NEW ISSUE **Ratings: See "RATINGS" herein.**
BOOK-ENTRY ONLY

In the opinion of Kutak Rock LLP, Bond Counsel to the Airport Authority, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Subordinate Series 2021A/B Bonds is excluded from gross income for federal income tax purposes, except for interest on any Subordinate Series 2021B Bond for any period during which such Subordinate Series 2021B Bond is held by a "substantial user" of the facilities financed by the Subordinate Series 2021B Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Bond Counsel is further of the opinion that (a) interest on the Subordinate Series 2021A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, and (b) interest on the Subordinate Series 2021B Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Subordinate Series 2021C Bonds is included in gross income for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Subordinate Series 2021 Bonds is exempt from present State of California personal income taxes. See "TAX MATTERS" herein.

$1,941,745,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

$495,315,000	$1,089,260,000	$357,170,000
Subordinate Airport Revenue Bonds Series 2021A (Governmental/Non-AMT)	**Subordinate Airport Revenue Bonds Series 2021B (Private Activity/AMT)**	**Subordinate Airport Revenue Refunding Bonds Series 2021C (Federally Taxable)**

Dated: Date of Delivery **Due: July 1 as shown on the inside cover**

The San Diego County Regional Airport Authority (the "Airport Authority") is issuing its (i) Subordinate Airport Revenue Bonds, Series 2021A (Governmental/Non-AMT) (the "Subordinate Series 2021A Bonds"), (ii) Subordinate Airport Revenue Bonds, Series 2021B (Private Activity/AMT) (the "Subordinate Series 2021B Bonds"), and (iii) Subordinate Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable) (the "Subordinate Series 2021C Bonds," and collectively with the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds, the "Subordinate Series 2021 Bonds"), to (a) pay and/or reimburse the Airport Authority for certain capital improvements at San Diego International Airport associated with the New T1 program, (b) refund and defease the Refunded Senior Series 2013 Bonds to realize debt service savings, (c) fund a portion of the interest accruing on the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds, (d) make a deposit to the Subordinate Reserve Fund, and (e) pay the costs of issuance of the Subordinate Series 2021 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Subordinate Series 2021 Bonds are special obligations of the Airport Authority, payable solely from and secured by a pledge of (a) Subordinate Net Revenues, which include certain income and revenue received by the Airport Authority from the operation of the Airport System, less all amounts that are required to pay the Operation and Maintenance Expenses of the Airport System and less all amounts necessary to pay debt service on and fund the reserves for the Senior Bonds; and (b) certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture. The Subordinate Series 2021 Bonds will be issued with a pledge of and lien on Subordinate Net Revenues on parity with the Airport Authority's Existing Subordinate Bonds, which, as of November 1, 2021, were outstanding in the aggregate principal amount of $957,935,000, and the Airport Authority's Subordinate Revolving Obligations, which are authorized to be outstanding in the aggregate principal amount of $200,000,000 at any one time, and which were outstanding in the aggregate principal amount of $80,100,000 as of November 1, 2021.

NONE OF THE PROPERTIES OF THE AIRPORT SYSTEM ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SUBORDINATE SERIES 2021 BONDS, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE AIRPORT AUTHORITY, THE CITY OF SAN DIEGO, THE COUNTY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF CALIFORNIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SUBORDINATE SERIES 2021 BONDS. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS."

The Subordinate Series 2021 Bonds will be issued as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Subordinate Series 2021 Bonds may be made in book-entry-form only in denominations of $5,000 and integral multiplies thereof. Interest on the Subordinate Series 2021 Bonds will be payable on January 1 and July 1, commencing on July 1, 2022. So long as the Subordinate Series 2021 Bonds are held by DTC, the principal of and interest on the Subordinate Series 2021 Bonds will be payable by wire transfer to DTC, which in turn will be required to remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Subordinate Series 2021 Bonds, as more fully described herein. See "APPENDIX G—BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES." For information on minimum unit sales for purchasers outside the United States, see "INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES."

Maturity Schedules on Inside Front Cover

The Subordinate Series 2021 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as more fully described herein. See "DESCRIPTION OF THE SUBORDINATE SERIES 2021 BONDS—Redemption Provisions."

The purchase and ownership of Subordinate Series 2021 Bonds involve investment risk and may not be suitable for all investors. This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Subordinate Series 2021 Bonds. Investors are advised to read the entire Official Statement, including any portion hereof included by reference, to obtain information essential to the making of an informed decision, giving particular attention to the matters discussed under "CERTAIN INVESTMENT CONSIDERATIONS." Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The Subordinate Series 2021 Bonds are offered when, as and if issued by the Airport Authority, subject to the approval of validity by Kutak Rock LLP, Bond Counsel to the Airport Authority, and to certain other conditions. Certain matters will be passed upon for the Airport Authority by its General Counsel and by Kutak Rock LLP, Disclosure Counsel to the Airport Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP. Frasca & Associates, LLC, has served as Municipal Advisor to the Airport Authority. It is expected that the delivery of the Subordinate Series 2021 Bonds will be made through the facilities of DTC on or about December 8, 2021.

BofA Securities **Siebert Williams Shank & Co., LLC**

Academy Securities **Jefferies** **Morgan Stanley**
Ramirez & Co., Inc. **Stern Brothers**

Date of Official Statement: November 17, 2021.

MATURITY SCHEDULES

$495,315,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Subordinate Airport Revenue Bonds
Series 2021A
(Governmental/Non-AMT)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Numbers†
2026	$2,585,000	5.000%	0.640%	119.579	79739GME3
2027	2,720,000	5.000	0.790	122.871	79739GMF0
2028	2,855,000	5.000	0.940	125.784	79739GMG8
2029	2,995,000	5.000	1.070	128.481	79739GMH6
2030	3,145,000	5.000	1.180	131.027	79739GMJ2
2031	3,300,000	5.000	1.250	133.703	79739GMK9
2032	3,465,000	5.000	1.350	132.644C	79739GML7
2033	3,635,000	5.000	1.410	132.013C	79739GMM5
2034	3,820,000	5.000	1.470	131.386C	79739GMN3
2035	4,015,000	4.000	1.650	120.711C	79739GMP8
2036	4,175,000	4.000	1.680	120.417C	79739GMQ6
2037	4,340,000	4.000	1.730	119.928C	79739GMR4
2038	4,515,000	5.000	1.580	130.245C	79739GMS2
2039	4,735,000	5.000	1.610	129.936C	79739GMT0
2040	4,985,000	4.000	1.840	118.862C	79739GMU7
2041	5,180,000	4.000	1.860	118.669C	79739GMV5

$43,110,000 5.000% Term Bonds due July 1, 2046; Yield 1.860%; Price 127.393C; CUSIP No.†: 79739GMW3

$30,000,000 4.000% Term Bonds due July 1, 2046; Yield 2.000%; Price 117.330C; CUSIP No.†: 79739GMX1

$65,000,000 4.000% Term Bonds due July 1, 2051; Yield 2.090%; Price 116.478C; CUSIP No.†: 79739GMY9

$70,535,000 5.000% Term Bonds due July 1, 2051; Yield 1.940%; Price 126.592C; CUSIP No.†: 79739GMZ6

$136,205,000 5.000% Term Bonds due July 1, 2056; Yield 2.060%; Price 125.401C; CUSIP No.†: 79739GNA0

$90,000,000 4.000% Term Bonds due July 1, 2056; Yield 2.220%; Price 115.260C; CUSIP No.†: 79739GNB8

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C Priced to the optional redemption date of July 1, 2031 at a redemption price of 100% of par.

$1,089,260,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Subordinate Airport Revenue Bonds
Series 2021B
(Private Activity/AMT)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Numbers†
2026	$ 7,725,000	5.000%	0.870%	118.439	79739GNC6
2027	8,110,000	5.000	1.050	121.292	79739GND4
2028	8,520,000	5.000	1.240	123.631	79739GNE2
2029	8,945,000	5.000	1.390	125.833	79739GNF9
2030	9,385,000	5.000	1.500	128.028	79739GNG7
2031	14,180,000	5.000	1.570	130.348	79739GNH5
2032	15,640,000	5.000	1.640	129.628[C]	79739GNJ1
2033	16,205,000	5.000	1.690	129.116[C]	79739GNK8
2034	17,950,000	5.000	1.760	128.403[C]	79739GNL6
2035	22,085,000	4.000	1.910	118.189[C]	79739GNM4
2036	22,515,000	4.000	1.930	117.997[C]	79739GNN2
2037	22,945,000	5.000	1.840	127.594[C]	79739GNP7
2038	23,600,000	5.000	1.870	127.293[C]	79739GNQ5
2039	24,265,000	4.000	2.030	117.045[C]	79739GNR3
2040	24,695,000	4.000	2.080	116.572[C]	79739GNS1
2041	14,575,000	4.000	2.090	116.478[C]	79739GNT9

$81,530,000 5.000% Term Bonds due July 1, 2046; Yield 2.090%; Price 125.106[C]; CUSIP No.†: 79739GNU6

$75,000,000 4.000% Term Bonds due July 1, 2046; Yield 2.230%; Price 115.167[C]; CUSIP No.†: 79739GNV4

$125,000,000 4.000% Term Bonds due July 1, 2051; Yield 2.330%; Price 114.242[C]; CUSIP No.†: 79739GNW2

$124,670,000 5.000% Term Bonds due July 1, 2051; Yield 2.170%; Price 124.321[C]; CUSIP No.†: 79739GNX0

$261,720,000 5.000% Term Bonds due July 1, 2056; Yield 2.280%; Price 123.252[C]; CUSIP No.†: 79739GNY8

$160,000,000 4.000% Term Bonds due July 1, 2056; Yield 2.460%; Price 113.051[C]; CUSIP No.†: 79739GNZ5

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[C] Priced to the optional redemption date of July 1, 2031 at a redemption price of 100% of par.

$357,170,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Subordinate Airport Revenue Refunding Bonds
Series 2021C
(Federally Taxable)

Maturity Date (July 1)	Principal Amount	Interest Rate	Price	CUSIP Numbers†
2022	$ 9,760,000	0.454%	100.000	79739GPA8
2023	16,465,000	0.654	100.000	79739GPB6
2024	16,570,000	1.081	100.000	79739GPC4
2025	16,745,000	1.341	100.000	79739GPD2
2030	505,000	2.256	100.000	79739GPM2
2031	7,650,000	2.356	100.000	79739GPE0
2032	8,145,000	2.506	100.000	79739GPF7
2033	8,610,000	2.656	100.000	79739GPG5
2034	9,205,000	2.806	100.000	79739GPH3
2035	9,870,000	2.906	100.000	79739GPJ9
2036	10,695,000	2.956	100.000	79739GPK6

$242,950,000 3.103% Term Bonds due July 1, 2043; Price 100.000; CUSIP No.†: 79739GPL4

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SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

BOARD OF DIRECTORS

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Gustavo Dallarda, *Ex-Officio* Member
Gayle Miller, *Ex-Officio* Member

[*]Member of the Executive Committee.

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Angela Shafer-Payne, Vice President, Chief Operations Officer
Dennis Probst, Vice President, Chief Development Officer
Hampton Brown, Vice President, Chief Revenue Officer
Lee Parravano, Chief Auditor
Amy Gonzalez, General Counsel

SENIOR TRUSTEE/ ESCROW AGENT

The Bank of New York Mellon Trust Company, N.A

SUBORDINATE TRUSTEE

U.S. Bank National Association

BOND COUNSEL AND DISCLOSURE COUNSEL

Kutak Rock LLP

MUNICIPAL ADVISOR

Frasca & Associates, LLC

INDEPENDENT AUDITOR

BKD, LLP

FEASIBILITY CONSULTANT

Unison Consulting, Inc.

VERIFICATION AGENT

Robert Thomas CPA, LLC

No dealer, broker, salesperson or other person has been authorized by the Airport Authority to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Airport Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Subordinate Series 2021 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Subordinate Series 2021 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. See "INTRODUCTION—Forward-Looking Statements" herein.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Airport Authority since the date hereof. This Official Statement is submitted in connection with the sale of the Subordinate Series 2021 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE SUBORDINATE SERIES 2021 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE SUBORDINATE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SUBORDINATE SERIES 2021 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT.

THE UNDERWRITERS MAY OFFER AND SELL THE SUBORDINATE SERIES 2021 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGES OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES IN THIS SECTION TO THE "ISSUER" MEAN THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY AND REFERENCES TO "SUBORDINATE SERIES 2021C BONDS" OR "SECURITIES" MEAN THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY SUBORDINATE AIRPORT REVENUE REFUNDING BONDS, SERIES 2021C (FEDERALLY TAXABLE).

THE INFORMATION UNDER THIS CAPTION HAS BEEN FURNISHED BY THE UNDERWRITERS, AND THE ISSUER MAKES NO REPRESENTATION AS TO THE ACCURACY, COMPLETENESS OR ADEQUACY OF THE INFORMATION UNDER THIS CAPTION.

COMPLIANCE WITH ANY RULES OR RESTRICTIONS OF ANY JURISDICTION RELATING TO THE OFFERING, SOLICITATION AND/OR SALE OF THE SUBORDINATE SERIES 2021C BONDS IS THE RESPONSIBILITY OF THE UNDERWRITERS, AND THE ISSUER SHALL NOT HAVE ANY RESPONSIBILITY OR LIABILITY IN CONNECTION THEREWITH. NO ACTION HAS BEEN TAKEN BY THE ISSUER THAT WOULD PERMIT THE OFFERING OR SALE OF THE SUBORDINATE SERIES 2021C BONDS, OR POSSESSION OR DISTRIBUTION OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SUBORDINATE SERIES 2021C BONDS, OR ANY INFORMATION RELATING TO THE PRICING OF THE SUBORDINATE SERIES 2021C BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

MINIMUM UNIT SALES

THE SUBORDINATE SERIES 2021C BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE SUBORDINATE SERIES 2021C BOND OF $5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 SUBORDINATE SERIES 2021C BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $150,000).

NOTICE TO PROSPECTIVE INVESTORS IN CANADA

THE SUBORDINATE SERIES 2021C BONDS MAY BE SOLD ONLY TO PURCHASERS PURCHASING, OR DEEMED TO BE PURCHASING, AS PRINCIPAL THAT ARE ACCREDITED INVESTORS, AS DEFINED IN NATIONAL INSTRUMENT 45-106 PROSPECTUS EXEMPTIONS OR SUBSECTION 73.3(1) OF THE SECURITIES ACT (ONTARIO), AND ARE PERMITTED CLIENTS, AS DEFINED IN NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS. ANY RESALE OF THE SUBORDINATE SERIES 2021C BONDS MUST BE MADE IN ACCORDANCE WITH AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS.

SECURITIES LEGISLATION IN CERTAIN PROVINCES OR TERRITORIES OF CANADA MAY PROVIDE A PURCHASER WITH REMEDIES FOR RESCISSION OR DAMAGES IF THIS OFFICIAL STATEMENT (INCLUDING ANY AMENDMENT THERETO) CONTAINS A MISREPRESENTATION, PROVIDED THAT THE REMEDIES FOR RESCISSION OR DAMAGES ARE EXERCISED BY THE PURCHASER WITHIN THE TIME LIMIT PRESCRIBED BY THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY. THE

PURCHASER SHOULD REFER TO ANY APPLICABLE PROVISIONS OF THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY FOR PARTICULARS OF THESE RIGHTS OR CONSULT WITH A LEGAL ADVISOR.

PURSUANT TO SECTION 3A.3 (OR, IN THE CASE OF SECURITIES ISSUED OR GUARANTEED BY THE GOVERNMENT OF A NON-CANADIAN JURISDICTION, SECTION 3A.4) OF NATIONAL INSTRUMENT 33-105 UNDERWRITING CONFLICTS ("NI 33-105"), THE UNDERWRITERS ARE NOT REQUIRED TO COMPLY WITH THE DISCLOSURE REQUIREMENTS OF NI 33-105 REGARDING UNDERWRITER CONFLICTS OF INTEREST IN CONNECTION WITH THIS OFFERING.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA AND THE UNITED KINGDOM

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE SECURITIES TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("EEA") OR THE UNITED KINGDOM WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) REGULATION (EU) 2017/1129 (THE "PROSPECTUS REGULATION") FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER TO ANY PERSON LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM OF THE SECURITIES SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE INITIAL PURCHASERS TO PRODUCE A PROSPECTUS OR SUPPLEMENT FOR SUCH AN OFFER. NEITHER THE ISSUER NOR THE INITIAL PURCHASERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF SECURITIES THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE INITIAL PURCHASERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE SECURITIES CONTEMPLATED IN THIS OFFICIAL STATEMENT.

THE OFFER OF ANY SECURITIES WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A "QUALIFIED INVESTOR" AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN "QUALIFIED INVESTORS" AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION); OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1(4) OF THE PROSPECTUS REGULATION, SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER FOR ANY SUCH OFFER; PROVIDED THAT NO SUCH OFFER OF THE SECURITIES SHALL REQUIRE THE ISSUER OR THE INITIAL PURCHASERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 23 OF THE PROSPECTUS REGULATION.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF SECURITIES TO THE PUBLIC" IN RELATION TO THE SECURITIES IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE SECURITIES.

EACH SUBSCRIBER FOR OR PURCHASER OF THE SUBORDINATE SERIES 2021C BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE OR THE UNITED KINGDOM WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A "QUALIFIED INVESTOR" AS DEFINED IN THE PROSPECTUS REGULATION. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

PROHIBITION OF SALES TO EEA OR THE UNITED KINGDOM RETAIL INVESTORS – THE SUBORDINATE SERIES 2021C BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "MIFID II"); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE "INSURANCE DISTRIBUTION DIRECTIVE"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE SUBORDINATE SERIES 2021C BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA OR IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE SUBORDINATE SERIES 2021C BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "FINANCIAL PROMOTION ORDER"), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SUBORDINATE SERIES 2021C BONDS MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

THE SUBORDINATE SERIES 2021C BONDS MAY NOT BE PUBLICLY OFFERED, DIRECTLY OR INDIRECTLY, IN SWITZERLAND WITHIN THE MEANING OF THE SWISS FINANCIAL SERVICES ACT (THE "FINSA"), AND NO APPLICATION HAS BEEN OR WILL BE MADE TO ADMIT THE SUBORDINATE SERIES 2021C BONDS TO TRADING ON ANY TRADING VENUE (EXCHANGE OR MULTILATERAL TRADING FACILITY) IN SWITZERLAND. NEITHER

THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE SUBORDINATE SERIES 2021C BONDS (1) CONSTITUTES A PROSPECTUS PURSUANT TO THE FINSA OR (2) HAS BEEN OR WILL BE FILED WITH OR APPROVED BY A SWISS REVIEW BODY PURSUANT TO ARTICLE 52 OF THE FINSA, AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE SUBORDINATE SERIES 2021C BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

WARNING. THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE SUBORDINATE SERIES 2021C BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THIS OFFICIAL STATEMENT HAS NOT BEEN, AND WILL NOT BE, REGISTERED AS A PROSPECTUS IN HONG KONG NOR HAS IT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION OF HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) ("SFO"). THE SUBORDINATE SERIES 2021C BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENT, AND THIS OFFICIAL STATEMENT MUST NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN HONG KONG, OTHER THAN TO 'PROFESSIONAL INVESTORS' AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER. IN ADDITION, NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE SUBORDINATE SERIES 2021C BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO SUBORDINATE SERIES 2021C BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY (A) TO PERSONS OUTSIDE HONG KONG, OR (B) TO `PROFESSIONAL INVESTORS' AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER.

NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

THE SUBORDINATE SERIES 2021C BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER ARTICLE 4, PARAGRAPH 1 OF THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (ACT NO.25 OF 1948, AS AMENDED THE "FIEA"). IN RELIANCE UPON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS SINCE THE OFFERING CONSTITUTES THE PRIVATE PLACEMENT TO QUALIFIED INSTITUTIONAL INVESTORS ONLY AS PROVIDED FOR IN "I" OF ARTICLE 2, PARAGRAPH 3, ITEM 2 OF THE FIEA. A TRANSFEROR OF THE SUBORDINATE SERIES 2021C BONDS SHALL NOT TRANSFER OR RESELL THEM EXCEPT WHERE A TRANSFEREE IS A QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED UNDER ARTICLE 10 OF THE CABINET OFFICE ORDINANCE CONCERNING DEFINITIONS PROVIDED IN ARTICLE 2 OF THE FIEA (THE MINISTRY OF FINANCE ORDINANCE NO.14 OF 1993, AS AMENDED).

NOTICE TO PROSPECTIVE INVESTORS IN SOUTH KOREA

THIS OFFICIAL STATEMENT IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSIDERED AS, A PUBLIC OFFERING OF SECURITIES IN SOUTH KOREA FOR THE PURPOSES OF THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. THE SUBORDINATE SERIES 2021C BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF SOUTH KOREA FOR PUBLIC OFFERING IN SOUTH KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "FSCMA"). THE SUBORDINATE SERIES 2021C BONDS MAY NOT BE OFFERED, REMARKETED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, OR OFFERED, REMARKETED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN SOUTH KOREA OR TO ANY RESIDENT OF SOUTH KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS LAW OF SOUTH KOREA AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "FETL")) WITHIN ONE YEAR OF THE ISSUANCE OF THE SUBORDINATE SERIES 2021C BONDS, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE SOUTH KOREAN LAWS AND REGULATIONS, INCLUDING THE FSCMA AND THE FETL.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

THE SUBORDINATE SERIES 2021C BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN, THE REPUBLIC OF CHINA ("TAIWAN") AND/OR OTHER REGULATORY AUTHORITY OR AGENCY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS OF TAIWAN AND MAY NOT BE ISSUED, OFFERED, OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN OR RELEVANT LAWS AND REGULATIONS THAT REQUIRES A REGISTRATION, FILING OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION AND/OR OTHER REGULATORY AUTHORITY OR AGENCY OF TAIWAN. THE SUBORDINATE SERIES 2021C BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE OUTSIDE TAIWAN BY INVESTORS RESIDING IN TAIWAN DIRECTLY, BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY TO THE EXTENT PERMITTED BY APPLICABLE LAWS OR REGULATIONS.

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OFFICIAL STATEMENT

$1,941,745,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

$495,315,000	$1,089,260,000	$357,170,000
Subordinate Airport Revenue Bonds Series 2021A (Governmental/Non-AMT)	**Subordinate Airport Revenue Bonds Series 2021B (Private Activity/AMT)**	**Subordinate Airport Revenue Refunding Bonds Series 2021C (Federally Taxable)**

This Official Statement contains certain information that was not available for inclusion in, or differs from that contained in, the Preliminary Official Statement dated November 5, 2021 (the "Preliminary Official Statement"), including without limitation (a) the principal amounts, interest rates, reoffering yields and prices, CUSIP numbers, redemption provisions and purchase prices to be paid by the Underwriters for the Subordinate Series 2021 Bonds, (b) the Authority's decision to issue an additional $249,175,000 aggregate principal amount of the Subordinate Series 2021A Bonds over the preliminary principal amount set forth in the Preliminary Official Statement, (c) the Authority's decision to issue an additional $347,140,000 aggregate principal amount of the Subordinate Series 2021B Bonds over the preliminary principal amount set forth in the Preliminary Official Statement, and (d) the resulting effects the additional principal amounts of the Subordinate Series 2021A Bonds and Subordinate Series 2021B Bonds will have on the timing and amount of the Authority's anticipated next issuances of Senior Bonds and/or Subordinate Obligations to finance the costs of the New T1 program as described under "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT." After the issuance of the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds, the Airport Authority expects to issue approximately $1.615 billion in aggregate principal amount of Additional Senior Bonds and/or Additional Subordinate Obligations between Fiscal Years 2024 and 2025 to finance additional costs of the New T1, which is approximately $600 million less than what was described in the Preliminary Official Statement. The Financial Feasibility Report has not been revised subsequent to its date of publication (November 5, 2021) to reflect the final terms of the Subordinate Series 2021 Bonds, including with respect to the Authority's decision to issue the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds in excess of the principal amounts assumed in the Financial Feasibility Report. Prospective investors should read this Official Statement in its entirety. Capitalized terms used, but not defined, in this paragraph have the meanings set forth elsewhere in this Official Statement.

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, inside cover pages, table of contents and appendices, is to provide certain information concerning the sale and delivery by the San Diego County Regional Airport Authority (the "Airport Authority") of its (a) $495,315,000 San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2021A (Governmental/Non-AMT) (the "Subordinate Series 2021A Bonds"), (b) $1,089,260,000 San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2021B (Private Activity/AMT) (the "Subordinate Series 2021B Bonds"), and (c) $357,170,000 San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable) (the

"Subordinate Series 2021C Bonds," and collectively with the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds, the "Subordinate Series 2021 Bonds"). Capitalized terms used but not defined herein have the meanings ascribed to them in "APPENDIX C-1—CERTAIN DEFINITIONS."

The Airport Authority

The Airport Authority is a local government entity of regional government, with jurisdiction extending throughout the County of San Diego (the "County"). The Airport Authority was organized and exists pursuant to the provisions of the Constitution of the State of California and Section 170000 et seq. of the California Public Utilities Code (the "Act"). The Airport Authority was formed for the purposes of: (a) operating the Airport System (the main asset of which is San Diego International Airport ("SDIA," "SAN" or the "Airport")); (b) planning and operating any future airport that could be developed as a supplement or replacement to SDIA; (c) developing comprehensive land use plans as they may relate to the Airport System for the entire County; and (d) serving as the region's airport land use commission.

San Diego International Airport and Airport System

SDIA was owned and operated by the San Diego Unified Port District (the "Port District") until January 2003 at which time SDIA was transferred by long-term lease to the Airport Authority (the "Transfer"). The Transfer included all obligations associated with SDIA, including bonds and commercial paper notes issued for the improvement of SDIA. According to Airports Council International ("ACI") statistics, SDIA is the busiest single-runway commercial airport in the United States based on passenger levels and is classified as a large air traffic hub by the Federal Aviation Administration (the "FAA"). According to ACI statistics, for each of the calendar years ended December 31, 2019 and December 31, 2020, SDIA was ranked as the 24th busiest airport in the country as measured by total number of enplaned and deplaned passengers. For the fiscal year ended June 30, 2019 ("Fiscal Year 2019"), approximately 12.4 million passengers were enplaned at SDIA; for the fiscal year ended June 30, 2020 ("Fiscal Year 2020"), approximately 9.2 million passengers were enplaned at SDIA; and for the fiscal year ended June 30, 2021 ("Fiscal Year 2021"), approximately 4.9 million passengers were enplaned at SDIA. The significant decreases of enplaned passengers at SDIA in Fiscal Years 2020 and 2021 were a direct result of the COVID-19 pandemic. See "—Impact of COVID-19 on SDIA" and "IMPACT OF COVID-19 PANDEMIC ON SAN DIEGO INTERNATIONAL AIRPORT." However, for the first three months of Fiscal Year 2022 (July 2021 through September 2021), enplanements at SDIA increased by approximately 1.57 million (165%) compared to the first three months of Fiscal Year 2021 (July 2020 through September 2020). See "IMPACT OF COVID-19 PANDEMIC ON SAN DIEGO INTERNATIONAL AIRPORT." For the calendar year ended December 31, 2020, approximately 96% of the passengers using SDIA were origination and destination ("O&D") passengers (passengers beginning or ending their trips at SDIA, as opposed to passengers connecting through SDIA to other cities). Over the last five Fiscal Years, on average, approximately 96% of all enplanements at SDIA have been domestic enplanements. See "THE AIRPORT AUTHORITY" and "SAN DIEGO INTERNATIONAL AIRPORT" herein.

In addition to operating SDIA, the Airport Authority is responsible for operating the entire "Airport System," which includes all airports, airport sites, and all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce under the jurisdiction and control of the Airport Authority, including SDIA, and any successor entities thereto, including all facilities and property related thereto, real or personal, under the jurisdiction or control of the Airport Authority or in which the Airport Authority has other rights or from which the Airport Authority derives revenues at such location; and including or excluding, as the case may be, such property as the Airport Authority may either acquire or which shall be placed under its control, or divest or have removed from its control. Currently, SDIA is the only airport in the Airport System.

Impact of COVID-19 on SDIA

The worldwide outbreak of novel coronavirus SARS-CoV-2 (together with all variants thereof "COVID-19") has caused significant disruption to domestic and international air travel, including passenger operations, and has had significant negative and adverse effects on the economies of the nation and the world. The information in this Official Statement that describes revenues, financial affairs, operations and general economic conditions of the Airport Authority and SDIA should be considered in light of the negative and adverse impacts from COVID-19 subsequent to the dates of such data. The effects of COVID-19 and actions taken at the state and national levels to halt its spread have had, and may continue to have, a significant adverse effect on the revenues, financial condition and operations of the Airport Authority. COVID-19 developments, and associated governmental and regulatory responses, are rapidly changing and cannot be predicted with any assurance. For a more detailed discussion of the current and projected impacts of COVID-19 on the Airport Authority's revenues, financial condition and operations, see "IMPACT OF COVID-19 PANDEMIC ON SAN DIEGO INTERNATIONAL AIRPORT" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Capital Program and New T1

Capital Program. The Airport Authority maintains a capital program (the "Capital Program"), which is a rolling five-year program that provides for critical improvements and asset preservation for the Airport Authority. The Capital Program contains two main components: (1) the New T1 program that consists of the replacement of the current Terminal 1 with a larger, more efficient facility, certain airfield enhancements and roadway and parking improvements, and a new administration building for the Airport Authority (see "New T1" below), and (2) the Capital Improvement Program (the "CIP") that addresses airfield safety and capacity, environmental protection, terminal enhancements, landside infrastructure and access improvements. The Capital Program includes the New T1 that is expected to be designed and constructed between Fiscal Year 2021 and Fiscal Year 2029 and all approved open projects anticipated to be completed between Fiscal Years 2021 through 2026 for the CIP. The Capital Program has an estimated cost of $4.024 billion (as of June 30, 2021, $300 million of this cost had been incurred), of which approximately $3.464 billion is the estimated cost of the New T1. The Capital Program (including the New T1) will be financed with a combination of proceeds of the Subordinate Series 2021A Bonds, the Subordinate Series 2021B Bonds, previously-issued Subordinate Series 2019 Bonds (as defined herein), Additional Senior Bonds and/or Additional Subordinate Obligations, federal grants, Passenger Facility Charges ("PFCs"), and certain other available moneys of the Airport Authority. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS," "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

New T1. In 2012, the Airport Authority embarked on a new master-planning effort for SDIA known as the "New T1" (previously known as the "Airport Development Plan"), to identify the facilities anticipated to be needed to meet the Airport's passenger demand through 2035. Between Fiscal Years 2015 and 2019, SDIA had record-breaking growth with approximately 24.7 million passengers being served in Fiscal Year 2019; the highest number of passengers ever served by SDIA. Activity levels at the Airport are estimated to surpass 39 million passengers and 280,000 aircraft operations in 2035, based on the aviation planning forecast completed by the Airport Authority in April 2019 and approved by the FAA in June 2019. The cornerstone of the New T1 is the replacement of Terminal 1, which is over 50 years old, with a more modern, comfortable, and efficient terminal facility. The new terminal will have 30 gates (11 more gates than the existing Terminal 1) and be able to accommodate both narrow-body and wide-body aircraft. The new Terminal 1 will be served by a dual-level curbside, a new close-in parking structure (approximately 5,200 parking spaces), and new entry and circulation roadways. Other components that are part of the New T1 include a new Airport Authority administration building and multiple airfield improvements, such as a new apron area for the new terminal, a new Taxiway A, relocation of Taxiway B and reconfigured remain-overnight aircraft parking positions.

The total cost of the New T1 is currently estimated by the Airport Authority to be approximately $3.464 billion. The Airport Authority expects to finance the costs of the New T1 from various sources including, but not limited to, the proceeds of the Subordinate Series 2021A Bonds, the Subordinate Series 2021B Bonds, the Subordinate Series 2019 Bonds, Additional Senior Bonds and/or Additional Subordinate Obligations, federal grants, PFCs and Airport Authority funds. The New T1 is being procured through the use of "design-build" and "design-bid-build" delivery methods. The terminal and roadway components of the New T1 will be designed and built by Turner-Flatiron, A Joint Venture; the airside improvement components of the New T1 were designed by Jacobs and will be built by Griffith Company; and the administration building component of the New T1 will be designed and built by Sundt Construction, Inc. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS," "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Plan of Finance

The Subordinate Series 2021 Bonds are being issued to (a) pay and/or reimburse the Airport Authority for certain capital improvements at SDIA associated with the New T1, (b) refund and defease the Refunded Senior Series 2013 Bonds (as defined herein) to realize debt service savings, (c) fund a portion of the interest accruing on the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds, (d) make a deposit to the Subordinate Reserve Fund (as defined herein), and (e) pay the costs of issuance of the Subordinate Series 2021 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" and "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT."

Subordinate Series 2021 Bonds and Pledge of Subordinate Net Revenues

The Subordinate Series 2021 Bonds are being issued pursuant to the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended (the "Master Subordinate Indenture"), by and between the Airport Authority and U.S. Bank National Association, as successor trustee (the "Subordinate Trustee"), and the Ninth Supplemental Subordinate Trust Indenture, to be dated as of December 1, 2021 (the "Ninth Supplemental Subordinate Indenture," and collectively with the Master Subordinate Indenture, and all supplements thereto, the "Subordinate Indenture"), by and between the Airport Authority and the Subordinate Trustee; the Act; and certain other provisions of California State law (including Section 53580 *et seq*. of the California Government Code). The board of directors of the Airport Authority (the "Board") authorized the issuance of the Subordinate Series 2021 Bonds pursuant to a resolution adopted by the Board on November 4, 2021 (the "Resolution"). See "DESCRIPTION OF THE SUBORDINATE SERIES 2021 BONDS."

The Subordinate Series 2021 Bonds are secured by a pledge of and first lien on Subordinate Net Revenues (as defined herein) on a parity with the Existing Subordinate Obligations (as defined herein), and any additional bonds or obligations issued or incurred on a parity with the Subordinate Series 2021 Bonds under the terms and provisions of the Master Subordinate Indenture (the "Additional Subordinate Obligations"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS—Flow of Funds," "—Pledge of Subordinate Net Revenues" and "—Use of PFCs to Pay Debt Service" and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE."

The Subordinate Series 2021 Bonds are special obligations of the Airport Authority, payable solely from and secured by a pledge of (a) "Subordinate Net Revenues," which include Revenues (as defined herein), less all amounts which are required to be used to pay the Operation and Maintenance

Expenses of the Airport System (as defined herein), less the debt service on the Senior Bonds (as defined herein), if any are outstanding, and less the reserve and replenishment requirements on and relating to the Senior Bonds, if any, and (b) certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2021 Bonds, and neither the full faith and credit nor the taxing power of the Airport Authority, the City of San Diego (the "City"), the County, the State of California (the "State") or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Subordinate Series 2021 Bonds.

Outstanding Subordinate Obligations

Pursuant to the Subordinate Indenture, the Airport Authority previously issued, and as of November 1, 2021, there was $957,935,000 aggregate principal amount outstanding of its Subordinate Airport Revenue Bonds, Series 2017A (Non-AMT) (the "Subordinate Series 2017A Bonds"), Subordinate Airport Revenue Bonds, Series 2017B (AMT) (the "Subordinate Series 2017B Bonds," and together with the Subordinate Series 2017A Bonds, the "Subordinate Series 2017 Bonds"), Subordinate Airport Revenue and Revenue Refunding Bonds, Series 2019A (Governmental/Non-AMT) (the "Subordinate Series 2019A Bonds"), Subordinate Airport Revenue Bonds, Series 2019B (Private Activity/AMT) (the "Subordinate Series 2019B Bonds," and together with the Subordinate Series 2019A Bonds, the "Subordinate Series 2019 Bonds"), Subordinate Airport Revenue Refunding Bonds, Series 2020A (Governmental/Non-AMT) (the "Subordinate Series 2020A Bonds"), Subordinate Airport Revenue Refunding Bonds, Series 2020B (Private Activity/Non-AMT) (the "Subordinate Series 2020B Bonds"), and Subordinate Airport Revenue Refunding Bonds, Series 2020C (Private Activity/AMT) (the "Subordinate Series 2020C Bonds," and collectively with the Subordinate Series 2020A Bonds and the Subordinate Series 2020B Bonds, the "Subordinate Series 2020 Bonds"). The Subordinate Series 2017 Bonds, the Subordinate Series 2019 Bonds and the Subordinate Series 2020 Bonds are collectively referred to in this Official Statement as the "Existing Subordinate Bonds."

Pursuant to the Master Subordinate Indenture, the Eighth Supplemental Subordinate Trust Indenture, dated as of July 1, 2021 (the "Eighth Supplemental Subordinate Indenture"), by and between the Airport Authority and the Subordinate Trustee, and the Revolving Credit Agreement, dated as of July 19, 2021 (the "Subordinate Credit Agreement"), by and between the Airport Authority and Bank of America, N.A. (the "Subordinate Revolving Obligations Bank"), the Airport Authority is authorized to issue and have outstanding, from time to time, up to $200,000,000 in aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Revolving Obligations (collectively, the "Subordinate Revolving Obligations"). As of November 1, 2021, the Airport Authority had $80,100,000 aggregate principal amount of Subordinate Revolving Obligations outstanding.

The Existing Subordinate Bonds and the Subordinate Revolving Obligations are collectively referred to in this Official Statement as the "Existing Subordinate Obligations"; and the Subordinate Series 2021 Bonds, the Existing Subordinate Obligations and any Additional Subordinate Obligations are collectively referred to in this Official Statement as "Subordinate Obligations." The Subordinate Obligations are secured by a pledge of Subordinate Net Revenues and certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS—Flow of Funds," and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Outstanding Subordinate Obligations."

Senior Bonds

Pursuant to the Master Trust Indenture, dated as of November 1, 2005, as amended (the "Master Senior Indenture"), by and between the Airport Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Senior Trustee"), and the Third Supplemental Trust Indenture, dated as of January 1, 2013 (the "Third Supplemental Senior Indenture," and collectively with the Master Senior Indenture and all supplements thereto, the "Senior Indenture"), by and between the Airport Authority and the Senior Trustee, the Airport Authority has previously issued and, as of November 1, 2021, there was outstanding $352,510,000 aggregate principal amount of its Senior Airport Revenue Bonds, Series 2013A (the "Senior Series 2013A Bonds"), and Senior Airport Revenue Bonds, Series 2013B (the "Senior Series 2013B Bonds," and together with the Senior Series 2013A Bonds, the "Senior Series 2013 Bonds"). A portion of the proceeds of the Subordinate Series 2021C Bonds, along with certain other available moneys, will be used to refund and defease all of the Senior Series 2013 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS—Refunding of the Refunded Senior Series 2013 Bonds."

The Senior Series 2013 Bonds are secured by a pledge of and first lien on Net Revenues senior to the Subordinate Obligations (including the Subordinate Series 2021 Bonds). "Net Revenues" include Revenues less Operation and Maintenance Expenses of the Airport System. For purposes of this Official Statement, "Senior Bonds" means the Senior Series 2013 Bonds and any additional bonds or obligations issued or incurred under the terms and provisions of the Master Senior Indenture that are secured on a parity basis by the Net Revenues (the "Additional Senior Bonds"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS" and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Outstanding Senior Bonds."

Upon the issuance of the Subordinate Series 2021C Bonds and the refunding and defeasance of the Senior Series 2013 Bonds as described under "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS—Refunding of the Refunded Senior Series 2013 Bonds," there will be no Senior Bonds outstanding. Following the issuance of the Subordinate Series 2021 Bonds and the refunding and defeasance of the Senior Series 2013 Bonds, the Airport Authority will continue to have the authority to issue Additional Senior Bonds. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Capital Program" for a discussion of the Airport Authority's plans to issue Additional Senior Bonds and/or Additional Subordinate Obligations to fund additional costs of the New T1.

Financial Feasibility Report

Included as Appendix A to this Official Statement is a Financial Feasibility Report dated November 5, 2021 (the "Financial Feasibility Report"), prepared by Unison Consulting, Inc. (the "Feasibility Consultant"), in conjunction with the issuance of the Subordinate Series 2021 Bonds. The Financial Feasibility Report includes, among other things, a description of the underlying economic base of SDIA's air service area; a description of historical air traffic activity at SDIA; the Feasibility Consultant's projections for air traffic activity at SDIA through Fiscal Year 2027 and a description of the assumptions on which such projections were based; a description of existing and planned facilities at SDIA, including the New T1; and the Feasibility Consultant's projections of debt service (including the assumption that all of the Senior Series 2013 Bonds are refunded with proceeds of the Subordinate Series 2021C Bonds), debt service coverage, expenses and revenues through Fiscal Year 2027 and a description of the assumptions upon which such projections were based. Inevitably, some assumptions used to develop the projections in the Financial Feasibility Report will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material. The projections contained in the Financial Feasibility Report are not necessarily indicative of future performance, and neither the Feasibility Consultant nor the Airport Authority assume any responsibility for the failure to meet such projections. The Financial Feasibility Report is an integral part of this Official Statement and should be read in its entirety. *The Financial Feasibility Report has not been revised subsequent to its date of publication (November 5, 2021) to reflect the final terms of the Subordinate Series 2021 Bonds, including with respect to the Authority's decision to issue the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds in excess of the principal amounts assumed in the Financial Feasibility Report.* "FINANCIAL FEASIBILITY REPORT," and "CERTAIN INVESTMENT CONSIDERATIONS—Financial Feasibility Report" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Continuing Disclosure

The Airport Authority will covenant for the benefit of the owners and beneficial owners of the Subordinate Series 2021 Bonds to annually provide, or cause to be provided, certain financial information and operating data concerning the Airport Authority and the Airport System, and to provide, or cause to be provided, notices of certain enumerated events to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System (the "EMMA System") or any successor method designated by the MSRB, pursuant to the requirements of Rule 15c2-12 of the Securities Exchange Commission. See "CONTINUING DISCLOSURE," "APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Investment Considerations

The purchase and ownership of the Subordinate Series 2021 Bonds involve investment risks. Prospective purchasers of the Subordinate Series 2021 Bonds should read this Official Statement in its entirety. For a discussion of certain risks relating to the Subordinate Series 2021 Bonds, see "IMPACT OF COVID-19 PANDEMIC ON SAN DIEGO INTERNATIONAL AIRPORT" and "CERTAIN INVESTMENT CONSIDERATIONS."

Forward-Looking Statements

The statements contained in this Official Statement that are not purely historical, are forward-looking statements, including statements regarding the Airport Authority's expectations, hopes, intentions or strategies regarding the future. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "forecast," "will likely result," "are expected to," "will continue," "is anticipated," "intend" or other similar words. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Airport Authority on the date hereof, and the Airport Authority assumes no obligation to update any such forward-looking statements. It is important to note that the Airport Authority's actual financial and operating results likely will differ, and could differ materially, from those in such forward-looking statements.

The forward-looking statements herein are based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including airlines, customers, suppliers and competitors, among others, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Airport Authority. Any such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Additional Information

Brief descriptions of the Subordinate Series 2021 Bonds, the Senior Indenture, the Subordinate Indenture, the Airline Lease Agreements (as defined herein) and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, laws, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, law, report or other instrument. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Airport Authority since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Airport Authority and the purchasers or owners of any of the Subordinate Series 2021 Bonds. The Airport Authority maintains a website, the information on which is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Subordinate Series 2021 Bonds. Additionally, any information on any websites referred to in this Official Statement is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Subordinate Series 2021 Bonds.

IMPACT OF COVID-19 PANDEMIC ON SAN DIEGO INTERNATIONAL AIRPORT

General

The worldwide outbreak of COVID-19 that began at the end of 2019 and continues as of the date of this Official Statement has caused significant disruptions to domestic and international air travel, including both passenger and cargo operations, as well as the conduct of day-to-day business in the United States and internationally. The COVID-19 pandemic and the related restrictions have had, and continue to have, an adverse effect on both international and domestic travel and travel-related industries, including airlines, concessionaires and rental car companies serving the Airport. Passenger airlines have experienced a significant downturn in demand, causing the cancellation of numerous flights and a dramatic reduction in network capacity. Currently, this reduction in demand and capacity is expected to continue in the near term, although with modest incremental improvement. Retail, food and other service concessionaires located in terminal facilities at the Airport have reported significant declines in sales and, at the beginning of the pandemic, the majority of the locations were temporarily closed as the result of reduced passenger levels. In addition, the reduction in air travel has had an adverse effect on parking, ground transportation companies and rental car activity and, consequently, the revenues of the Airport Authority.

In 2020, the World Health Organization characterized COVID-19 as a pandemic. In response to the COVID-19 pandemic, the U.S. government and governments of other countries closed borders to non-essential travel and issued other travel restrictions and warnings. The President of the United States issued the Coronavirus Guidelines for America, calling upon Americans to take actions to slow the spread of COVID-19 in the United States, including, among other things, avoiding discretionary travel. Various state and local governments and agencies and others imposed restrictions on travel, and restricted public gatherings and large group events, ordered residents to stay at home, promoted or required working from home, and ordered closure of schools, restaurants, bars, and other public venues.

Many of the restrictions that were put in place in 2020 have been subsequently terminated or modified.

On January 21, 2021, President Biden signed an executive order promoting COVID-19 safety in domestic and international travel. This order, which was recently renewed, instructs various federal officials, including the Secretary of Transportation and the Administrator of the FAA, to require that masks be worn in or on airports, commercial aircraft, trains, public maritime vessels, and intercity bus services in compliance with Centers for Disease Control and Prevention ("CDC"). The Transportation Security Administration ("TSA") is authorized to fine individuals who refuse to wear masks, which fines may range between $250 to $1,500. On October 25, 2021, President Biden signed the "Presidential Proclamation to Advance the Safe Resumption of Global Travel During the COVID-19 Pandemic," which states that starting on November 8, 2021, non-citizen, non-immigrant air travelers to the United States will be required to be fully vaccinated and to provide proof of COVID-19 vaccination status prior to boarding an airplane to fly to the U.S., with only limited exceptions (i.e., children under 18, people medically unable to receive the vaccine, and emergency travelers who do not have timely access to a vaccine), and provide proof of a negative COVID-19 test three days before their flight. The updated travel guidelines also include new protocols around testing. U.S. citizens and Legal Permanent Residents ("LPRs") who are eligible to travel, but are not fully vaccinated will need to provide proof of a negative COVID-19 test one day before their flight's departure. U.S citizens and LPRs who are fully vaccinated will need to present airlines with proof of vaccination and of a negative COVID-19 test three days before their flight.

The Food and Drug Administration ("FDA") has authorized the use in the United States of three COVID-19 vaccines: the Pfizer Vaccine, made by Pfizer Inc. and BioNTech (the "Pfizer Vaccine"), the Moderna Vaccine made by ModernaTX, Inc. (the "Moderna Vaccine"), and the Janssen vaccine made by Janssen Biotech Inc., a Janssen Pharmaceutical Company of Johnson & Johnson (the "Johnson & Johnson Vaccine" and, together with the Pfizer Vaccine and Moderna Vaccine, the "COVID-19 Vaccines"). All persons age twelve and older are eligible in every U.S. state to receive one of the COVID-19 Vaccines. On October 29, 2021, the FDA approved use of a "child-size" dose of the Pfizer Vaccine for children 5 through 11. Persons twelve and older that have received two doses of either the Pfizer or Moderna Vaccine or one dose of the Johnson & Johnson Vaccine, or persons 5 through 11 that receive the one shot of Pfizer Vaccine, are considered by the CDC to be fully vaccinated. Additionally, on September 22, 2021, the FDA approved single dose booster shots of the Pfizer Vaccine for certain at risk groups, including, individuals 65 and older, individuals 18 through 64 at high risk of severe COVID-19, and individuals 18 through 64 whose frequent institutional or occupational exposure to CODIV-19 puts them at high risk of serious complications of COVID-19. Additionally, the CDC has recommended that people who received the Johnson & Johnson Vaccine should receive a booster shot within two months of their original shot. As of November 2, 2021, approximately 62% of the State's population (approximately 39 million residents) were fully vaccinated and approximately 67% of San Diego County's vaccine eligible population were fully vaccinated.

As of June 15, 2021 the Governor of California (the "Governor") terminated certain pandemic related executive orders including the stay at home order and eliminated the requirements for physical distancing and capacity limits for most businesses. The Governor also eliminated the county tier system, which had placed restrictions on each county depending on the county's test positivity and adjusted case rate. The State does not require fully vaccinated individuals to wear masks except on public transit and in transportation hubs (including on airplanes and in airports, respectively); youth settings such as schools and childcare; healthcare settings; and congregant environments such as correctional facilities and homeless shelters. Masks continue to be required for unvaccinated persons in all indoor public settings and recommended for everyone. Vaccine verification and/or negative testing is required for indoor "mega events" and recommended for outdoor mega events. Subject to these restrictions, the State has fully reopened California's economy. Even without government mandate, many California businesses including certain bars, restaurants and gyms have adopted "vaccination proof for entry" policies.

San Diego County is following the State of California Department of Public Health guidance that recommends everyone wear a face covering in indoor public settings, for both vaccinated and unvaccinated people. San Diego County also still requires face coverings for individuals using public transit such as buses, trains, airplanes, ferries, taxis and ride services, and in the areas that serve those, such as airports, transit stations, etc.; indoors in K-12 schools, childcare and other youth settings; adult and senior care facilities; healthcare settings, including long-term care facilities; detention facilities; and homeless shelters, emergency shelters and cooling centers.

In response to the "delta" variant of COVID-19, in July 2021, the CDC added a recommendation for fully vaccinated people to wear a mask in public indoor settings in areas of the United States categorized as areas of substantial or high transmission by the CDC. The CDC also recommends universal indoor masking for all teachers, staff, students, and visitors to schools, regardless of vaccination status.

The widespread distribution of effective vaccines is expected to have a positive impact on demand for domestic and international air travel. The length of the pandemic itself will likely depend on the effectiveness of the COVID-19 Vaccine roll-outs in the United States and abroad (where certain other vaccines have also become available) and the vaccines' ability to protect against new variants of the virus, a number of which have already been identified. The Airport Authority cannot predict the ultimate impact of the COVID-19 Vaccines and other vaccines on domestic or international air travel. The longer the COVID-19 pandemic persists, the greater its ultimate effect on the Airport and airline industry is likely to be.

Enplanements

Beginning in March 2020, as a result of the impact of the COVID-19 pandemic, enplanements at the Airport decreased significantly. However, beginning in March 2021, enplanements at the Airport began to slowly recover, although enplanements are still not back to the levels from Fiscal Year 2019. The following table shows monthly enplanements at the Airport for calendar years 2019, 2020 and 2021.

TABLE 1
San Diego County Regional Airport Authority
Monthly Enplanements
Calendar Years 2019, 2020 and 2021

Month	Calendar Year 2019	Calendar Year 2020	2020 as a Percent of 2019	Calendar Year 2021	2021 as a Percent of 2019
January	895,859	953,280	106.4%	244,572	27.3%
February	847,912	899,877	106.1	248,128	29.3
March	1,056,861	486,659	46.0	436,193	41.3
April	1,052,524	36,839	3.5	529,012	50.3
May	1,070,628	95,386	8.9	651,279	60.8
June	1,147,974	210,238	18.3	804,398	70.1
July	1,210,061	305,716	25.3	903,768	74.7
August	1,174,905	333,490	28.4	859,559	73.2
September	1,034,475	311,244	30.1	754,974	73.0
October	1,070,451	348,206	32.5		
November	1,003,157	341,782	34.1		
December	1,060,131	306,911	29.0		
Total	12,624,938	4,629,628	36.7%		

Source: San Diego County Regional Airport Authority

Financial Condition and Liquidity

General. The Airport Authority's revenues depend on aviation activity and passenger traffic at the Airport, and the financial health of the airlines, concessionaires and rental car companies serving the Airport and the airline and travel industries as a whole. Beginning in March 2020, the Airport Authority experienced a significant decrease in airline and non-airline revenues as a result of the COVID-19 pandemic. With the approval of the COVID-19 Vaccines in late 2020 and early 2021, airline and non-airline revenues began to slowly improve.

Airport Authority Responses. In response to the COVID-19 pandemic, beginning in March 2020, the Airport Authority implemented its Financial Resilience Plan, which included the following actions, among others (some of which have ended):

(i) the Airport Authority instituted a hiring freeze on all Airport Authority positions and the CEO's approval was required for all new hires; as of September 2021, due to increased enplanements, the Airport Authority's recruitment of vacant positions included in the Airport Authority's Fiscal Year 2022 budget no longer require CEO approval and can be approved by the Vice Presidents of the Airport Authority;

(ii) Capital Program – the Airport Authority initially delayed or reduced in scope or phased in at a slower spend rate approximately $229 million of capital projects (except the New T1) and non-mission critical project spending. As of October 2021, the Airport Authority had (1) reinstated approximately $139 million of these projects into the Capital Program to address safety issues and regulations or to begin early planning and design efforts, (2) cancelled or reduced in scope $12 million of these projects, and (3) continued to keep on hold approximately $78 million of projects in the Capital Program; and

(iii) the Airport Authority delayed or reduced non-essential expenditures (i.e., travel, training, shuttle services, consulting services, certain major maintenance, equipment, supplies, marketing and landscaping). The Airport Authority continues to closely monitor expenses for additional savings and restrict expenses to essential work only.

In addition to the Financial Resilience Plan, with respect to the physical assets of the Airport, the Airport Authority has been taking the following steps: (i) the Airport Authority's 24-hour contract janitorial provider has placed additional emphasis on cleaning and disinfecting high touch point areas and electrostatic spraying of public and tenant spaces, including but not limited to elevators and escalators, recycling and waste stations, kiosks and touchscreens, charging stations, seating areas, and handrails; and (ii) rental car shuttles are regularly cleaned and sanitized twice daily by shuttle management staff and parking lot touchpoints and elevators are cleaned by parking management personnel.

Temporary Relief Programs Provided to Airlines, Concessionaires and Rental Car Companies. Since the beginning of the COVID-19 pandemic, the Airport Authority received numerous requests from the airlines, the concessionaires and the rental car companies operating at the Airport for rate relief and the Airport Authority provided the airlines, the concessionaires and the rental car companies operating at the Airport certain relief as described below.

The Airport Authority provided the following relief to the airlines beginning in May 2020:

- Three months of revenue deferrals and approximately $38 million of CARES Act (as defined below) funding used to offset Airline rates, fees, and charges (such deferrals and offsets were included in the final Fiscal Year 2020 airline rates and charges settlement in November 2020)

- Twenty-Eight months (ending on June 30, 2022) of deferrals of contributions to the Major Maintenance Fund, totaling $70 million (such deferrals will be repaid by the airlines over the remaining term of the Airline Lease Agreement (through June 30, 2029), beginning in Fiscal Year 2023). See "AGREEMENTS FOR THE USE OF THE AIRPORT FACILITIES—Agreements with Passenger Airlines and All-Cargo Carriers—Airline Lease Agreements" for additional information with respect to an amendment to the Airline Lease Agreement in connection with the funding of the Major Maintenance Fund.

The Airport Authority provided the following relief to the concessionaires and passenger services beginning in May 2020:

- Twenty-one months (ending on December 31, 2021) of waivers totaling approximately $28.9 million, which includes waivers for:
    - Minimum Annual Guarantees
    - Cost Recovery (Receiving and Distribution, Pest Control, Grease Traps, Hood Cleaning, Common Area Maintenance). The waivers range from 50% to 100%
    - Marketing Fees

The Airport Authority provided the following relief to the rental car companies beginning in May 2020 (which waivers have now ended):

- Fifteen months of waivers totaling approximately $19.7 million, which included waivers for:
    - Minimum Annual Guarantees
    - Small Market Operator Tenant Improvements

The Airport Authority provided the following relief to the inflight services beginning in October 2020:

- Eighteen months (ending on March 31, 2022) of waivers of the Minimum Annual Guarantees totaling approximately $0.7 million

In December 2020, the Airport Authority provided the following relief to certain international air carriers:

- Waiver of 10% joint use fees and exclusive use rent due to certain Presidential Proclamations that prohibited, and continue to prohibit, the entry of foreign nationals into the United States because of the COVID-19 pandemic. As of August 2021, the Airport Authority had waived approximately $500,000 in joint use fees and exclusive use rent for qualifying air carriers operating international flights to or from areas affected by the prohibited entry of foreign nationals. As a result of the "Presidential Proclamation to Advance the Safe Resumption of Global Travel During the COVID-19 Pandemic" signed by President Biden on October 25, 2021 (as described above), these waivers will end on November 8, 2021.

Federal Aid Related to COVID-19. The United States government took legislative and regulatory actions and implemented measures to mitigate the broad disruptive effects of the COVID-19 pandemic.

The first legislative action taken by the United States government was the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), approved by the United States Congress and signed by the President on March 27, 2020. The CARES Act includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Airport Authority was awarded $91,221,895 in CARES Act grants (the "CARES Act Funds"), not including additional amounts (estimated to be at least $3 million) representing the increase in the federal share for federal fiscal year 2020 AIP grants. The Airport Authority drew approximately $36.9 million of the CARES Act Funds in Fiscal Year 2020 and drew the remaining $54.3 million of the CARES Act Funds in Fiscal Year 2021. In Fiscal Year 2020, the Airport Authority used approximately $20.8 million of the CARES Act Funds to make debt service payments and approximately $16.1 million of the CARES Act Funds to fund Operation and Maintenance Expenses. In Fiscal Year 2021, the Airport Authority used approximately $26.0 million of the CARES Act Funds to make debt service payments and approximately $28.3 million of the CARES Act Funds to fund Operation and Maintenance Expenses.

The Coronavirus Response and Relief Supplemental Appropriations Act (the "CRRSAA"), which became law on December 27, 2020, provides additional direct aid for airports. This includes a total of $1.75 billion in federal funding for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at airports (including capital improvements related to combating the spread of pathogens), and debt service payments, and a total of $200 million for airports to provide relief from rent and minimum annual guarantees to on-airport car rental, on-airport parking, and in-terminal airport concessions located at "primary" airports, such as SDIA. The funding for concessions relief is to be distributed based on the eligible concession's proportionate share of total rent for all eligible concessions, with prioritization given to minority-owned businesses. In February 2021, the FAA announced that the Airport Authority was eligible to receive up to $22,892,379 of Airport Coronavirus Response Grant Program funds pursuant to CRRSAA (the "CRRSAA Funds"). In September 2021, the FAA announced that the Airport Authority would receive an additional $18,254 of CRRSAA Funds, bringing the Airport Authority's total CRRSAA Funds to $22,910,633. The CRRSAA Funds may be drawn from the FAA on a reimbursement basis for eligible expenditures as described above. The CRRSAA Funds may also be used to reimburse airports for rent and minimum annual guarantee relief programs for concessions as described above, and the Airport Authority may retain up to two percent of the allocation amount for relief program administration costs. Of the total $22.9 million in CRRSAA Funds which the Airport Authority is eligible to receive, $20.2 million must be used for operational relief and $2.7 million for concessions relief. As of the date of this Official Statement, the Airport Authority has drawn and received all $22.9 million of its eligible CRRSAA Funds from the FAA. In Fiscal Year 2021, the Airport Authority used approximately $20.2 million of the CRRSAA Funds to pay Operation and Maintenance Expenses and $2.7 million for concession relief. The Airport Authority complied with all requirements of the Airport Coronavirus Response Grant Program, including continued employment of at least 90.0% of the Airport Authority's workforce from March 27, 2020 to February 15, 2021.

The American Rescue Plan Act ("ARPA"), which became law on March 11, 2021, provides additional direct aid for airports. In June 2021, the FAA announced $8 billion in Airport Rescue Grants under ARPA to keep U.S. airport workers employed and construction projects going and to help U.S. airports recover from the impacts of the COVID-19 pandemic. The FAA announced that the Airport Authority is eligible to receive $89,626,429 in American Rescue Grants pursuant to ARPA (the "ARPA

Funds," and collective with the CARES Act Funds and the CRRSAA Funds, the "COVID-19 Federal Relief Funds"). Closely paralleling the structure and requirements of the Airport Coronavirus Response Grant Program, the ARPA Funds may be drawn from the FAA on a reimbursement basis for eligible expenditures, such as costs for operations, personnel, cleaning, sanitization, combating the spread of pathogens at airports (including capital improvements related to combating the spread of pathogens) and debt service payments. The ARPA Funds also allow for the reimbursement to airports of rent relief programs targeted to in-terminal airport concessions. Unlike CRRSAA, on-airport car rental and parking concessionaires are not eligible for rent relief under ARPA; provided that, per the FAA, an on-airport car rental concessionaire may be eligible for rent relief under ARPA if it has a service desk located within the terminal. Furthermore, ARPA does not provide for the reimbursement of administrative expenses for providing relief to airport concessionaires, though such expenses are eligible for reimbursement under CRRSAA. Of the total $89.6 million in ARPA Funds for which the Airport Authority is eligible to receive, $78.8 million must be used for operational relief and $10.8 million for concessions relief. As of the date of this Official Statement, the Airport Authority has requested approximately $47.1 million of its eligible ARPA Funds from the FAA and received approximately $26.0 million. The Airport Authority complied with all requirements of the ARPA, including retaining at least 90.0% of the Airport Authority's workforce from March 27, 2020 to September 30, 2021.

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The following table sets forth the total amount of COVID-19 Federal Relief Funds the Airport Authority has been awarded and the actual and expected application by the Airport Authority of such funds.

TABLE 2
San Diego County Regional Airport Authority
Federal Aid Related to the COVID-19 Pandemic

	CARES Act Funds	CRRSAA Funds	ARPA Funds	Total
Total Award	$91,221,895	$22,910,633	$89,626,429	$203,758,957
Uses				
Fiscal Year 2020				
O&M Expenses	$16,080,061	$ –	$ –	$16,080,061
Debt Service	20,815,428	–	–	20,815,428
Total	$36,895,489	$ –	$ –	$36,895,489
Fiscal Year 2021				
O&M Expenses	$28,326,406	$20,201,613	$ –	$48,528,019
Debt Service	26,000,000	–	–	26,000,000
Concessions	–	2,709,020	–	2,709,000
Total	$54,326,406	$22,910,633	$ –	$77,237,039
Fiscal Year 2022				
O&M Expenses	$–	$–	$60,390,418	$60,390,418
Debt Service	–	–	18,400,000	18,400,000
Concessions	–	–	10,836,011 [1]	10,836,011 [1]
Total	$–	$–	$89,626,429	$89,626,429

[1] The FAA allocated $10,836,011 of ARPA Funds related to concessions to the Airport Authority, but as of the date of this Official Statement, such amount has not been officially awarded to the Airport Authority.
Source: San Diego County Regional Airport Authority

The Airport Authority continues to evaluate and seek other available sources of State and federal aid as they become available.

***Estimated Financial Results for Fiscal Year 2021; Liquidity and Available Funds for Operations and Debt Service*.**

Estimated Financial Results for Fiscal Year 2021. Although each of the actions listed under the captions "*Airport Authority Responses*" and "*Temporary Relief Programs Provided to Airlines, Concessionaires and Rental Car Companies*" above were appropriate under the circumstances, some of them will have a significant impact on the Airport Authority's financial performance in Fiscal Year 2021. Total operating revenues for Fiscal Year 2021 are estimated to be approximately $215.9 million, which is approximately $30.2 million below the Airport Authority's Fiscal Year 2021 budget (the "Fiscal Year 2021 Budget"). Airline revenues for Fiscal Year 2021 are estimated to be approximately $133.9 million, which is approximately $10.4 million below the Fiscal Year 2021 Budget, and non-airline revenues are estimated to be approximately $82.1 million, which is approximately $19.8 million below the Fiscal Year 2021 Budget. Operating expenses for Fiscal Year 2021, after adjusting for costs savings undertaken by the

Airport Authority in response to the COVID-19 pandemic, are estimated to be approximately $9.9 million below the Fiscal Year 2021 Budget. Passenger Facility Charge ("PFCs) revenue for Fiscal Year 2021 is estimated to be approximately $22.1 million, which is approximately $2.1 million below the Fiscal Year 2021 Budget. Notwithstanding the reduced operating revenues in Fiscal Year 2021, the Airport Authority expects that the combined debt service coverage on its Senior Series 2013 Bonds and its Existing Subordinate Bonds will be approximately 3.17x for Fiscal Year 2021, which includes the use of PFCs and CARES Act Funds to pay a portion of the debt service on the Senior Series 2013 Bonds and the Existing Subordinate Bonds and the use of CARES Act moneys and CRRSAA moneys to pay a portion of the operating expenses. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS—Subordinate Rate Covenant."

Liquidity and Available Funds for Operations and Debt Service on Senior and Subordinate Bonds. As of June 30, 2021, the Airport Authority had the following unrestricted funds and investments on hand that could be used for all operating expenses of the Airport Authority and to pay debt service on the Senior and Subordinate Bonds.

Unrestricted Cash and Investments[1]

Cash and investments	$200,862,213
Cash designated for capital projects	22,494,253
Major Maintenance Fund	24,422,083
Operation and Maintenance Reserve Subaccount	14,245,003
Operation and Maintenance Subaccount	42,735,010
Renewal and Replacement Account	5,400,000
Small Business Bond Guarantee	2,222,300
Investments – long-term portion	121,438,057
Total Unrestricted Cash and Investments	$433,818,919
Discretionary Cash[2]	$371,438,906

[1] Numbers presented in table may differ from information provided in the Airport Authority's audited financial statements.
[2] Excludes Operation and Maintenance Reserve Subaccount, Operation and Maintenance Subaccount, and Renewal and Replacement Account.

As of June 30, 2021, the Airport Authority's "days-cash-on-hand" was 1,065 days, which was calculated using Total Unrestricted Cash and Investments (minus the deposits to the Major Maintenance Fund and minus the Small Business Bond Guarantee) set forth in the table above and the Operation and Maintenance Expenses of the Airport System for Fiscal Year 2021 ($139.6 million).

As of June 30, 2020, the Airport Authority's "days-cash-on-hand" was 1,102 days, which was calculated using Total Unrestricted Cash and Investments of $485.6 million (minus the deposits to the Major Maintenance Fund ($20.5 million) and minus the Small Business Bond Guarantee ($4 million)) and the Operation and Maintenance Expenses of the Airport System for Fiscal Year 2020 ($152.7 million).

Pursuant to the provisions of the Airline Lease Agreements, the Airport Authority has agreed to use any available cash over 600 "days-cash-on-hand" to either (a) reduce the amount of bonds outstanding in a subsequent Fiscal Year or (b) fund future capital projects. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources of Capital Program" and APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF AIRLINE LEASE AGREEMENT."

In addition to the unrestricted funds and investments, the Airport Authority had the following restricted funds and investments on hand (or held by the Senior Trustee and the Subordinate Trustee) as of June 30, 2021:

Restricted Cash and Investments (excluding CFCs)[1]

Passenger Facility Charges	$ 51,233,055
Bond proceeds held by Trustee – Construction	200,334,157
Bond proceeds held by Trustee – Capitalized Interest	61,770,262
Debt Service Funds held by Trustee	6,797,250
Debt Service Reserve Funds held by Trustee – Senior Bonds	34,307,365
Debt Service Reserve Funds held by Trustee – Subordinate Bonds	74,919,850
Total Restricted Cash and Investments	$429,361,939

[1] Numbers presented in table may differ from information provided in the Airport Authority's audited financial statements.

Fiscal Year 2022 Budget

On June 3, 2021, the Board adopted the Airport Authority's Fiscal Year 2022 budget (the "***Fiscal Year 2022 Budget***"). In the process of developing the Fiscal Year 2022 Budget, the Airport Authority engaged in numerous industry discussions regarding the expected impacts the COVID-19 pandemic will have on the aviation industry, including the Airport. The revenues and expenses included in the Fiscal Year 2022 Budget assume that enplanements at the Airport will be approximately 6.3 million in Fiscal Year 2022 (a 29.1% increase over Fiscal Year 2021 enplanements and a 49.2% decrease from Fiscal Year 2019 enplanements). Following are some of the key components of the Fiscal Year 2022 Budget:

- Operating and non-operating revenues are budgeted to be $397.3 million (an increase of $21.2 million or 5.6% compared to the Fiscal Year 2021 Budget)

- Airline revenues are budgeted to be $140.9 million (a decrease of $3.3 million or 2.3% compared to the Fiscal Year 2021 Budget).

- Non-airline revenues are budgeted to be $96.1 million (a decrease of $5.7 million or 5.6% compared to the Fiscal Year 2021 Budget).

- Non-operating revenues are budgeted to be $149.8 million (a net increase of $27.5 million or 22.5% compared to the Fiscal Year 2021 Budget).

- Operating expenses are budgeted to be $167.2 million (an increase of $7.2 million or 4.2% compared to the Fiscal Year 2021 Budget).

PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS

General

Proceeds from the sale of the Subordinate Series 2021 Bonds will be used to (a) pay and/or reimburse the Airport Authority for the costs of certain capital improvements at SDIA associated with the New T1, (b) refund and defease the Refunded Senior Series 2013 Bonds to realize debt service savings, (c) fund a portion of the interest accruing on the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds through July 1, 2025, (d) make a deposit to the Subordinate Reserve Fund, and (e) pay the costs of issuance of the Subordinate Series 2021 Bonds.

Financing of New T1

A portion of the proceeds of the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds will be used to pay and/or reimburse the Airport Authority for costs related to the design, construction, improvement and equipping of the New T1. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Refunding of the Refunded Senior Series 2013 Bonds

A portion of the proceeds of the Subordinate Series 2021C Bonds, along with certain other available moneys of the Airport Authority, will be used to (a) advance refund and defease all of the Senior Series 2013A Bonds described in the following table (the "Refunded Senior Series 2013A Bonds") to realize debt service savings, and (b) advance refund and defease all of the Senior Series 2013B Bonds described in the following table (the "Refunded Senior Series 2013B Bonds," and together with the Refunded Senior Series 2013A Bonds, the "Refunded Senior Series 2013 Bonds") to realize debt service savings.

Series	Maturity Date (July 1)	Principal Amount	CUSIP Number[1]	Payment/ Redemption Date	Redemption Price
2013A	2022	$ 2,420,000	79739GDL7	July 1, 2022	N/A
2013A	2023	2,540,000	79739GDM5	July 1, 2023	N/A
2013A	2024	2,670,000	79739GDN3	July 1, 2023	100%
2013A	2025	2,805,000	79739GDP8	July 1, 2023	100
2013A	2026	2,945,000	79739GDQ6	July 1, 2023	100
2013A	2027	3,090,000	79739GDR4	July 1, 2023	100
2013A	2028	3,210,000	79739GDS2	July 1, 2023	100
2013A	2029	3,340,000	79739GDT0	July 1, 2023	100
2013A	2030	3,475,000	79739GDU7	July 1, 2023	100
2013A	2043	15,000,000	79739GDV5	July 1, 2023	100
2013A	2043	51,455,000	79739GDW3	July 1, 2023	100
2013B	2022	$ 6,305,000	79739GEE2	July 1, 2022	N/A
2013B	2023	6,630,000	79739GEF9	July 1, 2023	N/A
2013B	2024	6,955,000	79739GEG7	July 1, 2023	100%
2013B	2025	7,300,000	79739GEH5	July 1, 2023	100
2013B	2026	7,670,000	79739GEJ1	July 1, 2023	100
2013B	2027	8,055,000	79739GEK8	July 1, 2023	100
2013B	2028	8,455,000	79739GEL6	July 1, 2023	100
2013B	2029	8,870,000	79739GEM4	July 1, 2023	100
2013B	2030	9,325,000	79739GEN2	July 1, 2023	100
2013B	2031	4,070,000	79739GEP7	July 1, 2023	100
2013B	2032	4,585,000	79739GEQ5	July 1, 2023	100
2013B	2033	5,075,000	79739GER3	July 1, 2023	100
2013B	2038	36,645,000	79739GES1	July 1, 2023	100
2013B	2043	139,620,000	79739GET9	July 1, 2023	100

[1] CUSIP number is provided only for the convenience of the reader. Neither the Airport Authority nor the Underwriters undertake any responsibility for the accuracy of such CUSIP number or for any changes or errors in the CUSIP number.

A portion of the proceeds of the Subordinate Series 2021C Bonds, together with certain available moneys of the Airport Authority, will be deposited into separate escrow funds for the Refunded Senior

Series 2013A Bonds and the Refunded Senior Series 2013B Bonds (the "Senior Series 2013A/B Escrow Funds") to be established under the terms of an escrow agreement to be entered into by the Airport Authority and the Senior Trustee, as trustee and escrow agent. Certain amounts deposited into the Senior Series 2013A/B Escrow Funds will be invested in direct, noncallable obligations of the United States Treasury and all remaining amounts deposited into the Senior Series 2013A/B Escrow Funds will be held uninvested in cash. Amounts, including investment earnings, on deposit in the Senior Series 2013A/B Escrow Funds will be used (a) on January 1, 2022 to pay the interest due and payable on the Refunded Senior Series 2013 Bonds, (b) on July 1, 2022 to pay the principal of the Refunded Senior Series 2013 Bonds maturing on July 1, 2022 and the interest due and payable on the Refunded Senior Series 2013 Bonds, (c) on January 1, 2023 to pay the interest due and payable on the Refunded Senior Series 2013 Bonds, and (d) on July 1, 2023 to pay the principal of the Refunded Senior Series 2013 Bonds maturing on July 1, 2023, the redemption price of the Refunded Senior Series 2013 Bonds maturing on and after July 1, 2024 and the interest due and payable on the Refunded Senior Series 2013 Bonds.

Upon delivery of the Subordinate Series 2021C Bonds, Robert Thomas CPA, LLC, the verification agent, will deliver a report stating that it has verified the mathematical accuracy of the computations contained in the schedules provided to them to determine that the amounts to be held in the Senior Series 2013A/B Escrow Funds will be sufficient to pay (a) on January 1, 2022 the interest due and payable on the Refunded Senior Series 2013 Bonds, (b) on July 1, 2022 the principal of the Refunded Senior Series 2013 Bonds maturing on July 1, 2022 and the interest due and payable on the Refunded Senior Series 2013 Bonds, (c) on January 1, 2023 the interest due and payable on the Refunded Senior Series 2013 Bonds, and (d) on July 1, 2023 the principal of the Refunded Senior Series 2013 Bonds maturing on July 1, 2023, the redemption price of the Refunded Senior Series 2013 Bonds maturing on and after July 1, 2024 and the interest due and payable on the Refunded Senior Series 2013 Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Subordinate Series 2021 Bonds:

	Subordinate Series 2021A Bonds	**Subordinate Series 2021B Bonds**	**Subordinate Series 2021C Bonds**	**Total**
Sources				
Principal Amount	$495,315,000.00	$1,089,260,000.00	$357,170,000.00	$1,941,745,000.00
Original Issue Premium	110,345,187.40	222,035,643.25	–	332,380,830.65
Other Available Moneys[1]	–	–	45,249,028.91	45,249,028.91
Total Sources	$605,660,187.40	$1,311,295,643.25	$402,419,028.91	$2,319,374,859.56
Uses				
Deposit to Subordinate Series 2021A/B Construction Funds	$504,648,679.17	$1,067,325,362.17	$ –	$1,571,974,041.34
Deposit to Subordinate Series 2021A/B Capitalized Interest Accounts	70,257,287.22	177,415,052.64	–	247,672,339.86
Deposit to Senior Series 2013A/B Escrow Funds	–	–	384,320,517.18	384,320,517.18
Deposit to Subordinate Reserve Fund	29,265,753.47	63,362,353.71	17,258,603.72	109,886,710.90
Costs of Issuance[2]	1,488,467.54	3,192,874.73	839,908.01	5,521,250.28
Total Uses	$605,660,187.40	$1,311,295,643.25	$402,419,028.91	$2,319,374,859.56

[1] Includes moneys to be released from certain funds and accounts established and maintained for the Senior Series 2013 Bonds.
[2] Includes Underwriters' discount, legal and other costs of issuance.

DESCRIPTION OF THE SUBORDINATE SERIES 2021 BONDS

General

The Subordinate Series 2021 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover pages of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Subordinate Series 2021 Bonds will be dated their date of delivery, and will bear interest from such date, payable semi-annually on January 1 and July 1 of each year (each an "Interest Payment Date"), commencing on July 1, 2022. Interest due and payable on the Subordinate Series 2021 Bonds on any Interest Payment Date will be paid to the registered owner as of the Record Date (Cede & Co., so long as the book-entry system with The Depository Trust Company ("DTC") is in effect). Each Subordinate Series 2021 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Subordinate Series 2021 Bond will bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Subordinate Series 2021 Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is on or before June 15, 2022, in which event such Subordinate Series 2021 Bond will bear interest from its date of delivery. If interest on the Subordinate Series 2021 Bonds is in default, Subordinate Series 2021 Bonds issued in exchange for Subordinate Series 2021 Bonds surrendered for transfer or exchange will bear interest from the Interest Payment Date to which interest has been paid in full on the Subordinate Series 2021 Bonds surrendered.

