1,696,467	405,389	19%	1,743,310
Equipment rentals and repairs	2,884,028	2,465,508	418,520	15%	2,270,578
Total operating expenses	117,271,347	111,288,153	5,983,194	5%	105,451,756
Depreciation	61,546,227	61,546,227	-	0%	60,212,652
Operating income (loss)	(14,660,652)	(1,755,946)	12,904,706		(6,243,915)
Nonoperating revenue (expenses):					
Passenger facility charges	28,683,514	29,918,177	1,234,663	4%	28,326,936
Customer facility charges (Rental Car Center)	24,558,817	24,872,458	313,641	1%	23,622,012
Quieter Home Program	(2,467,925)	(2,799,520)	(331,595)	(13)%	(2,126,610)
Interest income	3,642,767	4,458,238	815,471	22%	4,380,656
BAB interest rebate	3,473,414	3,485,653	12,239	0%	3,473,163
Interest expense	(42,407,805)	(44,144,056)	(1,736,251)	(4)%	(46,627,484)
Bond amortization	3,190,744	3,190,744	-	0%	3,255,319
Other nonoperating income (expenses)	(7,500)	1,345,582	1,353,082	-	(1,068,522)
Nonoperating revenue, net	18,666,026	20,327,276	1,661,250	9%	13,235,470
Change in net position before capital grant contributions	4,005,374	18,571,330	14,565,956	364%	6,991,555
Capital grant contributions	11,498,353	10,297,872	(1,200,481)	(10)%	3,053,018
Change in net position	\$ 15,503,727	\$ 28,869,202	\$ 13,365,475	86%	\$ 10,044,573



San Diego County Regional Airport Authority
Authority Detail Income Statement - Supplemental Schedule
 For the nine months ended March 31, 2016

Print Date: 4/27/2016
 Print Time: 9:17:10AM
 Report ID: GL0012

(Unaudited)
 Revised

	Month to Date					Year to Date				
	Budget	Actual	Variance Favorable (Unfavorable)	Variance Percent	Prior Year Actual	Budget	Actual	Variance Favorable (Unfavorable)	Variance Percent	Prior Year Actual
Landing Fees										
41112 - Landing Fees - Signatory	\$2,086,726	\$2,203,873	\$117,148	6	\$1,969,437	\$18,387,434	\$18,739,455	\$352,022	2	\$17,833,496
41113 - Landing Fee Rebate	(3,927)	(4,220)	(294)	(7)	(21,742)	(180,168)	(116,643)	63,525	35	(249,689)
Total Landing Fees	2,082,799	2,199,653	116,854	6	1,947,696	18,207,266	18,622,812	415,546	2	17,583,808
Aircraft Parking Fees										
41150 - Terminal Aircraft Parking	203,441	194,400	(9,042)	(4)	195,855	1,830,971	1,749,596	(81,375)	(4)	1,719,170
41155 - Remote Aircraft Parking	36,167	27,126	(9,042)	(25)	30,466	325,506	278,006	(47,500)	(15)	326,425
Total Aircraft Parking Fees	239,609	221,525	(18,083)	(8)	226,321	2,156,477	2,027,602	(128,875)	(6)	2,045,595
Building and Other Rents										
41210 - Terminal Rent	4,373,048	4,415,766	42,717	1	4,477,321	39,370,104	39,271,876	(98,228)	0	37,616,332
41215 - Federal Inspection Services	63,843	58,403	(5,440)	(9)	64,528	538,466	544,827	6,361	1	531,738
Total Building and Other Rents	4,436,891	4,474,169	37,277	1	4,541,849	39,908,570	39,816,703	(91,868)	0	38,148,070
Security Surcharge										
41310 - Airside Security Charges	563,217	561,643	(1,574)	0	548,031	5,068,950	4,875,502	(193,448)	(4)	4,932,303
41320 - Terminal Security Charge	1,743,851	1,743,342	(509)	0	1,662,794	15,694,658	15,083,474	(611,184)	(4)	14,965,146
Total Security Surcharge	2,307,068	2,304,985	(2,083)	0	2,210,825	20,763,608	19,958,976	(804,631)	(4)	19,897,449
CUPPS Support Charges										
41400 - CUPPS Support Charges	100,544	100,545	1	0	93,750	904,895	904,905	9	0	845,530
Total CUPPS Support Charges	100,544	100,545	1	0	93,750	904,895	904,905	9	0	845,530
Other Aviation Revenue										
43100 - Fuel Franchise Fees	13,586	13,236	(350)	(3)	16,830	119,209	133,363	14,154	12	117,811
43105 - New Capital Recovery	118,951	118,951	0	0	118,951	1,070,559	1,070,559	0	0	1,070,559
Total Other Aviation Revenue	132,537	132,187	(350)	0	135,781	1,189,768	1,203,922	14,154	1	1,188,370
Non-Airline Terminal Rents										
45010 - Terminal Rent - Non-Airline	119,291	113,038	(6,252)	(5)	103,467	1,070,822	700,570	(370,252)	(35)	923,306
Total Non-Airline Terminal Rents	119,291	113,038	(6,252)	(5)	103,467	1,070,822	700,570	(370,252)	(35)	923,306

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	Budget	Actual	Variance Favorable (Unfavorable)	Variance Percent	Prior Year Actual	Budget	Actual	Variance Favorable (Unfavorable)	Variance Percent	Prior Year Actual
Concession Revenue										
45111 - Term Concessions-Food & Bev	\$758,963	\$1,035,363	\$276,400	36	\$703,542	\$6,319,617	\$7,401,620	\$1,082,003	17	\$6,299,056
45112 - Terminal Concessions - Retail	472,007	549,062	77,055	16	465,693	4,320,458	4,661,887	341,429	8	4,240,584
45113 - Term Concessions - Other	196,239	227,743	31,504	16	253,482	2,050,119	2,470,096	419,977	20	2,403,493
45114 - Term Concessions Space Rents	77,721	71,170	(6,551)	(8)	80,262	699,491	641,483	(58,008)	(8)	703,376
45115 - Term Concessions Cost Recovery	92,419	80,043	(12,376)	(13)	89,540	831,768	773,954	(57,814)	(7)	717,727
45116 - Rec Distr Center Cost Recovery	125,102	122,467	(2,635)	(2)	128,422	1,125,920	1,114,873	(11,047)	(1)	1,122,081
45117 - Concessions Marketing Program	44,695	52,955	8,260	18	40,617	372,969	415,987	43,018	12	368,125
45120 - Rental car license fees	2,367,218	2,518,731	151,513	6	2,428,914	18,923,384	19,659,742	736,358	4	19,246,566
45121 - Rental Car Center Cost Recover	0	147,654	147,654	0	0	0	347,687	347,687	0	0
45130 - License Fees - Other	374,596	383,061	8,466	2	367,793	3,426,814	3,272,803	(154,011)	(4)	3,284,704
Total Concession Revenue	4,508,959	5,188,249	679,290	15	4,558,267	38,070,541	40,760,133	2,689,592	7	38,385,713
Parking and Ground Transportat										
45210 - Parking	3,099,773	3,377,360	277,587	9	3,207,461	28,753,432	31,737,345	2,983,913	10	28,779,974
45220 - AVI fees	321,506	362,612	41,107	13	166,035	2,499,904	2,807,122	307,217	12	1,310,743
45240 - Ground Transportation Pe	9,183	7,308	(1,875)	(20)	49,413	627,816	947,589	319,773	51	937,387
45250 - Citations	6,177	27,482	21,304	345	15,360	60,339	182,978	122,639	203	103,405
Total Parking and Ground Transportat	3,436,638	3,774,761	338,123	10	3,438,268	31,941,492	35,675,033	3,733,542	12	31,131,509
Ground Rentals										
45310 - Ground Rental - Fixed	1,471,209	1,615,990	144,781	10	974,938	9,369,307	10,549,143	1,179,837	13	8,528,337
45320 - Ground Rental - Percenta	0	0	0	0	9,571	0	22,574	22,574	0	18,600
Total Ground Rentals	1,471,209	1,615,990	144,781	10	984,509	9,369,307	10,571,717	1,202,410	13	8,546,937
Grant Reimbursements										
45410 - TSA Reimbursements	24,800	24,800	0	0	24,800	219,200	219,930	730	0	219,130
Total Grant Reimbursements	24,800	24,800	0	0	24,800	219,200	219,930	730	0	219,130

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Other Operating Revenue										
45510 - Finger Printing Fee	\$7,574	\$16,492	\$8,918	118	\$5,149	\$68,165	\$151,415	\$83,250	122	\$66,477
45520 - Utilities Reimbursements	18,476	18,416	(61)	0	14,686	166,288	165,742	(546)	0	132,177
45530 - Miscellaneous Other Reve	5,417	1,377	(4,040)	(75)	919	48,750	94,504	45,754	94	86,353
45540 - Service Charges	6,250	9,785	3,535	57	17,700	56,250	75,613	19,363	34	183,886
45570 - FBO Landing Fees	1,725	8,525	6,800	394	501	15,525	120,537	105,012	676	18,185
45580 - Equipment Rental	0	0	0	0	2,000	0	8,320	8,320	0	18,000
Total Other Operating Revenue	39,442	54,595	15,153	38	40,955	354,978	616,131	261,153	74	505,078
Total Operating Revenue	18,899,786	20,204,498	1,304,712	7	18,306,487	164,156,923	171,078,433	6,921,510	4	159,420,496
Personnel Expenses										
Salaries										
51110 - Salaries & Wages	3,879,441	3,291,663	587,778	15	2,070,219	25,401,202	20,893,740	4,507,461	18	18,552,394
51210 - Paid Time Off	0	270,661	(270,661)	0	157,019	0	2,011,753	(2,011,753)	0	1,833,009
51220 - Holiday Pay	0	58,422	(58,422)	0	280	0	723,413	(723,413)	0	604,290
51240 - Other Leave With Pay	0	8,903	(8,903)	0	6,988	0	87,587	(87,587)	0	74,911
51250 - Special Pay	0	72,641	(72,641)	0	41,734	0	600,678	(600,678)	0	602,424
Total Salaries	3,879,441	3,702,290	177,151	5	2,276,240	25,401,202	24,317,171	1,084,031	4	21,667,028
52110 - Overtime	56,959	63,984	(7,025)	(12)	77,507	528,624	526,538	2,086	0	639,106

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Benefits										
54110 - FICA Tax	\$300,291	\$281,030	\$19,261	6	\$181,761	\$1,873,571	\$1,746,363	\$127,209	7	\$1,576,988
54120 - Unemployment Insurance-S	0	0	0	0	2,558	0	34,398	(34,398)	0	15,427
54130 - Workers Compensation Ins	37,325	(29,844)	67,169	180	16,797	245,102	88,945	156,157	64	158,716
54135 - Workers Comp Incident Expense	0	1,641	(1,641)	0	1,754	0	29,900	(29,900)	0	27,906
54210 - Medical Insurance	383,268	396,427	(13,160)	(3)	314,918	3,360,261	2,994,755	365,505	11	2,943,168
54220 - Dental Insurance	28,877	26,121	2,756	10	24,602	248,892	231,006	17,886	7	220,326
54230 - Vision Insurance	3,386	3,208	178	5	2,996	30,470	28,416	2,054	7	26,848
54240 - Life Insurance	8,455	7,830	625	7	7,502	76,098	69,879	6,220	8	68,421
54250 - Short Term Disability	9,158	9,778	(621)	(7)	8,999	82,421	86,627	(4,206)	(5)	81,042
54310 - Retirement	702,969	481,573	221,396	31	450,178	4,658,567	4,254,627	403,940	9	4,346,179
54312 - GABS 68 -Non-funded Retirement	0	0	0	0	304,763	0	0	0	0	4,385,715
54315 - Retiree	210,957	95,150	115,807	55	(71,789)	1,898,617	1,766,750	131,867	7	1,876,250
54320 - Amortization of Retireme	68,963	0	68,963	100	50,192	452,856	0	452,856	100	451,732
54410 - Taxable Benefits	0	0	0	0	0	0	19,562	(19,562)	0	17,674
54430 - Accrued Vacation	0	68,940	(68,940)	0	59,698	0	109,354	(109,354)	0	(7,388)
Total Benefits	1,753,648	1,341,854	411,794	23	1,354,929	12,926,855	11,460,580	1,466,274	11	16,189,003
Cap Labor/Burden/OH Recharge										
54510 - Capitalized Labor Recha	(651,431)	(101,512)	(549,919)	(84)	(149,003)	(4,459,889)	(771,981)	(3,687,908)	(83)	(1,354,257)
54515 - Capitalized Burden Rech	0	(36,219)	36,219	0	(59,517)	0	(293,695)	293,695	0	(539,801)
Total Cap Labor/Burden/OH Recharge	(651,431)	(137,731)	(513,700)	(79)	(208,519)	(4,459,889)	(1,065,676)	(3,394,213)	(76)	(1,894,058)
QHP Labor/Burden/OH Recharge										
54520 - QHP Labor Recharge	(73,528)	(46,009)	(27,519)	(37)	(31,915)	(508,107)	(272,548)	(235,559)	(46)	(273,549)
54525 - QHP Burden Recharge	0	(17,565)	17,565	0	(14,843)	0	(115,898)	115,898	0	(122,703)
54526 - QHP OH Contra Acct	0	(3,590)	3,590	0	(1,985)	0	(165,522)	165,522	0	(179,217)
Total QHP Labor/Burden/OH Recharge	(73,528)	(67,163)	(6,365)	(9)	(48,743)	(508,107)	(553,968)	45,862	9	(575,468)
MM&JS Labor/Burden/OH Recharge										
54530 - MM & JS Labor Recharge	0	0	0	0	0	0	(1,488)	1,488	0	238
54531 - Joint Studies - Labor	0	0	0	0	0	0	2,092	(2,092)	0	67
54535 - MM & JS Burden Recharge	0	0	0	0	0	0	(500)	500	0	(32)
54536 - Maintenance-Burden	0	0	0	0	0	0	500	(500)	0	22
54599 - OH Contra	0	(417,646)	417,646	0	(324,237)	0	(2,586,971)	2,586,971	0	(2,262,879)
Total MM&JS Labor/Burden/OH Recharge	0	(417,646)	417,646	0	(324,237)	0	(2,586,366)	2,586,366	0	(2,262,585)

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	Budget	Actual	Variance Favorable (Unfavorable)	Variance Percent	Prior Year Actual	Budget	Actual	Variance Favorable (Unfavorable)	Variance Percent	Prior Year Actual
Total Personnel Expenses	4,965,089	4,485,587	479,502	10	3,127,176	33,888,685	32,098,279	1,790,406	5	33,763,026
Non-Personnel Expenses										
Contract Services										
61100 - Temporary Staffing	\$10,938	\$39,863	\$(28,925)	(264)	\$78,881	\$86,473	\$276,950	\$(190,477)	(220)	\$366,933
61110 - Auditing Services	0	33,000	(33,000)	0	0	125,000	174,949	(49,949)	(40)	125,000
61120 - Legal Services	97,917	(71,916)	169,833	173	(92,941)	881,250	78,571	802,679	91	202,197
61130 - Services - Professional	984,452	886,331	98,121	10	882,544	8,227,044	8,838,107	(611,063)	(7)	5,684,173
61150 - Outside Svs - Other	299,907	300,530	(623)	0	200,786	2,754,776	2,526,079	228,696	8	2,001,147
61160 - Services - Custodial	2,140,549	2,144,962	(4,413)	0	1,589,634	16,521,407	15,902,148	619,259	4	14,023,925
61190 - Receiving & Dist Cntr Services	131,179	129,551	1,628	1	129,501	1,180,611	1,173,445	7,166	1	1,160,922
61990 - OH Contra	0	(375,676)	375,676	0	(139,085)	0	(1,798,703)	1,798,703	0	(1,279,359)
61998 - Capital Proj OH Alloc Co	(212,755)	0	(212,755)	(100)	0	(1,626,329)	0	(1,626,329)	(100)	0
Total Contract Services	3,452,187	3,086,645	365,542	11	2,649,321	28,150,232	27,171,547	978,685	3	22,284,939
Safety and Security										
61170 - Services - Fire, Police,	476,135	476,390	(255)	0	450,052	4,285,212	4,505,428	(220,216)	(5)	4,066,413
61180 - Services - SDUPD-Harbor	2,002,816	2,026,768	(23,951)	(1)	1,230,240	13,026,578	12,149,555	877,023	7	11,646,853
61185 - Guard Services	229,166	236,427	(7,261)	(3)	209,804	2,062,494	2,215,210	(152,716)	(7)	2,020,075
Total Safety and Security	2,708,117	2,739,585	(31,468)	(1)	1,890,096	19,374,284	18,870,193	504,090	3	17,733,341
Space Rental										
62100 - Rent	869,049	869,139	(90)	0	868,365	7,821,375	7,760,418	60,957	1	7,825,374
Total Space Rental	869,049	869,139	(90)	0	868,365	7,821,375	7,760,418	60,957	1	7,825,374
Utilities										
63100 - Telephone & Other Commun	35,212	28,029	7,183	20	30,486	319,218	292,872	26,346	8	287,681
63110 - Utilities - Gas & Electr	1,004,846	614,126	390,720	39	619,680	8,410,094	7,619,765	790,330	9	6,957,310
63120 - Utilities - Water	62,810	86,523	(23,713)	(38)	57,172	693,086	728,296	(35,210)	(5)	624,655
Total Utilities	1,102,868	728,678	374,190	34	707,338	9,422,398	8,640,933	781,465	8	7,869,646

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Maintenance										
64100 - Facilities Supplies	\$84,109	\$67,773	\$16,336	19	\$52,523	\$762,250	\$656,084	\$106,166	14	\$574,630
64110 - Maintenance - Annual R	927,599	641,275	286,324	31	1,498,066	8,494,154	7,853,463	640,692	8	7,716,873
64122 - Contractor Labor	0	0	0	0	0	0	0	0	0	81
64123 - Contractor Burden	0	0	0	0	0	0	0	0	0	102
64124 - Maintenance-Overhead	0	81	(81)	0	54	0	34	(34)	0	566
64125 - Major Maintenance - Mat	130,000	(133,293)	263,293	203	(186,156)	1,199,000	1,078,891	120,109	10	1,414,174
64127 - Contract Overhead (co	0	0	0	0	0	0	394	(394)	0	91
64130 - Remediation	0	0	0	0	(9,094)	0	0	0	0	0
64140 - Refuse & Hazardous Waste	40,000	7,960	32,040	80	28,247	462,000	667,581	(205,581)	(44)	315,068
Total Maintenance	1,181,708	583,796	597,911	51	1,383,641	10,917,404	10,256,446	660,958	6	10,021,585
Equipment and Systems										
65100 - Equipment & Systems	31,143	17,747	13,396	43	6,762	409,870	376,221	33,650	8	145,833
65101 - OH Contra	(2,508)	(105)	(2,403)	(96)	21	(27,289)	(1,488)	(25,801)	(95)	(724)
Total Equipment and Systems	28,635	17,642	10,994	38	6,783	382,581	374,732	7,849	2	145,109
Materials and Supplies										
65110 - Office & Operating Suppl	29,155	24,607	4,548	16	56,730	265,937	285,057	(19,120)	(7)	293,803
65120 - Safety Equipment & Suppl	6,797	12,758	(5,961)	(88)	2,815	67,943	83,677	(15,733)	(23)	34,466
65130 - Tools - Small	1,250	833	417	33	838	11,250	9,564	1,686	15	7,607
65199 - OH Contra	(2,550)	(2,054)	(496)	(19)	(9,136)	(32,725)	(17,996)	(14,729)	(45)	(31,836)
Total Materials and Supplies	34,651	36,143	(1,492)	(4)	51,247	312,406	360,302	(47,896)	(15)	304,039
Insurance										
67170 - Insurance - Property	67,268	37,184	30,084	45	50,525	605,411	334,655	270,755	45	454,721
67171 - Insurance - Liability	17,254	17,254	0	0	14,296	155,283	155,283	0	0	152,326
67172 - Insurance - Public Offic	12,680	11,771	910	7	11,424	114,122	106,886	7,236	6	102,813
67173 - Insurance Miscellaneous	13,005	12,384	620	5	9,384	117,042	113,567	3,475	3	84,460
Total Insurance	110,206	78,593	31,614	29	85,629	991,858	710,391	281,467	28	794,319

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Employee Development and Suppo										
66120 - Awards - Service	\$7,250	\$2,461	\$4,789	66	\$4,569	\$62,550	\$20,280	\$42,270	68	\$2,546
66130 - Book & Periodicals	9,683	5,479	4,204	43	4,144	59,085	40,193	18,892	32	41,849
66220 - Permits/Certificates/Lic	26,658	11,608	15,050	56	32,141	139,744	117,054	22,690	16	145,687
66260 - Recruiting	1,583	1,537	46	3	46	14,750	13,914	836	6	5,207
66280 - Seminars & Training	49,913	48,815	1,098	2	38,478	342,011	317,109	24,902	7	230,406
66290 - Transportation	12,597	12,265	332	3	15,340	122,627	107,246	15,381	13	116,155
66299 - OH Contra	(4,186)	(8,799)	4,613	110	(3,091)	(30,662)	(26,844)	(3,819)	(12)	(19,259)
66305 - Travel-Employee Developm	25,625	37,222	(11,597)	(45)	35,877	192,136	203,682	(11,546)	(6)	106,061
66310 - Tuition	5,000	6,181	(1,181)	(24)	4,132	50,000	35,430	14,570	29	30,413
66320 - Uniforms	8,933	14,456	(5,523)	(62)	2,246	72,000	54,871	17,129	24	37,423
Total Employee Development and Suppo	143,057	131,225	11,832	8	133,880	1,024,241	882,936	141,305	14	696,487
Business Development										
66100 - Advertising	71,411	70,826	585	1	272	666,960	223,542	443,418	66	436,346
66110 - Allowance for Bad Debts	2,100	41,421	(39,321)	(1,872)	4,527	18,700	164,942	(146,242)	(782)	11,486
66200 - Memberships & Dues	44,198	38,922	5,276	12	14,146	309,682	258,503	51,179	17	285,669
66230 - Postage & Shipping	3,041	5,228	(2,187)	(72)	182	32,899	15,717	17,182	52	16,838
66240 - Promotional Activities	39,158	74,827	(35,669)	(91)	35,389	466,933	459,584	7,349	2	498,500
66250 - Promotional Materials	51,434	195,213	(143,779)	(280)	7,250	468,265	418,939	49,326	11	380,426
66300 - Travel-Business Developm	16,867	41,659	(24,793)	(147)	8,913	138,417	155,240	(16,823)	(12)	114,045
Total Business Development	228,209	468,097	(239,888)	(105)	70,679	2,101,856	1,696,466	405,390	19	1,743,310
Equipment Rentals and Repairs										
66140 - Computer Licenses & Agre	95,216	66,712	28,504	30	29,957	236,144	219,776	16,368	7	335,844
66150 - Equipment Rental/Leasing	24,113	24,021	92	0	68,326	217,136	207,848	9,287	4	247,973
66160 - Tenant Improvements	95,000	221,694	(126,694)	(133)	479,519	772,000	551,527	220,473	29	638,003
66270 - Repairs - Office Equipme	203,909	332,472	(128,563)	(63)	202,849	1,828,322	1,600,653	227,669	12	1,257,881
66279 - OH Contra	(56,525)	(3,948)	(52,577)	(93)	(27,039)	(169,574)	(114,296)	(55,278)	(33)	(209,123)
Total Equipment Rentals and Repairs	361,713	640,951	(279,238)	(77)	753,612	2,884,027	2,465,508	418,519	15	2,270,579
Total Non-Personnel Expenses	10,220,400	9,380,494	839,905	8	8,600,592	83,382,662	79,189,872	4,192,790	5	71,688,729
Total Departmental Expenses before	15,185,488	13,866,081	1,319,408	9	11,727,768	117,271,347	111,288,151	5,983,196	5	105,451,755

San Diego County Regional Airport Authority
Authority Detail Income Statement - Supplemental Schedule

Print Date: 4/27/2016
 Print Time: 9:17:10AM
 Report ID: GL0012

For the nine months ended March 31, 2016

(Unaudited)
 Revised

	Month to Date					Year to Date				
	Budget	Actual	Variance Favorable (Unfavorable)	Variance Percent	Prior Year Actual	Budget	Actual	Variance Favorable (Unfavorable)	Variance Percent	Prior Year Actual
Depreciation and Amortization										
69110 - Depreciation Expense	\$7,664,912	\$7,664,912	\$0	0	\$6,711,435	\$61,546,227	\$61,546,227	\$0	0	\$60,212,652
Total Depreciation and Amortization	7,664,912	7,664,912	0	0	6,711,435	61,546,227	61,546,227	0	0	60,212,652
Non-Operating Revenue/(Expense)										
Passenger Facility Charges										
71110 - Passenger Facility Chrg	4,042,387	3,838,796	(203,592)	(5)	3,713,860	28,683,514	29,918,177	1,234,663	4	28,326,936
Total Passenger Facility Charges	4,042,387	3,838,796	(203,592)	(5)	3,713,860	28,683,514	29,918,177	1,234,663	4	28,326,936
Customer Facility Charges										
71120 - Customer facility charges (Con	3,122,424	3,045,550	(76,874)	(2)	2,960,097	24,558,817	24,872,458	313,641	1	23,622,012
Total Customer Facility Charges	3,122,424	3,045,550	(76,874)	(2)	2,960,097	24,558,817	24,872,458	313,641	1	23,622,012
Quieter Home Program										
71212 - Quieter Home - Labor	0	(46,009)	(46,009)	0	(31,915)	0	(272,548)	(272,548)	0	(273,549)
71213 - Quieter Home - Burden	0	(17,565)	(17,565)	0	(14,843)	0	(115,898)	(115,898)	0	(122,703)
71214 - Quieter Home - Overhead	0	(3,590)	(3,590)	0	(1,985)	0	(165,522)	(165,522)	0	(179,217)
71215 - Quieter Home - Material	(1,640,836)	(1,000,667)	640,169	39	(1,408,355)	(11,540,457)	(9,084,362)	2,456,095	21	(9,029,481)
71216 - Quieter Home Program	1,306,028	670,204	(635,824)	(49)	1,214,879	9,222,522	7,032,507	(2,190,015)	(24)	8,104,267
71217 - Contract Labor	0	(13)	(13)	0	(24,121)	0	(38,648)	(38,648)	0	(230,773)
71218 - Contractor Burden	0	(16)	(16)	0	(29,452)	0	(49,189)	(49,189)	0	(292,463)
71222 - Contractor Labor	0	(14,419)	(14,419)	0	(27)	0	(37,368)	(37,368)	0	(358)
71223 - Contractor Burden	0	0	0	0	(34)	0	0	0	0	(456)
71224 - Joint Studies Overhead	0	0	0	0	0	0	(2,962)	(2,962)	0	0
71225 - Joint Studies - Material	(16,670)	(4,334)	12,336	74	(13,115)	(149,990)	(65,530)	84,460	56	(101,474)
71226 - Contractor Overhead	0	0	0	0	(28)	0	0	0	0	(403)
Total Quieter Home Program	(351,478)	(416,408)	(64,930)	(18)	(308,997)	(2,467,925)	(2,799,520)	(331,595)	(13)	(2,126,610)

San Diego County Regional Airport Authority
Authority Detail Income Statement - Supplemental Schedule

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For the nine months ended March 31, 2016

(Unaudited)
 Revised

	Month to Date					Year to Date				
	Budget	Actual	Variance Favorable (Unfavorable)	Variance Percent	Prior Year Actual	Budget	Actual	Variance Favorable (Unfavorable)	Variance Percent	Prior Year Actual
Interest Income										
71310 - Interest - Investments	\$204,375	\$268,577	\$64,202	31	\$173,490	\$2,074,931	\$1,824,777	\$(250,154)	(12)	\$1,604,221
71330 - Interest - Commercial Pa	0	0	0	0	0	0	0	0	0	1
71340 - Interest - Note Receivab	174,216	174,216	0	0	181,595	1,567,836	1,567,836	0	0	1,626,448
71350 - Interest - Other	0	(478)	(478)	0	(364)	0	(1,337)	(1,337)	0	(956)
71360 - Interest - Bonds	0	0	0	0	0	0	(2,278)	(2,278)	0	0
71361 - Interest Income - 2010 Bonds	0	40,713	40,713	0	25,589	0	316,222	316,222	0	199,083
71363 - Interest Income - 2013 Bonds	0	37,966	37,966	0	36,388	0	315,632	315,632	0	324,657
71365 - Interest Income - 2014 Bond A	0	(297,865)	(297,865)	0	69,160	0	437,386	437,386	0	627,202
Total Interest Income	378,591	223,129	(155,462)	(41)	485,859	3,642,768	4,458,239	815,471	22	4,380,655
Interest income BAB's rebate										
71362 - BAB interest rebate	385,935	385,851	(84)	0	385,851	3,473,414	3,485,653	12,239	0	3,473,163
Total Interest income BAB's rebate	385,935	385,851	(84)	0	385,851	3,473,414	3,485,653	12,239	0	3,473,163
Interest Expense										
71411 - Interest Expense- 2010 Bonds	(2,595,983)	(2,595,983)	0	0	(2,623,700)	(23,363,849)	(23,363,849)	0	0	(23,613,299)
71412 - Interest Expense 2013 Bonds	(1,534,550)	(1,534,550)	0	0	(1,539,625)	(13,810,950)	(13,810,950)	0	0	(13,856,625)
71413 - Interest Expense 2014 Bond A	(1,361,768)	(1,361,768)	0	0	(1,361,768)	(12,255,908)	(12,255,908)	0	0	(12,255,908)
71420 - Interest Expense-Variable Debt	(48,296)	(30,145)	18,151	38	(25,356)	(434,666)	(225,875)	208,791	48	(184,719)
71430 - LOC Fees - C/P	(18,524)	(27,495)	(8,970)	(48)	(24,702)	(166,717)	(243,967)	(77,249)	(46)	(221,306)
71440 - Dealer Fees - C/P	0	0	0	0	0	0	0	0	0	(3,246)
71450 - Trustee Fee Bonds	0	0	0	0	(1,545)	(22,080)	(10,320)	11,760	53	(8,770)
71451 - Program Fees - Variable Debt	0	0	0	0	0	(5,000)	(3,300)	1,700	34	(5,950)
71458 - Capitalized Interest	0	1,048,473	1,048,473	0	724,659	0	6,305,353	6,305,353	0	4,941,644
71460 - Interest Expense - Other	0	0	0	0	(73,825)	8,170,605	(16,000)	(8,186,605)	(100)	(947,441)
71461 - Interest Expense - Cap Leases	(57,221)	(57,221)	0	0	(58,605)	(519,240)	(519,240)	0	0	(471,864)
Total Interest Expense	(5,616,342)	(4,558,688)	1,057,654	19	(4,984,466)	(42,407,805)	(44,144,055)	(1,736,250)	(4)	(46,627,485)
Amortization										
69210 - Amortization - Premium	352,077	352,077	0	0	359,350	3,190,744	3,190,744	0	0	3,255,319
Total Amortization	352,077	352,077	0	0	359,350	3,190,744	3,190,744	0	0	3,255,319

San Diego County Regional Airport Authority
Authority Detail Income Statement - Supplemental Schedule
For the nine months ended March 31, 2016

Print Date: 4/27/2016
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(Unaudited)
Revised

	Month to Date					Year to Date				
	Budget	Actual	Variance Favorable (Unfavorable)	Variance Percent	Prior Year Actual	Budget	Actual	Variance Favorable (Unfavorable)	Variance Percent	Prior Year Actual
Other Non-Operating Income (Expense)										
71510 - Legal Settlement Income	\$0	\$0	\$0	0	\$0	\$0	\$2,535	\$2,535	0	\$1,951
71520 - Fixed Asset Disposal-Pro	0	0	0	0	0	0	1,144,086	1,144,086	0	0
71521 - Fixed Asset Disposal - L	0	(78,560)	(78,560)	0	0	0	(78,560)	(78,560)	0	0
71530 - Gain/Loss On Investments	0	485,521	485,521	0	(958,479)	0	567,430	567,430	0	(1,016,961)
71540 - Discounts Earned	0	3,354	3,354	0	3,578	0	15,720	15,720	0	8,228
71610 - Legal Settlement Expense	(833)	0	833	100	0	(7,500)	(374,632)	(367,132)	(4,895)	(800)
71620 - Other non-operating revenue (e	0	26,878	26,878	0	8,910	0	69,003	69,003	0	59,820
71630 - Other Non-Operating Expe	0	0	0	0	(114,732)	0	0	0	0	(120,760)
73300 - DMJM and Auth OH Clearin	0	0	0	0	0	0	0	0	0	0
Total Other Non-Operating Income (Expense)	(833)	437,193	438,026	52,563	(1,060,723)	(7,500)	1,345,582	1,353,082	18,041	(1,068,522)
Total Non-Operating Revenue/(Expense)	2,312,761	3,307,500	994,739	43	(1,550,831)	18,666,028	20,327,278	1,661,250	9	(13,235,469)
Capital Grant Contribution										
72100 - AIP Grants	18,750	14,369	(4,381)	(23)	89,934	11,498,353	10,297,872	(1,200,481)	(10)	3,053,018
Total Capital Grant Contribution	18,750	14,369	(4,381)	(23)	89,934	11,498,353	10,297,872	(1,200,481)	(10)	3,053,018
Total Expenses Net of Non-Operating Revenue/ (Expense)	20,518,889	18,209,124	2,309,765	11	16,798,438	148,653,194	142,209,228	6,443,966	4	149,375,921
Net Income/(Loss)	(1,619,103)	1,995,374	3,614,477	223	1,508,049	15,503,729	28,869,205	13,365,476	86	10,044,575
Equipment Outlay										
73200 - Equipment Outlay Expendi	(111,083)	(110,189)	895	1	0	(652,250)	(840,797)	(188,547)	(29)	(150,133)
73299 - Capitalized Equipment Co	0	110,189	110,189	0	0	0	840,797	840,797	0	150,133
Total Equipment Outlay	(111,083)	0	111,083	100	0	(652,250)	0	652,250	100	0

Item 2



SAN DIEGO
INTERNATIONAL AIRPORT
LET'S **GO.**

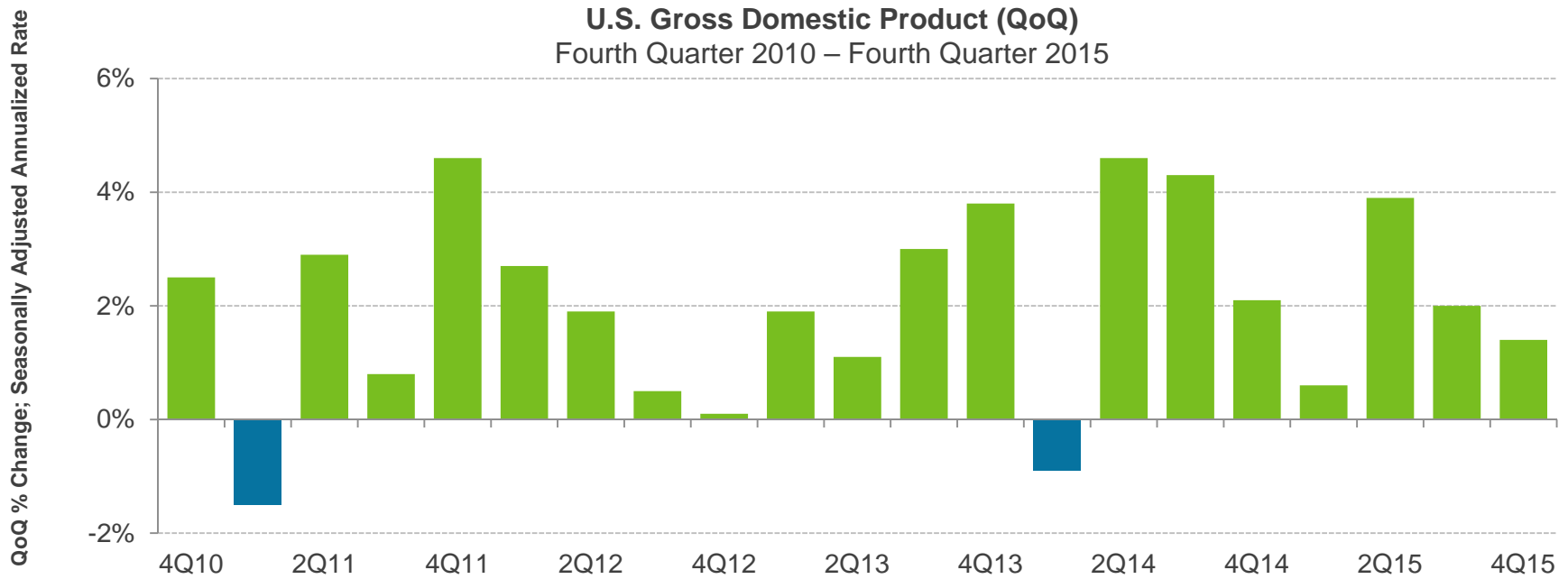
Review of the Unaudited Financial Statements for the Nine Months Ended March 31, 2016 and 2015

Presented by:
Scott Brickner, CPA
Vice President, Finance and Asset Management/Treasurer
Kathy Kiefer
Senior Director, Finance & Asset Management

May 9, 2016

Fourth Quarter GDP

U.S. GDP grew at 1.4% in the fourth quarter (third estimate) compared to 1.0% for the second estimate and 0.7% for the initial estimate. The primary driver for the increase in the third estimate was that personal consumption expenditures were higher than previously estimated. Although the most recent estimate for GDP was revised upward, recent estimates for first quarter GDP are under 1.0%.



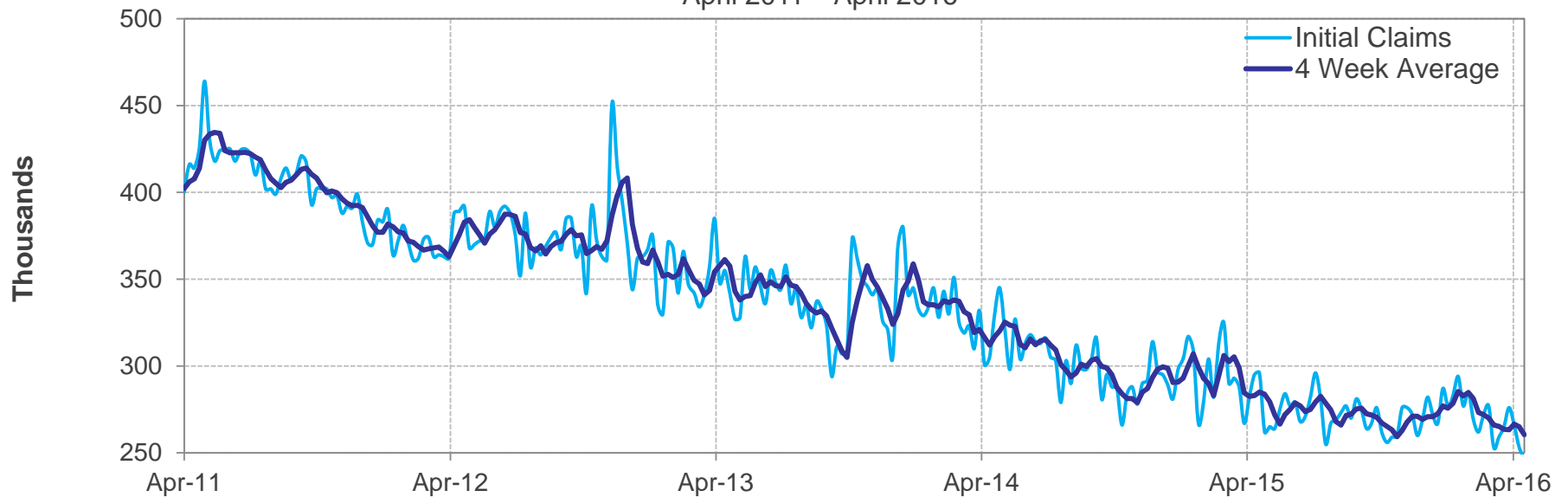
Source: Bureau Of Economic Analysis.

Initial Claims For Unemployment

For the week ending April 16, initial claims for unemployment (seasonally adjusted) fell by 6,000 to 247,000. This was the report's lowest level since 1973 when the job market was much smaller. The 4-week moving average, which helps smooth out some of the weekly volatility, fell by 4,500 to 260,500. Despite weakness in other areas of the economy, the job market remains strong.

Initial Jobless Claims and 4-Week Moving Average

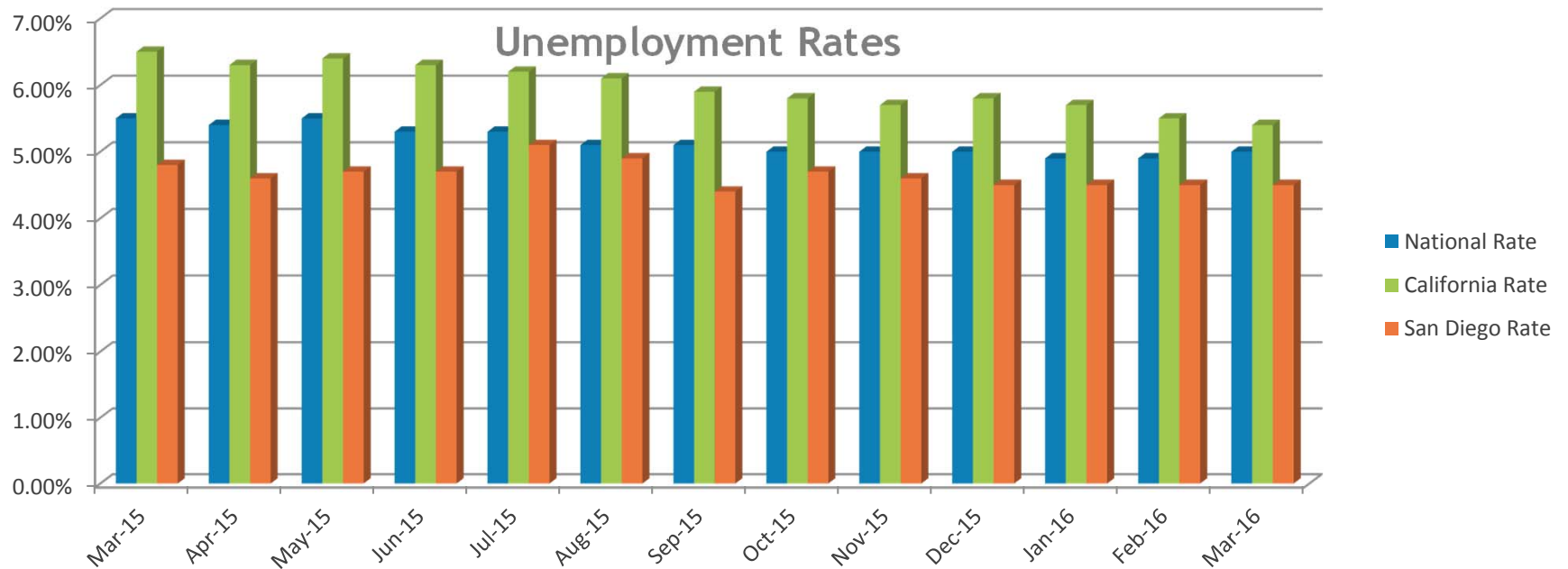
April 2011 – April 2016



Source: U.S. Department of Labor

March Unemployment Rates

The National unemployment rate rose slightly to 5.0 percent, a 0.1 percent increase from February. The National U-6 rate also rose 0.1 percentage points to 9.8 percent. In California the unemployment rate dropped 0.1 percentage points from the February rate of 5.5 percent to 5.4 percent for March, and down 1.1 percentage points from one year ago. Locally, San Diego's unemployment rate has remained unchanged, staying at 4.5 percent since December.

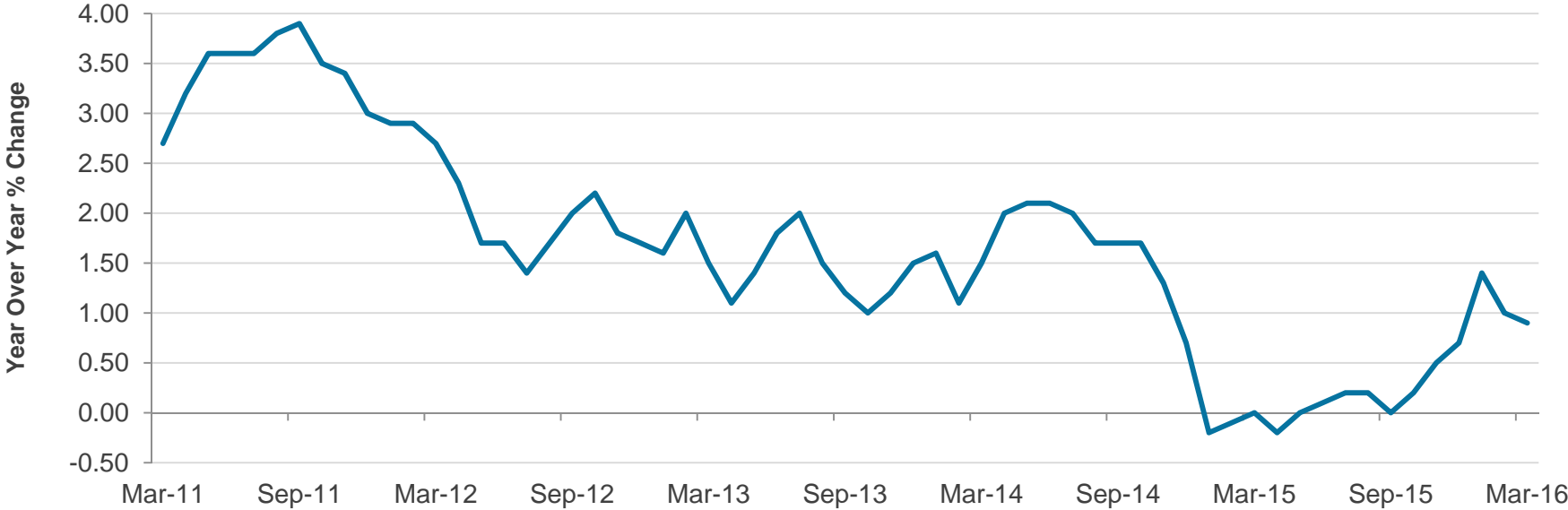


Source: US Dept of Labor, CA EDD

Consumer Price Index

The Consumer Price Index (CPI) for the twelve months ending March was up 0.90% down from a 1.00% increase in February. Core CPI, excluding food and energy, was up 2.20% for the twelve months ending March, which was down from the 2.30% increase in February. Even discounting the impact of low energy prices, overall inflation remains low.

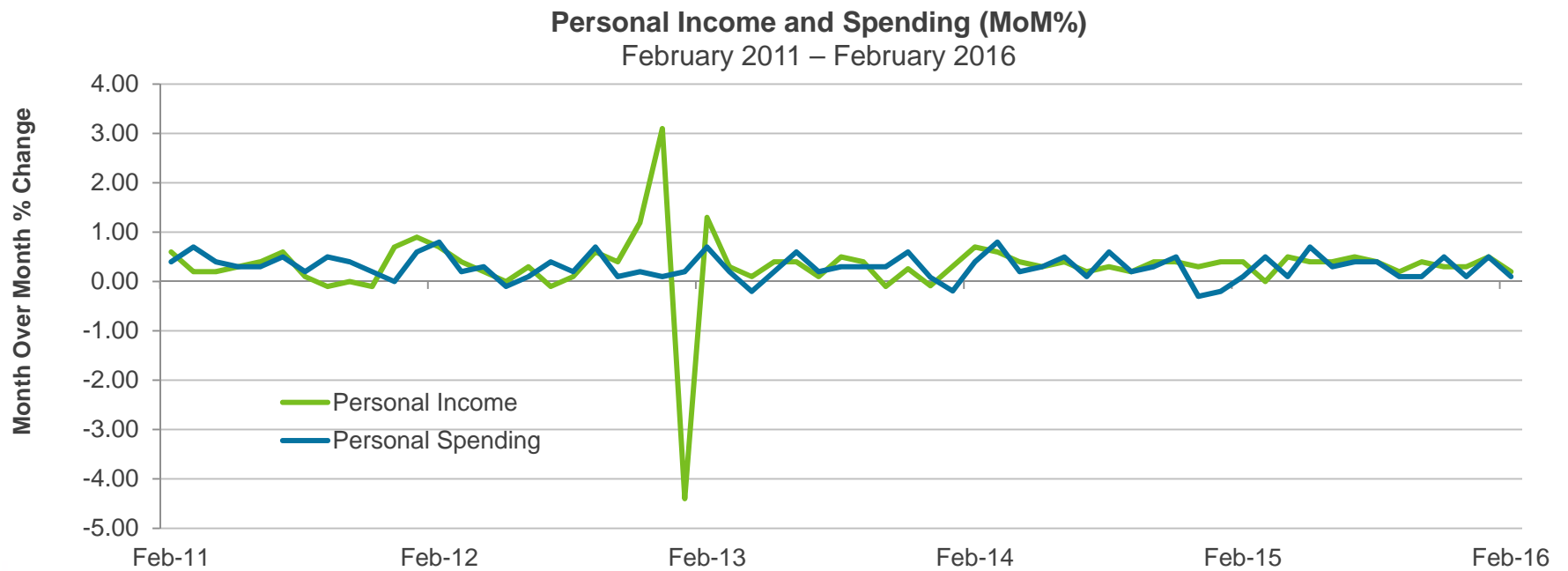
Consumer Price Index (YoY%)
March 2011 – March 2016



Source: Bureau Of Economic Analysis

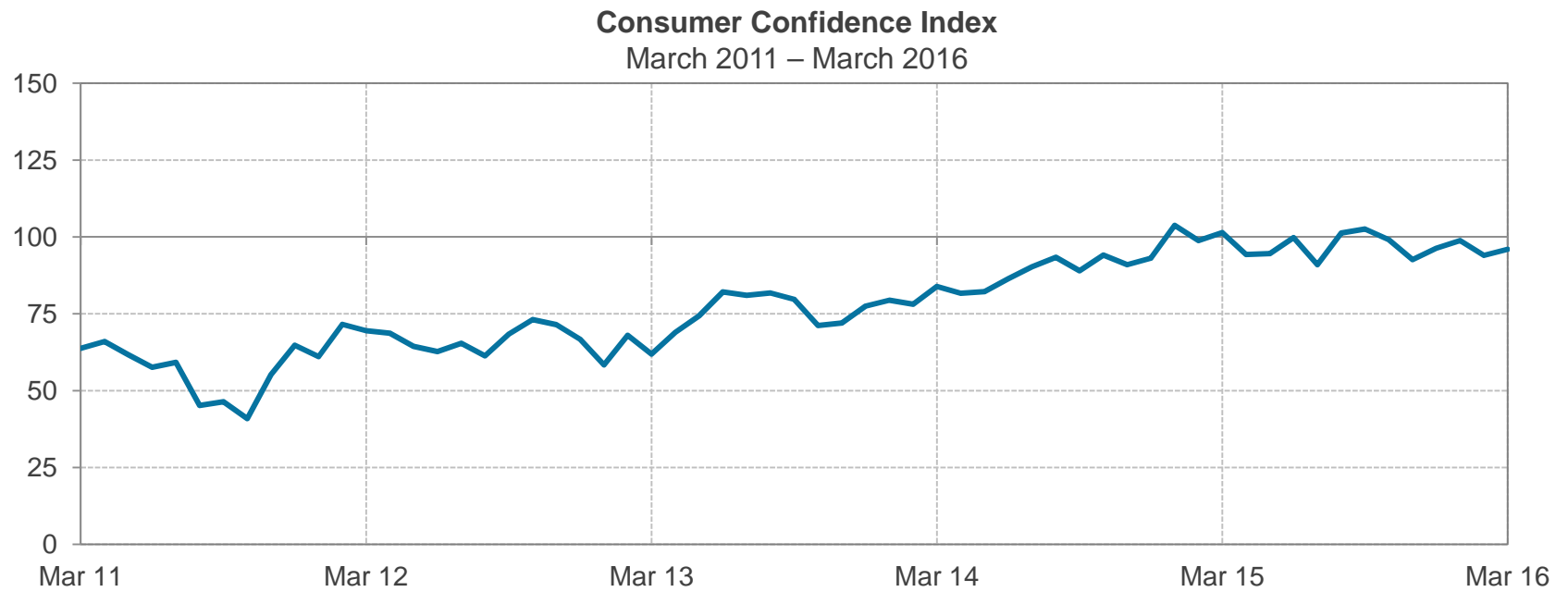
Personal Income and Spending

Personal income rose by 0.20% in February, down from a 0.50% increase in January. Spending rose by 0.10%, down from a 0.50% increase in January. The report was viewed as another signal of a slowing economy.