The Subordinate Series 2021 Bonds will be issued in denominations of $5,000 or integral multiples thereof. The Subordinate Series 2021 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Subordinate Series 2021 Bonds. Individual purchases may be made in book-entry-form only. Purchasers will not receive certificates representing their interest in the Subordinate Series 2021 Bonds purchased. So long as Cede & Co., as a nominee of DTC, is the registered owner of the Subordinate Series 2021 Bonds, references herein to the Holders or registered owners means Cede & Co., and does not mean the Beneficial Owners of the Subordinate Series 2021 Bonds.

So long as Cede & Co. is the registered owner of the Subordinate Series 2021 Bonds, principal of and interest on the Subordinate Series 2021 Bonds will be payable by wire transfer by the Subordinate Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants, for subsequent disbursement to the Beneficial Owners. See "APPENDIX G—BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

Redemption Provisions

Optional Redemption.

Subordinate Series 2021A Bonds. The Subordinate Series 2021A Bonds maturing on or before July 1, 2031 are not subject to optional redemption prior to maturity. The Subordinate Series 2021A Bonds maturing on and after July 1, 2032 are subject to redemption prior to maturity, at the option of the Airport Authority, from any moneys that may be provided for such purpose, in whole or in part, on any date on or after July 1, 2031, at a redemption price equal to 100% of the principal amount of the Subordinate Series 2021A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Subordinate Series 2021B Bonds. The Subordinate Series 2021B Bonds maturing on or before July 1, 2031 are not subject to optional redemption prior to maturity. The Subordinate Series 2021B Bonds maturing on and after July 1, 2032 are subject to redemption prior to maturity, at the option of the Airport Authority, from any moneys that may be provided for such purpose, in whole or in part, on any date on or after July 1, 2031, at a redemption price equal to 100% of the principal amount of the Subordinate Series 2021B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Subordinate Series 2021C Bonds at Par Call (On and After July 1, 2031). On and after July 1, 2031 the Subordinate Series 2021C Bonds are subject to redemption prior to maturity, at the option of the Airport Authority, from any moneys that may be provided for such purpose, in whole or in part, on any date, at a redemption price equal to 100% of the principal amount of the Subordinate Series 2021C Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Subordinate Series 2021C Bonds at Subordinate Series 2021C Make-Whole Redemption Price (Prior to July 1, 2031). Prior to July 1, 2031, the Subordinate Series 2021C Bonds are redeemable at the option of the Airport Authority, in whole or in part at any time, from any moneys that may be provided for such purpose and, at a redemption price equal to the Subordinate Series 2021C Make-Whole Redemption Price (as defined below).

"Subordinate Series 2021C Make-Whole Redemption Price" means the greater of (a) the issue price as shown on the inside front cover pages of this Official Statement relating to the Subordinate Series 2021C Bonds to be redeemed (but not less than 100% of the principal amount of the Subordinate Series 2021C Bonds to be redeemed); or (b) the sum of the present value of the remaining scheduled payments of principal of and interest on the Subordinate Series 2021C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Subordinate Series 2021C Bonds are to be redeemed, discounted to the date on which the Subordinate Series 2021C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus the number of basis points set forth in the table below corresponding to the maturity of the Subordinate Series 2021C Bonds to be redeemed, plus, in each case, accrued and unpaid interest on the Subordinate Series 2021C Bonds to be redeemed on the redemption date.

Maturity Dates of Subordinate Series 2021C Bonds to be Redeemed	**Basis Points for Make-Whole Redemption Calculation**
July 1, 2022 through and including July 1, 2025	+5
July 1, 2030 through and including July 1, 2043	+20

"Treasury Rate" means, with respect to any redemption date for the Subordinate Series 2021C Bonds, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (as defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (as defined below), as calculated by the Designated Investment Banker (as defined below).

"Comparable Treasury Issue" means, with respect to any redemption date for the Subordinate Series 2021C Bonds, the United States Treasury security or securities (excluding inflation indexed securities) selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the Subordinate Series 2021C Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Subordinate Series 2021C Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for the Subordinate Series 2021C Bonds, (a) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (as defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (b) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers (as defined below) appointed by the Airport Authority.

"Reference Treasury Dealer" means each of the four firms, specified by the Airport Authority from time to time, any or all of which may also be an Underwriter for the Series 2021C Bonds, that are primary United States government securities dealers in The City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Airport Authority will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for the Subordinate Series 2021C Bonds, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on a date selected by the Airport Authority that is no less than three Business Days and no more than 45 Business Days preceding such redemption date.

Mandatory Sinking Fund Redemption.

Subordinate Series 2021A Terms Bonds and Subordinate Series 2021B Term Bonds. The Subordinate Series 2021A Bonds maturing on July 1, 2046 and bearing interest at a rate of 5.000% (the "Subordinate Series 2021A Term Bonds (2046-5.000%)") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	**Principal Amount**
2042	$ 5,385,000
2043	5,655,000
2044	10,265,000
2045	10,685,000
2046†	11,120,000

† Final Maturity.

The Subordinate Series 2021A Bonds maturing on July 1, 2046 and bearing interest at a rate of 4.000% (the "Subordinate Series 2021A Term Bonds (2046-4.000%)") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	Principal Amount
2044	$ 9,515,000
2045	9,990,000
2046†	10,495,000

† Final Maturity.

The Subordinate Series 2021A Bonds maturing on July 1, 2051 and bearing interest at a rate of 4.000% (the "Subordinate Series 2021A Term Bonds (2051-4.000%)") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	Principal Amount
2047	$13,000,000
2048	13,000,000
2049	13,000,000
2050	13,000,000
2051†	13,000,000

† Final Maturity.

The Subordinate Series 2021A Bonds maturing on July 1, 2051 and bearing interest at a rate of 5.000% (the "Subordinate Series 2021A Term Bonds (2051-5.000%)") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	Principal Amount
2047	$ 9,590,000
2048	11,180,000
2049	12,260,000
2050	18,040,000
2051†	19,465,000

† Final Maturity.

The Subordinate Series 2021A Bonds maturing on July 1, 2056 and bearing interest at a rate of 5.000% (the "Subordinate Series 2021A Term Bonds (2056-5.000%)") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	Principal Amount
2052	$23,285,000
2053	25,160,000
2054	27,140,000
2055	29,220,000
2056†	31,400,000

† Final Maturity.

The Subordinate Series 2021A Bonds maturing on July 1, 2056 and bearing interest at a rate of 4.000% (the "Subordinate Series 2021A Term Bonds (2056-4.000%)," and collectively with the Subordinate Series 2021A Term Bonds (2046-5.000%), the Subordinate Series 2021A Term Bonds (2046-4.000%), the Subordinate Series 2021A Term Bonds (2051-4.000%), the Subordinate Series 2021A Term Bonds (2051-5.000%) and the Subordinate Series 2021A Term Bonds (2056-5.000%), the "Subordinate Series 2021A Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	Principal Amount
2052	$18,000,000
2053	18,000,000
2054	18,000,000
2055	18,000,000
2056†	18,000,000

† Final Maturity.

The Subordinate Series 2021B Bonds maturing on July 1, 2046 and bearing interest at a rate of 5.000% (the "Subordinate Series 2021B Term Bonds (2046-5.000%)") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	Principal Amount
2042	$ 8,820,000
2043	9,200,000
2044	20,335,000
2045	21,165,000
2046†	22,010,000

† Final Maturity.

The Subordinate Series 2021B Bonds maturing on July 1, 2046 and bearing interest at a rate of 4.000% (the "Subordinate Series 2021B Term Bonds (2046-4.000%)") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	**Principal Amount**
2042	$ 6,340,000
2043	6,655,000
2044	19,670,000
2045	20,650,000
2046†	21,685,000

† Final Maturity.

The Subordinate Series 2021B Bonds maturing on July 1, 2051 and bearing interest at a rate of 4.000% (the "Subordinate Series 2021B Term Bonds (2051-4.000%)") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	**Principal Amount**
2047	$25,000,000
2048	25,000,000
2049	25,000,000
2050	25,000,000
2051†	25,000,000

† Final Maturity.

The Subordinate Series 2021B Bonds maturing on July 1, 2051 and bearing interest at a rate of 5.000% (the "Subordinate Series 2021B Term Bonds (2051-5.000%)") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	**Principal Amount**
2047	$20,655,000
2048	22,695,000
2049	24,830,000
2050	27,070,000
2051†	29,420,000

† Final Maturity.

The Subordinate Series 2021B Bonds maturing on July 1, 2056 and bearing interest at a rate of 5.000% (the "Subordinate Series 2021B Term Bonds (2056-5.000%)") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	**Principal Amount**
2052	$44,930,000
2053	48,455,000
2054	52,160,000
2055	56,045,000
2056†	60,130,000

† Final Maturity.

The Subordinate Series 2021B Bonds maturing on July 1, 2056 and bearing interest at a rate of 4.000% (the "Subordinate Series 2021B Term Bonds (2056-4.000%)," and collectively with the Subordinate Series 2021B Term Bonds (2046-5.000%), the Subordinate Series 2021B Term Bonds (2046-4.000%), the Subordinate Series 2021B Term Bonds (2051-4.000%), the Subordinate Series 2021B Term Bonds (2051-5.000%) and the Subordinate Series 2021B Term Bonds (2056-5.000%), the "Subordinate Series 2021B Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	**Principal Amount**
2052	$32,000,000
2053	32,000,000
2054	32,000,000
2055	32,000,000
2056†	32,000,000

† Final Maturity.

The Subordinate Series 2021A Term Bonds and the Subordinate Series 2021B Term Bonds are collectively referred to herein as the "Subordinate Series 2021A/B Term Bonds." At the option of the Airport Authority, to be exercised by delivery of a written certificate to the Subordinate Trustee on or before the 60th day next preceding any mandatory sinking fund redemption date for the Subordinate Series 2021A/B Term Bonds, it may (a) deliver to the Subordinate Trustee for cancellation Subordinate Series 2021A/B Term Bonds, as applicable, or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Airport Authority or (b) specify a principal amount of Subordinate Series 2021A/B Term Bonds, as applicable, or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Subordinate Trustee at the request of the Airport Authority and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Subordinate Series 2021A/B Term Bond, as applicable, or portion thereof so purchased or otherwise acquired or redeemed and delivered to the Subordinate Trustee for cancellation will be credited by the Subordinate Trustee at 100% of the principal amount thereof against the obligation of the Airport Authority to pay the principal of such applicable Subordinate Series 2021A/B Term Bond on such mandatory sinking fund redemption date.

<u>Subordinate Series 2021C Terms Bonds</u>. The Subordinate Series 2021C Bonds maturing on July 1, 2043 (the "Subordinate Series 2021C Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in part (on a pro-rata pass-through distribution of principal basis in accordance with the procedures described under "Selection of Subordinate Series 2021C Bonds for Redemption; Subordinate

Series 2021C Bonds Redeemed in Part" below), at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 of the following years and in the following principal amounts:

Redemption Date (July 1)	Principal Amount
2037	$11,565,000
2038	12,510,000
2039	13,500,000
2040	14,550,000
2041	61,675,000
2042	63,590,000
2043†	65,560,000

† Final Maturity.

At the option of the Airport Authority, to be exercised by delivery of a written certificate to the Subordinate Trustee on or before the 60th day next preceding any mandatory sinking fund redemption date for the Subordinate Series 2021C Term Bonds, it may (a) deliver to the Subordinate Trustee for cancellation Subordinate Series 2021C Term Bonds or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the Airport Authority or (b) specify a principal amount of Subordinate Series 2021C Term Bonds or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Subordinate Trustee at the request of the Airport Authority and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Subordinate Series 2021C Term Bond or portion thereof so purchased or otherwise acquired or redeemed and delivered to the Subordinate Trustee for cancellation will be credited by the Subordinate Trustee at 100% of the principal amount thereof against the obligation of the Airport Authority to pay the principal of such Subordinate Series 2021C Term Bond on such mandatory sinking fund redemption date. In the event that a portion, but not all of the Subordinate Series 2021C Term Bonds, are so purchased, acquired or optionally redeemed and delivered to the Subordinate Trustee for cancellation, then the principal amount of any remaining mandatory sinking fund redemptions applicable to the Subordinate Series 2021C Term Bonds shall be proportionally reduced (subject to the Subordinate Trustee making such adjustments as it deems necessary to be able to effect future redemptions of the Subordinate Series 2021C Term Bonds in Authorized Denominations).

Notices of Redemption to Holders; Conditional Notice of Optional Redemption. The Subordinate Trustee will give notice of redemption, in the name of the Airport Authority, to Holders affected by redemption (or DTC, so long as the book-entry system with DTC is in effect) at least 30 days but not more than 60 days before each redemption date and send such notice of redemption by first class mail (or with respect to Subordinate Series 2021 Bonds held by DTC via electronic means or by an express delivery service for delivery on the next following Business Day or by such other means as permitted or required by DTC's procedures) to each Holder of a Subordinate Series 2021 Bond to be redeemed; each such notice will be sent to the Holder's registered address.

Each notice of redemption will specify the Series, the issue date, the maturity date, the interest rate and the CUSIP number of each Subordinate Series 2021 Bond to be redeemed, if less than all Subordinate Series 2021 Bonds of a Series, maturity date and interest rate are called for redemption the numbers assigned to the Subordinate Series 2021 Bonds to be redeemed, the principal amount to be redeemed, the date fixed for redemption, the redemption price (or the formula that will be used to calculate the redemption price on the redemption date, provided a supplemental notice of redemption is delivered prior to the redemption date setting forth the actual redemption price), the place or places of payment, the Subordinate Trustee's name, that payment will be made upon presentation and surrender of the Subordinate Series 2021 Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue.

The Airport Authority may provide that, if at the time of mailing of notice of an optional redemption there has not been deposited with the Subordinate Trustee moneys sufficient to redeem all the Subordinate Series 2021 Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Subordinate Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be canceled and on such cancellation date notice will be mailed to the Holders of such Subordinate Series 2021 Bonds called for redemption.

Failure to give any required notice of redemption as to any particular Subordinate Series 2021 Bonds will not affect the validity of the call for redemption of any Subordinate Series 2021 Bonds in respect of which no failure occurs. Any notice sent as provided in the Subordinate Indenture will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Subordinate Series 2021 Bonds called for redemption become due and payable on the date fixed for redemption at the applicable redemption price. In the event that funds are deposited with the Subordinate Trustee sufficient for redemption, interest on the Subordinate Series 2021 Bonds to be redeemed will cease to accrue on and after the date fixed for redemption.

Effect of Redemption. On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Subordinate Indenture and as described above and sufficient moneys for payment of the redemption price being held in trust to pay the redemption price, the Subordinate Series 2021 Bonds called for redemption will become and be due and payable on the redemption date, interest on such Subordinate Series 2021 Bonds will cease to accrue from and after such redemption date, such Subordinate Series 2021 Bonds will cease to be entitled to any lien, benefit or security under the Subordinate Indenture and the Holders of such Subordinate Series 2021 Bonds will have no rights in respect thereof except to receive payment of the redemption price. Subordinate Series 2021 Bonds which have been duly called for redemption and for which moneys for the payment of the redemption price are held in trust for the Holders thereof, all as provided in the Ninth Supplemental Subordinate Indenture, will not be deemed to be Outstanding under the provisions of the Subordinate Indenture.

Selection of Subordinate Series 2021A/B Bonds for Redemption; Subordinate Series 2021A/B Bonds Redeemed in Part. Redemption of the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds will only be in Authorized Denominations. The Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds are subject to redemption in such order of maturity and interest rate within a Series (except mandatory sinking fund payments on the Subordinate Series 2021A Term Bonds and the Subordinate Series 2021B Term Bonds) as the Airport Authority may direct, and by lot within such maturity and interest rate selected in such manner as the Subordinate Trustee (or DTC, as long as DTC is the securities depository for the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds), deems appropriate.

Except as otherwise provided under the procedures of DTC, on or before the 45th day prior to any mandatory sinking fund redemption date, the Subordinate Trustee will proceed to select for redemption (by lot in such manner as the Subordinate Trustee may determine), from the applicable Subordinate Series 2021A Term Bonds or the Subordinate Series 2021B Term Bonds, as applicable, subject to such redemption, an aggregate principal amount of such applicable Subordinate Series 2021A Term Bonds or the Subordinate Series 2021B Term Bonds, as applicable, equal to the amount for such year as set forth in the applicable table under "Mandatory Sinking Fund Redemption" above and will call such Subordinate

Series 2021A Term Bonds or Subordinate Series 2021B Term Bonds, as applicable, or portions thereof (in Authorized Denominations) for redemption and give notice of such call.

Upon surrender of a Subordinate Series 2021A Bond or a Subordinate Series 2021B Bond to be redeemed in part only, the Subordinate Trustee will authenticate for the Bondholder a new Subordinate Series 2021A Bond or Subordinate Series 2021A Bonds or Subordinate Series 2021B Bond or Subordinate Series 2021B Bonds, as applicable, of the same maturity date and interest rate equal in principal amount to the unredeemed portion of the Subordinate Series 2021A Bond or Subordinate Series 2021B Bond, as applicable, surrendered

Selection of Subordinate Series 2021C Bonds for Redemption; Subordinate Series 2021C Bonds Redeemed in Part. Redemption of the Subordinate Series 2021C Bonds will only be in Authorized Denominations. The Subordinate Series 2021C Bonds are subject to redemption in such order of maturity as the Airport Authority may direct (except mandatory sinking fund payments on the Subordinate Series 2021C Term Bonds). If less than all of the Subordinate Series 2021C Bonds of a maturity are redeemed prior to their stated maturity date, the particular Subordinate Series 2021C Bonds to be redeemed will be selected on a pro-rata pass-through distribution of principal basis in accordance with the rules and procedures of DTC. It is the Airport Authority's intent that redemption allocations made by DTC, the Participants or such other intermediaries that may exist between the Airport Authority and the beneficial owners of the Subordinate Series 2021C Bonds will be made on a pro-rata pass-through distribution of principal basis. However, so long as the Subordinate Series 2021C Bonds are Book-Entry Bonds, the selection for redemption of such Subordinate Series 2021C Bonds shall be made in accordance with the operational arrangements of DTC then in effect. Neither the Airport Authority nor the Subordinate Trustee will provide any assurance or shall have any responsibility or obligation to ensure that DTC, the Participants or any other intermediaries allocate redemptions of the Subordinate Series 2021C Bonds among beneficial owners on a pro-rata pass-through distribution of principal basis. If the DTC operational arrangements do not allow for the redemption of the Subordinate Series 2021C Bonds on a pro-rata pass-through distribution of principal basis, the Subordinate Series 2021C Bonds shall be selected for redemption, in accordance with DTC procedures, by lot.

If the Subordinate Series 2021C Bonds are not Book-Entry Bonds and less than all of the Subordinate Series 2021C Bonds of a maturity are to be redeemed, the Subordinate Series 2021C Bonds to be redeemed will be selected by the Subordinate Trustee on a pro-rata pass-through distribution of principal basis among all of the Bondholders of the Subordinate Series 2021C Bonds of that maturity based on the principal amount of Subordinate Series 2021C Bonds of that maturity owned by such Bondholders.

Upon surrender of a Subordinate Series 2021C Bond to be redeemed in part only, the Subordinate Trustee will authenticate for the Bondholder a new Subordinate Series 2021C Bond or Subordinate Series 2021C Bonds of the same maturity date and interest rate equal in principal amount to the unredeemed portion of the Subordinate Series 2021C Bond surrendered.

SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS

Flow of Funds

The application of Revenues of the Airport Authority is governed by the Master Senior Indenture and the Master Subordinate Indenture. Pursuant to the Master Senior Indenture, the Airport Authority covenanted to establish and maintain an account designated as the "Revenue Account" within the Revenue Fund and to deposit all Revenues, when and as received, in the Revenue Account.

"Revenues" are generally defined in the Master Senior Indenture to mean, except to the extent specifically excluded therefrom, all income, receipts, earnings and revenues received by the Airport Authority from the operation and ownership of the Airport System, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to: (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the Airport Authority for the use or availability of the Airport System; and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Airport Authority, including rental or business interruption insurance proceeds received by, held by, accrued to or entitled to be received by the Airport Authority or any successor thereto from the possession, management, charge, superintendence and control of the Airport System and its related facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the Airport Authority receives payments which are attributable to the Airport System or activities or undertakings related thereto. Revenues also include amounts received from tenants representing the principal portion of payments received pursuant to certain self-liquidating lease agreements, all income, receipts and earnings (except any earnings allowed to be pledged by the terms of a supplemental indenture to fund a construction fund) from the investment of amounts held in the Revenue Account, any construction fund, any debt service fund (except Capitalized Interest on deposit therein), any debt service reserve fund and such additional revenues, if any, as are designated as "Revenues" under the terms of a supplemental indenture. Unless otherwise designated as "Revenues" under the terms of a Supplemental Senior Indenture or pursuant to a certificate of the Airport Authority, PFCs, grants and other charges authorized by federal and/or State laws or regulations to be assessed to fund specific programs at the Airport System, Senior Capitalized Interest, Subordinate Capitalized Interest, Customer Facility Charges ("CFCs"), Federal Direct Payments and COVID-19 Federal Relief Funds are specifically excluded from Revenues. The Airport Authority has not designated, pursuant to a Supplemental Senior Indenture or a certificate of the Airport Authority, PFCs, grants and other charges authorized by federal and/or State laws or regulations to be assessed to fund specific programs at the Airport System, Senior Capitalized Interest, Subordinate Capitalized Interest, CFCs, Federal Direct Payments or COVID-19 Federal Relief Funds as Revenues. However, the Airport Authority expects to apply a portion of the PFCs it receives to the payment of debt service on certain Senior Bonds and Subordinate Obligations that are PFC Eligible Bonds (as defined herein) (see "—Use of PFCs to Pay Debt Service" below). Additionally, in Fiscal Years 2020 and 2021, the Airport Authority applied CARES Act Funds to the payment of a portion of the debt service on the Senior Series 2013 Bonds and the Existing Subordinate Obligations, and in Fiscal Year 2022, the Airport Authority has applied and expects to apply, as the case may be, ARPA Funds to the payment of a portion of the debt service on the Senior Series 2013 Bonds and the Existing Subordinate Obligations. Also, although not included in Revenues, the Subordinate Capitalized Interest on deposit in the debt service funds for the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds is subject to a lien on and security interest in favor of the Holders of the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds, respectively.

Pursuant to the Master Senior Indenture, all Revenues will be deposited in the Revenue Account and will be set aside for the payment of the following amounts or deposited or transferred to the following funds and subaccounts in the order listed:

(1) *Operation and Maintenance Subaccount.* On or prior to the 20th day of each month, the Airport Authority will deposit in the Operation and Maintenance Subaccount an amount equal to one-twelfth of the estimated Operation and Maintenance Expenses of the Airport System for the then current Fiscal Year as set forth in the budget of the Airport Authority for such Fiscal Year as finally approved by the Airport Authority. In the event that the balance in the Operation and Maintenance Subaccount at any time is insufficient to make any required payments therefrom, additional amounts at least sufficient to make such payments will immediately be deposited in the Operation and Maintenance Subaccount from the Revenue Account, and such additional amounts will be credited against the next succeeding monthly deposit from the Revenue Account.

(2) *Senior Debt Service Funds*. On or prior to the 15th day of each calendar month, Revenues will be transferred by the Airport Authority to the Senior Trustee for deposit in the debt service funds established in respect of each series of Senior Bonds (the "Senior Debt Service Funds") equal to: (a) 1/6 of the interest coming due on the Senior Bonds on the next interest payment date for the Senior Bonds, provided that at least the full amount required to pay the interest on the Senior Bonds, as it becomes due, will be set aside in the Senior Debt Service Funds by not later than the 15th day of the month prior to the date each installment of interest becomes due, (b) 1/12 of the principal amount of the Senior Bonds maturing on the next principal payment date, provided that at least the full amount required to pay the principal amount of the Senior Bonds, as it becomes due, will be set aside in the Senior Debt Service Funds by not later than the 15th day of the month prior to the date such principal amount becomes due, and (c) 1/12 of the sinking installment payments, if any, with respect to the Senior Bonds subject to mandatory sinking fund redemption (the "Senior Term Bonds") on the next redemption date, provided that at least the full amount required to pay the sinking installment payment, if any, with respect to the Senior Term Bonds will be set aside in the Senior Debt Service Funds by not later than the 15th day of the month prior to the date such sinking installment payment becomes due. Additionally, if provided for in a Supplemental Senior Indenture, regularly scheduled swap payments on a qualified swap may be payable from Net Revenues on a parity basis with the outstanding Senior Bonds.

When all of the Senior Series 2013 Bonds are refunded and defeased as described under "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS—Refunding of the Refunded Senior Series 2013 Bonds," there will be no Senior Bonds outstanding subsequent to the issuance of the Subordinate Series 2021 Bonds, and, therefore, no Revenues will be required to be deposited to any Senior Debt Service Funds until such time as the Airport Authority issues Additional Senior Bonds.

Following the issuance of the Subordinate Series 2021 Bonds and the refunding and defeasance of the Senior Series 2013 Bonds, the Airport Authority will continue to have the authority to issue Additional Senior Bonds. See " DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Capital Program" for a discussion of the Airport Authority's plans to issuance Additional Senior Bonds and/or Additional Subordinate Obligations to fund additional costs of the New T1.

(3) *Senior Debt Service Reserve Funds*. A sufficient amount of Revenues will be transferred by the Airport Authority, without priority and on an equal basis, except as to timing of payment to the Senior Trustee for deposit into the respective Senior Debt Service Reserve Funds established pursuant to the Senior Indenture, if any, at the times and in such amounts as required to be used to pay or replenish such Senior Debt Service Reserve Funds or reimburse a Credit Provider of a Senior Debt Service Reserve Fund Surety Policy.

As of the date of this Official Statement, the Senior Debt Service Reserve Fund for the Senior Series 2013 Bonds is the only Senior Debt Service Reserve Fund established for Senior Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS—Refunding of the Refunded Senior Series 2013 Bonds" for a discussion of the planned refunding and defeasance of all of the Senior Series 2013 Bonds. When all of the Senior Series 2013 Bonds are refunded and defeased as described under "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS—Refunding of the Refunded Senior Series 2013 Bonds," all amounts on deposits in the Senior Debt Service Reserve Fund established for the Senior Series 2013 Bonds will be transferred to the Senior Series 2013A/B Escrow Funds, and subsequent to the issuance of the Subordinate Series 2021 Bonds, no Revenues will be required to be deposited to any Senior Debt Service Reserve Fund until such time as the Airport Authority issues Additional

Senior Bonds supported by a Senior Debt Service Reserve Fund. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Capital Program" for a discussion of the Airport Authority's plans to issuance Additional Senior Bonds and/or Additional Subordinate Obligations to fund additional costs of the New T1.

(4) *Subordinate Obligations Debt Service Funds*. On or prior to the 20th day of each calendar month, Revenues will be transferred by the Airport Authority to the Subordinate Trustee for deposit in the debt service funds established in respect of each series of Subordinate Obligations (the "Subordinate Debt Service Funds") equal to: (a) 1/6 of the interest coming due on the Subordinate Obligations on the next interest payment date for the Subordinate Obligations, provided that at least the full amount required to pay the interest on the Subordinate Obligations, as it becomes due, will be set aside in the Subordinate Debt Service Funds by not later than the 20th day of the month prior to the date each installment of interest becomes due, (b) 1/12 of the principal amount of the Subordinate Obligations maturing on the next principal payment date, provided that at least the full amount required to pay the principal amount of the Subordinate Obligations, as it becomes due, will be set aside in the Subordinate Debt Service Funds by not later than the 20th day of the month prior to the date such principal amount becomes due, and (c) 1/12 of the sinking installment payments, if any, with respect to the Subordinate Obligations subject to mandatory sinking fund redemption (the "Subordinate Term Obligations") on the next redemption date, provided that at least the full amount required to pay the sinking installment payment, if any, with respect to the Subordinate Term Obligations will be set aside in the Subordinate Debt Service Funds by not later than the 20th day of the month prior to the date such sinking installment payment becomes due.

(5) *Subordinate Obligations Debt Service Reserve Funds*. On or prior to the 20th day of each month, upon any deficiency in any Subordinate Debt Service Reserve Fund established by or for the benefit of the Airport Authority in connection with the Subordinate Obligations, the Airport Authority will deposit in such Subordinate Debt Service Reserve Fund an amount equal to: (a) one-twelfth of the aggregate amount of each unreplenished prior withdrawal from such Subordinate Debt Service Reserve Fund; and (b) the full amount of any deficiency in such Subordinate Debt Service Reserve Fund due to any required valuations of the investments in such Subordinate Debt Service Reserve Fund until the balance in such Subordinate Debt Service Reserve Fund is at least equal to the debt service reserve requirement with respect to such Subordinate Obligations. See "—Subordinate Reserve Fund" below.

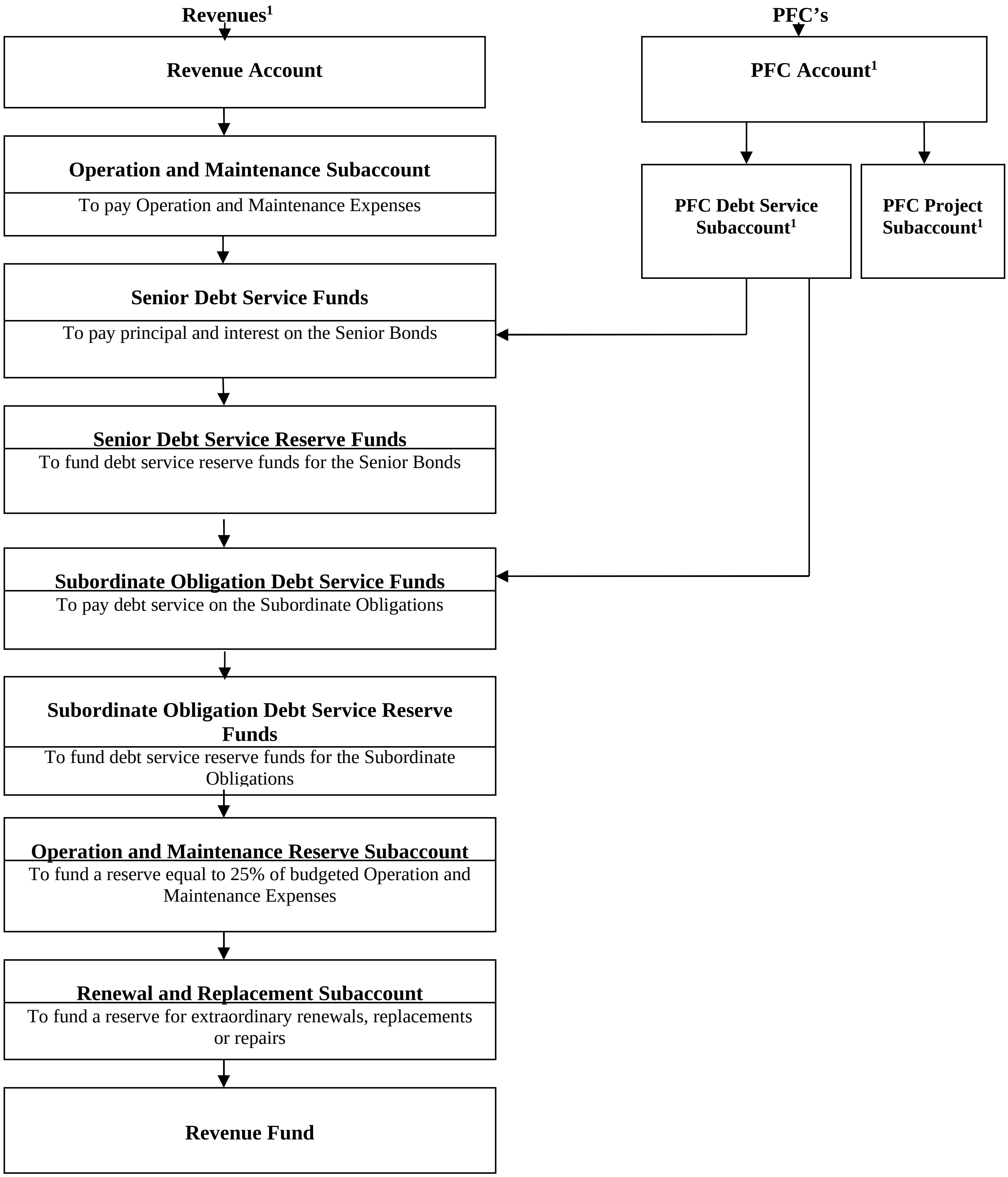
(6) *Operation and Maintenance Reserve Subaccount.* On or prior to the 20th day of each month, to the payment of the amounts required to be deposited in the Operation and Maintenance Reserve Subaccount which are payable from Net Revenues as specified in the Master Senior Indenture.

(7) *Renewal and Replacement Subaccount*. On or prior to the 20th day of each month, to the payment of the amounts required to be deposited in the Renewal and Replacement Subaccount as specified in the Master Senior Indenture.

All moneys and investments on deposit in the Revenue Account and not on deposit in any of the funds or subaccounts provided for as described in (1) through (7) above, are required under the Master Senior Indenture, on the last Business Day of each Fiscal Year, to be transferred from the Revenue Account to the Revenue Fund, unless and to the extent the Airport Authority directs otherwise.

Following is a graphic description of the flow of funds described above, and the flow of PFC Revenues. See "—Use of PFCs to Pay Debt Service."

San Diego County Regional Airport Authority
Flow of Funds



[1] Revenues do not include PFC revenues, grants and other charges authorized by federal and/or State laws or regulations to be assessed to fund specific programs at the Airport System, Senior Capitalized Interest, Subordinate Capitalized Interest, CFCs, Federal Direct Payments or COVID-19 Federal Relief Funds unless otherwise included in Revenues pursuant to a Supplemental Senior Indenture or a certificate of the Airport Authority; which has not occurred as of the date of this Official Statement.

Pledge of Subordinate Net Revenues

The Subordinate Series 2021 Bonds are special obligations of the Airport Authority payable solely from and secured by a pledge of Subordinate Net Revenues. The Subordinate Series 2021 Bonds also are secured by a pledge of amounts held by the Subordinate Trustee in certain funds and accounts pursuant to the Subordinate Indenture, as further described herein.

"Subordinate Net Revenues" are, for any given period, Revenues for such period, less all amounts which are required to be used to pay the Operation and Maintenance Expenses of the Airport System for such period, the debt service on the Senior Bonds for such period, and the reserve and replenishment requirements on and relating to the Senior Bonds for such period, if any. See "—Flow of Funds" above.

"Operation and Maintenance Expenses of the Airport System" are, for any given period, the total operation and maintenance expenses of the Airport System as determined in accordance with generally accepted accounting principles as in effect from time to time, excluding depreciation expense and any operation and maintenance expenses of the Airport System payable from moneys other than Revenues (including, but not limited to, any non-cash items that are required to be treated as operation and maintenance expenses of the Airport System in accordance with generally accepted accounting principles).

None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2021 Bonds, and neither the full faith and credit nor the taxing power of the Airport Authority, the City, the County, the State or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Subordinate Series 2021 Bonds.

Subordinate Net Revenues are available for the equal and proportionate benefit and security of all Subordinate Obligations (including the Subordinate Series 2021 Bonds). The Subordinate Series 2021 Bonds are secured by a pledge of and lien on Subordinate Net Revenues on parity with the Existing Subordinate Bonds, the Subordinate Revolving Obligations and any Additional Subordinate Obligations issued in the future. See "—Additional Subordinate Obligations" below.

Subordinate Rate Covenant

(a) Under the Master Subordinate Indenture, the Airport Authority has covenanted that while any Subordinate Obligations remain Outstanding (but subject to all prior existing contracts and legal obligations of the Airport Authority), it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that Subordinate Net Revenues in each Fiscal Year will be at least equal to the following amounts:

(i) the interest on and principal of the Outstanding Subordinate Obligations required to be funded by the Airport Authority in such Fiscal Year as required by the Master Subordinate Indenture or any Supplemental Subordinate Indenture with respect to the Outstanding Subordinate Obligations;

(ii) the required deposits to any Subordinate Debt Service Reserve Fund which may be established by a Supplemental Subordinate Indenture;

(iii) the reimbursement owed to any Credit Provider or Liquidity Provider as required by a Supplemental Subordinate Indenture;

(iv) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than Special Facility Obligations, Senior Bonds and Outstanding Subordinate Obligations, but including obligations issued with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations; and

(v) payments of any reserve requirement for debt service for any indebtedness other than Senior Bonds and Outstanding Subordinate Obligations, but including obligations issued with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations.

(b) The Airport Authority has further agreed that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the Subordinate Net Revenues will be equal to at least 110% of the total Subordinate Annual Debt Service on the Outstanding Subordinate Obligations for such Fiscal Year.

The Airport Authority has covenanted that if Subordinate Net Revenues in any Fiscal Year are less than the amounts described in paragraphs (a) and (b) above, the Airport Authority will retain and direct a Consultant to make recommendations as to the revision of the Airport Authority's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Airport Authority in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made the Airport Authority will take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to produce Subordinate Net Revenues in the next succeeding Fiscal Year sufficient to comply with paragraphs (a) and (b) above.

In the event Subordinate Net Revenues for any Fiscal Year are less than the amounts described in paragraphs (a) and (b) above, but the Airport Authority has promptly taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, fees and charges as described in the preceding paragraph, such deficiency in Subordinate Net Revenues will not constitute a Subordinate Event of Default under the Master Subordinate Indenture. However, if after taking the measures described in the preceding paragraph to revise the schedule of rentals, rates, fees and charges, Subordinate Net Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the Airport Authority for such Fiscal Year) are less than the amounts described in paragraphs (a) and (b) above, such deficiency in Subordinate Net Revenues will constitute a Subordinate Event of Default under the Master Subordinate Indenture.

Pursuant to the Master Subordinate Indenture, the Airport Authority may exclude from its calculation of Operation and Maintenance Expenses of the Airport System and Subordinate Aggregate Annual Debt Service with respect to the Subordinate Obligations, for the purpose of determining compliance with the rate covenant described above, the payment of Operation and Maintenance Expenses of the Airport System, and the payment of debt service or portions thereof on Subordinate Obligations whose debt service is payable, from amounts not included in Revenues, including, but not limited to PFC revenues, Federal Direct Payments, Subordinate Capitalized Interest and COVID-19 Federal Relief Funds. The exclusion of such Operation and Maintenance Expenses of the Airport System and debt service could result in higher debt service coverage ratios. In Fiscal Years 2020 and 2021, the Airport Authority used, and in Fiscal Year 2022 the Airport Authority used and expects to use, as the case may be, CARES Act Funds, CRRSAA Funds and ARPA Funds, as applicable, to pay Operation and Maintenance Expenses of the Airport System and debt service on the Senior Series 2013 Bonds and the Existing Subordinate Obligations. See "Table 2—San Diego County Regional Airport Authority—Federal Aid Related to the COVID-19 Pandemic" for additional information on the Airport Authority's use of COVID-19 Federal

Relief Funds. Additionally, the Airport Authority has previously used and expects to use in the future, as applicable (a) PFC revenues to pay a portion of the debt service on the Senior Series 2013 Bonds, the Subordinate Series 2019A Bonds, the Subordinate Series 2020 Bonds, the Subordinate Series 2021C Bonds and Additional Senior Bonds and/or Additional Subordinate Obligations that are PFC Eligible Bonds, and (b) Subordinate Capitalized Interest to pay a portion of the interest on the Subordinate Series 2019 Bonds through July 1, 2022, and a portion of the interest on the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds through July 1, 2025. The Airport Authority does not expect to use any PFCs to pay debt service on the Subordinate Series 2019B Bonds, the Subordinate Series 2021A Bonds or the Subordinate Series 2021B Bonds. See "—Use of PFCs to Pay Debt Service," "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Capital Program—Passenger Facility Charges" and "CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delay in, Anticipated Funding Sources—Availability of PFCs" for additional information about the Airport Authority's expected use of PFC revenues. See also "APPENDIX A—FINANCIAL FEASIBILITY REPORT."

Subordinate Reserve Fund

Pursuant to the Master Subordinate Indenture and the Second Supplemental Subordinate Indenture, the Airport Authority established a Subordinate Debt Service Reserve Fund (the "Subordinate Reserve Fund") with the Subordinate Trustee to secure any Subordinate Obligations the Airport Authority elects to participate in the Subordinate Reserve Fund. At the time of issuance of the Subordinate Series 2017 Bonds, the Subordinate Series 2019 Bonds and the Subordinate Series 2020 Bonds, the Airport Authority elected to have the Subordinate Series 2017 Bonds, the Subordinate Series 2019 Bonds and the Subordinate Series 2020 Bonds, respectively, participate in the Subordinate Reserve Fund. Additionally, at the time of issuance of the Subordinate Series 2021 Bonds, the Airport Authority will elect to have the Subordinate Series 2021 Bonds participate in the Subordinate Reserve Fund. The Subordinate Series 2017 Bonds, the Subordinate Series 2019 Bonds, the Subordinate Series 2020 Bonds, the Subordinate Series 2021 Bonds and any Additional Subordinate Obligations the Airport Authority elects to have participate in the Subordinate Reserve Fund are collectively referred to in this Official Statement as the "Subordinate Reserve Fund Participating Bonds."

Moneys and investments held in the Subordinate Reserve Fund may only be used to pay the principal of and interest on the Subordinate Reserve Fund Participating Bonds (including the Subordinate Series 2021 Bonds). Moneys and investments held in the Subordinate Reserve Fund are not available to pay debt service on the Senior Bonds, the Subordinate Revolving Obligations or any Subordinate Obligations for which the Airport Authority has decided will not participate in the Subordinate Reserve Fund. The Subordinate Reserve Fund may be drawn upon if the amounts in the respective Subordinate Debt Service Funds for the Subordinate Reserve Fund Participating Bonds are insufficient to pay in full any principal or interest then due on the Subordinate Reserve Fund Participating Bonds. In the event any amounts are required to be withdrawn from the Subordinate Reserve Fund, such amounts will be withdrawn and deposited pro rata to meet the funding requirements of the Subordinate Reserve Fund Participating Bonds.

Except as otherwise described below, the Subordinate Reserve Fund is required to be funded at all times in an amount equal to the "Subordinate Reserve Requirement." The Subordinate Reserve Requirement is equal to the lesser of (a) Subordinate Maximum Aggregate Annual Debt Service for the Subordinate Reserve Fund Participating Bonds; (b) 10% of the principal amount of the Subordinate Reserve Fund Participating Bonds, less the amount of original issue discount with respect to such Subordinate Reserve Fund Participating Bonds if such original issue discount exceeded 2% on such Subordinate Reserve Fund Participating Bonds at the time of their original sale; and (c) 125% of the average Subordinate Aggregate Annual Debt Service for the Subordinate Reserve Fund Participating Bonds. At the time of issuance of any Additional Subordinate Obligations which the Airport Authority elects to have participate in the Subordinate Reserve Fund, the Airport Authority will be required to deposit an amount to the Subordinate Reserve Fund sufficient to cause the amount then on deposit in the Subordinate Reserve Fund to equal the Subordinate Reserve Requirement. Such deposit to the Subordinate Reserve Fund can be made at the time of issuance of such Additional Subordinate Obligations or within 12 months of the date of issuance of such Additional Subordinate Obligations (such deposit being made in 12 substantially equal monthly installments). At the time of issuance of the Subordinate Series 2021 Bonds, a portion of the proceeds of the Subordinate Series 2021 Bonds will be deposited to the Subordinate Reserve Fund in order to satisfy the Subordinate Reserve Requirement, which will be $183,741,286 at the time of issuance of the Subordinate Series 2021 Bonds.

The Airport Authority may fund all or a portion of the Subordinate Reserve Requirement with a Subordinate Reserve Fund Insurance Policy. A Subordinate Reserve Fund Insurance Policy may be an insurance policy, letter of credit, qualified surety bond or other financial instrument deposited in the Subordinate Reserve Fund in lieu of or in partial substitution for cash or securities which is provided by an institution rated, at the time of issuance of such policy, letter of credit, surety bonds or other financial instrument, in one of the two highest long term rating categories by one or more of the Rating Agencies. Any such Subordinate Reserve Fund Insurance Policy must either extend to the final maturity of the Series of Subordinate Obligations for which the Subordinate Reserve Fund Insurance Policy was issued, or the Airport Authority must agree, by Supplemental Subordinate Indenture, that the Airport Authority will replace such Subordinate Reserve Fund Insurance Policy prior to its expiration with another Subordinate Reserve Fund Insurance Policy, or with cash. Any such Subordinate Reserve Fund Insurance Policy will be required to secure all of the Subordinate Reserve Fund Participating Bonds.

The Subordinate Reserve Fund is currently, and will be at the time of issuance of the Subordinate Series 2021 Bonds, funded with cash and securities. No portion of the Subordinate Reserve Fund has been, or will be at the time of issuance of the Subordinate Series 2021 Bonds, funded with a Subordinate Reserve Fund Insurance Policy.

Additional Subordinate Obligations

The Master Subordinate Indenture provides the Airport Authority with flexibility as to establishing the nature and terms of any Additional Subordinate Obligations. Additional Subordinate Obligations may be issued under the Master Subordinate Indenture on a parity with the Subordinate Series 2021 Bonds, provided, among other things, that there is delivered to the Subordinate Trustee either:

(a) a certificate, dated as of a date between the date of pricing of the Subordinate Obligations being issued and the date of delivery of such Subordinate Obligations (both dates inclusive), prepared by an Authorized Airport Authority Representative showing the Subordinate Net Revenues 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 or preceding the first issuance of the proposed Subordinate Program Obligations were at least equal to 110% of Subordinate Maximum Aggregate Annual Debt Service with respect to all Outstanding Subordinate Obligations, Unissued Subordinate Program Obligations and the proposed Series of Subordinate Obligations, calculated as if the proposed Series of Subordinate Obligations and the full Subordinate Authorized Amount of such proposed Subordinate Program Obligations (as applicable) were then Outstanding; or

(b) a certificate dated as of a date between the date of pricing of the Subordinate Obligations being issued and the date of delivery of such Subordinate Obligations (both dates inclusive), prepared by a Consultant showing that:

(i) 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 or the establishment of a Subordinate Program, were at least equal to 110% of the sum of Subordinate Aggregate Annual Debt Service due and payable with respect to all Outstanding Subordinate Obligations for such applicable period;

(ii) for the period, if any, from and including the first full Fiscal Year following the issuance of such proposed Series of Subordinate Obligations through and including the last Fiscal Year during any part of which the amount of interest on such Series of Subordinate Obligations to be on deposit in the respective Subordinate Debt Service Fund or such other fund or account is expected to be funded from the proceeds thereof, the Consultant estimates that the Airport Authority will be in compliance with the rate covenant under the Master Subordinate Indenture (see "—Subordinate Rate Covenant" above); and

(iii) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Subordinate Obligations during which no amount of interest on such Series of Subordinate Obligations to be on deposit in the respective Subordinate Debt Service Fund or such other Fund or Account is expected to be funded from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Series of Subordinate Obligations, or (B) the third full Fiscal Year during which no amount of interest on such Series of Subordinate Obligations to be on deposit in the respective Subordinate Debt Service Fund or such other Fund or Account is expected to be funded from the proceeds thereof, the estimated Subordinate Net Revenues for each such Fiscal Year, will be at least equal to 110% of the Subordinate Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Subordinate Obligations, Unissued Subordinate Program Obligations and calculated as if the proposed Series of Subordinate Obligations and the full Authorized Amount of such proposed Subordinate Program Obligations (as applicable) were then Outstanding.

The certificate described in (b) above is expected to be delivered by the Feasibility Consultant at the time of issuance of the Subordinate Series 2021 Bonds.

For purposes of clauses (b)(ii) and (iii) above, in estimating Subordinate Net Revenues, the Consultant may take into account (1) Revenues from Projects or Airport Facilities reasonably expected to become available during the period for which the estimates are provided; (2) any increase in fees, rates, charges, rentals or other sources of Revenues which have been approved by the Airport Authority and will be in effect during the period for which the estimates are provided; and (3) any other increases in Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to Operation and Maintenance Expenses of the Airport System, the Consultant may use such assumptions as the Consultant believes to be reasonable, taking into account: (x) historical Operation and Maintenance Expenses of the Airport System; (y) Operation and Maintenance Expenses of the Airport System associated with the Projects and any other new Airport Facilities; and (z) such other factors, including inflation and changing operations or policies of the Airport Authority, as the Consultant believes to be appropriate. The Consultant will include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Subordinate Net Revenues, and will also set forth the calculations of Subordinate Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

For purposes of preparing the certificate or certificates described above, the Consultant or Consultants or the Authorized Authority Representative may rely upon financial statements prepared by the Airport Authority which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized Authority Representative will certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

Neither of the certificates described above in (a) or (b) will be required if:

(A) the Subordinate Obligations being issued are for the purpose of refunding then Outstanding Subordinate Obligations and there is delivered to the Subordinate Trustee, instead, a certificate of an Authorized Authority Representative showing that Subordinate Aggregate Annual Debt Service after the issuance of the Refunding Subordinate Obligations will not exceed the Subordinate Aggregate Annual Debt Service prior to the issuance of such Refunding Subordinate Obligations for each Fiscal Year;

(B) the Subordinate Obligations being issued constitute Subordinate Notes and there is delivered to the Subordinate Trustee, instead, a certificate prepared by an Authorized Authority Representative showing that the principal amount of the proposed Subordinate Notes being issued, together with the principal amount of any Subordinate Notes then Outstanding, does not exceed 10% of the Subordinate Net Revenues for any 12 consecutive months out of the most recent 24 months immediately preceding the issuance of the proposed Subordinate Notes and there is delivered to the Subordinate Trustee a certificate of an Authorized Authority Representative setting forth calculations showing that for each of the Fiscal Years during which the Subordinate Notes will be Outstanding, and taking into account the debt service becoming due on such Subordinate Notes, the Airport Authority will be in compliance with the rate covenant under the Master Subordinate Indenture (see "—Subordinate Rate Covenant" above); or

(C) if the Subordinate Obligations being issued are to pay costs of completing a Project for which Subordinate Obligations have previously been issued and the principal amount of such Subordinate Obligations being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Subordinate Obligations originally issued for such Project and reasonably allocable to the Project to be completed as shown in a written certificate of an Authorized Authority Representative and there is delivered to the Subordinate Trustee (1) a Consultant's certificate stating that the nature and purpose of such Project has not materially changed and (2) a certificate of an Authorized Authority Representative to the effect that (y) all of the proceeds (including investment earnings on amounts in the Subordinate Construction Fund allocable to such Project) of the original Subordinate Obligations issued to finance such Project have been or will be used to pay Costs of the Project and (z) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus moneys available in the Subordinate Construction Fund established for the Project (including unspent proceeds of Subordinate Obligations previously issued for such purpose).

Use of PFCs to Pay Debt Service

The Aviation Safety and Capacity Expansion Act of 1990, as amended (the "PFC Act"), as implemented by the FAA pursuant to published regulations (the "PFC Regulations"), permits public agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) to charge enplaning passengers using the airport a $1.00, $2.00 or $3.00 PFC with certain qualifying airports permitted to charge a maximum PFC of $4.50. Under the PFC Act, the proceeds from PFCs are required to be used to finance eligible airport-related projects (including paying the debt service on bonds issued to finance such projects) that serve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system or furnish opportunities for enhanced competition between or among air carriers. The Airport Authority currently charges all enplaning passengers at SDIA a PFC of $4.50. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Capital Program—Passenger Facility Charges" for additional information about PFCs collected by the Airport Authority.

The definition of Revenues does not include PFCs, except to the extent included in Revenues pursuant to a Supplemental Senior Indenture or a certificate of any Authorized Authority Representative, which has not occurred to date. However, pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture, if PFCs have been irrevocably committed or are held by the Senior Trustee and/or the Subordinate Trustee, as the case may be, or another fiduciary and are to be set aside exclusively to be used to pay principal of and/or interest on specified Senior Bonds and/or Subordinate Obligations, as applicable, then such principal and/or interest may be excluded from the calculation of aggregate annual debt service on such specified Senior Bonds and/or Subordinate Obligations, as applicable; thus decreasing aggregate annual debt service on the Senior Bonds and/or the Subordinate Obligations, and increasing debt service coverage for purposes of the rate covenants and the additional bonds tests under the Master Senior Indenture and the Master Subordinate Indenture, as applicable. As of the date of this Official Statement, the Airport Authority has not irrevocably committed any PFCs to the payment of debt service on Senior Bonds and/or Subordinate Obligations.

Even though PFCs are not included in Revenues and the Airport Authority has not irrevocably committed any PFCs to the payment of debt service on the Senior Bonds or the Subordinate Obligations, the Airport Authority has in the past, and expects to in the future, use PFCs to pay debt service on certain PFC Eligible Bonds. "PFC Eligible Bonds" are Senior Bonds and Subordinate Obligations the principal of and/or interest on which may be paid with PFCs pursuant to the provisions of the PFC Act. In Fiscal Year 2022, the Airport Authority used and expects to use, as the case may be, approximately $30 million of PFCs to pay debt service on certain PFC Eligible Bonds (a portion of the Senior Series 2013 Bonds, a portion of the Subordinate Series 2019A Bonds and a portion of the Subordinate Series 2020 Bonds). Additionally, in the Financial Feasibility Report, the Feasibility Consultant has assumed that PFCs will be used to pay portions of the debt service on the Subordinate Series 2019A Bonds, the Subordinate Series 2020 Bonds, the Subordinate Series 2021C Bonds and Additional Senior Bonds and Additional Subordinate Obligations that are issued to finance portions of the New T1 and that are Eligible PFC Bonds. Consequently, debt service on Senior Bonds and Subordinate Obligations paid with PFCs is excluded from the calculation of the rate covenants for the Senior Bonds and the Subordinate Obligations, which results in higher debt service coverage ratios. The Airport Authority does not expect to use any PFCs to pay debt service on the Subordinate Series 2019B Bonds, the Subordinate Series 2021A Bonds or the Subordinate Series 2021B Bonds. See also "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for the Capital Program—Passenger Facility Charges," and "CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delay in, Anticipated Funding Sources—Availability of PFCs."

Permitted Investments

Moneys and funds held by the Airport Authority that are subject to the provisions of the Master Senior Indenture and/or the Subordinate Indenture will be invested in Senior Permitted Investments and Subordinate Permitted Investments, subject to any restrictions set forth in the Master Senior Indenture and the Subordinate Indenture, respectively, and subject to restrictions imposed upon the Airport Authority. Moneys and funds held by the Subordinate Trustee under the Subordinate Indenture, including moneys in the respective Subordinate Debt Service Funds (and the accounts therein) and in the Subordinate Reserve

Fund, may be invested as directed by the Airport Authority in Subordinate Permitted Investments, subject to the restrictions set forth in the Subordinate Indenture, and subject to restrictions imposed upon the Airport Authority. See "FINANCIAL INFORMATION—Summary of Financial Operations—Investment Practices."

Subordinate Events of Default and Remedies; No Acceleration

Events of default under the Subordinate Indenture and related remedies are described in "APPENDIX C-3—SUMMARY OF MASTER SUBORDINATE INDENTURE—Subordinate Defaults and Remedies." The occurrence of a Subordinate Event of Default under the Subordinate Indenture (or a Senior Event of Default under the Senior Indenture) does not grant any right to accelerate payment of the Subordinate Obligations (including the Subordinate Series 2021 Bonds) or the Senior Bonds to either the Subordinate Trustee or the Senior Trustee, or the Holders of the Subordinate Obligations (including the Subordinate Series 2021 Bonds) or the Senior Bonds. The Subordinate Trustee is authorized to take certain actions upon the occurrence of a Subordinate Event of Default under the Subordinate Indenture, including proceedings to enforce the obligations of the Airport Authority under the Subordinate Indenture. If there is a Subordinate Event of Default under the Subordinate Indenture, payments, if any, on the Subordinate Obligations will be made after Operation and Maintenance Expenses of the Airport System and payments of debt service and reserve requirements on and relating to the Senior Bonds.

OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE

Outstanding Senior Bonds

The following table sets forth the principal amounts and final maturity dates of the Senior Series 2013 Bonds outstanding as of November 1, 2021.

TABLE 3
San Diego County Regional Airport Authority
Senior Series 2013 Bonds
(as of November 1, 2021)

Existing Senior Bonds	Original Principal Amount	Principal Amount Outstanding	Final Maturity Date
Series 2013A[1]	$107,285,000	$ 92,950,000	7/1/2043
Series 2013B[1]	272,300,000	259,560,000	7/1/2043
Total	$379,585,000	$352,510,000	

[1] See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS—Refunding of the Refunded Senior Series 2013 Bonds" for a discussion of the planned refunding and defeasance of all of the Senior Series 2013 Bonds.
Source: San Diego County Regional Airport Authority

Outstanding Subordinate Obligations

Existing Subordinate Bonds. The following table sets forth the principal amounts and final maturity dates of the Existing Subordinate Bonds as of November 1, 2021.

TABLE 4
San Diego County Regional Airport Authority
Existing Subordinate Bonds
(as of November 1, 2021)

Existing Subordinate Bonds	Original Principal Amount	Principal Amount Outstanding	Final Maturity Date
Series 2017A	$146,040,000	$136,530,000	7/1/2047
Series 2017B	145,170,000	135,385,000	7/1/2047
Series 2019A	338,775,000	335,600,000	7/1/2049
Series 2019B	124,905,000	123,425,000	7/1/2049
Series 2020A	26,145,000	24,115,000	7/1/2040
Series 2020B	189,090,000	177,955,000	7/1/2040
Series 2020C	26,405,000	24,925,000	7/1/2040
Total	$996,530,000	$957,935,000	

Source: San Diego County Regional Airport Authority

Subordinate Revolving Obligations. Pursuant to the Master Subordinate Indenture, the Eighth Supplemental Subordinate Indenture and the Subordinate Credit Agreement, the Airport Authority is authorized to issue and have outstanding, from time to time, up to $200,000,000 in aggregate principal amount of Subordinate Revolving Obligations. As of November 1, 2021, the Airport Authority had $80,100,000 aggregate principal amount of Subordinate Revolving Obligations outstanding. All Subordinate Revolving Obligations issued by the Airport Authority are purchased by the Subordinate Revolving Obligations Bank (Bank of America, N.A.) in accordance with the terms of the Subordinate Credit Agreement. Except as otherwise provided in the Subordinate Credit Agreement, the principal of all Subordinate Revolving Obligations outstanding pursuant the Master Subordinate Indenture, the Eighth Supplemental Subordinate Indenture and the Subordinate Credit Agreement are due and payable on July 19, 2024. However, subject to the terms of the Subordinate Credit Agreement, on July 19, 2024, the Airport Authority can convert any outstanding Subordinate Revolving Obligations to a term loan that will be payable in four equal quarterly installments beginning 90 days following July 19, 2024, with the final payment being due on July 19, 2025.

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Debt Service Requirements

The following table sets forth the debt service requirements on the Existing Subordinate Bonds and the Subordinate Series 2021 Bonds. After the refunding and defeasance of the Refunded Senior Series 2013 Bonds with a portion of the proceeds of the Subordinate Series 2021C Bonds and certain other available moneys, there will be no Senior Bonds outstanding.

TABLE 5
San Diego County Regional Airport Authority
Debt Service Requirements for Subordinate Bonds[1,2]

Year Ended July 1	Total Debt Service Existing Subordinate Bonds[3,4,]	Subordinate Series 2021A Bonds[5]		Subordinate Series 2021B Bonds[5]		Subordinate Series 2021C Bonds[5]		Total Debt Service Subordinate Bonds
		Principal	Interest[6]	Principal	Interest[7]	Principal	Interest	
2022	$ 71,346,600	$ –	$ 12,793,962	$ –	$ 28,071,319	$ 9,760,000	$ 5,402,102	$ 127,373,983
2023	72,772,600	–	22,688,800	–	49,781,650	16,465,000	9,535,773	171,243,823
2024	72,776,600	–	22,688,800	–	49,781,650	16,570,000	9,428,091	171,245,141
2025	66,138,100	–	22,688,800	–	49,781,650	16,745,000	9,248,970	164,602,520
2026	66,130,850	2,585,000	22,688,800	7,725,000	49,781,650	–	9,024,419	157,935,719
2027	66,141,350	2,720,000	22,559,550	8,110,000	49,395,400	–	9,024,419	157,950,719
2028	66,140,850	2,855,000	22,423,550	8,520,000	48,989,900	–	9,024,419	157,953,719
2029	66,141,850	2,995,000	22,280,800	8,945,000	48,563,900	–	9,024,419	157,950,969
2030	66,136,100	3,145,000	22,131,050	9,385,000	48,116,650	505,000	9,024,419	158,443,219
2031	73,645,600	3,300,000	21,973,800	14,180,000	47,647,400	7,650,000	9,013,027	177,409,827
2032	73,616,100	3,465,000	21,808,800	15,640,000	46,938,400	8,145,000	8,832,793	178,446,093
2033	73,672,100	3,635,000	21,635,550	16,205,000	46,156,400	8,610,000	8,628,679	178,542,729
2034	73,644,600	3,820,000	21,453,800	17,950,000	45,346,150	9,205,000	8,399,997	179,819,547
2035	73,627,600	4,015,000	21,262,800	22,085,000	44,448,650	9,870,000	8,141,705	183,450,755
2036	73,600,350	4,175,000	21,102,200	22,515,000	43,565,250	10,695,000	7,854,883	183,507,683
2037	73,572,850	4,340,000	20,935,200	22,945,000	42,664,650	11,565,000	7,538,739	183,561,439
2038	73,528,650	4,515,000	20,761,600	23,600,000	41,517,400	12,510,000	7,179,877	183,612,527
2039	73,492,100	4,735,000	20,535,850	24,265,000	40,337,400	13,500,000	6,791,691	183,657,041
2040	73,472,600	4,985,000	20,299,100	24,695,000	39,366,800	14,550,000	6,372,786	183,741,286
2041	37,341,000	5,180,000	20,099,700	14,575,000	38,379,000	61,675,000	5,921,300	183,171,000
2042	37,338,750	5,385,000	19,892,500	15,160,000	37,796,000	63,590,000	4,007,525	183,169,775
2043	37,332,650	5,655,000	19,623,250	15,855,000	37,101,400	65,560,000	2,034,327	183,161,627
2044	37,335,050	19,780,000	19,340,500	40,005,000	36,375,200	–	–	152,835,750
2045	37,332,500	20,675,000	18,446,650	41,815,000	34,571,650	–	–	152,840,800
2046	37,334,000	21,615,000	17,512,800	43,695,000	32,687,400	–	–	152,844,200
2047	37,333,500	22,590,000	16,537,000	45,655,000	30,719,500	–	–	152,835,000
2048	18,417,250	24,180,000	15,537,500	47,695,000	28,686,750	–	–	134,516,500
2049	18,417,000	25,260,000	14,458,500	49,830,000	26,552,000	–	–	134,517,500
2050	–	31,040,000	13,325,500	52,070,000	24,310,500	–	–	120,746,000
5051	–	32,465,000	11,903,500	54,420,000	21,957,000	–	–	120,745,500
5052	–	41,285,000	10,410,250	76,930,000	19,486,000	–	–	148,111,250
2053	–	43,160,000	8,526,000	80,455,000	15,959,500	–	–	148,100,500
2054	–	45,140,000	6,548,000	84,160,000	12,256,750	–	–	148,104,750
2055	–	47,220,000	4,471,000	88,045,000	8,368,750	–	–	148,104,750
2056	–	49,400,000	2,290,000	92,130,000	4,286,500	–	–	148,106,500
Total	$1,647,779,150	$495,315,000	$623,635,462	$1,089,260,000	$1,269,746,169	$357,170,000	$169,454,360	$5,652,360,141

Footnotes are on the following page.

[1] Numbers may not total due to rounding to nearest dollar.

[2] After the refunding and defeasance of the Refunded Senior Series 2013 Bonds with a portion of the proceeds of the Subordinate Series 2021C Bonds and certain other available moneys, there will be no Senior Bonds outstanding.

[3] The Existing Subordinate Bonds have a lien on Subordinate Net Revenues on parity with the other Subordinate Obligations (including the Subordinate Series 2021 Bonds). Principal of and interest on the Existing Subordinate Bonds does not reflect the application of PFCs or ARPA Funds to the payment of debt service on the Existing Subordinate Bonds. Includes a portion of the interest on the Subordinate Series 2019 Bonds through July 1, 2022 to be paid from a portion of the proceeds of the Subordinate Series 2019 Bonds.

[4] Debt Service on the Subordinate Revolving Obligations (which may be outstanding from time to time in an aggregate principal amount of up to $200 million at any one time) is not reflected in this table. As of November 1, 2021, $80,100,000 aggregate principal amount of Subordinate Revolving Obligations were outstanding.

[5] The Subordinate Series 2021 Bonds have a lien on Subordinate Net Revenues on parity with the other Subordinate Obligations.

[6] Includes a portion of the interest on the Subordinate Series 2021A Bonds through July 1, 2025 to be paid from a portion of the proceeds of the Subordinate Series 2021A Bonds.

[7] Includes a portion of the interest on the Subordinate Series 2021B Bonds through July 1, 2025 to be paid from a portion of the proceeds of the Subordinate Series 2021B Bonds.

Source: San Diego County Regional Airport Authority; and Frasca & Associates, LLC (only with respect to debt service on the Subordinate Series 2021 Bonds).

Future Financings

After the issuance of the Subordinate Series 2021 Bonds, the Airport Authority expects to issue approximately $1.615 billion in aggregate principal amount of Additional Senior Bonds and/or Additional Subordinate Obligations between Fiscal Years 2024 and 2025 to finance additional costs of the New T1. The dates of issuance of the Additional Senior Bonds and/or Additional Subordinate Obligations to finance additional costs of the New T1 will be dependent on when the Airport Authority needs additional funds to finance the design and construction of the New T1. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—New T1" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT." Additionally, the Airport Authority continuously evaluates refunding opportunities and, when economically beneficial, may refund one or more Series of Senior Bonds and/or Subordinate Obligations.

Other Obligations

Lease Commitments.

Operating Leases. In connection with the Transfer, the Airport Authority entered into several lease agreements with the Port District pursuant to which the Airport Authority is leasing certain properties from the Port District. The Airport Authority is leasing from the Port District the land used for SDIA for $1 per year, for 66 years, through December 31, 2068. In addition, the Airport Authority leases from the Port District 90.67 acres of the former General Dynamics property on Pacific Highway adjacent to SDIA for 66 years commencing January 1, 2003 (the "General Dynamics Lease"). The General Dynamics Lease calls for rent payments of $6,826,656 annually through December 31, 2068. A portion of the land is leased back to the Port District for employee parking for Port District administration building employees and is leased back by the Port District at the same fair market unit value per square-foot as paid by the Airport Authority. The Airport Authority and the Port District also have entered into a lease for 47.54 acres on North Harbor Drive (the "TDY Property"), commencing January 1, 2005 and expiring December 31, 2068 (the "TDY Lease"). The Airport Authority pays the Port District $3 million annually to lease the TDY Property.

In addition to the General Dynamics Lease and the TDY Lease, the Airport Authority has entered into several other operating leases, including the following:

- The Airport Authority entered into a lease with the Port District, commencing September 1, 2006, for property located at 2415 Winship Lane, known as the "Sky Chef" property. The term of the lease is 60 years with $350,000 in annual rental.

- The Airport Authority entered into a lease with the Port District, commencing June 1, 2021, for property located at 2535 Pacific Highway. The term of the lease is 20 years with $314,490 in annual rental payments for the first five years with Consumer Price Index adjustments each subsequent 5 year lease period. The Airport Authority plans to use this property for parking of its shuttle fleet.

- The Airport Authority entered into a lease with the Port District, commencing June 1, 2021, for property located on the east side of Harbor Island Drive. The term of the lease is 51 months with $966,264 in annual rental payments. The Airport Authority plans to use this property for construction parking.

- The Airport Authority entered into a lease with the Port District, commencing June 1, 2021, for property located at 3032 North Harbor Drive. The term of the lease is 5 years with an option to extend for 2 additional one-year periods, with $406,560 in annual rental payments. The Airport Authority plans to use the property for temporary construction trailers and parking during construction of the New T1.

As of July 1, 2021, the Airport Authority estimated that its future rental commitments under the operating lease agreements described above will be in the amounts described in the following table.

TABLE 6
San Diego County Regional Airport Authority
Future Rental Commitments

Fiscal Year	Rental Payments
2022	$ 11,978,709
2023	11,921,343
2024	11,863,977
2025	11,863,977
2026	11,024,877
2027-2031	52,447,014
2032-2036	52,447,014
2037-2041	52,447,014
2042-2046	50,883,300
2047-2051	50,883,300
2052-2056	50,883,300
2057-2061	50,883,300
2062-2066	50,883,300
2067-2069	15,264,990
Total	$485,675,415

Source: San Diego County Regional Airport Authority

Under current law, in the event SDIA is relocated and the current location is no longer used by SDIA for airport purposes, all of the Airport Authority's leases with the Port District would terminate and the right to use the property subject to those leases would revert to the Port District. See "CERTAIN INVESTMENT CONSIDERATIONS—State Tidelands Trusts."

Lease payments pursuant to the Airport Authority's operating lease agreements constitute Operation and Maintenance Expenses of the Airport System, and thus payment thereof is senior in priority to payment of the Senior Bonds and the Subordinate Obligations (including the Subordinate Series 2021 Bonds).

RDC Installment Purchase Agreement. The Airport Authority and AFCO CRDC SAN LLC ("AFCO") entered into an Installment Purchase Agreement, dated March 15, 2011 (the "RDC Installment Purchase Agreement"), pursuant to which AFCO agreed to design, build and finance a receiving and distribution center ("RDC") at SDIA, and the Airport Authority agreed to lease the RDC from AFCO for a term of 20 years commencing in November 2012 (the date of completion of the RDC). The RDC is a 21,000 square-foot building that provides a single receiving point for most goods delivered to SDIA. Distribution of these goods to various locations at SDIA is conducted by a single delivery service provided by Bradford Logistics. Pursuant to the RDC Installment Purchase Agreement, the Airport Authority pays AFCO a monthly installment payment of $73,108. The installment payments are payable from any legally available moneys of the Airport Authority after the payment of the Operation and Maintenance Expenses of the Airport System, the debt service and reserve fund requirements on the Senior Bonds and the Subordinate Obligations (including the Subordinate Series 2021 Bonds), and the required deposits to the Operation and Maintenance Reserve Subaccount and the Renewal and Replacement Subaccount.

Special Facility Obligations. Pursuant to the Master Senior Indenture, the Airport Authority may designate an existing facility or a planned facility as a "Special Facility" and may incur indebtedness in order to acquire, construct, renovate or improve such facility or to finance the acquisition, construction, renovation or improvement thereof by a third party. Additionally, the Airport Authority may provide that all contractual payments derived by the Airport Authority from such Special Facility, together with other income and revenues available therefrom (but only to the extent such payments, income and revenue are necessary to make the payments of 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 Airport Authority and all sinking fund, reserve or other payments required by the resolution authorizing the Special Facility Obligations as the same become due), will constitute "Special Facilities Revenue" and will not be included in Revenues, Net Revenues or Subordinate Net Revenues. Such indebtedness will constitute a "Special Facility Obligation" and will be payable solely from the Special Facilities Revenue. When Special Facility Obligations issued for a Special Facility are fully paid or otherwise discharged, all revenues received by the Airport Authority from such facility will be included as Revenues. To the extent Special Facility Revenues exceed the amounts required to pay the principal of and interest on Special Facility Obligations when due, to the extent not otherwise encumbered, the excess may constitute Revenues as determined by the Airport Authority.

In February 2014, the Airport Authority issued $305,285,000 aggregate principal amount of its Senior Special Facilities Revenue Bonds (Consolidated Rental Car Facility Project) Series 2014A and Series 2014B (the "Series 2014 Special Facilities Bonds") to finance a portion of the costs of the development and construction of a consolidated rental car facility (the "Rental Car Center") and related improvements at SDIA. As of November 1, 2021, the Series 2014 Special Facilities Bonds were outstanding in the aggregate principal amount of $282,005,000. The Series 2014 Special Facilities Bonds are special limited obligations of the Airport Authority, payable solely from and secured by a pledge of (a) the CFCs collected by the rental car companies operating at SDIA, (b) under certain circumstances, "Bond Funding Supplemental Consideration" payable by the rental car companies operating at SDIA, and (c) certain funds and accounts. *The Series 2014 Special Facility Bonds are not, in any way, secured by, or payable from, Revenues*. See "SAN DIEGO INTERNATIONAL AIRPORT—Existing Facilities" and "AGREEMENTS FOR THE USE OF AIRPORT FACILITIES—Rental Car Agreements."

Senior and Subordinate Repayment Obligations. Under certain circumstances, the obligation of the Airport Authority, pursuant to a written agreement, to reimburse the provider of a Credit Facility or a Liquidity Facility (a "Repayment Obligation") may be secured by a pledge of and lien on Net Revenues on parity with the Senior Bonds or secured by a pledge of and lien on the Subordinate Net Revenues on parity with the Subordinate Obligations (including the Subordinate Series 2021 Bonds). If a Credit Provider or Liquidity Provider advances funds to pay principal of or purchase Senior Bonds, all or a portion of the Airport Authority's Senior Repayment Obligation may be afforded the status of a Senior Bond under the Senior Indenture. If a Credit Provider or Liquidity Provider advances funds to pay principal of or purchase Subordinate Obligations, all or a portion of the Airport Authority's Subordinate Repayment Obligation may be afforded the status of a Subordinate Obligation under the Subordinate Indenture. As of the date of this Official Statement, the Airport Authority has no outstanding Senior Repayment Obligations or Subordinate Repayment Obligations. See "APPENDIX C-2—SUMMARY OF MASTER SENIOR INDENTURE—Senior Repayment Obligations Afforded the Status of Senior Bonds" and "APPENDIX C-3—SUMMARY OF MASTER SUBORDINATE INDENTURE—Subordinate Repayment Obligations Afforded the Status of Subordinate Obligations."

THE AIRPORT AUTHORITY

General

The Port District operated SDIA from 1963 until December 31, 2002. Pursuant to the Act, the California Legislature created the Airport Authority and transferred, by long-term lease, the operations of SDIA to the Airport Authority effective January 1, 2003.

The Airport Authority is vested with four principal responsibilities: (a) operating the Airport System (the main asset of which is SDIA); (b) planning and operating any future airport that could be developed as a supplement or replacement to SDIA; (c) developing comprehensive land use compatibility plans as they may relate to the Airport System for the entire County; and (d) serving as the region's airport land use commission.

Board of Directors

The Airport Authority is governed by a nine-member board of directors (the "Board"), with two or more additional members serving as non-voting, *ex-officio* board members. Board members serve three-year terms. Three members of the Board serve as the Executive Committee. Pursuant to the Act, the members of the Board are appointed as follows: the Mayor of the City San Diego appoints three members (two of which are subject to confirmation by the San Diego City Council); the Chair of the Board of Supervisors of the County appoints two members (subject to confirmation by the Board of Supervisors of the County); the mayors of the east county cities (El Cajon, La Mesa, Lemon Grove and Santee) appoint one member; the mayors of the north county coastal cities (Carlsbad, Del Mar, Encinitas, Oceanside and Solana Beach) appoint one member; the mayors of the north county inland cities (Escondido, Poway, San Marcos and Vista) appoint one member; and the mayors of the south county cities (Chula Vista, Coronado, Imperial Beach and National City) appoint one member. The Board also consists of two non-voting, *ex-officio* members, the District Director of the State Department of Transportation for the San Diego region and the State Department of Finance representative for the State Lands Commission, both of whom are appointed by the Governor. The Board also may provide for additional non-voting, *ex-officio* members, including, but not limited to, representatives of the United States Navy and the United States Marine Corps.

The current members of the Board are set forth below.