Consumer Confidence Index

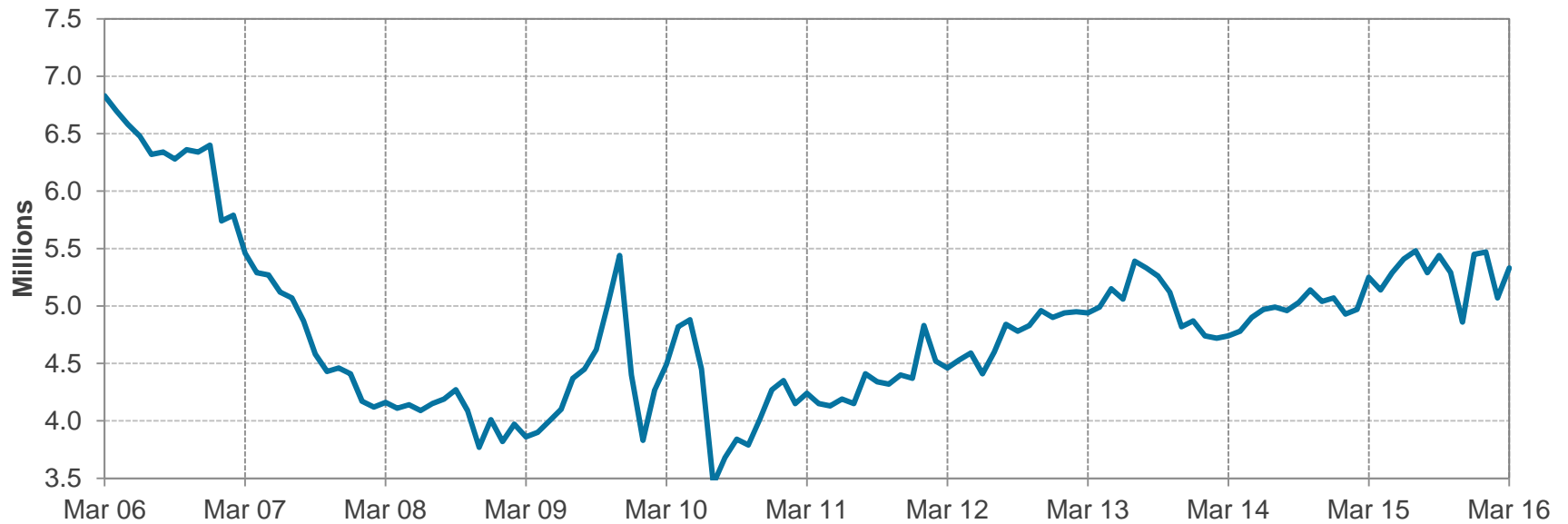
The Consumer Confidence Index rose by 2.2 points to 96.2 in March. Despite weak wage growth and a volatile political environment, consumers remain fairly optimistic.



Existing Home Sales Move UP

After falling in February, existing home sales rose more than expected to a seasonally adjusted annualized rate of 5.33 million units in March, which was a 5.1% increase from the prior month. While up strongly for the month, existing home sales were only 1.5% higher from the prior year, which does not suggest real strength in the housing market.

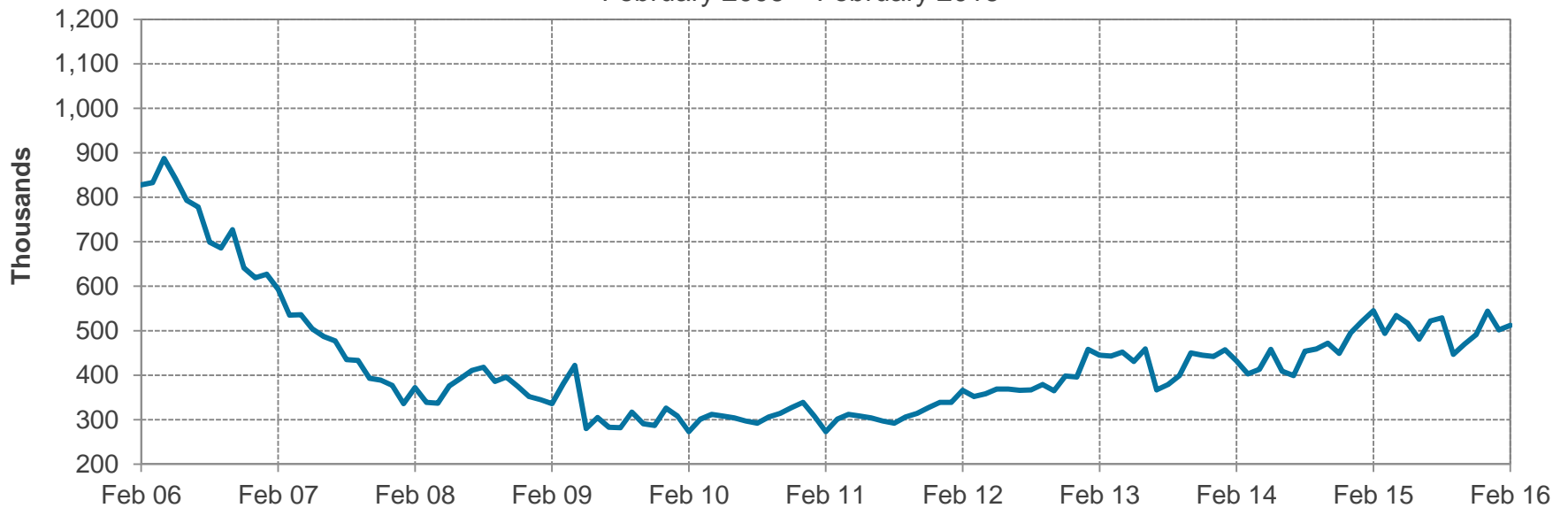
U.S. Existing Home Sales (MoM)
March 2006 – March 2016



New Home Sales Up Slightly

New homes sales rose by a modest 2.0% in February to a seasonally adjusted annualized rate of 512,000 units. Although up for the month, new home sales are down 6.1% compared to February 2015. New home sales have been volatile on a month-to-month basis, but the general trend has been relatively flat with new home sales averaging 504,000 units per month over the past twelve months.

U.S. New Home Sales (MoM)
February 2006 – February 2016



Source: Census Bureau

Oil Near Its Recent Highs

Oil (WTI spot) closed at \$39.74 on April 18, which is down slightly from its high for the year of \$42.12 reached on April 12. Despite the recent price increases, crude oil is down 35.2 % from its 12 month high. The market remains volatile on a daily basis as the market digests news indicating shifts between supply and demand.

West Texas Intermediate Oil Price Per Barrel (WTI Spot)

April 1, 2011 – April 18, 2016



Jet Fuel Near its Recent High

Jet fuel (U.S. Gulf Coast Spot) closed at \$1.119 on April 18, which is down slightly from its high for the year of \$1.180 reached on April 12. Despite recent increases, Jet Fuel is down 41.3% from its 12 month high. The price of jet fuel is up recently on higher crude prices, but the potential for further increases are likely to be limited given continued downward pressures on oil prices.

U.S. Gulf Coast Kerosene-Type Jet Fuel Spot Price FOB

April 1, 2011 – April 18, 2016

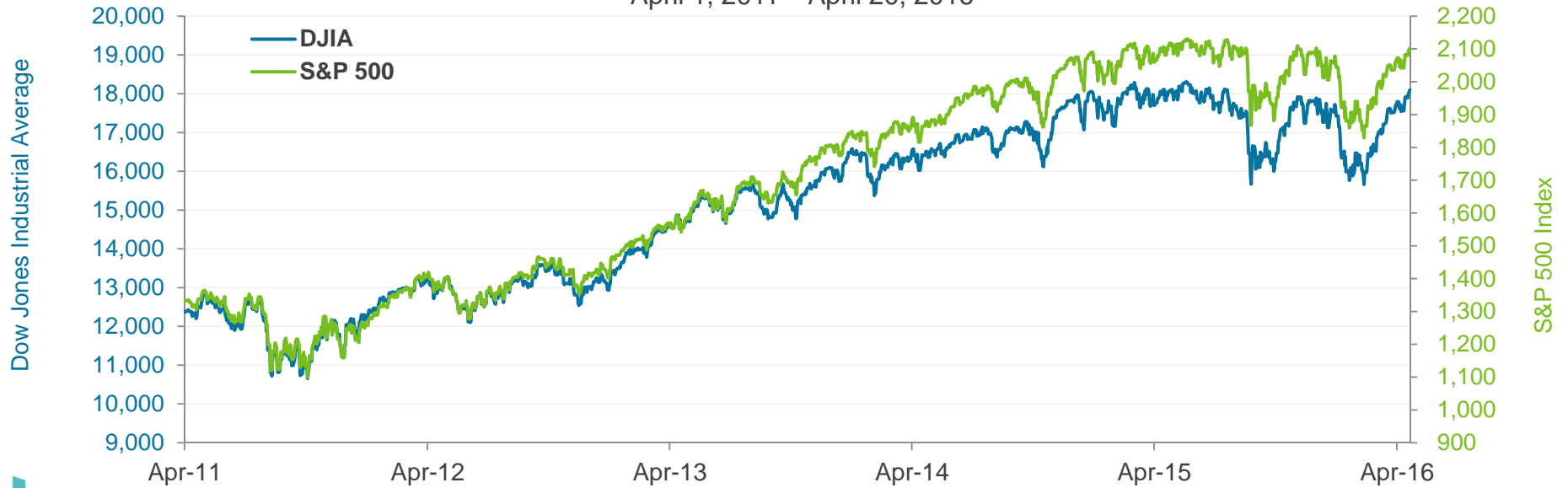


U.S. Equity Markets

After falling sharply at the beginning of the year on global economic uncertainty and a general de-risking, the markets have improved as global economic concerns have subsided and the Federal Reserve's recent dovish tone have pushed off expectations of additional interest rate hikes. The equity markets have recovered all of their losses for the year. Year-to-date, the DJIA is up 3.85% and the S&P 500 is up 2.86%.

Dow Jones Industrial Average and S&P 500 Indices

April 1, 2011 – April 20, 2016

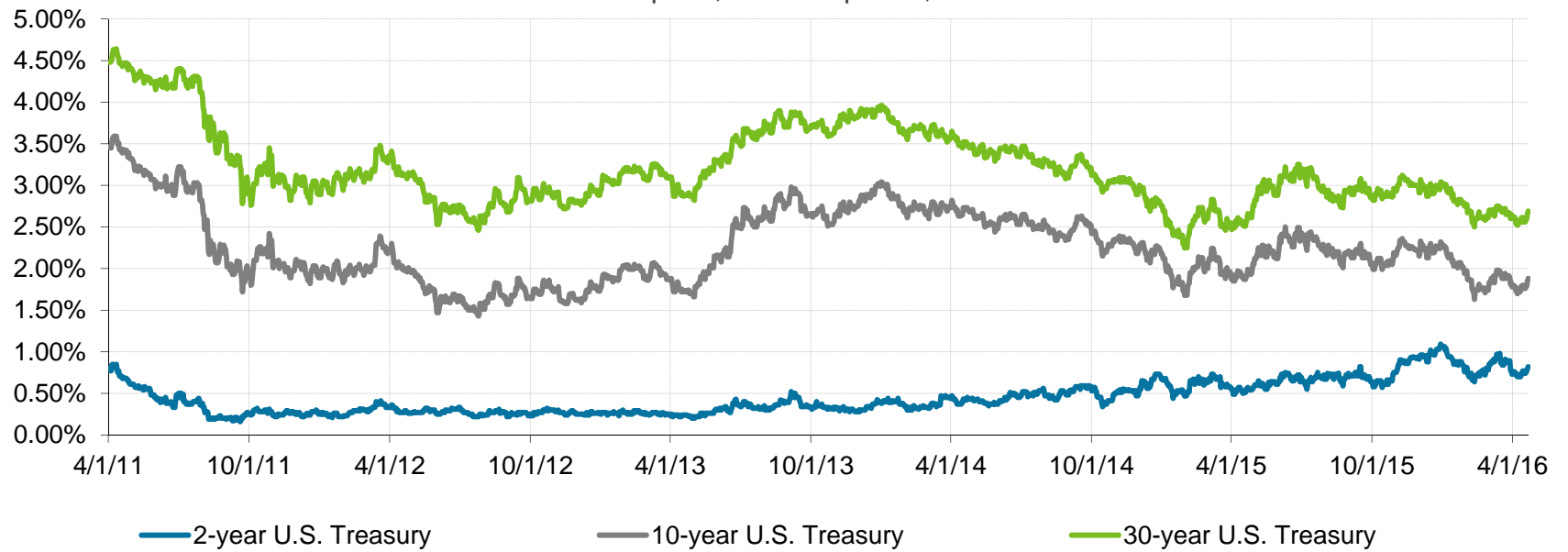


Source: Yahoo Finance

Treasury Yields

Over the past five years, longer-term Treasury yields have fallen on global economic weakness and lower inflation expectations while shorter-term rates are up modestly on a higher federal funds rate hike.

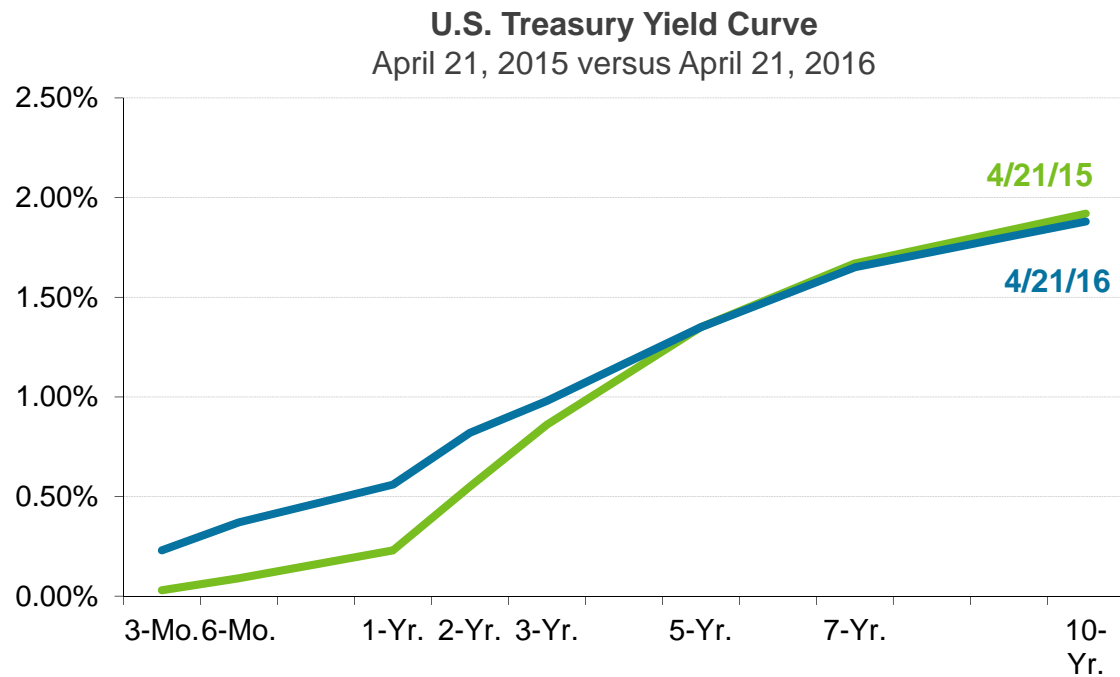
2-, 10- and 30-year U.S. Treasury Yields
April 1, 2011 – April 21, 2016



Source: U.S. Department of the Treasury.

U.S. Treasury Yield Curve Flattens

While shorter-term Treasury yields are up on the hike in the federal funds target rate, longer-term yields have fallen from prior year levels driven by global economic concerns, lowered inflation expectations, and a flight to quality.



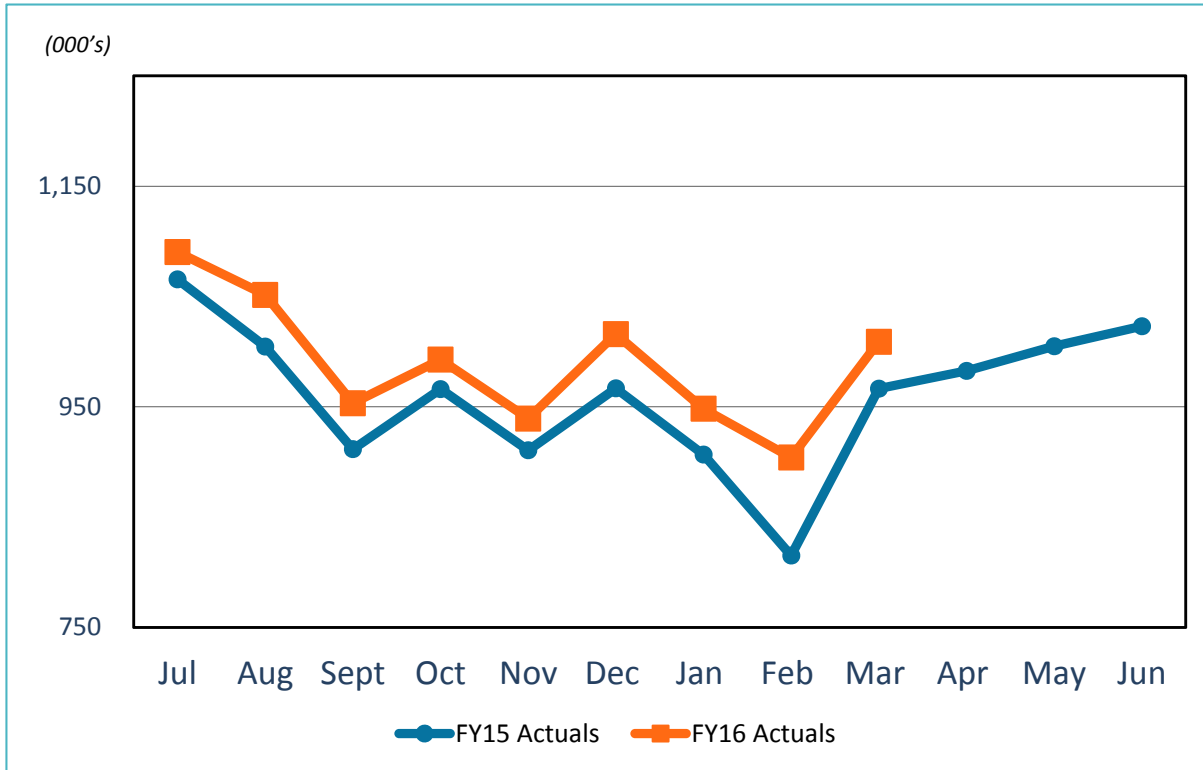
	4/21/15	4/21/16	Change
3-Mo.	0.03%	0.23%	0.20%
6-Mo.	0.09%	0.37%	0.28%
1-Yr.	0.23%	0.56%	0.33%
2-Yr.	0.55%	0.82%	0.27%
3-Yr.	0.86%	0.98%	0.12%
5-Yr.	1.35%	1.35%	0.00%
10-Yr.	1.92%	1.88%	(0.04%)
20-Yr.	2.33%	2.29%	(0.04%)
30-Yr.	2.58%	2.69%	0.11%



Revenue & Expenses (Unaudited) For the Month Ended March 2016 and 2015

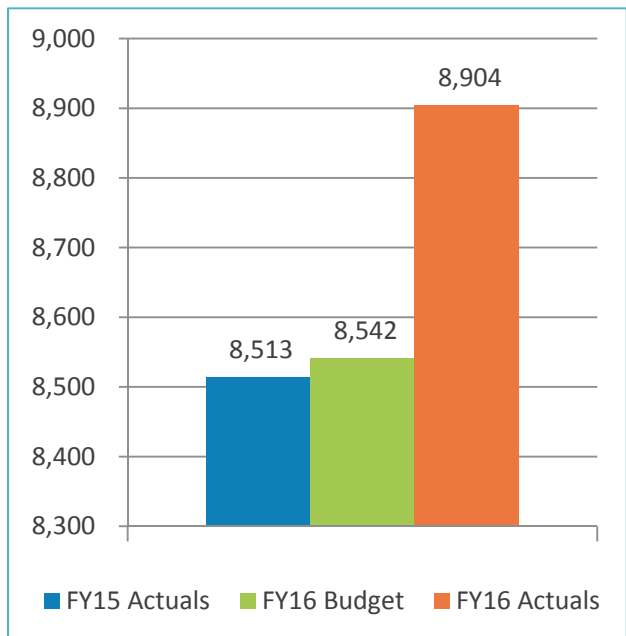


Gross Landing Weight Units (000 Ibs)