Board Members	Occupation	Appointing Authority	Current Term Expires
Executive Committee			
Guillermo “Gil” Cabrera (Chair)	Attorney	Mayor, City of San Diego	January 31, 2024
Paul Robinson (Vice Chair)	Attorney	Chair, San Diego County Board of Supervisors	January 31, 2023
Robert Lloyd	President/CEO, Lloyds Collision Center	Mayors, East County Cities	January 31, 2022
General Members			
Catherine S. Blakespear	Mayor, City of Encinitas	Mayors, North County Coastal Cities	January 31, 2023
Mary Casillas Salas	Mayor, Chula Vista	Mayors, South County Cities	January 31, 2024
Paul McNamara	Mayor, City of Escondido	Mayors, North County Inland City Mayors	January 31, 2024
Johanna Schiavoni	Attorney	Mayor, City of San Diego	January 31, 2023
Nora E Vargas	Vice-Chair, San Diego County Board of Supervisors	Chair, San Diego County Board of Supervisors	January 31, 2022
Marni von Wilpert	Councilmember, City of San Diego	Mayor, City of San Diego	January 31, 2022
Ex-Officio Members			
Colonel Thomas M. Bedell	Commander, Marine Corps Air Station Miramar	United States Navy/United States Marine Corps	N/A
Gustavo Dallarda	District Director for the California Department of Transportation, San Diego Region	Governor, State of California	N/A
Gayle Miller	Chief Deputy Director, Policy at the Department of Finance, State of California	Governor, State of California	N/A

The fundamental powers and functions of the Airport Authority are established by the Act. The Act empowers the Board to adopt more specific rules to guide the conduct of the Board, officers and employees of the Airport Authority, and those persons and entities that interact with the Airport Authority or utilize the premises and property of the Airport Authority. The Board has exercised that power by adopting codes that govern and regulate the conduct of persons, organizations and other third parties that use the facilities under the Airport Authority’s jurisdiction; and policies that address the Airport Authority’s internal operations and governance.

Pursuant to its policies, the Board has established the following standing committees with the following functions:

Audit Committee. The Audit Committee serves as a guardian of the public trust, acting independently and charged with oversight responsibilities for reviewing the Airport Authority’s internal controls, financial reporting obligations, operating efficiencies, ethical behavior and regular attention to cash flows, capital expenditures, regulatory compliance and operations. In addition to the Board members that serve on the Audit Committee, three members of the public, appointed by the Board, serve on the Audit Committee. The Audit Committee’s responsibilities are as follows: (a) review regularly the Airport Authority’s accounting, audit and performance monitoring processes; (b) at the time of renewal, recommend to the Executive Committee and the full Board its nomination for an external auditor and the compensation of the auditor, and consider at least every three years, whether there should be a rotation of the audit firm or the lead audit partner to ensure continuing auditor independence; (c) advise the Executive Committee and the Board regarding the selection of the auditor; (d) be responsible for oversight and monitoring of internal and external audit functions, and monitoring performance of, and internal compliance with, Airport Authority policies and procedures; (e) be responsible for overseeing the annual audit by the external auditors and internal audits; and (f) make recommendations to the full Board with regard to all of the foregoing.

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

Executive Personnel and Compensation Committee. The Executive Personnel and Compensation Committee evaluates the President/CEO, Auditor and General Counsel and makes recommendations to the Board concerning their compensation. The Executive Personnel and Compensation Committee also reviews and makes recommendations regarding Board Member compensation.

Finance Committee. The Finance Committee is established to oversee the financial performance and condition of the Airport Authority and review the operating and capital budget and financial plan, and major financial policies or actions of the Airport Authority. The Finance Committee is required to meet at least quarterly each year.

Capital Improvement Program Oversight Committee. The Capital Improvement Program Oversight Committee oversees the implementation of the Capital Improvement Program, which includes the investigation and evaluation of the physical/functional, financial, environmental, community aspects, intergovernmental coordination, and public communication/outreach related to all Capital Improvement Program activities.

All committee appointments are for a one-year term. The Board may establish or maintain additional Board committees from time to time as necessary or appropriate in accordance with the Airport Authority's policies.

Executive Management

Kimberly J. Becker, President and CEO. Kimberly J. Becker was appointed President and CEO of the Airport Authority on May 1, 2017. As President/CEO, Ms. Becker is responsible for the fiscal and operating management and oversight of the Airport Authority and SDIA and the Airport Authority's annual operating budget and five-year capital budget. Prior to joining the Airport Authority, Ms. Becker served as Director of Aviation for the Norman Y. Mineta San José International Airport ("San José International Airport") from 2013 to 2017. Prior to being appointed the Director of Aviation for San José International Airport, she was appointed the Chief Operating Officer for the San José International Airport in 2011, and the Assistant Director of Aviation at San José International Airport in 2008. Ms. Becker's career in aviation and airport management spans more than 30 years and has included operations and environmental positions at Lockheed Air Terminal in Burbank, California, and Teterboro Airport in New Jersey. Currently, she serves as a board member for the San Diego Chamber of Commerce and the San Diego Regional Economic Development Corporation, and she is vice-chair of the San Diego Tourism Authority and co-chair of the

Kyoto Symposium Organization. Ms. Becker is actively engaged with ACI, for which she serves on the board of directors (including the large hub, commercial management, nominating, and audit committees) and as a U.S. Policy Council member. She also is the policy committee chair of Gateway Airports Council, a policy review committee member of the American Association of Airport Executives and serves on the board of directors of California Airports Council. Ms. Becker holds a bachelor's degree in business administration from Indiana University of Pennsylvania, and a master's degree in business administration/aeronautics from Embry-Riddle Aeronautical University, in Daytona Beach, Florida.

Scott M. Brickner, Vice President, Chief Financial Officer. Scott Brickner is the Vice President, Chief Financial Officer of the Airport Authority. He currently leads the Airport Authority's Accounting, Airline Relations, Finance, Risk Management, Information Technology and Procurement functions. Prior to joining the Airport Authority in 2009, Mr. Brickner held various senior management positions in the private sector. He serves on the Board of the San Diego Chapter of Financial Executives International ("FEI") and served a four-year term on the Finance Steering Committee of ACI. In 2019, he was named ACI's Financial Professional of the Year for large hub airports and was also nominated for FEI's Financial Executive of the Year. Mr. Brickner was nominated for San Diego Business Journal's CFO of the Year in 2019 and 2016, being honored with the award in 2016. He received a Bachelor of Business Administration from Benedictine College in Kansas, an MBA from St. Louis University, and has an active CPA license in the State of California.

Angela Shafer-Payne, Vice President, Chief Operations Officer. Angela Shafer-Payne is the Vice President, Chief Operations Officer of the Airport Authority. Ms. Shafer-Payne oversees airside and landside operations, aviation security and public safety, ground transportation and facilities maintenance. She has been with SDIA since 1995, during which time she has held various leadership positions. One of Ms. Shafer-Payne's most notable achievements was her instrumental role in establishing and setting up the Airport Authority, effectually separating SDIA from its previous owner, the Port District. She has a bachelor's degree in Business Administration with a concentration in Aeronautical Studies and Meteorology from the University of North Dakota. She also holds an Instrument Rated pilot license.

Dennis Probst, Vice President, Chief Development Officer. Dennis Probst is the Vice President, Chief Development Officer of the Airport Authority. Mr. Probst oversees all aspects of planning, environmental affairs, capital improvements and facilities development. Major projects completed under his leadership include the new Federal Inspection Services ("FIS") facility and the Terminal 2 Parking Plaza. Mr. Probst is currently overseeing the largest planned development program in the Airport Authority's history, the New T1. Prior to joining the Airport Authority in December 2017, he was the Chief Operating Officer for the Minneapolis-St. Paul Metropolitan Airports Commission. In that role, Mr. Probst was responsible for airport planning and development activities, information technology functions, and management and operation of Minneapolis-St. Paul International Airport and six general aviation airports in the Twin Cities metropolitan area. Mr. Probst holds a Bachelor of Science degree in civil engineering, a Bachelor of Arts degree in architecture and a master of architecture degree from Iowa State University.

Hampton Brown, Vice President, Chief Revenue Officer. Hampton Brown is the Vice President, Chief Revenue Officer of the Airport Authority. Mr. Brown oversees the Revenue Generation, Innovation, Marketing and Air Service Development functions of the Airport Authority. Additionally, he is responsible for the Airport's data analytics and public arts programs. Prior to joining the Airport Authority, Mr. Brown was in private sector aviation consulting and project logistics planning for the telecommunications industry. He holds a Bachelor of Arts degree from Allegheny College and a master's degree from the University of Maryland. He also attended the Universität Würzburg where he passed the PNdS German proficiency examination. Mr. Brown also has graduated from the joint ACI International Civil Aviation Organization Airport Management Accreditation program.

Lee Parravano, Chief Auditor. Lee Parravano is the Chief Auditor for the Airport Authority. Prior to joining the Airport Authority on April 4, 2018, Mr. Parravano served for five years as the Internal Auditor at the San Diego City Employees' Retirement System, the Airport Authority's pension plan administrator. He also worked for White Nelson Diehl Evans, an accounting, audit, and tax management advisory firm, as a senior audit manager for 11 years. With over 18 years of auditing experience, Mr. Parravano's professional skills include fraud investigations, compliance audits, performance audits, financial audits, consulting, and information technology analysis. He holds a Bachelor of Arts degree with a major in business economics from the University of California Santa Barbara and is a licensed Certified Public Accountant, a Certified Internal Auditor, and a Chartered Global Management Accountant.

Amy Gonzalez, General Counsel. Amy Gonzalez serves as the General Counsel for the Airport Authority. She has served as an attorney representing the Airport Authority since 2003. Prior to joining the Airport Authority, Ms. Gonzalez served as a Deputy City Attorney for the Department of Airports of the City of Los Angeles, California, operator of Los Angeles International Airport, Van Nuys and Palmdale Regional Airports. She has over 20 years of experience representing public entities, and, for the past 19 years, her practice has specialized in airport matters dealing with aircraft noise, rates and charges, transportation, the environment, eminent domain, contracts, concessions, revenue diversion and real property. Ms. Gonzalez graduated from St. Louis University and received a Juris Doctor from Pepperdine University School of Law. She is an adjunct professor of law at California Western School of Law and the University of San Diego School of Law.

Employees and Labor Relations

The Airport Authority employs approximately 377 full-time employees. Approximately 119 of these employees (primarily maintenance workers, airport traffic officers and certain supervisors) are members of the Teamsters Local 911 labor union. Labor relations with respect to those 119 employees are governed by a labor agreement between the Airport Authority and Teamsters Local 911, which will expire on September 30, 2022. Contract negotiations between the Airport Authority and Teamsters Local 911 are expected to begin in early calendar year 2022.

The Airport Authority has never experienced any disruption in its operations due to labor related matters.

SAN DIEGO INTERNATIONAL AIRPORT

Introduction

SDIA is located approximately three miles northwest of downtown San Diego on 661 acres of land. SDIA is bounded by San Diego Bay, military facilities and residential areas. Dedicated on August 16, 1928, SDIA was originally named "San Diego Municipal Airport—Lindbergh Field." SDIA gained international airport status in 1934 when it became the first federally certified airfield to serve all aircraft types, including seaplanes. World War II brought significant change to the airfield when the U.S. Army Air Corps took it over in 1942 to support the war effort. The infrastructure of SDIA was improved to handle the heavy bombers being manufactured in the region during the war. This transformation, including an 8,750-foot runway (now 9,401 feet), made SDIA jet-ready long before jet passenger planes came into widespread service.

SDIA is located on land leased from the Port District. The leases for most of the land leased from the Port District expire in 2068. The land upon which SDIA is located is held in trust by the Port District pursuant to certain tideland land grants from the State to the Port District. Under current law, in the event SDIA is relocated and the current location is no longer used by the Airport Authority for airport purposes, all of the Airport Authority's leases with the Port District would terminate and the right to use the property subject to those leases would revert to the Port District.

According to ACI statistics, SDIA is the busiest single-runway commercial airport in the United States based on passenger levels. SDIA is classified by the FAA as a "large air traffic hub" (an airport that enplanes over 1.0% of the total domestic passengers in the United States). As of October 31, 2021, SDIA handled air transportation for 16 passenger airlines. In Fiscal Year 2019, SDIA enplaned approximately 12.4 million passengers (which represented an approximately 5.3% increase in enplaned passengers from the fiscal year ended June 30, 2018). As a direct result of the COVID-19 pandemic that began in March 2020, enplanements at SDIA decreased significantly in Fiscal Year 2020 to approximately 9.2 million enplanements, and decreased further in Fiscal Year 2021 to approximately 4.9 million enplanements. However, for the first three months of Fiscal Year 2022 (July 2021 through September 2021), enplanements at SDIA increased by approximately 1.57 million (165%) compared to the first three months of Fiscal Year 2021 (July 2020 through September 2020), and were at approximately 73.6% of the enplanements for the first three months of Fiscal Year 2020 (July 2019 through September 2019). See "IMPACT OF COVID-19 PANDEMIC ON SAN DIEGO INTERNATIONAL AIRPORT." For each of the calendar years ended December 31, 2019 and December 31, 2020, approximately 96% of the passengers using SDIA were O&D passengers. According to ACI statistics, for each of the calendar years ended December 31, 2019 and December 31, 2020, SDIA was ranked as the 24th busiest airport in the country as measured by total number of enplaned and deplaned passengers.

Pursuant to the Act, the Airport Authority was required to study alternative sites for relocating SDIA and proposing a county-wide ballot measure regarding the relocation of SDIA. After a thorough study, the Airport Authority concluded that the best alternative for relocating SDIA was to obtain approximately 3,000 acres at Marine Corps Air Station-Miramar and to construct a new airport on this site. In November 2006, the voters of the County voted against the Airport Authority's proposal to move SDIA to Marine Corps Air Station-Miramar. At this time, the Board does not plan to pursue relocation of SDIA from its current location.

Existing Facilities

The existing airfield consists of one east-west runway (Runway 9/27), which is 9,401 feet long and 200 feet wide. Runway 9/27 has sufficient capacity and is of sufficient strength to permit the operation of most existing commercial aircraft, including most large widebody aircraft. However, natural and man-made obstructions, including rising terrain, trees and buildings to the west and east of SDIA limit the effective length of the runway for certain aircraft. This limitation reduces range and/or payload capability depending on the aircraft type and the operating rules of a given carrier. Each aircraft is different with respect to, among other things, its empty weight, engine type, thrust variant, desired payload capability, and desired range. For example, the Boeing 787 is not affected by these runway limitations due to improved airfield performance capabilities. Runway 9/27 is equipped with high-intensity runway lighting and supports both precision and non-precision approaches. SDIA has a system of taxiways leading to and from the terminal area on the south side of SDIA, and to and from the north side of SDIA which is used by cargo and general aviation aircraft. See "CERTAIN INVESTMENT CONSIDERATIONS—Restrictions on Airport Facilities and Operations." See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—New T1" for a discussion of the construction of certain airfield projects associated with the New T1 program.

Passenger services at SDIA are currently located in two terminals, Terminal 1 and Terminal 2 (consisting of Terminal 2 East and Terminal 2 West). Terminals 1 and 2 provide a total of 51 aircraft gates. Terminal 1, the oldest terminal at the Airport, was opened in 1967 and renovated in 1994 and 1997. Terminal 1 is approximately 257,500 square-feet, with 19 aircraft gates. See "DEVELOPMENT OF SAN

DIEGO INTERNATIONAL AIRPORT—New T1" for a discussion of the complete replacement of Terminal 1 as part of the New T1 program. The new terminal that will contain 30 gates; 11 more gates than the existing Terminal 1. Terminal 2 East was opened in 1979 and is a two-story, approximately 225,700 square-foot facility with 13 aircraft gates. Terminal 2 West was opened in 1998 and expanded in 2013 and is a three-story, approximately 786,600 square-foot facility with 19 aircraft gates.

Approximately 5,200 public parking spaces, operated by the Airport Authority, are currently available at the Airport, including (a) approximately 2,980 parking spaces located in the new Terminal 2 Parking Plaza that opened in 2018, (b) approximately 1,100 parking spaces located in a surface parking lot in front of Terminal 1, (c) approximately 1,080, parking spaces located in a surface parking lot in front of Terminal 2-West, and (d) approximately 80 spaces in a free cell phone lot located east of the Airport Authority's administration offices. Prior to the start of the COVID-19 pandemic, the Airport Authority operated surface parking lots on Pacific Highway and Harbor Drive consisting of 3,300 spaces. These lots were closed and will not reopen to the public. The parking lot on Pacific Highway will be used for employee parking and the parking lot on Harbor Drive will be used as part of the New T1 airside development. Additionally, prior to the start of the COVID-19 pandemic, valet parking services were offered with curb-side drop-off in front of Terminals 1 and 2 and utilized 500 parking spaces. During the COVID-19 pandemic, the Airport Authority suspended valet parking, but the Airport Authority expects to resume valet parking in January 2022 utilizing spaces in front of Terminals 1 and 2. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—New T1" for a discussion of the construction of a new parking structure adjacent to Terminal 1 as part of the New T1 program that will contain approximately 5,200 parking spaces (a net increase of 4,100 spaces in front of Terminal 1). Upon completion of the New T1, there will be approximately 9,100 public parking spaces, operated by the Airport Authority, available at the Airport; an addition of approximately 100 new, permanent public parking spaces at the Airport, since the start of the design and construction of the New T1. The total available parking spaces after the completion of the New T1 will include approximately 880 spaces in the Terminal 2-West parking lot (a reduction of approximately 200 spaces currently open to the public that will be used by administrative staff after the completion of the New T1).

The on-Airport rental car companies operate from the "Rental Car Center" that opened in January 2016 and consists of a customer service building, ready/return, "quick turnaround" and staging/storage areas with approximately 5,400 parking spaces, and fueling, car wash and light maintenance facilities. The Rental Care Center is located on approximately 24.8 acres on the north-side of the Airport. A shuttle bus system transports passengers from the terminals to the Rental Car Center. See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Other Obligations—Special Facility Obligations" and "AGREEMENTS FOR THE USE OF AIRPORT FACILITIES—Rental Car Agreements."

In July 2021, the Airport Authority opened a new passenger airline belly cargo and provisioning facility consisting of approximately 81,790 square feet of warehouse and office space located on approximately eight acres of land on the south side of the Airport. The Airport Authority signed 5-year leases with Southwest Airlines, United Airlines, American Airlines and Delta Air Lines. The facility is managed by a third party who manages day-to-day operations. International and smaller carriers are required to have arrangements with one of the four primary tenants in order to process cargo through the facility.

Various other facilities are located at the Airport or on land located near the Airport, including, among others, a control tower, facilities operated by the integrated cargo carriers (i.e., DHL, FedEx and UPS) (see "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Third-Party Financed Projects" for information on the development of new cargo facilities at the Airport for the integrated cargo carriers), central utilities plant and fuel facilities. The previous Commuter Terminal, a three-story building with approximately 133,000 square-feet, currently serves as the offices of the Airport Authority. See

"DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—New T1" for a discussion of the Airport Authority's plans to construct new administrative offices as a result of the demolition of the Commuter Terminal in connection with construction of the new Terminal 1.

Air Carriers Serving SDIA

As of October 31, 2021, 16 passenger airlines provided service from SDIA to a total of 67 U.S. cities and eight international cities, and five air carriers provided scheduled all-cargo service at SDIA. The following table sets forth the air carriers serving SDIA as of October 31, 2021. See "AIRLINE INDUSTRY INFORMATION."

TABLE 7
San Diego International Airport
Air Carriers Serving San Diego International Airport
(As of October 31, 2021)

U.S. Carriers	Foreign Flag Carriers	All-Cargo Carriers
Alaska Airlines[1]	Air Canada[5]	Ameriflight
Allegiant Air	British Airways	Atlas Air
American Airlines[2]	Japan Airlines	FedEx[6]
Delta Air Lines[3]	Swoop	Swift Air[7]
Frontier Airlines	WestJet Airlines	United Parcel Service
Hawaiian Airlines		
JetBlue Airways		
Southwest Airlines		
Spirit Airlines		
Sun Country Airlines		
United Airlines[4]		

[1] Operated by Alaska Airlines and Horizon Air, separately certificated airlines owned by Alaska Air Group, Inc. ("Alaska Air Group") and regional affiliate, SkyWest Airlines.
[2] Operated by American Airlines and regional affiliate, SkyWest Airlines.
[3] Operated by Delta Air Lines and regional affiliate, SkyWest Airlines.
[4] Operated by United Airlines and regional affiliate, SkyWest Airlines.
[5] Operated by affiliates, Air Canada Jazz and Air Canada Jazz Rouge.
[6] Operated by FedEx and its affiliate West Air.
[7] Swift Air provides service for DHL.
Source: San Diego County Regional Airport Authority

As of January 2020, prior to the start of the COVID-19 pandemic, 17 passenger airlines provided service from SDIA to a total of 64 U.S. cities and nine international cities, and five air carriers provided scheduled all-cargo service at SDIA. The only passenger airlines no longer operating from SDIA that operated in January 2020, are Edelweiss Air and Lufthansa (which historically enplaned less than 1% of the passengers at the Airport).

Aviation Activity

In Fiscal Year 2019, SDIA enplaned approximately 12.4 million passengers (which represented an approximately 5.3% increase in enplaned passengers from the fiscal year ended June 30, 2018). As a direct result of the COVID-19 pandemic that began in March 2020, enplanements at SDIA decreased significantly in Fiscal Year 2020 to approximately 9.2 million enplanements, and decreased further in Fiscal Year 2021 to approximately 4.9 million enplanements. However, for the first three months of Fiscal Year 2022 (July 2021 through September 2021), enplanements at SDIA increased by approximately 1.57 million (165%)

compared to the first three months of Fiscal Year 2021 (July 2020 through September 2020). See "IMPACT OF COVID-19 PANDEMIC ON SAN DIEGO INTERNATIONAL AIRPORT." For each of the calendar years ended December 31, 2019 and December 31, 2020, approximately 96% of the passengers using SDIA were O&D passengers. During October 2021, passenger airlines and cargo carriers were operating approximately 220 departures daily at SDIA.

The following table sets forth the total domestic and international enplanements and total deplanements at SDIA for the last ten Fiscal Years and the first three months of Fiscal Years 2020, 2021 and 2022. See "IMPACT OF COVID-19 PANDEMIC ON SAN DIEGO INTERNATIONAL AIRPORT" for information about monthly enplanements in calendar years 2019, 2020 and the first nine months of calendar year 2021.

TABLE 8
San Diego International Airport
Total Enplanements and Deplanements

	Enplanements						Deplanements			
Fiscal Year	**Domestic Enplanements**	**Percent of Total**	**International Enplanements**	**Percent of Total**	**Total Enplanements**	**Percent Change**	**Total Deplanements**	**Percent Change**	**Total Enplanements and Deplanements**	**Percent Change**
2012	8,323,734	97.1%	251,741	2.9%	8,575,475	1.6%	8,562,938	1.6%	17,138,413	1.6%
2013	8,460,959	96.8	276,658	3.2	8,737,617	1.9	8,703,351	1.6	17,440,968	1.7
2014	8,745,640	96.3	336,604	3.7	9,082,244	3.9	9,062,886	4.1	18,145,130	4.0
2015	9,381,259	96.6	331,807	3.4	9,713,066	6.9	9,696,617	7.0	19,409,683	7.0
2016	9,848,924	96.5	357,298	3.5	10,206,222	5.1	10,190,948	5.1	20,397,170	5.1
2017	10,194,718	96.2	401,765	3.8	10,596,483	3.8	10,543,584	3.5	21,140,067	3.6
2018	11,257,939	96.0	473,894	4.0	11,731,833	10.7	11,702,560	11.0	23,434,393	10.9
2019	11,832,512	95.8	523,774	4.2	12,356,286	5.3	12,335,387	5.4	24,691,673	5.4
2020	8,865,028	96.0	370,431	4.0	9,235,459	(25.3)	9,215,140	(25.3)	18,450,599	(25.3)
2021	4,809,965	99.0	50,966	1.0	4,860,931	(47.4)	4,841,626	(47.5)	9,702,557	(47.4)
<u>First Three Months[1]</u>										
2020	3,277,970	95.9%	141,471	4.1%	3,419,441	4.6%	3,406,598	4.1%	6,826,039	4.4%
2021	941,563	99.1	8,887	0.9	950,450	(72.2)	953,078	(72.0)	1,903,528	(72.1)
2022	2,495,997	99.1	22,304	0.9	2,518,301	165.0	2,508,525	163.2	5,026,826	164.1

[1] July 1 through September 30. Results for the first three months of Fiscal Year 2022 may not be indicative of results for the full Fiscal Year 2022.
Source: San Diego County Regional Airport Authority

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The following table sets forth total revenue operations (landings and takeoffs) at SDIA for Fiscal Years 2012 through 2021 and the first three months of Fiscal Years 2019, 2020 and 2021.

TABLE 9
San Diego International Airport
Revenue Operations

Fiscal Year	Total Operations[1]	Operations Growth
2012	186,196	0.0%
2013	187,322	0.6
2014	187,757	0.2
2015	195,268	4.0
2016	194,151	(0.6)
2017	201,011	3.5
2018	218,671	8.8
2019	227,931	4.2
2020	190,746	(16.4)
2021	130,017	(31.8)
***First Three Months*[2]**		
2020	61,305	3.2%
2021	30,869	(49.6)
2022 [3]	48,423	56.9

[1] For revenue-related departures and arrivals.
[2] July 1 through September 30. Results for the first three months of Fiscal Year 2022 may not be indicative of results for the full Fiscal Year 2022.
[3] Estimated.
Source: San Diego County Regional Airport Authority

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Air Cargo

The following table sets forth information concerning cargo traffic (enplaned and deplaned cargo) over the last ten Fiscal Years and the first three months of Fiscal Years 2019, 2020 and 2021.

TABLE 10
San Diego International Airport
Historical Enplaned and Deplaned Freight and U.S. Mail Cargo
(in tons)

Fiscal Year	Freight	Annual Percentage Change	U.S. Mail	Annual Percentage Change	Total	Annual Percentage Change
2012	136,036	11.3%	17,335	3.2%	153,370	10.3%
2013	138,760	2.0	18,265	5.4	157,025	2.4
2014	145,831	5.1	19,135	4.8	164,966	5.1
2015	157,229	7.8	21,386	11.8	178,614	8.3
2016	165,046	5.0	20,609	(3.6)	185,656	3.9
2017	166,446	0.8	22,161	7.5	188,606	1.6
2018	167,352	0.5	23,991	8.3	191,343	1.5
2019	162,231 [1]	(3.0)	24,238	1.0	186,469	(2.5)
2020	146,030	(10.0)	8,350 [3]	(65.5)	154,380	(17.2)
2021	147,140	0.8	7,365 [3]	(11.8)	154,505	0.1
First Three Months [2]						
2020	37,926	(10.2)%	3,160 [3]	(48.3)%	41,086	(15.0)%
2021	36,802	(3.0)	1,875 [3]	(40.7)	38,677	(5.9)
2022 [3,4]	35,918	(2.4)	1,802 [3]	(3.9)	37,719	(2.5)

[1] In October 2018, Amazon opened a new "air gateway" near Ontario International Airport. Amazon transports cargo through Ontario International Airport and then uses ground transportation to delivery items into the San Diego area.
[2] July 1 through September 30. Results for the first three months of Fiscal Year 2022 may not be indicative of results for the full Fiscal Year 2022.
[3] In accordance with new rules imposed by the U.S. Postal Service, as of August 2019, FedEx ceased reporting U.S. Mail tonnage. Over the last several years, FedEx carried approximately two-thirds of all U.S. Mail out of SDIA.
[4] DHL/Swift Air have not reported August or September 2021 data, and therefore such data is not included.
Source: San Diego County Regional Airport Authority.

Enplanements by Air Carriers

The following table presents total enplanements for each air carrier serving SDIA for the last five Fiscal Years. For Fiscal Year 2021, Southwest accounted for approximately 33.5% of the enplanements at SDIA, 29.3% of the landed weight at SDIA and 15.3% of the operating revenues of the Airport Authority. Over the past five Fiscal Years, Southwest has enplaned about one-third of the passengers at SDIA. Since approximately 96% of the passengers using SDIA are O&D passengers (based on calendar year 2020 enplanements), and the Airport Authority relies very little on connecting enplanements, the Airport Authority believes that any reduction in service by Southwest would probably be absorbed by one or more other airlines operating at SDIA.

TABLE 11
San Diego International Airport
Enplanements By Air Carriers
(Ranked on 2021 Results)[1]

Air Carrier	Fiscal Year 2017	2017 Percent Share	Fiscal Year 2018	2018 Percent Share	Fiscal Year 2019	2019 Percent Share	Fiscal Year 2020	2020 Percent Share	Fiscal Year 2021	2021 Percent Share
Southwest	3,967,487	37.4%	4,457,984	38.0%	4,656,029	37.7%	3,474,860	37.6%	1,627,594	33.5%
Alaska[2]	1,326,087	10.7	1,578,470	13.5	1,702,289	13.8	1,325,147	14.3	806,949	16.6
American[3]	1,454,495	13.7	1,492,627	12.7	1,467,899	11.9	1,128,443	12.2	767,833	15.8
United[4]	1,396,671	13.2	1,501,572	12.8	1,593,244	12.9	1,105,820	12.0	600,216	12.3
Delta[5]	1,268,737	10.3	1,362,135	11.6	1,504,544	12.2	1,168,462	12.7	567,589	11.7
Frontier	180,235	1.7	254,760	2.2	277,320	2.2	201,280	2.2	180,181	3.7
Spirit	287,208	2.7	318,201	2.7	323,623	2.6	225,279	2.4	111,604	2.3
JetBlue	224,700	2.1	248,325	2.1	230,909	1.9	195,279	2.1	90,332	1.9
Hawaiian	107,776	1.0	108,971	0.9	149,744	1.2	102,759	1.1	61,754	1.3
Sun Country	40,109	0.4	41,466	0.4	40,167	0.3	37,073	0.4	23,461	0.5
Allegiant	49,480	0.5	44,934	0.4	30,750	0.2	13,162	0.1	22,391	0.5
Japan Airlines	59,916	0.6	62,034	0.5	66,688	0.5	43,596	0.5	1,027	0.0
Air Canada[6]	93,274	0.9	110,684	0.9	130,404	1.1	90,425	1.0	0 [8]	0.0
British Airways	90,200	0.9	82,543	0.7	83,492	0.7	57,998	0.6	0 [8]	0.0
WestJet	41,043	0.4	39,285	0.3	42,939	0.3	28,905	0.3	0 [8]	0.0
Others[7]	9,065	0.0	27,842	0.2	56,245	0.51	36,971	0.4	0	0.0
Total Enplanements	10,596,483	100.0%	11,731,833	100.0%	12,356,286	100.0%	9,235,459	100.0%	4,860,931	100.0%

[1] Totals may not add due to rounding.
[2] In December 2016, Alaska Air Group acquired Virgin America Inc. Alaska and Virgin received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. Enplanements are for Alaska, Virgin America and Alaska's regional carrier service provided by Horizon and SkyWest.
[3] Enplanements are for American and its regional carrier service provided by Compass and SkyWest. Compass ceased operating in April 2020.
[4] Enplanements are for United and its regional carrier service provided by SkyWest.
[5] Enplanements are for Delta and its regional carrier service provided by Compass and SkyWest. Compass ceased operating in April 2020.
[6] Enplanements are for Air Canada Rouge and Jazz Aviation, both affiliates for Air Canada.
[7] "Others" includes airlines that ceased operating at SDIA during the period shown in the table.
[8] As a result of the COVID-19 pandemic and the resulting travel restrictions to foreign countries, Air Canada, British Airways and WestJet did not operate from the Airport in Fiscal Year 2021. Air Canada resumed service from the Airport in August 2021, and British Airways and WestJet resumed service from the Airport in October 2021.

Source: San Diego County Regional Airport Authority

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Landed Weight

The following table sets forth the total revenue landed weight for the largest passenger airlines and cargo carriers serving SDIA for the last five Fiscal Years, ranked on Fiscal Year 2021 results.

TABLE 12
San Diego International Airport
Total Revenue Landed Weight
(Ranked on Fiscal Year 2021 Results)
(in thousands of lbs.)[1]

Airline/Cargo Carrier	2017	2018	2019	2020	2021	2021% of Total
Southwest	4,470,104	4,924,451	5,180,064	4,422,096	2,277,011	29.3%
Alaska[2]	1,545,488	1,828,522	1,995,130	1,672,207	1,342,664	17.3
Delta[3]	1,416,839	1,484,342	1,616,827	1,373,938	1,049,374	13.5
American[4]	1,576,026	1,627,081	1,566,041	1,298,505	917,691	11.8
United[5]	1,515,672	1,611,065	1,701,559	1,285,393	770,742	9.9
FedEx	398,017	396,143	382,879	401,386	474,155	6.1
Frontier	167,590	232,794	247,145	204,924	199,836	2.6
JetBlue	244,364	293,160	281,715	260,940	171,957	2.2
United Parcel Service	146,778	143,678	138,860	146,624	138,926	1.8
Spirit	286,162	328,424	331,366	230,911	125,589	1.6
Hawaiian	147,568	161,486	237,560	155,345	122,574	1.6
ABX Air[6]	–	–	–	42,542	83,216	1.1
Allegiant	57,227	47,516	31,927	19,387	38,889	0.5
Japan Airlines	139,626	138,745	138,700	104,500	32,680	0.4
Sun County	48,589	49,687	44,972	39,589	30,643	0.4
British Airways	217,360	208,926	210,432	141,615	0 [9]	0.0
Air Canada[7]	101,552	116,381	138,417	100,851	0 [9]	0.0
Others[8]	137,104	177,544	237,636	152,328	3,582	0.0
Total	12,616,066	13,769,945	14,481,229	12,053,081	7,779,528	100.0%
Annual % Change	3.0%	4.6%	4.7%	(16.8)%	(35.5)%	

[1] Totals may not add due to rounding.
[2] In December 2016, Alaska Air Group acquired Virgin America Inc. Alaska and Virgin received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018. Landed weight is for Alaska, Virgin America and Alaska's regional carrier service provided by Horizon and SkyWest.
[3] Landed weight is for Delta and its regional carrier service provided by Compass and SkyWest. Compass Air ceased operating in April 2020.
[4] Landed weight is both American and American's regional carrier service provided by Compass and Sky West. Compass Air ceased operating in April 2020.
[5] Landed weight is for United and its regional carrier service provided by SkyWest.
[6] ABX Air provided service for DHL until July 2021. In July 2021, Swift Air began providing service for DHL.
[7] Landed weight is for Air Canada Rouge and Jazz Aviation, both affiliates for Air Canada.
[8] "Others" includes airlines/cargo carriers that ceased operating at SDIA during the period shown in the table, and airlines/cargo carriers with a Fiscal Year 2021 market share of less than 0.4%.
[9] As a result of the COVID-19 pandemic and the resulting travel restrictions to foreign countries, British Airways and Air Canada did not operate from the Airport in Fiscal Year 2021. British Airways resumed service from the Airport in October 2021, and Air Canada resumed service from the Airport in August 2021.

Source: San Diego County Regional Airport Authority

Emergency Preparedness

The Airport Authority has an approved Airport Emergency Plan ("AEP") as required under FAA regulations. The AEP addresses essential emergency-related and deliberate actions planned to ensure the safety of and emergency services of the populace of SDIA and the surrounding communities. The AEP is reviewed with stakeholders on a regular basis and exercises (i.e. tabletop or full-scale field) are conducted annually to test the readiness of the plan.

The Airport Authority also has prepared a Business Continuity Plan ("BCP") to assist the organization in managing (a) minor events - business disruptions impacting a single Airport Authority function/department, (b) moderate events – business disruptions impacting multiple Airport Authority functions/department, and (c) major events – business disruptions impacting the entire Airport Authority/SDIA. The plan contains information on emergency contact details, strategies to mitigate impact, procedures to be implemented and communication processes to be followed in response to business disruptions. The BCP is to be initiated at the outset of a disruptive event and includes operating SDIA during the emergency situation and business recovery steps to return the operation back over to regular management after the BCP leader deems the recovery to be complete.

All employees of the Airport Authority are responsible for maintaining the continuous operation of the organization in the event of a disaster. While the BCP does not include recovery activities that are part of the AEP, it is the intent of management that both plans work in tandem with each other during an emergency incident. The Airport Authority's internal Audit department periodically reviews the BCP and provides comments and suggestions for its improvement.

The Airport Authority has developed, tested and evaluated a comprehensive set of emergency procedures for a probable disruptive event. These procedures and precautions seek to minimize the operational and financial impact on SDIA and the Airport Authority. However, the Airport Authority cannot predict whether SDIA would need to cease operations in the event of an emergency or what types of emergencies would cause SDIA to cease operating. The Airport Authority is not able to predict for how long SDIA would be closed and whether the Airport Authority's reserves would be adequate to return SDIA to full operation in the event of a cessation of operations due to an emergency.

AGREEMENTS FOR THE USE OF AIRPORT FACILITIES

The Airport Authority has entered into, and receives payments under, different agreements with various airlines and other parties, including operating and lease agreements relating to landing fees and the leasing of space in terminal buildings, other building and miscellaneous leases regarding the leasing of cargo and hangar facilities, and concession agreements relating to the sale of goods and services at SDIA.

Agreements with Passenger Airlines and All-Cargo Carriers

Airline Lease Agreements. The Airport Authority has entered into separate, but substantially similar, Airline Operating and Lease Agreements, as amended (the "Airline Lease Agreements") with 14 passenger airlines operating at SDIA (the "Signatory Passenger Airlines") and three all-cargo carriers (the "Signatory Cargo Carriers," and together with the Signatory Passenger Airlines, the "Signatory Airlines"). The Signatory Passenger Airlines are currently Air Canada, Alaska, American, British Airways, Delta, Frontier, Hawaiian, Japan Airlines, JetBlue, Southwest, Spirit, Sun Country, United and WestJet. During Fiscal Year 2021, the Signatory Airlines enplaned approximately 99.6% of the passengers at the Airport. The Signatory Cargo Carriers are currently Atlas, FedEx and UPS. The Airline Lease Agreements cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SDIA. The Airline Lease Agreements have a term that commenced on July 1, 2019 and terminates on June 30, 2029, unless terminated earlier pursuant to their terms.

Under the Airline Lease Agreements, the Signatory Passenger Airline operating in Terminal 1-East (Southwest) has exclusive rights to use the "Exclusive Use Premises" which consist of ticket counters, free-standing self-service kiosks, skycab podiums, curbside positions, and associated passenger queuing areas (on a transitional basis until the new Terminal 1 facilities are constructed), ticket and baggage service offices and operational support areas. Under the Airline Lease Agreements, the Signatory Passenger Airlines operating in Terminal 1-West (Frontier, JetBlue, Spirit, and WestJet) and Terminal 2 (Air Canada, Alaska, American, Delta, Hawaiian, Japan Airlines and United) operate under "Common Use Premises" for ticket counters, free-standing self-service kiosks, skycap podiums, curbside positions and queuing areas, and "Exclusive Use Premises" for ticket and baggage offices and operation support offices. The Signatory Passenger Airlines in both Terminals 1 and 2 also receive the nonexclusive right to use "Joint-Use Premises," which include passenger hold rooms, passenger screening, baggage claim areas, passenger loading bridges, baggage handling systems, and information displays and paging; "Public Areas," which include sidewalks, concourses, corridors, lobbies, passageways, restrooms, elevators, escalators and other similar space made available by the Airport Authority from time to time; and "Airfield Areas," which include (1) facilities, equipment, improvements, runways, taxiways, and control towers, for the purpose of controlling or assisting arrivals, departures and operations of aircraft, (2) all airline apron areas not leased exclusively, including without limitation Aircraft Parking Positions (3) other airport-related facilities operated and maintained by the FAA or any other federal agency, (4) security fences and service roads located on the Airport and related to the rest of the Airfield Area, (5) signals, beacons, wind indicators, flood lights, landing lights, boundary lights, construction lights, radio and electronic aids or other aids to operations, navigation or ground control of aircraft whether or not of a type herein mentioned and even though located away from but related to the rest of the Airfield Area, (6) aircraft rescue and fire-fighting services, (7) aircraft fueling systems, and (8) noise monitoring/mitigation program costs.

Pursuant to the Airline Lease Agreements, the landing fees at SDIA are calculated based on a residual rate-setting methodology and the terminal rental rates at SDIA are calculated based on a compensatory rate-setting methodology. Each Signatory Airline is required to pay landing fees on a monthly basis equal to the landed weight of each such Signatory Airline's planes which landed at SDIA for such month multiplied by the landing fee rate. The landing fee rate is set at the beginning of each Fiscal Year by first determining the airfield area requirement. The airfield area requirement is calculated as: (a) the sum of Operation and Maintenance Expenses of the Airport System, annual net debt service, amortization charges, reserve deposits, coverage charges, Major Maintenance Fund deposits and bad debt expenses attributable or allocable to the airfield, and fuel system costs; minus (b) the sum of fuel flowage fee revenue, fingerprinting revenue, ground handling concession revenue, 70% of inflight catering revenue and any federal, State or local grants that are attributable or allocable to the airfield. The landing fee rate is then calculated by subtracting the sum of non-signatory landing fees, aircraft parking position rentals, aircraft parking position turn fees and aircraft parking position overnight fees from the airfield area requirement and then dividing such result by the cumulative maximum gross landed weight of the Signatory Airlines for the Fiscal Year.

Each Signatory Passenger Airline is required to pay terminal rentals on a monthly basis equal to the total area of the terminals allocable to each such Signatory Passenger Airline multiplied by the terminal rental rate. The terminal rental rate is set at the beginning of each Fiscal Year by first determining the base terminal area rental rate and the supplemental terminal rental rate. The base terminal area rental rate is calculated as: (a) the sum of Operation and Maintenance Expenses of the Airport System, annual net debt service, amortization charges and reserve deposits attributable or allocable to the terminal, minus (b) FIS fee revenues and any federal, State or local grants received to offset Operation and Maintenance Expenses of the Airport System, annual net debt service or reserve deposits attributable or allocable to the terminal, divided by (c) the total square footage of leasable space in the terminal. The supplemental terminal rental rate is calculated as (i) the sum of coverage charges, Major Maintenance Fund deposits and bad debt expenses attributable or allocable to the terminal, divided by (ii) the square footage of space leased by the airlines in the terminal. The base terminal area rental rate and the supplemental terminal rental rate are then added together to calculate the terminal rental rate.

Pursuant to the Airline Lease Agreements, in addition to landing fees and terminal rentals, the Signatory Passenger Airlines are required to pay other fees and charges, including among others, aircraft parking position fees, aircraft parking position turn fees, aircraft parking position overnight fees, joint use fees and common use fees. As part of the landing fee rate and the terminal rental rate, the Signatory Airlines have agreed to pay coverage charges which are equal to the sum of (a) 140% of the debt service on the Senior Bonds, the Subordinate Obligations and any other indebtedness of the Airport Authority, plus (b) the Operation and Maintenance Expenses of the Airport System, minus (c) Revenues, PFCs and Federal Direct Payments used to pay debt service on the Senior Bonds, the Subordinate Obligations and any other indebtedness of the Airport Authority.

Pursuant to the Airline Lease Agreements, for each Fiscal Year, the Airport Authority is required to develop budgeted landing fee rates, terminal rental rates, aircraft parking position rentals and fees, joint use fees, and common use fees. Before formally adopting the budget, and any resulting rental, fees, or charges, the Airport Authority must consult with the Signatory Airlines and consider their comments regarding the budget and the calculation of the estimated rents, fees, and charges. Pursuant to the Airline Lease Agreements, the Airport Authority will review the rents, fees, and charges at least once during the Fiscal Year. If during any review the Airport Authority finds that the estimated rents, fees, and charges vary by more than 5% from those originally budgeted or previously estimated by the Airport Authority, the Airport Authority may, after consultation with the Signatory Airlines, adjust the rents, fees, and charges.

Within six months after the close of each Fiscal Year, the Airport Authority will calculate the final rent, fees and charges based on actual results for the Fiscal Year. Any difference between the budgeted rents, fees, and charges paid by the Signatory Airlines and the actual rents, fees, and charges chargeable to the Signatory Airlines based on actual results shall be either refunded by the Airport Authority or the Signatory Airlines shall pay the Airport Authority the difference. If the actual rents, fees and charges paid by a Signatory Airline in a Fiscal Year are less than $500,000 (for a Signatory Passenger Airline) or $250,000 (for a Signatory Cargo Airline), such Signatory Airline will be required to make a supplemental payment to the Airport Authority so that total payments for the Fiscal Year are at least $500,000 (for a Signatory Passenger Airline) or $250,000 (for a Signatory Cargo Airline). Any amount due the Signatory Airlines as a result of such final accounting will be paid in the form of a cash payment to the Signatory Airlines in the next ensuing month. Any amount due the Airport Authority as a result of such final accounting will be invoiced to the Signatory Airlines and due and payable within 30 days of the invoice.

Except as described below with respect to Off-Airport Public Transportation Projects, the Airline Lease Agreements do not require the Airport Authority to receive the approval of the Signatory Airlines for the construction of the projects included in the Master Plan, the CIP or the New T1. Under the Airline Lease Agreements, the Signatory Airlines have agreed that the Airport Authority can fund one or more Off-Airport Public Transportation Projects that are approved by the FAA. See "APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF AIRLINE LEASE AGREEMENT—Certain Definitions" for the definition of Off-Airport Public Transportation Projects. The Signatory Airlines have agreed to $75 million in funding of Off-Airport Public Transportation Projects with no contribution from other agencies, an additional $125 million with $200 million in legally binding commitments from third parties, and an additional $150 million with an additional $150 million in legally binding commitments from third parties. The aggregate Airport Authority contribution cannot exceed $350 million without Signatory Airline approval.

In accordance with the Airline Lease Agreement, the Airport Authority has established the Major Maintenance Fund to fund capital projects in the airfield area, the terminal area, for common use systems and airline terminal support costs centers and capital projects in indirect cost centers to the extend allocable to the airfield area, the terminal area, for common use systems and for airline terminal support cost centers. Each Fiscal Year, the Airport Authority had agreed to deposit $40 million to the Major Maintenance Fund from the following revenue sources: $15 million from the airfield area; $15 million from the terminal area; and $10 million from non-airline revenues. However, in order to mitigate the effects of the required funding of the Major Maintenance Fund on airline rates and charges during the COVID-19 pandemic, the Airport Authority and the Signatory Airlines agreed to amend the Airline Lease Agreement. The amended requirement for the funding of the Major Maintenance Fund under the Airline Lease Agreement provides as follows:

- For Fiscal Year 2020, the Airport Authority will deposit $30,000,000 into the Major Maintenance Fund and allocate the costs of the deposits to the following cost centers: $10,000,000 to the airfield cost center; $10,000,000) to the terminal cost center; and $10,000,000 to a combination of the landside cost center and the ancillary cost center, as determined in the discretion of the Airport Authority.

- For Fiscal Year 2021, the Airport Authority will deposit $10,000,000 into the Major Maintenance Fund and allocate the costs of the deposits to the following cost centers: $10,000,000 to a combination of the landside cost center and the ancillary cost center, as determined in the discretion of the Airport Authority.

- For Fiscal Year 2022, the Airport Authority will deposit $10,000,000 into the Major Maintenance Fund and allocate the costs of the deposits to the following cost centers: $10,000,000 to a combination of the landside cost center and the ancillary cost center, as determined in the discretion of the Airport Authority.

- Each subsequent Fiscal Year, beginning in Fiscal Year 2023 and continuing through Fiscal Year 2029, the Airport Authority will deposit $50,000,000 into the Major Maintenance Fund and allocate the costs of the deposits to the following cost centers: $20,000,000 to the airfield cost center; $20,000,000 to the terminal cost center; and $10,000,000 to a combination of the landside cost center and the ancillary cost center, as determined in the discretion of the Airport Authority.

The Airport Authority and the Signatory Airlines are currently in the process of executing the amendments to the Airline Lease Agreement. As of November 5, 2021, five Signatory Airlines have executed the amendment to the Airline Lease Agreement. The Airport Authority expects to receive the signed amendments from the remaining Signatory Airlines within the next several weeks. See also "IMPACT OF COVID-19 PANDEMIC ON SAN DIEGO INTERNATIONAL AIRPORT—Financial Conditions and Liquidity—Temporary Relief Programs Provided to Airlines, Concessionaires and Rental Car Companies" for a discussion of the Airport Authority's approval of a deferral of the funding of the Major Maintenance Fund by the airlines.

See "APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF AIRLINE LEASE AGREEMENT" for a more detailed description of certain terms of the Airline Lease Agreements.

Affiliate Airline Operating Agreements. In an effort to better match capacity with demand in some markets, certain Signatory Passenger Airlines have entered into agreements with affiliated airlines to operate smaller aircraft on behalf of those Signatory Passenger Airlines. "Affiliate Airlines" are airlines that (a) have been designated by a Signatory Passenger Airline to operate at SDIA as its Affiliate, (b) have executed an Affiliate Airline Operating Agreement with the Airport Authority and the Signatory Passenger Airline, (c) fly in or out of the Airport solely for the benefit of a Signatory Airline and providing transportation of property or passengers for the Signatory Airline under the name of the Signatory Airline, (d) if flying under its own name, not selling any seats in its own name and all seats are being sold in the name of the Signatory Airline or (e) a wholly-owned subsidiary of the Signatory Airline or a subsidiary of the same corporate parent as the Signatory Airline. Generally, the same rates, fees and charges applicable to the Signatory Passenger Airline's operations at SDIA also apply to the Affiliate Airline's operations at SDIA. In the event an Affiliate Airline fails to pay fees and charges to the Airport Authority, the applicable Signatory Passenger Airline is responsible for the fees and charges billed to its Affiliate Airline. The following table sets forth the Affiliate Airlines currently operating at the Airport and their affiliated Signatory Passenger Airlines.

TABLE 13
San Diego International Airport
Signatory Passenger Airlines and Their Affiliate Airlines

Signatory Passenger Airline	Affiliate Airline
Air Canada	Air Canada Rouge
Air Canada	Jazz Aviation
Alaska Airlines	Horizon Air
Alaska Airlines	SkyWest Airlines
American Airlines	SkyWest Airlines
Delta Air Lines	SkyWest Airlines
United Airlines	SkyWest Airlines
FedEx	West Air

Source: San Diego County Regional Airport Authority

Non-Signatory Airline Operating Agreements. Except as described below, passenger airlines and cargo carriers operating at SDIA that are not a party to an Airline Lease Agreement or an Affiliate Airline Operating Agreement (the "Non-Signatory Airlines"), operate at the Airport pursuant to a Non-Signatory Airline Operating Agreement. The Non-Signatory Airlines are currently Allegiant, Ameriflight and Swoop. The terms of the Non-Signatory Airline Operating Agreements are generally the same as the terms of the Airline Lease Agreements, except that the landing fees and terminal rentals paid by the Non-Signatory Airlines are higher than the fees and rates paid by the Signatory Airlines under the Airline Lease Agreements (20% higher), except for FIS fees.

Swift Air, a cargo carrier that provides service for DHL, began operating at the Airport in July 2021, and currently operates at the Airport neither as a Signatory Airline nor as a Non-Signatory Airline. The Airport Authority and Swift Air are currently in negotiations as to whether Swift Air will continue operating at the Airport as a Signatory Airline or as a Non-Signatory Airline.

See "FINANCIAL INFORMATION—Summary of Financial Results" for information with respect to aviation revenues collected by the Airport Authority in Fiscal Year 2021.

Parking Agreement

The Airport Authority has entered into an agreement with ACE Parking Management Inc. ("ACE Management") for the management of the parking facilities at SDIA. The term of the agreement with ACE Management is from October 1, 2018 through September 30, 2021, with 2 one-year options to extend the agreement solely at the Airport Authority's discretion. The Airport Authority exercised its first option to extend the agreement until September 30, 2022. The Airport Authority has one more option, at its sole discretion, to extend the agreement for one additional year until September 30, 2023. The agreement requires ACE Management to remit the gross revenues from the parking facilities it operates, on a daily basis, to the Airport Authority. As compensation for ACE Management's performance under the agreement, the Airport Authority pays ACE Management a fixed annual management fee and reimburses ACE Management for expenses incurred in the management and operation of the parking facilities.

The Airport Authority sets rates for parking in the Airport Authority's public parking lots and can modify those rates at any time at its discretion. For Fiscal Year 2022, parking rates are $6 for the first hour and a maximum of $32 for the first day, with every additional day being $32 per day (the daily rate is as low as $21 per day with an advance reservation). Prior to the start of the COVID-19 pandemic, for Fiscal Year 2020, parking rates were $6 for the first hour and a maximum of $32 for the first day, with every additional day being $32 per day (the daily rate was $19 per day with an advance reservation). Additionally, in Fiscal Year 2020, the Airport Authority charged $20 per day ($15 per day with an advance reservation) for parking at the surface parking lots on Pacific Highway and Harbor Drive that are now closed.

When valet parking returns in January 2022, valet parking rates will be $40 per day. Customers who reserve parking in advance of arriving at SDIA pay a discounted rate for valet parking ($35 per day). Public parking accounted for approximately $46.6 million of operating revenues in Fiscal Year 2019, equal to approximately 15.9% of operating revenues or approximately 29.3% of nonairline revenues. Public parking accounted for approximately $36.4 million of operating revenues in Fiscal Year 2020, equal to approximately 13.9% of operating revenues or approximately 27.8% of nonairline revenues. Public parking accounted for approximately $22.2 million of operating revenues in Fiscal Year 2021, equal to approximately 10.3% of operating revenues or approximately 27.1% of nonairline revenues.

Rental Car Agreements

As of July 1, 2021, there were eight rental car companies (operating a total of 15 brands) authorized by the Airport Authority to provide rental car services at SDIA. Most of the major national brands are represented at SDIA (Alamo, Avis, Budget, Dollar, Enterprise, Fox, Hertz, National, Payless, Sixt, Thrifty and ZipCar), as well as local brands (Ace, Mex Rent a Car and NuCar). Twelve of the brands lease space within and operate from the Rental Car Center (the "On-Airport Rental Car Companies"). The remaining three brands operate off-Airport by shuttling passenger between the Rental Car Center and their off-Airport facilities (the "Off-Airport Rental Car Companies"). All rental car companies operating at the Airport must use the busing system to transport passengers to the terminals.

The Airport Authority and each of the On-Airport Rental Car Companies have entered into a Non-Exclusive On-Airport Rental Car Concession Agreement (each a "Rental Car Concession Agreement"), pursuant to which the Airport Authority has granted to each of the Rental Car Companies the right to operate a rental car concession at the Airport from the Rental Car Center on a nonexclusive basis for the purpose of arranging rental car services for the benefit of Airport customers where such rental car service is furnished by or on behalf of the Rental Car Company. Pursuant to the Rental Car Concession Agreements, each of the On-Airport Rental Car Companies pay the Airport Authority a monthly concession fee equal to the greater of (a) a minimum monthly guarantee set forth in the Rental Car Concession Agreements or (b) 10% of the monthly gross revenues of such On-Airport Rental Car Company. Each of the Rental Car Concession Agreements expire on June 30, 2026. The On-Airport Rental Car Companies have agreed that the Airport Authority will have, at the Airport Authority's sole discretion, the option to extend the Rental Car Concession Agreements for four separate 5-year periods. Each additional 5-year term for which this option is exercised will commence at the expiration of the immediately preceding term. The Off-Airport Rental Car Companies operated at the Airport pursuant to a Non-Exclusive Off-Airport Rental Car Concession Agreement.

In addition to the Rental Car Concession Agreements, the Airport Authority and each of the On-Airport Rental Car Companies have entered into a "Rental Car Center Lease Agreement." Pursuant to the terms of the Rental Car Center Lease Agreements, the Airport Authority agreed to construct the Rental Car Center and the On-Airport Rental Car Companies have agreed to collect CFCs, pay Bond Funding Supplemental Consideration in the event CFCs are not sufficient to pay debt service on the Series 2014 Special Facilities Bonds, pay ground rent with respect to the respective space leased in the Rental Car Center, and certain reimbursable operating and maintenance costs of the Rental Car Center. Only Rental Car Companies that have entered into a Rental Car Concession Agreement are allowed to enter into a Rental Car Lease Agreement.

Pursuant to Section 1936 of the California Civil Code, on October 4, 2012, the Board authorized the following CFC collection rates on rental cars rented from the rental car companies operating at SDIA: $6.00 per transaction day, effective November 1, 2012; $7.50 per transaction day, effective January 1, 2014; and $9.00 per transaction day, effective January 1, 2017 (each such rate limited to 5 transaction days per transaction). The CFC is collected by the rental car companies from their customers and subsequently transferred to the Airport Authority (or the trustee for the Series 2014 Special Facilities Bonds). The CFC revenues were used and are being used to pay the debt service on the Series 2014 Special Facilities Bonds, to fund certain funds and accounts associated with the Series 2014 Special Facilities Bonds and the costs of the operation and maintenance of the Rental Car Center, and to provide for the busing system between the terminals and the Rental Car Center. CFC revenues are not included in Revenues and are not available for the payment of debt service on the Senior Bonds or the Subordinate Obligations (including the Subordinate Series 2021 Bonds).

In Fiscal Year 2019, the Airport Authority received approximately $34.3 million in payments (not including CFCs) from the On-Airport Rental Car Companies and Off-Airport Rental Car Companies, and recorded the receipt of approximately $41.9 million of CFC revenues. In Fiscal Year 2020, the Airport Authority received approximately $26.0 million in payments (not including CFCs) from the On-Airport Rental Car Companies and Off-Airport Rental Car Companies, and recorded the receipt of approximately $30.2 million of CFC revenues. In Fiscal Year 2021, the Airport Authority received approximately $17.0 million in payments (not including CFCs) from the On-Airport Rental Car Companies and Off-Airport Rental Car Companies, and recorded the receipt of approximately $15.8 million of CFC revenues. See "IMPACT OF COVID-19 PANDEMIC ON SAN DIEGO INTERNATIONAL AIRPORT—Financial Conditions and Liquidity—Temporary Relief Programs Provided to Airlines, Concessionaires and Rental Car Companies" for a discussion of certain relief provided by the Airport Authority to the rental car companies as a result of the COVID-19 pandemic. The CFC revenues are not pledged to or available to pay the Subordinate Series 2021 Bonds. The CFC revenues are pledged to and are used to pay the Series 2014 Special Facilities Bonds and other costs related to the Rental Car Center.

TNC Permits

Transportation Network Companies (i.e., Uber, Lyft and similar companies) ("TNCs") are allowed to pick-up and drop-off passengers at the Airport only if they have entered into a "Non-Exclusive Permit and Agreement to Use Airport Property to Conduct TNC Services at San Diego International Airport (a "TNC Permit") with the Airport Authority. The TNC Permits allow each TNC's approved drivers' access to designated Airport property in connection with the provision of transportation services for airport customers, employees, and passengers with their personal baggage. Subject to the terms of the TNC Permits, TNCs are required (except in limited circumstances) to drop-off passengers only in designated areas in front of Terminals 1 and 2, and are otherwise only allowed to use Airport property within the designated TNC airport assignment area and designated TNC staging areas at the Airport. The TNC Permits have a term of one year, unless suspended, revoked or terminated sooner in accordance with the terms of the TNC Permit. Each TNC Permit must be renewed each year. Pursuant to the TNC Permits, for Fiscal Year 2022, TNCs are required to pay $3.50 for each pick-up and $3.50 for each drop-off. The Airport Authority has the discretion to change the pick-up and drop-off fees each Fiscal Year. In Fiscal Year 2021, TNCs recorded approximately 587,000 Airport pick-ups and approximately 663,000 Airport drop-offs resulting in $4.4 million in fee revenue for the Airport Authority (pick-up and drop-off fees were each $3.50 during Fiscal Year 2021). In Fiscal Year 2020, TNCs recorded approximately 1,666,0000 Airport pick-ups and approximately 1,866,000 Airport drop-offs resulting in $12.4 million in fee revenue for the Airport Authority (pick-up and drop-off fees were each $3.50 during Fiscal Year 2020). In Fiscal Year 2019, TNCs recorded nearly 2.1 million (estimated) Airport pick-ups and 2.4 (estimated) Airport drop-offs resulting in $13.5 million in fee revenue for the Airport Authority (pick-up and drop-off fees were each $3.00 during Fiscal Year 2019). See "AIRPORT ENVIRONMENTAL MATTERS—Air Quality and Carbon Management Planning—TNC GHG Emissions Reduction Program."

Terminal Concessions, Advertising and Other Agreements

In March 2015, the Airport Authority completed its concession development program, which involved a complete revamp of the shopping and dining options in the passenger terminals. As part of its concessions development program, the Airport Authority entered into 18 leases with a variety of vendors for 83 food, beverage and retail units at SDIA. The leases with respect to the food and beverage units commenced on the date the applicable concession space was available for beneficial use by the vendor and expires on a date 10 years after such date of available use. The leases with respect to the retail units commenced on the date the applicable concession space was available for beneficial use by the vendor and expires on a date 7 years after such date of available use. As of the date of this Official Statement, most of the retail concession leases have expired and the retail concessionaires are operating at SDIA on a month-by-month basis under the terms of the expired leases. The Airport Authority expects to solicit for new Terminal 2 retail concessions and food and beverage concessions in 2022. The leases provide for rental payments equal to the greater of a minimum annual guarantee ("MAG") or a percentage of gross income. However, as a result of the COVID-19 pandemic, beginning in May 2020, the Airport Authority waived the MAG provisions under the leases for the concessionaires. The waivers will continue through the end of calendar year 2021. See "IMPACT OF COVID-19 PANDEMIC ON SAN DIEGO INTERNATIONAL AIRPORT—Financial Conditions and Liquidity—Temporary Relief Programs Provided to Airlines, Concessionaires and Rental Car Companies" for a discussion of certain relief provided by the Airport Authority to the concessionaires as a result of the COVID-19 pandemic.

For Fiscal Year 2019, gross sales for food and beverage outlets were $96.1 million, providing approximately $14.0 million in operating revenues to the Airport Authority (which equaled a percentage of the gross sales for food and beverage outlets). For Fiscal Year 2020, gross sales for food and beverage outlets were $70.5 million, providing approximately $10.8 million in operating revenues to the Airport Authority (which equaled a percentage of the gross sales for food and beverage outlets). For Fiscal Year 2021, gross sales for food and beverage outlets were $29.7 million, providing approximately $4.2 million in operating revenues to the Airport Authority (which equaled a percentage of the gross sales for food and beverage outlets).

For Fiscal Year 2019, gross sales for gift, news and specialty retail outlets were $50.7 million, providing approximately $8.2 million in operating revenues to the Airport Authority (which equaled a percentage of the gross sales for gift, news and specialty retail outlets). For Fiscal Year 2020, gross sales for gift, news and specialty retail outlets were $36.6 million, providing approximately $6.3 million in operating revenues to the Airport Authority (which equaled a percentage of the gross sales for gift, news and specialty retail outlets). For Fiscal Year 2021, gross sales for gift, news and specialty retail outlets were $21.0 million, providing approximately $3.2 million in operating revenues to the Airport Authority (which equaled a percentage of the gross sales for gift, news and specialty retail outlets).

Effective November 1, 2018, the Airport Authority entered into a new in-terminal advertising lease with Clear Channel. The in-terminal advertising lease has a ten-year term and provides for payments from

Clear Channel equal to the greater of a MAG or a percentage of gross income received by Clear Channel from advertisements at SDIA. However, as a result of the COVID-19 pandemic, beginning in May 2020, the Airport Authority waived the MAG provisions under the lease with Clear Channel. The waiver will continue through the end of calendar year 2021. See "IMPACT OF COVID-19 PANDEMIC ON SAN DIEGO INTERNATIONAL AIRPORT." For Fiscal Year 2019, gross advertising income was $1.9 million, providing approximately $1.1 million in operating revenues to the Airport Authority. For Fiscal Year 2020, gross advertising income was $4.0 million, providing approximately $2.6 million in operating revenues to the Airport Authority. For Fiscal Year 2021, gross advertising income was $1.1 million, providing approximately $837,000 in operating revenues to the Airport Authority.

The Airport Authority also has entered into agreements with operators of vending machines, airport carts, ATMs and certain other concessionaires. Most of these operators pay the Airport Authority the greater of a MAG or a percentage of gross income. Additionally, the Airport Authority recovers certain costs of operating the concession program and collects a marketing fee from the concessionaires to promote the program.

The following table summarizes the gross sales for the terminal concessions and the operating revenues collected by the Airport Authority from the terminal concessions for Fiscal Years 2019, 2020 and 2021.

TABLE 14
San Diego County Regional Airport Authority
Terminal Concessions Gross Sales and Airport Authority Operating Revenues

	Fiscal Year 2019		Fiscal Year 2020		Fiscal Year 2021	
Concession	Gross Concession Sales	Airport Authority Operating Revenues	Gross Concession Sales	Airport Authority Operating Revenues	Gross Concession Sales	Airport Authority Operating Revenues
Food & Beverage	$96,121,336	$13,949,528	$70,543,701	$10,753,084	$29,681,398	$4,206,180
Retail	50,661,377	8,186,875	36,566,892	6,343,380	20,969,455	3,245,777
Other	6,496,238	1,867,656	4,469,392	1,258,702	1,813,629	796,504
Advertising	1,897,442	1,233,337	3,994,082	2,596,153	1,144,186	836,836
Total	$155,176,393	$25,237,397	$115,574,068	$20,951,320	$53,608,668	$9,085,298

Source: San Diego County Regional Airport Authority.

The Airport Authority is currently soliciting for a tenant to operate a new common passenger lounge in Terminal 2 West. Additionally, the Airport Authority expects to solicit for terminal concessions for the new Terminal 1 beginning in 2023.

FINANCIAL INFORMATION

Summary of Financial Operations

Budgeting Process. The Airport Authority operates on a July 1 through June 30 Fiscal Year. The annual budget cycle includes the preparation of two budgets: one to be adopted by the Board for the next Fiscal Year and a conceptual budget for the subsequent Fiscal Year that the Board approves but does not adopt. The budget process usually begins in October with senior management collaborating with the Board to update, review and formulate the strategies and initiatives that will drive business performance. From October to January, the management team engages in cross-functional discussions to arrive at key decisions and agreements. The effort is designed to align divisional requirements with the Airport Authority's overall strategies and initiatives. The Board is briefed continually to solicit input and direction throughout the process. As appropriate, strategic planning workshops and detailed briefings on the proposed operating and capital program budgets are held with the Board.

In January, the budget staff reviews financial results of the first six months of the then-current Fiscal Year. In February and March departments submit budget requests reflecting operating needs and programs to achieve the Airport Authority's strategies and initiatives. Meetings are held with each division to review their budget requests and weigh the cost/benefit impact, where appropriate.

To ensure that the budget is funded adequately and to maintain the Airport Authority's financial condition, the Financial Management team prepares an airline revenue budget that incorporates budget expenditure requests into the rate setting formula to determine projected rates, fees and charges to the airlines and other tenants.

From April to June, proposed operational and capital program budgets are distributed to the Board and a budget workshop is held to review the materials for input and guidance. The Board adopts the budget as a whole, and it may be amended as required, with Board approval, at any time during the year.

On June 3, 2021, the Board adopted the budget for Fiscal Year 2022 and approved, in concept, the budget for Fiscal Year 2023. The conceptual budget for Fiscal Year 2023 approved by the Board will be brought back to the Board in 2022 for review, any needed revisions and final adoption.

In 2021, the Airport Authority received its 16th consecutive Distinguished Budget Presentation Award from the Government Finance Officers Association of the United States and Canada ("GFOA") for its annual budget for Fiscal Year 2021.

Fiscal Year 2022 Budget. Budgeted operating and non-operating revenues for Fiscal Year 2022 are $397.3 million, an increase of $21.2 million (or 5.6%) over Fiscal Year 2021 budgeted operating and non-operating revenues. This increase can be primarily attributed to the receipt of federal relief funds (ARPA) and an increase in interest income. Budgeted expenses for Fiscal Year 2022 are projected to increase $7.5 million, or 2.6%, over Fiscal Year 2021 budgeted expenses (which were $295.9 million). This increase is primarily attributable to increases in parking and shuttle operating costs, as well as safety and security expenses. The Fiscal Year 2022 budget assumes 6.28 million enplaned passengers, as compared to (a) 6.33 million enplaned passengers in the Fiscal Year 2021 budget (a 0.8% decrease), and (b) 4.86 million actual enplaned passengers for Fiscal Year 2021 (a 29.2% increase).

Conceptual Fiscal Year 2023 Budget. Budgeted operating and non-operating revenues for Fiscal Year 2023 are $462.9 million, an increase of $65.7 million (or 6.5%) over Fiscal Year 2022 budgeted operating and non-operating revenues. This increase can be primarily attributed to an increase in airline and non-airline revenues due to an anticipated increase in enplanements. Budgeted expenses for Fiscal Year 2023 are projected to increase $17.9 million, or 6.0%, over Fiscal Year 2022 budgeted expenses (which are $313.8 million). This increase is primarily attributable to increases in personnel costs, safety and security costs and contractual services. The Fiscal Year 2023 budget assumes 8.83 million enplaned passengers, versus 6.28 million enplaned passengers in the Fiscal Year 2022 budget (a 40.7% increase).

Internal Controls. The Airport Authority's Vice President, Chief Financial Officer establishes a system of internal controls that provides 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; and promoting effectiveness and efficiency of operations. A Chief Auditor heads the internal audit department that conducts financial reviews and audits on a periodic basis, and reports directly to the Board. In addition, the Airport Authority has external auditors who review the annual financial statements of the Airport Authority and express an opinion that the contents present fairly, in all material respects, the financial condition of the Airport Authority.

Debt Issuance and Management Policy. The Airport Authority has established a formal debt issuance and management policy (the "Debt Policy") that was last amended by the Board in 2021. The Debt Policy contains the policies of the Airport Authority that govern its existing and anticipated debt obligations. The Debt Policy contains, among other things, several goals and targets with respect to the Airport Authority's outstanding debt coverage ratios, airline costs per enplaned passenger, debt to enplaned passenger ratios and available liquidity. The Debt Policy includes: (a) a debt service coverage target (Net Revenues (which, for purposes of the Debt Policy, includes PFCs used to pay debt service and the Federal Direct Payments) divided by annual debt service) of 1.40 times for combined debt service on Senior Bonds and Subordinate Obligations; and (b) a target of unrestricted reserves of 600 days of budgeted operating and maintenance expenses for the current fiscal year. Prior debt policies of the Airport Authority also included a goal that the debt to enplaned passenger ratio would not exceed $150 per enplaned passenger. This goal was suspended in the current Debt Policy due to the impacts of the COVID-19 pandemic. The Airport Authority expects to evaluate this goal and potentially once again include it in its Debt Policy as the New T1 program advances and passenger levels stabilize. The Debt Policy is only the internal goals and targets of the Airport Authority. A failure of the Airport Authority to meet any of these goals and targets are not Events of Default under the Master Senior Indenture or the Subordinate Indenture.

Investment Practices. It is the policy of the Airport 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 Airport Authority. The investment policies and practices of the Airport Authority are based upon prudent money management and conform to all state and local statutes governing the investment of public funds. The Airport Authority is authorized by California Government Code Section 53600 *et seq.* and Section 53630 *et seq*. to invest in investments listed therein. Prohibited investments include but are not limited to, inverse floating rate notes, range notes, interest-only strips that are derived from a pool of mortgages and common stock. Investments that exceed five years to maturity require authorization by the Board at least 30 days prior to purchase.

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The following table sets forth a summary of the Airport Authority's investments as of June 30, 2021:

TABLE 15
San Diego County Regional Airport Authority
Investments
(As of June 30, 2021)

Security Type	Market Value as of June 30, 2021	Percentage of Portfolio
U.S. Agency Securities	$129,789,047	25.2%
U.S. Treasuries	111,996,739	21.7
Local Area Investment Fund (LAIF)	63,278,312	12.3
San Diego County Investment Pool	58,454,381	11.3
Medium Term Notes	49,483,673	9.6
Collateralized Bank Demand Deposits	28,723,911	5.6
Money Market Fund	27,676,943	5.4
Certificates of Deposit	16,562,355	3.2
Cal Trust	16,410,450	3.2
Supranationals	7,605,395	1.5
Municipal Bonds	5,232,218	1.0
Total	$515,214,424	100.0%

Source: San Diego County Regional Airport Authority June 30, 2021 Investment Report.

Derivatives Policy. In September 2007, the Board adopted a derivatives policy which provides guidelines to be used by the Airport Authority when entering into derivative financial products, including, but not limited to, interest rate swaps, interest rate caps and rate locks. As of the date of this Official Statement, the Airport Authority has not entered into any contracts for derivative financial products.

Summary of Financial Results

Financial Results for Fiscal Years 2017 through 2020 (audited) and Fiscal Year 2021 (unaudited). The following table summarizes the financial results from operations for the Airport Authority for Fiscal Years 2017 through 2020 (audited) and Fiscal Year 2021 (unaudited). See "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019." BKD, LLP, the Airport Authority's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included in Appendix B attached hereto, any procedures on the financial statements addressed in that report. BKD, LLP also has not performed any procedures relating to this Official Statement. As of the date of this Official Statement, the Airport Authority expects its audited financial statements for the Fiscal Year ended June 30, 2021 will be accepted by the Board on December 2, 2021. Upon acceptance by the Board, the Airport Authority will post the Fiscal Year 2021 audited financial statements on the MSRB's EMMA website. The Airport Authority does not expect any material differences between the unaudited Fiscal Year 2021 financial results provided in the following table and the financial results that will be contained in its audited financial statements for Fiscal Year 2021.

TABLE 16
San Diego County Regional Airport Authority
Statements of Revenues, Expenses and Change in Net Position
(Dollars in Thousands)[1]

	2017	2018[2]	2019	2020	2021 (unaudited)[3]
Operating revenue:					
Aviation revenue					
Landing fees	$ 24,612	$ 23,900	$ 24,816	$ 33,242	$34,046
Aircraft parking fees	2,927	3,236	3,471	8,354	8,542
Building rentals	56,575	62,241	70,912	82,453	83,090
Security surcharge	29,468	32,303	33,559	–	–
Other aviation revenue	2,799	1,476	1,596	7,789	8,192
Concession revenue	61,256	65,610	71,256	57,243	31,097
Parking and ground transportation revenue	49,407	53,254	62,818	50,751	27,447
Ground rentals	20,053	22,109	22,810	21,386	21,849
Other operating revenue	1,750	1,949	2,440	1,818	1,682
Total operating revenue	248,847	266,079	293,679	263,036	215,944
Operating expenses:					
Salaries and benefits	46,874	47,866	49,578	51,667	52,922
Contractual services	44,372	45,249	49,903	37,694	24,977
Safety & security	28,422	30,733	31,397	29,457	35,086
Space rental	10,190	10,190	10,191	10,207	10,267
Utilities	10,736	12,509	13,194	12,748	11,730
Maintenance	14,270	12,603	13,436	11,584	9,111
Equipment and systems	506	598	375	336	425
Material and supplies	611	656	657	651	450
Insurance	956	1,098	1,200	1,308	1,519
Employee development & support	1,347	1,248	1,045	967	442
Business development	2,347	3,246	2,630	2,033	209
Equipment rental and repair	3,095	3,124	3,614	3,598	3,380
Total operating expenses before depreciation and amortization	163,726	169,120	177,219	162,250	150,516
Income from operations before depreciation and amortization	85,121	96,959	116,460	100,786	65,429
Depreciation and amortization	95,229	105,532	124,329	131,587	132,834
Operating (loss)	(10,108)	(8,573)	(7,869)	(30,801)	(67,405)
Non-operating revenues (expenses):					
Passenger facility charges	42,200	46,953	49,198	34,393	22,110
Customer facility charges	36,528	41,037	41,919	30,240	15,755
Federal Relief Grants (COVID-19)	–	–	–	36,895	77,219
Quieter Home Program, net	(785)	(2,747)	(3,192)	(3,295)	(3,233)
Joint Studies Program	–	(114)	(99)	–	–
Interest income	5,689	9,426	25,533	32,430	4,175
Interest expense	(58,179)	(68,411)	(74,501)	(73,612)	(68,067)
"Build America Bond" rebate	4,651	4,666	4,686	–	–
Other revenues (expenses), net	(14,676)	(9,281)	(510)	1,442	(705)
Non-operating revenue, net	15,428	21,529	43,033	58,493	47,254
Income before capital grant contributions	5,321	12,956	35,164	27,692	(20,151)
Capital grant contributions	1,904	13,079	8,213	4,072	13,932
Change in net position	7,224	26,035	43,378	31,764	(6,219)
Prior Period Adjustment	–	717	–	–	
Net position, beginning of year	775,949	783,173	809,925	853,302	885,066
Net position, end of year	$783,173	$809,925	$853,302	$885,066	$878,847

[1] Totals may not add due to rounding.
[2] Certain amounts for Fiscal Year 2018 were restated in accordance with Governmental Accounting Standards Board Statement No.75.
[3] As of the date of this Official Statement, the Airport Authority expects its audited financial statements for the Fiscal Year ended June 30, 2021 will be accepted by the Board on December 2, 2021. Upon acceptance by the Board, the Airport Authority will post the Fiscal Year 2021 audited financial statements on the MSRB's EMMA website.

Source: Fiscal Years 2017 through 2020 numbers are derived from the audited financial statements of the Airport Authority. Fiscal Year 2021 numbers are derived from the records of the Airport Authority.

Management's Discussion of Fiscal Year 2021 Financial Results. Total operating revenue for Fiscal Year 2021 was $215.9 million, a decrease of $47.1 million or 17.9% over Fiscal Year 2020. Airline revenue for Fiscal Year 2021 increased $2.0 million or 1.5% over Fiscal Year 2020. The increase in total airline revenue was primarily due to an increased cost recovery from the airlines. The increase in cost recovery was a result of higher debt service and lower federal relief grants applied towards airlines cost centers, offset by a decrease in recoverable operating expenses. Non-Airline revenue decreased $49.1 million in Fiscal Year 2021 or 37.4%. Concession revenue decreased by $26.1 million or 45.7% reflecting the Airport Authority's Rent Forbearance and Abatement Program, which was available to qualifying non-airline tenants because of the continued impact of the COVID-19 pandemic. The program primarily provided short-term abatement of monthly MAG payments for tenants that satisfied the terms and conditions during the program. Parking and ground transportation revenue decreased by $23.3 million or 45.7%, due to lower enplanements.

Operating expenses, before depreciation, for Fiscal Year 2021 was $150.5 million, a decrease of $11.7 million, or 7.2%, from Fiscal Year 2020. The Airport Authority continued to operate under its Financial Resilience Plan, as described under "IMPACT OF COVID-19 PANDEMIC ON SAN DIEGO INTERNATIONAL AIRPORT," that was activated in March 2020 and eliminated, delayed, or reduced non-essential operating and capital expenditures. Contractual services decreased by $12.7 million or 33.7%, mainly due to lower expenses for parking and shuttle operations, planning and environmental services, terminal operation costs, legal services, and information technology support. Utilities decreased by $1.0 million or 8.0% due to decreased gas and electric usage. Maintenance expenses decreased by $2.5 million, or 21.4%, due to a decrease in annual and major maintenance. Business development decreased by $1.8 million or 89.7% due to decreased Airport Authority marketing and promotional activity expenses. Partially offsetting the decrease in operating expenses described above, salaries and benefits, increased by $1.3 million or 2.4%, due to additional pension expense, and safety and security increased by $5.6 million or 19.1%.

Non-operating revenue (net) decreased by $11.2 million or 19.2% in Fiscal Year 2021. Investment income decreased by $28.2 million; a portion of the decrease was as a result of unrealized gain in Fiscal Year 2020 on investments of $12.7 million changing to an unrealized loss of $9.3 million in Fiscal Year 2021 reflecting a $22.0 million decrease in investment income. The remaining decrease in investment income was mainly due to lower investment rates of return on Airport Authority investments. There were decreases in PFCs and CFCs due to reduced enplaned passengers caused by the COVID-19 pandemic. PFCs decreased by $12.3 million or 35.7%, and CFCs decreased by $14.5 million or 47.9%. These decreases in non-operating revenues were partially offset by an increase of $40.3 million in Federal Relief Grants and a decrease in interest expense of $5.5 million, which is made up of increased bond amortization (which offsets interest expense) and reduced debt issue costs in Fiscal Year 2021. In Fiscal Year 2021 capital grant contributions increased by $9.9 million compared to Fiscal Year 2020. This was primarily due to a delay from Fiscal Year 2020 to Fiscal Year 2021 of a cross taxiway project and additional grants received for other airfield projects.

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Revenue Diversity

The following table sets forth the top ten operating revenue providers at SDIA for Fiscal Year 2021.

TABLE 17
San Diego County Regional Airport Authority
Top Ten Operating Revenue Providers
(Fiscal Year 2021)

	Revenue Provider	Revenues	Percent of Total Operating Revenue
1.	Southwest Airlines	$32,981,547	15.3%
2.	Alaska Airlines	19,163,465	8.9
3.	American Airlines	17,009,804	7.9
4.	Delta Air Lines	16,637,440	7.7
5.	United Airlines	16,629,587	7.7
6.	Enterprise Holdings	5,913,051	2.7
7.	Hertz Global Holdings	5,303,020	2.5
8.	Signature Flight Support	4,919,025	2.3
9.	Avis Rent-A-Car	4,666,097	2.2
10.	FedEx	3,889,735	1.8

Source: San Diego County Regional Airport Authority

The following table sets forth the top ten operating revenue sources at SDIA for Fiscal Year 2021.

TABLE 18
San Diego County Regional Airport Authority
Top Ten Operating Revenue Sources
(Fiscal Year 2021)

	Source	Revenue	Percent of Total Operating Revenue
1.	Building Rentals	$83,090,211	38.5%
2.	Landing Fees	34,046,302	15.8
3.	Parking Revenue	22,237,610	10.3
4.	Ground Rentals	19,259,872	8.9
5.	Rental Car License Fees[1]	16,973,062	7.9
6.	Terminal Concessions	10,754,373	5.0
7.	Aircraft Parking Fees	8,541,663	4.0
8.	Common Use System Support Charges	7,369,019	3.4
9.	Ground Transportation Permits and Citations	5,209,068	2.4
10.	License Fees - Other	3,369,435	1.6

[1] Excludes CFC revenues, of which the Airport Authority recorded the receipt of $15.8 million in Fiscal Year 2021.
Source: San Diego County Regional Airport Authority

Historical Debt Service Coverage

The following table shows historical senior and subordinate debt service coverage for Fiscal Years 2017 through 2021.

TABLE 19
San Diego County Regional Airport Authority
Historical Senior and Subordinate Debt Service Coverage[1]

	2017	2018	2019	2020	2021
Net Revenues					
Revenues[2]	$255,540,858	$276,983,726	$306,683,097	$280,572,988	$227,573,517
Operating and Maintenance Expenses	(154,455,699)	(157,246,523)	(165,925,555)	(152,377,707)	(139,258,325)
Plus: CARES Act/CRRSAA Funds Applied to Operating and Maintenance Expenses	–	–	–	16,080,061	51,237,039
Net Operating and Maintenance Expenses	*(154,455,699)*	*(157,246,523)*	*(165,925,555)*	*(136,297,647)*	*(88,021,286)*
Net Revenues Available for Debt Service	$101,085,159	$119,737,204	$140,757,542	$144,275,342	$139,552,231
Senior Debt Service					
Senior Bonds[3]					
Principal	$ 2,155,000	$ 2,240,000	$ 2,320,000	$ 7,925,000	$ 8,315,000
Interest	18,349,950	18,263,750	18,174,150	18,081,350	17,685,100
Less: PFCs Applied to Senior Debt Service	(9,548,626)	(9,547,482)	(9,544,262)	(11,260,741)	(11,172,249)
Less: CARES Act Funds Applied to Senior Debt Service	–	–	–	(6,501,585)	(3,406,934)
Total Senior Debt Service	$10,956,324	10,956,268	10,949,889	8,244,024	11,420,917
Senior Debt Service Coverage	9.23x	10.93x	12.85x	17.50x	12.22x
Subordinate Debt Service[4]					
Subordinate Net Revenues Available for Debt Service	$90,128,835	$108,780,936	$129,807,653	$136,031,318	$128,131,313
Subordinate Bonds[5]					
Principal	$ 9,430,000	$14,830,000	$15,895,000	$17,745,000	$22,315,000
Interest[6]	26,085,029	37,197,656	37,917,500	39,404,449	41,720,733
Variable Rate Debt[7]	7,000,066	7,335,123	7,497,649	1,894,813	–
Less: PFCs Applied to Subordinate Debt Service	(20,456,707)	(20,457,851)	(20,461,071)	(18,744,592)	(8,833,085)
Less: CARES Act Funds Applied to Subordinate Debt Service	–	–	–	(14,313,843)	(22,593,066)
Total Subordinate Debt Service	$22,058,389	$38,904,928	$40,849,078	$25,985,827	$32,609,582
Subordinate Debt Service Coverage	4.09x	2.80x	3.18x	5.23x	3.93x
Aggregate Senior and Subordinate Debt Service					
Net Revenues Available for Debt Service	$101,085,159	$119,737,204	$140,757,542	$144,275,342	$139,552,231
Aggregate Debt Service (Bonds)					
Principal	11,585,000	17,070,000	18,215,000	25,670,000	30,630,000
Interest[6]	44,434,979	55,461,406	56,091,650	57,485,799	59,405,833
Variable Rate Debt[7]	7,000,066	7,335,123	7,497,649	1,894,813	–
Less: PFCs Applied to Senior and Subordinate Debt Service	(30,005,333)	(30,005,333)	(30,005,333)	(30,005,333)	(20,005,333)
Less: CARES Act Funds Applied to Senior and Subordinate Debt Service	–	–	–	(20,815,428)	(26,000,000)
Total Aggregate Debt Service	$33,014,712	$49,861,196	$51,798,966	$34,229,851	$44,030,500
Aggregate Debt Service Coverage	3.06x	2.40x	2.72x	4.21x	3.17x

[1] Except as otherwise noted, the numbers and coverage ratios are calculated pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture.
[2] Does not include grants which are otherwise included in the definition of Revenues. Grants which are not otherwise restricted by their terms to the payment of debt service on Senior Bonds and/or Subordinate Obligations are included in the definition of Revenues.
[3] Includes principal of and interest paid on the Senior Series 2013 Bonds.
[4] Subordinate Debt Service is calculated pursuant to the provisions of the Master Subordinate Indenture.
[5] Includes principal of and interest paid on the Airport Authority's Subordinate Airport Revenue Bonds, Series 2010A, Series 2010B and Series 2010C (which were defeased in whole in Fiscal Year 2020), the Subordinate Series 2017 Bonds, the Subordinate Series 2019 Bonds and the Subordinate Series 2020 Bonds.
[6] Net of interest paid with proceeds of the Subordinate Series 2017 Bonds through January 1, 2019, proceeds of the Subordinate Series 2019 Bonds through January 1, 2021 and the Federal Direct Payments received by the Airport Authority with respect to the Subordinate Series 2010C Bonds.
[7] Includes principal and interest paid on certain Subordinate revolving obligations and commitment fees paid to the providers of certain Subordinate revolving lines of credit and purchasers of certain Subordinate drawdown bonds.

Source: San Diego County Regional Airport Authority

Historical Airline Cost Per Enplaned Passenger

The following table sets forth historical airline costs (landing fees, terminal building rentals, airport police/security reimbursement fees and fuel and other franchise fees) of operating at SDIA for the past five Fiscal Years.

TABLE 20
San Diego International Airport
Airline Derived Revenue Per Passenger

Airline Revenues	2017	2018	2019	2020	2021
Joint Use Fees[1]	$ –	$ –	$ –	$ 49,426,560	$ 55,229,873
Landing Fees[2]	24,856,800	24,001,147	24,973,853	31,605,811	30,942,421
Terminal Rentals[2,3]	54,235,615	59,578,125	65,819,807	28,107,630	25,372,323
Common Use Fees	1,181,660	1,292,569	1,407,707	7,627,629	7,369,019
Aircraft Parking Fees[4]	2,926,972	3,235,788	3,471,363	6,800,018	6,859,419
FIS Use Charges	845,360	997,616	3,532,491	3,261,820	984,860
Security Surcharge[5]	29,468,089	32,303,267	33,558,621	–	–
Incentive Program	–	–	–	–	(62,080)
Total Airline Revenue	$113,514,483	$121,408,512	$132,763,842	$126,829,468	126,695,834
Enplaned Passengers	10,596,483	11,728,880	12,356,286	9,235,459	4,860,931
Airline Derived Revenue Per Passenger	$10.71	$10.35	$10.74	$13.73	$26.06

[1] Joint Use Fees became effective with the commencement of the current Airline Lease Agreement on July 1, 2019. The Joint Use Fees include charges for terminal premises used jointly with other tenants and the use by the airlines of passenger loading bridges, baggage handling systems, flight information displays, gate information displays, baggage information displays, paging, and Airport Authority provided staffing, contractual services, facilities, equipment, and other support systems that provide security and other resources supporting passenger carrier operations.
[2] Excludes rebates.
[3] Excludes Executive Lounge rent of approximately $1.4 million in Fiscal Year 2016, $1.5 million in Fiscal Year 2017, $1.7 million in Fiscal Year 2018, and $1.8 million in Fiscal Year 2019.
[4] Amount excludes general aviation remote overnight parking.
[5] Beginning on July 1, 2019 (the commencement date of the current Airline Lease Agreement), the Security Surcharge is included in the Joint Use Fees and the Landing Fees.
Source: San Diego County Regional Airport Authority

Pension and Retirement Plans

Airport Authority Pension Plan. All full-time employees of the Airport Authority are required to participate in the Airport Authority's defined-benefit pension plan, the Amended and Restated San Diego County Regional Airport Authority Retirement Plan and Trust of 2013 (the "Airport Authority Pension Plan"), which provides retirement and disability benefits, annual cost-of-living adjustments, a deferred retirement option plan for eligible employees, and death benefits to plan members and beneficiaries. The Airport Authority Pension Plan is administered by the San Diego City Employees' Retirement System ("SDCERS"), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the City, the Port District and the Airport Authority, and is administered by the Retirement Board of Administration (the "Retirement Board"). Each of the Airport Authority, the City and the Port District has a separate plan and each employer's contributions are held in trust, although all contributions to SDCERS are pooled for investment purposes, managed and invested by the Retirement Board.

SDCERS uses actuarial developed methods and assumptions to determine what level of contributions are required to achieve and maintain an appropriate funded status for the Airport Authority Pension Plan. Member contribution rates, as a percentage of salary, vary according to age at entry, benefit tier level, and certain negotiated contracts which provide for the Airport Authority to pay a portion of the employees' contributions. For Fiscal Year 2021, the Airport Authority's contribution rate was 27.2% as a percentage of covered payroll, as compared to 25.5% for Fiscal Year 2020. These contribution rates were greater than the actuarially determined contribution rates. For Fiscal Year 2021 the Airport Authority contributed approximately $9.8 million to the Airport Authority Pension Fund, and for Fiscal Year 2020, the Airport Authority contributed approximately $8.7 million to the Airport Authority Pension Fund. For Fiscal Year 2022, the Airport Authority budgeted approximately $10.0 million to the Airport Authority Pension Fund. The Airport Authority has always made its full required contributions to the Airport Authority Pension Plan. The Airport Authority cannot predict the levels of funding that will be required in the future.

See "Note 6. Defined-Benefit Plan" in the Airport Authority's financial statements for the year ended June 30, 2020 attached hereto as "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019" for more information on the Airport Authority's Pension Plan. Additionally, complete copies of SDCERS' comprehensive annual financial reports and the actuarial reports with respect to the Airport Authority Pension Plan can be obtained from SDCERS by writing to the San Diego City Employees' Retirement System, Suite 400, 401 West A Street, San Diego, California 92101 and from the SDCERS website at www.sdcers.org. No information contained on such website is incorporated into this Official Statement.

Postemployment Health Benefits. In addition to the pension benefits provided under the Airport Authority Pension Plan, the Airport Authority provides medical, dental, vision and life insurance postretirement benefits ("Postemployment Health Benefits") for nonunion employees hired prior to May 1, 2006, and union employees hired prior to October 1, 2008. The employees are eligible for these benefits if they retire from active employment after age 55 with 20 years of service or age 62 with five years of service. In May 2009, the Board approved an agreement with the California Employers' Retiree Benefit Trust ("CERBT") fund, which is managed by the California Public Employees Retirement System ("CalPERS"), to administer the Airport Authority's Postemployment Health Benefits.

For Fiscal Year 2021, the Airport Authority paid approximately $677,300 for Postemployment Health Benefits, as compared to $704,300 for Fiscal Year 2020. For Fiscal Year 2022, the Airport Authority budgeted approximately $764,000 for Postemployment Health Benefits.

Nonunion employees hired after May 1, 2006 and union employees hired after October 1, 2008 are not eligible to receive the Postemployment Health Benefits described above, but they are eligible to participate in a retiree funded health reimbursement arrangement ("R-FHRA"). Currently, approximately 260 employees of the Airport Authority participate in R-FHRA. The Airport Authority contributes approximately $600 per year to R-FHRA for each eligible employee, and each eligible employee can irrevocably elect within the first 30 days of employment, to contribute an additional $300 per year. Upon their separation of employment from the Airport Authority, participants in R-FHRA may use the amounts deposited to R-FHRA by the Airport Authority and the participant to pay for eligible medical expenses.

See "Note 9. Other Postemployment Benefits" in the Airport Authority's financial statements for the year ended June 30, 2020 attached hereto as "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019" for more information on the Airport Authority's Postemployment Health Benefits.

Risk Management and Insurance

Pursuant to the Senior Indenture and the Subordinate Indenture the Airport Authority is required to procure and maintain commercial insurance with respect to the facilities constituting the Airport System and public liability insurance in the form of commercial insurance if such insurance is obtainable at reasonable rates and upon reasonable terms and conditions. The amounts and risks required to be insured under the Senior Indenture and the Subordinate Indenture are subject to the Airport Authority's prudent judgment taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar airports. The Airport Authority may satisfy some of these insurance requirements through qualified self-insurance or self-insured retentions.

The Airport Authority maintains a robust insurance program, including insurance for commercial general liability, property, public officials and employment practices, privacy and cyber network security, crime, fiduciary, automobile, and workers compensation. Construction activity is insured through Owner Controlled Insurance Programs ("OCIPs") that provide general liability coverage. This is achieved either by placing a stand-alone OCIP for large projects or a flexible or "rolling" OCIP program designed to encompass all the smaller capital improvement projects together

The Airport Authority maintains airport owners and operators primary general liability insurance with coverage of $500 million for losses arising out of liability for airport operations.

The Airport Authority maintains a property insurance policy with limits of $750 million providing all risk and flood coverage on physical assets. The cost of earthquake insurance coverage for the Airport remains cost prohibitive and is not available in significant amounts. Effective July 1, 2007, the Airport Authority removed the purchase of commercial earthquake insurance from its Risk Management program and increased reliance on the laws designed to assist public entities through the Federal Emergency Management Agency ("FEMA") and the California Disaster Assistance Act ("CDDA"). As of July 1, 2021, the Airport Authority had designated approximately $12 million from its net position as an insurance contingency in the event of damage caused to the Airport by an earthquake. In the future, the Airport Authority could decide to increase or decrease the amount of this reserve.

Additionally, a $2 million contingency reserve has been established, within unrestricted net position, by the Airport Authority's management to respond to uninsured and underinsured catastrophic losses. This fund is maintained pursuant to Board action only; there is no other requirement that it be maintained. Management considers this contingency reserve to be designated to cover the cost of future retentions, deductibles and uninsured claims.

The overall insurance portfolio as well as each individual line of coverage renews annually. Prior to renewal, the Airport Authority works with its team of insurance brokers, currently Willis Towers Watson, to analyze adequacy of coverage, limits, terms and conditions, market conditions and new market offerings. During Fiscal Year 2021, except for the property insurance policy, there were no reductions in insurance coverage from the prior year. During Fiscal Year 2021, the Airport Authority reduced its property insurance policy limit from $1 billion to $750 million due to significant premium cost increases. Although coverage was reduced, the $750 million limit remains substantially higher than the Airport Authority's estimated maximum probable loss.

For the New T1 program, the Airport Authority will maintain an owner controlled insurance program for general liability coverage in an amount not to exceed $20 million, which the Airport Authority expects to be in place by the end of November 2021. Additionally, the Airport Authority expects to maintain a "builders risk" insurance policy in an amount not to exceed $15 million for the New T1 program.

The Airport Authority also has an active loss prevention program staffed by a Risk Manager, a Manager of Employee Safety and Wellness, a Risk Analyst, a Safety & Loss Prevention Analyst and two Administrative Assistants. All employees receive regular safety training. Loss control engineers from the Airport Authority's property and casualty insurers conduct annual safety survey and site inspections. Claims are monitored and administered by Willis Towers Watson, with Airport Authority oversight and control.

DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT

Master Plan

In May 2008, the Board approved the Airport Master Plan for San Diego International Airport (the "Master Plan"), which was developed to address requirements for accommodating near term passenger growth at the Airport through 2015 and to consider conceptual improvements through 2030. The Master Plan's primary goals included, among others, the improvement of air service and customer service, the improvement of safety and security at the Airport, the efficient utilization of property and facilities, and the enhancement of the Airport access as part of the region's transportation system.

The Master Plan consisted of four components: airfield, terminal, ground transportation and airport support. The airfield component included aircraft movement areas such as runway, taxiways and aircraft parking apron. The terminal component included passenger processing areas including ticket counters, security facilities, hold rooms and baggage claim. The ground transportation component included the roadway/transit circulation system, parking areas and rental car facilities. The airport support component included the Airport/airline maintenance, cargo and general aviation facilities.

The five primary steps of the Master Plan process included: (a) preparation of an aviation forecast; (b) development of facility requirements and draft preliminary concepts; (c) preparation of the preferred development concept (including development of an array of concepts for the Airport facilities, coordination of the Airport tenants and airlines, development of an off-airport transit plan); (d) preparation of a preliminary financial analysis, including development of a cost estimate on preliminary concepts and the financial feasibility of major project components; and (e) State/federal environmental analyses and State coastal permitting.

The Master Plan identified several near-term improvement needs for SDIA. The Airport Authority developed its Green Build Program to implement certain of these near-term improvements at SDIA. The Green Build Program, which was substantially completed in August 2013 for approximately $811 million, consisted of, among other improvements: (i) constructing 10 new gates on Terminal 2 West, (ii) constructing a new aircraft parking apron and aircraft taxi lane, (iii) expanding vehicle circulation serving Terminal 2 East and West by constructing a dual-level roadway featuring an arrivals curb on level one and a departures curb on level two, (iv) expanding concession areas in Terminal 2 West by providing more dining and shopping options, (v) constructing an improved/expanded security checkpoint in Terminal 2 West, and (vi) constructing new holding areas at the gates in Terminal 2 West.

In addition to the Green Build Program, the Airport Authority's planning and development of the northside of the Airport was part of the Master Plan near-term improvements, which included the Rental Car Center and the new general aviation facilities.

Capital Program

The Airport Authority maintains the Capital Program, which is a rolling five-year program that provides for critical improvements and asset preservation for the Airport Authority. The Capital Program contains two main components: (1) the New T1 program that consists of the replacement of the current Terminal 1 with a larger, more efficient facility, certain airfield enhancements and roadway and parking improvements and a new administration building for the Airport Authority, and (2) the CIP, that addresses airfield safety and capacity, environmental protection, terminal enhancements, landside infrastructure and access improvements. The Capital Program includes the New T1 that is expected to be designed and constructed between Fiscal Year 2021 and Fiscal Year 2029, and all approved open projects anticipated to be completed between Fiscal Years 2021 through 2026 for the CIP. The Capital Program has an estimated cost of $4.024 billion (as of June 30, 2021, $300 million of this cost had been incurred), of which approximately $3.464 billion is the estimated cost of the New T1.

New T1. In 2012, the Airport Authority embarked on a new master-planning effort for SDIA, known as the "New T1" (previously known as the "Airport Development Plan"), to identify the facilities needed to meet the Airport's anticipated passenger demand through 2035. Between Fiscal Years 2015 and 2019, SDIA had record-breaking passenger growth with approximately 24.7 million passengers being served in Fiscal Year 2019. Activity levels at the Airport are estimated to surpass 39 million passengers and 280,000 aircraft operations in 2035, based on the aviation planning forecast completed by the Airport Authority in April 2019 and approved by the FAA in June 2019.

The cornerstone of the New T1 is the replacement of Terminal 1, which is over 50 years old, with a more modern, comfortable, and efficient terminal facility. The new terminal will have 30 gates (11 more gates than the existing Terminal 1) and be able to accommodate both narrow-body and wide-body aircraft. The new Terminal 1 will be served by a dual-level curbside, a new close-in parking structure (approximately 5,200 parking spaces), and new entry and circulation roadways. Other components that are part of the New T1 include a new Airport Authority administration building and multiple airfield improvements, such as a new apron area for the new terminal, a new Taxiway A, relocation of Taxiway B and reconfigured remain-overnight aircraft parking positions. Additional mobility-focused project components include new pedestrian and bicycle infrastructure, a dedicated airport shuttle service between the Old Town Transit Center and SDIA, and designation of a "transit-ready" area adjacent to the new parking structure for a potential future connection to the region's fixed-rail system. See "APPENDIX A—FINANCIAL FEASIBILITY REPORT" for additional details on various components of the New T1.

Construction activities for the New T1 are expected to begin in November 2021. The first phase of the new Terminal 1 (19 gates) is expected to open in July 2025, and full completion of the new facility (30 gates) and associated roadway and airfield improvements in October 2027. The total cost of the New T1 is currently estimated by the Airport Authority to be approximately $3.464 billion (including $451.5 million of total contingencies and allowances). The Airport Authority expects to finance the costs of the New T1 from various sources including, but not limited to, the proceeds of the Subordinate Series 2021A Bonds, the Subordinate Series 2021B Bonds, the Subordinate Series 2019 Bonds, Additional Senior Bonds and/or Additional Subordinate Obligations, federal grants, PFCs and Airport Authority funds.

Design and Construction of the New T1. The New T1 consists of three components: (1) Terminal and Roadways (the "Terminal and Roadways Component"), (2) Airside Improvements (the "Airside Component") and (3) Administration Building (the "Administration Building Component").

The New T1 is being procured utilizing "design-build" and "design-bid-build" delivery methods. The Terminal and Roadways Component is being undertaken pursuant to a Design-Build Agreement (the "Terminal and Roadway Agreement") between the Airport Authority and Turner-Flatiron, A Joint Venture (the "Terminal and Roadway Contractor"). On October 7, 2021, the Board approved a maximum contract price of approximately $2,610,400,000 under the Terminal and Roadway Agreement for the design and construction of the Terminal and Roadways Component. Over the next several months, the Airport Authority and the Terminal and Roadway Contractor will continue to refine the total cost of the Terminals and Roadways Component, and will agree on a guaranteed maximum price (which must be no greater than the maximum contract price of $2,610,400,000).

Design of the Airside Component was undertaken pursuant to a design contract between the Airport Authority and Jacobs. The design of the Airside Component has been completed. Construction of the Airside Component is being undertaken pursuant to a construction contract (the "Airside Construction Agreement") between the Airport Authority and Griffith Company (the "Airside Contractor"). On October 7, 2021, the Board approved a contract price of $251,671,315 under the Airside Construction Agreement for the construction of the Airside Component.

The Administration Building Component is being undertaken pursuant to a design-build contract (the "Administration Building Agreement") between the Airport Authority and Sundt Construction, Inc. (the "Administration Building Contractor"). On July 1, 2021, the Board approved a maximum contract price of $91,379,967 under the Administration Building Agreement for the design and construction of the Administration Building Component. Over the next several months, the Airport Authority and the Administration Building Contractor will continue to refine the total cost of the Administration Building Component, and will agree on a guaranteed maximum price (which must be no greater than the maximum contract price of $91,379,967).

As of November 1, 2021 (i) the Terminal and Roadway Contractor was authorized to complete work under the Terminal and Roadway Component valued at approximately $2.6 billion, (ii) the Airside Contractor was authorized to complete work under the Airside Component valued at approximately $251.7 million, and (iii) the Administration Building Contractor was authorized to complete work under the Administration Building Component valued at approximately $91.4 million. As of October 1, 2021, design of (i) the Terminal and Roadway Component was approximately 30% complete, (ii) the Airside Component was 100% complete, and (iii) the Administration Building Component was approximately 30% complete.

Environmental Approvals. In March 2017, the Board approved the development of environmental review documents for the New T1. A draft Environmental Impact Report ("EIR") for the proposed project was subsequently released in the summer of 2018 for public review, as required under the California Environmental Quality Act. The Airport Authority received numerous comment letters, and between October 2018 and July 2019, the Airport Authority participated in over 100 meetings with key stakeholders to further refine the proposed project and its associated environmental review documents. As result of this additional stakeholder engagement, the Airport Authority recirculated a draft EIR in September 2019 for public review. On January 9, 2020, the Board certified the Final EIR for the New T1. Additionally, in September 2021, the California Coastal Commission (the "Coastal Commission") approved the New T1, subject to certain conditions, including, among others, implementation of a shuttle system between the Old Town Transit Center and the Airport, providing a comprehensive transit and roadway improvement status report to the Coastal Commission documenting the Airport Authority's efforts to add or improve mass transit linkages to the Airport for Airport employees and the public and roadway mitigation for traffic impacts, provide a plan to the Coastal Commission that will identify, evaluate and development greenhouse gas emissions reduction measures for incorporation into the design, construction and operation of the New T1, and provide the Coastal Commission with a revised stormwater pollution prevention plan. The Airport Authority also has coordinated with the FAA to conduct the federal environmental review in accordance with the National Environmental Policy Act ("NEPA"). The Airport Authority prepared a draft Environmental Assessment that was available for public review and comment through August 2, 2021. On October 22, 2021, the Airport Authority received a "Finding of No Significant Impact" from the United States Environmental Protection Agency ("EPA") pursuant to NEPA with respect to the New T1. The Airport Authority has received all material environmental approvals for the New T1.

CIP. In addition to the Master Plan and the New T1, the Board has adopted a capital improvements program policy (the "CIP Policy"), which requires the Airport Authority to establish a CIP for the orderly maintenance and development of SDIA. Pursuant to the CIP Policy, each year the Airport Authority's President and CEO is required to submit to the Board a development program of desirable capital improvements that are within the Airport Authority's financial funding capability. The Airport Authority's current CIP sets forth projects that were completed and are anticipated to be completed at SDIA between Fiscal Years 2021 and 2026. The projects in the CIP include, among others, a new facilities maintenance building, new airline provisioning and cargo facilities, storm water capture and reuse projects, a remain-overnight aircraft parking facility on the north side of SDIA, and various other airfield, terminal and landside projects. The CIP has an estimated cost of approximately $560.5 million (approximately $230 million of such costs have already been incurred by the Airport Authority as of June 30, 2021).

Funding Sources for Capital Program

General. The Airport Authority anticipates financing the design, construction and equipping of the New T1 and the CIP with a combination of proceeds of the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds (approximately $1.6 billion); proceeds of the Subordinate Series 2019 Bonds (approximately $287.7 million); proceeds of Additional Senior Bonds and/or Additional Subordinate Obligations (approximately $1.5 billion); internally generated cash of the Airport Authority (approximately $331.2 million); moneys on deposit in the Major Maintenance Fund (approximately $140.1 million); PFC revenues on a pay-as-you-go basis (approximately $9.2 million); federal Airport Improvement Program ("AIP") grants (approximately $100.6 million); and other sources (approximately $47.1 million). As of June 30, 2021, approximately $70 million had been spent on the New T1 and approximately $230 million had been spent on the CIP projects. The following table sets forth the anticipated sources of funding for the Capital Program. Also see "Table 1: Estimated Capital Program Costs and Funding Plan for FY 2021-2026" in "APPENDIX A—FINANCIAL FEASIBILITY REPORT" for additional information on the funding sources of the Capital Program.

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TABLE 21
San Diego County Regional Airport Authority
Funding Sources for Capital Program
($000)

	Estimated Cost	Series 2021A/B Bonds[1]	Future Senior/Sub. Bonds[1]	Series 2019 Bonds	Authority Fund	Major Maintenance. Fund	AIP	PFC	Other
New T1									
Terminal & Roadway	$2,813,284	$1,327,955	$1,252,241	$ –	$220,000	$ –	$13,086	$ –	$ –
Airside	306,000	96,237	87,567	30,417	–	19,585	64,478	7,716	–
Administration Building	102,000	101,747	253	–	–	–	–	–	–
Shuttle Lot Relocation	15,764	15,764	1	–	–	–	–	–	–
Contingency	227,252	30,272	196,980	–	–	–	–	–	–
Total New T1	$3,464,300	$1,571,974	$1,537,044	$30,417	$220,000	$19,585	$77,564	$7,716	$ –
CIP									
Fac. Maintenance Bldg.	$ 49,112	$ –	$ –	$ 49,112	$ –	$ –	$ –	$ –	$ –
Belly Cargo Facility	39,445	–	–	39,445	–	–	–	–	–
Stormwater Capture & Reuse	35,566	–	–	35,565	–	–	–	–	–
Northside RON	33,513	–	–	3,500	–	30,013	–	–	–
Roadway Vehicle Monitoring	31,800	–	–		31,800	–	–	–	–
Solid & Liquid Waste Facilities	35,501	–	–	19,650	13,050	2,800	–	–	–
Fuel Facility Projects	25,192	–	–	–	–	–	–	–	25,192
Tenant Improvements at Airline Support Building	–	–	–	–	–	–	–	–	21,300
Other	310,441	–	–	112,978	29,970	87,746	23,030	1,466	600
Total CIP	$ 560,570	$ –	$ –	$257,251	$111,173	$120,559	$ 23,030	$1,466	$47,092
Total Capital Program	$4,024,870	$1,571,974	$1,537,044	$287,668	$331,173	$140,144	$100,594	$9,181	$47,092

[1] Table reflects changes from Preliminary Official Statement with respect to the Authority's decision to issue an additional $249,175,000 aggregate principal amount of the Subordinate Series 2021A Bonds and an additional $347,140,000 aggregate principal amount of the Subordinate Series 2021B Bonds over the preliminary principal amounts set forth in the Preliminary Official Statement. After the issuance of the Subordinate Series 2021A Bonds and the Subordinate 2021B Bonds, the Airport Authority expects to issue approximately $1.615 billion in aggregate principal amount of Additional Senior Bonds and/or Additional Subordinate Obligations between Fiscal Years 2024 and 2025 to finance additional costs of the New T1.

Source: San Diego County Regional Airport Authority

Subordinate Series 2021 Bonds, Subordinate Series 2019 Bonds and Additional Senior Bonds and/or Additional Subordinate Obligations.

The Airport Authority will use approximately $1.572 billion of the proceeds of the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds and $287.7 million of the proceeds of the Subordinate Series 2019 Bonds to finance the New T1 and the CIP. Based on the various current estimates and assumptions related to the New T1 and the CIP and the Airport Authority's operations, the Airport Authority currently anticipates that, after the issuance of the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds, it will issue approximately $1.615 billion of Additional Senior Bonds and/or Additional Subordinate Obligations between Fiscal Years 2024 and 2025 to finance additional costs of the New T1. The dates of issuance of the Additional Senior Bonds and/or Additional Subordinate Obligations to finance additional costs of the New T1 will be dependent on when the Airport Authority needs additional funds to finance the design and construction of the New T1.

Airport Authority Funds and Other Sources. The Airport Authority will use approximately $331.2 million of available funds of the Airport Authority, approximately $140.1 million of moneys on deposit in the Major Maintenance Fund and approximately $47.1 million of other moneys (consisting of funds received from the consortium of airlines funding the fuel facility projects ($25.2 million), moneys advance by the Airport Authority, which will be reimbursed by tenants, for tenant improvements in the

Airline Support Building ($21.3), and local grant funding for electric supply equipment ($600,000) to finance a portion of the costs of the New T1 and the CIP.

Passenger Facility Charges. The PFC Act, as implemented by the FAA pursuant to the PFC Regulations, permits public agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) to charge enplaning passengers using the airport a $1.00, $2.00 or $3.00 PFC with certain qualifying airports permitted to charge a maximum PFC of $4.50. Regardless of the number of PFC applications which have been approved by the FAA, an airport can only collect a maximum of $4.50 on each enplaning passenger. Public agencies wishing to impose and use these PFCs must apply to the FAA for such authority and satisfy the requirements of the PFC Act.

The purpose of the PFC is to develop an additional capital funding source to provide for the expansion of the national airport system. Under the PFC Act, the proceeds from PFCs are required to be used to finance eligible airport-related projects that serve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system or furnish opportunities for enhanced competition between or among air carriers.

The Port District initially received approval from the FAA to impose a $3.00 PFC at SDIA. The approval for the PFC was transferred by the FAA to the Airport Authority, effective January 1, 2003. On May 20, 2003, the FAA approved the Airport Authority's PFC application to increase the charge per enplaned passenger from $3.00 to $4.50 beginning August 1, 2003. The Airport Authority has received approval from the FAA, pursuant to 11 separate applications, to collect, and use, a PFC on each enplaning passenger at SDIA totaling approximately $1.6 billion. The Airport Authority has closed six of the PFC Applications; these applications having been fully funded and the projects they financed having been completed. As of June 30, 2021, there were five active PFC Applications.

As of June 30, 2021, the Airport Authority had recorded the receipt of approximately $823.1 million of PFCs (consisting of $803.5 million of PFCs collections and $19.6 million of interest). As of June 30, 2021, the Airport Authority had disbursed a total of $771.8 million of PFCs on approved capital projects expenditures.

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The following table sets forth a summary of the Airport Authority's approved PFC applications through June 30, 2021.

TABLE 22
San Diego County Regional Airport Authority
Approved PFC Applications

PFC Applications	Approval Date	Amended Approval Amount[1,2]
1-5, 7 and 11[3,4]	Various	$ 357,703,762
8	2010	1,118,567,229
10 [5]	2012	29,227,174
12	2016	43,795,768
13	2019	51,100,000
Total		$1,600,393,933

[1] Includes the amount of PFCs the FAA has authorized the Airport Authority to collect and use at SDIA.

[2] Authorization to collect PFCs under all of the applications and amendments expires on November 1, 2039, however, such authorization to collect PFCs could expire earlier if the total authorized amount is collected prior to November 1, 2039.

[3] The Airport Authority withdrew PFC Application #6.

[4] The Airport Authority has closed PFC Applications 1-5, 7 and 11; these applications having been fully funded and the projects they financed having been completed

[5] PFC Application #9 was skipped due to internal FAA system processing.

Source: San Diego County Regional Airport Authority

The PFCs collected pursuant to the PFC Applications have been and will be used to finance all or a portion of certain capital improvements at SDIA including, among other things, the Airport Authority's noise mitigation program, and projects associated with the Green Build Program, the New T1 and the CIP. As described in additional detail in the Feasibility Report, between Fiscal Years 2022 and 2027, the Airport Authority expects to use approximately $17.3 million of PFCs on a pay-as-you-go basis to finance costs of the "Quieter Home Program" (as described under "AIRPORT ENVIRONMENTAL MATTERS—Airport Noise—Community Sound Attenuation Program") and approximately $9.2 million of PFCs on a pay-as-you-go basis to finance a portion of the costs of the New T1 and the CIP. Additionally, as described in additional detail in the Feasibility Report, in Fiscal Years 2022, 2026 and 2027, the Airport Authority expects to use approximately $150 million of PFCs to pay debt service on PFC Eligible Bonds (including a portion of the Senior Series 2013 Bonds (only in Fiscal Year 2022), a portion of the Subordinate Series 2019A Bonds, a portion of the Subordinate Series 2020 Bonds, a portion of the Subordinate Series 2021C Bonds and certain Additional Senior Bonds and/or Additional Subordinate Obligations expected to be issued to finance a portion of the New T1). Pursuant to the Airline Lease Agreements, the Airport Authority has agreed to set aside $30 million of PFCs each Fiscal Year during the three Fiscal Years prior to the opening of the first phase of the new Terminal 1 to be constructed as part of the New T1 (expected in July 2025), and to use those PFCs in the three Fiscal Years following the opening of the first phase of the new Terminal 1 to pay debt service on Senior Bonds and/or Subordinate Obligations the proceeds of which are expected to be used to finance the construction of the new Terminal 1. The Airport Authority has agreed to consult with the Signatory Airlines on an annual basis regarding the use of the PFCs set aside, but the Airport Authority, at its discretion, may adjust the schedule for their use.

The following table sets forth the amount of PFCs received by the Airport Authority in Fiscal Years 2017 through 2021.

TABLE 23
San Diego County Regional Airport Authority
Annual Receipt of PFCs[1]

Fiscal Year	PFCs Collected
2017	$42,199,763
2018	46,952,755
2019	49,197,716
2020	34,392,981
2021	22,109,906 [2]

[1] The information in this table is presented on an accrual basis. Does not include interest earnings.
[2] Estimated.
Source: San Diego County Regional Airport Authority

Airport Improvement Program Grants. The Airport Authority receives federal grants from the FAA each year. The Airport and Airway Improvement Act of 1982, as amended, created the Airport Improvement Program ("AIP"), which is administered by the FAA and funded by the Airport and Airway Trust Fund. Under the AIP, the FAA awards grant moneys to airports around the country for capital improvement projects. The Airport and Airway Trust Fund is financed by federal aviation user taxes. Grants are available to airport operators in the form of "entitlement" funds and "discretionary" funds. Entitlement funds are apportioned annually based upon the number of enplaned passengers and the aggregate landed weight of all-cargo aircraft; and discretionary funds are available at the discretion of the FAA based upon a national priority system. Before federal approval of any AIP grants can be given, eligible airports must provide written assurances that they will comply with a variety of statutorily specified conditions. See "CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delay in, Anticipated Funding Sources—Availability of Federal Grants."

The Airport Authority anticipates receiving both FAA entitlement and discretionary grants to fund a portion of the costs of certain portions of the New T1 and certain capital projects in the CIP. In Fiscal Year 2021, the Airport Authority received approximately $13.9 million of AIP grants.

As described above, the FAA has granted the Airport Authority approval to collect PFCs at SDIA. In accordance with the PFC Act and the PFC Regulations, since the Airport Authority imposes a $4.50 PFC, the amount of AIP entitlement grants which the Airport Authority is permitted to receive annually may be reduced up to 75%.

The Airport Authority's financial plan for funding the Capital Program assumes that AIP entitlement and discretionary grant funds will be available to fund the grant eligible portion of certain projects. In the event the Airport Authority does not receive AIP grants in the amounts expected, it would need to use alternative sources of funding for such projects, including the issuance of Additional Senior Bonds and/or Additional Subordinate Obligations. See "CERTAIN INVESTMENT CONSIDERATIONS—Unavailability of, or Delay in, Anticipated Funding Sources."

Third-Party Financed Projects

In addition to projects financed by the Airport Authority, certain projects at SDIA are expected to be financed and constructed by outside third-parties, including the North Cargo Facility (as defined below).

In 2019, the Airport Authority selected a developer to design, build, finance, operate and maintain a new, 100,000 square foot, integrated cargo operator facility and an aircraft ramp on the Northside of the Airport for DHL, Fed-Ex, UPS and the other cargo carriers at the Airport. However, this development was later terminated because of, among other issues, potential line-of-sight issues with FAA Airport Traffic Control and aircraft movement areas. Recently, the Airport Authority has developed a new concept, that consists of 150,000 square feet of warehouse space, aircraft parking apron that can accommodate approximately nine aircraft parking positions, and 160,000 square feet of landside apron for truck access and loading (the "North Cargo Facility"). The full build-out of the North Cargo Facility will require a shift to Taxilane F to the west to allow for aircraft parking and provide the appropriate setbacks from the cargo facility. The FAA has concluded that the new concept for the North Cargo Facility would have no line-of-sight issues. The Airport Authority is reviewing plans to issue a request-for-information (the "North Cargo Facility RFI") in 2022 to solicit interest from potential developers and/or tenants desiring to build and manage, finance, lease, sell, and/or operate the North Cargo Facility. The North Cargo Facility RFI is anticipated to be released once an ongoing comprehensive planning study for the Airport's Northside has been completed. This study is expected to be completed in early 2022. Environmental entitlements associated with the North Cargo Facility also need to be obtained by the Airport Authority.

Airport Land Use Commission

State law requires counties in which there is a commercial and/or a public use airport to have an airport land use commission. Pursuant to the Act, the Airport Authority is vested with responsibility, among other things, to serve as the region's Airport Land Use Commission ("ALUC"). The purpose of the ALUC is to protect public health, safety and welfare by ensuring the orderly development of land in the vicinity of airports and the adoption of land use measures that minimize the public's exposure to excessive noise and safety hazards within areas around public airports, to the extent that these areas are not already devoted to incompatible uses. The ALUC prepares and adopts Airport Land Use Compatibility Plans ("ALUCPs") and reviews certain local agency land use actions and airport plans for consistency with the compatibility plans.

The ALUCP contains compatibility criteria and ALUC review procedures for projects proposed within delineated Airport Influence Areas ("AIA") and addresses land use compatibility around airports in terms of noise, overflight, safety and airspace protection for all 16 public-use and military airports in the County. The ALUCP is not a plan for airport development and does not require any changes to existing land uses, but rather, State law requires future land use near airports to be consistent with compatibility criteria included in an ALUCP. Land use actions including adoption or amendment of general plans, specific plans, zoning ordinances and building regulations affecting land within an AIA must be referred to the ALUC for review. Referral and review by the ALUC of other local actions, primarily individual development projects, is required in some instances, but voluntary in others.

In addition to an ALUCP for SDIA, the Airport Authority, acting as the region's ALUC, has developed and adopted ALUCPs for six rural general aviation airports (Agua Caliente, Borrego Valley, Fallbrook Airpark, Jacumba Airport, Ocotillo Airport, and Ramona Airport) and five urban commercial and general aviation airports (Brown Field Municipal Airport, Gillespie Field, McClellan-Palomar Airport, Montgomery-Gibbs Executive Airport, and Oceanside Municipal Airport). ALUCPs also have been finalized for military airports located within the County (Naval Air Station North Island, Marine Corps

Base Camp Pendleton, Marine Corps Air Station Miramar, and Naval Outlying Landing Field Imperial Beach).

FINANCIAL FEASIBILITY REPORT

General

The Airport Authority has retained Unison Consulting, Inc., which is recognized as an expert in its field, to prepare a report in connection with the issuance of the Subordinate Series 2021 Bonds. The Financial Feasibility Report is included as Appendix A hereto, with the Feasibility Consultant's consent. The information regarding the analyses and conclusions contained in the Financial Feasibility Report is included in the Official Statement in reliance upon the expertise of the Feasibility Consultant. *The Financial Feasibility Report has not been revised subsequent to its date of publication (November 5, 2021) to reflect the final terms of the Subordinate Series 2021 Bonds, including with respect to the Authority's decision to issue the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds in excess of the principal amounts assumed in the Financial Feasibility Report.*

The financial forecasts in the Financial Feasibility Report are based on certain information and assumptions that were provided by, or reviewed and agreed to by, the Airport Authority's management. In the opinion of the Feasibility Consultant, these assumptions provide a reasonable basis for the forecasts.

The Financial Feasibility Report should be read in its entirety regarding all of the assumptions used to prepare the forecasts made therein. No assurances can be given that these or any of the other assumptions contained in the Financial Feasibility Report will occur. As noted in the Financial Feasibility Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material. See also "INTRODUCTION—Forward-Looking Statements," and "CERTAIN INVESTMENT CONSIDERATIONS—Financial Feasibility Report."

Estimated and Projected Net Revenues, Debt Service Coverage and Cost Per Enplanement

The following table sets forth the estimated and projected Net Revenues, debt service requirements for the Senior Bonds and the Subordinate Obligations (assuming that all of the Senior Series 2013 Bonds are refunded and defeased with proceeds of the Subordinate Series 2021C Bonds), the coverage of such debt service requirements based upon the Net Revenues and the cost per enplanement, as forecast by the Feasibility Consultant, for the Fiscal Years 2022 through 2027.

The Net Revenues provided in the following table exclude Operations and Maintenance Expenses paid with COVID-19 Federal Relief Funds and the debt service numbers provided in the following table exclude the debt service on the Senior Bonds and the Subordinate Obligations projected to be paid with PFCs and COVID-19 Federal Relief Funds. For a discussion of the calculation of debt service on the Senior Bonds and the Subordinate Obligations paid with PFCs, see "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS—Use of PFCs to Pay Debt Service." Additionally, see the Feasibility Consultant's cover letter and "Section 3.3 - Forecast Commercial Aviation Activity" in "APPENDIX A—FINANCIAL FEASIBILITY REPORT" for a discussion of the assumptions used by the Feasibility Consultant to develop its passenger forecast and its forecasted financial results.

The forecasted financial information in the following table was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to forecasted financial information, but, in the view of the Airport Authority's management, was prepared on a reasonable basis, to reflect the best currently available estimates and judgments and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Airport Authority. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the forecasted financial information.

Neither the Airport Authority's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the forecasted financial information contained herein, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forecasted financial information.

The assumptions and estimates underlying the forecasted financial information are inherently uncertain and, though considered reasonable by the management of the Airport Authority as of the date of this Official Statement, are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the forecasted financial information, including, among others, the risks and uncertainties described under "CERTAIN INVESTMENT CONSIDERATIONS" below. Accordingly, there can be no assurance that the forecasted results are indicative of the future performance of the Airport Authority or SDIA or that actual results will not be materially higher or lower than those contained in the forecasted financial information. Inclusion of the forecasted financial information in this Official Statement should not be regarded as a representation by any person that the results contained in the forecasted financial information will be achieved.

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TABLE 24
San Diego County Regional Airport Authority
Estimated and Projected Debt Service Coverage and Cost Per Enplanement[1]

Fiscal Year	Net Revenues	Senior Debt Service Requirements[2]	Senior Debt Service Coverage	Subordinate Debt Service Requirements[3]	Total Debt Service Coverage[4]	Cost Per Enplanement
2021AU	$139,552,231	$11,420,917	12.22x	$ 32,609,582	3.17x	$26.06
2022P	158,694,427	10,830,979	14.65	34,485,340	3.50	14.96
2023P	179,991,602	–	–	99,457,300	1.81	20.06
2024P	195,171,987	54,882	3,556.23	103,912,806	1.88	19.11
2025P	217,460,206	435,573	499.25	98,147,472	2.21	18.74
2026P	318,993,882	54,610,801	5.84	160,471,274	1.48	26.39
2027P	289,009,744	24,609,201	11.74	160,480,744	1.56	24.07

AU = Actual Unaudited. P = Projected.

[1] *Table has not been revised to reflect the final terms of the Subordinate Series 2021 Bonds, including with respect to the Authority's decision to issue the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds in excess of the principal amounts assumed in the Financial Feasibility Report.*

[2] Includes debt service on the Senior Series 2013 Bonds (through July 1, 2021), the Additional Senior Bonds assumed to be issued in Fiscal Year 2024 in an aggregate principal amount of approximately $764.0 million, and the Additional Senior Bonds assumed to be issued in Fiscal Year 2025 in an aggregate principal amount of approximately $885.0 million. For purposes of the table only, the Additional Senior Bonds expected to be issued in Fiscal Years 2024 and 2025 are assumed to bear interest at a rate of 6.00% per annum. The Senior Debt Service Requirement numbers exclude the debt service on Senior Bonds which the Authority paid with or expects to pay with capitalized interest, PFCs, CARES Act Funds and ARPA Funds.

[3] Includes debt service on the Existing Subordinate Bonds, the Subordinate Series 2021 Bonds and the Additional Subordinate Obligations assumed to be issued in Fiscal Year 2023. Does not include any debt service on the Subordinate Revolving Obligations. For purposes of the table only: (a) the Subordinate Series 2021A Bonds are assumed to be issued in the aggregate principal amount of $300.2 million and bear interest at an interest rate of 3.72%; (b) the Subordinate Series 2021B Bonds are assumed to be issued in the aggregate principal amount of $757.9 million and bear interest at an interest rate of 3.83%; (c) the Subordinate Series 2021C Bonds are assumed to be issued in the aggregate principal amount of $378.1 million and bear interest at an interest rate of 3.72%; and (d) the Additional Subordinate Obligations expected to be issued in Fiscal Year 2023 are assumed to be issued in the aggregate principal amount of $529.0 million and bear interest at an interest rate of 6.00%. The Subordinate Debt Service Requirement numbers exclude the debt service on Subordinate Obligations which the Authority paid or expects to pay with capitalized interest, PFCs. CARES Act Funds and ARPA Funds.

[4] Calculated by dividing Net Revenues by the sum of Senior Debt Service Requirements and Subordinate Debt Service Requirements.

Source: Unison Consulting, Inc.

AIRPORT ENVIRONMENTAL MATTERS

There are several significant environmental matters which have direct and indirect impacts on the Airport Authority and SDIA, some of which are described below. These include aircraft noise reduction, clean air requirements and hazardous substance cleanup. SDIA is heavily regulated, in part due to its proximity to San Diego Bay. The Airport Authority holds numerous regulatory permits, including permits for storm water, air quality, hazardous materials, industrial waste, landfill remediation and wildlife.

Environmental Stewardship

The Airport Authority has made environmental stewardship a hallmark of operations at SDIA. The Airport Authority instituted one of the first sustainability policies for a major airport in the U.S. The Planning and Environmental Affairs Department of the Airport Authority (the "Environmental Department") manages all environmental-related programs, including airport planning and environmental review, regulatory compliance, water and air quality, site remediation, hazardous material handling and natural resources protection. The Environmental Department interfaces with other Airport Authority departments to assess potential environmental impacts of all proposed projects. The Environmental Department also is responsible for long-range airport facility planning, including the Master Plan.

As part of its ongoing commitment to sustainability, in 2011, SDIA was the first airport in the U.S. to issue a sustainability report based on the internationally recognized criteria of the Global Reporting Initiative. The Airport Authority's latest annual sustainability report – "2020-21 Sustainability Report: Sustainability Matters" – is available at sustain.san.org (the information on such site is not part of this Official Statement, and has not and is not incorporated by reference herein). The Airport Authority has developed a Sustainability Management Plan (the "Sustainability Plan") that sets forth the Airport Authority's framework for advancing and measuring its environmental sustainability progress. The Sustainability Plan is comprised of seven overarching elements including the areas of water stewardship, sustainable energy, carbon neutrality, clean transportation, zero waste, climate resilience, and biodiversity. The Airport Authority sets goals and stand-alone strategies that it aims to achieve by 2035 in each of these programmatic areas. The seven elements of the Sustainability Plan are described in more detail below:

Water Stewardship Plan - Establishes the Airport Authority's vision for the stewardship of water resources and provides a framework for rethinking how the Airport Authority manages its water resources while it prepares to accommodate passenger growth, new airport developments, and a changing climate. Specifically, the plan addresses issues of water conservation, water quality, and flood-risk considerations.

Strategic Energy Plan - Establishes the Airport Authority's approach to the provision of cost-effective, energy resilience strategies that are environmentally responsible and fully aligned with airport operations and development. It addresses key issues of energy efficiency and conservation including on-site energy generation and storage, enhanced monitoring of key energy metrics, and mechanisms through which to actively engage the broad spectrum of Airport stakeholders.

Carbon Neutrality Plan - Establishes the strategy for managing air quality and greenhouse gas emissions over which the Airport Authority has control and provides a framework for the Airport to achieve carbon neutrality under the ACI-Airport Carbon Accreditation program. On September 18, 2019, SDIA become only the second airport in the U.S. to reach carbon neutral accreditation from ACI. SDIA was certified "Level 3+," the highest level of certification through ACI's Airport Carbon Accreditation program.

Clean Transportation Plan - Provides the Airport Authority's strategy and plan for managing various ground transportation issues at SDIA. Covers all ground transportation emission sources, including all vehicles and equipment accessing and operating at the Airport, whether owned and operated by the Airport Authority or by third parties.

Zero Waste Plan ("ZWP") - Serves as the Airport Authority's strategy and plan for managing various waste issues and covers all waste generated at SDIA. The ZWP provides an organized framework for eliminating or reducing waste generation and responsibly managing materials that are produced at SDIA. The Airport Authority sees zero waste as addressing five primary focus areas, including sustainable materials management, infrastructure and development, training and education, metrics and reporting, and leadership and influence.

Climate Resilience Plan - Provides the Airport Authority's strategy for achieving uninterrupted business continuity in future climate conditions. The Airport Authority is proactively working toward long-term solutions that would allow for improvements in areas related to climate resilience that go beyond complying with existing regulations. This plan builds off existing initiatives ranging from improving storm drainage capacity in low-lying areas to collaborating with regional stakeholders to explore large-scale coastal flood protection strategies. The Airport Authority now designs 100% of its capital projects to ensure that they can adapt to climate change stressors, such as coastal flooding and extreme heat events. For example, the building pad elevation for the Airport's new Airline Support Building was purposely raised to withstand sea level conditions that are expected in 2100. Resiliency design features being considered for the new Terminal 1 include dual-plumbing restrooms to utilize non-potable water for toilet flushing;

upsized HVAC systems to accommodate higher-than-normal cooling demands; and additional onsite solar photovoltaic and battery energy storage systems. The new Terminal 1 and the associated airfield improvements also will drain to an expanded cistern system, which will eventually be able to annually divert nearly 40 million gallons of rainwater away from the City's stormwater conveyance system, which can be negatively impacted by above-average tidal levels in San Diego Bay. Finally, SDIA's new administration building will be one of the first airport projects in the nation to pursue certification under the U.S. Green Building Council's RELi rating system, which takes a holistic approach to resilient design.

Biodiversity Plan - Establishes the Airport Authority's vision for the stewardship of plants and wildlife. Provides a framework for how the Airport Authority manages onsite habitat for the endangered California Least Tern (a species of bird), reduces the use of biocides through the Airport Authority's Integrated Pest Management program, and identifies robust drought-tolerant plant species for its campus-wide xeriscape landscape program.

The development and implementation of the Sustainability Plan is a cornerstone of the Airport Authority's work to achieve an enduring and resilient enterprise while considering its environmental, financial, and social obligations, risks, and opportunities. Each year, the Airport Authority reports its progress toward its Sustainability Plan goals through its sustainability report.

Airport Noise

Airport Noise and Capacity Act of 1990. In 1990, Congress adopted the Airport Noise and Capacity Act of 1990 (the "ANCA"), which provided, among other things, for a phase-out of Stage 2 aircraft by December 31, 1999, and which also limited the scope of an airport operator's regulatory discretion for adopting new aircraft operational restrictions for noise purposes. The FAA subsequently adopted regulations implementing ANCA under Part 161 of the Federal Aviation Regulations ("Part 161"). From 1990 forward, airport proprietors considering the adoption of restrictions or prohibitions on the operation of Stage 2 and Stage 3 aircraft are required to conduct studies which detail the economic costs and benefits of proposed restrictions, as well as seeking affirmative approval of the FAA under defined statutory criteria before they may legally be implemented. ANCA and Part 161 make the adoption of many traditional aircraft operating restrictions by local airport proprietors on the operation of Stage 3 aircraft infeasible without the concurrence of the FAA, the air carriers or other operators affected by the restrictions. Nonetheless, the Airport Authority has various rules and regulations to address aircraft noise, including a prohibition on the operation at SDIA of any air carrier commercial aircraft not complying with Stage 3 noise levels.

There also are direct restrictions on aircraft departures at SDIA, primarily relating to noise abatement. Specifically, the Airport Authority prohibits departures from SDIA between 11:30 p.m. and 6:30 a.m. (the "Curfew"), and no airline may schedule or advertise for a departure between 11:15 p.m. and 6:15 a.m. These restrictions are subject only to limited exceptions including emergency and mercy flights. Landings at SDIA are not prohibited during the Curfew.

California Noise Standards. SDIA operates under a variance pursuant to the California Noise Standards (CCR Title 21, Division 2.5, Subchapter 6). The California Noise Standards identify an exterior 65 decibel ("dB") Community Noise Equivalent Level ("CNEL") contour at an airport as the "Noise Impact Area." Within the Noise Impact Area, the airport proprietor is required to ensure that all land uses are compatible with the California Noise Standards, or the airport proprietor must secure variances from the Division of Aeronautics of Caltrans, under the California Noise Standards until full compatibility is accomplished. Under California Noise Standards, residential land uses may be deemed compatible through land acquisition, sound insulation sufficient to achieve an interior noise level of 45 dB CNEL, or by obtaining an avigation easement for the incompatible land use.

To obtain a variance, an airport must demonstrate to the State of California that it is making good faith efforts to achieve compliance with the state noise standards. The most recent variance for SDIA issued by Caltrans took effect in September 2019 and is valid for three years. During the term of the variance, the Airport Authority is required to continue facilitation of an Airport Noise Advisory Committee, staffing of an Airport Noise Management Office, maintaining a noise monitoring system, submittal of a quarterly noise report, and implementation of its residential sound attenuation program, among other requirements.

Community Sound Attenuation Program. In 1997, the Port District initiated a residential sound attenuation program (the "RSAP") with respect to eligible residences surrounding SDIA that are located within the approved 65 CNEL contour. In connection with the renewal of its noise variance in 2001, the Port District agreed to enhance its then current RSAP. The Airport Authority's current residential sound insulation program (the "RSIP" or the "Quieter Home Program") is an ongoing program that provides acoustical insulation to all eligible single- and multi-family dwellings located in SDIA's noise impact area. The Airport Authority mainly uses AIP grant revenues and PFC revenues to pay for the RSIP. To date, the RSIP has sound-attenuated approximately 4,600 residences. From its inception to June 30, 2021, the Airport Authority has spent approximately $254 million ($204 million of which has been paid with AIP grant revenues and $50 million of PFC revenues) on RSIP. In 2020, the Airport Authority expanded its sound insulation program to include noise-sensitive, non-residential land uses, such as schools and places of worship, within the 65 CNEL contour.

Fuel Storage Tanks

Underground fuel storage tanks are present on the property occupied by the Rental Car Center. The On-Airport Rental Car Companies have agreed in the Rental Car Center Lease Agreements to pay for remediation costs associated with any leakage of the underground fuel storage tanks.

The Airport Authority owns the above-ground tanks that store airline fuel, which is transported to the airfield via underground fuel lines. The fuel lines that supply fuel to the storage tanks are owned by a third party. Airlines operating at SDIA that use these storage tanks and the fuel lines to the airfield have entered into a lease agreement pursuant to which they are required to indemnify the Airport Authority against any liability associated therewith.

Air Quality and Carbon Management Planning

Memorandum of Understanding with State. In May 2008, the Airport Authority entered into a Memorandum of Understanding (the "MOU") with the Attorney General of the State regarding the Master Plan. Pursuant to the MOU, the Airport Authority agreed to certain specific measures to reduce the amount of greenhouse gas emissions from aviation and other operations conducted at SDIA. In December 2009, the Board approved the San Diego County Regional Airport Authority Air Quality Management Plan (the "Air Quality Management Plan"), which sets forth the Airport Authority's specific plan for implementing the provisions of the MOU. Some of the specific measures the Airport Authority agreed to take in the MOU include, among others, providing landside power and preconditioned air to the gates at the terminals and in the cargo facilities, replacing vehicles operating at SDIA with electric or alternative fuel vehicles, and using "green" materials for the construction of the projects included in the Master Plan. Many of the elements of the Air Quality Management Plan have been incorporated into the Capital Program (including the New T1). Following are certain key achievements of the Airport Authority in meeting the provisions of the MOU:

- MOU Provision: provide power (400 hertz) and pre-conditioned air ("PCA") at all gates
  - All gates provide 400 Hz ground power and PCA for aircraft use
  - The Airport Authority is requiring ground power and PCA for any new projects

- <u>MOU Provision:</u> replace ground service equipment ("GSE") with alternative fuel vehicles at end of useful equipment life
  - The Airport Authority has 71 airside charging ports and approximately 200 airline-owned alternative-fuel GSE
  - The Airport Authority is requiring airside charging ports for any new projects

- <u>MOU Provision:</u> replace shuttles with electric or alternative fuel vehicles
  - 100% of Airport Authority-controlled shuttles use alternative fuels
  - Over 95% of taxis accessing SDIA use hybrid vehicles

- <u>MOU Provision:</u> achieve "Leadership in Energy and Environmental Design" ("LEED") Certification (at least Silver level) for all new development and renovation
  - At least LEED Gold has been achieved on all major construction projects
  - Approximately 85% of SDIA's electricity comes from renewables, including 5.5 megawatts from onsite solar panels

- <u>MOU Provision:</u> use green construction methods and equipment
  - Standard contract language includes use of low- and zero-emitting equipment

- <u>MOU Provision:</u> engage tenants in recycling and emissions reduction efforts
  - SDIA has a robust waste diversion program, including post-consumer food waste
  - 54 concessions at SDIA (approximately 72% of all concessions) are certified through the Airport Authority's "Green Concessions" sustainability program

Ground Transportation Vehicle Conversion Incentive-Based Program. The Board adopted a Ground Transportation Vehicle Conversion Incentive-Based Program (the "Incentive Program") in accordance with the terms and conditions of the MOU. For various eligible ground transportation providers at SDIA, the Incentive Program provides incentive payments, reduced permit fees, and/or reduced trip fees for Alternative Fuel Vehicles ("AFVs") and Clean Air Vehicles ("CAVs") through Fiscal Year 2021, but increased user fees for non-AFVs and non-CAVs beginning in Fiscal Year 2015. The Incentive Program cost approximately $150,000 in Fiscal Year 2021. The Incentive Program has been carried forward with the same vehicle categories through the current operating year. The fees and any incentives are determined in the budget process each year and approved by the Board.

TNC GHG Emissions Reduction Program. Additionally, in June 2018, a TNC greenhouse gas ("GHG") emissions reduction program was implemented to target cleaner fuel vehicles, higher efficiency vehicles, and carpooling of passengers. The program is based on performance parameters to measure grams of CO_2 emissions generated from TNC trips to lower carbon emissions. Pursuant to the provisions of the TNC Permits, the TNCs are required to pay additional fees to the Airport Authority if the TNC's drivers' cars emit excessive grams of CO_2. If the TNC driver's car meets certain CO_2 limits set forth in the TNC Permit they do not owe these extra fees, but if they do not meet the limits, they are required to pay the Airport Authority the additional fees. The TNCs, in general, have met the Airport Authority's GHG goals resulting in no significant GHG penalties. It is expected that the TNCs will continue to meet GHG goals to minimize any future GHG penalties.

State Legislation. In 2016, the California legislature passed Senate Bill 32 that codifies the State's commitment to reduce GHG emissions 40% below 1990 levels by 2030. In July 2016, the California Air Resources Board ("CARB") released two policy documents, the Sustainable Freight Action Plan and the Mobile Source Strategy, to assist with achieving this carbon reduction goal. In October 2021, CARB held a public hearing to receive public comment on an update to the plan. These documents identify emissions from airport shuttles and ground support equipment as priority action areas. As such, the Airport Authority has been engaging CARB on the potential structure of any incentives or rules that may be developed as a result. To prepare for these pending regulations and to continue to proactively address GHG emission sources at the Airport, the Airport Authority developed a "Carbon Neutrality Plan" in 2019. In addition to inventorying baseline conditions, the Carbon Neutrality Plan identifies a variety of potential climate mitigation initiatives and tactics within five primary focus areas:

- *Airlines & Aircraft*: Potential action items include forming a biofuel task force to engage airlines about options to increase onsite biofuel use; leveraging gate optimization software; and installing an underground fuel hydrant system at all aircraft gates.

- *Transportation*: Potential action items include reducing emissions from construction equipment; converting Airport Authority fleet and encouraging third parties to use zero or low emission vehicles; and strengthening inter-agency collaboration regarding regional transit and ground access to the Airport.

- *Energy*: Potential action items include participating in direct access or community choice energy programs; installing renewable energy systems in a cost-effective manner; and evaluating alternative fuel options for stationary sources.

- *Other Emissions*: Potential action items include updating tenant improvement guidelines to emphasize water conservation and resilient design; applying best practices for preventing refrigerant leaks; and expanding the food recovery program to include all applicable tenants and airlines.

- *Carbon Leadership*: Potential action items include prioritizing LEED/Envision credits related to carbon and air emissions; expanding passenger participation in "The Good Traveler" carbon offset program; and leveraging the implementation of aviation-specific offset programs (such as the Carbon Offsetting and Reduction Scheme for International Aviation).

Local Regulations. Additionally, the Airport Authority worked with the San Diego Air Pollution Control District to include the projects in the Capital Program (including the New T1) and certain other projects that may be undertaken at the Airport over the next 20 years into the region's updated State Implementation Plan ("SIP") for ozone. The SIP outlines the measures that will be implemented in the region to attain and maintain air quality standards as required by the federal Clean Air Act and is used by the Airport Authority to demonstrate general conformity for future improvements at SDIA.

See "CERTAIN INVESTMENT CONSIDERATIONS—Climate Change Issues."

Storm Water Management

Under the Federal Clean Water Act and EPA regulations, the Airport Authority is required to obtain certain storm water runoff discharge permits. The Airport Authority has received permits from the San Diego Regional Water Quality Control Board (the "SDRWQCB") and the State Water Resources Control Board (the "SWRCB"). The Airport Authority is currently in compliance with all of its storm water runoff discharge permits.

Certain portions of the SDIA, fueling, maintenance and wash areas, are regulated under California's Industrial General Permit, adopted on July 1, 2015 by the SWRCB. As part of the new permit, industrial facilities' storm water discharges need to be below certain "numeric action levels" for water quality parameters. SDIA is currently categorized as a Level 2 facility for copper and a Level 1 facility for zinc, meaning that the Airport Authority has had to develop exceedance response action plans to identify varying levels of additional best management practices that will be implemented to reduce concentrations of these heavy metals in storm water runoff. Similarly, the Airport Authority's compliance with the Municipal Separate Storm Sewer System (MS4) permit is focused on reducing the frequency of heavy metals exceedances during wet weather events. As such, the Airport Authority has expanded its own requirements to prioritize storm water infiltration and/or capture and reuse systems within new development projects. For example, the Terminal 2 Parking Plaza includes a 100,000-gallon storage system that can collect, treat, and reuse over 2 million gallons of storm water annually, and the new FIS facility utilizes modular wetlands to bio-filtrate its runoff. A 3-million gallon storm water cistern has been installed on SDIA's north side and a 1.5-million gallon cistern is planned to be constructed on the south side as part of the New T1, which greatly expands the Airport Authority's storm water harvesting opportunities.

On June 18, 2014, the SDRWQCB issued an Investigative Order directing the Airport Authority, General Dynamics and the Port District to submit technical reports pertaining to an investigation of sediment chemistry in the Laurel Hawthorn Central Embayment in San Diego Bay. The Investigative Order alleged that an unauthorized discharge of wastes occurred as evidenced by the presence of polychlorinated biphenyl, total petroleum hydrocarbons, volatile organic compounds, polycyclic aromatic hydrocarbons, metals and pesticides in the bay sediments. Although the Airport Authority believes it is not legally responsible for any harmful discharges at the identified location, it agreed with the other parties to participate in and share in the funding of the investigation and study. The Final Sediment Chemistry Report was provided to the SDRWQCB and that investigation was completed. In August 2017, the SDRWQCB sent the parties a new administrative draft investigative order that gave the Airport Authority, the Port District and General Dynamics an opportunity to provide comments to the SDRWQCB prior to the formal issuance of another investigative order. In January 2018, the parties submitted the work plans for both land and water that were accepted by the SDRWQCB. On October 2, 2019, the SDRWQCB issued new investigative orders to several parties, to investigate sediment in the Laurel Hawthorne Embayment, however, the Airport Authority was not named in any of these new orders. On November 1, 2019, the Airport Authority received notice of a Petition to the SDRWQCB from General Dynamics requesting that the Airport Authority, the City and the Port District be added to the investigative order issued on October 2, 2019, which was subsequently denied by the SDRWQCB. On March 27, 2020, General Dynamics served a Petition for Writ of Mandate and Complaint for Declaratory Relief ("Writ") on the Airport Authority. The Writ challenged the SDRWQCB's October 2, 2019 investigative order seeking, among other things, to require the SDRWQCB to add the Airport Authority and others as parties to the new investigative order. In response to a demurrer filed by the SDRWQCB, the Superior Court dismissed General Dynamics Writ without leave to amend and General Dynamics did not appeal.

In December 2016, the U.S. Department of the Navy released a draft Record of Decision for a Final Remedial Action Plan in order to cleanup chemically-impacted sediments in the former Naval Training Center San Diego Boat Channel immediately adjacent to SDIA. In a letter to the Airport Authority dated December 28, 2016, the Department of the Navy alleged that the Airport Authority was a responsible party under the federal Comprehensive Environmental Response, Compensation, and Liability Act due to past contributions of metals and other contaminants into the Boat Channel. The Department of the Navy sent another letter to the Airport Authority on May 6, 2021 offering to resume settlement discussions concerning alleged contamination and response costs incurred in the Boat Channel. The Department of the Navy reported, as of December 31, 2020, that it had incurred at least $16,040,005 in unreimbursed response costs related to the site. Settlement discussions are expected to begin soon between the Department of the Navy, the City, the Port District and the Airport Authority. The Airport Authority cannot predict whether or to what extent it may be liable for the costs of any past or future remediation.

Per- and Polyfluoroalkyl Substances

Per- and Polyfluoroalkyl Substances ("PFAS") are a group of more than 3,000 synthetic chemicals that have been in use since the 1940s. PFAS are found in many products such as dental floss, food packaging materials, non-stick products, water repellant textiles, and fire-fighting foams. PFAS are used in the aerospace, automotive, chemical, electronics, metal coatings and plating, and textiles industries. The FAA requires airport operators to use Aqueous Film Forming Foam ("AFFF") containing PFAS in their aircraft rescue and firefighting vehicles and fire suppression operating systems.

The EPA has determined that, due to the widespread use and persistence in the environment of PFAS, most people in the United States have been exposed to PFAS. The EPA also found evidence that continued exposure above specific levels to certain PFAS may lead to adverse health effects. Currently, the key PFAS classes of concern are perfluoroalkyl sulfonic acids, such as perfluorooctanesulfonate ("PFOS") and perfluorooctanoic acid ("PFOA"). The EPA released a statement in November 2016 summarizing available peer-reviewed studies on laboratory animals and epidemiological evidence in human populations as indicating that exposure to PFOA and PFOS over certain levels may result in adverse health effects including cancer, reproductive and developmental effects, liver effects, immune effects and other effects. In February 2019, the EPA issued a PFAS Action Plan. The PFAS Action Plan outlines EPA's strategy to better understand the health risks associated with PFAS and to develop tools for characterizing PFAS in the environment, cleanup approaches, and enforcement mechanisms.

On October 18, 2021, the EPA announced a comprehensive Strategic Roadmap as part of a broader White House initiative on the topic. The EPA is developing a Notice of Proposed Rulemaking to designate PFOA and PFOS as hazardous substances under the Resources Conservation and Recovery Act. Such designations would require facilities across the country to report on PFOA and PFOS releases that meet or exceed the reportable quantity assigned to these substances. The hazardous substance designations would also enhance the ability of federal, Tribal, state, and local authorities to obtain information regarding the location and extent of releases. The EPA or other agencies could also seek cost recovery or contributions for costs incurred for the cleanup. The proposed rulemaking will be available for public comment in Spring 2022.

On March 20, 2019, the SWRCB issued "Water Code Section 13267 Order WQ-2019-0005-DWQ for the Determination of the Presence of PFAS" (the "Airport Order") to numerous airports in California, including the Airport. The Airport Order identifies the Airport as a facility that accepted, stored, or used materials that may contain PFAS. The Airport uses AFFF containing PFAS, as required by the FAA. The Airport Order required the Airport Authority to test soil and groundwater for 23 PFAS analytes, including PFOA and PFOS. The Airport Authority completed sampling at 12 different locations on the Airport and submitted a formal completion report to the SWRCB on December 10, 2019, noting that PFAS analytes were detectable in all of the collected groundwater samples, but were only detectable in soil samples at 8 of 12 locations. On June 10, 2021, the SDRWQCB issued an additional Investigative Order requiring the Airport Authority to submit a Supplemental Work Plan to further delineate the vertical and lateral extents of PFAS-impacted media (soil, groundwater, and surface water). The Supplemental Work Plan was submitted by the Airport Authority on September 10, 2021 and it is awaiting SDRWQCB approval before initiating additional sampling work.

Additionally, in October 2019, the SWRCB issued "Water Code Sections 13267 and 13383 Order for the Determination of the Presence of PFAS Substances at Chrome Plating Facilities Order WQ-2019-0045-DWQ" (the "Chrome-Plating Order") in connection with chrome plating facilities located throughout the State. The Chrome-Plating Order identifies the former General Dynamics property on Pacific Highway, which the Airport Authority leases from the Port District, as a site of a previous chrome-plating facility. PFAS are used in the chrome-plating processes. As of the date of this Official Statement, the Chrome-

Plating Order has not been officially served on the Airport Authority, but it may eventually require the Airport Authority to respond to a questionnaire or, similar to the Airport Order, it may require testing of the affected site for the presence of PFAS.