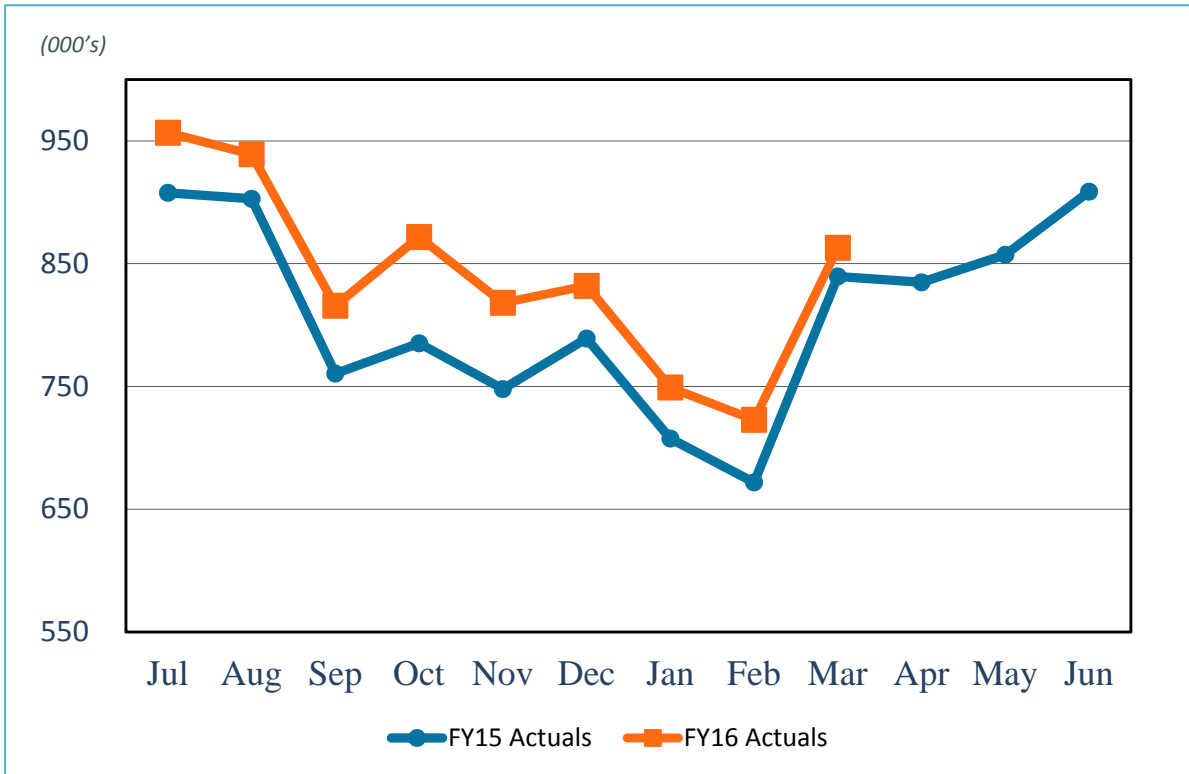


FY16 YTD Act Vs.
FY15 YTD Act
4.6%

FY16 YTD Act Vs.
FY16 YTD Budget
4.2%

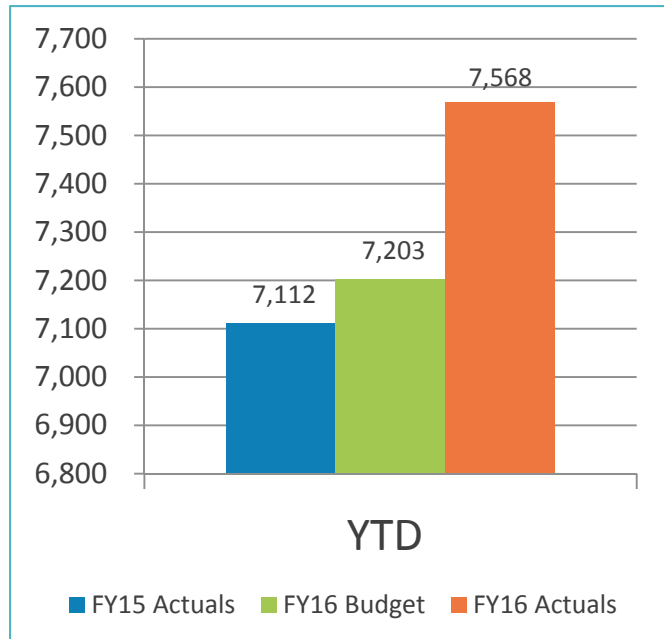


Enplanements

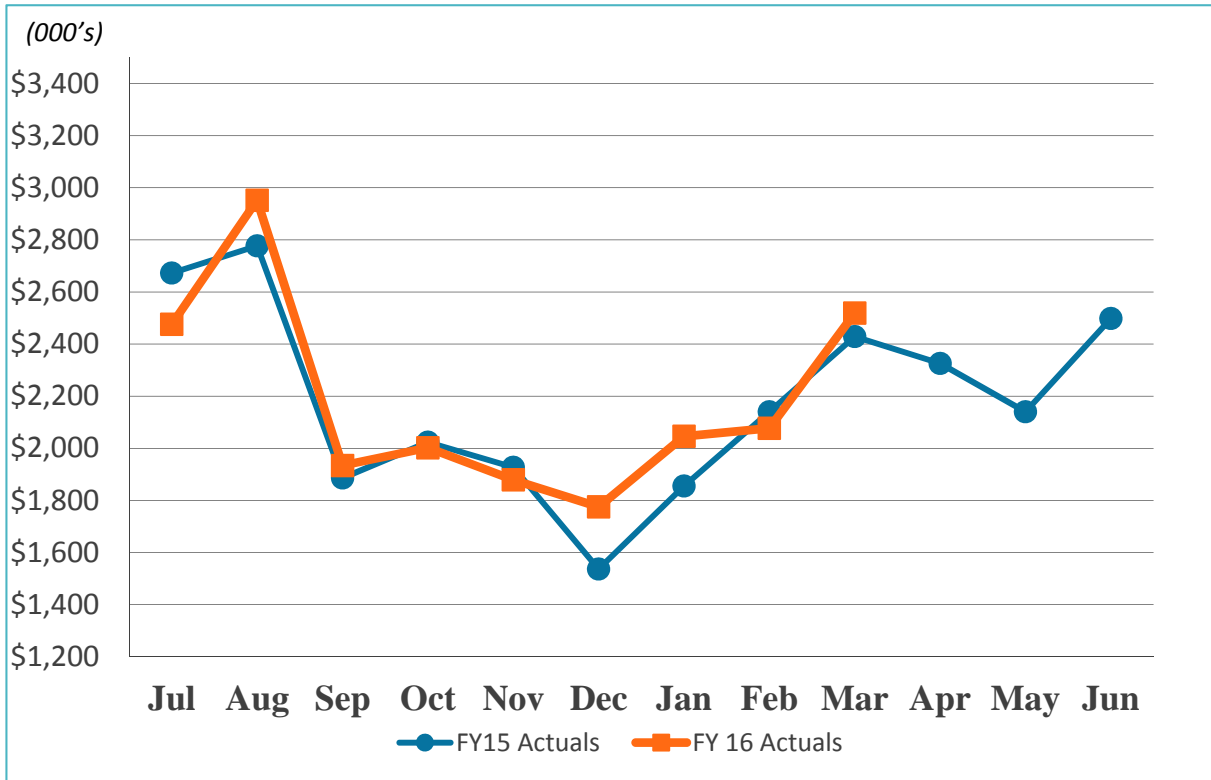


FY16 YTD Act Vs.
FY15 YTD Act
6.4%

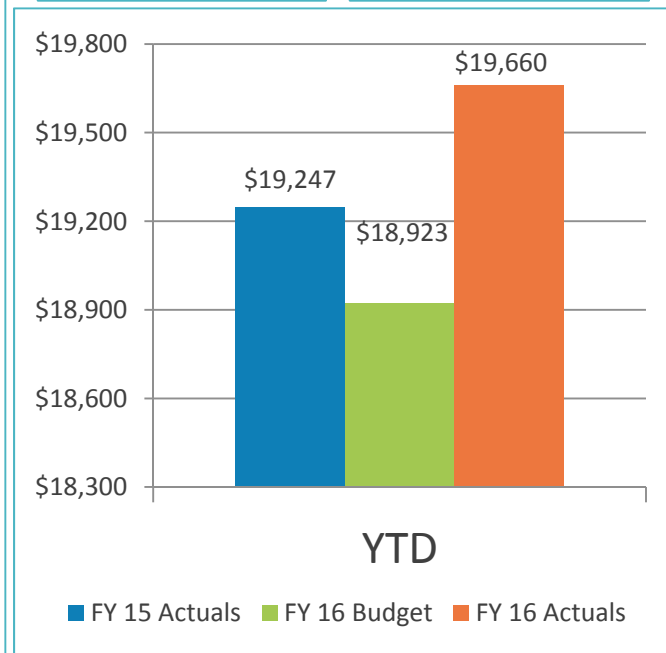
FY16 YTD Act Vs.
FY16 YTD Budget
5.1%



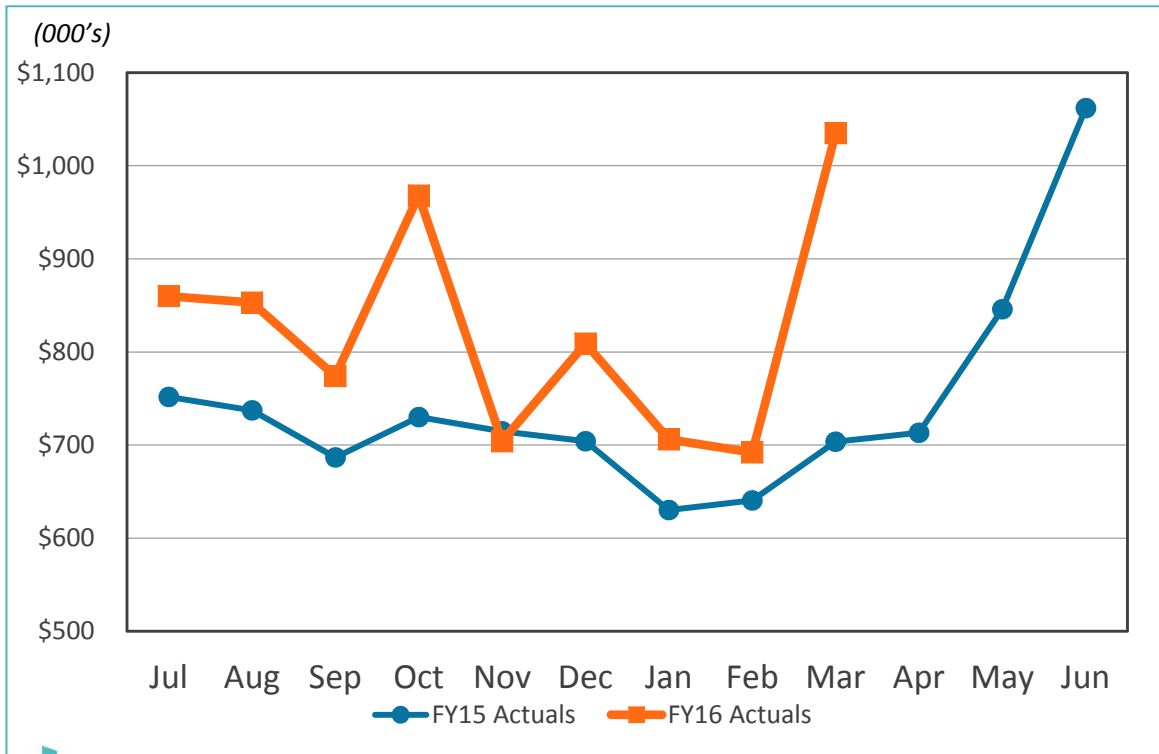
Car Rental License Fees



FY16 YTD Act Vs. FY15 YTD Act 2.1%	FY16 YTD Act Vs. FY16 YTD Budget 3.9%
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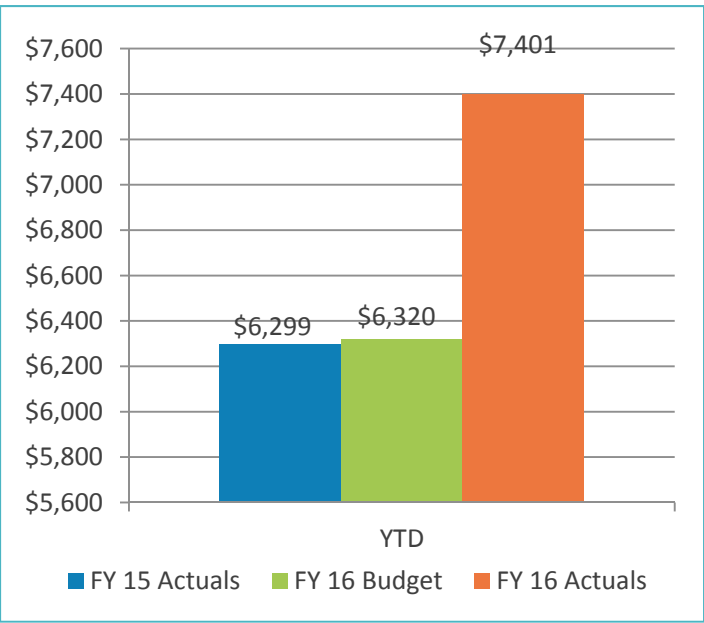


Food and Beverage Concessions Revenue

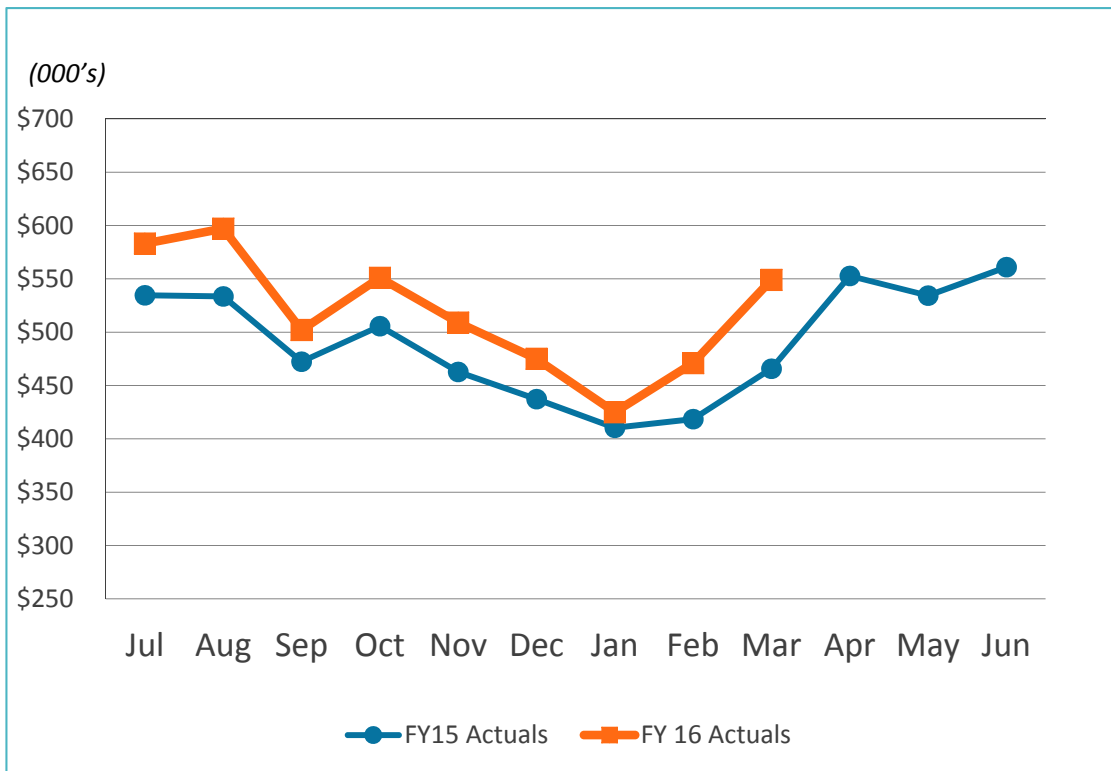


FY16 YTD Act Vs.
FY15 YTD Act
17.5%

FY16 YTD Act Vs.
FY16 YTD Budget
17.1%

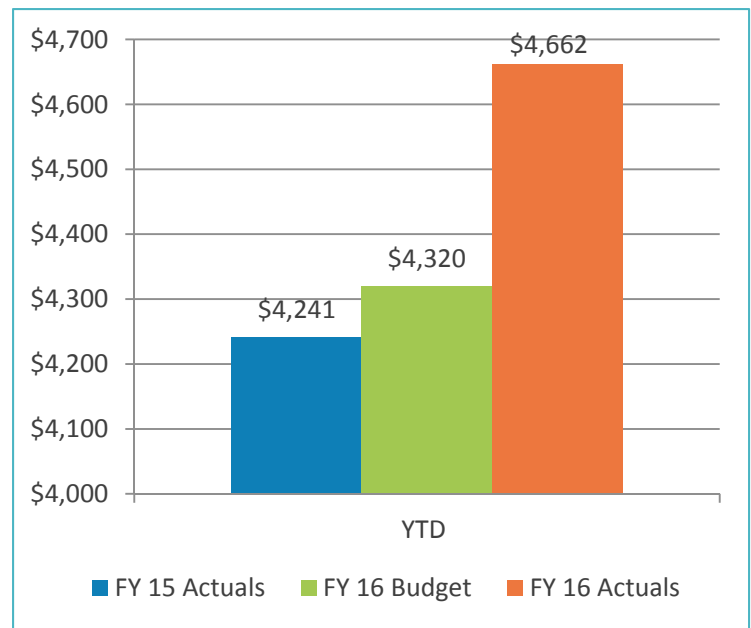


Retail Concessions Revenue

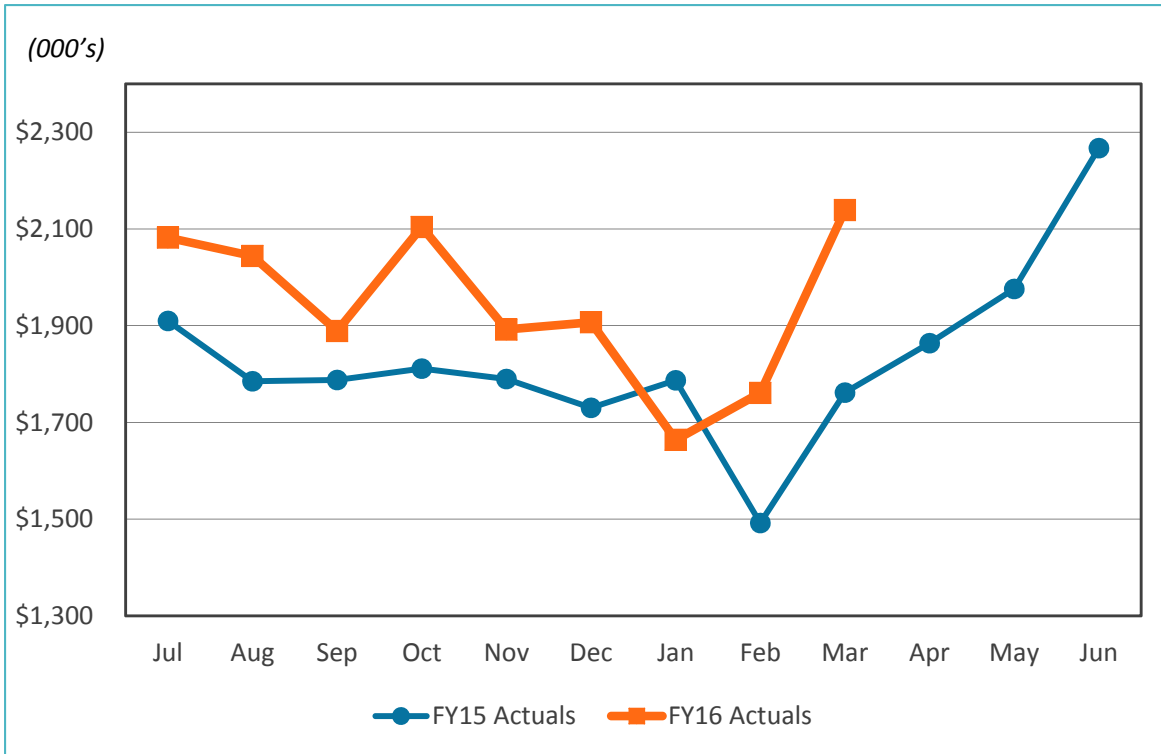


FY16 YTD Act Vs.
FY15 YTD Act
9.9%

FY16 YTD Act Vs.
FY16 YTD Budget
7.9%

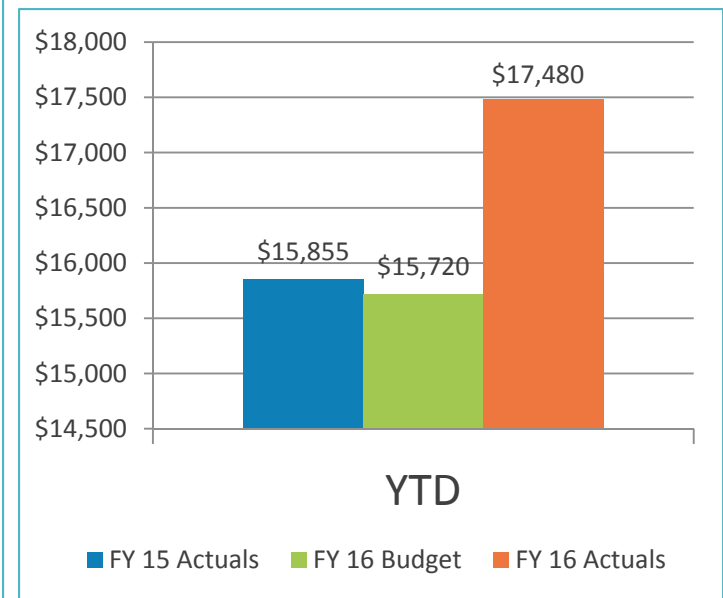


Total Terminal Concessions (Includes Cost Recovery)

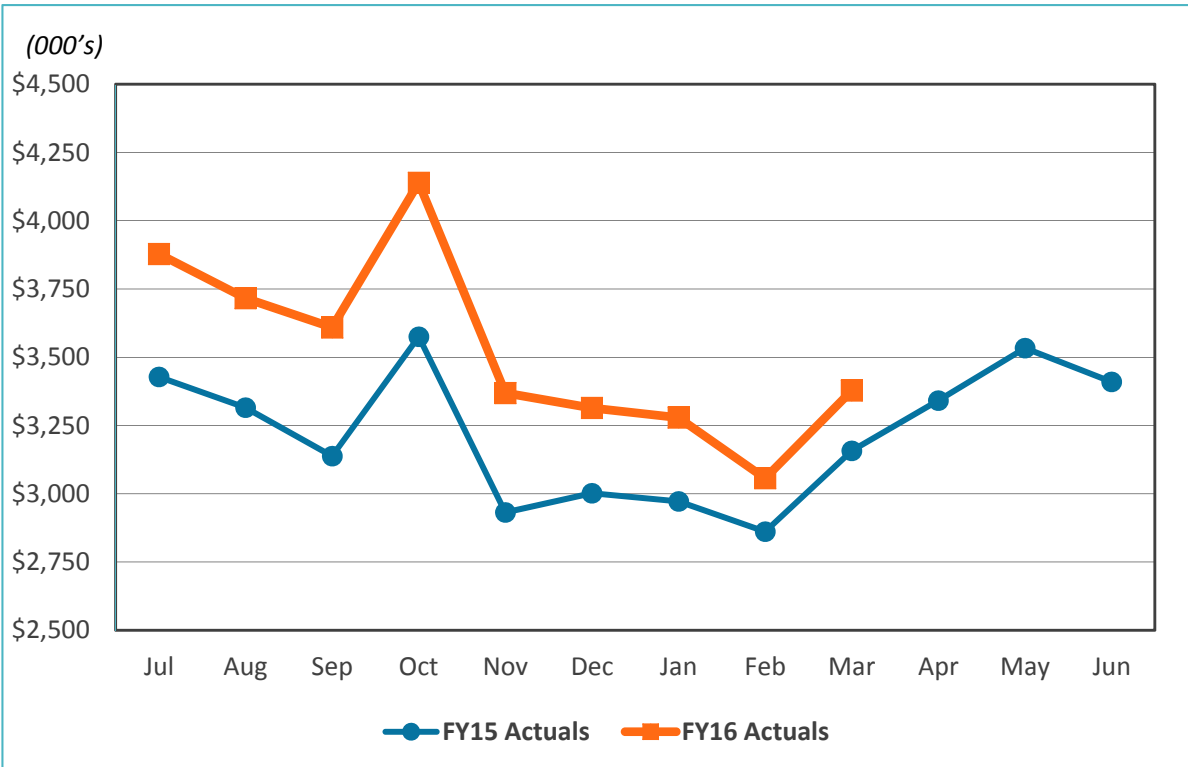


FY16 YTD Act Vs.
FY15 YTD Act
10.2%

FY16 YTD Act Vs.
FY16 YTD Budget
11.2%

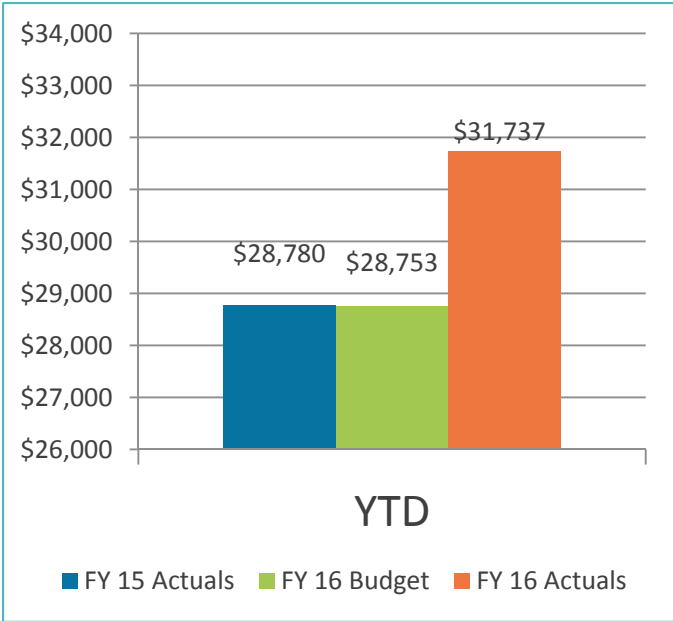


Parking Revenue



FY16 YTD Act Vs.
FY15 YTD Act
10.5%

FY16 YTD Act Vs.
FY16 YTD Budget
10.4%



Operating Revenues for the Month Ended March 31, 2016

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 2,083	\$ 2,200	\$ 117	6%	\$ 1,948
Aircraft parking fees	240	222	(18)	(8)%	226
Building rentals	4,437	4,474	37	1%	4,542
Security surcharge	2,307	2,305	(2)	-	2,211
CUPPS Support Charges	101	101	-	-	94
Other aviation revenue	133	132	(1)	(1)%	136
Total aviation revenue	\$ 9,301	\$ 9,434	\$ 133	1%	\$ 9,157

Operating Revenues for the Month Ended March 31, 2016

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Terminal rent non-airline	\$ 119	\$ 113	\$ (6)	(5)%	\$ 103
Concession revenue:					
Terminal concession revenue:					
Food and beverage	759	1,035	276	36%	704
Retail	472	549	77	16%	466
Space storage	78	71	(7)	(8)%	80
Cost recovery	218	203	(15)	(7)%	218
Other <i>(Primarily advertising)</i>	241	281	40	17%	294
Total terminal concession revenue	1,768	2,139	372	21%	1,762
Car rental and license fee revenue:					
Rental car and license fees	2,367	2,519	152	6%	2,429
Rental car center cost recovery	-	148	148	-	-
License fees-other	375	383	8	2%	368
Total rental car and license fees	2,742	3,050	308	11%	2,797
Total concession revenue	\$ 4,510	\$ 5,189	\$ 679	15%	\$ 4,559

Operating Revenues for the Month Ended March 31, 2016

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
Short-term parking revenue	\$ 1,906	\$ 2,115	\$ 208	11%	\$ 2,097
Long-term parking revenue	1,194	1,263	69	6%	1,110
Total parking revenue	3,100	3,378	278	9%	3,207
Ground transportation permits and citations	337	397	61	18%	231
Ground rentals	1,471	1,616	145	10%	985
Grant reimbursements	25	25	-	-	25
Other operating revenue	39	55	16	39%	41
Subtotal	4,972	5,471	499	10%	4,489
Total operating revenues	\$ 18,902	\$ 20,205	\$ 1,305	7%	\$ 18,308

Operating Expenses for the Month Ended March 31, 2016

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 4,965	\$ 4,486	\$ 479	10%	\$ 3,127
Contractual services	3,452	3,087	365	11%	2,649
Safety and security	2,708	2,740	(32)	(1)%	1,890
Space rental	869	869	-	-	868
Utilities	1,103	729	374	34%	707
Maintenance	1,182	584	598	51%	1,384
Equipment and systems	29	18	11	38%	7
Materials and supplies	35	36	(1)	(4)%	51
Insurance	110	79	31	29%	86
Employee development and support	143	131	12	8%	134
Business development	228	468	(240)	(105)%	71
Equipment rental and repairs	362	641	(279)	(77)%	754
Total operating expenses	\$ 15,186	\$ 13,868	\$ 1,318	9%	\$ 11,728

Financial Summary

for the Month Ended March 31, 2016

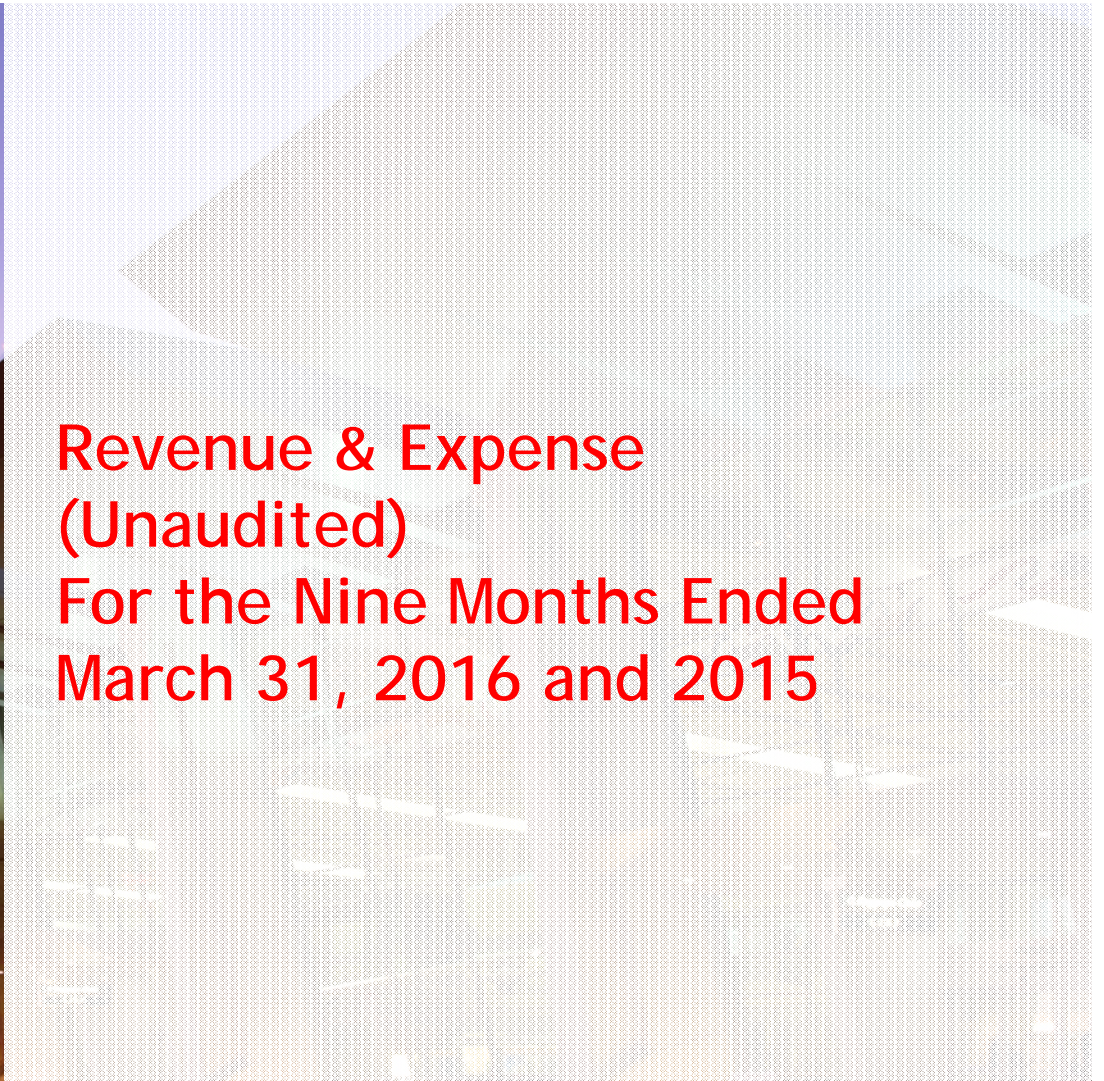
(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$ 18,902	\$ 20,205	\$ 1,305	7%	\$ 18,308
Total operating expenses	15,186	13,868	1,318	9%	11,728
Income from operations	3,716	6,337	2,621	71%	6,580
Depreciation	7,665	7,665	-	-	6,711
Operating income (loss)	\$ (3,949)	\$ (1,328)	\$ 2,621	66%	\$ (131)

Non-operating Revenues & Expenses for the Month Ended March 31, 2016

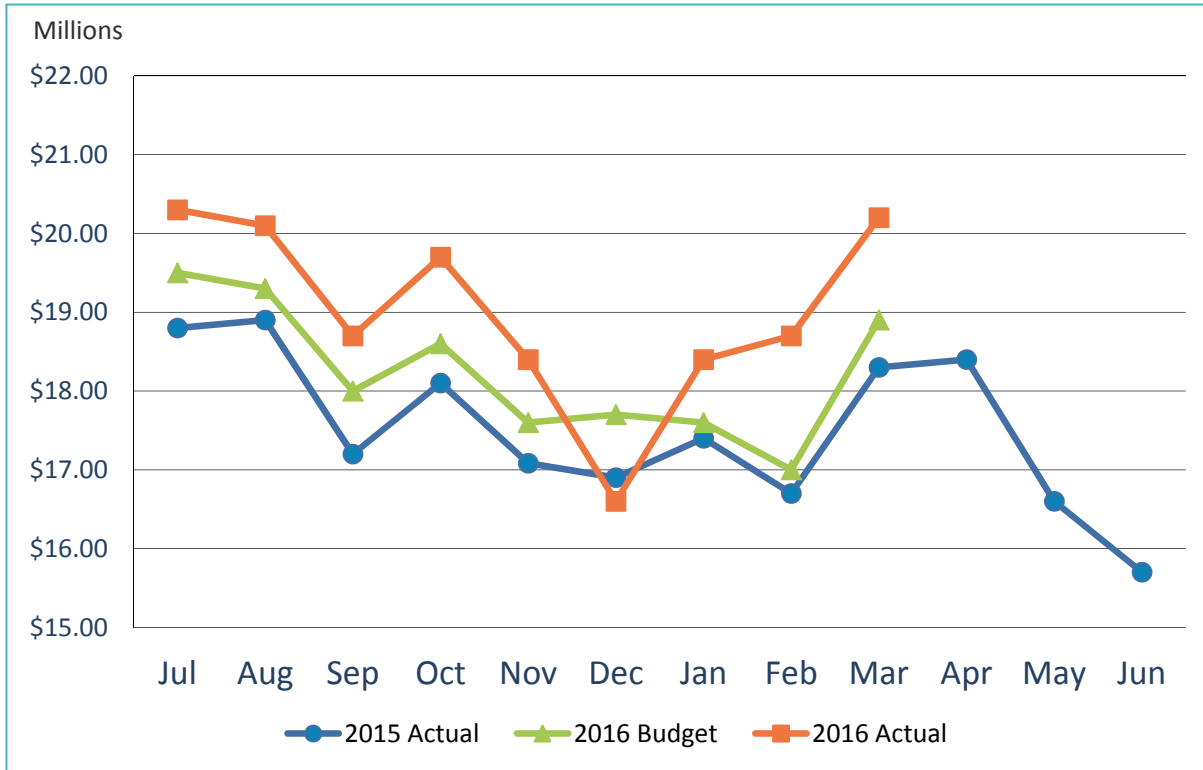
(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 4,042	\$ 3,839	\$ (203)	(5)%	\$ 3,714
Customer facility charges (Rental Car Center)	3,122	3,046	(76)	(2)%	2,960
Quieter Home Program, net	(351)	(416)	(65)	(18)%	(309)
Interest income	379	223	(156)	(41)%	486
BAB interest rebate	386	386	-	-	386
Interest expense & debt issuance costs	(5,616)	(4,559)	1,057	19%	(4,984)
Bond amortization	352	352	-	-	359
Other nonoperating revenue (expenses)	(1)	437	438	-	(1,061)
Nonoperating revenue, net	2,313	3,308	995	43%	1,551
Change in net position before grant contributions	(1,636)	1,980	3,616		1,420
Capital grant contributions	19	14	(5)	(24)%	90
Change in net position	\$ (1,617)	\$ 1,994	\$ 3,612	223%	\$ 1,510



**Revenue & Expense
(Unaudited)
For the Nine Months Ended
March 31, 2016 and 2015**

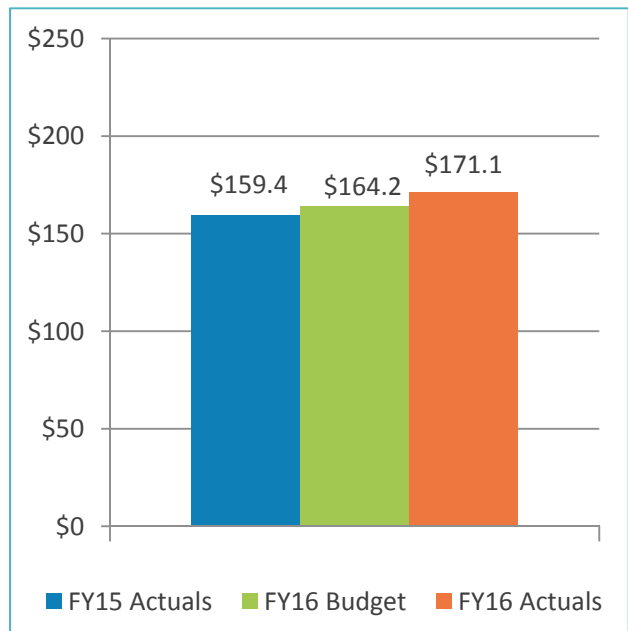


Monthly Operating Revenue (Unaudited)



FY16 YTD Act Vs.
FY15 YTD Act
7.4%

FY16 YTD Act Vs.
FY16 YTD Budget
4.2%



Operating Revenues for the Nine Months Ended March 31, 2016 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 18,207	\$ 18,623	\$ 416	2%	\$ 17,584
Aircraft parking fees	2,156	2,028	(128)	(6)%	2,046
Building rentals	39,909	39,817	(92)	-	38,148
Security surcharge	20,764	19,959	(805)	(4)%	19,897
CUPPS Support Charges	905	905	-	-	846
Other aviation revenue	1,190	1,204	14	1%	1,188
Total aviation revenue	\$ 83,131	\$ 82,536	\$ (595)	(1)%	\$ 79,709

Operating Revenues

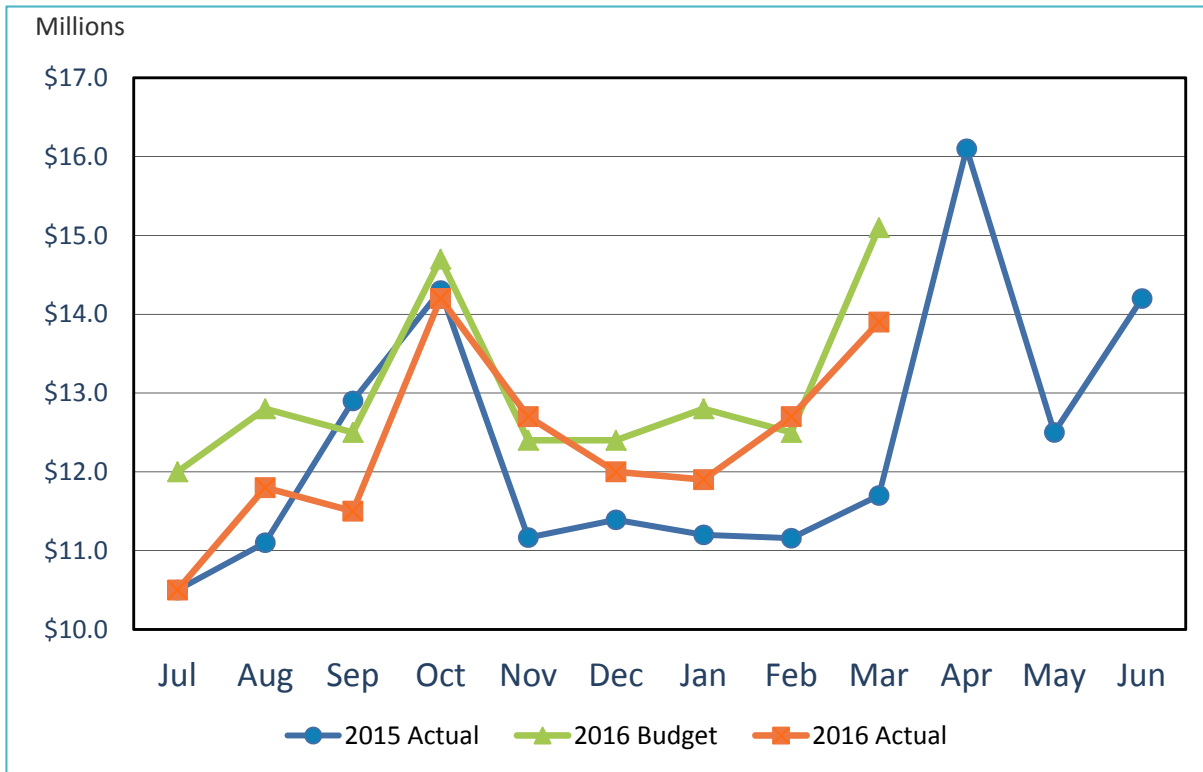
for the Nine Months Ended March 31, 2016 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Terminal rent non-airline	\$ 1,071	\$ 701	\$ (370)	(35)%	\$ 923
Concession revenue:					
Terminal concession revenue:					
Food and beverage	6,320	7,402	1,082	17%	6,299
Retail	4,320	4,662	341	8%	4,241
Space storage	699	641	(58)	(8)%	703
Cost recovery	1,958	1,889	(69)	(4)%	1,840
Other (Primarily advertising)	2,423	2,886	463	19%	2,772
Total terminal concession revenue	15,720	17,480	1,760	11%	15,855
Car rental and license fee revenue:					
Rental car license fees	18,923	19,660	737	4%	19,247
Rental car center cost recovery	-	348	348	-	-
License fees-other	3,427	3,273	(154)	(4)%	3,285
Total rental car and license fees	22,350	23,281	931	4%	22,532
Total concession revenue	\$ 38,070	\$ 40,761	\$ 2,690	7%	\$ 38,387

Operating Revenues for the Nine Months Ended March 31, 2016 (Unaudited)

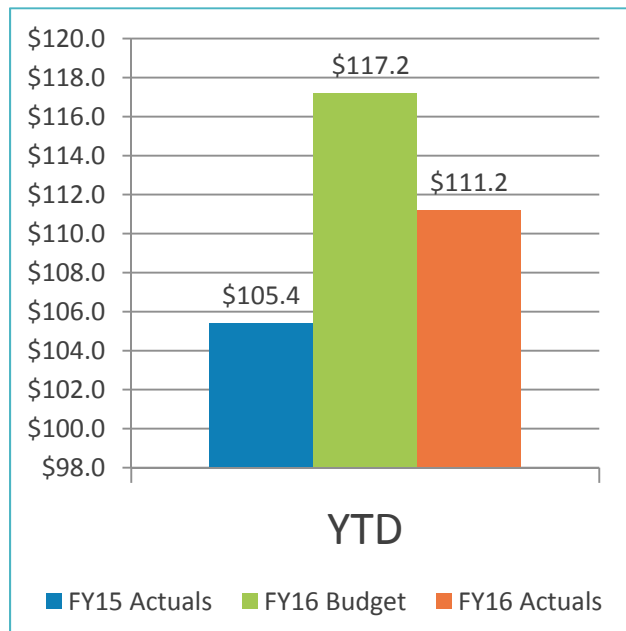
(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
Short-term parking revenue	\$ 18,156	\$ 19,807	\$ 1,651	9%	\$ 18,549
Long-term parking revenue	10,597	11,930	1,333	13%	10,231
Total parking revenue	28,753	31,737	2,984	10%	28,780
Ground transportation permits and citations	3,188	3,938	750	24%	2,352
Ground rentals	9,369	10,572	1,203	13%	8,547
Grant reimbursements	219	220	1	-	219
Other operating revenue	355	616	261	74%	505
Subtotal	41,884	47,083	5,199	12%	40,403
Total operating revenues	\$ 164,156	\$ 171,080	\$ 6,924	4%	\$ 159,422

Monthly Operating Expenses (Unaudited)



FY16 YTD Act Vs.
FY15 YTD Act
5.5%

FY16 YTD Act Vs.
FY16 YTD Budget
5.1%



Operating Expenses

for the Nine Months Ended March 31, 2016 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 33,889	\$ 32,098	\$ 1,791	5%	\$ 33,763
Contractual services	28,150	27,172	978	3%	22,285
Safety and security	19,374	18,870	504	3%	17,733
Space rental	7,821	7,760	61	1%	7,825
Utilities	9,422	8,641	781	8%	7,870
Maintenance	10,917	10,256	661	6%	10,022
Equipment and systems	383	375	8	2%	145
Materials and supplies	312	360	(48)	(15)%	304
Insurance	992	710	282	28%	794
Employee development and support	1,024	883	141	14%	696
Business development	2,102	1,696	406	19%	1,743
Equipment rental and repairs	2,884	2,466	418	15%	2,271
Total operating expenses	\$ 117,270	\$ 111,287	\$ 5,983	5%	\$ 105,451

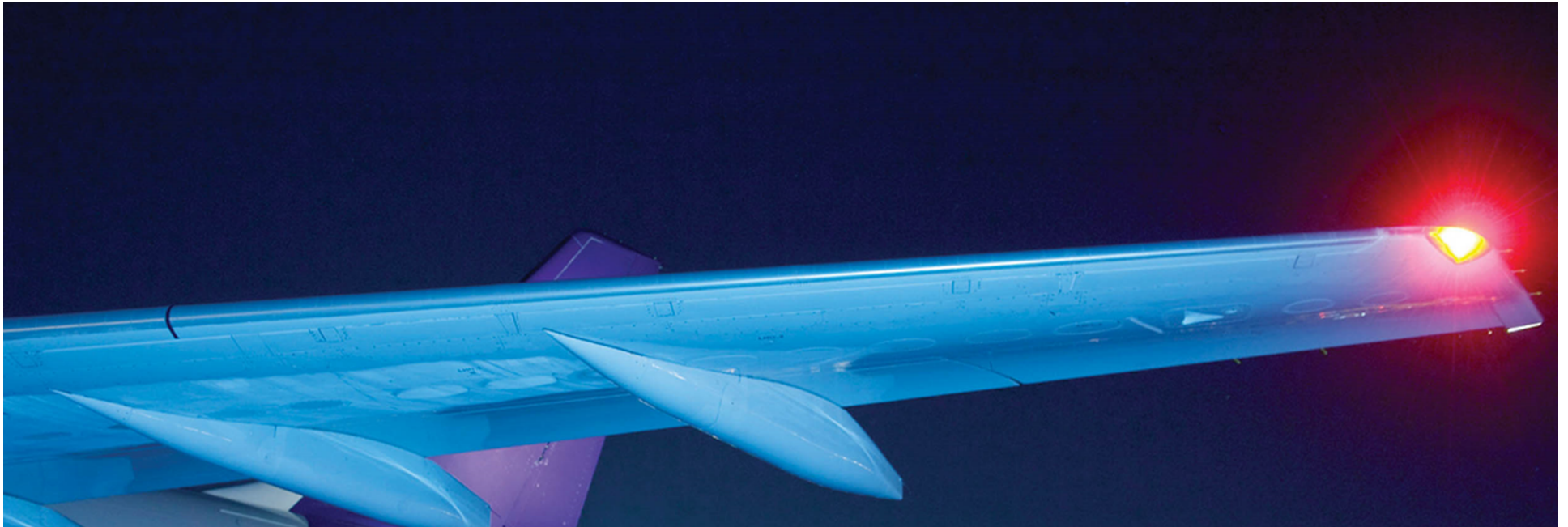
Financial Summary

for the Nine Months Ended March 31, 2016 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$ 164,156	\$ 171,080	\$ 6,924	4%	\$ 159,422
Total operating expenses	117,270	111,287	5,983	5%	105,451
Income from operations	46,886	59,793	12,907	28%	53,971
Depreciation	61,546	61,546	-	-	60,213
Operating income (loss)	\$ (14,660)	\$ (1,753)	\$ 12,907	88%	\$ (6,242)

Nonoperating Revenues & Expenses for the Nine Months Ended March 31, 2016 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 28,684	\$ 29,918	\$ 1,234	4%	\$ 28,327
Customer facility charges (Rental Car Center)	24,559	24,872	313	1%	23,622
Quieter Home Program, net	(2,468)	(2,800)	(332)	(13)%	(2,127)
Interest income	3,643	4,458	815	22%	4,381
BAB interest rebate	3,473	3,486	13	-	3,473
Interest expense & debt issuance costs	(42,408)	(44,144)	(1,736)	(4)%	(46,627)
Bond amortization	3,191	3,191	-	-	3,255
Other nonoperating revenue (expenses)	(8)	1,346	1,354	-	(1,069)
Nonoperating revenue, net	18,666	20,327	1,661	9%	13,235
Change in Net Position before grant contributions	4,006	18,574	14,568	364%	6,993
Capital grant contributions	11,498	10,298	(1,200)	(10)%	3,053
Change in Net Position	\$ 15,504	\$ 28,872	\$ 13,368	86%	\$ 10,046



Statements of Net Position (Unaudited)
March 31, 2016 and 2015

Statements of Net Position (Unaudited)
 As of March 31, 2016 and 2015
 (In Thousands)

	<u>2016</u>		<u>2015</u>
Current assets:			
Cash and investments	\$ 67,782	\$	68,701
Tenant lease receivable, net of allowance of 2016: (\$224,404) and 2015: (\$60,384)	6,561		8,517
Grants receivable	6,813		4,047
Notes receivable-current portion	1,609		1,528
Prepaid expenses and other current assets	7,436		6,507
Total current assets	<u>90,201</u>		<u>89,300</u>
 Cash designated for capital projects and other			
	\$ 37,729	\$	22,410

Statements of Net Position (Unaudited)

As of March 31, 2016 and 2015

(In Thousands)

	<u>2016</u>	<u>2015</u>
Restricted assets:		
Cash and investments:		
Bonds reserve	\$ 56,868	\$ 54,943
Passenger facility charges and interest unapplied	70,187	63,021
Customer facility charges and interest applied	36,543	41,777
SBD bond guarantee	4,000	4,000
Bond proceeds held by trustee	181,186	338,368
Passenger facility charges receivable	4,577	5,033
Customer facility charges receivable	4,940	2,974
OCIP insurance reserve	3,773	5,433
Total restricted assets	<u>\$ 362,074</u>	<u>\$ 515,549</u>

Statements of Net Position (Unaudited)

As of March 31, 2016 and 2015

(In Thousands)

	2016	2015
Noncurrent assets:		
Capital assets:		
Land and land improvements	\$ 83,598	\$ 71,082
Runways, roads and parking lots	589,522	575,159
Buildings and structures	1,410,938	1,042,821
Machinery and equipment	42,849	14,293
Vehicles	14,553	5,520
Office furniture and equipment	32,395	32,520
Works of art	8,103	3,424
Construction-in-progress	155,339	411,341
	2,337,297	2,156,160
Less: accumulated depreciation	(793,126)	(717,048)
Total capital assets, net	\$ 1,544,171	\$ 1,439,112

Statements of Net Position (Unaudited)
 As of March 31, 2016 and 2015
 (In Thousands)

	2016	2015
Other assets:		
Notes receivable - long-term portion	\$ 35,554	\$ 37,221
Investments - long-term portion	125,828	87,968
Net pension asset	-	6,468
Security deposit	350	500
Total other assets	161,732	132,158
Deferred outflows of resources		
Deferred pension contributions	6,019	-
Total assets and deferred outflows of resources	\$ 2,201,926	\$ 2,198,528

Statements of Net Position (Unaudited)

As of March 31, 2016 and 2015

(In Thousands)

	2016	2015
Current liabilities:		
Accounts payable and accrued liabilities	\$ 48,694	\$ 63,369
Deposits and other current liabilities	8,420	4,050
Total current liabilities	57,114	67,419
 Current liabilities payable from restricted assets:		
Current portion of long-term debt	11,090	10,695
Accrued interest on bonds and variable debt	16,477	16,575
Total liabilities payable from restricted assets	\$ 27,567	\$ 27,270

Statements of Net Position (Unaudited)
 As of March 31, 2016 and 2015
 (In Thousands)

	<u>2016</u>	<u>2015</u>
Long-term liabilities:		
Variable debt	\$ 38,705	\$ 44,884
Other long-term liabilities	5,950	13,732
Long-term debt - bonds net of amortized premium	<u>1,292,809</u>	<u>1,308,162</u>
Total long-term liabilities	<u>1,337,464</u>	<u>1,366,778</u>
Total liabilities	<u>1,422,145</u>	<u>1,461,467</u>
Deferred inflows of resources		
Deferred pension investment gains	8,168	-
Total liabilities and deferred inflows of resources	<u>\$ 1,430,313</u>	<u>\$ 1,461,467</u>

Statements of Net Position (Unaudited)

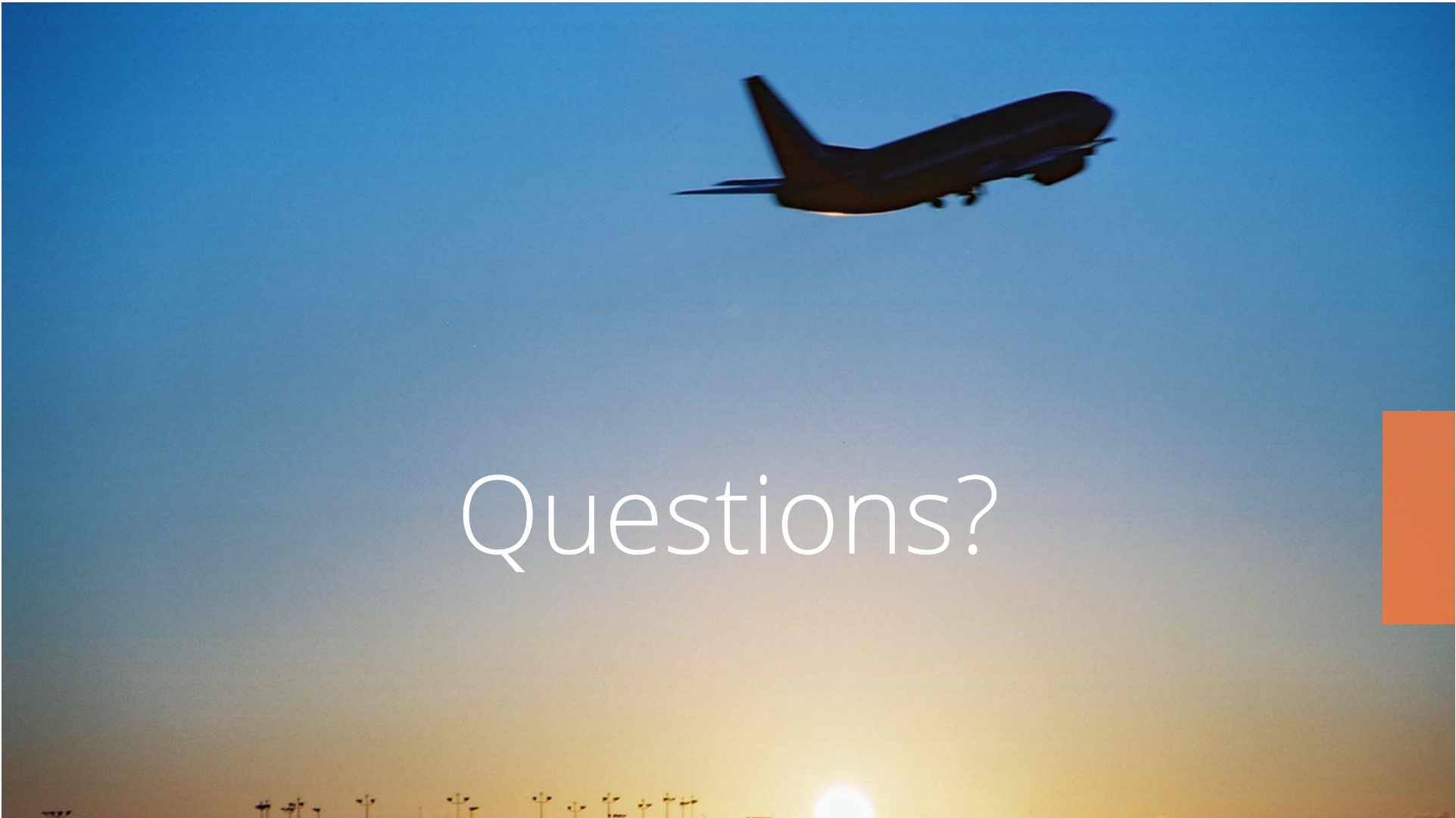
As of March 31, 2016 and 2015

(In Thousands)

	<u>2016</u>	<u>2015</u>
Net Position:		
Invested in capital assets, net of related debt	\$ 374,920	\$ 405,412
Other restricted	180,466	176,344
Unrestricted:		
Designated	37,729	28,050
Undesignated	178,498	127,255
	<u> </u>	<u> </u>
Total net position	<u>\$ 771,613</u>	<u>\$ 737,061</u>



Questions?



Item 3



San Diego County Regional Airport Authority

Review of the Authority's Investment Report As of March 31, 2016

Presented by: Geoff Bryant
Manager, Airport Finance

May 9, 2016

This report is prepared for the San Diego County Regional Airport Authority (the "Authority") in accordance with California Government Code Section 53646, which states that "the treasurer or chief fiscal officer may render a quarterly report to the chief executive officer, the internal auditor, and the legislative body of the local agency within 30 days following the end of the quarter covered by the report."

The investment report was compiled in compliance with California Government Code Section 53646 and the Authority's approved Investment Policy. All investment transactions made in the Authority's portfolio during this period were made on behalf of the Authority. Sufficient liquidity and anticipated revenue are available to meet expenditure requirements for the next six months.



Scott Brickner, C.P.A.
V.P. Finance & Asset Management / Treasurer
San Diego County Regional Airport Authority



Total Portfolio Summary

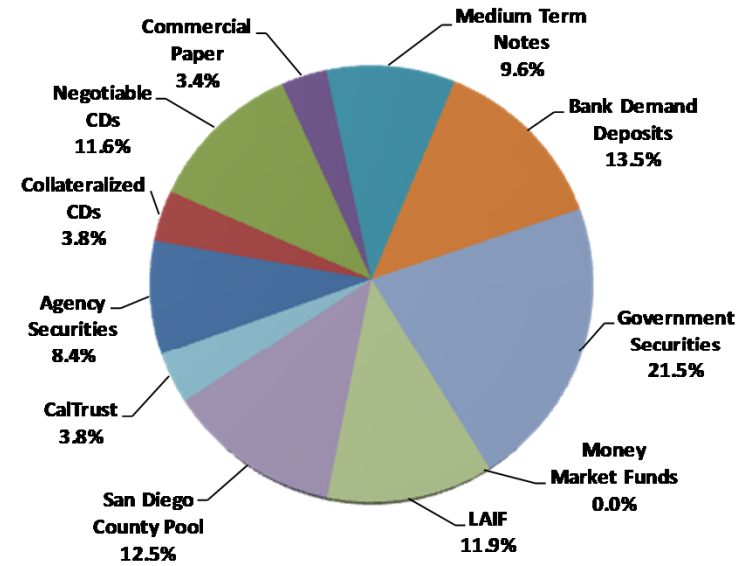
	Current Period	Prior Period	Change From
	March 31, 2016	December 31, 2015	Prior
Book Value (1)	\$399,146,000	\$374,488,000	\$24,658,000
Market Value (1)	\$400,851,000	\$373,773,000	\$27,078,000
Market Value%	100.43%	99.81%	0.62%
Unrealized Gain / (Loss)	\$1,705,000	(\$715,000)	\$2,420,000
Weighted Average Maturity (Days)	370 days	354 days	16
Weighted Average Yield as of Period End	0.84%	0.77%	0.07%
Cash Interest Received- Quarter-to-Date	\$457,000	\$753,000	(\$296,000)
Cash Interest Received- Year-to-Date	\$1,808,000	\$1,351,000	\$457,000
Accrued Interest	\$579,000	\$518,000	\$61,000

Notes:

(1) Increase in portfolio value is primarily due to operating receipts exceeding operating expenditures, and capital receipts exceeding capital expenditures.