At this time, the SWRCB has not established cleanup standards for PFAS or otherwise indicated what actions will be required for PFAS found in soil and groundwater at the Airport. Further, the extent to which PFAS poses a risk to human health and the environment is not yet well understood.

AIRPORT AUTHORITY SOCIAL AND GOVERNANCE EFFORTS

Central to the Airport Authority's mission is to promote equality, diversity, connectedness, and a good quality of life for its employees and the community at-large. The Airport Authority strives to exceed its customers' expectations by introducing innovative service and facility enhancements. It aims to achieve the highest level of internal and external customer satisfaction and to strive to develop leaders and a workforce aligned that reflects the diversity of the community and assure the highest level of commitment and productivity. The Airport Authority endeavors to be a responsive member of the community, working with surrounding neighborhoods and key groups to address the impacts from aircraft noise, traffic congestion, and other impacts. As part of its annual sustainability report (see "AIRPORT ENVIRONMENTAL MATTERS—Environmental Stewardship" above), the Airport Authority measures social key performance indicators to gauge progress in social efforts undertaken.

Diversity, Equity and Inclusion Policy

In September 2021, the Board adopted Policy – 2.03 Diversity, Equity and Inclusion. The policy statement reaffirms and formalizes the Board's commitment to diversity, equity and inclusion ("DEI") and provides a clear vision of how DEI values can be integrated into Airport operations and the Airport Authority's business practices. The policy statement also highlights the important role that the Airport, as the region's main air transportation gateway, plays in fostering DEI in the broader community. Finally, the policy statement creates a mechanism through which the Airport Authority can track and report its DEI initiatives. The Airport Authority has held DEI principles core to its operations and business activities since its inception in 2003. The Airport Authority's first set of core values included the statement "Everyone counts, and we count on everyone." To further advance DEI, the Board directed the creation of a Diversity, Equity and Inclusion Ad Hoc Committee. Concurrent with this action, Airport Authority President/CEO and her Executive Leadership Team appointed staff to a cross-divisional DEI Steering Committee to spearhead the Airport Authority's DEI efforts. The President/CEO identified five priority work streams as part of the Steering Committee's work plan – Employee, Small Business, Procurement, Environmental Justice, and Arts.

Small and Disadvantaged Business

The Airport Authority is committed to the growth of the San Diego region and works to ensure that local, small, disadvantaged, disabled veteran and emerging businesses have every opportunity to work with the Airport Authority. The Airport Authority established Policy 5.12 in April 2009 which allows for preference to small businesses, veteran owned small businesses and local businesses in the award of Airport Authority contracts. In addition to make certain that small businesses have everything they need to compete, the Airport Authority has a strategy to build relationships with the business community that encourages conversation and participation, and provides education, training, and outreach both in person and online. This strategy includes:

The Airport Authority, in partnership with Turner Construction, hosts the Turner School of Construction Management. This seven-week program is a community outreach and education program offered twice a year to businesses. Participants gain needed technical, administrative and managerial skills to help develop new and strategic business relationships and target their business for quality growth.

The Airport Authority launched a Bonding and Contract Financing Assistance Program in December 2007 that assists small, disadvantaged contractors in establishing first-time bonding or increasing their current bonding capacity and financing for airport contract work. The Airport Authority focuses on developing the contractors enrolled in the program by encouraging enrollees to attend the Airport Authority's educational contractor workshops. Examples of topics covered are procurement 101, OSHA 30-Hours and Cal OSHA injury and illness prevention, prevailing wage and labor compliance, and many more.

The Airport Authority has a Disadvantaged Business Enterprise Program ("DBE") and Airport Concession Disadvantaged Business Enterprise ("ACDBE") Program. It is a goal of the Airport Authority to ensure DBEs and ACDBEs have an equal opportunity to receive and participate in construction, professional services and concession opportunities through the implementation of race-neutral measures to meet overall DBE and ACDBE goals. Such measures include community outreach, attending pre-submittal meetings, unbundling large projects into smaller contractors, maintaining a directory of ACDBE and DBEs, hosting training seminars, hosting the Supplier Diversity Outreach Day, webinars and panels on important topics such as Concessionaire and ACDBE Panel, ACDBE and DBE certifications, ACDBE joint venture compliance, and other important topics.

In furthering outreach to assist small, disadvantaged, local and veteran owned small businesses and maximize their participation on Airport Authority contracts, the Airport Authority utilizes an "Inclusionary Approach" to large contracts that requires prime contractors to submit an Inclusionary Outreach Plan. The Airport Authority's "Inclusionary Approach" is primarily applied to large projects where subcontracting opportunities exist. The "Inclusionary Approach" is a plan that describes a prime contractor's specific approach toward small, local, and veteran owned business outreach and participation. All respondents bidding on a contract must put together an inclusionary outreach plan to include, commitments and goals participation for small, disadvantaged, local and veteran owned small businesses.

The Airport Authority introduced an outreach initiative by hosting "Meet the Primes" which is an event for businesses to connect with and learn from the Airport Authority, prime contractors and concessionaires, San Diego's small business support service centers and public agencies. Businesses learn about the Airport Authority's Small Business Development Program, upcoming contract opportunities, and need-to-know topics that can help their business.

The Airport Authority hosts a Veteran Appreciation Panel that provides information about new opportunities and programs for veteran businesses and helps the Airport Authority explore how to work together with the veteran-business community.

Employee Development

The Airport Authority is committed to employee development. The Airport Authority not only believes in but acts on the core value of learning which states, "We believe that continuous learning and personal involvement are job responsibilities." Examples of learning opportunities include: monthly one hour career development sessions; performance management and coaching plans are created and reviewed every four months; and frequent wellness and health and safety activities. In addition to these activities, the Airport Authority provides specific training to the Airport Traffic Officers ("ATO") known as ATO University. The ATO University program is designed to coordinate specific lessons with activities in the field such as customer interactions, citations, and taxi hold lot operations. The Facilities Maintenance Department ("FMD") offers specific training for plumbing, electrical, mechanical and carpentry skills that has enabled FMD to empower the employees hired on as maintenance workers to understand that other opportunities within the department are possible if training and educational requirements are met. The Airport Authority also offers a Tuition Reimbursement Program that is available to all employees who are working towards a college degree or are upgrading their skill set in an accredited program.

Airport Authority Governance

See "THE AIRPORT AUTHORITY" above for a discussion of governance at the Airport Authority.

CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the Subordinate Series 2021 Bonds involve investment risk and may not be suitable for all investors. The factors set forth below, among others, may affect the security of the Subordinate Series 2021 Bonds. Prospective investors are urged to read this Official Statement, including its appendices, in its entirety. The factors set forth in this Official Statement, among others, may affect the security for and/or trading value of the Subordinate Series 2021 Bonds. The information contained in this Official Statement relates solely to the Subordinate Series 2021 Bonds and speaks only as of the date of this Official Statement. The information in this Official Statement does not purport to be a comprehensive or complete discussion of all risks or other considerations that may be relevant to an investment in the Subordinate Series 2021 Bonds. Other factors may exist which may be material to investors based on their respective individual characteristics. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. Additional risk factors relating to the purchase of Subordinate Series 2021 Bonds are described throughout this Official Statement, whether or not specifically designated as risk factors. Additional risks and uncertainties not presently known, or currently believed to be immaterial, may also materially and adversely affect, among other things, Revenues, Net Revenues and Subordinate Net Revenues or individual investors. In addition, although the various risks discussed in this Official Statement are generally described separately, prospective investors of the Subordinate Series 2021 Bonds should consider the potential effects of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss to an investor may be significantly increased. There can be no assurance that other risks or considerations not discussed in this Official Statement are or will not become material in the future.

COVID-19 Pandemic and Related Matters

The COVID-19 pandemic and resulting restrictions on human activities have severely disrupted, and continue to disrupt the economies of the United States and other countries. The COVID-19 pandemic has and may continue to have a material adverse effect on the demand for passenger air travel, although some recovery in air travel volume has occurred over the last several months. The length of the COVID-19 pandemic itself will likely depend on the speed and effectiveness of the various COVID-19 Vaccine roll-outs in the United States and abroad and their ability to protect against new variants of the virus, a number of which have emerged. An additional consideration is the general public's perception of the efficacy of the COVID-19 Vaccines and the public's willingness to receive a COVID-19 Vaccine, including prior to full FDA approval. The longer the COVID-19 pandemic persists, the greater the ultimate effect is likely to be on the airline industry and on the Airport Authority's operations and financial condition.

In addition, the continuing impacts of the COVID-19 pandemic have resulted in operational difficulties for certain airlines as they increase capacity to meet demand. In some cases, this has resulted in higher flight cancellation rates and reductions in previously planned additions of scheduled capacity. These difficulties have resulted from a variety of factors, including, but not limited to, delays in re-hiring or hiring sufficient personnel as a result of generally prevailing labor shortages, increased customer service demands due to ongoing changes in ticketing rules and information technology disruptions.

The Airport Authority cannot predict the outcome of many factors that can materially adversely affect its finances or operations, including but not limited to: (a) the duration or extent of the COVID-19 pandemic or another outbreak or pandemic or force majeure event; (b) the scope or duration of restrictions or warnings related to air travel, gatherings or any other activities, and the extent to which airlines will continue reduced services at SDIA, or whether airlines will cease operations at SDIA or shut down in response to such restrictions or warnings; (c) what effect any COVID-19 pandemic-related or another outbreak- or pandemic-related restrictions or warning may have on air travel, including to and from SDIA, the retail and services provided by SDIA concessionaires, SDIA costs or SDIA revenues; (d) whether and to what extent the COVID-19 pandemic or another outbreak or pandemic may disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Airport Authority-related construction, the cost, source of funds, schedule or implementation of the New T1, or other Airport Authority operations; (e) the extent to which the COVID-19 pandemic or another outbreak or pandemic, or the resultant disruption to the local, State, national or global economies, may result in changes in demand for air travel, including long-term changes in consumer behavior (including a permanent reduction in business travel brought about by the accelerated adoption of technology for virtual meetings and conferences) and the operations of other businesses, or may have an impact on the airlines or concessionaires serving SDIA or the airline and travel industry, generally; (f) whether or to what extent the Airport Authority may provide additional deferrals, forbearances, adjustments or other changes to the Airport Authority's arrangements with airline tenants and SDIA concessionaires; or (g) whether any of the foregoing may have a material adverse effect on the finances and operations of the Airport Authority. Prospective purchasers should assume that certain restrictions and limitations related to the COVID-19 pandemic may be continued and that full recovery of air travel may be prolonged, causing an adverse impact on Airport Authority revenues. Future outbreaks, pandemics or events outside the Airport Authority's control may further reduce demand for air travel, which in turn could cause a decrease in passenger activity at SDIA and declines in Airport Authority revenues. See "IMPACT OF COVID-19 PANDEMIC ON SAN DIEGO INTERNATIONAL AIRPORT" regarding additional COVID-19 pandemic-related risks.

Subordinate Series 2021 Bonds Are Special Obligations

The Subordinate Series 2021 Bonds are special obligations of the Airport Authority, payable solely from and secured by a pledge of (a) Subordinate Net Revenues, which include certain income and revenue received by the Airport Authority from the operation of the Airport System less all amounts that are required to pay the Operation and Maintenance Expenses of the Airport System and less all amounts necessary to pay debt service on and fund the reserves for the Senior Bonds; and (b) certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2021 Bonds, and neither the full faith and credit nor the taxing power of the Airport Authority, the City, the County, the State or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Subordinate Series 2021 Bonds.

Factors Affecting the Airline Industry

General. Key factors that affect airline traffic at SDIA and the financial condition of the airlines, and, therefore, the amount of Subordinate Net Revenues available for payment of the Subordinate Series 2021 Bonds, include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; aviation security concerns; accidents involving commercial passenger aircraft; changes in law, local, State and federal regulations and the application thereof; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of SDIA and competition from other airports for connecting traffic; and business travel substitutes, including teleconferencing, videoconferencing and web-casting.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the terrorist attacks of September 11, 2001, the economic recession that occurred between 2008 and 2009 and the ongoing COVID-19 pandemic. Other business decisions by airlines, such as the reduction, or elimination, of service to unprofitable markets, increasing the use of smaller, regional jets and changing hubbing strategies have also affected air traffic at SDIA and could have a more pronounced effect in the future.

In addition to revenues received from the airlines, the Airport Authority derives a substantial portion of its revenues from concessionaires including parking operations, food and beverage concessions, retail concessions, car rental companies, and others. See “AGREEMENTS FOR THE USE OF AIRPORT FACILITIES” and “FINANCIAL INFORMATION.” Declines in passenger traffic at SDIA may adversely affect the commercial operations of many of these concessionaires. While the Airport Authority’s agreements with concessionaires require the concessionaires to pay a minimum annual guarantee, severe financial difficulties could lead to a failure by a concessionaire to make the required payments or could lead to the cessation of operations of such concessionaire. See “IMPACT OF COVID-19 PANDEMIC ON SAN DIEGO INTERNATIONAL AIRPORT” with respect to the Airport Authority’s waiver of certain fees and rents during the ongoing pandemic.

Many of these factors are outside the Airport Authority’s control. Changes in demand, decreases in aviation activity and their potential effect on enplaned passenger traffic at SDIA may result in reduced Revenues and PFCs. Following are just a few of the factors affecting the airline industry including, regional and national economic conditions, threats of terrorism, costs of aviation fuel, and airline concentration. See also “—Aviation Security Concerns” below for additional discussion on the costs of security.

Economic Conditions. Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies. See “APPENDIX A—FINANCIAL FEASIBILITY REPORT—3.4 Forecast Uncertainty and Risk Factors.”

Threats of Terrorism. Recent and ongoing terrorist attacks and threats of terrorism have had, and may continue to have, a negative impact on air travel. The Airport Authority cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001 or the terrorist attacks that occurred in Nice, Munich, Paris, Brussels and Istanbul in 2015 and 2016, the likelihood of future air transportation disruptions or the impact on the Airport Authority or the airlines operating at SDIA from such incidents or disruptions.

Cost of Aviation Fuel. Airline earnings are significantly affected by changes in the price of aviation fuel. According to Airlines for America, fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier’s operating economics. There has been no shortage of aviation fuel since the “fuel crisis” of 1974, but any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world (particularly in the oil-producing nations in the Middle East and North Africa), Organization of Petroleum Exporting Countries policy, the growth of economies around the world, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather. According to Airlines for America, for the second quarter of 2021, jet fuel accounted for approximately 15.1% of the airline industry's operating expenses. The price of aviation fuel rose to an all-time high of approximately $3.75 per gallon in July 2008. According to the U.S. Bureau of Transportation Statistics, the price of aviation fuel averaged approximately $1.84 per gallon during the first nine months of 2021. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

Airline Concentration; Effect of Airline Industry Consolidation. The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible the airlines serving SDIA could consolidate operations through acquisition, merger, alliances and code share sales strategies. Examples of airlines mergers occurring over the last several years include: (a) in 2008, Delta acquired Northwest and its affiliated Air Carriers, Mesaba, Pinnacle (now known as Endeavor) and Compass Airlines; (b) on October 1, 2010, United Airlines and Continental Airlines merged and United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012; (c) on May 2, 2011, Southwest acquired Air Tran, and Southwest and Air Tran began operating as a single airline (under the Southwest brand) in March 2012; (d) on December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc., and American and US Airways began operating as a single airline (under the American brand) in October 2015; and (e) in December 2016, Alaska Air Group acquired Virgin America. To date none of these mergers have had any material impact on airline service or enplanements at SDIA. While these prior mergers have not had any material impact on airline service or enplanements at SDIA or on Revenues, future mergers or alliances among airlines operating at the Airport may result in fewer flights or decreases in gate utilization by one or more airlines. Such decreases could result in reduced Revenues, reduced PFC collections and/or increased costs for the other airlines serving SDIA.

Pilot and Mechanics Shortage. Pilot shortage is an industry-wide issue, and especially for smaller regional airlines. In 2017, Horizon Air had to cancel more than 300 flights systemwide, and in 2018, Great Lakes Airlines completely ended service, because of pilot shortages. There are several causes for the pilot shortage that affect all airlines. Congress changed duty time rules in 2010 to mitigate pilot fatigue, which required airlines to increase pilot staff. Beginning in 2013, first officers flying for commercial airlines were required to have at least 1,500 hours of flight time, instead of the 250 hours previously required. Other factors include an aging pilot workforce and fewer new pilots coming out of the military. Further, as passenger demand increases, the major air carriers are anticipated to need additional pilots, and are generally able to hire pilots away from regional airlines. As a result, small regional airlines have a particularly difficult time hiring qualified new pilots, despite increased incentives. The shortage of pilots available to regional airlines may result in reduced service to some smaller U.S. markets.

In addition to the pilot shortage, over the next decade there could be a shortage of qualified mechanics to maintain the airlines' fleet of planes. This potential shortage is as a result of an aging pool of mechanics, a large portion of which are expected to retire in the next decade, and a lack of younger people joining the ranks of the mechanics. A shortage of mechanics could raise the cost of maintenance, require airlines to maintain more spare planes and/or result in increased flight cancellations and delays.

Bankruptcy by Airlines and Concessionaires

A bankruptcy of an airline or of another tenant or tenants operating from SDIA could result in delays or reductions in payments on the Subordinate Series 2021 Bonds.

Since December 2000, several airlines that currently operate at SDIA, including, among others, United Airlines, Delta Air Lines, American Airlines and Frontier Airlines, have filed for and reorganized under bankruptcy protection. Certain concessionaires and rental car companies also have filed for bankruptcy protection over the last several years, including Hertz Corporation in 2020. Additional bankruptcy filings may occur in the future. The bankruptcy of an airline with significant operations at SDIA could have a material adverse effect on operations of SDIA, Revenues, and the cost to the other airlines operating at SDIA.

In the event of a bankruptcy by an airline or other tenant operating from SDIA, the automatic stay provisions of the United States Bankruptcy Code (the "Bankruptcy Code") could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by an airline or other tenant to the Airport Authority or any action to enforce any obligation of an airline or other tenant to the Airport Authority. With the authorization of the bankruptcy court, an airline or other tenant may be able to repudiate some or all of its agreements with the Airport Authority and stop performing its obligations (including payment obligations) under such agreements. Such a repudiation also could excuse the other parties to such agreements from performing any of their obligations. An airline or other tenant may be able, without the consent and over the objection of the Airport Authority to alter the terms, including the payment terms, of its agreements with the Airport Authority, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, an airline or other tenant may be able to assign its rights and obligations under any of its agreements with the Airport Authority to another entity, despite any contractual provisions prohibiting such an assignment. The Subordinate Trustee and the holders of the Subordinate Series 2021 Bonds may be required to return to an airline or other tenant as preferential transfers any money that was used to make payments on the Subordinate Series 2021 Bonds and that was received by the Airport Authority or the Subordinate Trustee from such airline or other tenant during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the Airport Authority under any lease with an airline or agreement with another tenant may be subject to limitations.

As described under "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Capital Program—Passenger Facility Charges," the airlines serving SDIA also are required to pay to the Airport Authority PFCs collected from enplaned passengers at SDIA. The PFC Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Airport Authority) imposing the PFCs, except for any handling or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. However, the airlines, provided they are not under bankruptcy protection, are permitted to commingle PFC collections with other revenues. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the Airport Authority cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at SDIA. The PFC Act requires an airline in bankruptcy protection to segregate PFC collections from all of its other revenues. It is possible that the Airport Authority could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the Airport Authority cannot predict whether an airline operating at SDIA that files for bankruptcy protection would have properly accounted for the PFCs owed to the Airport Authority or whether the bankruptcy estate would have sufficient moneys to pay the Airport Authority in full for the PFCs owed by such airline. PFCs are not pledged to the repayment of any Senior Bonds or Subordinate Obligations (including the Subordinate Series 2021 Bonds), however, the Airport Authority has in the past and expects to in the future use PFCs to pay debt service on PFC Eligible Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS—Use of PFCs to Pay Debt Service."

Each Non-Signatory Airline operating at SDIA is required to provide the Airport Authority with a letter of credit equal to approximately three months of estimated obligations payable by the airline to the

Airport Authority. In the event of bankruptcy of a Non-Signatory Airline, the Airport Authority would be able to draw on any such letter of credit to pay obligations owed by the bankrupt airline. Payments under any letter of credit may not be sufficient to pay the Airport Authority all amounts owed by the bankrupt airline. Signatory Airlines are not required to provide a letter of credit or any other form of security deposit with the Airport Authority. However, in the event a Signatory Airlines were to file for bankruptcy protection and subsequently failed to pay any obligations owed to the Airport Authority, pursuant to the terms of the Airline Lease Agreement, the Airport Authority would be allowed to collect those unpaid obligations from the Signatory Airlines that continue to operate from the Airport as part of the landing fees and terminal rentals charged to the Signatory Airlines.

There may be delays in payments to the Airport Authority and resulting delays in the payment of principal of and interest on the Subordinate Series 2021 Bonds while the court considers any of the issues described above. There may be other possible effects of a bankruptcy of an airline or other tenant that could result in delays or reductions in payments on the Subordinate Series 2021 Bonds. Regardless of any specific adverse determinations in an airline or other tenant bankruptcy proceeding, the fact of an airline or other tenant bankruptcy proceeding could have an adverse effect on the liquidity and value of the Subordinate Series 2021 Bonds.

Southwest Airlines – SDIA's Largest Carrier

In Fiscal Year 2021, Southwest Airlines accounted for approximately 33.5% of the total enplaned passengers at SDIA. Where an airport has a sizable market share accounted for by a single airline, there is risk associated with the potential for that airline to reduce or discontinue service. However, in the case of Southwest Airlines at SDIA, this risk is mitigated by the following factors: (a) Southwest Airlines is a consistently profitable airline; and (b) the development of service by Southwest Airlines at SDIA has demonstrated a large O&D passenger demand that could be served by other airlines at SDIA in the unlikely event Southwest Airlines were to reduce service at SDIA. Nevertheless, the Airport Authority cannot predict what effect a reduction or discontinuation of service by Southwest would have on the Airport Authority or Revenues, or whether another airline would absorb the service provided by Southwest.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred and continue to occur in the Middle East), terrorist attacks (see "—Factors Affecting the Airline Industry—Threats of Terrorism" above), increased threat levels declared by the Department of Homeland Security may influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

The Airport Authority cannot predict whether SDIA will be targets of terrorists in the future. Additionally, the Airport Authority cannot predict the effect of any future government-required security measures on passenger activity at SDIA.

Regulations and Restrictions Affecting SDIA

The operations of SDIA are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the Airline Lease Agreements, the federal acts authorizing the imposition, collection and use of PFCs and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of the terrorist attacks of September 11, 2001, SDIA also has been required to implement enhanced security measures mandated by the FAA, the Department of Homeland Security and Airport management.

It is not possible to predict whether future restrictions or limitations on operations at SDIA will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for SDIA, whether additional requirements will be funded by the federal government or require funding by the Airport Authority, or whether such restrictions or legislation or regulations would adversely affect Revenues. See "—Aviation Security Concerns" above.

State Tidelands Trusts

Nearly all of the land on which SDIA's facilities are located is held in trust by the Port District pursuant to tidelands grants from the State. Generally, the use of lands subject to the trust is limited under the terms of the grants to harbor and airport uses and other uses of statewide interest, such as fishing, public recreation and enjoyment of the waterfront. Pursuant to the Act, the Port District has leased the land on which SDIA is located to the Airport Authority until 2069. There also are certain limitations on the use of funds generated from facilities located on this land. However, none of the various restrictions are expected to affect the operations of SDIA or the finances of the Airport Authority. The grants may be subject to amendment or revocation by the State legislature, as grantor of the trust and as representative of the beneficiaries (the people of the State). Under the law, any such amendment or revocation could not impair the accomplishment of trust purposes, or abrogate the existing covenants and agreements between the Port District, as trustee, the Airport Authority, as lessee, and the Airport Authority's bondholders. The Airport Authority does not anticipate that the State will revoke the tidelands grants.

Federal Law Affecting Airport Rates and Charges

In general, federal aviation law requires that airport fees charged to airlines and other aeronautical users be reasonable and that in order to receive federal grant funding, all airport generated revenues must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner that are directly and substantially related to air transportation of passengers or property. The Airport Authority is not aware of any formal dispute involving SDIA over any existing rates and charges. The Airport Authority believes that the rates and charges methodology it utilizes and the rates and charges it imposes upon air carriers, foreign air carriers and other aeronautical users are reasonable and consistent with applicable law. However, there can be no assurance that a complaint will not be brought against the Airport Authority in the near-term or in the future, challenging such methodology and the rates and charges established by the Airport Authority, and if a judgment is rendered against the Airport Authority, there can be no assurance that rates and charges paid by aeronautical users of SDIA will not be reduced. An adverse determination in a future challenge could limit the ability of the Airport Authority to charge airlines rates sufficient to meet the rate covenants in the Master Senior Indenture and the Master Subordinate Indenture and could have a material adverse impact on the receipt of Revenues.

Additionally, the policies of the FAA prohibit an airport from making direct or indirect payments that exceed the fair and reasonable value of the respective services and facilities provided to the airport. The Port District provides certain services to the Airport Authority and leases several parcels of land to the Airport Authority. If the FAA were to rule that the Airport Authority's payments to the Port District for the services provided by the Port District and/or for the lease of the several parcels of land to the Airport Authority violate the policies of the FAA, the Airport Authority would be solely responsible for correcting any such violations. If the Airport Authority violates the policies of the FAA, the FAA may withhold payment of AIP grants or rescind the Airport Authority's ability to collect PFCs until the Airport Authority corrects such violation. The Airport Authority is not aware of any challenges by the FAA to the payments being made by the Airport Authority to the Port District.

Restrictions on Airport Facilities and Operations

There are restrictions on the Airport Authority's ability to expand and develop facilities at SDIA. Current conditions at SDIA make the addition of a runway difficult. Obstacles to runway expansion include significant geographic obstructions, major land acquisition requirements, extensive infrastructure impacts, increased noise impacts and community resistance. Geographic obstructions include high terrain to the northeast and southwest of SDIA and manmade obstructions, such as office buildings, to the northeast, east and southeast of SDIA. See "SAN DIEGO INTERNATIONAL AIRPORT—Existing Facilities."

There also are direct restrictions on aircraft departures at SDIA, primarily relating to noise abatement. Specifically, the Airport Authority prohibits departures from SDIA between 11:30 p.m. and 6:30 a.m. (the "Curfew"), and no airline may schedule or advertise for a departure between 11:15 p.m. and 6:15 a.m. These restrictions are subject only to limited exceptions including emergency and mercy flights. Landings at SDIA are not prohibited during the Curfew. See "AIRPORT ENVIRONMENTAL MATTERS—Airport Noise."

These restrictions on facilities and operations may limit the number of passengers and flights which SDIA can accommodate in the future which, in turn, may limit the amount of Revenues the Airport Authority can generate.

Factors Affecting Capital Program

As described herein, the Airport Authority is undertaking a significant capital development program at SDIA. The Airport Authority has entered into and will enter into agreements for the construction of such capital improvements. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT." The Airport Authority anticipates that such contracts will be subject to adjustment for a variety of circumstances, including higher than anticipated costs of labor and materials or subcontractor bids, changes in scope, unforeseen site conditions and force majeure events. The estimated costs of, and the projected schedule for, the capital development program are subject to a number of uncertainties. The ability of the Airport Authority to complete the New T1 may be adversely affected by various factors including: (a) estimating errors; (b) design and engineering errors; (c) changes to the scope of the projects, including changes to federal security regulations; (d) delays in contract awards; (e) material and/or labor shortages; (f) unforeseen site conditions; (g) adverse weather conditions and other force majeure events; (h) contractor defaults; (i) labor disputes; (j) unanticipated levels of inflation; and (k) environmental issues. No assurance can be made that the New T1 will not cost more than the current budget. Any schedule delays or cost increases could result in the need to issue additional indebtedness and may result in increased costs per enplaned passenger to the airlines, thereby making SDIA less economically competitive. There can be no assurances that significant increases in costs over the amounts projected by the Airport Authority will not materially adversely affect the financial condition or operations of SDIA.

Unavailability of, or Delay in, Anticipated Funding Sources

As described herein, the Airport Authority anticipates that funding for the New T1 and the CIP has been and will be provided through a combination of proceeds of the Subordinate Series 2021A Bonds, the Subordinate Series 2021B Bonds, the previously issued Subordinate Series 2019 Bonds, Additional Senior Bonds and/or Additional Subordinate Obligations, internally generated cash of the Airport Authority, PFC revenues on a pay-as-you-go basis, AIP grants, and other sources. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Capital Program" and "APPENDIX A—FINANCIAL FEASIBILITY REPORT" for a description of the financing plan for the New T1 and the CIP. In the event that any of such sources are unavailable for any reason, including unavailability of internally generated cash flow; reduction in the amount of PFCs or AIP grants available to the Airport Authority; nonappropriation of, or delay in payment of, federal funds or grants; the inability of the Airport Authority to issue or sell Additional Senior Bonds and/or Additional Subordinate Obligations; or any other reason, the completion of the New T1 and the projects included in the CIP could be substantially delayed and financing costs could be higher than projected. There can be no assurances that such circumstances will not materially adversely affect the financial condition or operations of SDIA and the Airport Authority.

Availability of PFCs. The Airport Authority expects to use approximately $17.3 million of PFCs on a pay-as-you-go basis to finance costs of the "Quieter Home Program" and approximately $9.2 million of PFCs on a pay-as-you-go basis to finance a portion of the costs of the New T1 and the CIP. Additionally, in Fiscal Years 2022, 2026 and 2027, the Airport Authority expects to use approximately $150 million of PFCs to pay debt service on PFC Eligible Bonds (including a portion of the Senior Series 2013 Bonds (only in Fiscal Year 2022), a portion of the Subordinate Series 2019A Bonds, a portion of the Subordinate Series 2020 Bonds, a portion of the Subordinate Series 2021C Bonds and certain Additional Senior Bonds and/or Additional Subordinate Obligations expected to be issued to finance a portion of the New T1). See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS—Use of PFCs to Pay Debt Service" and "APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF AIRLINE LEASE AGREEMENT."

The amount of PFCs received by the Airport Authority in future years will vary based upon the actual number of PFC-eligible passenger enplanements at SDIA. No assurance can be given that any level of enplanements will be realized. See "—Factors Affecting the Airline Industry" above. Additionally, the FAA may terminate the Airport Authority's ability to impose the PFC, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Act or the PFC Regulations; or (b) the Airport Authority otherwise violates the PFC Act or the PFC Regulations. Its authority to impose the PFC may also be terminated if the Airport Authority violates certain provisions of ANCA and its implementing regulations. The regulations under ANCA also contain procedural safeguards to ensure that the Airport Authority's ability to impose a PFC would not be summarily terminated. No assurance can be given that the Airport Authority's ability to impose the PFC will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the Airport Authority or that the Airport Authority will not seek to decrease the amount of the PFC to be collected.

A shortfall in PFC revenues, as a result of the FAA or Congress reducing or terminating the Airport Authority's ability to collect PFCs or as a result of any other actions, may cause the Airport Authority to increase rates and charges at SDIA to meet the debt service requirements on the PFC Eligible Bonds that the Airport Authority plans to pay with PFCs, and/or require the Airport Authority to identify other sources of funding to pay for the costs of the Capital Program projects currently expected to be paid with PFC revenues, including issuing Additional Senior Bonds and/or Additional Subordinate Obligations.

Availability of Federal Funds. See also "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Funding Sources for Capital Program—Federal Funding," for a discussion of the assumptions with respect to AIP grant funding. Although the Airport Authority considers these assumptions to be reasonable, assumptions are inherently subject to certain uncertainties and contingencies. Actual AIP funding levels and the timing of the receipt of such funds vary and such differences may be material. Funds obligated for the AIP are drawn from SDIA and Airway Trust Fund that is supported by user fees, fuel taxes, and other similar revenue sources that must be authorized and approved by Congress.

If there is a reduction in the amount of AIP grants awarded to the Airport Authority, such reduction could (i) increase by a corresponding amount the capital expenditures that the Airport Authority would need to fund from other sources (including operating revenues, Additional Senior Bonds or Additional

Subordinate Obligations), (ii) result in cancellation of certain Capital Program projects or (iii) extend the timing for completion of certain projects.

Cyber and Data Security

Airport Authority. The Airport Authority, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Airport Authority faces multiple cyber threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computers and other sensitive digital networks and systems (collectively, "Systems Technology"). There have been cyber-attack attempts on the Airport Authority's computer system, but not any resulting in a material compromise of the system, data loss or breach that the Airport Authority has identified.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Airport Authority's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage.

The Airport Authority has taken extensive measures to safeguard its Systems Technology against cybersecurity threats. To name a few, the Airport Authority has obtained PCI (Payment Card Industry) compliance for all systems processing, storing, or transmitting credit card data; the Airport Authority has implemented the NIST (National Institute of Standards Technology) framework consisting of standards, guidelines, and best practices to manage cybersecurity related risk; the Airport Authority has engaged the Department of Homeland Security to conduct risk and vulnerability assessments of its Systems Technology; and annually, the Airport Authority conducts incident response table top exercises to simulate a data breech and provide Airport Authority wide training to staff and contractors on cybersecurity best practices.

No assurances can be given that the Airport Authority's security and operational control measures will ensure against any and all cybersecurity threats and attacks. A cybersecurity incident or breach could damage the Airport Authority's Systems Technology and cause disruption to Airport Authority and/or Airport services, operations and finances. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the Airport Authority to material litigation and other legal risks, which could cause the Airport Authority to incur material costs related to such legal claims or proceedings. The Airport Authority will continue to assess cyber threats and protect its data and systems

Airlines, Concessionaires and Other Entities Operating at the Airport. Computer networks and data transmission and collection are vital to the efficient operation of the airline industry. Air travel industry participants, including the airlines, the FAA, the TSA, the concessionaires and others collect and store sensitive data, including intellectual property, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to air travel industry operations. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in the efficiency of the air travel industry, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, operations and the services provided, and cause a loss of confidence in the air travel industry, which could ultimately adversely affect the airline industry and operations at the Airport System.

Federal Funding; Impact of Federal Sequestration

The Airport Authority receives certain federal funds including from the AIP fund. Additionally, certain operations at the Airport are supported by federal agencies including flight traffic controllers, FAA, TSA, FBI, Customs and Border Security, among others. Federal agencies also have regulatory and review authority over, among other things, certain Airport operations, construction at the Airport and the airlines operating at the Airport.

From time to time, the federal government has, and may in the future, come to an impasse regarding, among other things, reauthorization of the FAA (which has historically included funding for AIP) and other federal appropriations and spending. The current FAA reauthorization became effective on October 5, 2018, with the passage of the "FAA Reauthorization Act of 2018" (the "2018 FAA Act"). The 2018 FAA Act provides funding for the FAA and AIP through September 30, 2023.

Failure to adopt such legislation may have a material, adverse impact on, among other things, (i) federal funding received by the Airport Authority, including under the AIP; (ii) federal agency budgets, hiring, furloughs, operations and availability of Federal employees to support certain operations at the Airport, provide regulatory and other oversight, review and provide required approvals, in each case at the Airport and over the airlines serving the Airport; (iii) flight schedules, consumer confidence, operational efficiency at the Airport and in the air transportation system generally. In addition, the anticipated federal spending could be affected by, among other things, the automatic across-the-board spending cuts, known as sequestration.

There can be no assurance that the Congress will enact and the President will sign federal appropriation legislation or future FAA reauthorization which may require the Airport Authority to fund capital expenditures forecast to come from such federal funds and from other sources (including operating revenues, Additional Senior Bonds and/or Additional Subordinate Obligations), result in decreases to the CIP or extend the timing for completion of certain projects and the Airport Authority is also unable to predict future impact of any federal spending cuts or appropriation impasses or the impact of such actions on airline traffic at the Airport or the Airport Authority's revenues.

Technological Innovations in Ground Transportation

One significant category of non-airline revenues for the Airport Authority is generated from ground transportation activity, including use of on-Airport parking garages; fees paid by taxis, limousines and TNCs, such as Uber and Lyft; and rental car transactions by Airport passengers. Prior to the COVID-19 pandemic, passenger levels were increasing but the relative market share of these sources of revenue were shifting. As one example, the popularity of TNCs increased because of the increasing number of cities where TNCs operate, convenience of requesting a ride through a mobile application, the ability to pay for this service without providing cash or other payment to the hired driver, and competitive pricing. See "AGREEMENTS FOR THE USE OF AIRPORT FACILITIES—TNC Permits." Pick-ups and drop-offs at the Airport by TNCs have declined during the COVID-19 pandemic, but the Airport Authority expects that post-COVID-19 pandemic the use of TNCs will again be popular and become a large portion of non-airline revenues.

New technologies (such as autonomous vehicles and connected vehicles) and innovative business strategies in established markets such as commercial ground transportation and car rental may continue to occur and may result in further changes in Airport passengers' choice of ground transportation mode. While the Airport Authority makes every effort to anticipate demand shifts, there may be times when the Airport Authority's expectations differ from actual outcomes. In such event, revenue from one or more ground transportation modes may be lower than expected. The Airport Authority cannot predict with certainty what impact these innovations in ground transportation will have over time on revenues from parking, other ground transportation services or rental cars. The Airport Authority also cannot predict with certainty whether or to what extent it will collect non-airline revenues in connection with such new technologies or innovative business strategies.

Financial Feasibility Report

The Financial Feasibility Report included as Appendix A to this Official Statement contains certain assumptions and forecasts. The Financial Feasibility Report should be read in its entirety for a discussion of historical and forecasted results of enplanements, operations and debt service coverage and the assumptions and rationale underlying the forecasts. As noted in the Financial Feasibility Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material. *Additionally, the Financial Feasibility Report has not been revised subsequent to its date of publication (November 5, 2021) to reflect the final terms of the Subordinate Series 2021 Bonds, including with respect to the Authority's decision to issue the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds in excess of the principal amounts assumed in the Financial Feasibility Report.*

Accordingly, the projections contained in the Financial Feasibility Report or that may be contained in any future certificate of the Airport Authority or a consultant are not necessarily indicative of future performance, and neither the Feasibility Consultant nor the Airport Authority assumes any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the Airport Authority are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Subordinate Series 2021 Bonds are cautioned not to place undue reliance upon the Financial Feasibility Report or upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Subordinate Net Revenues, PFCs and federal funds and grants may be materially less than expected and consequently, the ability of the Airport Authority to make timely payment of the principal of and interest on the Subordinate Series 2021 Bonds may be materially adversely affected.

Neither the Airport Authority's independent auditors, nor any other independent accountants have compiled, examined or performed any procedures with respect to the Subordinate Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Subordinate Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Subordinate Net Revenues forecast.

Impact of Potential Earthquakes

Although the San Diego area has not experienced any significant damage from seismic activities, the geographical area in which SDIA is located is subject to unpredictable seismic activity. Southern California is characterized by a number of geotechnical conditions which represent potential safety hazards, including expansive soils and areas of potential liquefaction. The San Andreas, Rose Canyon, Elsinore and San Jacinto fault zones are all capable of producing earthquakes in the San Diego area. SDIA has not experienced any significant losses of facilities or services as a result of earthquakes.

The main terminal buildings of SDIA were seismically upgraded in the mid-1990s and comply with applicable building codes. However, SDIA's facilities could sustain extensive damage in a major seismic event, ranging from total destruction of SDIA, to destabilization or liquefaction of the soils, to little or no damage at all. There can be no assurances that damage resulting from an earthquake will not materially adversely affect the financial condition or operations of SDIA or the ability of the Airport Authority to generate Net Revenues and Subordinate Net Revenues in the amounts required by the Senior Indenture and the Subordinate Indenture, as applicable. The Airport Authority does not currently maintain earthquake insurance, but as of June 30, 2021, the Airport Authority had designated approximately $12 million from its net position as an insurance contingency, which could be used in the event of damage to the Airport from an earthquake, among other things. See "FINANCIAL INFORMATION—Risk Management and Insurance." In addition to damage to the Airport facilities, an earthquake also could cause damage to the infrastructure surrounding the Airport (i.e., roads), which could make going to and leaving the Airport difficult for travelers wanting to use the Airport.

The Airport Authority is unable to predict when another earthquake may occur and what impact, if any, it may have on SDIA or the finances of the Airport Authority or whether the Airport Authority will have sufficient resources to rebuild or repair damaged facilities following a major earthquake.

Climate Change

Possible Increased Regulations. Climate change concerns are leading to new laws and regulations at the federal and state levels that could have a material adverse effect on airlines operating at SDIA and also could affect ground operations at SDIA.

According to the EPA, aircraft account for 12% of all U.S. transportation GHG emissions and approximately 3% of total U.S. GHG emissions. On January 11, 2021, the EPA issued a final rule entitled "Control of Air Pollution from Airplanes and Airplane Engines: GHG Emission Standards and Test Procedures, 86 Fed. Reg. 2136 (Jan. 11, 2021)." The rule adopts GHG standards equivalent to those adopted by the International Civil Aviation Organization ("ICAO") in 2017 for certain civil subsonic jet airplanes and larger subsonic propeller-driven airplanes with turboprop engines. The standards generally apply to new type design airplanes with certification applications submitted on or after January 11, 2021 (January 1, 2023 for certain, smaller new designs) and in-production airplanes starting on January 1, 2028 — but not to existing airplanes already in service. In its analysis of costs and benefits in the preamble to the rule, the EPA explained that many airplanes manufactured in the United States "already met the ICAO standards at the time of their adoption" or would be expected to do so by 2028. The impact to the Airport is not expected to be significant, and the rule does not require modifications to airports.

In January 2021, a coalition of states including California filed a petition to review, challenging the final rule as unlawful and requesting remand to the EPA. The petitioners argued that the rule will not reduce aircraft emissions and cause no action by aircraft manufacturers. The case remains in abeyance in the United States Court of Appeals for the District of Columbia pending review of the final rule pursuant to President Biden's Executive Order 13990. Executive Order 13990 directs agency review of regulations promulgated, issued, or adopted between January 20, 2017 and January 20, 2021.

In March 2017, ICAO, a specialized agency within the United Nations, adopted GHG carbon neutral growth targets applicable to (i) new aircraft type designs as of 2020 and (ii) new deliveries of current in-production aircraft models from 2023. The global standard includes a cutoff date of 2028 for production of non-compliant aircraft. Separate from the ICAO standards discussed above, in October 2016, the ICAO also passed a global market-based mechanism to achieve carbon-neutral growth for international aviation after 2020, the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), which can be achieved through airline purchases of carbon offset credits.

Originally, 2019 and 2020 were modeled to be the baseline years for the CORSIA emissions reductions; however, in July 2020, the ICAO decided to implement a change to the CORSIA emissions baseline, disregarding 2020 emissions, to account for the significant impact of the COVID-19 pandemic artificially reducing emissions compared to the 2016 levels. While the change in baseline did not change the timeline for the above implementation phases, the altered baseline could delay until 2026 the effectiveness of the requirement for airlines to purchase carbon offset credits. The United States is participating in the CORSIA pilot, which did commence in 2021 as scheduled, and covers approximately 36% of international flights. Alongside the country's commitment, virtually all U.S.-based airlines agreed to participate in CORSIA. Additionally, participating nations are developing a monitoring, reporting and verification system for GHG emissions from international flights. It remains unclear whether CORSIA will have any impact, economically or on climate.

In addition to these regulatory actions, other laws and regulations limiting GHG emissions have been adopted by a number of states, including California, and have been proposed on the federal level. California passed Assembly Bill 32, the California Global Warming Solutions Act of 2006 (“AB 32”), which required the statewide level of GHGs to be reduced to 1990 levels by 2020. On October 20, 2011, CARB made the final adjustments to its implementation of AB 32: the California cap-and-trade program (the “California Cap-and-Trade Program”). In August 2016, Senate Bill 32 was enacted and extends the California Cap-and-Trade Program and requires a reduction of California-wide GHG emissions to 40% below 1990 levels by December 31, 2030. CARB is in the process of preparing a 2022 Scoping Plan Update to assess progress toward the 2030 target and to prepare a plan to achieve carbon neutrality by 2045. The California Cap-and-Trade Program was implemented for certain entities emitting 25,000 metric tons of carbon dioxide equivalent per year or more, with non-covered entities allowed to voluntarily participate. Entities emitting between 10,000 and 25,000 metric tons (including the Airport) are required to report stationary source emissions, but are not required to participate in the Program. The California Cap-and-Trade Program, and additional State and local regulations related to climate change (including CARB’s Low Carbon Fuel Standard, California's State Implementation Plan, the Sustainable Freight Action Plan, and regional GHG Emissions Reduction Targets) may require the airlines serving the Airport, other Airport tenants, and on-Airport operations to meet new compliance obligations that increase operational, utility and fuel costs (such as CARB’s adoption of a requirement for all airport shuttles to be zero emission by 2035 and its similar proposed regulations regarding ground support equipment). In some cases, these policies provide financial incentives for GHG reduction or air quality improvements through expanded or improved infrastructure and/or vehicle electrification or alternative fuels replacement. In other cases, they prevent the airport, equipment owner, or operator from accessing grants where a key eligibility requirement is that an investment must be voluntary. Additional regulations on a State and local level are pending and foreseeable (including expanding emissions mitigation measures aimed at commercial airports).

See “AIRPORT ENVIRONMENTAL MATTERS—Air Quality and Carbon Management Plan” for a discussion of the Airport Authority’s plans to reduce GHG emissions at SDIA.

The Airport Authority is unable to predict what federal and/or state laws and regulations with respect to GHG emissions will be adopted, or what effects such laws and regulations will have on airlines serving SDIA or on SDIA operations. The effects, however, could be material.

Possible Sea-Level Rise. SDIA is located less than 100 yards from San Diego Bay, which is located approximately two miles from the Pacific Ocean. It is anticipated that the San Diego area, including SDIA, will be exposed to rising sea levels as a result of climate change. In April 2017, the California Ocean Protection Council released an update on sea level rise science entitled “*Rising Seas in California: An Update on Sea-level Rise Science*.” The paper posits that sea level increases in the San Diego region by 2050 will likely be between 0.7 – 2.0 feet above historical levels. The paper was updated in March 2018 and expanded to include various sea level rise scenarios (coupled with 100-year storm surge events) through

2100 and their relative probability. These estimates guided additional flood modeling that was included in a new Climate Resilience Plan for SDIA

In 2015, the Airport Authority conducted a hydrologic and hydraulic base model of runoff and discharges from Airport watersheds for both existing and future conditions in multiple storm scenarios. The assessment concluded that certain of the Airport's most critical infrastructure, such as the runway, the majority of the taxiways and the air traffic control tower, did not appear to face major risk of flooding, even in scenarios that account for future sea level rise. This assessment was expanded with the development of a Climate Resilience Plan in 2019. The plan formally evaluated SDIA's vulnerability to potentially higher sea levels, more intense rainfall, and more extreme heat and identifies strategies to address predicted climate conditions through the end of the century. The plan's strategies are generally grouped around the following goals: (1) reduce risks associated with climate change to ensure business continuity, and to maintain a quality passenger experience; (2) integrate climate resilience into airport operations and development decisions; and (3) provide regional and industry leadership in climate resilience. The Airport Authority is unable to predict whether sea-level rise or other impacts of climate change will occur while the Subordinate Series 2021 Bonds are outstanding, and if any such events occur, whether there will be an adverse impact, material or otherwise, on Revenues.

Ability To Meet Rate Covenant

As discussed in "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS—Subordinate Rate Covenant," the Airport Authority has covenanted in the Master Subordinate Indenture to establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the rate covenant set forth in the Master Subordinate Indenture is met. In addition to Subordinate Net Revenues, the Airport Authority has in the past, and expects to in the future, to use PFCs to pay debt service on the PFC Eligible Bonds. Additionally, the Airport Authority also has used other non-Revenues (i.e., COVID-19 Federal Relief Funds) to pay the Operation and Maintenance Expenses of the Airport System and the debt service on the Senior Bonds and the Subordinate Obligations. If PFCs or other non-Revenues are used to pay principal of and/or interest on Senior Bonds and/or Subordinate Obligations or Operation and Maintenance Expenses of the Airport System, such amounts are excluded from the calculation of debt service on such Senior Bonds and Subordinate Obligations and the Operation and Maintenance Expenses of the Airport System; thus decreasing debt service and Operation and Maintenance Expenses of the Airport System and increasing debt service coverage for purposes of the rate covenants under the Master Senior Indenture and the Master Subordinate Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS—Use of PFCs to Pay Debt Service." Also see "—Availability of PFCs" above.

If Subordinate Net Revenues were to fall below the levels necessary to meet the rate covenant set forth in the Master Subordinate Indenture, the Master Subordinate Indenture provides for procedures under which the Airport Authority would retain and direct a Consultant to make recommendations as to the revision of the Airport Authority's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Airport Authority in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Airport Authority is required to take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to meet the rate covenant. Increasing the schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Airport Authority in connection with the Airport System is subject to contractual, statutory and regulatory restrictions (see "—Regulations and Restrictions Affecting SDIA" above). Implementation of an increase in the schedule of rentals, rates, fees and charges for the use of SDIA could have a detrimental impact on the operation of SDIA by making the cost of operating at SDIA unattractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of SDIA.

Enforceability of Remedies; Limitation on Remedies

As discussed above under "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS—Subordinate Events of Default and Remedies; No Acceleration," there is no right to acceleration of payments to bondholders under the Subordinate Indenture, and bondholders may be required to make a separate claim for each semiannual payment not paid. Enforceability of the rights and remedies of the owners of the Subordinate Series 2021 Bonds, and the obligations incurred by the Airport Authority, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against State entities similar to the Airport Authority. Bankruptcy proceedings, or the exercise of powers by the Federal or State government, if initiated, could subject the owners of the Subordinate Series 2021 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Legal opinions to be delivered concurrently with the delivery of the Subordinate Series 2021 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Subordinate Series 2021 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by equitable remedies and proceedings generally.

Potential Limitation of Tax Exemption of Interest on Subordinate Series 2021A/B Bonds

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Subordinate Series 2021A/B Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended, or court decisions may also cause interest on the Subordinate Series 2021A/B Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Internal Revenue Code of 1986, as amended, or court decisions may also affect the market price for, or marketability of, the Subordinate Series 2021A/B Bonds. Prospective purchasers of the Subordinate Series 2021A/B Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. See "TAX MATTERS—Changes in Federal and State Tax Law."

Risk of Tax Audit

The Internal Revenue Service (the "IRS") includes a subdivision that is specifically devoted to tax-exempt bond compliance. If the IRS undertook an examination of the Subordinate Series 2021A Bonds and/or the Subordinate Series 2021B Bonds or other bonds issued by the Airport Authority as tax-exempt bonds, it may have a material adverse effect on the marketability or the market value of the Subordinate

Series 2021 Bonds. See “LITIGATION AND EXAMINATIONS—Internal Revenue Service Examination of Senior Series 2013B Bonds” with respect to the current IRS audit of the Senior Series 2013B Bonds.

Income Taxation Risk Upon Defeasance of the Subordinate Series 2021C Bonds

In the event the Airport Authority were to defease all or a portion of the Subordinate Series 2021C Bonds, for federal income tax purposes, the Subordinate Series 2021C Bonds that are the subject of such a defeasance may be deemed to be retired and “reissued” as a result of the defeasance. In such an event, a bondholder who owns such a Subordinate Series 2021C Bond may recognize gain or loss on the Subordinate Series 2021C Bond at the time of defeasance. Holders who own Subordinate Series 2021C Bonds should consult their own tax advisors regarding the tax consequences of a defeasance of the Subordinate Series 2021C Bonds. See “TAX MATTERS—Subordinate Series 2021C Bonds (Federally Taxable)—Defeasance.”

Forward-Looking Statements

This Official Statement contains statements relating to future results that are “forward-looking statements”. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. See “INTRODUCTION—Forward-Looking Statements.”

Any financial projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to the prospective financial information. The Airport Authority’s independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information contained in this Official Statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The Airport Authority’s independent auditors have not been consulted in connection with the preparation of any financial projections contained in this Official Statement and the Airport Authority’s independent auditors assume no responsibility for its content.

AIRLINE INDUSTRY INFORMATION

Certain of the airlines or their parent corporations operating at SDIA are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and, as such are required to file periodic reports, including financial and operational data, with the SEC. All such reports and statements can be inspected and copies obtained at prescribed rates in the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, DC 20549. The SEC maintains a website at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the DOT. Such reports can be inspected at the following location: Bureau of Transportation Statistics, Research and Innovation Technology Administration, Department of Transportation, 1200 New Jersey Avenue, SE, Washington, DC 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depository Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments, or foreign corporations operating airlines, file limited information only with the DOT.

The Airport Authority undertakes no responsibility for and makes no representations as to the accuracy or completeness of the content of information available from the SEC or the DOT as discussed in the preceding paragraphs, including, but not limited to, updates of such information on the SEC's website or links to other Internet sites accessed through the SEC's website.

See also "CERTAIN INVESTMENT CONSIDERATIONS" for discussions regarding the financial condition of the airlines and the effects of airline bankruptcies on the Airport Authority.

LITIGATION AND EXAMINATIONS

No Litigation Relating to Subordinate Series 2021 Bonds

There is no litigation now pending or, to the best of the Airport Authority's knowledge, threatened which seeks to restrain or enjoin the sale, issuance or delivery of the Subordinate Series 2021 Bonds or in any way contests the validity of the Subordinate Series 2021 Bonds or any proceedings of the Board taken with respect to the authorization, sale or issuance of the Subordinate Series 2021 Bonds, the pledge or application of any moneys provided for the payment of or security for the Subordinate Series 2021 Bonds, or the use of the proceeds of the Subordinate Series 2021 Bonds.

Litigation Relating to the Airport Authority and SDIA

There are a number of litigation matters pending against the Airport Authority for incidents at SDIA. These claims and suits are of a nature usually incident to the operation of SDIA and, in the aggregate, in the opinion of Airport Authority management, based upon the advice of the General Counsel to the Airport Authority, will not have a material adverse effect on the Revenues or financial condition of SDIA. It should be noted that a portion of the claims relating to personal injuries and property damage are covered by a comprehensive insurance program maintained by the Airport Authority for SDIA.

There are no material claims or litigation arising out of or challenging any federal fund or grants held by the Airport Authority to date.

See also "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019—Note 14. Commitments and Contingencies."

Internal Revenue Service Examination of Senior Series 2013B Bonds

The Airport Authority received a letter, dated September 3, 2021, from the IRS, stating that the Senior Series 2013B Bonds have been selected for examination by the IRS and requesting that certain information relating to the issuance of the Senior Series 2013B Bonds be supplied to the IRS. The letter indicated that the IRS is reviewing the Senior Series 2013B Bonds for compliance with federal tax law requirements, and, during discussions with the IRS, the Airport Authority was informed that the Senior Series 2013B Bonds were randomly selected as part of the IRS' ongoing program of routinely examining municipal debt issues for compliance with federal tax law requirements. The Airport Authority has supplied the requested information with respect to the Senior Series 2013B Bonds to the IRS. The Airport Authority has no reason to believe that the IRS' review will result in any adverse finding with respect to the tax-exempt status of the Senor Series 2013B Bonds, however, the Airport Authority cannot predict the ultimate outcome of the examination.

The Airport Authority's decision to refund and defease the Senior Series 2013B Bonds as described under "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS—Refunding of the

Refunded Senior Series 2013 Bonds" is to realize debt service savings, and is not related, in any manner, to the IRS' examination of the Senior Series 2013B Bonds.

TAX MATTERS

Subordinate Series 2021A/B Bonds (Tax-Exempt)

General. In the opinion of Kutak Rock LLP, Bond Counsel to the Airport Authority, under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds (collectively, the "Subordinate Series 2021A/B Bonds") is excluded from gross income for federal income tax purposes, except for interest on any Subordinate Series 2021B Bond for any period during which such Subordinate Series 2021B Bond is held by a "substantial user" of the facilities financed or refinanced by the Subordinate Series 2021B Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is further of the opinion that (a) interest on the Subordinate Series 2021A Bonds is not a specific preference item for purposes of the federal alternative minimum tax, and (b) interest on the Subordinate Series 2021B Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinions described above assume the accuracy of certain representations and compliance by the Airport Authority with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Subordinate Series 2021A/B Bonds. Failure to comply with such requirements could cause interest on the Subordinate Series 2021A/B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Subordinate Series 2021A/B Bonds. The Airport Authority has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Subordinate Series 2021A/B Bonds.

The accrual or receipt of interest on the Subordinate Series 2021A/B Bonds may otherwise affect the federal income tax liability of the owners of the Subordinate Series 2021A/B Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Subordinate Series 2021A/B Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Subordinate Series 2021A/B Bonds.

Bond Counsel is further of the opinion that interest on the Subordinate Series 2021A/B Bonds is exempt from present State of California personal income taxes.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix E.

Tax Treatment of Original Issue Premium. The Subordinate Series 2021A/B Bonds that have an original yield below their respective interest rates, as shown on the inside cover pages of this Official Statement (collectively, the "Premium Subordinate Series 2021A/B Bonds"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Subordinate Series 2021A/B Bond over its stated redemption price at maturity constitutes premium on such Premium Subordinate Series 2021A/B Bond. A purchaser of a Premium Subordinate Series 2021A/B Bond must amortize any premium over such Premium Subordinate Series 2021A/B Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Subordinate Series 2021A/B Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Subordinate Series 2021A/B Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Subordinate Series 2021A/B Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Subordinate Series 2021A/B Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Subordinate Series 2021A/B Bond.

Tax Treatment of Original Issue Discount.

General. The Subordinate Series 2021A/B Bonds that have an original yield above the respective interest rate as shown on the inside cover pages of this Official Statement (collectively, the "Discount Subordinate Series 2021A/B Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Subordinate Series 2021A/B Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to such Discount Subordinate Series 2021A/B Bond or is otherwise required to be recognized in gross income is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Subordinate Series 2021A/B Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Subordinate Series 2021A/B Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Subordinate Series 2021A/B Bond, on days which are determined by reference to the maturity date of such Discount Subordinate Series 2021A/B Bond. The amount treated as original issue discount on such Discount Subordinate Series 2021A/B Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Subordinate Series 2021A/B Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Subordinate Series 2021A/B Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Subordinate Series 2021A/B Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Subordinate Series 2021A/B Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Subordinate Series 2021A/B Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Subordinate Series 2021A/B Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income and with respect to the state and local tax consequences of owning a Discount Subordinate Series 2021A/B Bond. Subsequent purchasers of Discount Subordinate Series 2021A/B Bonds that purchase such bonds for a price that is higher or lower than the "adjusted issue price" of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Recognition of Income Generally. Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Discount Subordinate Series 2021A/B Bonds under the Code.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Subordinate Series 2021A/B Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Subordinate Series 2021A/B Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Subordinate Series 2021C Bonds (Federally Taxable)

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of Subordinate Series 2021C Bonds under the Code and the United States Treasury Regulations (the "Treasury Regulations"), and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws.

Potential purchasers of the Subordinate Series 2021C Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Subordinate Series 2021C Bonds.

General Matters. Interest on the Subordinate Series 2021C Bonds is included in gross income for federal income tax purposes. Bond Counsel has expressed no opinion regarding any federal tax consequences arising with respect to the purchase, holding, accrual or receipt of interest on or disposition of the Subordinate Series 2021C Bonds.

In general, interest paid on the Subordinate Series 2021C Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Subordinate Series 2021C Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Bond Premium. An investor that acquires a Subordinate Series 2021C Bond for a cost greater than its remaining stated redemption price at maturity and holds such bond as a capital asset will be considered to have purchased such bond at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments.

The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the bond's term using constant yield principles, based on the purchaser's yield to maturity. Investors of any Subordinate Series 2021C Bonds purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Original Issue Discount. If the Subordinate Series 2021C Bonds are issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. As a general rule, the owner of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days the owner owned the instrument. Owners of Subordinate Series 2021C Bonds purchased at a discount should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income (notwithstanding the general rule described above in this paragraph) and with respect to the state and local tax consequences of owning such Subordinate Series 2021C Bonds.

Recognition of Income Generally. Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Subordinate Series 2021C Bonds under the Code.

Market Discount. An investor that acquires a Subordinate Series 2021C Bond for a price less than the adjusted issue price of such bond may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Treasury Regulations, "market discount" means (a) in the case of a Subordinate Series 2021C Bond originally issued at a discount, the amount by which the issue price of such bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a Subordinate Series 2021C Bonds not originally issued at a discount, the amount by which the stated redemption price of such bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Subordinate Series 2021C Bonds will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the United States Treasury Department (the "Treasury Department") to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Subordinate Series 2021C Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Subordinate Series 2021C Bond that acquired such bond at a market discount also may be required to defer, until the maturity date of such bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Subordinate Series 2021C Bonds for the days during the taxable year on which the owner held such bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Subordinate Series 2021C Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Treasury Regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Sales or Other Dispositions. If an owner of a Subordinate Series 2021C Bond sells the bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Subordinate Series 2021C Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Subordinate Series 2021C Bond should consult its own tax advisor concerning the circumstances in which such bond would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance. The legal defeasance of the Subordinate Series 2021C Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Subordinate Series 2021C Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Unearned Income Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals earning certain investment income. Holders of the Subordinate Series 2021C Bonds should consult their tax advisors regarding the application of this tax to interest earned on the Subordinate Series 2021C Bonds and to the gain on the sale of a Subordinate Series 2021C Bond.

Backup Withholding. An owner of a Subordinate Series 2021C Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Subordinate Series 2021C Bonds, if such owner, upon issuance of the Subordinate Series 2021C Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors. An owner of a Subordinate Series 2021C Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Subordinate Series 2021C Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Subordinate Series 2021C Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30% United States withholding tax will apply to interest paid and original issue discount accruing on Subordinate Series 2021C Bonds owned by foreign investors. In those instances in which payments of interest on the Subordinate Series 2021C Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Subordinate Series 2021C Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Subordinate Series 2021C Bond.

Tax-Exempt Investors. In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Subordinate Series 2021C Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Subordinate Series 2021C Bond is urged to consult its own tax advisor regarding the application of these provisions.

Exemption Under California State Law. Bond Counsel is of the opinion that interest on the Subordinate Series 2021C Bonds is exempt from present State of California personal income taxes.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Subordinate Series 2021 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Subordinate Series 2021 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Subordinate Series 2021 Bonds or the market value thereof would be impacted thereby.

Purchasers of the Subordinate Series 2021 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Subordinate Series 2021 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Subordinate Series 2021C Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Subordinate Series 2021C Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Airport Authority or any dealer of the Subordinate Series 2021C Bonds might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Subordinate Series 2021C Bonds are acquired by such plans or arrangements with respect to which the Airport Authority or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Subordinate Series 2021C Bonds. The sale of the Subordinate Series 2021C Bonds to a plan is in no respect a representation by the Airport Authority or the underwriter or underwriters that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Subordinate Series 2021C Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

RATINGS

Fitch Ratings and Moody's Investors Service, Inc. have assigned ratings of "A+" (stable outlook) and "A2" (stable outlook), respectively, to the Subordinate Series 2021 Bonds. Such ratings reflect only the views of such organizations and any explanation of the meaning and significance of such ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, NY 10004; and Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The respective ratings are not a recommendation to buy, sell or hold the Subordinate Series 2021 Bonds. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Subordinate Series 2021 Bonds.

LEGAL MATTERS

The validity of the Subordinate Series 2021 Bonds and certain other legal matters are subject to the approving opinions of Kutak Rock LLP, Bond Counsel to the Airport Authority. A complete copy of the proposed form of Bond Counsel's opinion is contained in Appendix E attached hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain matters will be passed upon for the Airport Authority by the General Counsel to the Airport Authority. Certain legal matters with respect to this Official Statement will be passed upon by Kutak Rock LLP, Disclosure Counsel to the Airport Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP. All of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel with respect to the issuance of the Subordinate Series 2021 Bonds are contingent upon the issuance and delivery of the Subordinate Series 2021 Bonds. Bond Counsel, Disclosure Counsel and Underwriters' Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

UNDERWRITING

The Subordinate Series 2021A Bonds will be purchased by BofA Securities, Inc., Siebert Williams Shank & Co., LLC, Academy Securities, Inc., Jefferies LLC, Morgan Stanley & Co. LLC, Samuel A. Ramirez & Co., Inc. and Stern Brothers & Co. (collectively, the "Underwriters"), from the Airport Authority at a price of $604,413,339.34 (which consists of the par amount of the Subordinate Series 2021A Bonds, plus an original issue premium of $110,345,187.40, less an underwriters' discount of $1,246,848.06), subject to the terms of the purchase contract (the "Purchase Contract"), between BofA Securities, Inc., as representative of the Underwriters, and the Airport Authority.

The Subordinate Series 2021B Bonds will be purchased by the Underwriters, from the Airport Authority at a price of $1,308,624,511.38 (which consists of the par amount of the Subordinate Series 2021B Bonds, plus an original issue premium of $222,035,643.25, less an underwriters' discount of $2,671,131.87), subject to the terms of the Purchase Contract.

The Subordinate Series 2021C Bonds will be purchased by the Underwriters, from the Airport Authority at a price of $356,471,877.47 (which consists of the par amount of the Subordinate Series 2021C Bonds less an underwriters' discount of $698,122.53), subject to the terms of the Purchase Contract.

The Purchase Contract provides that the Underwriters will purchase all of the Subordinate Series 2021 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Subordinate Series 2021 Bonds set forth on the inside of the front cover hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Subordinate Series 2021 Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the cover hereof.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Airport Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Airport Authority.

The following four paragraphs have been provided by BofA Securities, Inc., Academy Securities, Inc., Jefferies LLC and Morgan Stanley & Co. LLC, respectively for inclusion in this Official Statement and the Airport Authority does not make any representation as to their accuracy or completeness.

BofA Securities, Inc., one of the Underwriters of the Subordinate Series 2021 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill"). As part of this arrangement, BofA Securities, Inc. may distribute securities to Merrill, which may in turn distribute such securities to investors through the financial advisor network of Merrill. As part of this arrangement, BofA Securities, Inc. may compensate Merrill as a dealer for their selling efforts with respect to the Subordinate Series 2021 Bonds.

Academy Securities, Inc., one of the Underwriters of the Subordinate Series 2021 Bonds, has entered into Third-Party Distribution Agreements with TD Ameritrade Inc., BNY Mellon Capital Markets LLC, Commonwealth Financial Network, R. Seelaus & Co., Intercoastal Capital Markets, Inc., Janney Montgomery Scott LLC, The GMS Group LLC, InspereX LLC, Mountainside Securities LLC, World Equity Group, Inc., and CINCaP Investment Group, Inc. for the retail distribution of certain municipal securities at the original issue prices. Pursuant to these Third-Party Distribution Agreements (if applicable to the Subordinate Series 2021 Bonds), Academy Securities, Inc. may share a portion of its underwriting compensation with these firms.

Jefferies LLC ("Jefferies"), one of the Underwriters of the Subordinate Series 2021 Bonds, has entered into a distribution agreement with InspereX LLC ("InspereX") for the retail distribution of municipal securities. Pursuant to the agreement, if Jefferies sells the Subordinate Series 2021 Bonds to InspereX, it will share a portion of its selling concession compensation with InspereX.

Morgan Stanley & Co. LLC, one of the Underwriters of the Subordinate Series 2021 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Subordinate Series 2021 Bonds.

MUNICIPAL ADVISOR

The Airport Authority has retained the services of Frasca & Associates, LLC, New York, New York, as Municipal Advisor in connection with the issuance of the Subordinate Series 2021 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Robert Thomas CPA, LLC, the verification agent, will verify the mathematical accuracy of the computations contained in the schedules provided by BofA Securities, Inc.to determine that the amounts to be held in the Senior Series 2013A/B Escrow Funds will be sufficient to pay (a) on January 1, 2022 the interest due and payable on the Refunded Senior Series 2013 Bonds, (b) on July 1, 2022 the principal of the Refunded Senior Series 2013 Bonds maturing on July 1, 2022 and the interest due and payable on the Refunded Senior Series 2013 Bonds, (c) on January 1, 2023 the interest due and payable on the Refunded Senior Series 2013 Bonds, and (d) on July 1, 2023 the principal of the Refunded Senior Series 2013 Bonds maturing on July 1, 2023, the redemption price of the Refunded Senior Series 2013 Bonds maturing on and after July 1, 2024 and the interest due and payable on the Refunded Senior Series 2013 Bonds.

CONTINUING DISCLOSURE

At the time of issuance of the Subordinate Series 2021 Bonds, the Airport Authority will execute and deliver a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), substantially in the form set forth in Appendix F of this Official Statement. Pursuant to the Continuing Disclosure Certificate, the Airport Authority will covenant to provide, or cause to be provided, to the MSRB, through the EMMA System, in an electronic format as prescribed by the MSRB, for purposes of Rule 15c2-12 adopted by the SEC ("Rule 15c2-12"), certain annual financial information and operating data relating to the Airport Authority and the Airport System and, in a timely manner, notice of certain enumerated events. See "APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The Airport Authority entered into a continuing disclosure certificate with respect to the Series 2014 Special Facilities Bonds. With respect to such continuing disclosure certificate, the Airport Authority failed to file on a timely basis, on the EMMA website, notice of a change in the rating of the Series 2014 Special Facilities Bonds. S&P Global Ratings upgraded the rating on the Series 2014 Special Facilities Bonds from "A-" to "A" on October 31, 2018, and the Airport Authority filed the notice of the rating change on the EMMA website on December 3, 2018.

FINANCIAL STATEMENTS

The audited financial statements of the Airport Authority for Fiscal Years 2020 and 2019 are included as Appendix B attached hereto. The financial statements referred to in the preceding sentence have been audited by BKD, LLP, the Airport Authority's independent auditor, as stated in its Independent Auditor's Report, dated October 20, 2020, included in Appendix B. BKD, LLP has not been engaged to perform, and has not performed, since the date of its Independent Auditor's Report, any procedures on the financial statements addressed in its report. BKD, LLP also has not performed any procedures relating to this Official Statement.

As of the date of this Official Statement, the Airport Authority expects its audited financial statements for the Fiscal Year ended June 30, 2021 will be accepted by the Board on December 2, 2021. Upon acceptance by the Board, the Airport Authority will post the Fiscal Year 2021 audited financial statements on the MSRB's EMMA website.

RELATED PARTIES

BofA Securities, Inc., one of the Underwriters of the Subordinate Series 2021 Bonds, and Bank of America, N.A., which is the provider of the revolving line of credit under the Subordinate Credit Agreement and the holder of the Subordinate Revolving Obligations, are both wholly-owned, indirect subsidiaries of Bank of America Corporation.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not representations of fact. No representation is made that any of such opinions or estimates will be realized.

All references to the Act, the Senior Indenture, the Subordinate Indenture, the Airline Lease Agreements and agreements with any other parties herein and in the Appendices hereto are made subject to the detailed provisions of such documents, and reference is made to such documents and agreements for full and complete statements of the contents thereof. Copies of such documents are available for review at the offices of the Airport Authority which are located at 3rd Floor, 3225 North Harbor Drive, San Diego, California 92101. This Official Statement is not to be construed as a contract or agreement between the Airport Authority and the owners of any of the Subordinate Series 2021 Bonds.

AUTHORIZATION

The Board has authorized the distribution of this Official Statement. This Official Statement has been duly executed and delivered by the President and CEO on behalf of the Airport Authority.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By /s/ Kimberly J. Becker
President/CEO

APPENDIX A

FINANCIAL FEASIBILITY REPORT

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November 5, 2021

Ms. Kimberly Becker
President and CEO
San Diego County Regional Airport Authority
3225 North Harbor Drive
San Diego, CA 92101

Subject: ***Financial Feasibility Report - San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2021A and Series 2021B, and Airport Revenue Refunding Bonds, Series 2021C***

Dear Ms. Becker:

Unison Consulting, Inc. (Unison) is pleased to submit the attached Financial Feasibility Report (the Report) regarding the proposed issuance by the San Diego County Regional Airport Authority (the Airport Authority) of its Subordinate Airport Revenue Bonds, Series 2021A (Governmental/Non-AMT) (the "Subordinate Series 2021A Bonds"), San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2021B (Private Activity/AMT) (the "Subordinate Series 2021B Bonds", and together with the Subordinate Series 2021A Bonds, the "Subordinate Series 2021AB Bonds"), and San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable) (the "Subordinate Series 2021C Bonds," and collectively with the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds, the "Subordinate Series 2021 Bonds").

The proceeds of the Subordinate Series 2021 Bonds will be used to (1) pay for certain capital improvements at the San Diego International Airport (SAN or the Airport) included in the Capital Program (defined herein) of the San Diego County Regional Airport Authority (the Airport Authority); (2) refund and defease all or a portion the Airport Authority's Senior Airport Revenue Bonds, Series 2013A (the "Senior Series 2013A Bonds"), and Senior Airport Revenue Bonds, Series 2013B (the "Senior Series 2013B Bonds," and together with the Senior Series 2013A Bonds, the "Senior Series 2013 Bonds"); (3) fund a portion of capitalized interest accruing on the Subordinate Series 2021AB Bonds; (4) make a deposit to the Subordinate Debt Service Reserve Fund; and (5) pay certain costs of issuance of the Subordinate Series 2021 Bonds.

The Subordinate Series 2021 Bonds are being issued pursuant to the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended (the "Master Subordinate

Indenture"), by and between the Airport Authority and U.S. Bank National Association, as successor trustee (the "Subordinate Trustee"), and the Ninth Supplemental Subordinate Trust Indenture, to be dated as of December 1, 2021 (the "Ninth Supplemental Subordinate Indenture"), by and between the Airport Authority and the Subordinate Trustee. The Subordinate Series 2021 Bonds are special obligations of the Airport Authority, secured by and payable from the Airport Authority's Subordinate Net Revenues and certain funds and accounts held by the Subordinate Trustee.

Until January 2003, San Diego International Airport (SAN, or the Airport) was owned and operated by the San Diego Unified Port District. In January 2003, the Airport was transferred by long-term lease to the Airport Authority, which now operates the Airport. SAN is the main commercial service airport serving the City of San Diego and the San Diego metropolitan area.

During the Airport Authority's Fiscal Year ended June 30, 2019 (FY2019), [1] SAN served approximately 12.4 million enplaned passengers. Air traffic at airports across the U.S., including SAN, were significantly affected after the U.S. government declared COVID-19 a national emergency on March 13, 2020. The number of enplaned passengers at SAN decreased to approximately 9.2 million in FY2020, as a result of the significant decrease in air traffic during the last four months of the Fiscal Year (March, April, May, and June 2020). SAN's enplanements decreased to approximately 4.9 million in FY 2021, which was the first full Fiscal Year after the U.S. declaration of a national emergency. However, monthly enplanement totals improved significantly during the last three months of FY 2021 (April, May, and June 2021), indicating that air traffic is recovering. Enplanements increased from approximately 306,000 in July 2020 (the first month of FY2021) to approximately 804,000 in June 2021 (the last month of FY2021). More details regarding the COVID-19 pandemic and its effect on air traffic activity at SAN are provided in the attached Report.

Purpose of the Bond Financing

The Airport Authority maintains a capital program (the Capital Program), which is a rolling five-year program that provides for critical improvements and asset preservation for the Airport Authority. The Capital Program includes the following two main components: (1) The Capital Improvement Program (CIP) that addresses airfield safety and capacity, environmental protection, terminal enhancements, landside infrastructure, and access improvements; and (2) The New Terminal 1 (New T1) Program that will replace Terminal 1 with a larger, more efficient facility that enhances the airport experience and will also include airfield enhancements, major improvements to roadways serving the airport, a new administration building for the Airport Authority, and a designated transit station area on airport property. The Capital Program includes all approved open projects anticipated to be completed in FY2021 through FY2026 for the CIP and FY2021 through FY2029 for New T1, at an estimated total cost of approximately $4.024 billion.

[1] The Airport Authority's Fiscal Year (FY) begins on July 1 and ends on June 30 of the following year.

The Subordinate Series 2021 Bonds are estimated to fund approximately $1.0 billion in project funding for the New T1. Other sources of funding for the Capital Program are anticipated to include: additional Senior and/or Subordinate Bonds to be issued in the future; FAA Airport Improvement Program (AIP) grants; Passenger Facility Charges (PFCs); the Major Maintenance Fund; proceeds of previously issued bonds; Airport Authority funds; and other funds, which include airline direct funding from the fuel consortium, funding provided by Airport tenants; and local grant funding for electric supply equipment.

Rate Covenants

Under the Master Senior Indenture, the Airport Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to the following amounts: (i) the aggregate annual debt service on any outstanding Senior Bonds; (ii) the required deposits to any Senior Debt Service Reserve Fund; (iii) the reimbursement owed to any credit provider or liquidity provider as required by a Supplemental Senior Indenture; (iv) the interest on and principal of any indebtedness other than Outstanding Senior Bonds, including Subordinate Obligations; and (v) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Senior Bonds, including Subordinate Obligations.