Portfolio Composition by Security Type

	March 31, 2016		December 31, 2015		Permitted by Policy
	Market Value	Percent of Portfolio	Market Value	Percent of Portfolio	
Agency Securities	\$ 33,664,000	8.4%	\$ 27,935,000	7.5%	100%
Collateralized CDs	15,289,000	3.8%	15,268,000	4.1%	30%
Negotiable CDs	46,508,000	11.6%	38,486,000	10.3%	30%
Commercial Paper	13,473,000	3.4%	8,477,000	2.3%	25%
Medium Term Notes	38,674,000	9.6%	32,433,000	8.7%	15%
Bank Demand Deposits	53,902,000	13.5%	53,110,000	14.1%	100%
Government Securities	86,383,000	21.5%	86,270,000	23.1%	100%
Money Market Funds	140,000	0.0%	311,000	0.1%	20%
LAIF	47,767,000	11.9%	47,660,000	12.8%	\$50 million ⁽¹⁾
San Diego County Pool	49,916,000	12.5%	48,725,000	13.0%	\$50 million ⁽²⁾
CalTrust	15,135,000	3.8%	15,098,000	4.0%	\$50 million ⁽³⁾
Total:	\$ 400,851,000	100.0%	\$ 373,773,000	100.0%	

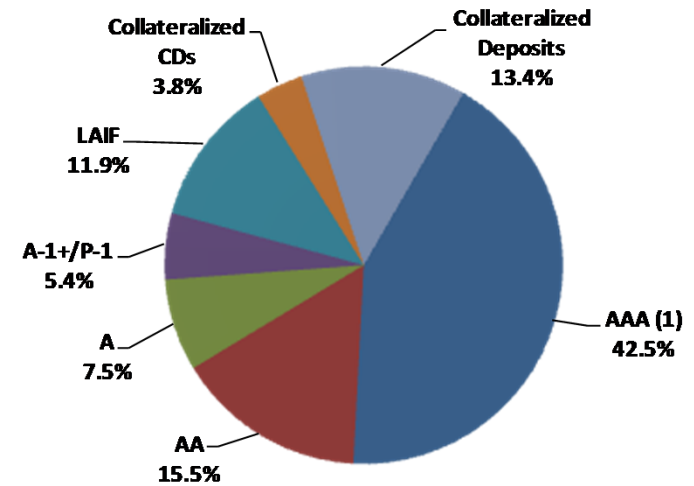


Notes:

- 1.) The \$65 million limit on LAIF is a non-statutory LAIF internal limit. It does not apply to bond proceeds.
- 2.) The San Diego County Investment Pool mirrors the LAIF internal limit and does not apply to bond proceeds.
- 3.) The CalTrust mirrors the LAIF internal limit and does not apply to bond proceeds.

Portfolio Composition by Credit Rating

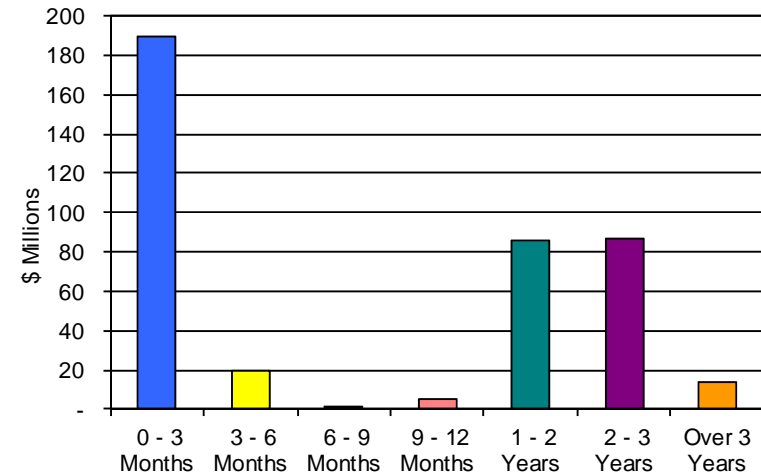
	March 31, 2016		December 31, 2015	
	Market Value	Percent of Portfolio	Market Value	Percent of Portfolio
AAA ⁽¹⁾	\$ 170,102,000	42.5%	\$ 163,240,000	43.6%
AA	62,071,000	15.5%	51,789,000	13.9%
A	30,246,000	7.5%	26,227,000	7.0%
A-1+/P-1	21,474,000	5.4%	16,477,000	4.4%
LAIF	47,767,000	11.9%	47,660,000	12.8%
Collateralized CDs	15,289,000	3.8%	15,268,000	4.1%
Collateralized Deposits	53,902,000	13.4%	53,112,000	14.2%
Total:	\$ 400,851,000	100.0%	\$ 373,773,000	100.0%



Notes:

Portfolio Composition by Maturity ⁽¹⁾

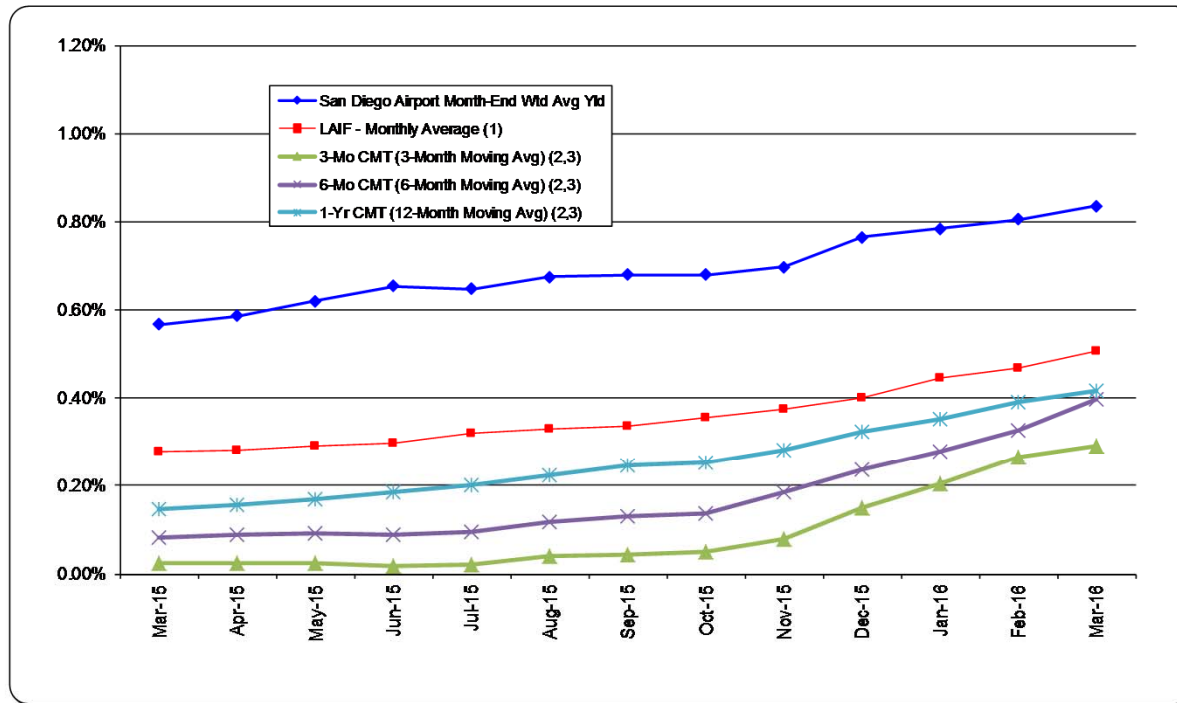
	March 31, 2016		December 31, 2015	
	Market Value	Percent of Portfolio	Market Value	Percent of Portfolio
0 - 3 Months	\$ 189,095,000	47.2%	\$ 164,905,000	44.1%
3 - 6 Months	19,259,000	4.8%	22,240,000	6.0%
6 - 9 Months	798,000	0.2%	14,264,000	3.8%
9 - 12 Months	5,004,000	1.2%	19,795,000	5.3%
1 - 2 Years	85,785,000	21.4%	48,533,000	13.0%
2 - 3 Years	86,876,000	21.7%	88,767,000	23.7%
Over 3 Years	14,034,000	3.5%	15,269,000	4.1%
Total:	\$ 400,851,000	100.0%	\$ 373,773,000	100.0%



Notes:

1.) The 0-3 Quarter category includes investments held in the LAIF, CalTrust, and the San Diego County Investment Pool.

Benchmark Comparison



Notes:

- 1.) Benchmark data for LAIF is the average monthly effective yield.
- 2.) CMT stands for Constant Maturity Treasury. This data is published in Federal Reserve Statistical Release H.15 and represents an average of all actively traded Treasury securities having that time remaining until maturity. This is a standard industry benchmark for Treasury securities.
- 3.) The CMT benchmarks are moving averages. The 3-month CMT is the daily average for the previous 3 months, the 6-month CMT is the daily average for the previous 6 months, and the 1-year CMT is the daily average for the previous 12-months.

Detail of Security Holdings As of March 31, 2016

Settlement Date	Security Description	Coupon	Maturity Date	Par Value	Purchase Price	Book Value	Market Price	Market Value	Days to Maturity	Yield to Maturity
10/16/15	FNMA	1.125	10/19/18	5,000,000	100.550	5,027,500	100.70	5,034,850	932	0.939
01/30/13	FNMA	1.030	01/30/18	3,500,000	99.990	3,499,650	100.01	3,500,280	670	1.032
12/10/13	FHLB	0.625	12/28/16	5,000,000	99.816	4,990,800	100.09	5,004,350	272	0.438
02/03/16	FNMA	1.375	01/28/19	6,000,000	100.842	6,050,520	101.30	6,078,180	1033	1.088
03/30/16	FHLB	1.125	04/15/19	5,000,000	100.217	5,010,850	100.39	5,019,650	1110	1.052
02/25/16	FHLB	0.875	03/19/18	3,500,000	100.021	3,500,735	100.17	3,505,950	718	0.865
09/08/14	FNMA	1.000	09/27/17	5,500,000	99.722	5,484,710	100.38	5,520,735	545	1.093
Agency Total				33,500,000		33,564,765		33,663,995	766	0.935
07/02/15	East West Bk CD	0.600	07/02/16	10,279,784	100.000	10,279,784	100.00	10,279,784	93	0.600
10/21/15	East West Bk CD	0.400	04/25/16	5,009,062	100.000	5,009,062	100.00	5,009,062	25	0.400
Collateralized CDs Total				15,288,846		15,288,846		15,288,846	71	0.534
09/11/14	US Bank CD	1.375	09/11/17	4,000,000	100.000	3,993,560	100.17	4,006,880	529	1.430
11/17/15	SKANDINAV ENSKD CD	1.480	11/16/17	4,500,000	100.000	4,500,000	100.00	4,500,000	595	1.480
11/18/15	HSBC BK C/D	0.954	11/17/17	4,000,000	100.000	4,000,000	100.00	4,000,000	596	0.954
03/09/16	US Bank CD	1.060	03/09/18	4,000,000	100.000	4,000,000	100.00	4,000,000	708	1.060
04/10/15	CANADIAN IMP CD	1.010	04/06/17	5,000,000	100.000	5,000,000	100.00	5,000,000	371	1.010
03/16/16	Toronto Dominion CD	1.720	03/14/18	5,000,000	100.000	5,000,000	100.00	5,000,000	713	1.720
04/27/15	RABOBANK CD	1.070	04/21/17	4,000,000	100.000	4,000,000	100.00	4,000,000	386	1.070
05/29/15	NORDEA BK CD	1.150	05/26/17	4,000,000	100.000	4,000,000	100.00	4,000,000	421	1.150
03/15/16	ROYAL BK CDA Y C/D	1.700	03/09/18	4,000,000	100.000	4,000,000	100.00	4,000,000	708	1.700
08/11/15	CREDIT SUISSE CD	0.670	05/06/16	4,000,000	100.000	4,000,000	100.02	4,000,880	36	0.670
08/19/14	Goldman Sachs CD	0.900	08/12/16	4,000,000	100.000	4,000,000	100.00	4,000,000	134	0.900
Negotiable CDs Total				46,500,000		46,493,560		46,507,760	477	1.205

Detail of Security Holdings As of March 31, 2016

Settlement Date	Security Description	Coupon	Maturity Date	Par Value	Purchase Price	Book Value	Market Price	Market Value	Days to Maturity	Yield to Maturity
07/15/15	BNP PARIBAS FIN DC/P	0.570	04/08/16	4,000,000	99.576	3,983,027	99.99	3,999,680	8	0.572
03/24/16	BANK OF TOKYO MITS DC/P	0.880	09/23/16	5,000,000	99.553	4,977,633	99.59	4,979,600	176	0.884
12/31/15	TOYOTA MTR CRED DC/P	0.800	06/22/16	4,500,000	99.566	4,481,800	99.87	4,493,970	83	0.803
Commercial Paper Total				13,500,000		13,442,460		13,473,250	95	0.765
05/12/15	APPLE INC NOTES	1.000	05/03/18	4,000,000	99.121	3,964,840	100.21	4,008,240	763	1.302
01/15/15	BERKSHIRE HATHAWAY	0.553	01/12/18	5,000,000	100.000	5,000,000	100.00	4,999,750	652	0.554
07/18/14	WELLS FARGO CO Notes	3.678	06/15/16	4,700,000	105.559	4,961,273	100.63	4,729,422	76	0.737
07/17/15	GECC MTN	1.625	04/02/18	4,950,000	105.364	4,968,018	101.23	5,010,885	732	1.487
12/28/15	JPM CHASE & CO NT	1.800	01/25/18	5,000,000	99.888	4,994,400	100.46	5,023,200	665	1.855
11/19/14	CHEVRON CORP	1.345	11/15/17	5,000,000	100.199	5,009,950	100.60	5,030,100	594	1.345
02/29/16	CISCO SYSTEMS	1.600	02/28/19	3,000,000	100.330	3,009,900	101.44	3,043,320	1064	1.487
02/24/16	IBM CORP NOTES	1.800	05/17/19	3,000,000	100.119	3,003,570	101.25	3,037,590	1142	1.761
09/14/15	AMERICAN EXPRESS MTN	1.800	07/31/18	2,980,000	99.759	2,972,818	100.43	2,992,903	852	1.886
11/01/13	COCA COLA CORP NOTE	0.750	11/01/16	800,000	100.080	799,080	99.80	798,384	215	0.789
Medium Term Notes				38,430,000		38,683,849		38,673,794	670	1.318
02/26/15	U.S. Treasury	0.750	02/28/18	6,115,000	99.203	6,063,960	100.02	6,116,406	699	1.015
12/23/15	U.S. Treasury	1.500	12/31/18	15,200,000	100.516	15,295,391	101.80	15,473,752	1005	1.325
04/01/15	U.S. Treasury	0.750	03/31/18	16,050,000	99.477	15,965,988	99.99	16,048,716	730	0.927
11/13/15	U.S. Treasury	1.250	11/30/18	11,000,000	100.234	11,002,578	101.11	11,122,430	974	1.242
02/03/16	U.S. Treasury	1.375	02/28/19	2,950,000	100.988	2,979,154	101.45	2,992,864	1064	1.047
02/25/16	U.S. Treasury	0.750	10/31/17	3,470,000	100.020	3,470,678	100.04	3,471,215	579	0.738
12/30/14	U.S. Treasury	0.750	12/31/17	6,600,000	98.730	6,528,242	100.04	6,602,310	640	1.182
06/10/15	U.S. Treasury	1.000	05/31/18	15,000,000	99.762	14,964,258	100.47	15,070,350	791	1.082
03/04/16	U.S. Treasury	1.625	03/31/19	5,850,000	101.793	5,954,889	102.16	5,976,594	1095	1.031
06/18/14	U.S. Treasury	0.875	06/15/17	3,500,000	99.967	3,488,516	100.25	3,508,610	441	0.987
Government Total				85,735,000		85,713,653		86,383,246	831	1.097

Detail of Security Holdings As of March 31, 2016

Settlement Date	Security Description	Coupon	Maturity Date	Par Value	Purchase Price	Book Value	Market Price	Market Value	Days to Maturity	Yield to Maturity
	East West Bank			103,971	100.000	103,971	100.00	103,971	1	0.350
	East West Bank			27,154,246	100.000	27,154,246	100.00	27,154,246	1	0.350
	Wells Fargo Bank			759	100.000	759	100.00	759	1	0.060
	US Bank General Acct			21,581,139	100.000	21,581,139	100.00	21,581,139	1	0.000
	Torrey Pines Bank			5,061,554	100.000	5,061,554	100.00	5,061,554	1	0.400
	Bank Demand Deposits			53,901,669		53,901,669		53,901,669	1	0.215
	DREYFUS GOVT INVEST			139,639	100.000	139,639	100.00	139,639	1	0.000
	Money Market Fund			139,639		139,639		139,639	1	0.000
	Local Agency Invstmnt Fd			47,753,330	100.000	47,753,330	100.03	47,767,374	1	0.506
	San Diego County Inv Pool			49,029,146	100.000	49,029,146	101.81	49,915,650	1	0.760
	CalTrust			15,135,482	100.000	15,135,482	100.00	15,135,482	1	0.650
	Grand Total			\$ 398,913,112	100.13	\$ 399,146,399	100.43	\$ 400,850,706	370	0.836

Portfolio Investment Transactions

From January 1st, 2016 - March 31st, 2016

Security Description	Security Type	CUSIP	Coupon	Mature Date	Call Date	Unit Price	Amount
FNMA	AGCY	3135G0H63	1.375	01/28/19	--	100.842	\$ 6,051,666
US TREAS NTS	US TREAS NTS	912828SH4	1.375	02/28/19	--	100.988	6,043,885
IBM CORP NOTES	MTN	459200JE2	1.800	05/17/19	--	100.119	3,004,320
US TREAS NTS	US TREAS NTS	912828TW0	0.750	10/31/17	--	100.020	3,479,043
FHLB	AGCY	3130A7CX1	0.875	03/19/18	--	100.021	3,501,330
CISCO SYSTEMS	MTN	17275RBB7	1.600	02/28/19	--	100.330	3,009,900
US TREAS NTS	US TREAS NTS	912828C65	1.625	03/31/19	--	101.793	5,995,407
US Bank CD	CD-NEG	90333VRP7	1.060	03/09/18	--	100.000	4,000,000
ROYAL BK CDA Y C/D	CD-NEG	78009NZZ2	0.750	03/09/18	--	100.000	4,000,000
Toronto Dominion CD	CD-NEG	8913E5E2	1.720	03/14/18	--	100.000	5,000,000
BANK OF TOKYO MITS C/P	CP	06538BJP9	0.880	09/23/16	--	99.553	4,977,633
FHLB	AGCY	3137EADZ9	1.125	04/15/19	--	100.217	5,012,256
							\$ 54,075,441
							\$ -
							\$ -
LS / SALES / TRANSFERS							
US TREAS NTS	US TREAS NTS	912828SC5	0.875	01/31/17	--	100.219	\$ 3,076,937
FHLMC	AGCY	3137EADS5	0.875	10/14/16	--	100.170	9,039,144
US TREAS NTS	US TREAS NTS	912828SH4	1.375	02/28/19	--	101.297	3,058,965
US TREAS NTS	US TREAS NTS	912828SM3	1.000	03/31/17	--	100.278	6,042,214
US TREAS NTS	US TREAS NTS	912828UR9	0.750	02/28/18	--	99.617	4,015,805
Toronto Dominion CD	CD-NEG	89112LUX8	0.900	09/29/16	--	100.009	5,021,568
							\$ 30,254,633

Bond Proceeds Summary

*SUMMARY OF 2010, 2013 & 2014 BOND PROCEEDS**

As of: March 31, 2016
(in thousands)

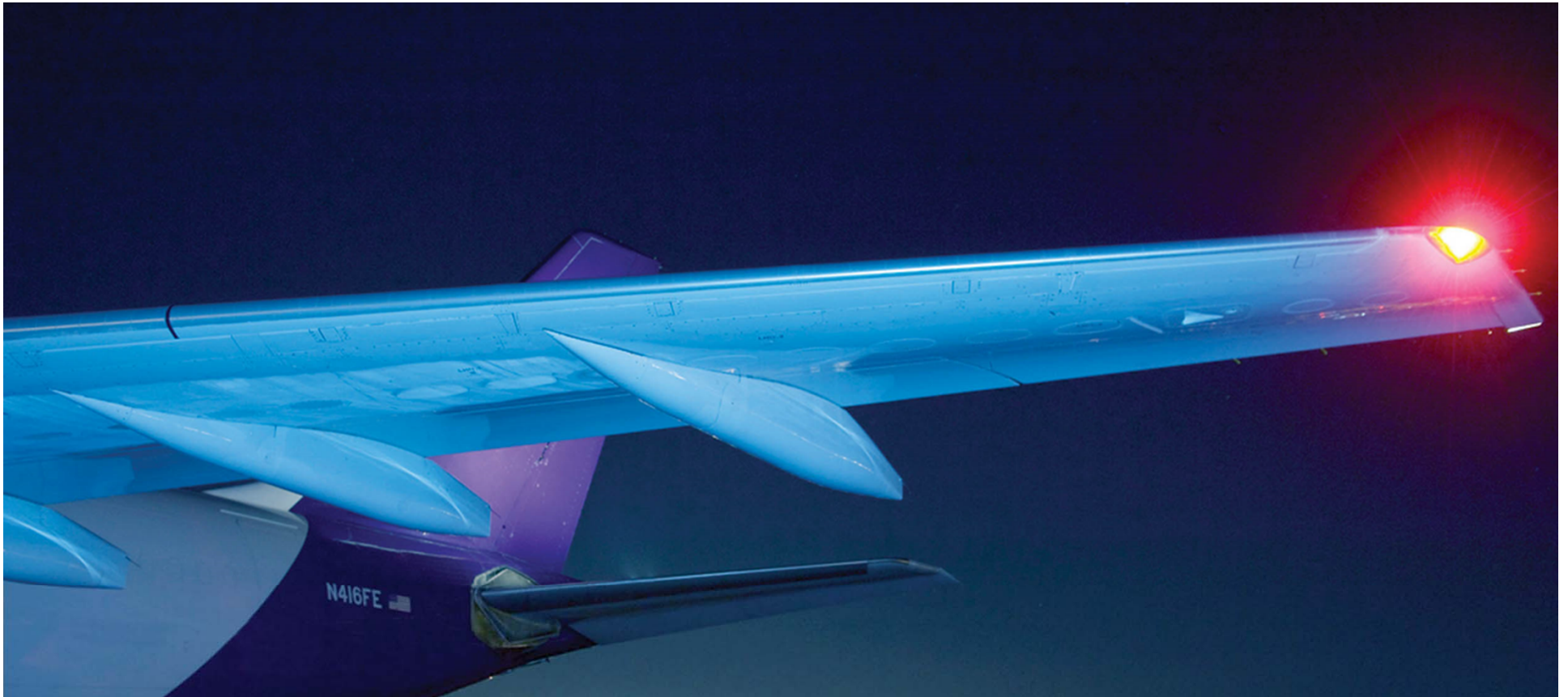
	Series 2010	Series 2013	Series 2014	Total	Yield	Rating
<u>Project Fund</u>						
SDCIP	\$ -	\$ 20,800	\$ 23,364	\$ 44,164	0.76%	AAAf
	\$ -	\$ 20,800	\$ 23,364	\$ 44,164		
<u>Debt Service Reserve & Coverage Funds</u>						
SDCIP	\$ 30,863	\$ 33,973	\$ 29,262	\$ 94,098	0.76%	AAAf
East West Bank CD	20,894	-	-	20,894	0.80%	N/R
	\$ 51,757	\$ 33,973	\$ 29,262	\$ 114,992		
	<u>\$ 51,757</u>	<u>\$ 54,773</u>	<u>\$ 52,626</u>	<u>\$ 159,156</u>	0.77%	

*Bond proceeds are not included in deposit limits as applied to operating funds

Bond Proceeds Investment Transactions

From January 1st, 2016 - March 31st, 2016

Settle Date	Description	Security Type	CUSIP	Coupon	Mature Date	Call Date	Unit Price	Amount
PURCHASES								
							\$	-
CALLS								
							\$	-
MATURITIES								
							\$	-
DEPOSITS								
							\$	-
WITHDRAWALS / SALES								
2/12/2016	SDCIP (2013 Bonds)	SDCIP		0.75	--		1.000 \$	8,399,668
2/23/2016	SDCIP (2014 Bonds)	SDCIP		0.75	--		1.000	8,067,797
2/23/2016	LAIF (2014 Bonds)	LAIF		0.47	--		1.000	4,258,881
3/24/2016	LAIF (2014 Bonds)	LAIF		0.51	--		1.000	294,901
3/24/2016	SDCIP (2014 Bonds)	SDCIP		0.76	--		1.000	12,545,043
							\$	33,566,290



Questions ?



**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
FINANCE COMMITTEE**

**Item No.
4**

Meeting Date: **May 19, 2016**

Subject:

Annual Review of Authority Policy 4.40 – Debt Issuance and Management

Recommendation:

Forward to Board for approval.

Background/Justification:

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

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

On an annual basis staff reviews the policy with the Authority's financial advisors and bond counsel. After this year's review, there are no recommended changes to the Policy at this time.

The existence of an approved and current debt policy demonstrates that the Authority Board and staff are fiducially responsible, thereby promoting trust and confidence from the public that it serves.

Page 2 of 2

Fiscal Impact:

None.

Authority Strategies:

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

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

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

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

Application of Inclusionary Policies:

Not Applicable

Prepared by:

SCOTT BRICKNER
VICE PRESIDENT, FINANCE AND ASSET MANAGEMENT/TREASURER

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

ARTICLE 4 - FINANCE AND ACCOUNTING

PART 4.4 - DEBT

SECTION 4.40 - DEBT ISSUANCE AND MANAGEMENT POLICY

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

POLICY STATEMENT:

SECTION I. INTRODUCTION & EXECUTIVE SUMMARY

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

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

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

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

- Comply with all federal and state laws and regulations, as well as bond indenture, federal tax and securities law post-issuance compliance, and reimbursement agreement covenants; and
- Protect the assets and funds entrusted to the Authority.

SECTION II. ROLES AND RESPONSIBILITIES

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

- 1) Board: The Authority is governed by an appointed board of nine members who represent all areas of San Diego County and three *ex-officio* members. The Board approves all bond issuances as well as the policies and guidelines pursuant to which debt is incurred and issued.
- 2) President/CEO and Vice President, Finance and Asset Management/Treasurer: The Vice President, Finance and Asset Management/Treasurer, under the direction of the President/CEO, is (i) responsible for developing, evaluating, implementing and monitoring the financing plan and debt strategies for the Authority in compliance with this policy, subject to Board approvals; and (ii) is in charge of federal tax and securities law post-issuance compliance with respect to all debt obligations.
- 3) Registered Municipal Advisor: The Authority has chosen to deliver a Notice of Representation by Registered Municipal Advisor pursuant to SEC Rule 17 CFR Section 240.15Bal – 1(d)(3)(vi)(B) dated August 27, 2014 to notify investment banking firms that the Authority has retained a financial advisor and, among other things, will rely on advice of the financial advisor for recommendations on the issuance of municipal securities provided by investment banking firms. The Authority may amend or modify this notice from time to time.
- 4) Financial Professionals: All financial professionals performing services for the Authority's debt programs, such as its financial advisor, bond counsel, disclosure counsel, investment advisor and underwriters, must comply with the policies and procedures set forth herein.