The Airport Authority has also covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to 125 percent of aggregate annual debt service on the Outstanding Senior Bonds. This provision is known as the "Senior Rate Covenant."

Under the Master Subordinate Indenture, the Airport Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues at least equal to the following amounts: (i) the interest on and principal of the Outstanding Subordinate Obligations required to be funded by the Airport Authority in such Fiscal Year; (ii) the required deposits to any Subordinate Debt Service Reserve Fund; (iii) the reimbursement owed to any credit provider or liquidity provider as required by a Supplemental Subordinate Indenture; (iv) the interest on and principal of any indebtedness other than Special Facility Obligations, senior lien revenue bonds and Outstanding Subordinate Obligations, including obligations issued with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations; (v) payments of any reserve requirement for debt service for any indebtedness other than senior bonds and Outstanding Subordinate Obligations, including obligations issued with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations.

The Airport Authority has also covenanted to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues of at least equal to 110 percent of Aggregate Annual Debt Service on the Outstanding Subordinate Obligations. This provision is known as the "Subordinate Rate Covenant."

Airline Operating and Lease Agreement

The Airport Authority has entered into separate, but substantially similar, Airline Operating and Lease Agreements, as amended (the AOLA) with 14 passenger airlines operating at SAN (the Signatory Passenger Airlines) and three all-cargo carriers (the Signatory Cargo Carriers, and together with the Signatory Passenger Airlines, the "Signatory Airlines"). The Signatory Passenger Airlines are currently Air Canada, Alaska, American, British Airways, Delta, Frontier, Hawaiian, Japan Airlines, JetBlue, Southwest, Spirit, Sun Country, United and WestJet; and the Signatory Cargo Carriers are currently Atlas, FedEx, and UPS. Collectively, the Signatory Airlines represent about 99 percent of annual enplanements and landed weight at the Airport. The term of the AOLA began on July 1, 2019 and will terminate at the close of business on June 30, 2029.

In an effort to better match capacity with demand in some markets, certain of the Signatory Airlines have entered into agreements with affiliated passenger airlines (the Affiliate Airlines) to operate smaller aircraft on behalf of those Signatory Airlines. The Affiliate Airlines have each executed an agreement with the Airport Authority and the applicable Signatory Airline (the Affiliate Airline Operating Agreement). The Affiliate Airline Operating Agreements allow the Affiliate Airlines to operate at SAN on behalf of the applicable Signatory Airlines without the Affiliate Airlines having to execute an AOLA. The same rates, fees, and charges applicable to the Signatory Airlines' operations at SAN generally apply to the Affiliate Airlines' operations at SAN. In the event an Affiliate Airline fails to pay fees to the Airport Authority, the applicable Signatory Airline is responsible for the fees and charges billed to its Affiliate Airline. The Affiliate Airlines currently operating at SAN are Air Canada Rouge and Jazz (affiliated with Air Canada), Horizon (affiliated with Alaska), SkyWest (affiliated with Alaska, American, Delta, and United), and WestAir (affiliated with FedEx).

The following two passenger airlines currently operate at SAN pursuant to the Non-Signatory Airline Operating Agreement (the Non-Signatory Airlines): Allegiant and Swoop. In addition, Ameriflight is an all-air cargo airlines that operates pursuant to the Non-Signatory Airline Operating Agreement.

The calculation methodologies for the airline rates and charges, as specified in the AOLA, include a cost center residual methodology for the landing fee and a cost center compensatory methodology for the terminal rental rate.

Report Organization

Unison has prepared the attached Report to evaluate the ability of the Airport Authority to meet the financial requirements established by the Master Senior Indenture and Master Subordinate Indenture. The following summary of the components of the attached Report provides an overview of the comprehensive analysis performed:

- **Section 1** describes the Airport Authority and the Airport, and it describes the Airport Authority's Capital Program and associated funding plan.

- **Section 2** defines the Airport's air service area and discusses the local economic base.

- **Section 3** analyzes the historical aviation activity at the Airport and presents forecasts of future aviation activity.

- **Section 4** describes the AOLA, including the methodologies for calculating airline rates and charges at the Airport.

- **Section 5** reviews the framework for the financial operation of the Airport Authority, including key provisions of the Master Senior Indenture and the Master Subordinate Indenture. This section also reviews the recent historical financial performance of the Airport Authority, and it examines the ability of the Airport Authority to meet the obligations of the Master Senior Indenture and the Master Subordinate Indenture.

Assumptions

The analysis and forecasts contained in the attached Report are based upon certain data, estimates, and assumptions that were provided by the Airport Authority, and certain data and projections from other independent sources as referenced herein. The attached Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions. In our opinion, the data, estimates, and assumptions used in the report are reliable, and provide a reasonable basis for our forecast given the information available and circumstances as of the date of this Report. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved may vary from the forecasts, and the variations could be material.

The major assumptions utilized in the attached Report are listed below:

1. The Airport Authority will complete the projects listed in the Capital Program, including the projects to be funded with the proceeds of the Subordinate Series 2021AB Bonds, within the budgeted costs and according to the estimated schedule.
2. The Subordinate Series 2021C Refunding Bonds will refund all of the Senior Series 2013 Bonds for economic savings.
3. Consistent with the Airport Authority's Capital Program funding plan, the debt service projections contained in the Report assume one future subordinate bond issue in January 2023 and two future senior bond issues, one in January 2024 and another in January 2025.
4. Also consistent with the Airport Authority's financial planning, the financial projections contained in the Report assume that the Airport Authority will (a) apply PFCs toward debt service in FY2022, FY2026, and FY2027; and (b) apply Federal relief funds towards O&M Expenses and debt service requirements in FY2020 through FY2022.

5. The Federal relief funds awarded to the Airport Authority under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan Act (ARPA) will be applied to O&M Expenses, debt service, and concessions as disclosed in the Report.
6. The forecasts of aviation activity presented in the Report were developed using a modeling approach that links long-term air traffic activity to projected trends in key demand drivers. A multivariate regression model was developed that relates enplanements to long-term demand drivers such as regional economic trends, national economic trends, and trends in the price of air travel at the Airport. The model is consistent with sound economic theory, is well-supported by empirical trends, and passes statistical evaluation. Three forecast scenarios were developed: the base, low, and high scenarios.

Findings and Conclusions

Based upon the assumptions and analysis presented in the attached Report, we forecast that the Airport Authority will be able to comply with the rate covenant provisions of the Master Senior Indenture, the Master Subordinate Indenture, while maintaining a reasonable airline cost per enplaned passenger. The financial projections presented in Section 5 of the Report were developed using the base air traffic forecast scenario. Section 5 also presents a comparison of key financial projections under the low air traffic scenario. Specifically, we conclude the following:

- Debt service coverage calculated according to the Senior Rate Covenant is projected to equal at least 5.84 times debt service during the forecast period.
- Debt service coverage calculated according to the Subordinate Rate Covenant is projected to equal at least 1.65 times debt service during the forecast period.
- The airline cost per enplaned passenger is projected to remain reasonable during the forecast period. SAN's airline cost per enplanement is projected to remain under $27.00 during the forecast period. Based on recent industry trends, as described in the Report, SAN's projected CPE reflecting the completion of the New T1 appears to be reasonable.
- PFC revenues are projected to increase from $35.7 million in FY 2022 to $50.1 million in FY 2027. The PFC fund balance is projected to increase from $56.1 million in FY 2022 to $157.3 million in FY 2027.
- Under the low enplanement forecast scenario, the senior debt service coverage and the subordinate debt service coverage are projected to remain well above the minimum requirements throughout the forecast period. The projected airline cost per enplanement under the low enplanement forecast scenario is projected to remain at or below $30.00 during the forecast period, and the PFC fund balance is projected to increase from $54.0 million in FY 2022 to $145.8 million in FY 2024.

Based on the above, we conclude that it is financially feasible for the Airport Authority to proceed with the issuance of the Subordinate Series 2021 Bonds.

Sincerely,

UNISON CONSULTING, INC.

Unison Consulting, Inc.

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SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

FINANCIAL FEASIBILITY REPORT

NOVEMBER 5, 2021

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SECTION 1 | INTRODUCTION AND CAPITAL PROGRAM

This Financial Feasibility Report (the Report) evaluates the financial feasibility of the issuance of the San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2021A (Governmental/Non-AMT) (the “Subordinate Series 2021A Bonds”), San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2021B (Private Activity/AMT) (the “Subordinate Series 2021B Bonds”, and together with the Subordinate Series 2021A Bonds, the “Subordinate Series 2021AB Bonds”), and San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable) (the “Subordinate Series 2021C Bonds,” and collectively with the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds, the “Subordinate Series 2021 Bonds”). The proceeds of the Subordinate Series 2021 Bonds will be used to (1) pay for certain capital improvements at the San Diego International Airport (SAN or the Airport) included in the Capital Program (as defined herein) of the San Diego County Regional Airport Authority (the Airport Authority); (2) refund and defease all or a portion of the Airport Authority’s Senior Airport Revenue Bonds, Series 2013A (the “Senior Series 2013A Bonds”), and Senior Airport Revenue Bonds, Series 2013B (the “Senior Series 2013B Bonds,” and together with the Senior Series 2013A Bonds, the “Senior Series 2013 Bonds”); (3) fund a portion of capitalized interest accruing on the Subordinate Series 2021AB Bonds; (4) make a deposit to the Subordinate Debt Service Reserve Fund; and (5) pay certain costs of issuance of the Subordinate Series 2021 Bonds.

The Report is organized into the following sections:

- Section 1 describes the Airport Authority, the Airport, the Capital Program, and the funding plan for the Capital Program.
- Section 2 defines the Airport’s air service area and discusses relevant demographic and economic trends.
- Section 3 analyzes the historical aviation activity at the Airport and presents forecasts.
- Section 4 reviews the Airline Operating and Lease Agreement (AOLA), which became effective on July 1, 2019, and the airline rates and charges methodology contained therein.
- Section 5 reviews the framework for the financial operations of the Airport Authority. This section also reviews the recent historical financial performance of the Airport Authority. It examines the ability of the Airport Authority to generate sufficient Net Revenues and Subordinate Net Revenues (as defined herein) in each year of the forecast period to meet the obligations of the Master Senior Indenture and the Master Subordinate Indenture.

1.1 | The San Diego County Regional Airport Authority

The San Diego County Regional Airport Authority Act, codified in California Public Utilities Code Section 170000 et seq. (the Act), established the Airport Authority, which is a local governmental entity of the regional government, with jurisdiction throughout the County of San Diego (the County). The Airport Authority was created as an independent agency to manage the day-to-day operations of the Airport and to address the region's long-term air transportation needs. Effective January 1, 2003, the operations and assets of the Airport were transferred from the San Diego Unified Port District (the Port District) to the Airport Authority. The legislation that created the Airport Authority mandates the following three main responsibilities for the Airport Authority: (1) operate the Airport; (2) plan for the future air transportation needs of the region; and (3) serve as the region's Airport Land Use Commission, and thereby ensure the adoption of land use plans that protect public health and safety surrounding all 16 of the County's airports.

The Airport Authority is governed by a nine-member board of directors (the Board) representing all areas of the County, and three additional members serving as non-voting, ex-officio board members. Board members serve three-year terms and may be reappointed. The Act specifies the appointment of the members of the Board as follows: the Mayor of the City of San Diego appoints three members (two of which are subject to confirmation by the City Council); the Chair of the County of San Diego Board of Supervisors appoints two members (subject to confirmation by the Board of Supervisors); the mayors of the east county cities (El Cajon, Lemon Grove, La Mesa and Santee) appoint one member; the mayors of the north county coastal cities (Carlsbad, Del Mar, Encinitas, Oceanside, and Solana Beach) appoint one member; the mayors of the north county inland cities (Poway, Escondido, Vista and San Marcos) appoint one member; and the mayors of the south county cities (Coronado, Imperial Beach, Chula Vista and National City) appoint one member. The individuals who are appointed by the Governor of the State of California to occupy the offices of the District Director of the State Department of Transportation for the San Diego region and the State Department of Finance representative for the State Lands Commission are ex-officio non-voting members of the Board. One additional non-voting ex-officio member of the Board is chosen by the United States Navy and the United States Marine Corps.

The Airport Authority holds public meetings of the full Board once a month and periodic meetings of several standing committees. The standing committees, which were formed to better address key policy areas and develop items for consideration by the full Board, include the following: Executive Committee; Executive Personnel and Compensation Committee; Finance Committee; Audit Committee; and Capital Improvement Program Oversight Committee.

Kimberly Becker was appointed Airport Authority President and CEO/Executive Director (President/CEO) effective May 1, 2017. Ms. Becker has overall responsibility for the management, administration, and planning of the Airport Authority. Ms. Becker has an experienced staff to aid her in carrying out the responsibilities of the position, including the vice presidents who head the various Airport Authority divisions. The President/CEO, Chief Auditor, and General Counsel are appointed by the Board.

1.2 | San Diego International Airport

The Airport serves the San Diego-Carlsbad, California, Metropolitan Statistical Area (San Diego MSA), which consists of San Diego County. Covering 661 acres, the Airport is located three miles northwest of downtown San Diego, adjacent to U.S. Interstate 5 and the San Diego Bay.

The Federal Aviation Administration (FAA) classifies SAN as a large-hub airport, a category that includes airports with 1 percent or more of U.S. annual domestic enplanements. During the Airport

Authority's Fiscal Year ended June 30, 2019 (FY2019), SAN served approximately 12.4 million enplaned passengers. Air traffic at airports across the U.S., including SAN, was significantly affected after the U.S. government declared the Coronavirus Disease 2019 (COVID-19) a national emergency on March 13, 2020. The number of enplaned passengers at SAN decreased to approximately 9.2 million in FY2020, as a result of the significant decrease in air traffic during the last four months of the Fiscal Year (March, April, May, and June 2020). SAN's enplanements decreased to approximately 4.9 million in FY2021, which was the first full Fiscal Year after the U.S. declaration of a national emergency. However, monthly enplanement totals improved significantly during the last three months of FY2021 (April, May, and June 2021), indicating that air traffic is recovering. Enplanements increased from approximately 306,000 in July 2020 (the first month of FY2021) to 804,000 in June 2021 (the last month of FY2021). More details regarding the COVID-19 pandemic and its effect on air traffic activity at SAN are provided in Sections 2 and 3 of this Report.

The operations and improvements at SAN are funded by airport user charges, concession fees, rents, Passenger Facility Charges (PFCs), bond funds, rental car Customer Facility Charges (CFCs), and funds received from the FAA and the Transportation Security Administration (TSA). No general tax fund revenues are used to operate or maintain the Airport.

1.2.1 | Airfield

SAN is the busiest single-runway commercial airport in the nation, based on passenger levels. The Airport was originally dedicated as the "San Diego Municipal Airport – Lindbergh Field" on August 16, 1928. It became the first federally certified airfield to serve all aircraft types, including seaplanes, in 1934. The Airport's infrastructure was improved after the U.S. Army Air Corps took over the Airport in 1942 to support the military's war efforts during World War II. Improvements included the construction of an 8,750-foot runway, which has since been expanded to 9,401 feet. In addition to the runway, the airfield includes one taxiway on the south side of the runway (Taxiway B) and a series of taxiways on the north side of the runway, including Taxiway C. The airfield also includes ancillary taxiways that provide runway and terminal access, and aprons that provide aircraft parking.

Conditions at SAN make the expansion of the existing runway or the addition of a second runway difficult. Obstacles to runway expansion include significant geographic obstructions, including high terrain to the northeast and southwest of the Airport, as well as manmade obstructions, such as office buildings, to the northeast, east, and southeast of the Airport. Other obstacles to runway expansion include major land acquisition requirements, extensive infrastructure impacts, local resident opposition, and increased noise impacts. However, airfield capacity is not expected to be a limiting factor within the forecast period of this Report, as discussed in Section 3. According to the Airport's master planning effort[1], runway congestion is anticipated to occur when annual aircraft operations reach between 262,000 and 292,000. Annual aircraft operations are estimated to total approximately 156,000 in FY2022, and they are projected to reach approximately 201,000 in FY2027 under the base air traffic forecast presented in Section 3, which is well below the level

[1] See subsection 1.3.1 | The Airport Development Plan below for further discussion.

indicated for runway congestion. In addition to the restrictions to the physical capacity of the Airport's airfield, there are direct restrictions on operations relating to a curfew imposed on the Airport. See Section 3 for a further discussion of these constraints.

1.2.2 | Passenger Terminals

The Airport has two passenger terminals (Terminal 1 and Terminal 2), which together contain a total of 51 gates. Terminal 1, which opened in March 1967, contains 19 gates. Terminal 2, which contains 32 gates, consists of Terminal 2 East, with 13 jet gates, and Terminal 2 West, with 19 jet gates. Terminal 2 East opened in July 1979. Terminal 2 West, which originally opened in 1998, was modernized/re-developed in August 2013. The baggage claim for all of Terminal 2 (East and West) is located in Terminal 2 West.

There are a number of dining and shopping options in the passenger terminals. Passengers can download an app to their smart phones called "AtYourGate," which enables them to order food from participating concession locations in either passenger terminal and have it delivered to their gate.

The Airport Authority's capital program (the Capital Program) includes the construction of a new terminal (the new Terminal 1 building) to replace the existing Terminal 1. The planned new Terminal building will contain up to 30 gates (11 more gates than the existing Terminal 1) and will be able to accommodate both narrow-body and wide-body aircraft.

1.2.3 | Landside Facilities

The Airport Authority operates approximately 5,200 public parking spaces at the Airport, including approximately 2,980 parking spaces located directly in front of Terminal 2 (consisting of two surface lots and the Terminal 2 Parking Plaza that opened in 2018); Terminal 1 surface lot of approximately 1,100 parking spaces; approximately 1,080 parking spaces located in a surface parking lot in front of Terminal 2 West; and approximately 80 spaces in a free cell phone lot located east of the Airport Authority's administration offices. Prior to the start of the COVID-19 pandemic, the Airport Authority also operated public parking lots on Pacific Highway and Harbor Drive, consisting of 3,300 spaces. These lots were closed and will not reopen to the public. The Pacific Highway lot will be used for employee parking and the Harbor Drive parking lot will be used as part of the New T1 airside development. Prior to the start of the COVID-19 pandemic, valet parking services were offered with curb-side drop-off in front of Terminals 1 and 2 and utilized 500 parking spaces. During the COVID-19 pandemic, the Airport Authority suspended valet parking, but the Airport Authority plans to resume the valet parking operation in January 2022 utilizing spaces in front of the Terminals 1 and 2.

The Capital Program includes the construction of a new public parking garage adjacent to the planned new Terminal 1 building, which will replace the existing Terminal Lot 1 and will provide additional parking spaces, as described below.

Roadway access to the Airport is via two independent entrance roadways for Terminal 1 and Terminal 2, both from North Harbor Drive. The Airport terminal roadway system includes a one-level roadway for Terminal 1 and a two-level roadway for Terminal 2, which separates departing and arriving passengers. The Capital Program includes the construction of a two-level roadway for the new Terminal 1 building, a dedicated on-Airport roadway, an area set aside for transit stations, and other Airport roadway improvements, as described below.

1.2.4 | Other Facilities

The north airfield area contains various other facilities, including: an air traffic control tower; an Airport Rescue and Fire Fighting (ARFF) facility; a cargo ramp; a fuel farm; a receiving and distribution center for food, beverage, retail and other goods; the Airport Authority's Facilities Maintenance and warehouse facilities; a Rental Car Center (RCC) that houses most of the rental car companies in a single building with a 5,400-space parking garage; a Fixed Base Operator (FBO) facility, which includes a terminal, a ramp, and five hangars; and associated roadways, including a roadway linking the Northside with the passenger terminals, for rental car and parking shuttle buses. The Airport Authority's administration offices are currently located in the building on the south of the airfield that previously housed the commuter terminal. As described below, this building will be demolished to make way for the new Terminal 1 building, and the Airport Authority plans to construct a new building for its administrative offices at another location on the Airport. In July 2021, the Airport Authority opened new air cargo and airline provisioning facilities at the Airport. This new facility known as the Airline Support Building (ASB) is located on the south side of the airfield and replaced aging facilities that will be demolished to enable development of the planned new Terminal 1 building.

1.3 | Capital Program Estimated Costs and Funding Plan

The Airport Authority's Capital Program is a rolling five-year program that provides for critical improvements and asset preservation for the Airport Authority. The Capital Program includes the following two main components: (1) The Capital Improvement Program (CIP) that address airfield safety and capacity, environmental protection, terminal enhancements, landside infrastructure, and access improvements; and (2) The New Terminal 1 (New T1) Program that will replace Terminal 1 with a larger, more efficient facility that enhances the airport experience and will also include airfield enhancements, major improvements to roadways serving the Airport, and a designated transit station area on Airport property. The Capital Program includes all approved open projects anticipated to be completed in FY2021 through FY2026 for the CIP and FY2021 through FY2029 for the New T1, at an estimated total cost of approximately $4.024 billion.[2]

Table 1 summarizes the estimated costs and funding sources of the Capital Program. The capital projects estimated to cost $10 million or more are listed individually, and all projects that are estimated to cost less than $10 million are grouped together in the line labeled "All Other Projects." Of the $4.024 billion in total estimated capital project costs, $3.464 billion represents all of the elements of the New T1. The Subordinate Series 2021AB Bonds are estimated to fund approximately $1.0 billion of the estimated costs of the New T1. The Airport Authority plans to fund

[2] The estimated cost of the Capital Program includes the cost of projects that were in progress at the start of FY2021. Therefore, the $4.024 billion cost includes some project costs incurred prior to the start of FY2021 (for those projects that were in progress as of the start of FY2021).

Table 1| Estimated Capital Program Costs and Funding Plan for FY2021-FY2029

Project Name	Total	Series 2021 Bonds	AIP	PFC	Major Maintenance Fund	Prior Bonds	Future Bonds	Authority Funds	Other
New T1 Program - Terminal & Roadway	$ 2,813,283,683	$ 882,122,875	$ 13,086,000	$ -	$ -	$ -	$ 1,698,074,808	$ 220,000,000	$ -
New T1 Program - Airside	306,000,000	73,784,191	64,477,963	7,715,755	19,585,000	30,417,310	110,019,781	-	-
New T1 Program - Program Contingency	227,251,907	9,069,710	-	-	-	-	218,182,197	-	-
New T1 Program - Administration Building	102,000,000	34,949,694	-	-	-	-	67,050,306	-	-
New T1 Program - Shuttle Lot Relocation	15,764,410	5,388,763	-	-	-	-	10,375,647	-	-
Subtotal - New T1 Program	$ 3,464,300,000	$ 1,005,315,233	$ 77,563,963	$ 7,715,755	$ 19,585,000	$ 30,417,310	$ 2,103,702,739	$ 220,000,000	$ -
ASF- FMD Facility	49,111,854	-	-	-	-	49,111,854	-	-	-
ASF- Belly Cargo/Provisioning/GSE	39,444,842	-	-	-	-	39,444,842	-	-	-
ASF- Stormwater Capture & Reuse	35,565,633	-	-	-	-	35,565,633	-	-	-
ASF- Northside RON Parking Phase I	33,512,664	-	-	-	30,012,664	3,500,000	-	-	-
Airport Roadway Vehicle Monitoring	31,800,000	-	-	-	-	-	-	31,800,000	-
Capital Program Support	28,877,671	-	-	-	-	-	-	28,877,671	-
Solid & Liquid Waste Facilities	35,500,540	-	-	-	2,800,000	19,650,270	-	13,050,270	-
Fuel Facility Projects	25,191,720	-	-	-	-	-	-	-	25,191,720
Tenant Improvements at Airport Support Building	21,300,000	-	-	-	-	-	-	-	21,300,000
ASF- Airport Support Facilities Contract Management	20,819,990	-	-	-	-	19,727,726	-	1,092,264	-
Replace Baggage Handling System & Makeup Units in T2E	15,946,000	-	-	-	15,946,000	-	-	-	-
Replace/Upgrade Energy Mass Arresting System (EMAS)	15,573,637	-	5,582,314	-	-	9,991,323	-	-	-
Aviation Security Network Redesign	13,037,668	-	-	-	-	13,037,668	-	-	-
Offsite Intersection/Roadway Segment Improvements	13,000,000	-	-	-	13,000,000	-	-	-	-
SDIA Common Use System	11,872,000	-	-	-	11,872,000	-	-	-	-
Rehabilitate ARFF Station	10,000,000	-	7,500,000	-	2,500,000	-	-	-	-
Subtotal - Projects Over $10 Million	$ 400,554,219	$ -	$ 13,082,314	$ -	$ 76,130,664	$ 190,029,316	$ -	$ 74,820,205	$ 46,491,720
All Other Projects	160,015,773	-	9,947,755	1,465,660	44,428,539	67,221,120	-	36,352,699	600,000
Total - All Projects	$ 4,024,869,992	$ 1,005,315,233	$ 100,594,032	$ 9,181,415	$ 140,144,203	$ 287,667,746	$ 2,103,702,739	$ 331,172,904	$ 47,091,720

Source: Airport Authority records. "ASF" = Airport Support Facilities. "Other" funding includes fuel consortium funding ($25.2 million), monies advanced by the Airport Authority, which will be reimbursed by tenants, for tenant improvements in the Airline Support Building ($21.3 million), and local grant funding for electric supply equipment ($0.6 million).

the remaining costs of the Capital Program (including the New T1) with FAA Airport Improvement Program grants (AIP), PFCs, monies in the Major Maintenance Fund, proceeds of previously issued bonds, additional Senior and/or Subordinate Bonds anticipated to be issued in the future, and Airport Authority Funds. The funding sources are described in more detail in Section 1.3.2 below.

1.3.1 | The New T1

In 2012, the Authority embarked on a new master-planning effort for SAN known as the "New T1" (previously known as the "Airport Development Plan"), to identify the facilities needed to meet the Airport's anticipated passenger demand through 2035. Between Fiscal Years 2015 and 2019, SAN had record-breaking growth with approximately 24.7 million passengers being served in Fiscal Year 2019; the highest number of passengers ever served by SAN. Activity levels at the Airport are estimated to surpass 39 million passengers and 280,000 aircraft operations in 2035, based on the aviation planning forecast completed by the Airport Authority in April 2019 and approved by the FAA on June 6, 2019. The cornerstone of the New T1 is the replacement of Terminal 1, which is over 50 years old, with a more modern, comfortable, and efficient terminal facility. The new terminal will have 30 gates (11 more gates than the existing Terminal 1) and will be able to accommodate both narrow-body and wide-body aircraft. The new Terminal 1 will be served by a dual-level curbside, a new close-in parking structure (approximately 5,200 parking spaces), and new entry and circulation roadways. Other components that are part of the New T1 include a new Airport Authority administration building and multiple airfield improvements, such as a new apron area for the new terminal, a new full length Taxiway A, Relocation of Taxiway B and reconfigured Remain Overnight (RON) aircraft parking positions.

The New T1 is being procured through the use of "design-build" and "design-bid-build" delivery methods. The terminal and roadway components of the New T1 will be designed and built by Turner-Flatiron, A Joint Venture; the airside improvement components of the New T1 were designed by Jacobs and will be built by Griffith Company; and the administration building component of the New T1 will be designed and built by Sundt Construction, Inc. The Airport Authority anticipates that construction on the New T1 will begin in November 2021.

The new Terminal 1 building will be a more modern and efficient facility, and it is anticipated to contain 30 passenger boarding gates, 11 gates more than the existing Terminal 1. The new Terminal 1 building is expected to provide a greatly improved passenger experience, with more seating, restaurants, and shops. In addition, the new Terminal 1 building will include more security checkpoints with more lanes, to enhance passenger circulation. A post-security passenger connector will allow passengers to walk between Terminal 1 and Terminal 2 without having to pass through security a second time. Other key components of the new Terminal 1 will include a more efficient baggage handling system with upgraded energy efficiency, as well as a new dual-level roadway to separate arriving and departing vehicular traffic.

The board of directors of the Airport Authority certified the final Environmental Impact Report with respect to the New T1 on January 9, 2020. The Airport Authority has coordinated with the FAA to conduct the federal environmental review in accordance with the National Environmental Policy Act (NEPA). The Airport Authority prepared a draft Environmental Assessment that was available for public review and comment through August 2, 2021. On October 22, 2021, the Airport

Authority received a "Finding of No Significant Impact" from the United States Environmental Protection Agency (EPA) pursuant to NEPA with respect to the New T1. The Airport Authority has received all material environmental approvals for the New T1.

A map showing the location of the New T1 on Airport property, as well as sample conceptual diagrams of the New T1 are presented in Figures 1 through 4 at the end of Section 1. The key components of the New T1 are described on the following pages.

New Terminal 1 and Roadways ($2.813 billion)

This component consists of the design and construction of the new Terminal 1 building, a parking structure, and associated roadways. The work will include the demolition of existing buildings currently located on the site of the new facilities; the construction of new utilities and the relocation of certain utilities; storm drainage improvements; the construction of storage and transmission facilities; upgrades to the existing central utility plant; and associated improvements.

A new parking structure (the Terminal 1 Parking Plaza) will be constructed on the current site of the Terminal 1 surface lot. The Terminal 1 Parking Plaza will have approximately 5,200 parking spaces. Upon completion of the New T1, there will be approximately 9,100 public parking spaces, operated by the Airport Authority and available at the Airport. This will be an addition of approximately 100 new, permanent public parking spaces at the Airport since the start of the design and construction of the New T1.

The roadway and related improvements will include a new Airport entry roadway that will connect to North Harbor Drive and provide additional access to the passenger terminals; a new loop road to provide bus and shuttle access to the new Terminal 1 and the Terminal 1 Parking Plaza; pedestrian bridges to provide access to the new Terminal 1; and a bicycle and a pedestrian path to connect neighboring public streets to the new Terminal 1.

New T1 Airside ($306.0 million)

Various airside improvements will be constructed in conjunction with the development of the new Terminal 1, to provide enhanced operational efficiencies. These components include the relocation of Taxiway B, which provides the main access to Terminal 1 for arriving and departing aircrafts. Taxiway B will be redesigned and relocated to meet FAA standards. A new Taxiway A will be developed to improve aircraft movement and help avoid aircrafts blocking Taxiway B when pushing back from the new Terminal 1 gates. Additional improvements will include new taxilanes, aircraft remain overnight (RON) and apron parking areas, and related utility infrastructure outside the new Terminal 1 building and within the Airport Operations Areas.

New Administration Building ($102.0 million)

The existing Airport administration building will need to be demolished to accommodate the construction of the new Terminal 1. A new Administration Building will be constructed at the far west end of the Airport. The new building will contain four stories and contain approximately 130,000 square feet. It will allow most of the Airport Authority staff to be located in a single building.

Shuttle Lot Relocation ($15.8 million)

This project will renovate 128,000 square feet with full depth, partial asphalt concrete replacement to provide a new shuttle lot for both employee and rental car shuttles, and an associated building.

New T1 Contingency Amount ($227.3 million)

The New T1 also includes a contingency amount, for unforeseen additional costs. The total contingency is approximately 13 percent of the total estimated New T1 costs, or $451.5 million. The total contingency consists of construction contingency, owner allowance, and an escalation allowance included within the Terminal and Roadway Agreement and an overall New T1 Program Contingency of $227.3 million. Together, these contingency components cover potential circumstances related to scope items, as well as market risks related to increased material, commodity, and labor costs.

1.3.2 | Capital Funding Program Sources

The estimated funding sources of the Capital Program, presented in Table 1, are described below.

The Subordinate Series 2021 Bonds

The Subordinate Series 2021 Bonds will provide approximately $1.005 billion in project funding for the New T1.

FAA Airport Improvement Program (AIP) grants

AIP entitlement grants and AIP discretionary grants are estimated to provide approximately $77.6 million in funding for the New T1. In addition, AIP entitlement and AIP discretionary grants are estimated to provide an additional $23.0 million in funding for other capital projects not included in the New T1 project. AIP entitlement funds are apportioned by formula each year to individual airports or types of airports. AIP discretionary funds are awarded by the FAA based on eligible projects' priority as determined by the FAA through the application of its National Priority System (NPS). The NPS uses a combination of quantitative and qualitative factors to evaluate projects with highest priority given to projects to enhance airport safety and security.

Passenger Facility Charges (PFCs)

The Airport Authority has received approval from the FAA to collect and use a PFC on each eligible enplaning passenger at SAN totaling approximately $1.6 billion. The Airport Authority's approved PFC authority reflects 13 applications, plus related amendments. The Final Agency Decision received by the Airport Authority from the FAA for the Airport Authority's most recent PFC application estimates the charge expiration date to be May 1, 2040. The Airport Authority's funding plan includes approximately $9.2 million in PFCs to be applied on a "pay-as-you-go" basis to eligible project costs in the Capital Program. The Airport Authority also plans to apply additional PFCs during the forecast period toward the payment of debt service on bonds, as described in Section 5.

Major Maintenance Fund

The current AOLA, which became effective on July 1, 2019, established a Major Maintenance Fund (MMF), the purpose of which is to fund capital projects in the Airfield Area, Terminal Area, Common Use Systems, and Airline Terminal Support Cost Centers and Capital Projects in Indirect Cost Centers to the extent allocable to such cost centers. The AOLA stipulates that each Fiscal Year, the Airport Authority will deposit $40.0 million into the MMF, from the following revenue sources: $15.0 million from the Airfield Area; $15.0 million from the Terminal Area; and $10.0 million from non-airline revenue. However, in order to mitigate the effect of this provision on airline rates and charges during the COVID-19 pandemic, the Airport Authority reduced the FY2020 deposit to the MMF to $30.0 million in FY2020, with $10.0 million charged to the Airfield Area, $10.0 million charged to the Terminal Area, and $10.0 million from non-airline revenue sources. The MMF deposit in FY2021 and FY2022 is $10.0 million each year, all from non-airline sources, with no charges to either the Airfield Area or the Terminal Area. For FY2023 through FY2029, the Airport Authority plans to deposit $50.0 million per year into the MMF, to make up the deposits that were deferred – with $20.0 million charged to each of the Airfield Area and the Terminal Area, and $10.0 million from non-airline revenue sources. The airlines are required to pay these amounts as part of their landing fee and terminal rent obligations under the AOLA. The funding plan includes approximately $140.1 million in funding from the Major Maintenance Fund.

Prior Bond Proceeds

The Airport Authority plans to apply prior bond proceeds of approximately $287.7 million to project costs, including $256.9 million in proceeds from the Series 2019 Bonds. The Airport Authority also plans to apply $1.0 million from the Series 2013 Bonds and $29.8 million from the Series 2017 Bonds to fund the costs of projects in progress that were incurred prior to FY2021.

Future Bond Financing

The Airport Authority plans three future bond financings during the forecast period, to fund subsequent phases of the New T1. The funding plan assumes approximately $2.1 billion of future bond proceeds. The timing and sizes of the future bond financings will be determined by the Airport Authority based on continuing evaluations of cash flow needs and market conditions.

Airport Authority Funds

Airport Authority funds are those moneys generated from Airport operations and available after all of the Airport Authority's financial obligations pursuant to the flow of funds specified in the Master Senior Indenture and the Master Subordinate Indenture are satisfied. The AOLA allows the Airport Authority to include amortization charges in the airline rates and charges to reimburse the Airport Authority for capital project costs paid from Airport Authority funds. The financial analysis in Section 4 incorporates the amortization charges projected to be incorporated into the airline rate base, as projects funded with Airport Authority funds are completed. The Airport Authority plans to apply approximately $331.2 million in Airport Authority funds to the Capital Program.

Other Funding Sources

The Capital Program funding plan includes the following other funding sources totaling $47.1 million:

- Airline direct funding from the fuel consortium, which is an airline consortium that operates the aircraft fueling system at the Airport. The Airport Authority executed an agreement with the airline fuel consortium, pursuant to which the consortium has agreed to fund fuel-related projects at the Airport. This funding is projected to total approximately $25.2 million.
- Airport Authority funds are anticipated to be used to fund $21.3 million in tenant improvements at the ASB. The tenants will reimburse the Airport Authority over the next five years.
- Local grant funding for the electric vehicle supply equipment. The Airport Authority is applying for electric energy grants to fund electrical vehicle supply equipment. The grants are anticipated to be awarded by San Diego Gas & Electric to support non-profit organizations in San Diego to fund innovative projects and programs. The Airport Authority estimates receiving up to $0.6 million in grant funding for eligible costs, if successful. The Airport Authority plans to use Airport Authority funds if the remaining grant funds are not received.

Figure 1| Map of New T1 on Airport Property

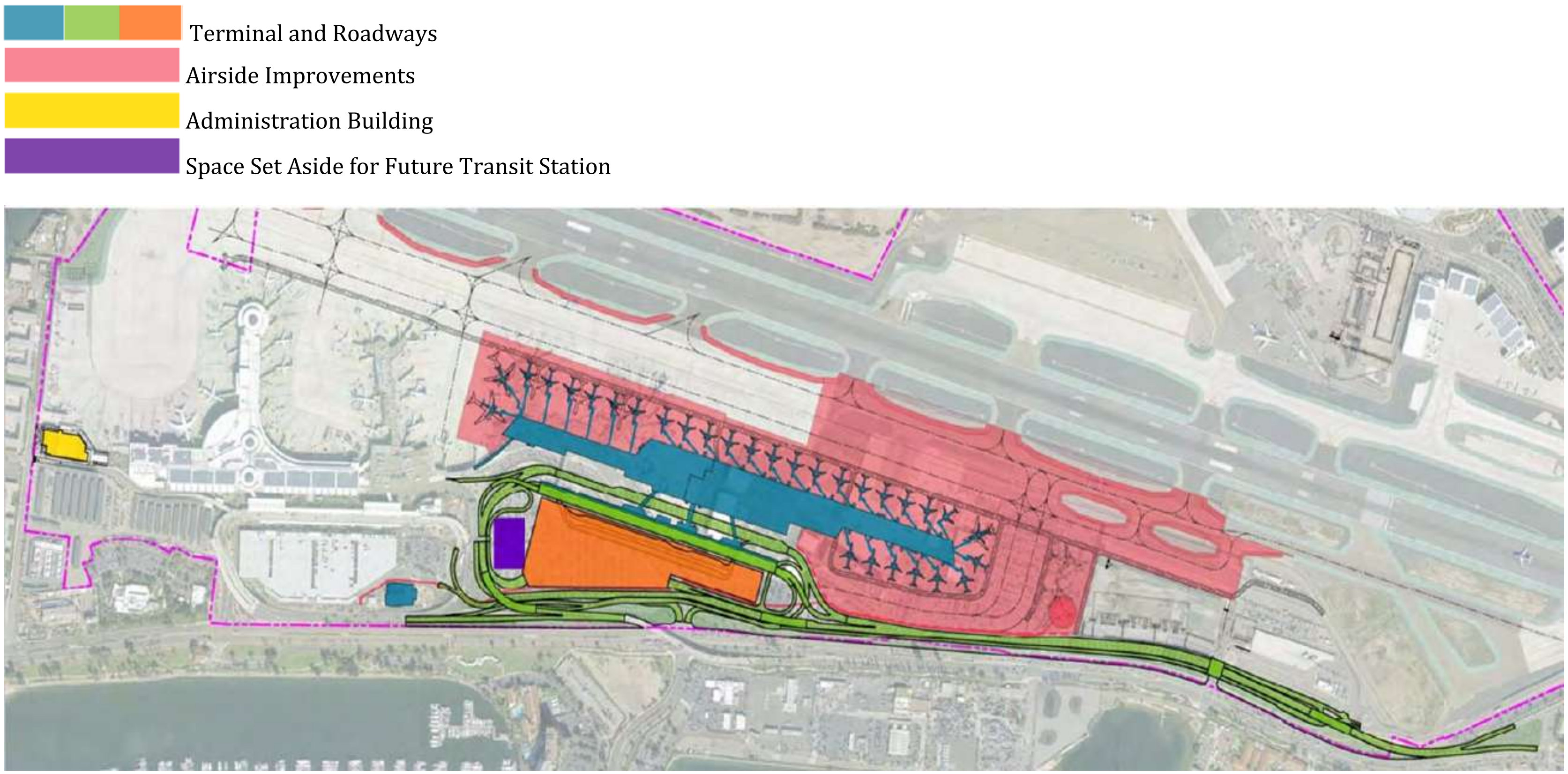

Figure 2| Aerial View of New Terminal 1 and Associated Facilities

Figure 3| View of New Terminal 1 From Roadway

Figure 4| New Terminal 1 Elevated Departures Roadway

SECTION 2 | ECONOMIC BASE

Demographic and economic trends influence the demand for air travel at SAN, which consists largely of origin and destination (O&D) traffic.[3] Economic trends in the Airport's air service area and in California contribute to the area's ability to generate local demand for air travel and to draw visitors into the region. National trends influence the Airport's passenger traffic in two ways. First, U.S. economic trends influence demand for air travel nationwide. Second, the national economy generates demand for goods and services produced by businesses in the region, and therefore influence regional economic trends. This section discusses relevant demographic and economic trends at the regional and national levels, and it provides an assessment of current economic outlook.

SAN serves the San Diego-Chula Vista-Carlsbad, CA, Metropolitan Statistical Area (San Diego MSA), California's fourth largest MSA and the nation's 17th largest MSA by 2020 population. The San Diego MSA is coextensive with San Diego County, California's second largest county and the nation's fifth largest county by population. San Diego is part of a cross-border region that includes the Mexican municipalities of Tijuana, Rosarito Beach, and Tecate. In addition to size, the San Diego MSA population offers the advantages of lower median age and higher educational attainment—attributes that help the San Diego economy grow faster than the national economy.

The San Diego MSA economy offers a diversified employment base, leadership in technology- and knowledge-based industries, and above-U.S. average economic performance. A large military presence contributes to regional employment and fuels the growth of various industries. San Diego's desirable climate, scenic beauty, and various tourist attractions and amenities make it one of the top destinations in the United States for visitors and meetings. Nevertheless, since 2020, the San Diego MSA, like the rest of the United States and the world, has been grappling with the unforeseen challenges brought upon by a global pandemic.

Before the breakout of the COVID-19 pandemic, the U.S. economy was on pace to continue one of the longest economic expansions in U.S. history. According to the Business Cycle Dating Committee of the National Bureau of Economic Research (NBER), U.S. economic activity peaked in February 2020, thus ending a 128-month long expansion following the 2008-2009 Great Recession. To curb the spread of COVID-19, U.S. state and local governments issued stay-at-home or shelter-in-place orders, restricting travel and business activities to essential functions. California was among the first states to issue a mandatory statewide stay-at home order, six days after the COVID-19 pandemic was declared a national emergency in the United States on March 13, 2020. Fears about the virus, combined with COVID-19-related regulations, significantly disrupted travel and business operations. Between February 2020 and April 2020, the U.S. entered a steep recession.

The U.S. economy began to recover in the second half of 2020, as states began to reopen and ease travel restrictions. Economic recovery continued in 2021, aided by the development and

[3] O&D passenger traffic refers to passenger trips originating or ending at the airport.

administration of COVID-19 vaccines. Production output, measured by gross domestic product (GDP), rebounded to pre-COVID level in the second quarter of 2021. Employment, which typically lags output recovery, has yet to return to its pre-pandemic peak.

Historical trends are good indicators of long-term economic trajectories when the economy is expanding.[4] Therefore, despite the recent trend breaks, it remains important to examine long-term demographic and economic trends prior to the pandemic. Generally, all pre-COVID-19 economic indicators, which are representative of long-term trends, suggest a growing economy over the long term in the Airport's service area, the San Diego MSA, and the nation.

2.1 | The COVID-19 Pandemic

COVID-19 was first identified in Wuhan, Hubei Province, China, in December 2019. The first case of COVID-19 in the United States was diagnosed a month later. On March 11, 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic.[5] Shortly after on March 13, the United States declared COVID-19 a national emergency, prompting statewide stay-at-home orders and other social distancing measures across the nation. California mandated guidance to prevent the spread of COVID-19 in a series of state public health orders in March, May, and August 2020, ending mandatory stay-at-home orders, physical distancing, and capacity limits on most businesses on June 15, 2021.[6] Despite the U.S. and state governments' efforts to curb the spread of the virus, several waves of COVID-19 hit the nation. The first wave in the U.S. began in March 2020, the second wave in June 2020, the third wave in October 2020, and the fourth wave in July 2021 (Figure 5).

Throughout the country, early attempts at reopening the economy were met with local COVID-19 surges. Major holidays exacerbated the infection rates and strained local hospital capacity. According to the Center of Disease Control and Prevention (CDC), the number of daily new cases peaked shortly after the winter holidays on January 8, 2021 (296,465 cases). The highest seven-day moving average was 254,020 cases reported on January 10, 2021. The number of daily new cases had been on a steady decline, shrinking by over 95 percent over a five-month period between January 8 and June 8 as more people got vaccinated. However, since June, the number of daily new cases has increased far above the peak of the second COVID-19 wave of summer 2020. The fourth wave appears to have reached a peak on September 1. New cases have been on a downward path since—down to a seven-day moving average of 104,650 on September 30, 2021.

California's COVID-19 trend, also shown in Figure 5, mirrors this national trend. The highest number of daily new cases reported to the CDC by California was 63,017 on January 6, 2021. The highest seven-day moving average was 47,273 cases reported on January 10, 2021. Similar to the

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[4] The normal state of the economy is expansion. Economic expansions are sometimes disrupted by recessions, which are normally relatively brief periods between economic peaks and troughs.

[5] American Journal of Managed Care Staff, A Timeline of COVID-19 Developments in 2020, July 3, 2020, <https://www.ajmc.com/view/a-timeline-of-covid19-developments-in-2020>, accessed on August 26, 2020.

[6] Official California State Government Website, Current safety measures, <https://covid19.ca.gov/safely-reopening/>, accessed on September 30, 2021.

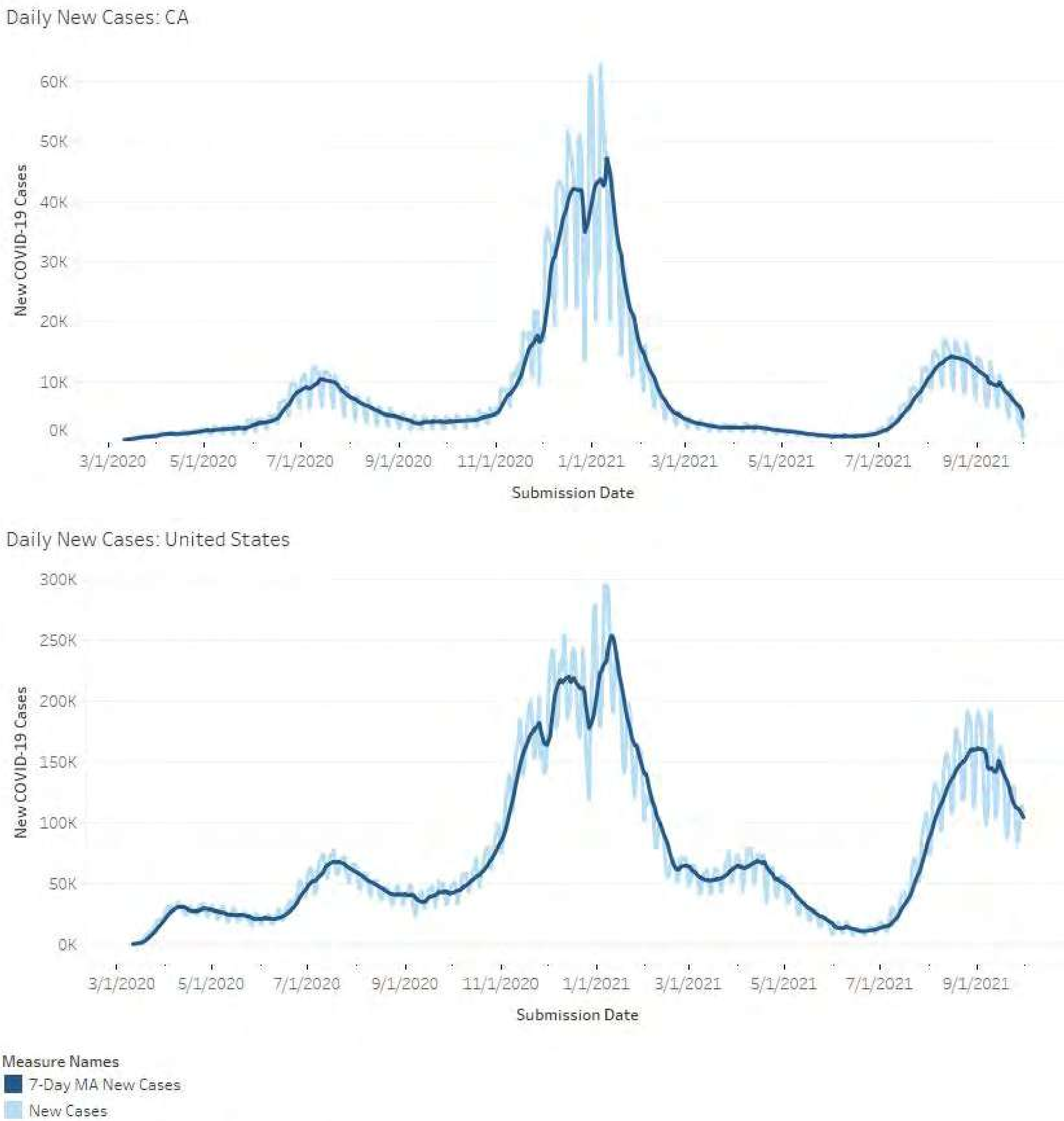
national trend, California's new COVID-19 daily new caseloads fell rapidly over the next five months (a decrease of 98 percent). Starting in June over the course of the summer, however, California's daily new cases had risen to a level surpassing that of the second wave, peaking at a seven-day moving average of 14,185 cases reported on August 16, 2021, far below the third wave peak. California's daily new cases have since been steadily decreasing, to a most recent seven-day moving average of 4,168 reported on September 30, 2021.

Figure 6 shows the seven-day rate of COVID-19 cases per 100,000 by state as of September 30, 2021, where California currently boasts a rate of 72.9—the lowest among all states. By comparison, the United States as a whole currently has a seven-day case rate of 224.3 per 100,000 as of the same date.

Resurgence of COVID-19 cases across the country is currently slowing economic recovery. Increase in vaccination rates could help slow down transmission of the COVID-19 virus, including its new variants, and expedite economic recovery. As of September 30, 2021, close to 185 million people are fully vaccinated in the United States (55.7 percent) and nearly 24 million people are fully vaccinated in California (70.4 percent).[7]

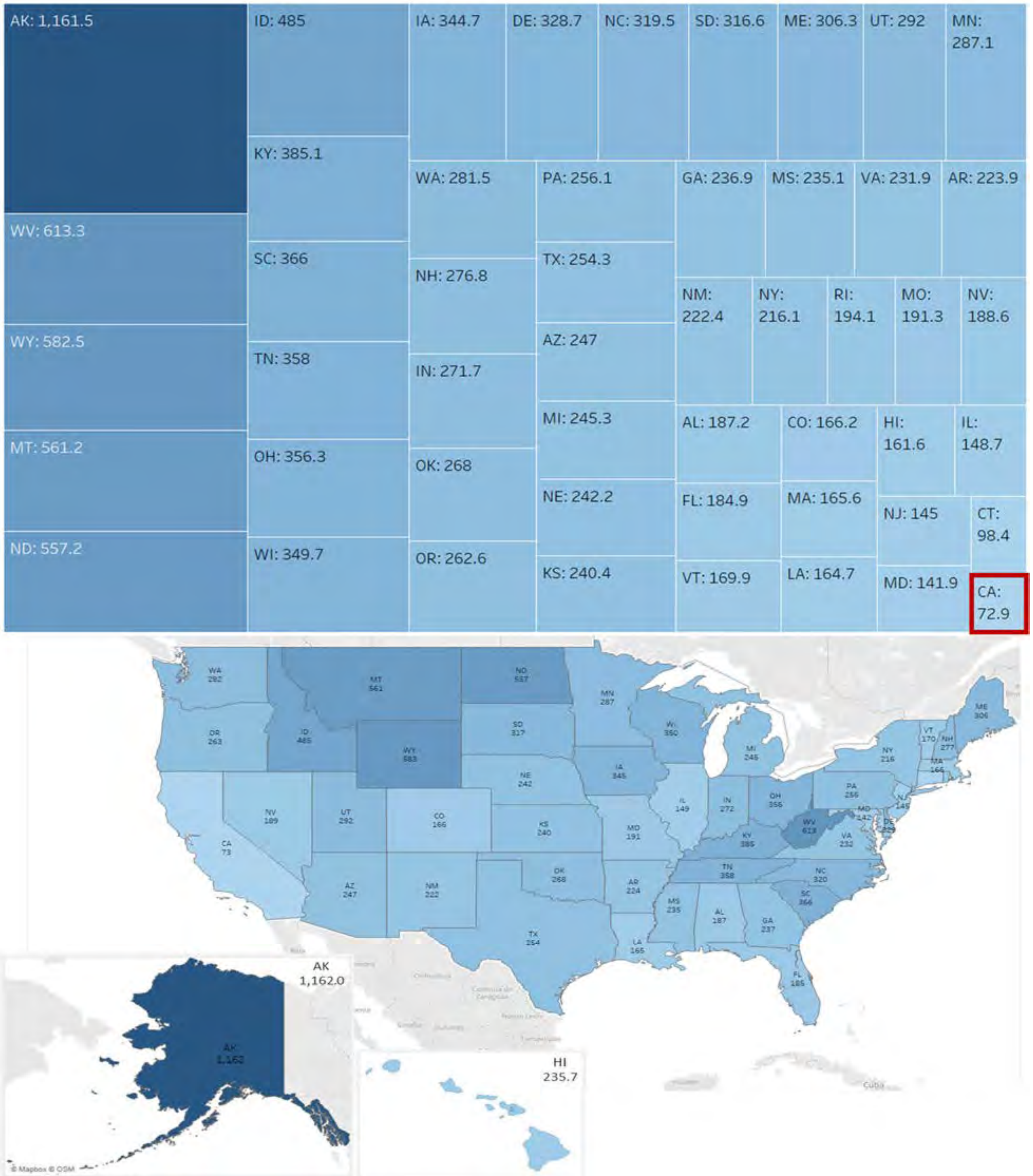
[7] Centers for Disease Control and Prevent, *COVID Data Tracker*, <https://covid.cdc.gov/covid-data-tracker/#vaccinations_vacc-people-fully-percent-total>, accessed on August 11, 2021.

Figure 5| Daily Trends in Number of COVID-19 Cases in California vs. United States Reported to CDC, March 11, 2020 through September 30, 2021



March 11, 2020 was used as the starting point of these charts due to it being the date the WHO declared COVID-19 a global pandemic.
Source: CDC COVID Data Tracker, <https://covid.cdc.gov/covid-data-tracker/#trends_dailytrendscases>, accessed on October 1, 2021.

Figure 6| 7-Day Rate of COVID-19 Cases per 100,000 by State, as of September 30, 2021 (CA Highlighted)



The 7-day rate of COVID-19 cases per 100,000 for the United States as a whole is 224.3, as of September 30, 2021.
Source: CDC COVID Data Tracker, <https://covid.cdc.gov/covid-data-tracker/#cases_casesper100klast7days>, accessed on October 1, 2021.

2.2 | Air Service Area

The San Diego MSA, which consists of San Diego County, is located in Southern California (Figure 7), adjacent to the U.S.-Mexico border. It is a strategic location for international commerce and business on the U.S. West Coast. Covering 4,526 square miles, the San Diego MSA includes 18 cities: Carlsbad, Chula Vista, Coronado, Del Mar, El Cajon, Encinitas, Escondido, Imperial Beach, La Mesa, Lemon Grove, National City, Oceanside, Poway, San Diego, San Marcos, Santee, Solana Beach, and Vista. The four principal cities are San Diego, Chula Vista, Carlsbad, and Poway.[8]

Located three miles northwest of downtown San Diego, SAN is the only major commercial service airport within the San Diego MSA. McClellan-Palomar Airport (CRQ), which is located 34 miles north of SAN in Carlsbad, is designated as a commercial service airport. CRQ, however, has not had scheduled commercial passenger service except when California Pacific, now out of service, operated briefly at the airport in 2018. CRQ now serves mainly air taxi and general aviation operations.

Outside the San Diego MSA, eight U.S. commercial service airports are located within 150 road miles of SAN (typically a two- to three-hour drive, but at times longer due to frequent traffic congestion), as shown in Table 2 and Figure 8. The closest is John Wayne Airport (SNA) in Orange County (89 road miles from SAN). SNA is a smaller airport than SAN, both in airport capacity and passenger traffic. SNA also currently faces caps on its average daily departures and annual enplanements pursuant to the Settlement Agreement between the County of Orange and City of Newport Beach Airport Working Group.[9]

Further north in Los Angeles County is Los Angeles International Airport (LAX), Southern California's largest commercial airport and California's largest international gateway. LAX attracts passengers from all over Southern California—including San Diego County, especially for international service.

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[8] Office of Management and Budget, Revised Delineations of Metropolitan Statistical Areas, "Micropolitan Statistical Areas, and Combined Statistical Areas, and Guidance on Uses of the Delineations of These Areas," *OMB Bulletin No. 20-01*, March 6, 2020.

[9] *Key Provisions of the 1985 Settlement Agreement and the 2003 and 2014 Amendments*, <https://www.ocair.com/communityrelations/settlementagreement/keyprovisions>, accessed on July 9, 2019.

Figure 7| California County Map

Source: California State Association of Counties.

Table 2| Commercial Service Airports Within 150 Road Miles of SAN

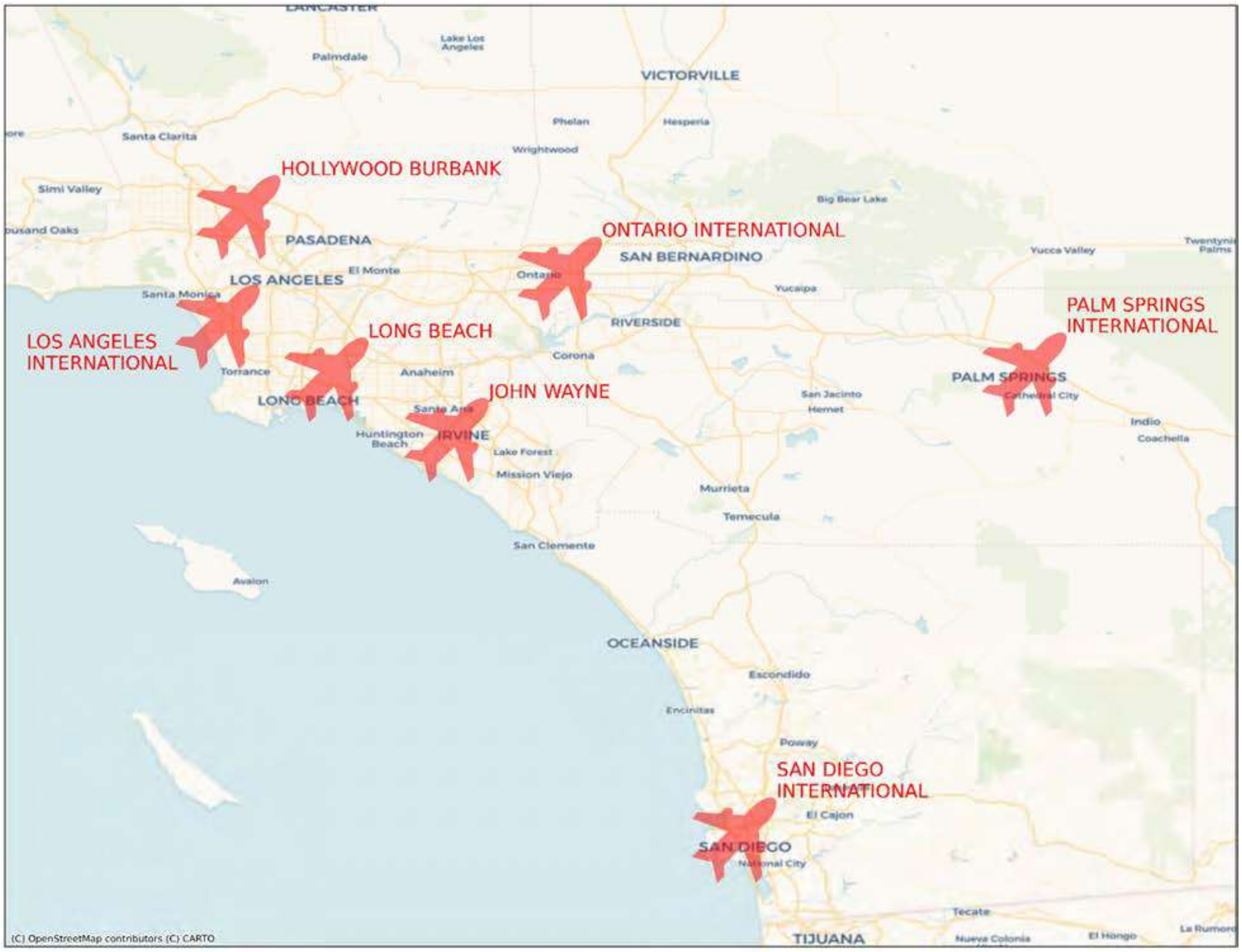
	Enplanements (Millions)[1]				Distance from SAN[2]	
Airport	**CY2020**	**CY2019**	**City**	**State**	**Miles**	**Drive Time**
San Diego International	4.6	12.6	San Diego	CA	--	--
Los Angeles International	14.0	42.9	Los Angeles	CA	125	2 hours, 10 minutes
John Wayne	1.8	5.2	Santa Ana	CA	89	1 hour, 35 minutes
Ontario International	1.2	2.7	Ontario	CA	115	2 hours
Hollywood Burbank	1.0	3.0	Burbank	CA	134	2 hours, 40 minutes
Long Beach	0.5	1.8	Long Beach	CA	106	1 hour, 55 minutes
Palm Springs International	0.6	1.3	Palm Springs	CA	144	2 hour, 20 minutes
Imperial County[3]	--	--	Imperial	CA	119	2 hours
San Bernardino International[3]	--	--	San Bernardino	CA	111	1 hour, 55 minutes
Tijuana International	3.2	4.5	Tijuana	Mexico	24	30 minutes

[1] Sources: U.S. Bureau of Transportation Statistics T-100 Market data (all scheduled service) for U.S. airports and Grupo Aeroportuario del Pacífico for Tijuana International Airport.

[2] Source: Google Maps. Actual drive times may be significantly longer during peak traffic.

[3] The FAA TAF estimates zero scheduled enplanements at the airport in 2019 and 2020. However, these airports are included on this table because they are classified as commercial service airports.

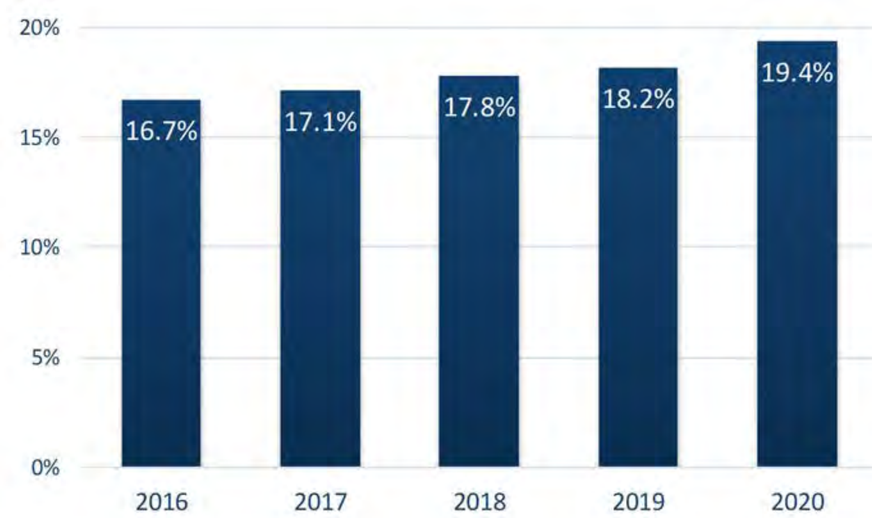
Figure 8| U.S. Commercial Passenger Service Airports Within 150 Road Miles of SAN



The map includes only U.S. airports with enplanements in CY2019 and CY2020. Across the U.S.-Mexico border in Tijuana is Tijuana International Airport, serving mostly Mexican domestic passenger traffic.

Four other U.S. commercial service airports within this radius offer scheduled commercial passenger service: Ontario International Airport, Hollywood Burbank Airport, Long Beach Airport, and Palm Springs International Airport. Their service offerings are more limited than SAN. The remaining two Southern California commercial service airports, Imperial County Airport and San Bernardino International Airport, had no scheduled commercial passenger service in 2019 and 2020. SAN's share of total enplanements at the seven Southern California airports increased from 16.7 percent in 2016 to 19.4 percent in 2020 (Figure 9). The increase in SAN's share indicates faster enplanement growth at SAN through 2019, relative to the other Southern California airports. By 2019, SAN's share of Southern California's total enplanement has reached 18.2 percent—an increase of 1.5 percentage points from 16.7 percent in 2016. The increase in SAN's enplanement share accelerated during the COVID-19 pandemic, indicating a smaller proportional decrease in enplanement relative to other Southern California airports, due in part to less reliance on international traffic and San Diego's attractiveness as an outdoor leisure destination. People traveling for leisure during the pandemic are opting for beach and hiking destinations, both available in San Diego.

Figure 9| SAN's Share of Total Enplanements at Southern California Commercial Airports, CY2016-2020



Source: U.S. Bureau of Transportation Statistics T-100 Market data (all scheduled service).

Located 24 miles south of SAN, in Tijuana, Mexico, Tijuana Rodriguez International Airport (TIJ) primarily serves the Mexican domestic market. In 2019, TIJ recorded about 4.5 million enplanements and accounted for 5.7 percent of Mexico's total enplanements.[10] TIJ passengers also have access to Cross Border Xpress (CBX), an enclosed pedestrian skybridge connecting a facility on the U.S. side of the border with the main TIJ passenger terminal on the Mexican side of the border. The facility allows passengers coming from or going to the United States direct access to TIJ, giving Mexican and other foreign flag carriers operating at TIJ direct access to the U.S. passenger market. CBX opened in December 2015 and can be used only by TIJ passengers who have boarding passes for flights departing within 24 hours or by TIJ passengers from flights arriving within 2 hours. Passengers departing for Mexico are required to pass through Mexican Customs and Border Protection, while passengers arriving from Mexico are required to go through U.S. Customs & Border Protection. In 2019, a total of 2.9 million passengers used the CBX, which accounted for 32.5 percent of TIJ passengers.[11]

While CBX may work to limit the growth of the Mexican air travel market from SAN, it has not hindered overall passenger traffic growth at SAN because the Mexican travel market has historically accounted for a very small share of total SAN passenger traffic. Since the CBX opened in

[10] Grupo Aeroportuario del Pacífico Traffic Report for Year-End 2019.

[11] Ibid.

2015, both domestic and international passenger traffic segments had grown steadily at SAN prior to the pandemic (see Section 3).

2.3 | Population

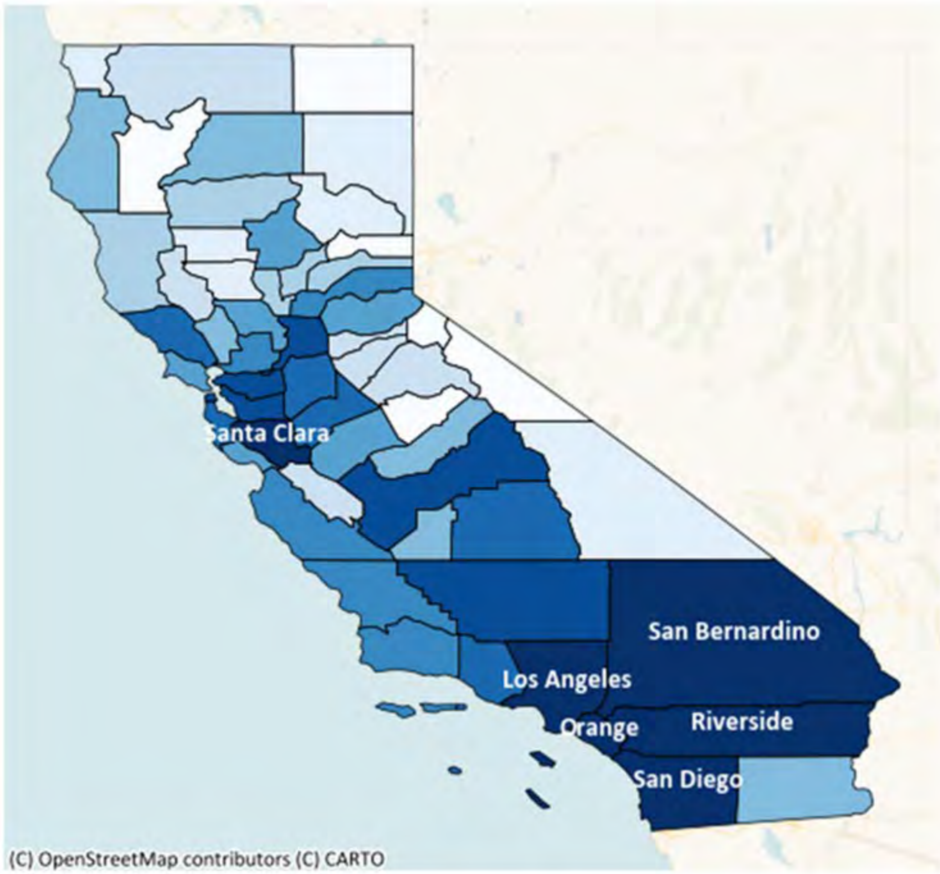
The San Diego MSA offers a large population for air travel. With a population of 3.3 million in 2020, San Diego was California's fourth largest MSA (Table 3) and the nation's 17th largest MSA. The San Diego MSA accounts for 8.5 percent of California's population. As a county, San Diego is the second largest in California, after Los Angeles County, and surrounded by other highly populous counties (Figure 10). At the national level, San Diego County is ranked the fifth largest county in the United States. These rankings have remained stable since 2010.

Table 3| California State and 10 Largest MSA Populations

Area	2020 Population	State Rank
California State Total	39,368,078	
California MSA Total	38,532,760	
Population outside MSAs	835,318	
MSA Population:		
Los Angeles-Long Beach-Anaheim	13,109,903	1
San Francisco-Oakland-Hayward	4,696,902	2
Riverside-San Bernardino-Ontario	4,678,371	3
San Diego-Carlsbad	3,332,427	4
Sacramento-Roseville-Arden-Arcade	2,374,749	5
San Jose-Sunnyvale-Santa Clara	1,971,160	6
Fresno	1,000,918	7
Bakersfield	901,362	8
Oxnard-Thousand Oaks-Ventura	841,387	9
Stockton-Lodi	767,967	10

Source: U.S. Census Bureau population estimates, July 1, 2020.

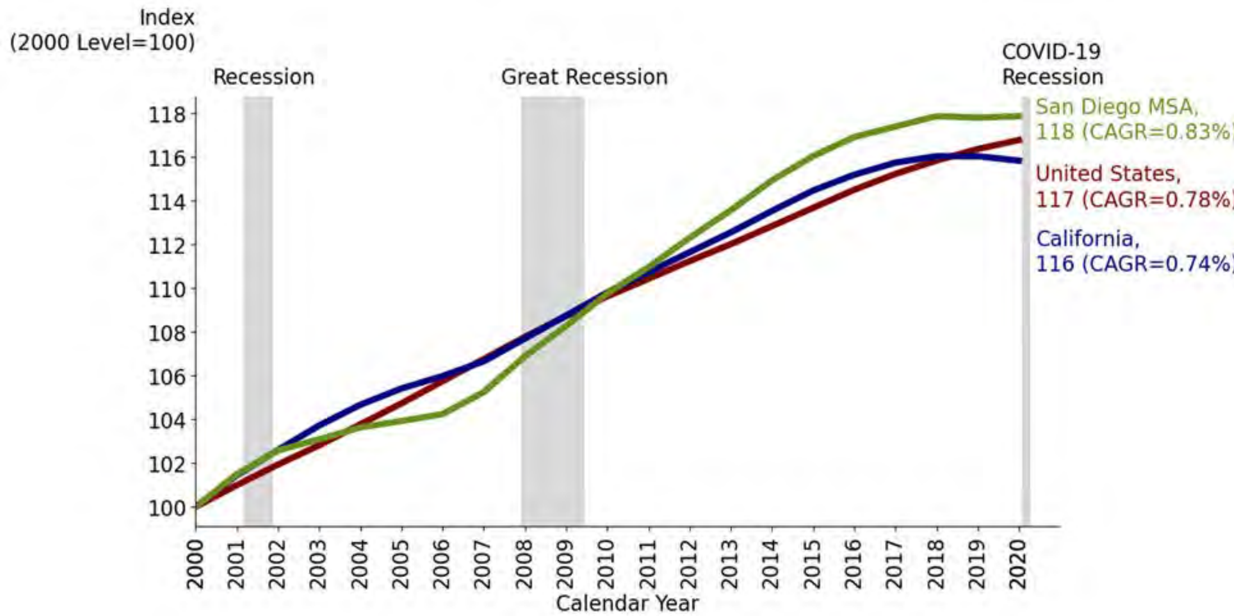
Figure 10| California County Population Map, 2020



Source: Unison Consulting, Inc., and U.S. Census Bureau 2020 population estimates. County labels are shown for the most populous California counties. Darker shading indicates larger population.

The San Diego MSA population has been growing faster than the California and U.S. populations. From 2000 to 2020, the San Diego MSA population increased by 17.8 percent (0.83 percent annually), compared with 16.7 percent (0.78 percent annually) for the United States and 15.8 percent (0.74 percent annually) for California (Figure 11). Due to a slowdown in immigration and increased outmigration, both the San Diego MSA and California as a whole have experienced a plateauing of population growth since 2018.

Figure 11| Population Growth



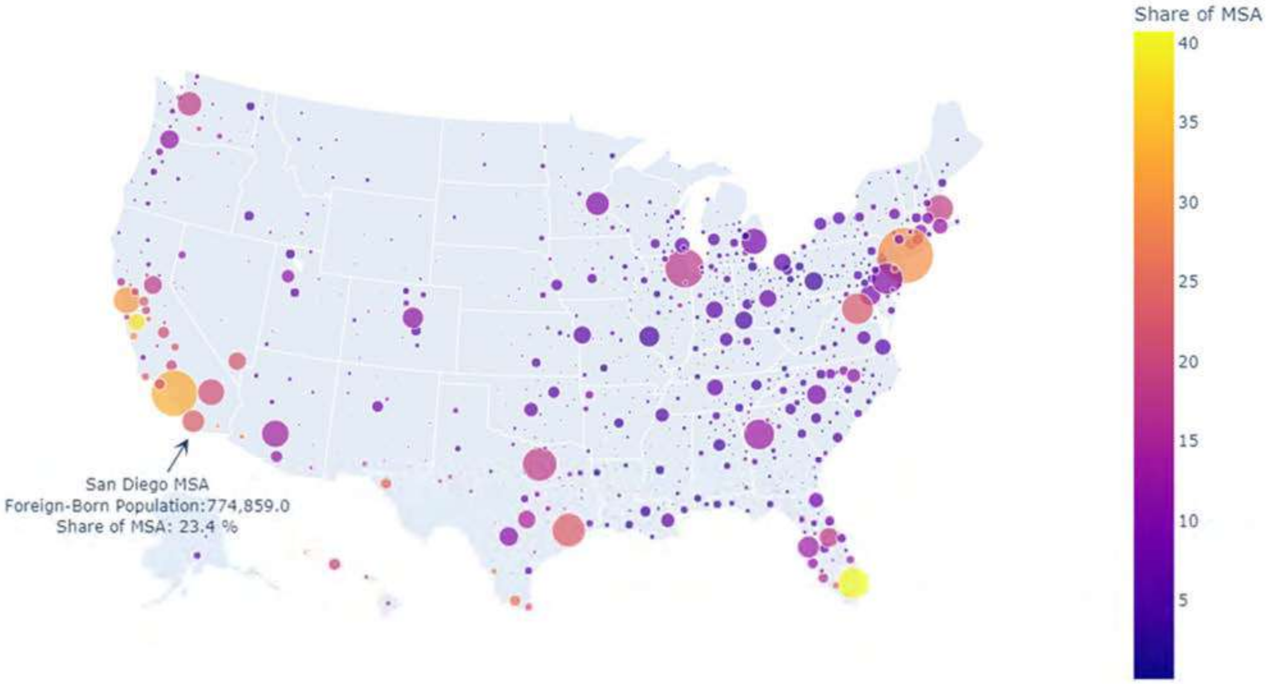
Data labels indicate the cumulative growth index and the compound annual growth rate (CAGR).
Source: U.S. Census Bureau mid-year population estimates.

The San Diego MSA has one of the larger concentrations of immigrant population in the country: an estimate of 774,859 persons, or 23.4 percent of the MSA population (Figure 12). Among U.S. metropolitan areas, San Diego ranks 12th in immigrant population size and 25th in immigrant population share. Of the San Diego MSA's immigrant population, immigrants from Mexico account for the largest share (43 percent), and immigrants from Asia account for the second largest share (39 percent).[12]

Large immigrant populations can significantly raise the demand for international travel and thus airline service. At SAN, however, the presence of Mexican-born individuals only contributes to a slight uptick in Mexico destinations (see Section 3). There are two main reasons for the low number of Mexican destinations from SAN. The first is San Diego's proximity to the Mexican border, which allows for alternative modes of international travel, such as buses, cars, and trains. The second reason is the accessibility of TIJ, which allows convenient domestic air travel within Mexico.

[12] Source: U.S. Census Bureau's 2015-2019 American Community Survey. The term "immigrant" (or "foreign born") refers to people residing in the United States who were not U.S. citizens at birth. This population includes naturalized citizens, lawful permanent residents (LPRs), certain legal nonimmigrants (e.g., persons on student or work visas), those admitted under refugee or asylee status, and persons illegally residing in the United States.

Figure 12| U.S. Immigrant Population from All Countries by MSA, 2015-2019



Circle shade indicates immigrant population share. Circle size corresponds to MSA population size.
Source: U.S. Census Bureau, American Community Survey 2015-2019.

The San Diego MSA and the Mexican municipalities of Tijuana, Rosarito Beach, and Tecate comprise an international metropolitan region that spans the U.S.-Mexico border. In 2020, the region is home to approximately 5.49 million people—3.33 million living in the San Diego MSA and 2.16 million living across the border in Tijuana, Rosarito Beach, and Tecate.[13] The international metropolitan region's population is second in size among such regions only to the population of the Detroit-Windsor region that spans the U.S.-Canada border. Millions of people pass through the three ports of entry in the region (Otay Mesa, San Ysidro, and Tecate). Around 33.8 million passenger border crossings were recorded in 2020 (Table 4), down from over 54.5 million crossings recorded in 2019.[14] The decrease can be attributed to several factors, including more stringent immigration policies under the Trump administration and COVID-19 travel restrictions. Nonetheless, high volume of cross-border traffic reflects the close economic and cultural ties between the San Diego MSA and the adjacent Mexican municipalities and the economic vitality of the international metropolitan region. In March 2017, the mayors of San Diego and Tijuana signed a memorandum of understanding that pledged to strengthen cooperation between the two cities.

[13] Based on data from the U.S. Census Bureau and Instituto Nacional de Estadistica y Geografia (INEGI).

[14] Source: U.S. Department of Transportation, Border Crossing/Entry Data.

Table 4| Annual Passenger Border Crossing/Entry Data, 2020

Passenger Type by	Port of Entry			
Ground Travel Mode	**Otay Mesa**	**San Ysidro**	**Tecate**	**Total**
Bus passengers	8,300	67,466		**75,766**
Pedestrians	2,188,463	5,043,034	512,467	**7,743,964**
Personal vehicle passengers	7,092,082	17,980,834	902,661	**25,975,577**
Train passengers	178			**178**
Total	**9,289,023**	**23,091,334**	**1,415,128**	**33,795,485**

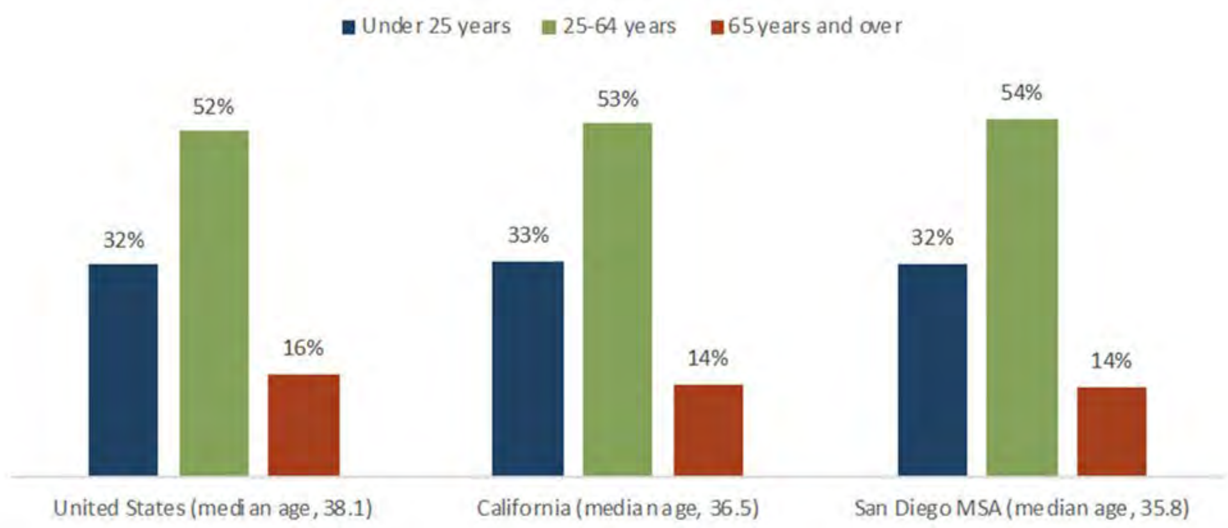
Source: U.S. Bureau of Transportation Statistics Border Crossing/Entry Data.

2.4 | Population Age Distribution

The San Diego MSA has a relatively young population, with median age over two years younger than the national median and one year younger than the state median (Figure 13). The age distribution of the San Diego MSA population mirrors the state- and national-level age distributions. The largest population is between 25 and 64 years old, and the smallest population is the 65-and-over age group, which approximates the age group of retirees. With its younger population, the San Diego MSA also has a lower old-age dependency ratio (20.1) than the nation (23.8). This indicator measures the capability of local residents to support local dependent populations.[15] Having a low old-age dependency ratio implies that the San Diego MSA economy has less funds tied up in social programs and more resources that could be allocated toward local businesses. It also means that the San Diego MSA's economy could grow faster and recover quicker from the pandemic than the nation.

[15] The old-age dependency is defined as the ratio of the number of persons aged 65 and over to the number of persons aged between 15 and 64, multiplied by 100. Higher old-age dependency ratios suggest that local residents are less likely able to support local dependent populations.

Figure 13| Population Age Distribution, 2015-2019



Source: U.S. Bureau of the Census, 2015-2019 American Community Survey Five-Year Estimates.

2.5 | Educational Attainment

A well-educated workforce is important for economic diversification and sustaining long-term economic growth. By being able to adapt quickly to changing skill requirements, well-educated workers help drive innovation and raise local productivity.[16] College educational attainment in particular has been closely linked with high local productivity, incomes, and employment levels.[17, 18] Relative to the nation and the state, the San Diego MSA has a considerably higher share of college and graduate degree holders among residents 25 and older (Figure 14). Many of these college graduates are likely attracted to the San Diego MSA's high concentration of knowledge-based industries, including technology and life sciences companies.[19] They are also likely attracted to San Diego's various start-ups and young firms, which offer a vibrant working environment.

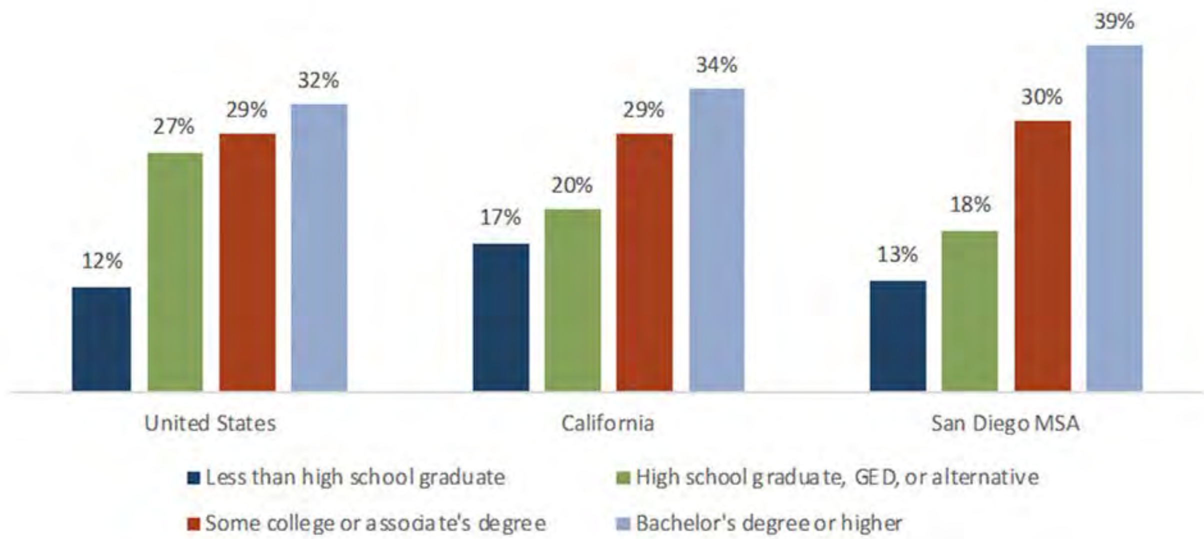
[16] Enrico Moretti, *The New Geography of Jobs*, Houghton Mifflin Harcourt, 2012.

[17] J.R. Abel and T.M. Gabe, "Human capital and economic activity in urban America," *Regional Studies* 45(8), 2011, page 1079-1090.

[18] L. Wolf-Powers, *Predictors of Employment Growth and Unemployment in US Central Cities*, W.E. Upjohn Institute, 2013, <http://research.upjohn.org/up_workingpapers/199/>.

[19] Joe Cortright, "The Young and the Restless and the Nation's Cities," *CityReport*, October 2014, <http://cityobservatory.org/wp-content/uploads/2014/10/YNR-Report-Final.pdf>.

Figure 14| Educational Attainment of Population 25 Years and Older, 2015-2019



Source: U.S. Bureau of the Census, 2015-2019 American Community Survey Five-Year Estimates.

In addition to being a driver of economic growth, the San Diego MSA's large share of college-educated workforce also softened the adverse impacts of the COVID-19 pandemic on its economy. When states enforced local travel restrictions and shelter-in-place orders, businesses in industries that required face-to-face interactions, such as the restaurant industry, were forced to close. Other industries, such as professional and technical industries, were able to keep operations running by transitioning into a "work-from-home" business model. Compared to non-college-educated workers, college-educated workers are more likely to be employed in industries that had higher work-from-home potential. Therefore, MSAs with high concentrations of college-educated workers, such as the San Diego MSA, were able to adapt to the travel restrictions, lessening the adverse economic impacts associated with COVID-19-related regulations.

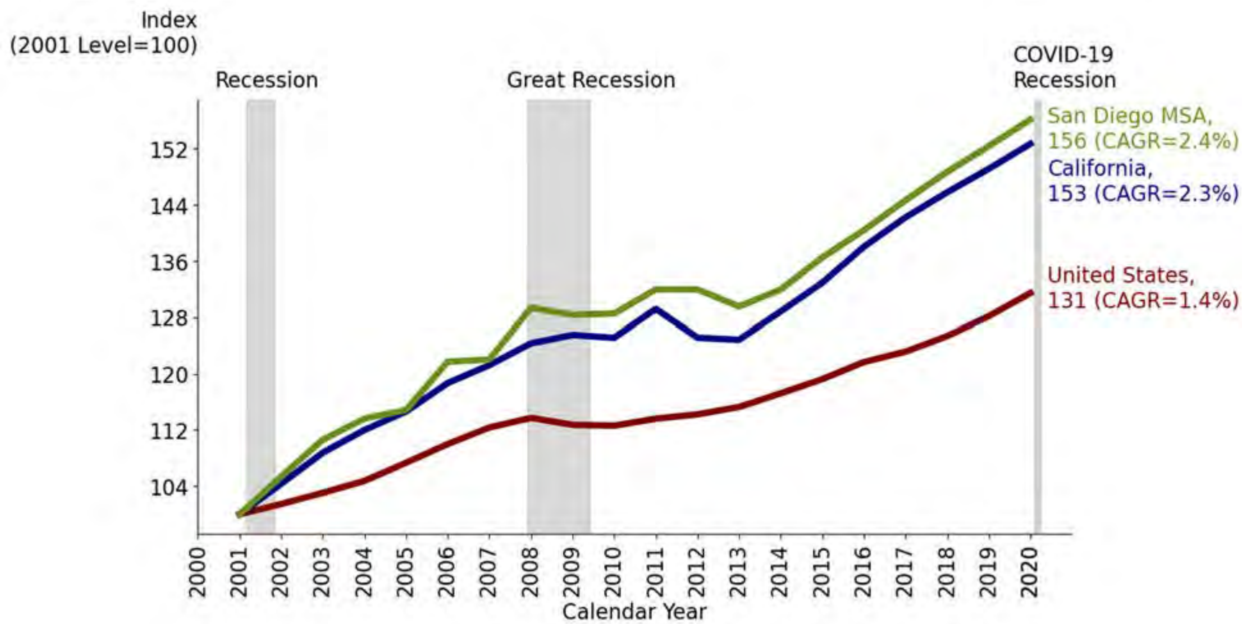
Nonetheless, the introduction of remote work likely had countervailing effects on the recovery in air passenger traffic. On the one hand, as higher educated individuals account for most of business travel, the ability to work and conduct business remotely likely contributed to the slow recovery of business travel. On the other hand, because higher educated individuals have more discretionary income to spend on leisure activities, the ability to work from anywhere likely increased leisure travel, which has been recovering faster than business travel.

2.6 | Labor Market

Trends in the labor market reflect business conditions and overall economic well-being—factors that influence the demand for air travel. Generally, employment decreases during economic recessions and increases during recoveries and expansions, and as such employment growth rates often reflect the pace of economic growth. Figure 15 to Figure 18 show an increasing number of business establishments and growing employment in all business establishments.

Job creation begins with business development, which has progressed more rapidly in the San Diego MSA and California than in the entire nation (Figure 15). From 2001 to 2020, the number of business establishments in the San Diego MSA increased by 56 percent, above California's 52 percent increase and well ahead of the United States' 31 percent increase. Even with the negative economic impacts of the COVID-19 pandemic, establishment growth held steady in 2020, continuing its upward trend that began after 2012. In fact, establishment growth has been resilient to economic downturns over the last two decades, with only significant establishment contractions following the 2008-2009 Great Recession.

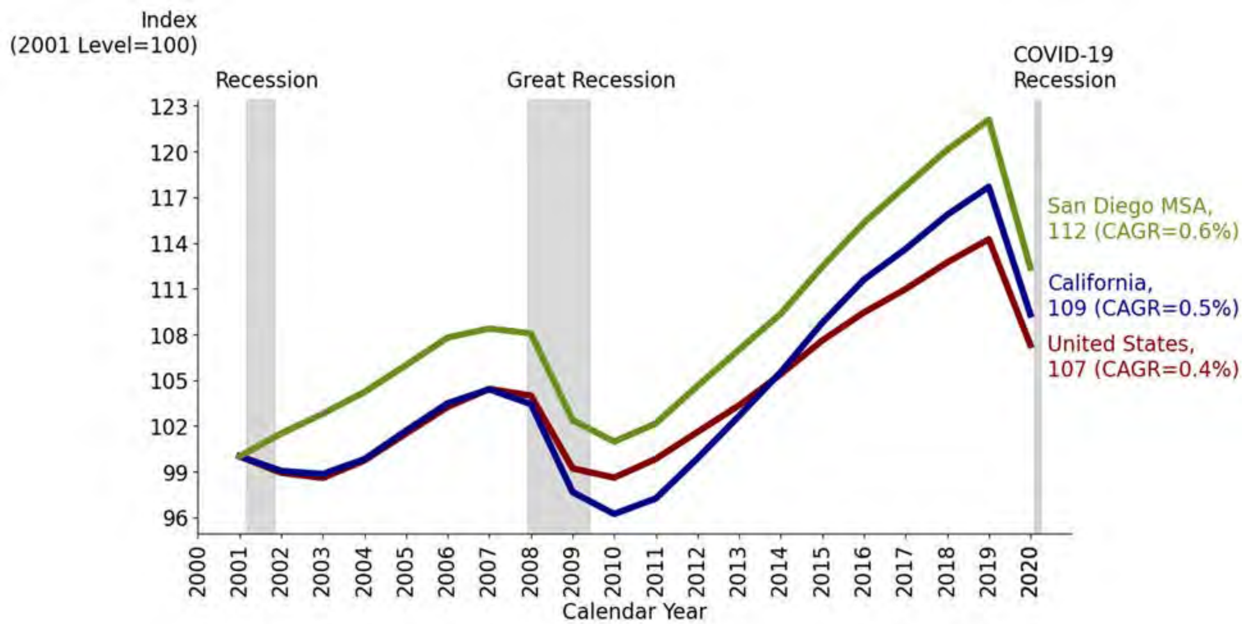
Figure 15| Growth in Number of Business Establishments



Data labels show the compound annual growth rate (CAGR) and the cumulative growth index.
Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Distinct from the establishment trends, employment growth has been more sensitive to economic fluctuations. Between 2001 and 2020, the San Diego MSA's employment grew by 12 percent, much lower than its business establishment growth of 56 percent but still higher than the employment growth of California (9 percent) and the employment growth of the United States (7 percent) (Figure 16). Over the same period, employment levels across the United States declined precipitously multiple times, including during the 2008-2009 Great Recession and during the COVID-19 recession. In addition to its sensitivity to economic fluctuations, employment levels are slow to recover from economic downturns. As an example, full employment recovery from the 2008-2009 Great Recession took more than half a decade, reaching 2008 levels only after 2013. Together, sharp contractions and slow recoveries highlight the vulnerability of employment to large shocks to the economy.

Figure 16| Growth in Number of Employees in All Business Establishments

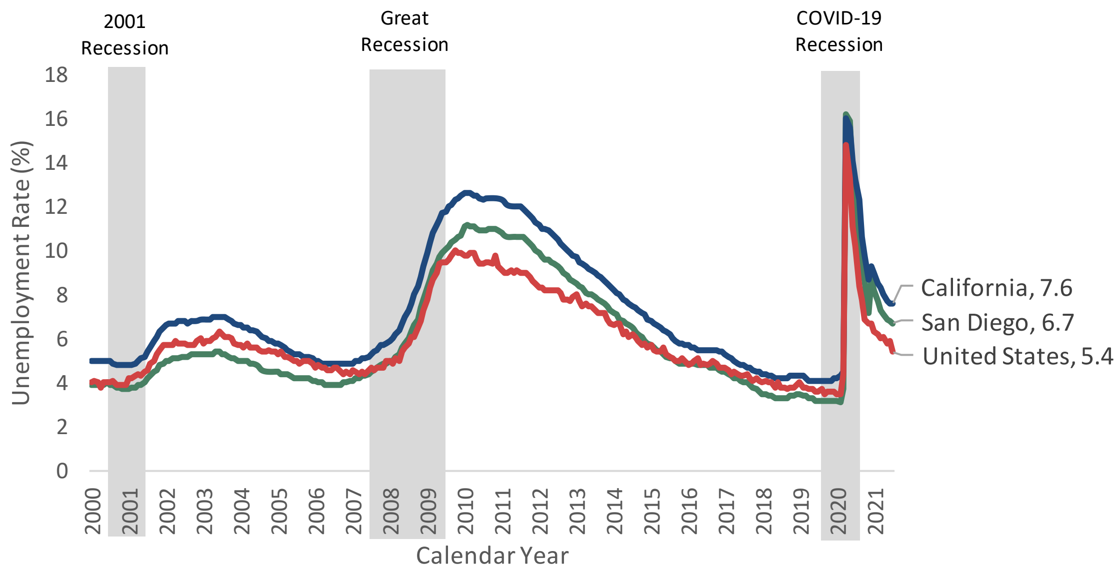


Data labels show the compound annual growth rate (CAGR) and the cumulative growth index.
Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Civilian labor force data complete the picture on the labor market conditions in the San Diego MSA. The key indicator from this data is the civilian unemployment rate, which is the share of working-age (16 years and older) residents in the labor force that are unemployed. Across the nation, unemployment rates had fallen to their lowest levels just before the COVID-19 pandemic, and the San Diego MSA's monthly unemployment rate fell to its lowest level of 3.3 percent since 2000 (Figure 17). Since the pandemic, unemployment rates have risen across the nation, ending a decade-long period of declining unemployment rates. In July 2021, the San Diego MSA unemployment rate was 6.7 percent, above the national unemployment rate of 5.4 percent but below the California state unemployment rate of 7.6 percent. These numbers are much lower than the peak of nearly 16 percent from a year ago.[20] Relative to California's other metropolitan areas, the San Diego MSA's unemployment rate remains one of the lowest (Figure 18).

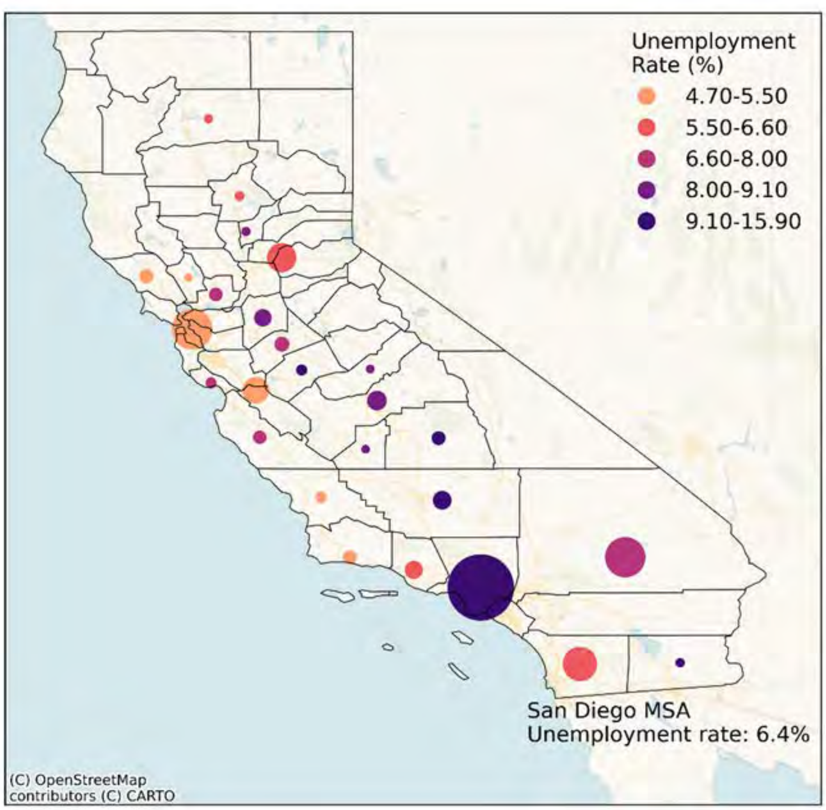
[20] The unemployment rate figures cited are seasonally adjusted.

Figure 17| Monthly Unemployment Rate, January 2000 to July 2021



Source: Seasonally adjusted unemployment rates from the U.S. Bureau of Labor Statistics.

Figure 18| California MSA Unemployment Rates, June 2021 (Not Seasonally Adjusted)

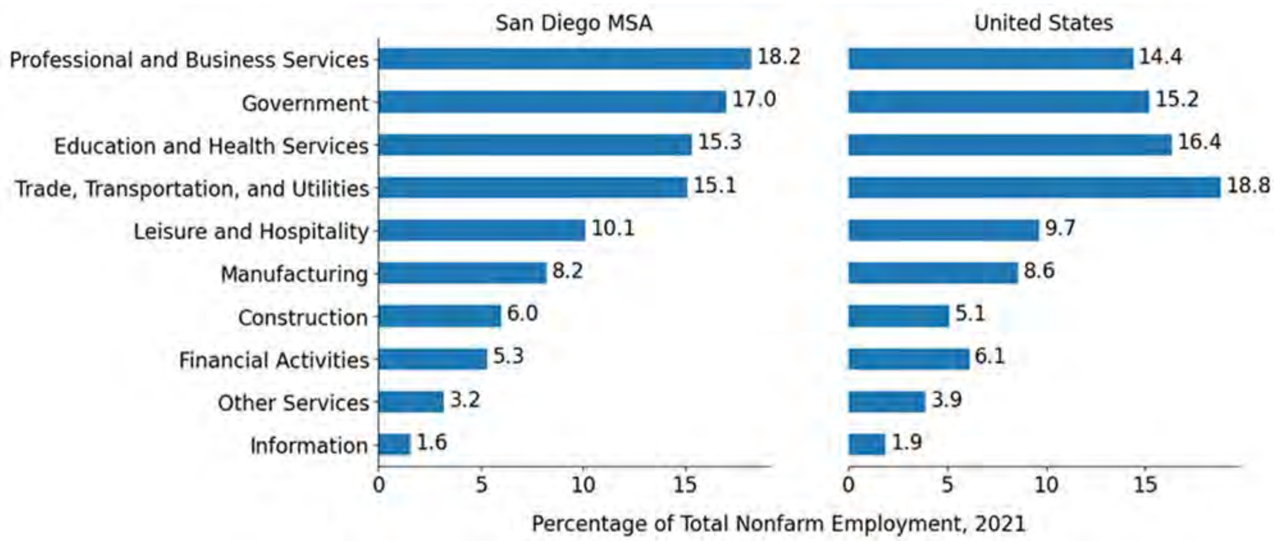


Circle size corresponds to MSA population size.
Source: U.S. Bureau of Labor Statistics Local Area Unemployment Statistics Map.

2.7 | Employment by Industry

The San Diego MSA has a diverse economic base. In 2021, the main industries that comprise at least ten percent of the MSA's total nonfarm employment are *Professional and Business Services; Government; Education and Health Services; Trade, Transpiration, and Utilities;* and *Leisure and Hospitality* (Figure 19). Compared to the nation, the San Diego MSA has much larger employment concentrations in the *Professional and Business Services* and *Government* industry sectors. The *Professional and Business Services* industry sector contains many industries in the fields of science and innovation. The *Government* industry sector includes civilian employees of the U.S. Department of Defense but excludes military personnel. There are more than 100,000 active-duty military service members in San Diego, making the MSA the largest military community in world.[21]

Figure 19| Share of Total Nonfarm Employment Across Industries, 2021



The Mining and Logging industry is not shown on the chart as it accounts for less than 1 percent of total nonfarm employment in both the San Diego MSA and the United States.
Source: U.S. Bureau of Labor Statistics Current Employment Statistics.

Figure 20 shows employment growth by industry in the San Diego MSA from 2000 to 2021. Before the COVID-19 pandemic, the fastest growing industry sector was *Education and Health Services*, in which employment grew by 81 percent between 2000 and 2019. The second highest industry sector growth occurred in *Leisure and Hospitality*, where employment increased by 56 percent. The *Professional and Business Services* industry sector also saw a significant gain of 28 percent.

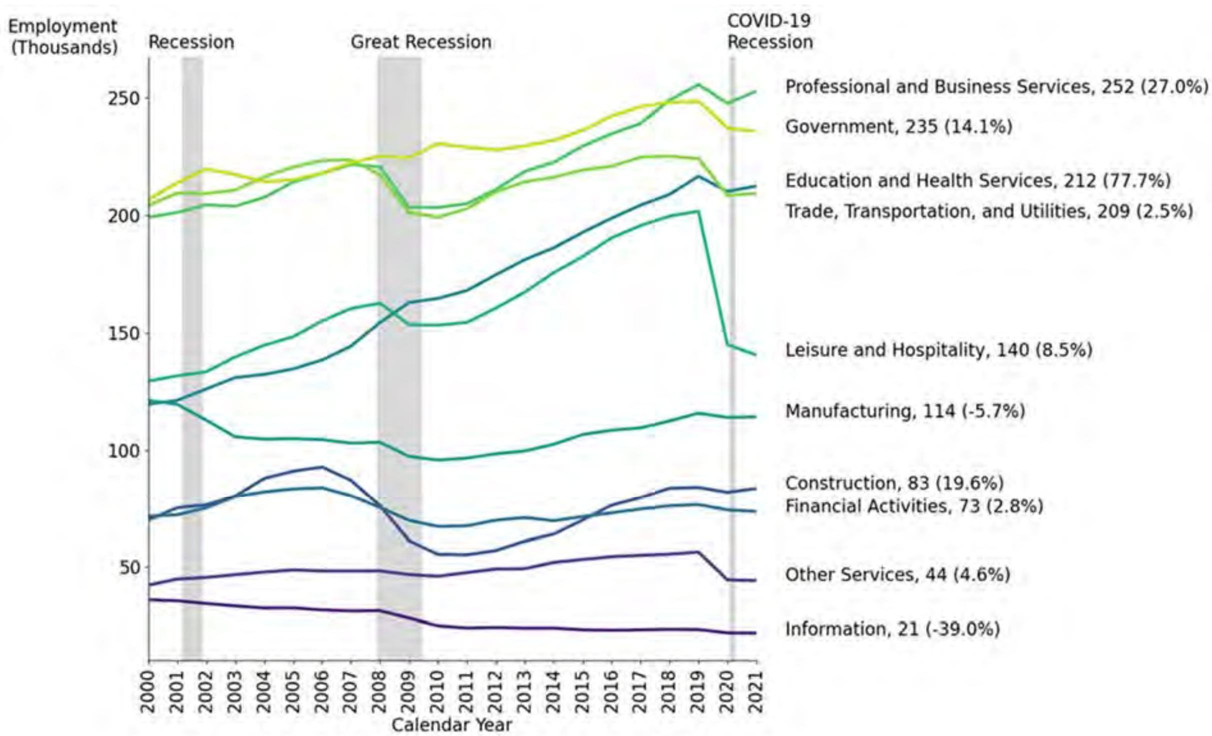
Over the same period, two industry sectors in the San Diego MSA experienced employment declines: the *Information* industry sector (down 39 percent) and the *Manufacturing* industry sector (down 6 percent). These declines were part of a long-run national trend driven by advancements in

[21] "San Diego's Military Community," Thomas Jefferson School of Law, <https://www.tjsl.edu/military/san-diego-community>, accessed on August 11, 2021.

computers and information technologies that began in the late 1980s and accelerated in the 1990s. The increase in global trade and proliferation of trade liberalization policies, such as the North American Free Trade Agreement (NAFTA) of 1994 and China's ascension to the World Trade Organization in 2001, have also contributed to a dwindling of U.S. manufacturing employment. Despite these headwinds, the San Diego MSA has been able to maintain much of its manufacturing base, where the local industry employment loss (down 5.7 percent) was less than a quarter of the national rate (down 26 percent).

The COVID-19 pandemic has brought unprecedented disruptions to the San Diego MSA's labor market. Among the industry sectors, *Leisure and Hospitality* experienced the most substantial decline between 2020 and 2021. Employment decreased by more than 20 percent between January 2020 and June 2021, erasing much of the employment growth over the last two decades. Contributing factors to this decline include depressed travel demand induced by business closures and statewide travel restrictions. Despite the easing of these restrictions in 2021, employment has yet to rebound in the *Leisure and Hospitality* industry sector, suggesting a slow and long recovery ahead. The emergence of the COVID-19 virus variants further complicates the industry sector's employment recovery. By contrast, industry sectors such as *Professional and Business Services* and *Education and Health Services* experienced relatively small negative effects of the pandemic (less than a 4 percent decline) and have already begun to recover.

Figure 20| Employment Growth by Industry, 2000-2021



Data labels show industries' 2021 employment levels (in thousands) and 2000-2021 cumulative growth rates (in parenthesis). The *Mining and Logging* industry sector is omitted from the graph because it has accounted for less than 1 percent of total nonfarm employment in both the San Diego MSA and the United States since 2000.
Source: U.S. Bureau of Labor Statistics Current Employment Statistics.

2.8 | Top Employers and Large Company Headquarters

Table 5 lists the top ten largest employers in the San Diego MSA. Over the years, these rankings have remained relatively stable. The top employers are concentrated in the *Education*, *Health Care*, and *Government* industries. Numerous companies are headquartered in the San Diego MSA; the ten largest companies, earning more than $1 billion in annual revenues, are listed in Table 6. The results from these tables confirm the industry-level insights from the previous section, Employment by Industry.

Table 5| Ten Largest Employers in the San Diego MSA

Rank	Employer	Industry Description	Employees	Share of Total County Employment
1	Federal Government (includes Department of Defense)	Government	48,500	3.55%
2	State of California	Government	45,200	3.31%
3	University of Califomia (includes UC Health)	Education and research	35,802	2.62%
4	Sharp Healthcare	Health care	18,770	1.37%
5	County of San Diego	Government	18,025	1.32%
6	Scripps Health	Health care	15,334	1.12%
7	San Diego Unified School District	Education	13,559	0.99%
8	Qualcomm, Inc.	Semiconductor and telecommunications	13,000	0.95%
9	City of San Diego	Government	11,820	0.87%
10	Kaiser Permanente	Healthcare	9,630	0.71%

Source: "Table 14: County of San Diego Principal Employers," *County of San Diego Comprehensive Annual Financial Report*, Fiscal Year Ending June 30, 2020.

Table 6| Ten Largest Companies by Annual Revenue Headquartered in the San Diego MSA

Company	Business Description
Qualcomm, Inc.	Semiconductor and telecommunications
Petco Holdings, Inc.	Specialty pet food retail
Jack in the Box	Fast-food restaurant chain
Sempra Energy	Natural gas utilities holding company
Sharp Healthcare	Health care
General Atomics	Aerospace and defense
Scripps Health	Health care
San Diego Data Processing	Information technology
Pulse Electronics	Electronic components
Teradata	Database and analytics-related service

Source: Zippia.com, *Ten Biggest Companies in San Diego, CA*, accessed online on July 30, 2021.

2.9 | Tourism

Tourism not only drives demand for air transportation but also contributes to economic growth. As one of the most important industries in the San Diego MSA, tourism creates demand for goods and services offered by various business establishments and provides employment to local residents.

San Diego is one of the top 10 visitor and meeting destinations in the United States, historically drawing more than 30 million visitors annually.[22] The number of visitors to the San Diego MSA, measured in person trips increased from 33.8 million in 2014 to a peak of 35.8 million in 2018, before dropping to a low of 14.3 million in 2020, due to the COVID-19 pandemic (Figure 21). The San Diego Tourism Authority projects the number of visitors to the San Diego MSA to recover to the pre-pandemic levels by 2024 and grow to 36.9 million person-trips by 2025.

Figure 21| Number of Visitors to the San Diego MSA (in Million Person-Trips)

Sources: San Diego Tourism Authority, CIC Research, and Tourism Economics. The 2021-2025 forecasts are from Tourism Economics, San Diego Travel Forecast, prepared for San Diego Tourism Authority, April 2021.

The San Diego MSA offers attractive natural amenities, including more than 70 miles of coastline and desirable climate. It also offers an array of entertainment options[23]:

- Destination neighborhoods such as La Jolla, Mission Bay, Point Loma Peninsula, Coronado Island, Downtown and Gaslamp Quarter, and Old Town.

[22] San Diego Regional Economic Development Corporation, *Our Economy*.

[23] Sources: Official websites of the San Diego Regional Economic Development Corporation, <https://www.sandiegobusiness.org>, and the San Diego Tourism Authority, <https://www.sandiego.org>, accessed August 11, 2021.

- Theme parks such as LEGOLAND California, San Diego Zoo, San Diego Zoo Safari Park, SeaWorld San Diego, and USS Midway Museum. A new theme park, Sesame Place, is scheduled to open starting March 2022.
- Arts and culture at Balboa Park, known as the Smithsonian of the West, with 17 museums and performing arts venues, and San Diego's Nine Arts Districts.
- Sports including watersports, individual sporting activities, and spectator sports with the San Diego Padres at Petco Park.
- Nature parks such as Anza-Borrego Desert State Park located on the eastern edge of San Diego County, Mission Trails Regional Park, Torrey Pines State Natural Reserve Park, Cabrillo National Monument Historic Park, and San Diego's wetlands.
- Las Vegas-style casinos in East County and North County Inland.
- Del Mar Racetrack & Fairgrounds.

Because of its various amenities and attractions, the San Diego MSA is a popular destination for conferences, conventions, meetings, concerts, antique and auto shows, and other special events. It boasts one of the nation's largest convention centers—the San Diego Convention Center (SDCC)—that generates substantial revenues for the city. Every year between 2016 and 2019, the SDCC held over 61 primary conventions, attracted more than 540,000 attendees and 760,000 contracted room nights, and brought in over $650 million local spending (Figure 22). The Convention Center is also home to the annual Comic-Con Convention, which has been held since 1991. The Comic-Con Convention is one of North America's largest pop culture conventions, drawing more than 130,000 annual attendees.[24]

Because of the pandemic, activity at the SDCC came to an abrupt halt in 2020. Numerous event cancellations, including the 50th annual Comic-Con convention, decreased SDCC visitor activity to less than a quarter of its pre-2020 level. The SDCC temporarily closed in April 2020 and served as an emergency shelter through March 2021. The unprecedented decline in visitor activity resulted in significant budgetary pressures on the SDCC as well as San Diego's local governments, which rely on tax revenues from the Convention Center. However, the declines in visitor activity are expected to reverse as face-to-face meetings resume. California's high vaccination rates pave the way for the safe resumption of meetings and conventions in San Diego, according to the City of San Diego mayor. The SDCC reopened to host its first event since the start of the pandemic, in August 2021, following more than 15 months serving as an emergency shelter during the pandemic.

[24] Source: San Diego Tourism Authority, <https://www.sandiego.org>, accessed August 11, 2021.

Figure 22| San Diego Convention Center Activity, 2015-2020

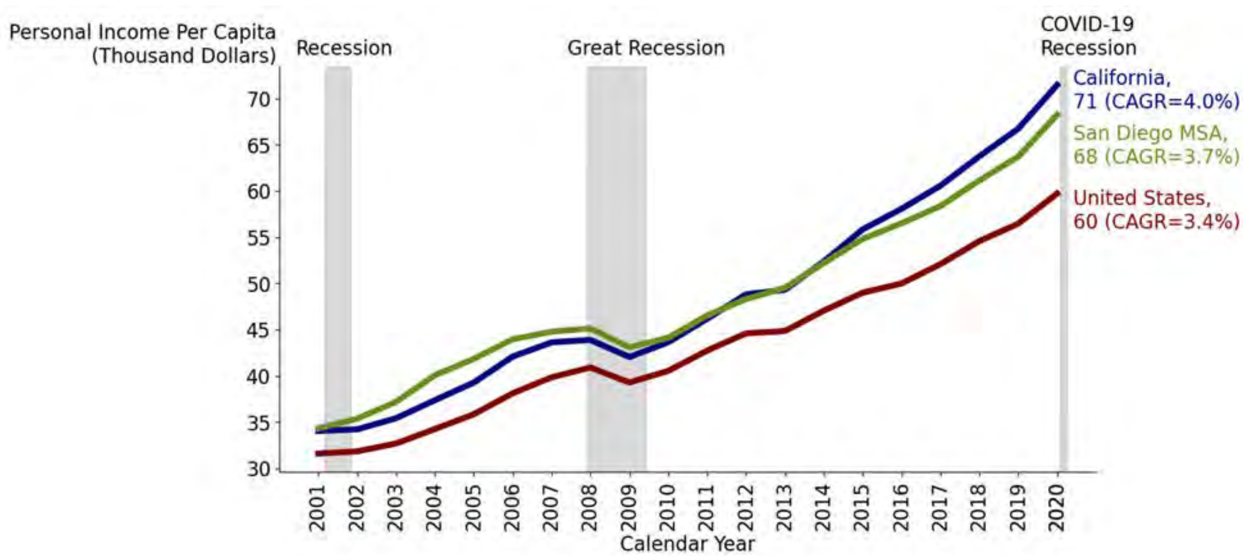
Data are only available for primary conventions.
Source: San Diego Tourism Authority, *Annual Visitor Industry Summary*, 2020.

2.10 | Personal Income and Cost of Living

Personal income measures the income people receive from all sources—employment, proprietorship, government transfers, rental properties, and other assets. It is an indicator that is associated with consumers' total expenditures. As such, growth in personal income boosts air travel demand, whereas a decrease in personal income lowers air travel demand. Furthermore, as a component of GDP, personal income tracks business cycles: on average, personal income increases during economic expansions and falls during economic recessions.

Residents of the San Diego MSA enjoy a high level of personal income. In 2020, the per-capita personal income of the San Diego MSA was estimated to be $68,250, higher than the national mean ($59,729) but lower than the state mean ($71,480). Similar to their level differences, the San Diego MSA outpaced the nation in per-capita income growth but trailed behind California's growth between 2001 and 2020. The compound annual growth rate for the San Diego MSA was 3.7 percent, 3.4 percent for the United States, and 4.0 percent for California (Figure 23).

Figure 23| Per-Capita Personal Income (Current Dollars), 2001-2020



Data labels show the compound annual growth rate (CAGR) from 2001 to 2020 and the per capita personal income level in 2020. The San Diego MSA's 2020 per capita personal income data has not been released. The chart shows an estimate for the growth in the San Diego MSA's 2020 per capita personal income, based on California's 2019-2020 per capita personal income growth rate.
Sources: U.S. Bureau of Economic Analysis.

Compared to other metropolitan areas, the San Diego MSA's cost of living, as measured by the Regional Price Parity (RPP), is ranked 15th among all U.S. metropolitan areas in 2019 (Figure 24). As RPP measures price differences across metropolitan areas relative to the national level (U.S. RPP=100), a higher RPP indicates a lower spending power of local residents. Among California MSAs, the San Diego MSA's cost of living is relatively low, surpassed by seven metro areas: the San Francisco MSA, the San Jose MSA, the Santa Cruz MSA, the Napa MSA, the Santa Rosa MSA, the Los Angeles MSA, and the Vallejo MSA.

Figure 24| Cost of Living, Top 15 MSA Regional Price Parity, 2019

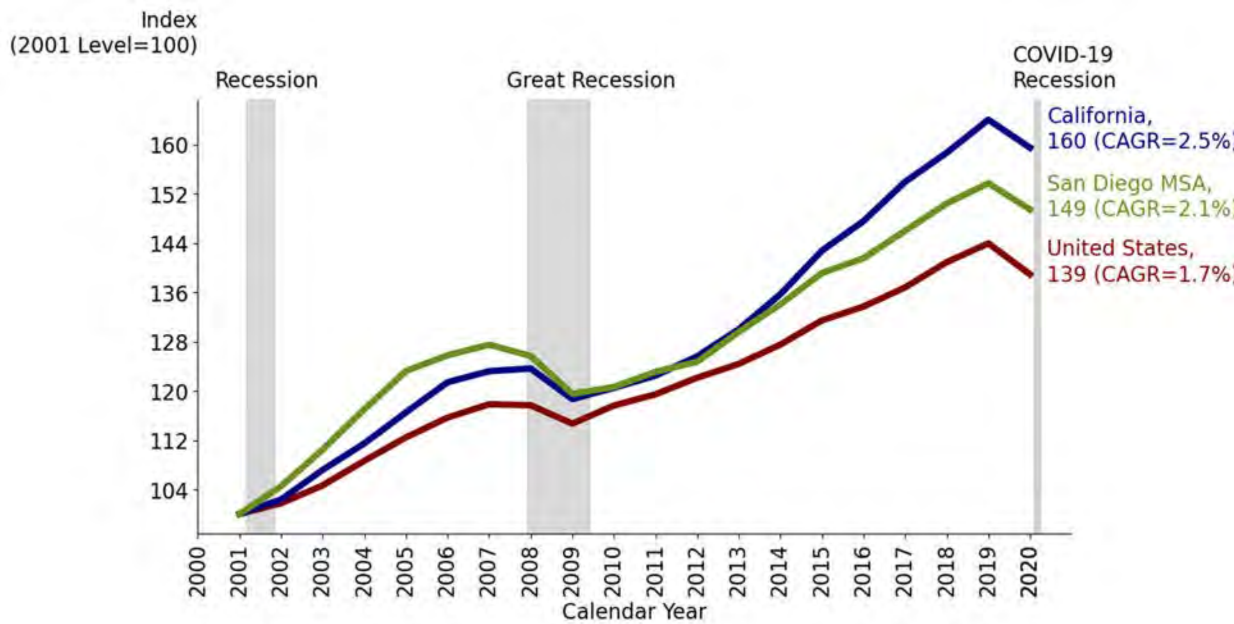
Sources: U.S. Bureau of Economic Analysis.

2.11 | Economic Output

Economic trends drive demand for air travel. The most comprehensive economic indicator is GDP, which measures the value of all goods and services produced in an area. Growth in inflation-adjusted real GDP indicates an economic expansion, which increases demand for air travel, while steady decline over two or more quarters indicates an economic recession, which decreases demand for air travel.

The real GDP growth of the San Diego MSA outperformed the nation from 2001 to 2019 and California from 2001 to 2009. Since 2009, the San Diego MSA's real GDP growth has trailed behind California's real GDP growth, due in part to the exceptional growth in the tech sector in California's other regions, such as the San Francisco-Oakland-Berkely MSA. Measured by real GDP, the San Diego MSA economy grew by 58 percent (2.4 percent annually) between 2001 and 2019, slightly lower than California's statewide real GDP growth of 59 percent (2.5 percent annually) but much higher than the national growth rate of 38 percent (1.7 percent annually).

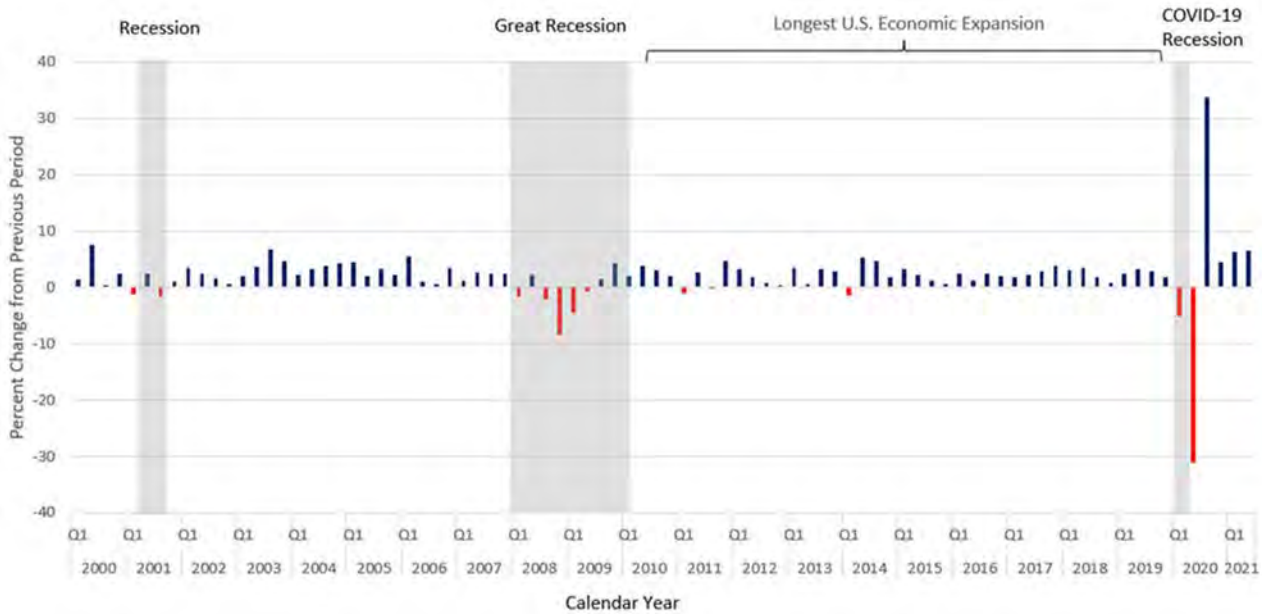
Figure 25| Growth in Real Gross Domestic Product, 2001-2020



Data labels show the compound annual growth rate (CAGR) and the cumulative growth index. The San Diego MSA's 2020 real GDP data has not been released. The chart shows an estimate for the growth in the San Diego MSA's 2020 real GDP, based on California's 2019-2020 real GDP growth rate.
Sources: U.S. Bureau of Economic Analysis.

The COVID-19 pandemic ended a long-running economic expansion that followed the 2008-2009 Great Recession (Figure 26). In 2020, the U.S. economy sank into a deep recession: real GDP contracted by 5.1 percent (annual rate) in Q1 2020 and by 31.2 percent (annual rate) in Q2 2020. These magnitudes were only surpassed by the Great Depression contractions. The COVID-19 recession was distinct from previous economic downturns not only in depth but also in its cause. Whereas previous downturns were either caused by structural changes in the economy or asset bubbles, the COVID-19 recession was directly influenced by state and local governmental regulations targeted at slowing the spread of COVID-19. Governmental measures such as statewide shelter-in-place orders temporarily halted business operations. Thus, when the restrictions eased and businesses re-opened in the second half of 2020, the U.S. real GDP grew rapidly: a 33.8-percent growth in the third quarter and a 4.5-percent growth in the fourth quarter. The U.S. economy continued its steady rebound in the new year. In first two quarters of 2021, the U.S. real GDP grew by over 6.3 percent, raising the real GDP above its pre-COVID-19 level.

Figure 26| U.S. Real GDP, Quarterly, Annualized Percent Change from Previous Period



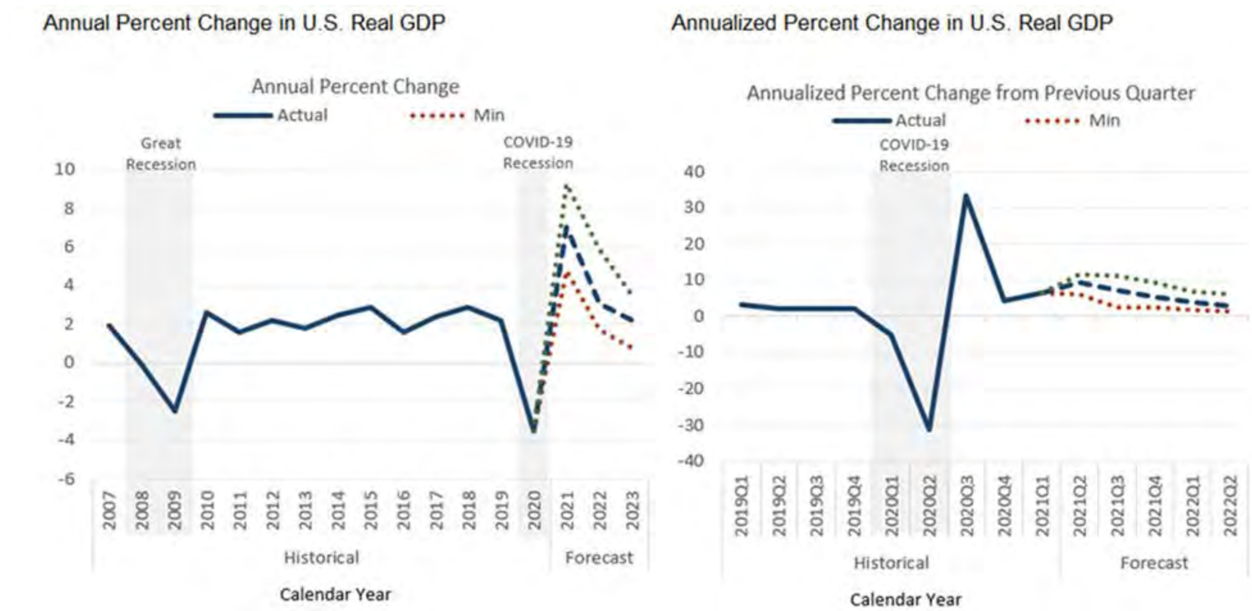
Sources: U.S. Bureau of Economic Analysis.

2.12 | Economic Outlook

Since the U.S. economic activity reached a trough in April 2020,[25] it has rebounded strongly and continues to grow. In the second quarter of 2021, the U.S. real GDP grew at an annualized rate of 6.5 percent relative to the previous period (Figure 26). According to the Wall Street Journal's July 2021 Economic Forecasting Survey, the United States is well-positioned for strong growth over the next three years (Figure 27). The Journal's median estimates of annualized U.S. real GDP growth rates are 7.1 percent in Q3 2021, 5.6 percent in Q4 2021, 3.8 percent in Q1 2022, and 3 percent in Q2 2022. Based on the same forecasts, the U.S. real GDP is projected to grow annually by 7 percent in 2021, 3 percent in 2022, and 2.2 percent in 2023.

[25] NBER Business Cycle Dating Committee, Determination of the April 2020 Trough in US Economic Activity, July 19, 2021.

Figure 27| Historical and Forecast Percent Change in U.S. Real GDP



Sources: U.S. Bureau of Economic Analysis and Wall Street Journal's July 2020 Economic Forecasting Survey.

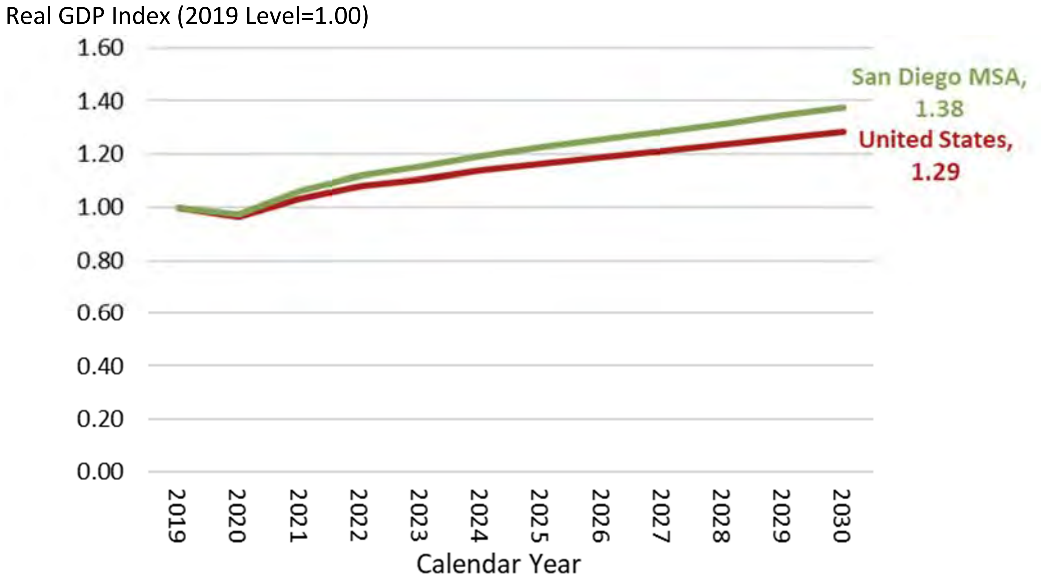
Over the next ten years, the real GDP growth of the San Diego MSA is expected to outperform the real GDP growth of the United States. Based on independent forecasts from Moody's Analytics, the San Diego MSA's real GDP is expected to grow by 38 percent relative to the 2019 level, compared to a national growth rate of 29 percent over the same period (Figure 28). However, in terms of employment growth, the San Diego MSA is expected to lag behind the nation, though the difference is not large. Moody's Analytics forecasts that the San Diego MSA's total nonfarm employment will grow by 5 percent by 2030. Over the same period, the U.S. total nonfarm employment is expected to grow by 6 percent (Figure 29).

A diverse and historically robust economy positions the San Diego MSA to outpace the nation in economic and employment growth. However, the San Diego MSA faces the same headwinds and risks facing the nation. First, the emergence of new COVID-19 virus variants threatens to impede economic growth. As the country faces another COVID-19 surge, the San Diego MSA, which relies heavily on tourism for revenues, braces itself for potential slowing recovery in air travel demand and revenue shortfalls in the near term. Second, the COVID-19 pandemic created significant supply chain disruptions, including the global microchip shortage. As supply fails to meet demand, fears about inflation abound. Although experts on the U.S. economy including the chairman of the Federal Reserve System deem the current rise in prices as transitory, driven by temporary factors unique to the pandemic.[26] Third, COVID-19 stimulus packages from the Biden administration further increased the already high national debt. Going forward, the U.S. Congress will have to raise the debt ceiling, curtail government spending, or raise taxes—all of which could significantly affect

[26] "Short-Lasting Inflation Depends on Long-Lasting Goods," *The Wall Street Journal*, September 12, 2021.

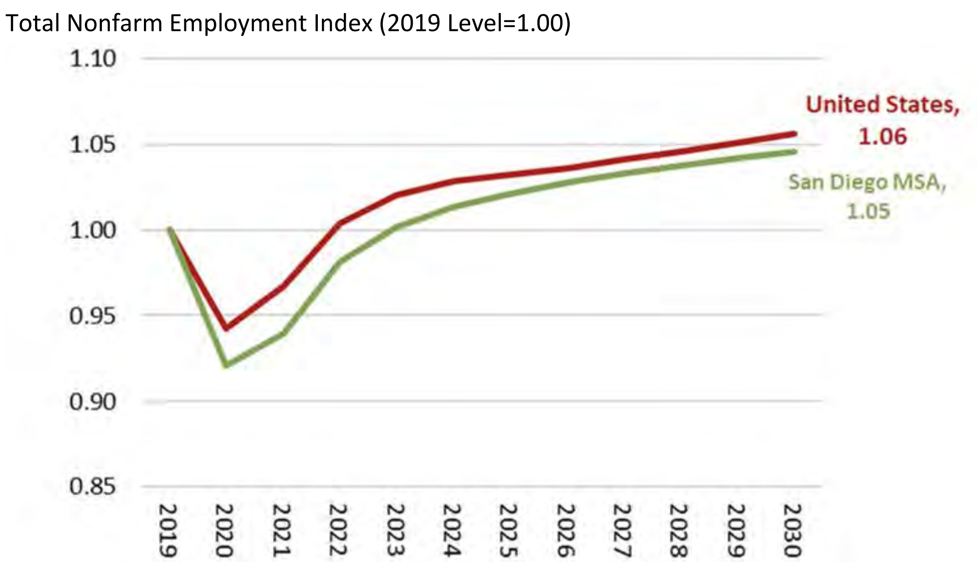
consumer confidence in the economy and business decisions. Fourth, the United States is grappling with two unfavorable demographic shifts: an aging population and a slowdown in population growth due to declining immigration and birth rates. Fifth, growing trade tensions with China and geopolitical conflicts with Russia also pose potential risks to the health of the U.S. economy.

Figure 28| Forecast Growth in Real Gross Domestic Product for the San Diego MSA and U.S.



Sources: Moody's Analytics, July 2021.

Figure 29| Forecast Growth in Total Nonfarm Employment for the San Diego MSA and U.S.



Sources: Moody's Analytics, July 2021.

SECTION 3 | AIR TRAFFIC ANALYSIS AND FORECASTS

SAN is one of the 28 U.S. commercial service airports classified as a large hub by the FAA and ranked 24th largest out of 478 U.S. commercial service airports based on CY2020 enplanements, maintaining its CY2019 rank. The FAA defines large hubs as commercial airports accounting for at least 1 percent of annual U.S. enplanements.[27] Based on CY2020 all-cargo carrier landed weight, SAN ranked 42— up from rank 43 in CY2019—out of 141 qualifying U.S. airports, including both commercial service and general aviation airports.[28]

This section reviews historical trends in commercial aviation activity at SAN and underlying drivers. Annual data are presented mostly on the Airport's fiscal year ending on June 30, unless specified to be on calendar year. Forecasts of key measures of commercial aviation activity (enplanements, aircraft departures or arrivals, and landed weight) are presented for the six-year period ending in FY2027, along with a discussion of the forecast methodology and assumptions. These forecasts serve as input to the financial analysis in Section 4. This section also discusses the broad factors affecting the aviation industry and the Airport that can bring risk and uncertainty into the forecasts.

3.1 | Current Scheduled Commercial Air Service

As of October 2021, 16 passenger airlines are scheduled to provide service from SAN to a total of 67 U.S. cities and eight international cities, and five air carriers are scheduled to provide all-cargo service at SAN. Table 7 shows the airlines scheduled to provide service from SAN as of October 2021, based on the airline schedules, which include the resumption of service by British Airways in October, as well as new entrant Swoop (which is owned by WestJet) starting service in October.

As of January 2020, prior to the start of the COVID-19 pandemic, 17 passenger airlines provided service from SAN to a total of 64 U.S. cities and nine international cities, and five air carriers provided scheduled all-cargo service at SAN. The only passenger airlines no longer operating from SAN that operated in January 2020, are Edelweiss Air and Lufthansa, which together represented less than one percent of enplanements at SAN.

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[27] Federal Aviation Administration, *CY2020 Passenger Boarding Data*, <https://www.faa.gov/airports/planning_capacity/passenger_ allcargo_stats/passenger/>, accessed on August 27, 2021.

[28] Federal Aviation Administration, *CY2020 All-Cargo Airports by Landed Weight*, https://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger/>, accessed on August 27, 2021.

Table 7| Scheduled Passenger and Cargo Airlines (Scheduled as of October 2021)

Passenger Carriers		All-Cargo Carriers
Air Canada[1]	Japan Airlines	Ameriflight
Alaska Airlines[2]	JetBlue Airways	Atlas Air
Allegiant Air	Southwest Airlines	FedEx[6]
American Airlines[3]	Spirit Airlines	Swift Air
British Airways	Sun Country Airlines	United Parcel Service
Delta Air Lines[4]	Swoop	
Frontier Airlines	United Airlines[5]	
Hawaiian Airlines	WestJet	

1 Operated by affiliates, Air Canada Jazz and Air Canada Jazz Rouge.
2 Operated by Alaska Airlines and Horizon Air, separately certificated airlines owned by Alaska Air Group, Inc., and regional affiliate, SkyWest Airlines.
3 Operated by American Airlines and regional affiliate, SkyWest Airlines.
4 Operated by Delta Air Lines and regional affiliate, SkyWest Airlines.
5 Operated by United Airlines and regional affiliate, SkyWest Airlines.
6 Operated by FedEx and regional affiliate, West Air.
Source: The Airport Authority.

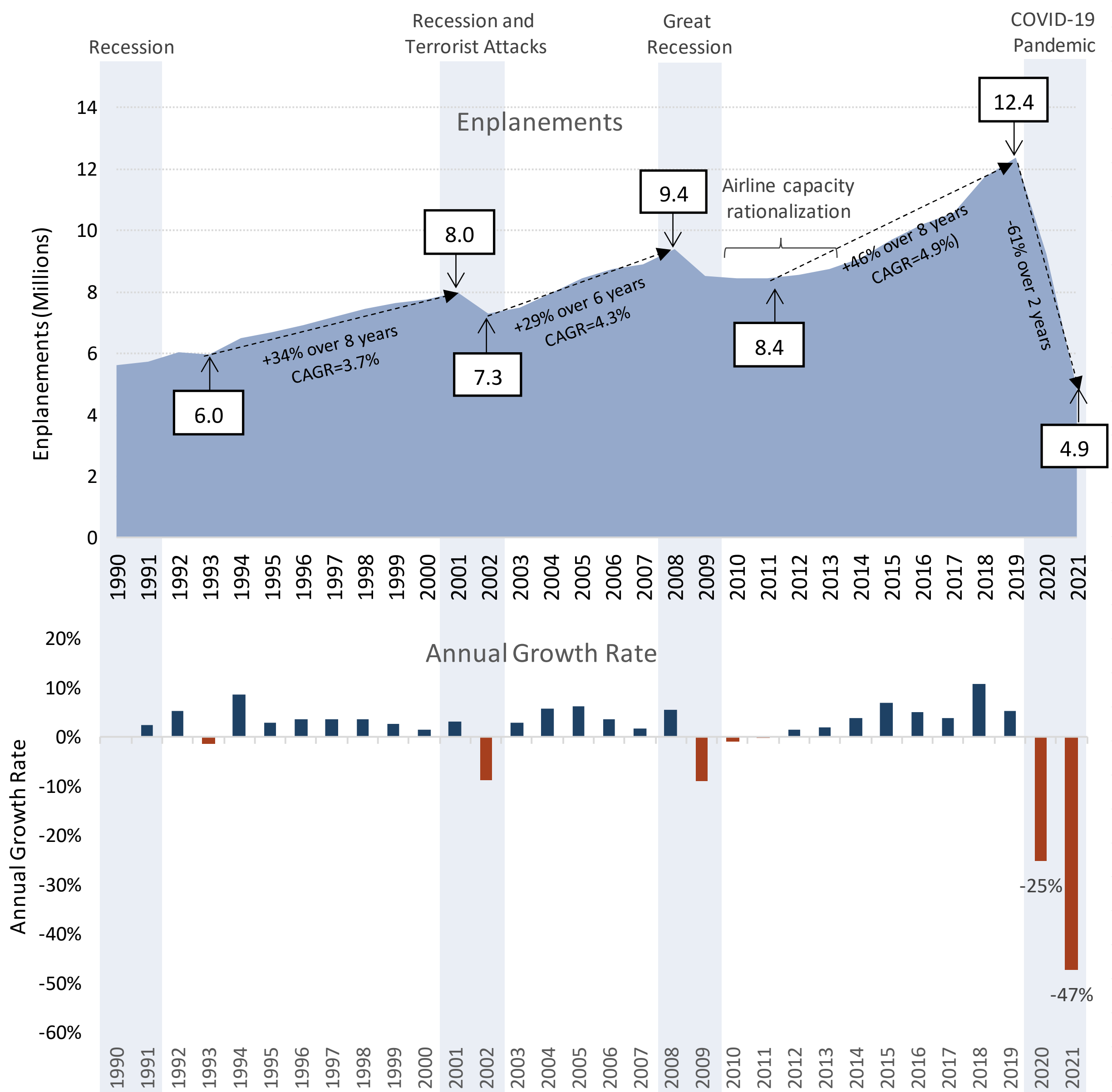
3.2 | Historical Passenger Traffic Trends

SAN set an all-time high record of 12.4 million enplanements in FY2019. The growth leading up to this record was driven by sustained economic expansion nationwide and in the San Diego MSA, and by renewed profitability and capacity expansion in the U.S. airline industry. Figure 30 shows the trends in SAN's enplanements since FY1990, which had increased more than 120 percent from FY1990 through FY2019. In April 2020, however, COVID-19 depressed passenger traffic to unprecedented low levels at airports nationwide. Passenger traffic has since begun to recover, but enplanements at most airports, including SAN, remain below pre-COVID-19 levels. At SAN, annual enplanements decreased in FY2020 and FY2021, down to 4.9 million in FY2021, about 40 percent of FY2019 enplanements. In August 2021, SAN's enplanements recovered to 73 percent of the August 2019 level.

Historically, SAN's passenger traffic grew and declined with the U.S. economy. It is no coincidence that the long-term growth in SAN's enplanements closely tracked the growth in U.S. real GDP of more than 100 percent over the same period. The U.S. economy is a major driver of overall demand for air travel; it is also a major driver of the local economy in the San Diego MSA. Just as SAN enjoys growing traffic during economic expansions, the normal state of the economy, SAN also experiences declines in traffic coinciding with economic downturns, typically brief, with each turn of the business cycle. Each downturn is often followed by a long expansion period and, for SAN, a long period of traffic growth.

The 1990s began with a national economic recession that lasted from June 1990 to March 1991. The Airport weathered the recession with traffic growth through FY1992 and only a small decrease the following year. Economic expansion ensued through March 2001, the second longest in U.S. history, and the Airport's enplanements grew steadily from FY1993 through FY2001, reaching 8 million—an increase of 2 million, or 34 percent, over eight years.

Figure 30| Historical Enplanement Trends at SAN by Fiscal Year



Source: The Airport Authority.

During the 2001 recession, SAN's enplanement level fell almost 9 percent, aggravated by the effects of the September 11, 2001 terrorist attacks. Steady growth followed over the next six years, and SAN's annual enplanements grew to 9.4 million in FY2008 before another downturn during the Great Recession.

The 2000s was an eventful decade for the aviation industry, prompting lasting changes in consumer air travel behavior and airline business practices. Following a three-day shutdown of the U.S. aviation system after the 2001 terrorist attacks, passenger traffic was slow to recover. Stringent airport security measures after the 2001 terrorist attacks resulted in longer wait times for passenger security screening, prompting some demand substitution from air to ground travel for short-haul trips.

Meanwhile, jet fuel prices rose to record high levels. Jet fuel cost per gallon quadrupled from 2000 to 2008, and they remained at record high levels through 2014. Amid record fuel prices, the U.S. economy went into a recession from December 2007 to June 2009—the Great Recession, so called because it was then the longest and deepest recession since the Great Depression. The recession weakened demand for airline services, as airlines contended with high fuel costs.

The series of major shocks to the U.S. aviation industry set in motion significant structural changes. Mounting financial difficulties led to airline bankruptcies and mergers that left the U.S. airline industry with four major airlines controlling 80 percent of the U.S. domestic passenger traffic. These four major airlines are American Airlines, Delta Air Lines, Southwest Airlines, and United Airlines. Surviving airlines embarked on major business restructuring and network consolidations. The U.S. airline industry cut domestic seat capacity to increase load factors, retrofitted existing aircraft with additional seats to increase capacity on each flight, changed route networks, retired high maintenance and fuel inefficient older aircraft, implemented various other cost-cutting measures, and unbundled services and changed pricing to create new revenue sources.

Bad weather, natural disasters, disease outbreaks, and geopolitical conflicts presented additional challenges to airlines. They disrupted airline operations, decreased traffic, and hampered economic recovery.

Weak demand and airline capacity cuts during the Great Recession resulted in a 10 percent decrease in the Airport's annual enplanements from FY2008 through FY2011. Passenger traffic recovery from the Great Recession was initially slow as airlines rationalized capacity. Growth picked up pace beginning in FY2014, continuing through FY2019. SAN's annual enplanements surpassed 10 million beginning in FY2016, rising to an all-time peak level of 12.4 million in FY2019. Over the next two fiscal years, enplanements decreased due to health safety concerns, social distancing, and travel restrictions during the COVID-19 pandemic. SAN ended FY2021 with 4.9 million enplanements—its lowest annual enplanement level in at least 30 years.

Monthly enplanement trends since March 2020 reveal the extent of depression from the COVID-19 pandemic, especially in April 2020 when SAN's enplanements slumped to only 3.5 percent of the April 2019 level (
Table 8). SAN's traffic decline and recovery trends have tracked national trends. Recovery began in May 2020 as stay-at-home orders began ending in various parts of the country. It was progressing at a good pace until the summer of 2020 when the COVID-19 pandemic entered a second wave, slowing to a halt and then set back when the pandemic entered a third wave in the winter. The pace of recovery accelerated from March 2021, when SAN enplanements were 41.3 percent of March 2019 enplanements, to July 2021, when SAN enplanements reached 74.7 percent of July 2019

enplanements. However, a fourth wave of COVID-19 cases climbed through the summer and peaked in September, causing another slowdown in recovery, as indicated by the slight decrease of monthly 2021 enplanements as a percentage of monthly 2019 enplanements – to 73.2 percent in August 2021 and 73.0 percent in September 2021.

Table 8| SAN Monthly Enplanements by Calendar Year, January 2019-September 2021

Monthly Enplanements	Calendar Years				
	2019	2020	2020 as % of 2019	2021	2021 as % of 2019
January	895,859	953,280	106.4%	244,572	27.3%
February	847,912	899,877	106.1%	248,128	29.3%
March	1,056,861	486,659	46.0%	436,193	41.3%
April	1,052,524	36,839	3.5%	529,012	50.3%
May	1,070,628	95,386	8.9%	651,279	60.8%
June	1,147,974	210,238	18.3%	804,398	70.1%
July	1,210,061	305,716	25.3%	903,768	74.7%
August	1,174,905	333,490	28.4%	859,559	73.2%
September	1,034,475	311,244	30.1%	754,974	73.0%
October	1,070,451	348,206	32.5%		
November	1,003,157	341,782	34.1%		
December	1,060,131	306,911	29.0%		
Total	12,624,938	4,629,628	36.7%		

Source: The Airport Authority.

3.2.1 | Airport and U.S. System Enplanements

Table 9 and Figure 31 compare the growth trends in annual enplanements at SAN and nationwide from FY2010 through FY2021. SAN's passenger traffic growth kept pace with the national trend through FY2017. In FY2018 and FY2019, SAN outperformed the nation ending the decade with a 46 percent cumulative increase in annual enplanements compared with a 34 percent cumulative increase in U.S. system enplanements. As a result, SAN's share of U.S. system enplanements increased slightly from 1.1 percent in FY2010 to 1.2 percent in FY2019.

In FY2020, SAN's annual enplanements began to decrease, as the COVID-19 pandemic depressed passenger traffic at airports globally—in the United States, beginning in mid-March 2020. Over two fiscal years through FY2021, annual enplanements at SAN decreased 61 percent—larger than the 57 percent decrease in U.S. system enplanements over the same period. As a result, SAN's share of U.S. system enplanements decreased to 1.08 percent in FY2021.

Figure 32 compares SAN's passenger traffic recovery from the COVID-19 downturn with national trends based on the ratio of monthly enplanements to 2019 levels (expressed as an index where 2019 levels equal 100). In August 2021, SAN's monthly enplanements had recovered to 73 percent of August 2019 level, while total U.S. enplanements are estimated to have recovered to 77 percent of August 2019 level. SAN fell slightly behind the national recovery rate due to deeper declines in

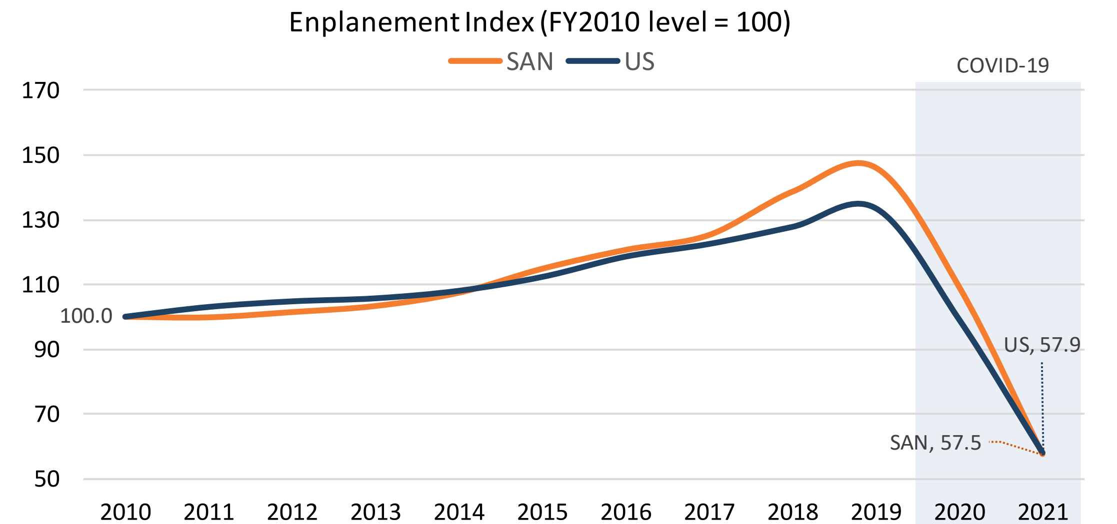
December 2020 and January 2021. As the pandemic entered a fourth wave in the summer of 2021, recovery rates at SAN and nationwide slowed in July and decreased slightly in August.