SECTION III. CAPITAL IMPROVEMENTS AND FINANCIAL PLANNING

The Authority maintains a financing plan and model which projects the available sources and uses of funds and verifies the Authority's financial ability to deliver current and planned programs and services. The impact of the funding sources, particularly debt, on future commitments is a relevant consideration of this Policy. The financing plan is based on a set of assumptions developed through detailed collection and analysis of historical and forecasted data concerning revenues and expenses, economic forecasts and trend projections. The main sources of revenues include airline rates and charges, parking and concession revenues, and lease revenues. Additionally, Passenger Facilities Charges (PFCs), Customer Facility Charges (CFCs), and federal grants-in-aid are included as a funding source for certain eligible projects.

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

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

SECTION IV. DEBT TARGETS

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

The following are the target debt affordability indicators for the Authority. The Authority will regularly review and may re-evaluate certain targets from time to time as long-term master plan requirements may be defined.

1) Rate Covenants

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

Bonds – Under the Master Indenture, the Authority has covenanted that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System so that Net Revenues, which are generally defined as Revenues less Operation and Maintenance Expenses for a given period, in each Fiscal Year will be at least equal to 125% of the aggregate annual debt service for all Bonds.

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

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

Subordinate Obligations – Under the Master Subordinate Indenture, the Authority has covenanted that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System so that Subordinate Net Revenues (which are generally defined as Revenues less Operation and Maintenance Expenses less senior lien Bond debt service and reserve funding requirement for a given period) in each

Fiscal Year will be at least equal to 110% of the Aggregate Annual Debt Service for all Subordinate Obligations for such Fiscal Year (excluding the principal amount of Commercial Paper reissued during the Fiscal Year).

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

2) Additional Bonds Test and Additional Subordinate Obligations Test

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

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

(B) Obtain a certificate prepared by a Consultant showing that the forecasted Net Revenues are expected to be at least 125% of the Aggregate Annual Debt Service due and payable with respect to all Outstanding Bonds and the proposed Bonds to be issued for each year of the forecast period.

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

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

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

3) Annual Debt Service Coverage Targets

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

The current minimum Debt Service Coverage targets are:

Bonds: 1.75x (for only senior lien bonds)

Aggregate Debt Service:

- 1.50x, based upon Net Revenues divided by Aggregate Annual Debt Service on Bonds and Subordinate Obligations (for total debt service)
- 1.20x, based upon an alternative “revenue method” calculation utilized by rating agencies where PFCs are added to Net Revenues (rather than deducted from Debt Service) with the sum divided by Aggregate Annual Debt Service for Bonds and Subordinate Obligations

These debt service coverage targets will be reviewed at least annually by the Authority and its financial advisor to determine appropriate adjustments that may be necessary.

4) Airline Costs Per Enplaned Passenger Target

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

The Authority will regularly review and monitor CPE and seek to maintain a competitive rate.

5) Debt Per O&D Enplaned Passenger Target

The Authority will compare its debt per O&D enplaned passenger with available sources of data, including the rating agencies’ median reports. Due to the different ways that airports finance their capital facilities, this measure is only one indicator of debt affordability.

The Authority has established a debt (excluding special facility financing) per O&D enplaned passenger goal of no more than \$150 per enplaned passenger.

The Authority will regularly review and update this metric from time to time as may be necessary.

6) Liquidity Target

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

The Authority's unrestricted reserves target (defined as the sum of unrestricted cash and investments, unrestricted cash designated for capital projects, unrestricted long-term investments, the O&M Reserve, and O&M Subaccount Reserve and the Renewal and Replacement Reserve) shall be at least 500 days of budgeted operating and maintenance expenses for the current fiscal year.

7) Credit Ratings Target

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

SECTION V. TYPES OF FINANCING – DESCRIPTION AND APPROACH

1) Bonds and Subordinate Obligations of the Authority

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

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

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

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

2) PFC-Supported Bonds and Subordinate Obligations

The Authority intends to leverage PFCs to support investment in Airport infrastructure and facilities. In order to do this, the Authority may make an irrevocable pledge of PFCs to pay eligible debt service. The Authority will not include PFCs in estimates of future revenues pledged to support Annual Debt Service unless approval for their imposition has been obtained or is expected to be obtained from the FAA.

3) Special Facility Financings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4) Bond Anticipation Notes (“BANs”) and Grant Anticipation Notes (“GANs”)

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

Grant Anticipation Notes (“GANs”) are short-term instruments that will be repaid from expected future Federal AIP and TSA grants or other Federal or State grants accepted by the Authority. The FAA and TSA may issue Letters of Intent (“LOI”) to the Authority indicating their intent, although not their commitment, to fund “long term,

high priority capacity projects” on a multi-year basis as appropriations become available. Once an LOI is in hand, notes may be issued that are secured by the grants anticipated to be received from the FAA and/or TSA. However, there typically must be an ancillary source of repayment for the notes in the event grant funding is ultimately not received.

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

5) Capital Appreciation Bonds and Zero Coupon Bonds

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

6) Commercial Paper

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

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

For purposes of calculating Aggregate Annual Debt Service for a Commercial Paper Program, the principal and interest shall be calculated as if the entire Authorized Amount of such Commercial Paper Program were to be amortized over a term of 35 years commencing in the year in which such Commercial Paper Program is implemented and with substantially level Annual Debt Service payments. The interest rate used for such computation shall be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the Authority, or if the Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed rate Subordinate Obligations of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes.

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

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

7) Floating Rate Notes

Floating Rate Notes (FRNs) are notes that have a variable coupon, equal to a money market reference rate, such as SIFMA (Securities Industry and Financial Markets Association) or LIBOR (the London Interbank Offered Rate), plus a spread. The spread is a rate that remains constant. At the beginning of each coupon period, the coupon is calculated by taking the fixing of the reference rate for that day and adding the spread. Because the coupon resets based on a short-term index, the issuer is exposed to rising interest rates unless it has swapped the debt to a fixed rate. However, unlike variable rate demand obligations or Commercial Paper, FRNs are not supported by a bank liquidity facility, and therefore do not pose short-range liquidity/refinancing risk to the issuer.

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

8) Equipment Leases

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

9) Installment Payment Agreement

The Authority may also finance certain facilities under an agreement with a third-party whereby the third-party funds the investment in the facility and the Authority agrees to pay the third party as rental/payment for the use and occupancy of the facility specific installment payments. The installment payments would be made from the Authority's available funds after payment of all Operation and Maintenance Expenses, all funds necessary to pay debt service on and to fund the reserves for the Authority's Outstanding Senior and Subordinate Debt Obligations and amounts necessary to fund the Authority's Operation and Maintenance Reserve Subaccount and Renewal and Replacement Subaccount in accordance with the Master Trust Indenture.

10) Direct Loans

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

SECTION VI. FEATURES OF LONG-TERM DEBT

The Vice President, Finance and Asset Management/Treasurer will recommend to the Board the structure and term of long-term debt according to the general policies described below.

1) Selection of Final Maturity and Amortization of Principal

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

2) Use of Capitalized Interest

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

3) Tax Status

The Vice President, Finance and Asset Management/Treasurer will evaluate whether or not to issue taxable bonds in lieu of bonds that are subject to the Alternative Minimum Tax (AMT) for certain maturities for private activity financing needs. In some market conditions, the cost for taxable debt may be less than the cost for AMT bonds for certain maturities.

4) Sizing of Debt Service Reserve Funds

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

5) Selection of Redemption Provisions

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

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

6) Use of Discount Bonds

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

7) Use of Premium Bonds

Prior to issuing Bonds at a dollar price greater than par, the Vice President, Finance and Asset Management/Treasurer will request from the Authority's financial advisor a brief cost/benefit analysis of the interest saved using premium debt versus other possible pricing structures.

8) Minimum Criteria for Debt Financing Equipment Items

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

SECTION VII. REFUNDING OPPORTUNITIES

The Vice President, Finance and Asset Management/Treasurer and the Authority's financial advisor will monitor refunding opportunities for all outstanding debt obligations on a periodic basis applying established criteria in determining when to issue refunding bonds for debt service savings.

(It is acknowledged that refunding issues may be executed for reasons beyond economic purposes, such as to restructure debt service, to change the type of debt instruments being used, or to retire a bond issue and indenture in order to remove undesirable covenants.) The refunding criteria will include a comparison of expected present value savings with the option value of the existing callable bonds. Generally, the Authority will pursue refunding opportunities if the expected net present value savings provide sufficient compensation for the exercise of the optional redemption provision. Recommendations as to the sufficiency of the net present value savings will be provided by the Authority's financial advisor.

An Advance Refunding involves refunding tax-exempt bonds more than 90 days in advance of the bond's first optional redemption date. Currently, only Governmental Purpose tax-exempt bonds (as that term is defined in the Internal Revenue Code) may be advance refunded. An Advance Refunding is an important debt management tool for the Authority. Advance Refundings are commonly used to achieve interest cost savings, to remove or change burdensome bond covenants or to restructure future debt service payments. For bonds issued after December 31, 1985, only one Advance Refunding of Governmental Purpose tax-exempt bonds may occur under Federal tax law and thus the Authority must carefully evaluate the appropriateness of Advance Refunding when an opportunity arises. A current refunding involves issuing refunding bonds no earlier than ninety (90) days prior to the bond's optional redemption date. Federal tax law does not limit the number of current refundings of any bond.

The Authority will anticipate the potential for Advance Refundings when issuing new debt. Careful attention will be given to pricing considerations that will affect future Advance Refunding flexibility such as optional redemption provisions and interest characteristics.

The following considerations apply when the Authority considers refunding opportunities:

1) Monitor Potential Savings:

The Vice President, Finance and Asset Management/Treasurer, with the assistance of the Authority's financial advisor, will monitor on an ongoing basis potential savings available by refinancing outstanding debt of the Authority. Savings will be analyzed on a present value basis by using a percentage of the refunded par amount. All costs and benefits of the refinancing will be taken into account.

2) Target Savings Amounts:

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

<i>Years from the date of first call to Maturity Date of the Bonds</i>	Years to the first Call Date		
	After the First Call Date to Up to 1 Year Before	1 to 3 Years Before the First Call Date	More than 3 Years Before the First Call Date
0-5 Years	0.5%	1.0%	2.0%
6-10 Years	1.0%	2.5%	4.0%
11-20 Years	3.0%	4.0%	5.0%

3) Other Considerations:

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

4) Non-Traditional Refundings:

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

SECTION VIII. ISSUANCE OF VARIABLE RATE DEBT

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

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

1) Purposes of Variable Rate Debt

The Vice President, Finance and Asset Management/Treasurer may recommend that variable rate securities be issued for the following purposes:

(A) Interim Financing Tool

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

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

(B) Statement of Net Position Management Tool

The maintenance of Variable Rate Indebtedness and Commercial Paper liabilities at a level that takes into consideration the amount of short-term assets maintained by the Authority prudently reduces the Authority’s risk of

exposure to changes in interest rates. Since the Authority invests its free cash balances in short term instruments, it is exposed to interest rate fluctuations at the short end of the yield curve. Conversely, a large portion of its liabilities are in the form of long term, fixed-rated debt. When interest rates fall, the Authority's assets earn less, while its liabilities are fixed. Offsetting this exposure by better matching the variability of earnings on its assets with variable, rather than fixed, rate liabilities serve as a hedge against interest rate risk and reduces the overall cost of funds.

(C) Diversify Investor Base to Lower Costs

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

(D) Management of Negative Arbitrage

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

2) Criteria for Use of Variable Rate Debt

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

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

- (i) The historic average of cash balances analyzed over the course of several prior fiscal years.
- (ii) Projected cash balances based on known demands on the given fund.
- (iii) Any basis risk, such as differences in the performance or average life of the Authority's investment vehicle (e.g., swaps, as discussed in Section IX) and the variable rate debt instrument.

3) Diversification of Remarketing Agents and Counterparties

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

4) Budgeting

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

5) Monitoring and Reporting

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

SECTION IX. DERIVATIVES

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

SECTION X – METHOD FOR SALE OF DEBT

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

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

Role of Underwriters in Negotiated Sale

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

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

Underwriter Selection in Negotiated Sale

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

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

Should the Board appoint underwriters to a pre-qualified pool after an RFP process, the Vice President, Finance and Asset Management/Treasurer may recommend such firms for appointment to specific financings, without a subsequent RFP process.

SECTION XI. INVESTMENT OF BOND PROCEEDS

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

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

1) Compliance with Federal Tax Law

The Vice President, Finance and Asset Management/Treasurer shall establish a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the Federal tax code and ensure compliance with other Federal tax regulations and post-issue compliance as required by Bond Counsel at the time of issuance of the debt. This effort shall include tracking expenditures of bond proceeds to ensure such expenditures comply with federal tax law requirements, tracking investment earnings on proceeds, retention of a rebate consultant to prepare and calculate rebate payments in compliance with tax law and remitting any earnings subject to rebate to the Federal government in a

timely manner in order to preserve the tax-exempt status of the Authority's outstanding debt issues that have been issued on a tax-exempt basis.

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

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

2) Initial Disclosure

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

3) Continuing Disclosure

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

i) Notice of the occurrence of any of the following events shall be given, or caused to be given by the Authority, with respect to any bonds, not later than ten business days after the occurrence of the event:

- (A) Principal and interest payment delinquencies;
- (B) Unscheduled draws on the Debt Service Reserve Funds reflecting financial difficulties;
- (C) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (D) Substitution of credit or liquidity providers, or their failure to perform;
- (E) Adverse tax opinions with respect to the tax status of any bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to any bonds;

- (F) Tender offers;
- (G) Defeasances;
- (H) Rating changes; or
- (I) Bankruptcy, insolvency, receivership or similar event of the obligated person:

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

- (ii) Notice of the occurrence of any of the following events with respect to any bonds, if material, shall be given, or caused to be given by the Authority, not later than ten business days after the occurrence of the event:

- (A) Unless described in paragraph 3(i)(E), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of any bonds or other material events affecting the tax status of any bonds;

- (B) Modifications to rights of the owners of any bonds;

- (C) Optional, unscheduled or contingent bond calls;

- (D) Release, substitution or sale of property securing repayment of any bonds;

- (E) Non-payment related defaults;

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

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

SECTION XIII. RATINGS AGENCIES AND INVESTOR RELATIONS

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

The Vice President, Finance and Asset Management/Treasurer shall be responsible for implementing and managing the Authority's investor relations program. The Authority shall attempt to promptly respond to any reasonable inquiry from an institutional or retail investor concerning information generally available to the investing public.

SECTION XIV. AMENDMENTS TO DEBT ISSUANCE AND MANAGEMENT POLICY

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

GLOSSARY

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

Advance Refunding: A refunding that occurs more than 90 days in advance of the first optional redemption date. Under current IRS regulations, Governmental Purpose tax-exempt bonds issued after December 31, 1985 are permitted only one advance refunding. Additionally, certain private activity bonds may not be advanced refunded.

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

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

Alternative Minimum Tax: Other than for certain private activity bonds issued during the AMT “waiver” period authorized by the American Recovery and Reinvestment Act of 2009 (“ARRA”), interest on tax-exempt private activity bonds issued after August 7, 1986 (other than bonds for 501(c)(3) organizations and refundings of pre-August 8, 1986 bonds) is generally subject to the Alternative Minimum Tax (“AMT”) as a specific item of tax preference. ARRA exempted new money and certain refundings of private activity bonds issued in 2009 and 2010 from the AMT penalty.

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

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

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

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

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

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

Bondholder: The owner of a municipal bond. The owner of a bearer bond is the person having possession of it, while the owner of a registered bond is the person whose name is noted on the bond register.

Bond Insurance: Insurance which guarantees the timely payment of principal and interest of either an entire bond issue or specified maturities. In exchange for payment of the bond insurance premium, a higher credit rating (historically, AAA) is assigned to the insured bonds and a lower cost of funds is attained. With a competitive sale, generally the bidding dealer bears the cost of insurance to the benefit of the firm's bid. The bond issuer pays the cost of bond insurance from bond proceeds with a negotiated sale.

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

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

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

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

Bullet Maturity: See Balloon Maturity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax Events Risk: Risk to the issuer of variable rate bonds created by either a change in the taxable equivalent yield of comparable investments or loss of tax-exempt status. For an issuer of variable rate bonds, a reduction in federal income tax rates would increase interest costs. Re-classification of outstanding variable rate bonds as taxable would also increase interest costs.

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

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

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

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

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

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

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

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

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

[Amended by Resolution 2015-0042 dated May 21, 2015.]

[Amended by Resolution 2014-0050 dated June 5, 2014.]

[Amended by Resolution 2013-0048 dated June 6, 2013.]

[Amended by Resolution 2012-0060 dated June 7, 2012.]

[Amended by Resolution 2011-0078 dated July 7, 2011.]

[Adopted by Resolution. 2010-0046 dated May 6, 2010.]



**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
FINANCE COMMITTEE**

**Item No.
5**

Meeting Date: **MAY 19, 2016**

Subject:

Annual Review And Approval Of Amendments To Authority Policy 4.20 - Guidelines For Prudent Investments, Delegation Of Authority To Invest And Manage Authority Funds To The Vice President, Finance and Asset Management/Treasurer

Recommendation:

Forward to Board for approval.

Background/Justification:

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

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

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

As a result of the annual review, by staff, and the Authority's financial and investment advisors, certain changes to Policy 4.20 are recommended. The recommended changes to the policy include language that reflect updates to California Government Code, including eliminating the combined 30% holding limit for Placement Service Deposits and Negotiable Certificates of Deposits. The Policy's combined 30% holding limit adds complexity to compliance monitoring and does not contribute to portfolio safety given the differences in these two types of investments. The recommendations also remove the 10% per issuer limit on placement service deposits. The per issuer holding limit on each placement service provider does not add to portfolio safety, as the deposits are already required to be allocated among multiple banks (each under the FDIC insurance limit).

Section 53646(a) of the Code states that the treasurer or chief fiscal officer of any local agency may annually render to its legislative body and any oversight committee an investment policy, which the legislative body shall adopt at a public meeting.

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

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

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

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

Fiscal Impact:

None.

Authority Strategies:

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

Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

- A. CEQA. This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. § 15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code § 21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code § 30106.

Application of Inclusionary Policies:

Not Applicable.

Prepared by:

SCOTT BRICKNER,
VICE PRESIDENT FINANCE AND ASSET MANAGEMENT/TREASURER

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

- ARTICLE 4 - FINANCE AND ACCOUNTING**
PART 4.2 - INVESTMENTS
SECTION 4.20 - POLICY GUIDELINES FOR PRUDENT INVESTMENTS
-

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

POLICY STATEMENT:

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

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

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

(2) Objectives.

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

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

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

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

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

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

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

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

(3) Authority to Invest Funds.

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

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

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

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

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

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

(5) Placement of Trade Execution Orders.

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

(6) Authorized Investments.

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

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

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

(c) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA" or better by an NRSRO and shall not exceed 30 percent of the portfolio. Cal. Gov. Code §53601(q)

(d) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances which are eligible for purchase by the Federal Reserve System and are rated in the highest category by a nationally recognized statistical rating organization (NRSRO), may not exceed 180 days to maturity or 40% of the market value of the portfolio. No more than 10% of the market value of the portfolio may be invested in banker's acceptances issued by any one bank. Cal. Gov. Code §53601(g)

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

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

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

Eligible commercial paper shall have a maturity of 270 days or less. No more than 25% of the market value of the portfolio may be invested in commercial paper. No more than 10% of the market value of the portfolio may be invested in the commercial paper of any single issuer. The amount invested in commercial paper of any one issuer in

combination with any other securities from that issuer shall not exceed 10% of the market value of the portfolio. Cal. Gov. Code §53601(h)

(f) Negotiable Certificates of Deposit (NCDs) issued by a nationally or state-chartered bank, a state or federal savings institution or by a federally licensed or state licensed branch of a foreign bank. ~~The amount invested in~~ Negotiable Certificates of Deposit (NCDs) ~~together with Placement Service Deposits (PSDs)~~ may not exceed 30% ~~in aggregate~~ of the market value of the portfolio. NCDs eligible for purchase shall be rated “A” or better by a NRSRO. The maximum term for NCDs shall be five years. The amount invested in NCDs of any one issuer in combination with any other securities from that issuer shall not exceed 10% of the market value of the portfolio. Cal. Gov. Code §53601(i)

(g) Placement Service Deposits (PSDs). Deposits placed through a deposit placement service that meet the requirements of Cal. Gov. Code §53601.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance. The maximum term for PSDs shall be three years. ~~The amount invested in~~ Placement Service Deposits (PSDs) ~~together with Negotiable Certificates of Deposit (NCDs)~~ may not exceed 30% ~~in aggregate~~ of the market value of the portfolio. ~~The amount invested in PSDs of any one issuer in combination with any other securities from that issuer shall not exceed 10% of the market value of the portfolio.~~ Cal. Gov. Code §53601.8 and 53635.8

(h) Bank Deposits, including, but not limited to, demand deposit accounts, savings accounts, market rate accounts and time certificates of deposits (“TCDs”) in financial institutions located in California. The Authority will invest in financial institutions with a net worth of ten million dollars and total assets in excess of \$50 million. Such deposits in each bank shall be limited to no more than 5% of the total assets of the bank. To be eligible to receive Authority deposits, the financial institution must have received a minimum overall satisfactory rating, under the Community Reinvestment Act, for meeting the credit needs of California Communities in its most recent evaluation. Bank deposits are required to be collateralized as specified under Cal. Gov. Code §53630 *et seq.* The Treasurer may waive the collateralization requirements for any portion that is covered by federal deposit insurance. The Authority shall have a signed agreement with any depository accepting Authority funds per Cal. Gov. Code §53649. The maximum maturity of TCDs is three years. A maximum of 20% of the market value of the portfolio may be invested in TCDs. The amount invested in TCDs of any one issuer in combination with any other securities from that issuer shall not exceed 10% of the market value of the portfolio. Cal. Gov. Code §53630 *et seq.*

(i) Medium Term Notes (MTNs), defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States rated “A” or better by a NRSRO and be issued by a corporation organized and operating within the United States. The aggregate total of MTNs may not exceed 15% of the market value of the investment portfolio. The amount invested in MTNs of any one issuer in combination with any other securities from that issuer shall not exceed 10% of the market value of the portfolio. Cal. Gov. Code §53601(k)

(j) Repurchase agreements (RPAs) shall only be made with financial institutions having a credit rating of not less than “A” by a NRSRO. The Security Industry and Financial Markets Association (SIFMA) master repurchase agreement shall be the Authority’s master repurchase agreement.

The term of the agreement may not exceed one year.

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

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

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

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

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

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

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

(i) Establish the investment is a legal investment under Cal. Gov. Code.

(ii) A description of eligible investment securities, and a written statement of investment policy and objectives. All investments must comply with the eligible investments outlined in this policy. In the event that any investments do not comply with the eligible investments outlined in this Policy, the Treasurer will assess the potential risk of a substantial investment loss related to the investment(s) not in compliance.

(iii) The issuer must have a current AAAM rating, provide a constant dollar pool with a stated objective of maintaining a \$1 net asset value, meet an asset size of \$1 billion at the time of investment, and provide for third-party custody of portfolio assets.

(iv) A description of interest calculations and how it is distributed, and how gains and losses are treated.

(v) A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.

(vi) A description of who may invest in the program, the type and number of governmental participants, investor concentrations, what size deposit and withdrawal are allowed, and what time restrictions are placed on these deposits and withdrawals.

(vii) A schedule for receiving statements and portfolio listings.

(viii) Determination of how reserves, retained earnings, etc. are utilized by the fund.

(ix) A fee schedule, and when and how it is assessed. Cal. Gov. Code §53601(p).

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

(i) Attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services, or

(ii) Retain an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than 5 years' experience managing money market mutual funds with assets under management in excess of \$500,000,000. Cal. Gov. Code §53601(l)

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

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

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

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

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

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

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

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

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

(10) Reporting Requirements.

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

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

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

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

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

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

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

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

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

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

In addition, the Authority's Treasurer shall:

(a) Establish an annual process of an independent review by an external examiner.

(b) Develop performance standards. Those performance standards will be reviewed by the Treasurer and presented as an information item to the President/CEO and the Board. On a quarterly basis, as part of the reporting requirements the Authority's Treasurer shall report actual compared to the performance standard and any substantial deviations shall be explained.

(c) Review the Authority's investment policy annually at a public meeting and obtain Board approval and adoption of the policy to ensure its consistency with the Authority's objectives of preservation of principal, liquidity, rate of return and the policy's relevance to current law and financial and economic trends. The Authority's Treasurer is responsible for maintaining guidance over the Authority's investment policy and ensuring that the Authority can adapt readily to changing market conditions and shall submit to the Board any modification to the investment policy prior to implementation.

(12) Glossary of Terms.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Portfolio: Collection of securities held by an investor.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Uniform Net Capital Rule: Securities and Exchange Commission requirement that member firms as well as nonmember broker/dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Yield: The rate of annual income return on an investment, expressed as a percentage. (A) **Income Yield** is obtained by dividing the current dollar income by the current market price for the security. (B) **Net Yield or Yield to Maturity** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

[Amended by Resolution No. 2015-0043 dated May 21, 2015]
[Amended by Resolution No. 2014-0051 dated June 5, 2014]
[Amended by Resolution No. 2013-0049 dated June 6, 2013]
[Amended by Resolution No. 2012-0059 dated June 7, 2012]
[Amended by Resolution No. 2011-0064 dated June 2, 2011]
[Amended by Resolution No. 2010-0059 dated June 3, 2010]
[Amended by Resolution No. 2009-0123 dated October 1, 2009]
[Amended by Resolution No. 2008-0118 dated September 4, 2008]
[Amended by Resolution No. 2006-0010 dated February 6, 2006]
[Amended by Resolution No. 2005-0102 dated September 8, 2005]
[Amended by Resolution No. 2004-0133 dated December 6, 2004]
[Amended by Resolution No. 2004-0100 dated October 4, 2004]
[Amended by Resolution No. 2004-0032 dated April 5, 2004]
[Adopted Resolution No. 2002-02 dated September 20, 2002]

Item 5



SAN DIEGO
INTERNATIONAL AIRPORT
LET'S **GO.**

**ANNUAL REVIEW AND APPROVAL OF
AMENDMENTS
TO AUTHORITY POLICY 4.20 & 4.40**

Presented by:
Geoff Bryant,
Manager of Airport Finance



ANNUAL REVIEW AND APPROVAL OF AMENDMENTS TO AUTHORITY
POLICY 4.20 & 4.40

Review of Debt Policy, Guidelines for Prudent Investments, and Delegation of Authority to
Invest and Manage

Authority Funds to the Vice President, Finance and Asset Management/Treasurer

Debt Policy - Overview

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

Debt Policy - Objectives

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

Debt Policy - Objectives

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

The Debt Issuance and Management Policy 4.40 has been reviewed, and no changes are recommended.

Investment Policy - Overview

- Serves as the foundation of investment goals and objectives
- Mandates investing in a manner that provides the highest security while meeting Authority cash flow needs
- Demonstrates our fiduciary responsibility, thereby promoting trust and confidence from the public we serve
- Adheres to or exceeds the requirements of California Government Code Section 53600 et seq.

Investment Policy - Overview

- Adheres to state law requirements that return on investment be subordinate to safety and liquidity objectives
- Developed and annually reviewed in conjunction with our financial and investment advisors
- Annual Board review is not required by State Code, but is an Authority practice
- Awarded Investment Policy Certificate of Excellence Award in 2008, 2010, 2012 and 2014 by Association of Public Treasurers of United States and Canada.

Investment Policy Amendments

Section (6)(f) Authorized Investments: Eliminated the combined 30% holding limit for placement service deposits and negotiable CDs.

They now have separate 30% holding limits.

“(f) Negotiable Certificates of Deposit (NCDs) issued by a nationally or state-chartered bank, a state or federal savings institution or by a federally licensed or state licensed branch of a foreign bank. The amount invested in Negotiable Certificates of Deposit (NCDs) ~~together with Placement Service Deposits (PSDs)~~ may not exceed 30% ~~in aggregate~~ of the market value of the portfolio.”

Investment Policy Amendments

These changes do not increase the portfolio risk and are based off of changes in the State code:

- The 30% combined holding limit does not contribute to portfolio safety given the differences between investments
- A NCD is a Certificate of Deposit greater than \$100K that is traded on the secondary market, while a placement service is a deposit that is split into multiple pieces and distributed among many banks, such that the full amount of the deposit is protected by FDIC Insurance

Investment Policy Amendments

Section (6)(g) Authorized Investments: Eliminated the 10% per issuer limit for placement service deposits.

“(g) The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance. The maximum term for PSDs shall be three years. The amount invested in Placement Service Deposits (PSDs) ~~together with Negotiable Certificates of Deposit (NCDs)~~ may not exceed 30% ~~in aggregate~~ of the market value of the portfolio. ~~The amount invested in PSDs of any one issuer in combination with any other securities from that issuer shall not exceed 10% of the market value of the portfolio.~~ Cal. Gov. Code §53601.8 and 53635.8”

Investment Policy Amendments

These changes do not increase the portfolio risk and are based off of changes in the State code:

- The 10% per bank holding limit is not relevant as the placement service spreads the investment across many financial institutions, rendering the bank holding limit less important

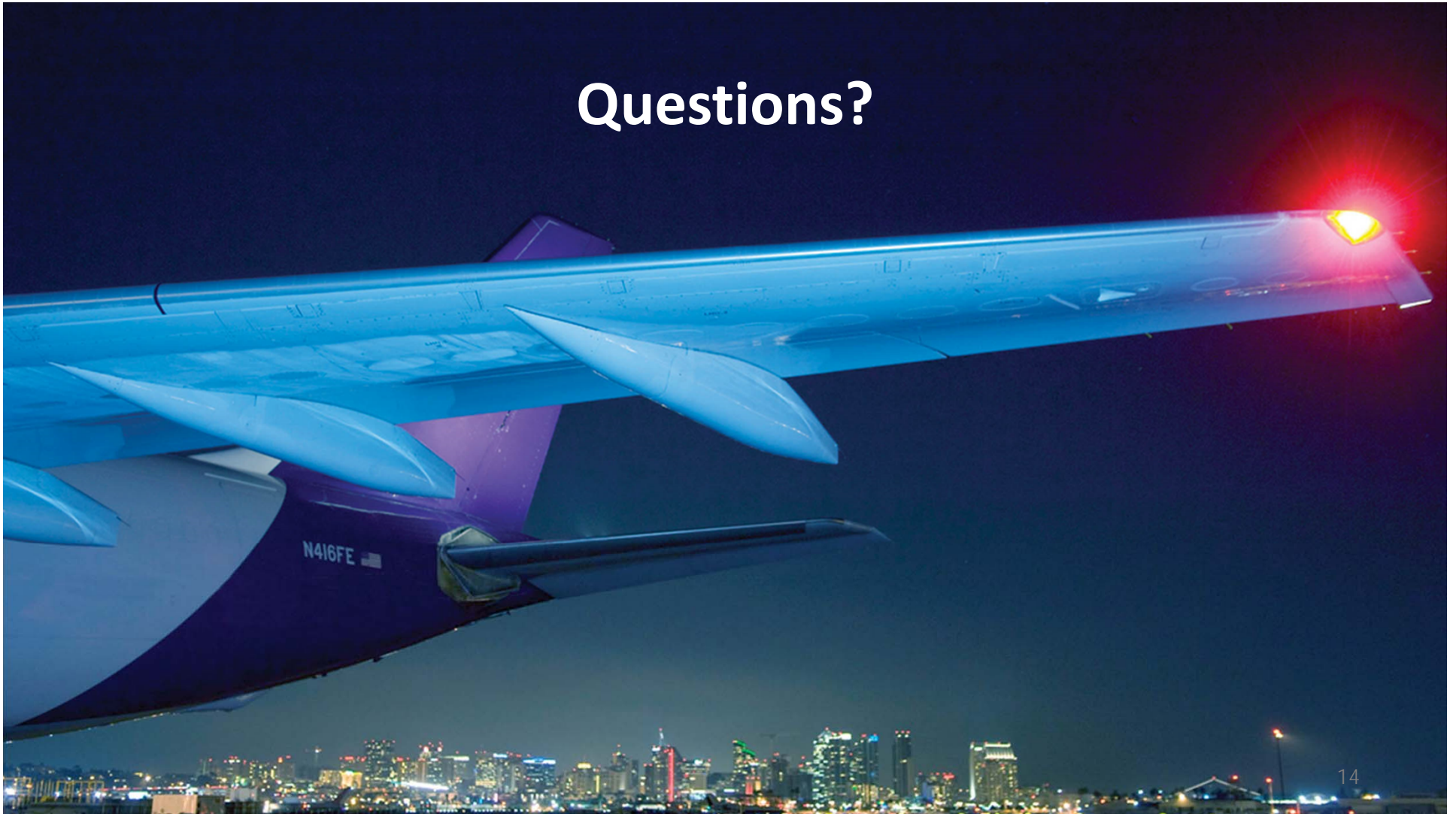
Local Agency Investment Fund Limit

Effective January 1, 2016, the State increased the Local Agency Investment Fund deposit limit for regular accounts to \$65 million from the previous \$50 million limit. However, as the Policy does not explicitly list the \$50 million limit for LAIF, there is no need for the Authority to make changes to the Policy.

Action Requested

- Forward Resolution approving amendments to Authority Policy 4.20 - Guidelines for Prudent Investments to Board for approval,
and
- Forward Delegation of authority to invest and manage Authority funds to the Vice President of Finance and Asset Management / Treasurer to Board for approval

Questions?





SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
EXECUTIVE COMMITTEE

Item No.
6

Meeting Date: **MAY 9, 2016**

Subject:

Pre-Approval of Travel Requests and Approval of Business and Travel Expense Reimbursement Requests for Board Members, the President/CEO, the Chief Auditor and General Counsel

Recommendation:

Pre-approve Travel Requests and approve Business and Travel Expense Reimbursement Requests.

Background/Justification:

Authority Policies 3.30 (2)(b) and (4)(b) require that business expenses reimbursements of Board Members, the President/CEO, the Chief Auditor and the General Counsel be approved by the Executive Committee and presented to the Board for its information at its next regularly scheduled meeting.

Authority Policy 3.40 (2)(b) and (3)(b) require that travel expense reimbursements of Board Members, the President/CEO, the Chief Auditor and the General Counsel be approved by the Executive Committee and presented to the Board for its information at its next regularly scheduled meeting.

The attached reports are being presented to comply with the requirements of Policies 3.30 and 3.40.

Fiscal Impact:

Funds for Business and Travel expenses are included in the FY 2015-2016 Budget.

Environmental Review:

- A. This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act (CEQA), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

Not applicable

Prepared by:

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

BUSINESS EXPENSE

APRIL BOLING

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

2016


MONTHLY MILEAGE and PARKING FEE REIMBURSEMENT REPORT

EMPLOYEE NAME C. April Boling			PERIOD COVERED Mar., 2016	
DEPARTMENT/DIVISION				
Date	Miles driven	Destination and purpose of trip	Parking fees & other transportation costs paid	\$\$\$
3/7/16	29.40	Airport/Exec. Comm. Mtg.		
3/10/16	34.60	Barona Resort/SANDAG Retreat		
3/16/16	29.40	Airport/Mtg. w/Thella Bowens & Robert Gleason		
3/17/16	29.40	Airport/ALUC Mtg.		
3/18/16	25.00	SANDAG/Trans. Comm. Mtg.		
3/24/16	29.40	Airport/Advisory Comm. Mtg.		
3/28/16	29.40	Airport/RCC Restaurant Space Event		
SUBTOTAL	206.60			SUBTOTAL

Computation of Reimbursement

		206.60
REIMBURSEMENT RATE: (see below) *	Rate as of January 2016	X 0.540
TOTAL MILEAGE REIMBURSEMENT		111.56
PARKING FEES/TOLL CHARGES (ATTACH RECEIPTS)		-
TOTAL REIMBURSEMENT REQUESTED		\$ 111.56

I acknowledge that I have read, understand and agree to Authority Policy 3.30 - Business Expense Reimbursement Policy and that any purchases/claims that are not allowed will be my responsibility. I further certify that this report of business expenses were incurred in connection with official Authority business and is true and correct.
Business Expense Reimbursement Policy 3.30


SIGNATURE OF EMPLOYEE

DEPT./DIV. HEAD APPROVAL

Please use the 2014 tab for mileage prior to January 1, 2015

LLOYD HUBBS

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

2016

MONTHLY MILEAGE and PARKING FEE REIMBURSEMENT REPORT

EMPLOYEE NAME <i>LLOYD HUBBS</i>			PERIOD COVERED <i>April 2016</i>	
DEPARTMENT/DIVISION <i>BOARD</i>				
Date	Miles driven	Destination and purpose of trip	Parking fees & other transportation costs paid	\$\$\$
<i>4-21-16</i>	<i>60</i>	<i>BOARD RM</i>		
<i>4-28-16</i>	<i>60</i>	<i>BOARD RM</i>		
SUBTOTAL <i>120-</i>			SUBTOTAL	<i>-</i>

Computation of Reimbursement

REIMBURSEMENT RATE: (see below) *	Rate as of January 2016	<input checked="" type="checkbox"/>	<i>120-</i> 0.540
TOTAL MILEAGE REIMBURSEMENT			-
PARKING FEES/TOLL CHARGES (ATTACH RECEIPTS)			-
TOTAL REIMBURSEMENT REQUESTED			<i>\$120-90</i>

I acknowledge that I have read, understand and agree to *Authority Policy 3.30 - Business Expense Reimbursement Policy and that any purchases/claims that are not allowed will be my responsibility. I further certify that this report of business expenses were incurred in connection with official Authority business and is true and correct.

Business Expense Reimbursement Policy 3.30

Lloyd Hubbs
SIGNATURE OF EMPLOYEE

DEPT./DIV. HEAD APPROVAL

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

DRAFT BOARD AGENDA

Thursday, May 19, 2016
9:00 A.M.

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

Board Members

Robert H. Gleason
Board Chair

David Alvarez

C. April Boling

Greg Cox

Jim Desmond

Lloyd B. Hubbs

Jim Janney

Paul Robinson

Mary Sessom

Ex-Officio Board Members

Laurie Berman

Eraina Ortega

Col. Jason Woodworth

President / CEO

Thella F. Bowens

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

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

Staff Reports and documentation relating to each item of business on the Agenda are on file in Corporate & Information Governance and are available for public inspection.

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

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMITTEE MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.***

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

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

PRESENTATIONS:

A. FINANCIAL UPDATE OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2016:

Presented by Scott Brickner, Vice President, Finance & Asset Management/Treasurer

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

STANDING BOARD COMMITTEES

- **AUDIT COMMITTEE:**
Committee Members: Gleason, Hollingworth, Hubbs, Robinson (Chair), Sessom, Tartre, Van Sambeek
- **CAPITAL IMPROVEMENT PROGRAM OVERSIGHT COMMITTEE:**
Committee Members: Alvarez, Gleason, Hubbs (Chair), Janney, Robinson
- **EXECUTIVE PERSONNEL AND COMPENSATION COMMITTEE:**
Committee Members: Boling, Cox, Desmond (Chair), Hubbs, Sessom
- **FINANCE COMMITTEE:**
Committee Members: Alvarez, Boling (Chair), Cox, Janney, Sessom

ADVISORY COMMITTEES

- **AUTHORITY ADVISORY COMMITTEE:**
Liaison: Robinson (Primary), Boling
- **ART ADVISORY COMMITTEE:**
Committee Member: Gleason

LIAISONS

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

- **INTER-GOVERNMENTAL AFFAIRS:**
Liaison: Cox
- **MILITARY AFFAIRS:**
Liaison: Woodworth
- **PORT:**
Liaisons: Boling, Cox, Gleason (Primary), Robinson
- **WORLD TRADE CENTER:**
Representatives: Gleason (Primary)

BOARD REPRESENTATIVES (EXTERNAL)

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

CHAIR'S REPORT:

PRESIDENT/CEO'S REPORT:

NON-AGENDA PUBLIC COMMENT:

Non-Agenda Public Comment is reserved for members of the public wishing to address the Board on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Board. Please submit a completed speaker slip to the Authority Clerk. ***Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

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

CONSENT AGENDA (Items 1-15)

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

1. APPROVAL OF MINUTES:

The Board is requested to approve minutes of prior Board meetings.

RECOMMENDATION: Approve the minutes of the April 4, 2016 special meeting and the April 21, 2016 regular meeting.

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

The Board is requested to accept the reports.

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

(Corporate & Information Governance: Tony Russell, Director/Authority Clerk)

3. AWARDED CONTRACTS, APPROVED CHANGE ORDERS FROM MARCH 21, 2016 THROUGH APRIL 24, 2016 AND REAL PROPERTY AGREEMENTS GRANTED AND ACCEPTED FROM MARCH 21, 2016 THROUGH APRIL 24, 2016:

The Board is requested to receive the report.

RECOMMENDATION: Receive the report.

(Procurement: Jana Vargas, Director)

4. MAY 2016 LEGISLATIVE REPORT:

The Board is requested to approve the report.

RECOMMENDATION: Adopt Resolution No. 2016-____, approving the May 2016 Legislative Report.

(Inter-Governmental Relations: Michael Kulis, Director)

CLAIMS

5. REJECT THE CLAIM OF KELLY MARKES:

The Board is requested to reject the claim.

RECOMMENDATION: Adopt Resolution No. 2016-____, rejecting the claim of Kelly Markes.

(Legal: Breton Lobner, General Counsel)

6. REJECT THE CLAIM OF MAHNAZ KASRAIE:

The Board is requested to reject the claim.

RECOMMENDATION: Adopt Resolution No. 2016-____, rejecting the claim of Mahnaz Kasraie.

(Legal: Breton Lobner, General Counsel)

7. REJECT THE CLAIM OF SARAH MOWRY

The Board is requested to reject the claim.

RECOMMENDATION: Adopt Resolution No. 2016-____, rejecting the claim of Sarah Mowry.

(Legal: Breton Lobner, General Counsel)

8. REJECT THE CLAIM OF GGTW, LLC:

The Board is requested to reject the claim.

RECOMMENDATION: Adopt Resolution No. 2016-____, rejecting the claim of GGTW, LLC.

(Legal: Breton Lobner, General Counsel)

COMMITTEE RECOMMENDATIONS

9. ANNUAL REVIEW AND APPROVAL OF AMENDMENTS TO AUTHORITY POLICY 4.20 – POLICY GUIDELINES FOR PRUDENT INVESTMENTS, DELEGATION OF AUTHORITY TO INVEST AND MANAGE AUTHORITY FUNDS TO THE VICE PRESIDENT, FINANCE AND ASSET MANAGEMENT/TREASURER AND ANNUAL REVIEW OF AUTHORITY POLICY 4.40:

The Board is requested to amend the policy.

RECOMMENDATION: Adopt Resolution No. 2016-____, approving amendments to Authority Policy 4.20 – Policy Guidelines for Prudent Investments, and delegating Authority to invest and manage authority funds to the Vice President of Finance and Asset Management/Treasurer.

(Business and Financial Management: Geoff Bryant, Manager, Airport Finance)

10. REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE ON THE FINANCIAL AND COMPLIANCE AUDIT FOR THE FISCAL YEAR ENDED JUNE 30, 2016:

The Board is requested to accept the report.

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

(Audit: Mark Burchyett, Chief Auditor)

11. FISCAL YEAR 2016 THIRD QUARTER ACTIVITIES REPORT AND AUDIT RECOMMENDATIONS ISSUED BY THE OFFICE OF THE CHIEF AUDITOR:

The Board is requested to accept the report.

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

(Audit: Mark Burchyett, Chief Auditor)

12. FISCAL YEAR 2017 PROPOSED AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

The Board is requested to approve a plan.

RECOMMENDATION: Adopt Resolution No. 2016-____, approving the proposed Fiscal Year 2017 Audit Plan.

(Audit: Mark Burchyett, Chief Auditor)

13. REVISION TO THE FISCAL YEAR 2016 AUDIT PLAN OF THE OFFICE OF THE CHIEF AUDITOR:

The Board is requested to approve an amendment.

RECOMMENDATION: Adopt Resolution No. 2016-____, approving an amendment to the Fiscal Year 2016 Audit Plan.

(Audit: Mark Burchyett, Chief Auditor)

CONTRACTS AND AGREEMENTS

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

The Board is requested to approve an amendment.

RECOMMENDATION: Adopt Resolution No. 2016-____, approving and authorizing the President/CEO to execute a Second Amendment to the Public Art Agreement with Ball-Nogues Design Studio, LLC for the Parking Plaza Public Art Project.

(Vision, Voice & Engagement: Lauren Lockhart, Art Program Manager)

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

15. APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO EXECUTE AN ON-CALL MECHANICAL AND ELECTRICAL CONSULTING SERVICES AGREEMENT:

The Board is requested to approve an agreement.

RECOMMENDATION: Adopt Resolution No. 2016-____, approving and authorizing the President/CEO to execute an On-Call Mechanical and Electrical Consulting Services Agreement with MA Engineers, Inc., for a term of three years, with the option for two one-year extensions, in an amount not-to-exceed \$3,000,000, in support of the Capital Improvement Program at San Diego International Airport.

(Facilities Development: Iraj Ghaemi, Director)

PUBLIC HEARINGS:

OLD BUSINESS:

NEW BUSINESS:

- 16. APPROVE AND ADOPT A MID-YEAR ADJUSTMENT OF THE CAPITAL PROGRAM BUDGET FOR FISCAL YEARS 2016-2020 TO FUND AN INCREASE IN THE TERMINAL 2 PARKING PLAZA PROGRAM BUDGET; AND APPROVE AND AUTHORIZE THE PRESIDENT/CEO TO NEGOTIATE AND EXECUTE A FIRST AMENDMENT TO THE SWINERTON BUILDERS, INC., AGREEMENT TO ESTABLISH A MAXIMUM CONTRACT VALUE AND TO NEGOTIATE AND EXECUTE FUTURE WORK AUTHORIZATIONS AND A FUTURE GUARANTEED MAXIMUM PRICE AMENDMENT:**

The Board is requested to approve an adjustment to the budget, and an amendment.

RECOMMENDATION: Adopt Resolution No. 2016-____, approving and authorizing adoption of a mid-year adjustment to the Fiscal Year 2016-2020 Capital Program Budget to fund an increase in the Terminal 2 Parking Plaza budget of \$45,720,000 for a Validated Program budget of \$127,800,000.

Adopt Resolution No. 2016-____, approving and authorizing the President/CEO to negotiate and execute: 1) a First Amendment ("Validation Amendment") to the Agreement with Swinerton Builders, Inc., establishing a maximum contract value of \$99,800,000 for the design and construction of the Terminal 2 Parking Plaza; and 2) work authorizations and a Second Amendment ("Guaranteed Maximum Price Amendment") after the issuance of the Validation Amendment in order to allow completion of 100% design and construction.

(Airport Design and Construction: Bob Bolton, Director)

- 17. DISCUSSION REGARDING THE AIRPORT PARKING MANAGEMENT AND AIRPORT PARKING SHUTTLE CONTRACTS:**

The Board is requested to xxx.

RECOMMENDATION: Adopt Resolution No. 2016-____, authorizing the President/CEO to XXX.

(Ground Transportation: David Boenitz, Director)

BUDGET WORKSHOP:

- 18. DISCUSSION REGARDING THE FISCAL YEAR 2017 PROPOSED BUDGET AND FISCAL YEAR 2018 PROPOSED CONCEPTUAL BUDGET:**

The Board is requested to discuss the proposals.

RECOMMENDATION: Discuss the Fiscal Year 2017 Proposed Budget and Fiscal Year 2018 Proposed Conceptual Budget.

(Finance & Asset Management/Treasurer: Scott Brickner, Vice President)

CLOSED SESSION:

19. **CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION:**
(Cal. Gov. Code § 54956.9(a) and (d)(1).)
Diego Concession Group, Inc. v. San Diego County Regional Airport Authority,
San Diego Superior Court Case No. 37-2012-00088083-CU-BT-CTL
20. **CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION:**
(Cal. Gov. Code § 54956.9(a) and (d)(1).)
Dryden Oaks, LLC v. San Diego County Regional Airport Authority, et al.,
San Diego Superior Court, North County, Case No. 37-2014-00004077-CU-EI-NC
21. **CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:**
(Cal. Gov. Code § 54956.9(a) and (d)(1).)
Donna Wilson; John Wilson v. San Diego County Regional Airport Authority;
Turner-PCL-Flatiron, a joint venture.
San Diego Superior Court Case No. 37-2014-00015326-CU-PO-CTL (Meyer)
22. **CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:**
(Cal. Gov. Code § 54956.9(a)):
Maria Paula Bermudez v. San Diego County Regional Airport Authority,
American Airlines, Inc., et al.
San Diego Superior Court Case No. 37-2015-00022911-CU-PO-CTL
23. **CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:**
(Cal. Gov. Code §54956.9(a) and (d)(1))
Stanley Moore v. San Diego County Regional Airport Authority, et al.,
San Diego Superior Court Case No. 37-2015-00030676-CU-OE-CTL
24. **CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:**
Cal. Gov. Code § 54956.9(a) and (d).
In the matter of the Petition of San Diego County Regional Airport Authority for
Review of Action by the California Regional Water Quality Control Board in
Issuing Order No. R9-2013-0001, as amended by Orders Nos. R9-2015-0001
and R9-2015-0100 (NPDES NO. CAS0109266) [Water Code §§ 13320(a) and
13321(a)]
25. **CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION AND EXISTING LITIGATION:**
(Significant exposure to litigation pursuant to Cal. Gov. Code §§ 54956.9(a) and 54956.9(b).)
Jay A. Bass, et al v. San Diego City Employees' Retirement System, et al.,
San Diego Superior Court Case No. 37-2013-00077566-CU-OE-CTL

- 26. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**
(Significant exposure to litigation pursuant to Cal. Gov. Code §§ 54956.9 (b) and 54954.5.)
Re: Investigative Order No. R9-2012-0009 by the California Regional Water Quality Control Board regarding submission of technical reports pertaining to an investigation of bay sediments at the Downtown Anchorage Area in San Diego.
Number of potential cases: 1
- 27. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**
(Initiation of litigation pursuant to Cal. Government Code § 54956.9(d).)
Number of cases: 2
- 28. CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION:**
(Significant exposure to litigation pursuant to cal. Gov. Code §54956.9(e)(3))
The Receipt of a Government Claim from GGTW LLC

REPORT ON CLOSED SESSION:

NON-AGENDA PUBLIC COMMENT:

Non-Agenda Public Comment is reserved for members of the public wishing to address the Board on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Board. Please submit a completed speaker slip to the Authority Clerk. ***Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

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

GENERAL COUNSEL REPORT:

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

BOARD COMMENT:

ADJOURNMENT:

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

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

Additional Meeting Information

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

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

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

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

UPCOMING MEETING SCHEDULE

<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
June 23	Thursday	9:00 a.m.	Regular	Board Room

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

DRAFT AIRPORT LAND USE COMMISSION AGENDA

Thursday, May 19, 2016
9:00 A.M. or immediately following the
Board Meeting

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

Board Members

Robert H. Gleason
Board Chair

David Alvarez
C. April Boling
Greg Cox
Jim Desmond
Lloyd B. Hubbs
Jim Janney
Paul Robinson
Mary Sesson

Ex-Officio Board Members

Laurie Berman
Eraina Ortega
Col. Jason Woodworth

President / CEO

Thella F. Bowens

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

Pursuant to California Public Utilities Code §§ 21670-21679.5, the Airport Land Use Commission ("Commission") is responsible for coordinating the airport planning of public agencies within San Diego County. The Commission has the legal responsibility to formulate airport land use compatibility plans ("ALUCPs") that will (a) provide for the orderly growth of each public airport and the areas surrounding the airport within the County and (b) safeguard the general welfare of the inhabitants within the vicinity of each airport and the public in general. Pursuant to §21670.3, the San Diego County Regional Airport Authority serves as the Commission.

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 Commission 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 the Corporate & Information Governance/Authority Clerk Department 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 Commission Member or employee of the Authority for the purpose of influencing any action of the Authority. To obtain Lobbyist Registration Statement Forms, contact the Corporate & Information Governance/Authority Clerk Department.

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. **PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMISSION MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.**

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

NON-AGENDA PUBLIC COMMENT:

Non-Agenda Public Comment is reserved for members of the public wishing to address the Commission on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Commission. Please submit a completed speaker slip to the Authority Clerk. ***Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

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

CONSENT AGENDA (Items 1-2)

The Consent Agenda contains items that are routine in nature and non-controversial. It also contains consistency determinations that have been deemed consistent or conditionally consistent. The matters listed under 'Consent Agenda' may be approved by one motion. Any Commission Member may remove an item for separate consideration. Items so removed will be heard before the scheduled New Business items, unless otherwise directed by the Chair.

1. APPROVAL OF MINUTES:

The Airport Land Use Commission is requested to approve minutes of prior Commission meetings.

RECOMMENDATION: Approve the minutes of the April 21, 2016 regular meeting.

CONSISTENCY DETERMINATIONS

2. REPORT OF LAND USE ACTIONS DETERMINED TO BE CONSISTENT WITH AIRPORT LAND USE COMPATIBILITY PLANS:

The Commission is requested to receive a report of land use actions determined by staff to be consistent with Airport Land Use Compatibility Plans.

RECOMMENDATION: Receive the report.

(Airport Planning: Angela Jamison, Manager)

PUBLIC HEARINGS:

OLD BUSINESS:

NEW BUSINESS:

3. STATUS UPDATE AND POSSIBLE POLICY DIRECTION ON AIRPORT LAND USE COMPATIBILITY PLANS:

The Commission is requested to receive a status update presentation on Airport Land Use Compatibility Plans.

RECOMMENDATION: Receive the presentation and possibly provide policy direction to staff.

(Airport Planning: Angela Jamison, Manager)

COMMISSION COMMENT:

ADJOURNMENT:

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

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

Additional Meeting Information

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

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

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

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

UPCOMING MEETING SCHEDULE

<i>Date</i>	<i>Day</i>	<i>Time</i>	<i>Meeting Type</i>	<i>Location</i>
June 23	Thursday	9:00 a.m.	Regular	Board Room