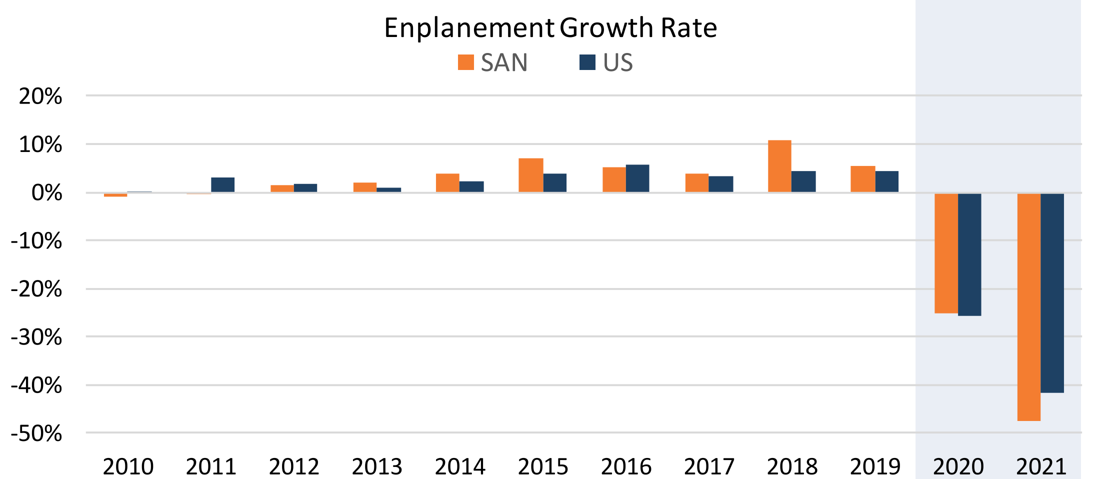
Table 9| SAN and U.S. System Enplanements

	SAN Enplanements		U.S. Enplanements		SAN Share
Fiscal Year	**(1,000s)**	**AGR**	**(1,000s)**	**AGR**	**of U.S.**
2010	8,454	-1.0%	773,996	0.1%	1.09%
2011	8,441	-0.2%	797,134	3.0%	1.06%
2012	8,575	1.6%	810,756	1.7%	1.06%
2013	8,738	1.9%	817,853	0.9%	1.07%
2014	9,082	3.9%	835,947	2.2%	1.09%
2015	9,713	6.9%	868,959	3.9%	1.12%
2016	10,206	5.1%	917,693	5.6%	1.11%
2017	10,596	3.8%	948,014	3.3%	1.12%
2018	11,732	10.7%	988,845	4.3%	1.19%
2019	12,356	5.3%	1,033,425	4.5%	1.20%
2020	9,235	-25.3%	767,002	-25.8%	1.20%
2021	4,861	-47.4%	448,057	-41.6%	1.08%
	Compound Annual Growth Rate				
2010-2019		4.3%		3.3%	
2019-2021		-37.3%		-34.2%	
2010-2021		-4.9%		-4.8%	

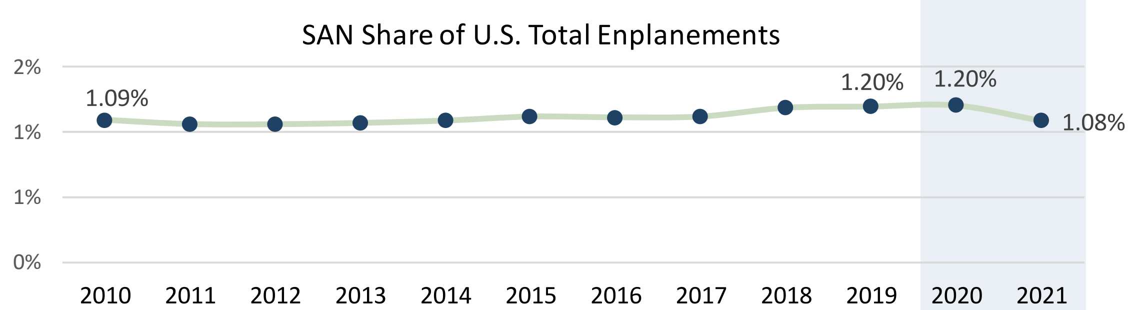
AGR – Annual growth rate.
Sources: The Airport Authority and U.S. Bureau of Transportation Statistics.

Figure 31| SAN and U.S. Total Enplanement Growth by Fiscal Year



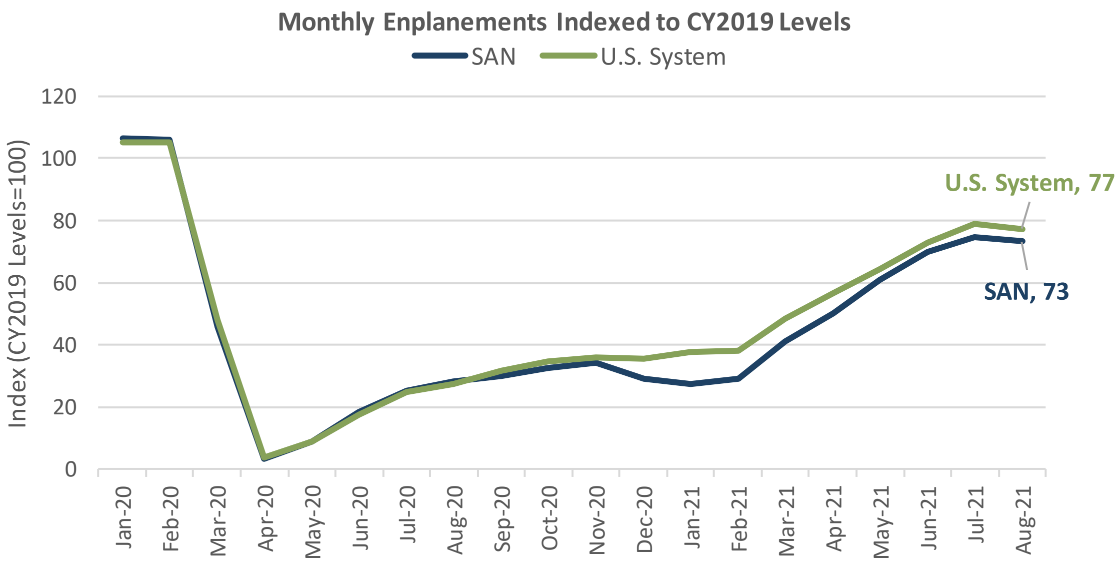


CAGR	SAN	US
2010-2019	4.3%	3.3%
2019-2021	-37.3%	-34.2%
2010-2021	-4.9%	-4.8%



CAGR - Compound annual growth rate.
Sources: The Airport Authority and U.S. Bureau of Transportation Statistics.

Figure 32| Comparison of Monthly Enplanement Recovery from the COVID-19 Downturn: SAN and U.S. System



Sources: The Airport Authority for SAN data, U.S. Bureau of Transportation Statistics for U.S. system data through June 2021, and U.S. Department of Homeland Security for TSA throughput data as basis for U.S. system estimates for July and August 2021.

3.2.2 | International Traffic

Although SAN primarily serves domestic traffic, the share of international traffic at the Airport has grown over the last decade, from 1.4 percent in FY2010 to 4.2 percent in FY2019 (Table 10). But this number dropped back to 1 percent in FY2021 due to international travel restrictions resulting from the COVID-19 pandemic.

The expansion of international air service began after FY2009, when Air Canada and WestJet increased nonstop service to Canada to 14 flights per week. British Airways began daily nonstop service to London in June 2011, and Japan Airlines began nonstop service daily to Tokyo in December 2012. Additional international service to Europe also began in the summer of 2017. Condor and Edelweiss Air operated seasonal service to Frankfurt, Germany, and Zürich, Switzerland, respectively. Although Condor's flights ended in October 2017, Lufthansa began nonstop service to Frankfurt in March 2018. Air Transat announced plans to offer service from Montreal to SAN, and Swoop announced plans to offer service from Edmonton to SAN, both beginning in the Summer of 2020. But COVID-19 was declared a global pandemic in March 2020, and all international service was suspended in April 2020. As of October 2021, the following international service has resumed: Alaska Airlines to Mexico (since May 2020), Japan Airlines (since March 2021), Southwest Airlines to Mexico (since March 2021), Air Canada (since August 2021), WestJet (October 2021), and British Airways (October 2021). Swoop, a new airline for SAN, is scheduled to begin seasonal service to Edmonton, Canada, beginning October 31, 2021.

Table 10| SAN Domestic and International Enplanements

	Enplanements				
	Domestic		International[1]		Total
Fiscal Year	(1,000s)	Share	(1,000s)	Share	(1,000s)
2010	8,339	98.6%	115	1.4%	8,454
2011	8,316	98.5%	125	1.5%	8,441
2012	8,324	97.1%	252	2.9%	8,575
2013	8,461	96.8%	277	3.2%	8,738
2014	8,746	96.3%	337	3.7%	9,082
2015	9,381	96.6%	332	3.4%	9,713
2016	9,849	96.5%	357	3.5%	10,206
2017	10,195	96.2%	402	3.8%	10,596
2018	11,258	96.0%	474	4.0%	11,732
2019	11,833	95.8%	524	4.2%	12,356
2020	8,865	96.0%	370	4.0%	9,235
2021	4,810	99.0%	51	1.0%	4,861
	Compound Annual Growth Rate				
2010-2019	4.0%		18.4%		4.3%
2019-2021	-36.2%		-68.8%		-37.3%
2010-2021	-4.9%		-7.1%		-4.9%

[1] International traffic includes enplanements by foreign flag carriers, as well as seasonal international enplanements reported by U.S. air carriers.
Source: The Airport Authority.

Located 24 miles south of SAN across the border in Mexico is Tijuana Rodriguez International Airport (TIJ). TIJ began operating in the mid-1950s, replacing an older airport in Tijuana. It primarily serves the Mexican domestic market, with 70 percent of its passengers traveling within Mexico.[29] As discussed in Section 2, CBX opened in December 2015 to make it easier for TIJ passengers to cross the border. Passenger traffic trends at SAN do not show conclusive evidence that the opening of CBX has hurt SAN. CBX opened in the middle of FY2016, yet the number of passengers flying to Mexico from SAN increased 12 percent from FY2015 to FY2016. Enplanements to Mexico decreased 13 percent in FY2017, rebounding quickly with increases of 24 percent in FY2018 and 3 percent in FY2019. Passengers headed to destinations in Mexico have historically comprised a very small portion of total enplanements at SAN (1.2 percent in FY2019), so that any change in this small market segment will also have a small effect on overall traffic at SAN. It is worth noting, however, that Alaska Airlines began seasonal nonstop service to Cancun in November 2020, adding to continuing service to Puerto Vallarta and San Jose Cabo.

In total, SAN enplanements—both domestic and international—rose steadily from FY2015 through FY2019, and subsequently fell in the following years due to COVID-19.

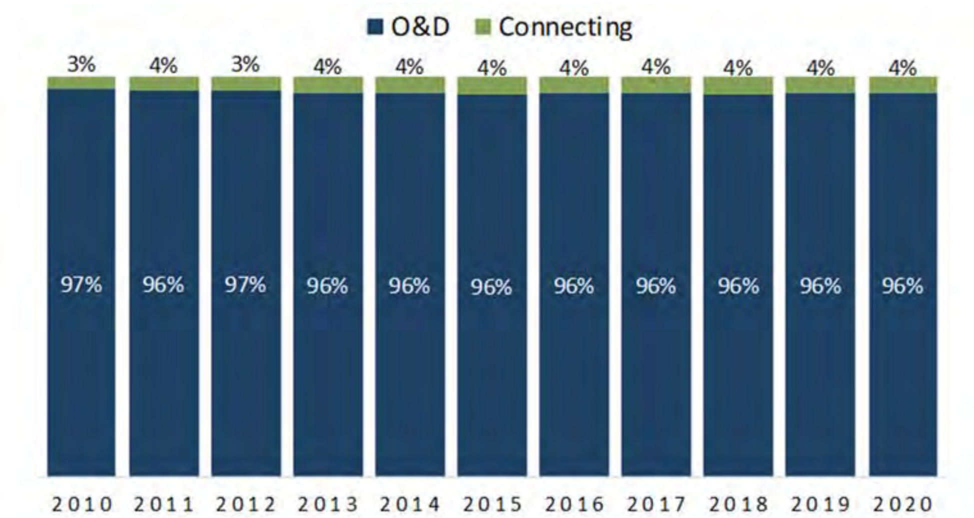
[29] Grupo Aeroportuario del Pacifico, Traffic Diciembre 2018.

3.2.3 | Composition of Passenger Traffic at SAN

SAN has a strong O&D traffic base, which constitutes a more stable market for air service compared with connecting traffic. O&D traffic arises from market demand and generally follows growth trends in both the local economy and the national economy. Unlike connecting traffic, O&D traffic is less vulnerable to changes in individual airlines' network strategies, business models, and financial conditions. O&D passengers account for around 96 percent of SAN's annual passenger traffic (Figure 33).

Connecting passengers make up the remaining 4 percent. According to U.S. Department of Transportation data, Southwest accounts for more than one-half of the connecting traffic at SAN, which is not surprising since Southwest also accounts for the largest share of total passenger traffic at SAN. The Airport's connecting traffic primarily consists of passengers originating from San Francisco, Los Angeles, and Sacramento.

Figure 33| O&D and Connecting Traffic Shares by Calendar Year



Sources: The Airport Authority and U.S. Department of Transportation.

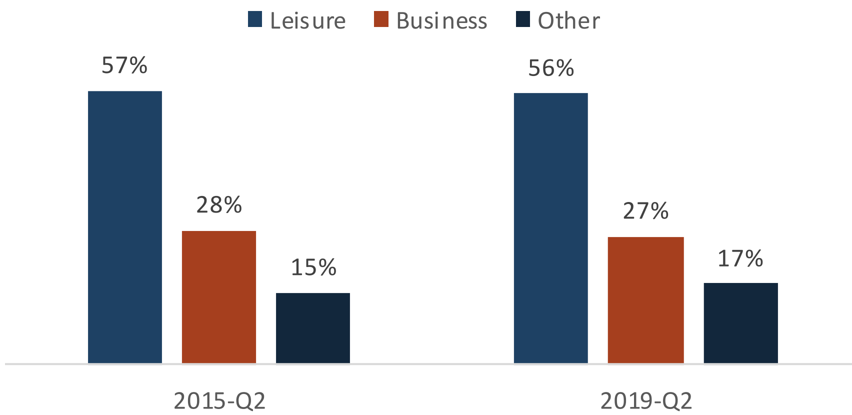
Of all the O&D traffic, residents account for approximately 46 percent, while visitors account for 54 percent, based on the Airport Authority's estimates using the U.S. Department of Transportation's DB1B data.[30] This percentage split has been consistent since 2002.

SAN passengers traveling for leisure continue to account for the greatest share of Airport traffic (56 percent in 2019 as shown in Figure 34). Those traveling for business accounted for 27 percent, and

[30] Sources: The Airport Authority and U.S. Department of Transportation. The shares of resident and visitor O&D passengers were estimated by separating one-way or round-trip passengers that began their trips originally at SAN, from one-way or round-trip passengers that began their trips originally at another airport.

those traveling for other unspecified purposes accounted for the remaining share of 17 percent in 2019. Data is not available for recent years.

Figure 34| SAN Passenger Traffic Shares by Trip Purpose



Source: ACI ASQ Departures.

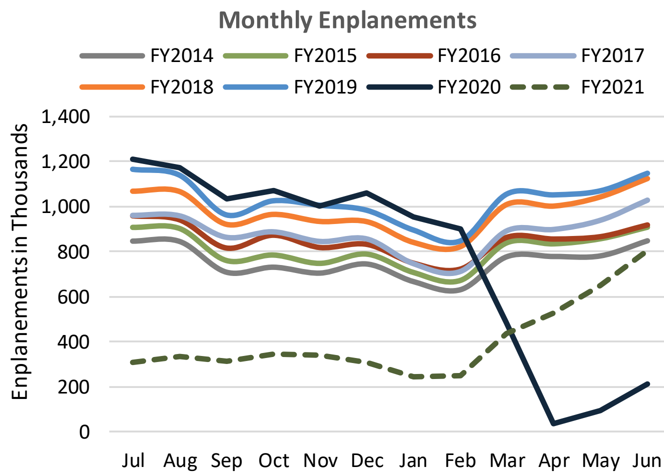
3.2.4 | Seasonality in Monthly Enplanements

Monthly enplanements show a seasonal pattern typical of most airports (Figure 35). SAN's monthly enplanement level peaks slightly in the summer months of June through August, consistent with patterns observed nationwide. With seasonal changes, it is important to compare enplanement levels for the same months to see growth trends. Before FY2020, monthly enplanement levels had been increasing steadily year-over-year since FY2015, except in January and February of FY2017. Monthly enplanement levels continued to rise through February 2020, before the spread of COVID-19 reached pandemic level and depressed air travel beginning in March 2020.

Figure 35| SAN Monthly Enplanements

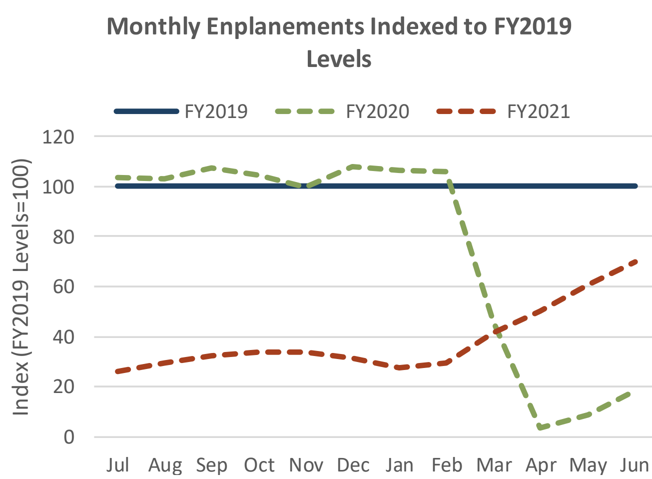
Monthly Distribution of Enplanements

	Pre-COVID-19	COVID-19 Pandemic	
Month	**FY2014-2019**	**FY2020**	**FY2021**
July	9.3%	13.1%	6.3%
August	9.2%	12.7%	6.9%
September	7.9%	11.2%	6.4%
October	8.3%	11.6%	7.2%
November	7.9%	10.9%	7.0%
December	8.1%	11.5%	6.3%
January	7.2%	10.3%	5.0%
February	6.9%	9.7%	5.1%
March	8.5%	5.3%	9.0%
April	8.5%	0.4%	10.9%
May	8.7%	1.0%	13.4%
June	9.4%	2.3%	16.5%



Enplanements (1,000s)

Month	FY2019	FY2020	FY2021
July	1,166	1,210	306
August	1,139	1,175	333
September	964	1,034	311
October	1,026	1,070	348
November	1,006	1,003	342
December	984	1,060	307
January	896	953	245
February	848	900	248
March	1,057	487	436
April	1,053	37	529
May	1,071	95	651
June	1,148	210	804
FY Total	**12,356**	**9,235**	**4,861**



Source: The Airport Authority.

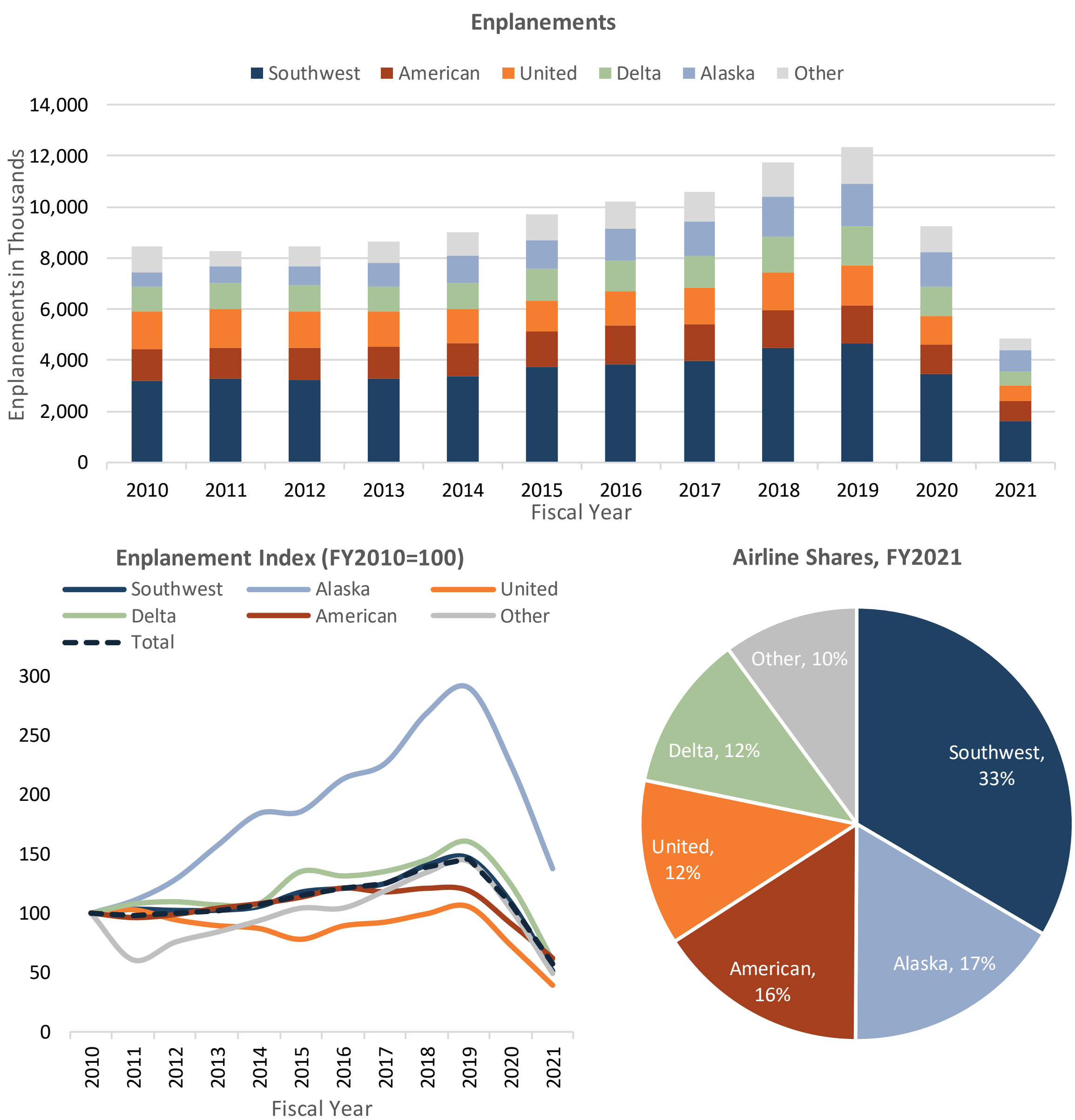
3.2.5 | Enplanements by Airline

SAN's top five passenger carriers by number of enplanements are Southwest Airlines, Alaska Airlines, United Airlines, Delta Air Lines, and American Airlines. These five carriers accounted for 90 percent of FY2021 enplanements, an increase from 88 percent in FY2019 (Figure 36, Table 11, and Table 12). Southwest has maintained a strong presence at the Airport, even with the grounding of its Boeing 737 MAX aircraft, although its share of annual enplanements decreased to 33 percent in FY2021 from a steady 38 percent in the past decade, due largely to the growth in the shares of Alaska and American.

Before the COVID-19 pandemic, Alaska was the fastest growing airline at SAN. Its enplanements at SAN nearly tripled from FY2010 through FY2019. Alaska developed San Diego into a focus city, adding new flights and destinations. Over the same period, Southwest and Delta grew their enplanements by 46 percent and 60 percent, respectively. American and United were the slowest to grow with their enplanements increasing only 19 percent and 5 percent, respectively.

Air passenger traffic nationwide dropped drastically beginning in mid-March 2020 due to the COVID-19 pandemic, causing a significant hit to all airlines' total enplanements during the tail end of SAN's FY2020—an effect that is made more apparent as the next fiscal year starts during the resulting recession. Enplanements have been slowly recovering since mid-March 2020, but all of SAN's major airlines still remain well under pre-pandemic traffic levels, with international carriers almost entirely unavailable over the past year. As a result, SAN's total enplanements for FY2021, the first full fiscal year during the pandemic, are even further reduced from their FY2020 level.

Figure 36| SAN Enplanements by Airline



Sources: The Airport Authority.

Table 11| SAN Enplanements by Airline by Fiscal Year

	Fiscal Year				Compound Annual Growth Rate		
Airline	**2010**	**2019**	**2020**	**2021**	**2010-2019**	**2019-2021**	**2010-2021**
	Enplanements (1,000s)						
Southwest	3,183	4,656	3,475	1,628	4.3%	-40.9%	-5.9%
Alaska[1]	587	1,702	1,325	807	12.6%	-31.1%	2.9%
United[2]	1,510	1,593	1,106	600	0.6%	-38.6%	-8.0%
Delta[3]	940	1,504	1,168	568	5.4%	-38.6%	-4.5%
American[4]	1,236	1,468	1,128	768	1.9%	-27.7%	-4.2%
Spirit	-	324	225	112	N/A	-41.3%	N/A
Frontier	197	277	201	180	3.9%	-19.3%	-0.8%
JetBlue	167	231	195	90	3.7%	-37.5%	-5.4%
Hawaiian	91	150	103	62	5.7%	-35.8%	-3.5%
Air Canada[5]	47	130	90	-	12.0%	N/A	N/A
British Airways	-	83	58	-	N/A	N/A	N/A
Japan Airlines	-	67	44	1	N/A	-87.6%	N/A
Lufthansa	-	50	35	-	N/A	N/A	N/A
Edelweiss Air	-	6	2	-	N/A	N/A	N/A
Other	497	114	79	46	-15.1%	-36.6%	-19.5%
Total	**8,454**	**12,356**	**9,235**	**4,861**	**4.3%**	**-37.3%**	**-4.9%**

1 Includes Alaska, Alaska's regional carrier service provided by Horizon and SkyWest, and Virgin America. In December 2016, Alaska Air Group acquired Virgin America Inc. Alaska and Virgin received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018.
2 Includes United and its regional carrier service provided by SkyWest.
3 Includes Delta and its regional carrier service provided by Compass and SkyWest.
4 Includes American and US Airways and American's regional carrier service provided by Compass and SkyWest. Effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways began operating as a single airline (under the American brand) in October 2015.
5 Includes Air Canada, Air Canada Rouge, and Jazz Aviation.
Source: The Airport Authority.

Table 12| SAN Airline Enplanement Shares by Fiscal Year

	Airline Shares by Fiscal Year			
Airline	**2010**	**2019**	**2020**	**2021**
Southwest	37.7%	37.7%	37.6%	33.5%
Alaska[1]	6.9%	13.8%	14.3%	16.6%
United[2]	17.9%	12.9%	12.0%	12.3%
Delta[3]	11.1%	12.2%	12.7%	11.7%
American[4]	14.6%	11.9%	12.2%	15.8%
Spirit	0.0%	2.6%	2.4%	2.3%
Frontier	2.3%	2.2%	2.2%	3.7%
JetBlue	2.0%	1.9%	2.1%	1.9%
Hawaiian	1.1%	1.2%	1.1%	1.3%
Air Canada[5]	0.6%	1.1%	1.0%	0.0%
British Airways	0.0%	0.7%	0.6%	0.0%
Japan Airlines	0.0%	0.5%	0.5%	0.0%
Lufthansa	0.0%	0.4%	0.4%	0.0%
Edelweiss Air	0.0%	0.1%	0.0%	0.0%
Other	5.9%	0.9%	0.9%	0.9%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

[1] Includes Alaska, Alaska's regional carrier service provided by Horizon and SkyWest, and Virgin America. In December 2016, Alaska Air Group acquired Virgin America Inc. Alaska and Virgin received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018.
[2] Includes United and its regional carrier service provided by SkyWest.
[3] Includes Delta and its regional carrier service provided by Compass and SkyWest.
[4] Includes American and US Airways and American's regional carrier service provided by Compass and SkyWest. Effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways began operating as a single airline (under the American brand) in October 2015.
[5] Includes Air Canada, Air Canada Rouge, and Jazz Aviation.
Source: The Airport Authority.

3.2.6 | Top O&D Markets

O&D enplanements account for approximately 96 percent of SAN's passenger traffic. Table 13 lists the Airport's top 25 O&D city markets in CY2020, ranked by share of O&D enplanements. The table shows the airports served in each market, the number of daily nonstop departures to each market from SAN, and the airlines serving each market from SAN in CY2020. Each of the top 21 destination cities are served by more than one airline from SAN and 15 of the top 25 destination cities are served by at least three airlines, helping to keep airfares competitive.

The top 25 destination cities listed, consisting of large urban areas across the U.S., were served by 136 of the 160 daily nonstop departures from SAN. Together, service to these markets accounted for approximately 71 percent of O&D enplanements at the Airport in CY2020.

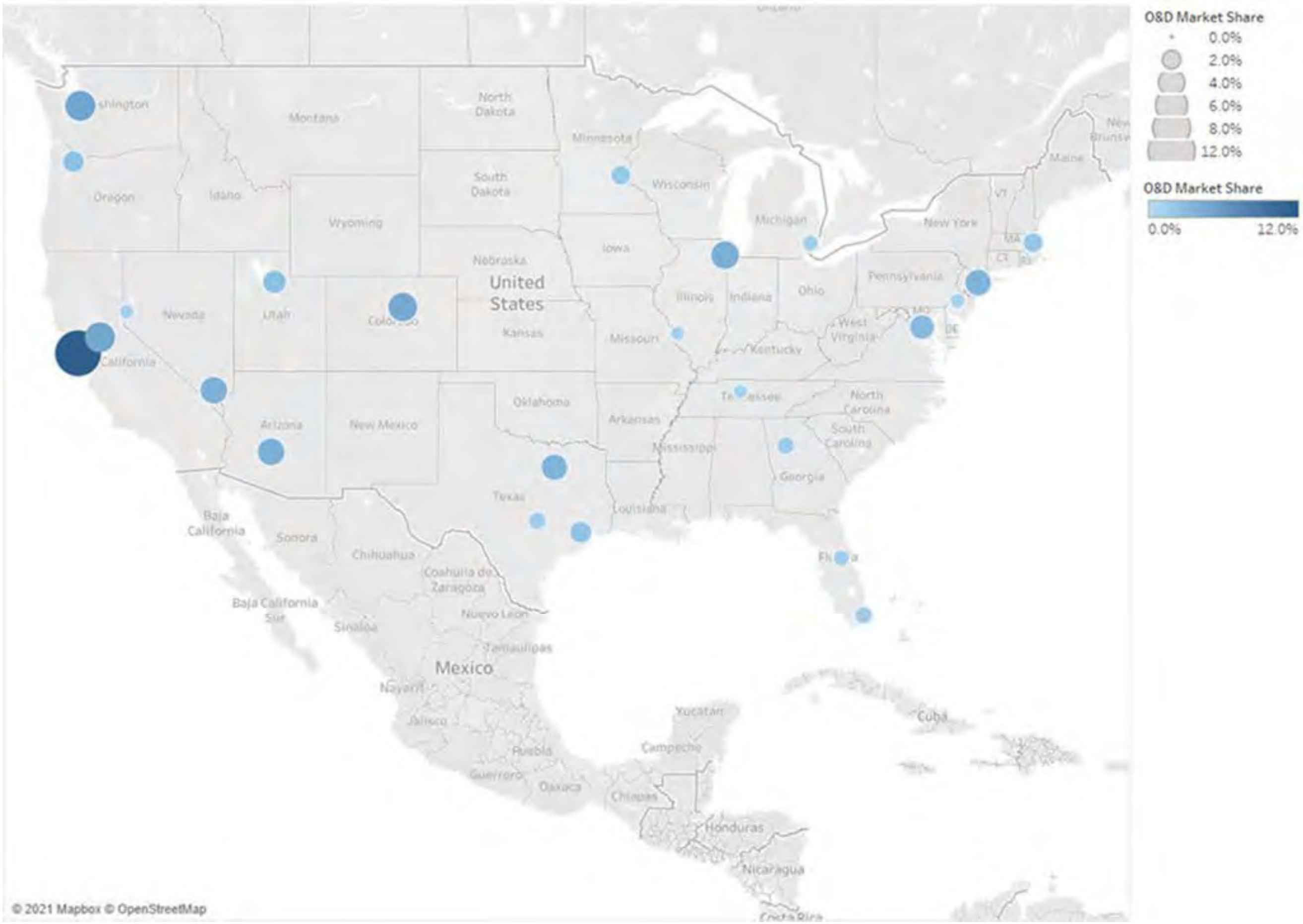
Table 13| SAN's Top 25 O&D Markets Ranked by Descending O&D Market Share, CY2020

Rank	Destination[1]	Metro	Airports	Avg. Daily EP[2]	O&D Market Share[3]	Daily Nonstop Departures[4]	Airlines Serving Market from SAN[5]
1	San Francisco, CA	SFO	SFO, OAK, SJC	1,346	11.3%	29.3	AS, UA, WN
2	Seattle, WA	SEA	SEA	582	4.9%	9.4	AS, DL, WN
3	Sacramento, CA	SMF	SMF, SCK	576	4.9%	9.2	AS, G4, WN
4	Denver, CO	DEN	DEN	527	4.4%	9.3	F9, UA, WN
5	Chicago, IL	CHI	ORD, MDW	488	4.1%	8.0	AA, NK, UA, WN
6	Phoenix, AZ	PHX	PHX, AZA	463	3.9%	9.8	AA, F9, WN
7	Las Vegas, NV	LAS	LAS	454	3.8%	9.4	B6, DL, F9, G4, NK, WN
8	New York, NY	NYC	JFK, EWR, LGA	421	3.5%	4.3	AA, AS, B6, DL, UA
9	Dallas, TX	DFW	DFW, DAL	415	3.5%	9.5	AA, NK, WN
10	Washington, DC	WAS	IAD, BWI, DCA	362	3.0%	3.3	UA, WN
11	Salt Lake City, UT	SLC	SLC	318	2.7%	5.1	AS, DL, WN
12	Portland, OR	PDX	PDX	299	2.5%	3.6	AS, WN
13	Houston, TX	IAH	IAH, HOU	276	2.3%	5.4	NK, UA, WN
14	Boston, MA	BOS	BOS, PVD	241	2.0%	1.7	AS, B6
15	Minneapolis, MN	MSP	MSP	221	1.9%	3.1	DL, SY
16	Atlanta, GA	ATL	ATL	182	1.5%	3.5	DL, WN
17	Miami, FL	FLL	MIA, FLL, PBI	180	1.5%	0.9	AA, AS, B6
18	Austin, TX	AUS	AUS	173	1.5%	2.4	AS, F9, WN
19	Orlando, FL	ORL	MCO, SFB	164	1.4%	1.0	AS, F9, WN
20	Honolulu, HI	HNL	HNL	151	1.3%	1.4	AS, HA, WN
21	Detroit, MI	DTW	DTW	145	1.2%	1.7	DL, NK
22	Philadelphia, PA	PHL	PHL	124	1.0%	1.1	AA
23	Nashville, TN	BNA	BNA	114	1.0%	1.2	WN
24	Reno, NV	RNO	RNO	113	1.0%	1.1	WN
25	St. Louis, MO	STL	STL	110	0.9%	1.5	WN
...	Other			3,426	28.9%	23.3	
	Top 25 Subtotal			8,446	71.1%	136.3	
	Total SAN			11,873	100.0%	159.5	

[1] Represents metropolitan areas.
[2] EP - enplanements
[3] Share of O&D passengers.
[4] Annual average.
[5] Airline Codes: AA=American, AS=Alaska, B6=JetBlue, DL=Delta, F9=Frontier, G4=Allegiant, HA=Hawaiian, NK=Spirit, SY=Sun Country, UA=United, WN=Southwest.
Source: The Airport Authority.

Figure 37 shows that SAN's top 25 O&D markets are spread across the United States. Sixty-one percent of the Airport's nonstop flights serve cities within 1,000 nautical miles, although SAN's share of nonstop flights serving destinations beyond 1,000 nautical miles increased slightly in CY2018. That year, 30 percent of nonstop flights were to destinations between 1,000 and 2,000 nautical miles, and 9 percent were to destinations beyond 2,000 miles.

Figure 37| SAN's Top 25 O&D Markets, CY2020



Sources: The Airport Authority and Unison Consulting, Inc., and U.S. Department of Transportation DB1B.

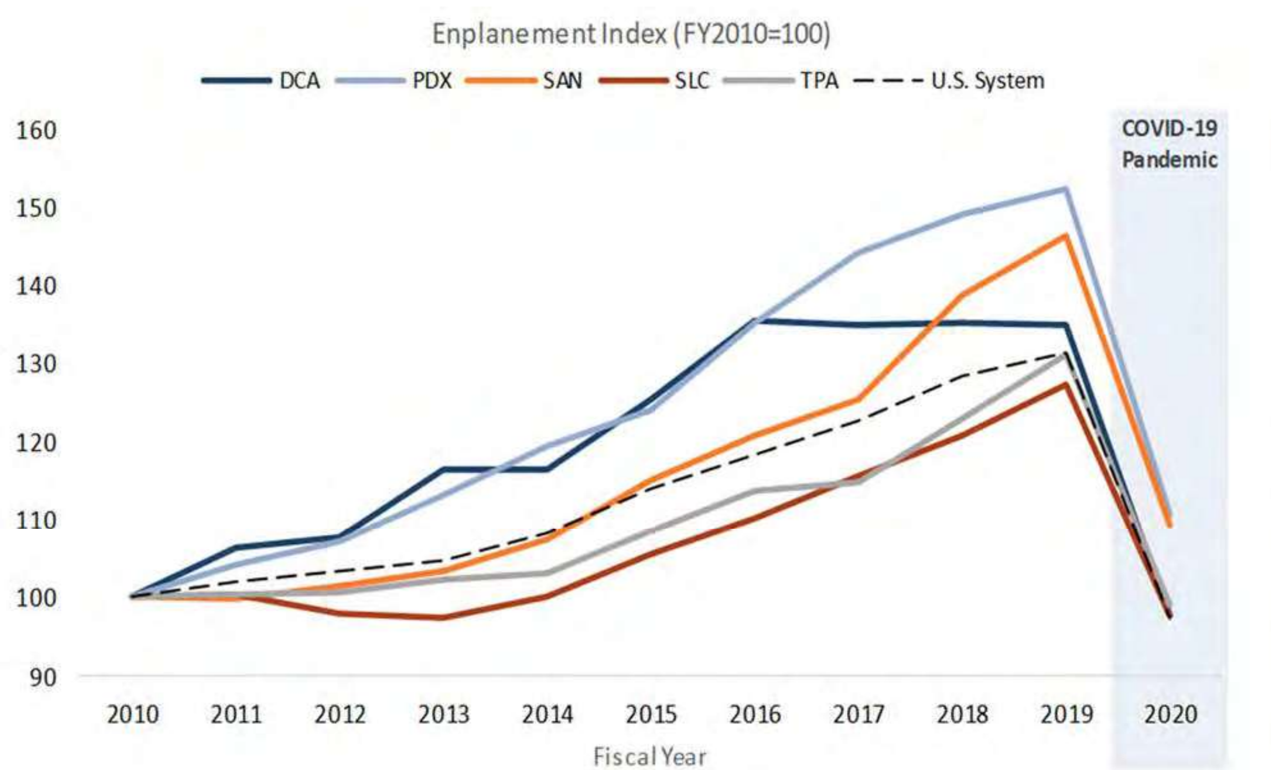
3.2.7 | Enplanement Trends at SAN and Comparable Large Hub Airports

Figure 38 compares the trends in enplanements at SAN and four other large hub airports, from FY2010 through FY2020 (with data for all airports shown for July 1 of each year through June 30 of the following year, aligning with SAN's Fiscal Year)[31]. Large hub airports still differ considerably in terms of enplanements and other characteristics. The four comparison airports, Portland International (PDX), Tampa International (TPA), Salt Lake City International (SLC), and Ronald Reagan Washington National (DCA) are the most similar to SAN in terms of the following criteria: enplanement level, share of domestic and international traffic, relative diversity of airline base, share of Southwest service, and the number of markets served on both nonstop and connecting flights.

[31] FY2020 is the most recent Fiscal Year for which enplanements for other airports are available.

As Figure 38 shows, although SAN and its peer airports exhibit similar enplanement trends, which tracked national growth trends, there are some notable differences. Along with PDX and TPA, SAN suffered a big decline in traffic during the Great Recession, but exhibited a stronger recovery compared with TPA and SLC. PDX showed the strongest recovery from the Great Recession. All five of these airports, as well as the rest of the U.S. System, suffered a sharp drop in enplanements in FY2020 due to the COVID-19 pandemic. Enplanements at SAN and PDX remained above their FY2010 levels by at least 9 percent, while enplanements at the other airports fell below their FY2010 levels.

Figure 38| Enplanement Trends at SAN and Select Large Hubs



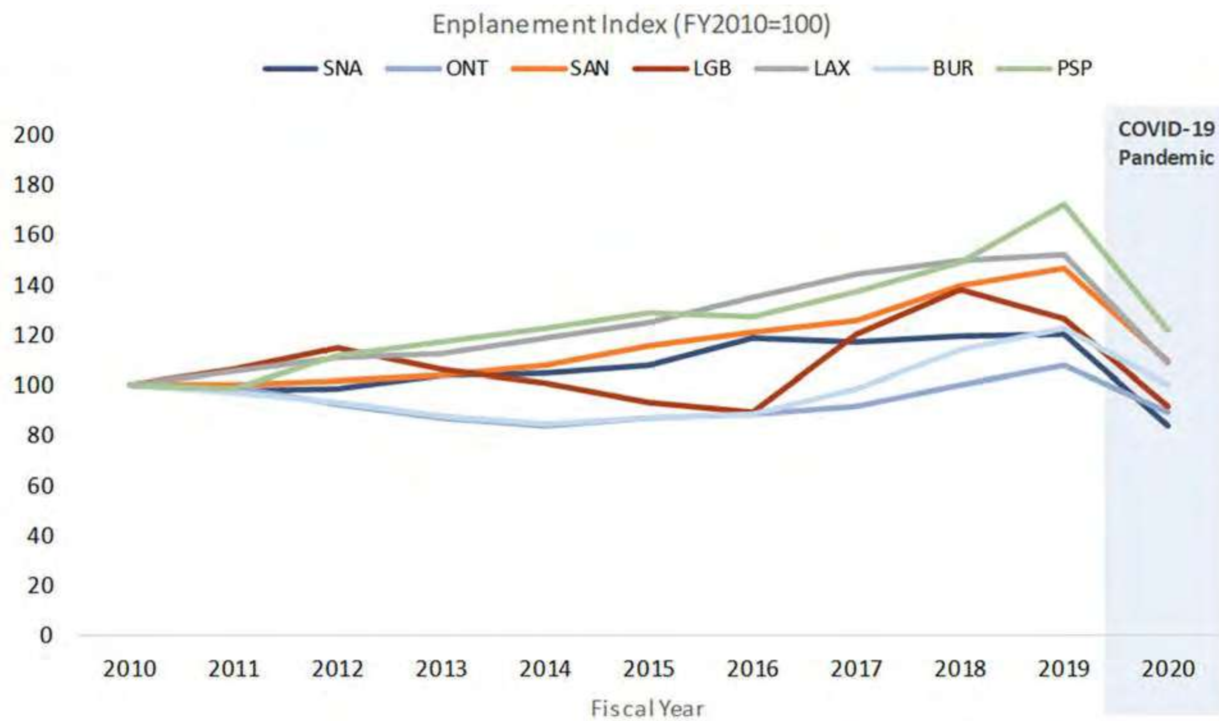
Annual enplanements at all airports are calculated on SAN's fiscal year ending June 30.
Sources: The Airport Authority and U.S. Bureau of Transportation Statistics.

3.2.8 | Enplanement and Fare Trends at Southern California Airports

Figure 39 compares enplanements trends at SAN with trends at other commercial service airports in Southern California. Within 150 road miles of SAN are the following U.S. commercial airports with reported historical enplanements: small hubs Long Beach Airport (LGB) and Palm Springs International Airport (PSP); medium hubs John Wayne (SNA), Ontario International (ONT), and Hollywood Burbank Airport (BUR); and large hub Los Angeles International Airport (LAX).

Among the Southern California commercial service airports, SAN was the third best performing airport in enplanement growth over the past decade, following LAX in second place and PSP in first place.

Figure 39| Enplanement Trends at SAN and Southern California Airports



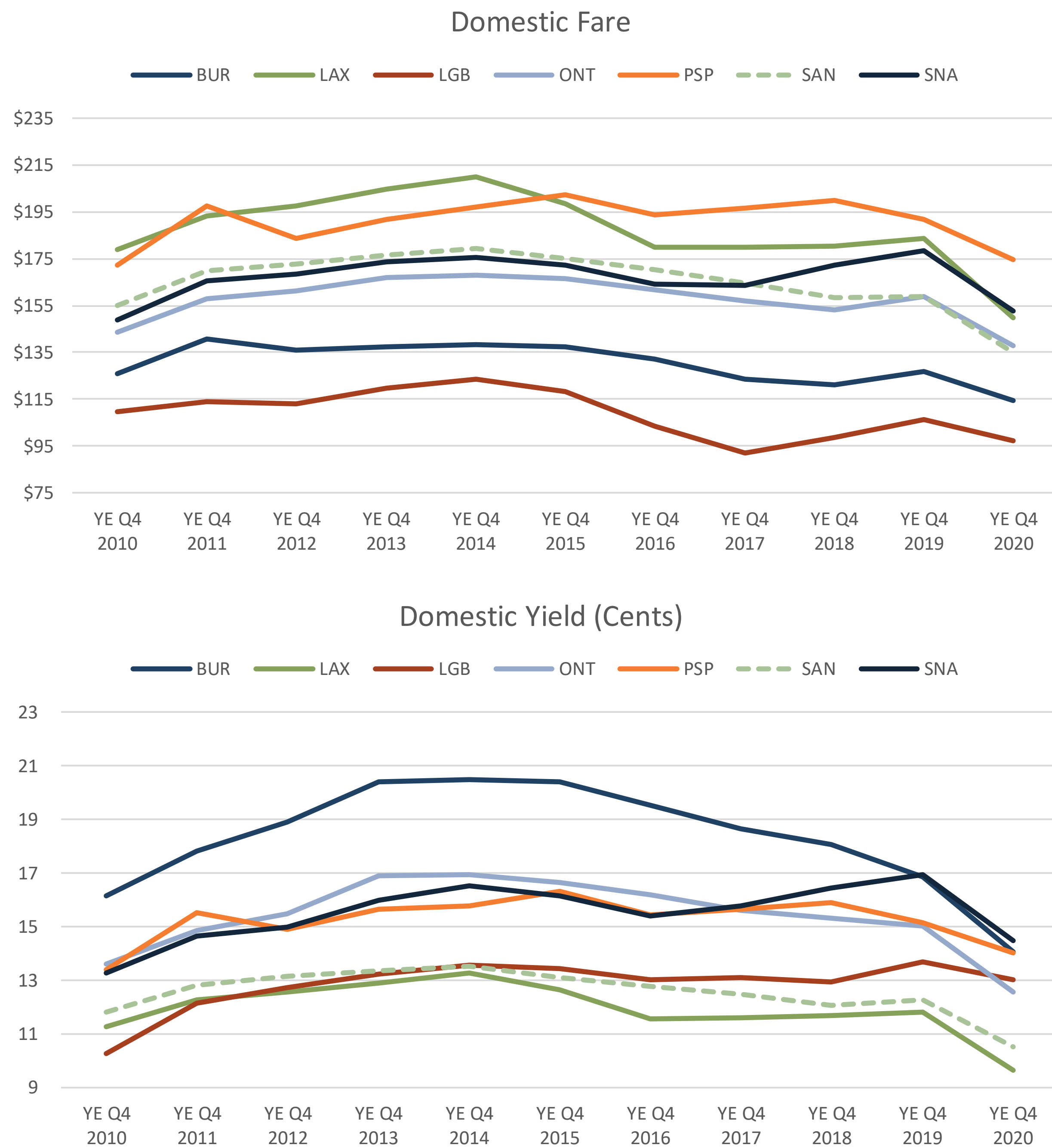
Annual enplanements at all airports are calculated on SAN's fiscal year ending June 30.
Sources: The Airport Authority and U.S. Bureau of Transportation Statistics.

Passengers consider airfare as one factor when choosing airlines and airports (if they have access to more than one airport), although yield is a better measure for comparing the price of air travel because it takes into account flight distance.[32] Figure 40 shows the trends in domestic average fares and passenger yields at SAN and the other Southern California airports with reported historical commercial service. SAN's domestic average air fare was historically the third-highest in the region after LAX and PSP. Most recently, SAN's average fares have dipped below SNA's. Controlling for trip distance (stage length), domestic passenger yields, measuring the average fare per passenger mile, indicate that SAN is substantially more price-competitive than the Airport's average fares suggest. Yields at SAN have remained among the lowest in the region, second only to LAX.[33]

[32] Yield is airfare divided by miles flown.

[33] Lower yields at SAN, relative to other airports in Southern California, indicate that SAN is price-competitive, a positive indicator for demand at SAN.

Figure 40| Domestic Avg. Fares and Passenger Yields at Southern California Airports



Source: U.S. Department of Transportation.

3.2.9 | Air Cargo

According to ACI-NA statistics, SAN ranked 39th among U.S. airports for cargo tons handled in CY2020. SAN's air cargo tonnage peaked in FY2018, and subsequently declined (Table 13). Reported mail tonnage decreased significantly in FY2020 due to reporting changes. FedEx, which carries about two-thirds of all mail at SAN, stopped reporting its mail tonnage as of August 2019.

Mail tonnage is now rolled in together with air freight tonnage. In addition, the U.S. Postal Service implemented reporting restrictions.

Table 14| SAN Enplaned and Deplaned Cargo (Metric Tons) by Fiscal Year

	Mail (tons)		Air Freight (tons)		Total
Fiscal Year	Weight	% of Total	Weight	% of Total	(tons)
2010	16,690	13.3%	108,823	86.7%	125,513
2011	16,802	12.1%	122,204	87.9%	139,006
2012	17,335	11.3%	136,036	88.7%	153,370
2013	18,265	11.6%	138,760	88.4%	157,025
2014	19,135	11.6%	145,831	88.4%	164,966
2015	21,386	12.0%	157,229	88.0%	178,614
2016	20,609	11.1%	165,046	88.9%	185,656
2017	22,161	11.7%	166,446	88.3%	188,606
2018	23,991	12.5%	167,352	87.5%	191,343
2019	24,238	13.0%	162,231	87.0%	186,469
2020	8,350	5.4%	146,030	94.6%	154,380
2021	7,365	4.8%	147,140	95.2%	154,505
	Compound Annual Growth Rate				
2010-2021	-7.2%		2.8%		1.9%

Source: The Airport Authority. Total tons may not add due to rounding.

3.2.10 | Commercial Aircraft Landings and Landed Weight

Landings and landed weight are important to track because they are the basis for calculating landing fees, a significant source of airport revenue. Table 15 shows the landings performed by commercial passenger and all-cargo aircraft at SAN. Landings increased from 79,934 in FY2012 to a peak annual level of 104,140 in FY2019, representing an average annual growth rate of 3.9 percent. Counting departures corresponding to the peak number of landings results in 208,280 operations, well under the 260,000-300,000 range within which runway congestion is anticipated to occur, according to the SAN Master Plan. Landings decreased significantly during the pandemic. In FY2021, landings totaled only 54,788, equivalent to 109,576 operations, 53 percent of the peak number in FY2019.

Table 15| SAN Landings by Airline

Airline	Fiscal Year 2012	2019	2020	2021	Compound Annual Growth Rate 2012-2019	2019-2021	2012-2021
	Aircraft Landings						
Passenger Airline							
Southwest	32,100	39,175	33,477	16,695	2.9%	-34.7%	-7.0%
Alaska[1]	6,342	17,381	14,719	12,731	15.5%	-14.4%	8.1%
United[2]	14,604	12,272	9,239	5,879	-2.5%	-30.8%	-9.6%
Delta[3]	8,456	11,566	9,411	5,835	4.6%	-29.0%	-4.0%
American[4]	9,163	10,912	8,756	5,689	2.5%	-27.8%	-5.2%
Spirit	718	2,248	1,553	871	17.7%	-37.8%	2.2%
Frontier	1,584	1,585	1,463	1,387	0.0%	-6.5%	-1.5%
JetBlue	1,169	1,691	1,589	1,030	5.4%	-22.0%	-1.4%
Air Canada[5]	725	1,389	1,006	-	9.7%	N/A	N/A
Hawaiian	367	732	539	508	10.4%	-16.7%	3.7%
British Airways	364	361	246	-	-0.1%	N/A	N/A
Japan Airlines	-	365	275	86	N/A	N/A	N/A
Lufthansa	-	246	173	-	N/A	N/A	N/A
Other[6]	1,037	895	1,478	1,370	-2.1%	23.7%	3.1%
Subtotal - Passenger	**76,629**	**100,818**	**83,924**	**52,081**	**4.0%**	**-28.1%**	**-4.2%**
All-Cargo							
FedEx Express	1,278	1,259	1,335	1,714	-0.2%	16.7%	3%
Other[7]	2,027	2,063	1,261	993	0.3%	-30.6%	-8%
Subtotal - All-Cargo	**3,305**	**3,322**	**2,596**	**2,707**	**0.1%**	**-9.7%**	**-2%**
Total	**79,934**	**104,140**	**86,520**	**54,788**	**3.9%**	**-27.5%**	**-4%**

N/A – Not applicable
Ranked on FY2021 results. Totals may not add due to rounding.
[1] Includes Alaska, Alaska's regional carrier service provided by Horizon and SkyWest, and Virgin America. In December 2016, Alaska Air Group acquired Virgin America Inc. Alaska and Virgin received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018.
[2] Includes United and its regional carrier service provided by SkyWest.
[3] Includes Delta and its regional carrier service provided by Compass and SkyWest.
[4] Includes American and US Airways and American's regional carrier service provided by Compass and SkyWest. Effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways began operating as a single airline (under the American brand) in October 2015.
[5] Includes Air Canada, Air Canada Rouge, and Jazz Aviation.
[6] Incudes Sun Country, Edelweiss Air, and WestJet.
[7] Includes for ABX Air, Ameriflight, Atlas Air, UPS Airlines, and West Air.
Sources: The Airport Authority.

Table 16| SAN Airline Shares of Landings

Airline	Fiscal Year 2012	2019	2020	2021
	Airline Shares of Landings			
Passenger Airline				
Southwest	40.2%	37.6%	38.7%	30.5%
Alaska[1]	7.9%	16.7%	17.0%	23.2%
United[2]	18.3%	11.8%	10.7%	10.7%
Delta[3]	10.6%	11.1%	10.9%	10.7%
American[4]	11.5%	10.5%	10.1%	10.4%
Spirit	0.9%	2.2%	1.8%	1.6%
Frontier	2.0%	1.5%	1.7%	2.5%
JetBlue	1.5%	1.6%	1.8%	1.9%
Air Canada[5]	0.9%	1.3%	1.2%	0.0%
Hawaiian	0.5%	0.7%	0.6%	0.9%
British Airways	0.5%	0.3%	0.3%	0.0%
Japan Airlines	0.0%	0.4%	0.3%	0.2%
Other[6]	1.3%	0.9%	1.7%	2.5%
Subtotal - Passenger	**95.9%**	**96.8%**	**97.0%**	**95.1%**
All-Cargo				
FedEx Express	1.6%	1.2%	1.5%	3.1%
Other[7]	2.5%	2.0%	1.5%	1.8%
Subtotal - All-Cargo	**4.1%**	**3.2%**	**3.0%**	**4.9%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Ranked on 2021 results. Totals may not add due to rounding.
[1] Includes Alaska, Alaska's regional carrier service provided by Horizon and SkyWest, and Virgin America. In December 2016, Alaska Air Group acquired Virgin America Inc. Alaska and Virgin received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018.
[2] Includes United and its regional carrier service provided by SkyWest.
[3] Includes Delta and its regional carrier service provided by Compass and SkyWest.
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[5] Includes Air Canada, Air Canada Rouge, and Jazz Aviation.
[6] Incudes Sun Country, Edelweiss Air, and WestJet.
[7] Includes for ABX Air, Ameriflight, Atlas Air, UPS Airlines, and West Air.
Sources: The Airport Authority.

Table 17 shows increasing trends in aircraft landed weight at SAN. Landed weight increased from 10.6 billion pounds in FY2012 to 14.5 billion pounds in FY2019, growing at an average rate of 4.5 percent per year. The higher rate of growth in landed weight compared to landings indicates the upgauging of aircraft—the use of larger aircraft—to accommodate growing passenger traffic at SAN. Due to the depression in traffic caused by COVID-19, however, landed weight at SAN decreased over the past two years to 7.8 billion pounds in FY2021, 54 percent of the peak landed weight in FY2019.

Table 17| SAN Revenue Landed Weight by Airline by Fiscal Year

Airline	Fiscal Year				Compound Annual Growth Rate		
	2012	2019	2020	2021	2012-2019	2019-2021	2012-2021
	Aircraft Landed Weight (1,000 lbs.)						
Passenger Airline							
Southwest	3,953,536	5,180,064	4,422,096	2,277,011	3.9%	-33.7%	-5.9%
Alaska[1]	863,184	1,995,130	1,672,207	1,342,664	12.7%	-18.0%	5.0%
United[2]	1,685,670	1,701,559	1,285,393	770,742	0.1%	-32.7%	-8.3%
Delta[3]	1,163,434	1,616,827	1,373,938	1,049,374	4.8%	-19.4%	-1.1%
American[4]	1,351,096	1,566,041	1,298,505	917,691	2.1%	-23.4%	-4.2%
Spirit	98,931	331,366	230,911	125,589	18.8%	-38.4%	2.7%
Frontier	208,936	247,145	204,924	199,836	2.4%	-10.1%	-0.5%
JetBlue	166,232	281,715	260,940	171,957	7.8%	-21.9%	0.4%
Hawaiian	118,088	237,560	155,345	122,574	10.5%	-28.2%	0.4%
British Airways	167,440	210,432	141,615	-	3.3%	N/A	N/A
Japan Airlines	-	138,700	104,500	32,680	N/A	-51.5%	N/A
Air Canada[5]	83,794	138,417	100,851	-	7.4%	N/A	N/A
Lufthansa	-	103,322	72,466	-	N/A	N/A	N/A
Other[6]	137,941	133,407	93,361	69,532	-0.5%	-27.8%	-7.3%
Subtotal - Passenger	**9,998,282**	**13,881,685**	**11,417,051**	**7,079,649**	**4.8%**	**-28.6%**	**-3.8%**
All-Cargo							
FedEx Express	452,453	375,807	394,288	466,734	-2.6%	11.4%	0.3%
Other[7]	209,788	223,738	241,742	233,145	0.9%	2.1%	1.2%
Subtotal - All-Cargo	**662,241**	**599,545**	**636,030**	**699,879**	**-1.4%**	**8.0%**	**0.6%**
Total	**10,660,523**	**14,481,229**	**12,053,081**	**7,779,528**	**4.5%**	**-26.7%**	**-3.4%**

N/A – Not applicable

1 Includes Alaska, Alaska's regional carrier service provided by Horizon and SkyWest, and Virgin America. In December 2016, Alaska Air Group acquired Virgin America Inc. Alaska and Virgin received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018.

2 Includes United and its regional carrier service provided by SkyWest.

3 Includes Delta and its regional carrier service provided by Compass and SkyWest.

4 Includes American and US Airways and American's regional carrier service provided by Compass and SkyWest. Effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways began operating as a single airline (under the American brand) in October 2015.

5 Includes Air Canada, Air Canada Rouge, and Jazz Aviation.

6 Incudes Sun Country, Edelweiss Air, and WestJet.

7 Includes for ABX Air, Ameriflight, Atlas Air, UPS Airlines, and West Air.

Sources: The Airport Authority.

Table 18| SAN Airline Shares of Landed Weight

	Fiscal Year			
Airline	**2012**	**2019**	**2020**	**2021**
	Airline Shares of Landed Weight			
Passenger Airline				
Southwest	37.1%	35.8%	36.7%	29.3%
Alaska[1]	8.1%	13.8%	13.9%	17.3%
United[2]	15.8%	11.8%	10.7%	9.9%
Delta[3]	10.9%	11.2%	11.4%	13.5%
American[4]	12.7%	10.8%	10.8%	11.8%
Spirit	0.9%	2.3%	1.9%	1.6%
Frontier	2.0%	1.7%	1.7%	2.6%
JetBlue	1.6%	1.9%	2.2%	2.2%
Hawaiian	1.1%	1.6%	1.3%	1.6%
British Airways	1.6%	1.5%	1.2%	0.0%
Japan Airlines	0.0%	1.0%	0.9%	0.4%
Air Canada[5]	0.8%	1.0%	0.8%	0.0%
Lufthansa	0.0%	0.7%	0.6%	0.0%
Other[6]	1.3%	0.9%	0.8%	0.9%
Subtotal - Passenger	**93.8%**	**95.9%**	**94.7%**	**91.0%**
All-Cargo				
FedEx Express	4.2%	2.6%	3.3%	6.0%
Other[7]	2.0%	1.5%	2.0%	3.0%
Subtotal - All-Cargo	**6.2%**	**4.1%**	**5.3%**	**9.0%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

[1] Includes Alaska, Alaska's regional carrier service provided by Horizon and SkyWest, and Virgin America. In December 2016, Alaska Air Group acquired Virgin America Inc. Alaska and Virgin received their single operating certificate from the FAA on January 11, 2018 and began operating as Alaska Airlines on April 25, 2018.
[2] Includes United and its regional carrier service provided by SkyWest.
[3] Includes Delta and its regional carrier service provided by Compass and SkyWest.
[4] Includes American and US Airways and American's regional carrier service provided by Compass and SkyWest. Effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways began operating as a single airline (under the American brand) in October 2015.
[5] Includes Air Canada, Air Canada Rouge, and Jazz Aviation.
[6] Incudes Sun Country, Edelweiss Air, and WestJet.
[7] Includes for ABX Air, Ameriflight, Atlas Air, UPS Airlines, and West Air.
Sources: The Airport Authority.

Airlines operate mostly large jet aircraft at SAN, because of the limit on the number of aircraft operations that SAN can accommodate with a single runway. In addition to the restrictions to the physical capacity of the Airport's airfield, there are direct restrictions on operations relating to noise abatement.

Landings, which are equal to departures, grew an average of 3.9 percent annually from FY2012 to FY2019, while landed weight grew an average of 4.5 percent annually over the same period, indicating increasing use of larger aircraft. Counting only passenger flights, landings grew at an average annual rate of 4 percent, while landed weight grew at an average annual rate of 4.8 percent. In FY2019, large passenger jet aircraft, with more than 100 seats, accounted for 84 percent of scheduled flights at SAN. This share decreased slightly to 83 percent in FY2021 due to the suspension of international flights, particularly those using large jets.

Enplanements growing at an average annual rate of 5.4 percent over the same period, higher than the 4 percent average annual growth rate in passenger aircraft landings, also indicates increasing load factors. Airlines are filling an increasing percentage of available seats on each flight.

3.3 | Forecast Commercial Aviation Activity

Forecasts are presented for three key measures of commercial aviation activity—enplanements, aircraft landings, and landed weight—for the period of FY2022 through FY2027, the forecast period established for the Report. The forecasts are presented in annual frequency based on the Airport's fiscal year ending on June 30.

For the first half of FY2022, forecast enplanements and landed weight are derived from actual enplanements through August 2021, final airline schedules for July through September, and advance airline schedules for October through December, along with projections of seat completion rates and boarding load factors. Airline schedules provide data on seats, flight frequencies, and fleet. Beyond December 2021, forecast enplanement levels are based on projected recovery patterns and market drivers. Forecast enplanements determine the number of aircraft operations and corresponding landed weight, considering trends in boarding load factors and aircraft seat capacity.

Three scenarios are presented, with the low scenario projecting the slowest recovery, the base scenario projecting faster recovery than the low scenario, and the high scenario projecting the fastest recovery. All three scenarios project recovery periods for SAN that are longer than, or comparable to, recovery periods projected by Airlines for America (A4A) for the U.S. airline industry and by International Air Transport Association (IATA) for global airline traffic. A4A projects full recovery of U.S. airlines' passenger traffic to pre-COVID-19 pandemic levels in CY2022 at the earliest, or around CY2026 as the worst case.[34] IATA's global passenger traffic forecast released in May 2021 expects global passenger numbers to recover to 88 percent of pre-COVID-19 pandemic levels in CY2022 and surpass pre-COVID-19 pandemic levels by 5 percent in CY2023.[35]

The base scenario forecast predicts fiscal year total enplanements at SAN to return to FY2019 level in FY2026, in line with A4A's worst case projection for U.S. airlines' total passenger traffic. It provides a more conservative basis for the base scenario financial analysis. The low scenario forecast projects a return to FY2019 level beyond FY2027, much later than A4A's worst case

[34] Airlines for America, COVID Impact Updates as of September 14, 2021.

[35] International Air Transport Association, "Optimism for travel restart as borders open," *News*, May 27, 2021.

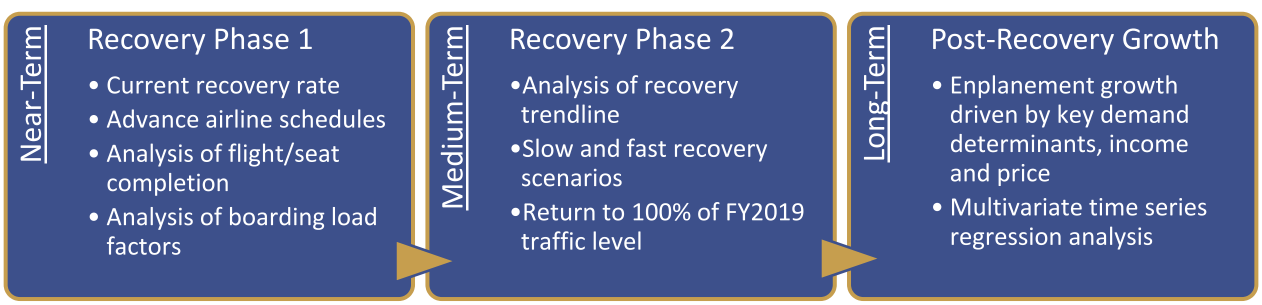
projection. It provides a reasonable downside scenario for financial analysis. The high scenario shows how much faster and higher traffic could grow if more people get vaccinated, COVID-19 is contained much sooner, international travel restrictions are lifted sooner, and business travel returns sooner. The high scenario projects SAN's return to FY2019 enplanement level in FY2023, a little later than A4A's best case projection of U.S. airlines.

The forecasts are based on information available at the time of development, amid high uncertainty brought by the COVID-19 pandemic on the aviation industry and the economic environment. The COVID-19 pandemic has prompted significant changes in the business environment on both supply and demand side, and those changes are still developing. Actual traffic could differ substantially from forecasts if any of the assumptions based on information available at the time of forecast development does not hold. One important assumption concerns the timing of full recovery to pre-COVID traffic level.

3.3.1 | Forecast Methodology

Forecast development employs a hybrid modeling framework that combines different methods, using both traditional data on actual airport activity and airline schedules, and nontraditional high-frequency data such as TSA airport screening throughput. The forecast period is divided into three phases: near-term recovery phase, medium-term recovery phase, and post-recovery growth phase, with different forecasting methods and different data sources used for each phase (Figure 41).

Figure 41| Forecast Development by Phase



At the time of forecast development, the airport business environment remains highly uncertain. Traffic recovery is progressing, but so is the spread of COVID-19 and variants. The pace and duration of recovery depend largely upon the course of the COVID-19 pandemic, which is highly uncertain. Hence, three forecast scenarios are presented, assuming different paces and durations of recovery to pre-COVID traffic level.

The pandemic has prompted significant structural changes in both demand for air travel and supply of airline service. These changes could usher in "a new normal" in consumer behavior, social interactions, and ways of conducting business that permanently alter travel propensities and preferences. Many factors could slow U.S. airlines' ability to quickly restore service to pre-COVID levels. The resulting supply constraint could restrain traffic recovery and growth, as seen during the airline industry capacity rationalization in the first half of the past decade. A fourth wave in the spread of COVID-19 and its variants, currently developing, is delaying return to office, the return of business travel, and the lifting of international travel restrictions. It is also causing consumers to rethink and delay personal travel plans. While new COVID-19 cases appear to be on the downtrend from the fourth wave peak as of September 2021, other COVID-19 variants could cause resurgences in infections in the future. On the upside, the adoption of no-touch technologies at airports could speed up security screening and other passenger services, restore passenger confidence in the public health safety of air travel, and accelerate traffic recovery. Progress in COVID-19 vaccination and stronger economic rebound could accelerate traffic recovery and post-recovery growth.

3.3.2 | Near-Term Recovery Phase

For the near-term recovery phase, which encompasses the six-month period for which advance airline schedules are available, forecast enplanements, seats, and flight frequencies are derived from advance airline schedules, with corresponding assumptions for schedule completion rates and boarding load factors. Landed weight is derived from projected landings and projected average landed weight per landing.

Even before the COVID-19 pandemic, advance schedules were typically subject to adjustments until the date of operation. Since the sharp fall in traffic in April 2020 due to the COVID-19 pandemic, the adjustments, mainly downward, have become more significant as airlines could no longer rely on stable demand patterns and advance flight bookings to plan their flight schedules. In 2021, progress in vaccinations and the decrease in new COVID-19 cases after the winter holiday season have increased passenger demand for air travel and stimulated passenger traffic recovery. But passengers now tend to book flights close to trip dates and the rate of booking cancellation remains high. Airlines adjust their schedules continually—so far mostly downward—to match final flight bookings more closely.

To project seat completion rates, we compare advance schedules against final schedules in recent months. We observe improving trends—the difference between advance and final schedules has been decreasing with improving traffic. However, the current resurgence in COVID-19 infections has slowed flight bookings and increased cancellations. We assume airlines will scale back advance flight schedules published at the time of this study. Table 19 presents our projections of seat completion rates and total final seats. Projected seats are based on published schedules in August 2021, adjusted for the projected seat completion rates.

Table 19| Projected Schedule Completion Rates and Seats

Month	Seat Completion Rate[1]			Projected Seats		
	Scenario 1 Base	Scenario 2 High	Scenario 3 Low	Scenario 1 Base	Scenario 2 High	Scenario 3 Low
Jul-21	100.0%	100.0%	100.0%	1,031,305	1,031,305	1,031,305
Aug-21	100.0%	100.0%	100.0%	1,025,881	1,025,881	1,025,881
Sep-21	96.0%	98.0%	93.0%	946,736	966,459	917,150
Oct-21	89.0%	91.0%	86.0%	940,394	961,527	908,696
Nov-21	87.0%	89.0%	84.0%	896,738	917,352	865,816
Dec-21	86.0%	88.0%	83.0%	928,637	950,233	896,242

[1] July and August 2021 reflect final schedules at the time of forecast development in August 2021. Foreign-flag carriers' advance schedules are cut 20 percentage points lower than the seat completion rates shown above.

We assess trends in boarding load factors at SAN, noting improvements over time. Actual boarding load factors in July and August 2021 surpassed boarding load factors in July and August 2019. However, the negative outlook presented by the current COVID-19 resurgence calls for more conservative assumptions, as shown in Table 20.

Table 20| Projected Boarding Load Factors (BLF)

Actual 2019 BLF		Actual and Projected 2021 BLF[1]			
Month	BLF	Month	Scenario 1 Base	Scenario 2 High	Scenario 3 Low
Jun-19	85%	Jun-21	85%	85%	85%
Jul-19	85%	Jul-21	88%	88%	88%
Aug-19	83%	Aug-21	84%	84%	84%
Sep-19	81%	Sep-21	76%	78%	73%
Oct-19	80%	Oct-21	76%	78%	73%
Nov-19	82%	Nov-21	77%	79%	74%
Dec-19	83%	Dec-21	78%	80%	75%

BLF = Enplanements/Seats
[1] The average boarding load factors shown for June, July, and August 2021 are actual.

3.3.3 | Medium-Term Recovery Phase

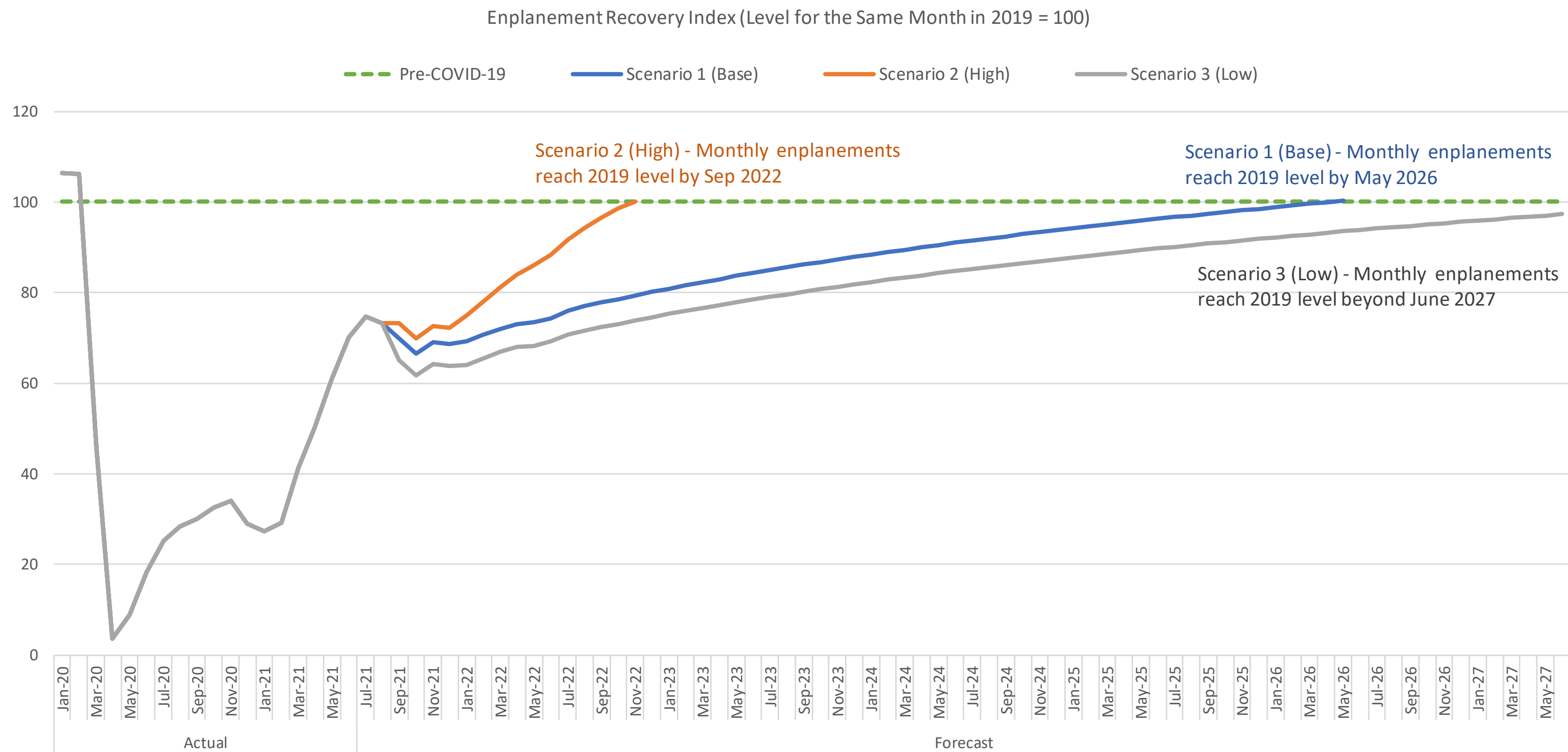
The recent traffic trends guide our assumptions regarding the shape—slope and duration—of passenger traffic recovery, recognizing that the COVID-19 pandemic and its far-reaching impacts are unprecedented. Observing actual and projected monthly enplanement recovery trends from April 2020 through December 2021, we evaluate linear and logarithmic functional forms to represent the recovery trendline. The linear functional form projects a steeper, straight-line recovery trajectory, while the logarithmic functional form projects an initial acceleration of recovery and eventual tapering. We selected the logarithmic functional form because it results in a tapering of recovery rates that reflects actual trends in recent months due to the resurgence of

COVID-19 infections. The resulting recovery scenarios, shown in Figure 42, project the return of enplanements to pre-COVID level as follows:

- Scenario 1 (Base) – Monthly enplanements return to the pre-COVID level by May 2026, with FY2026 enplanements slightly exceeding the FY2019 level. The projected recovery period is in line with A4A's worst-case forecast recovery beyond CY2024 for the U.S. airline industry as of September 15, 2021.
- Scenario 2 (High) – Monthly enplanements return to pre-COVID level by September 2022, with FY2023 enplanements slightly exceeding the FY2019 level. The projected recovery period is in line with A4A's best-case forecast recovery in CY2022 for the U.S. airline industry.
- Scenario 3 (Low) - Monthly enplanements return to pre-COVID level beyond June 2027, the end of the forecast period, with FY2027 enplanements still falling slightly below the FY2019 level. The projected recovery period is longer than A4A's worst-case forecast for the U.S. airline industry. [36]

[36] Airlines for America, *COVID Impact Updates*, September 15, 2021.

Figure 42| Monthly Enplanements - Forecast Recovery to Pre-COVID Level

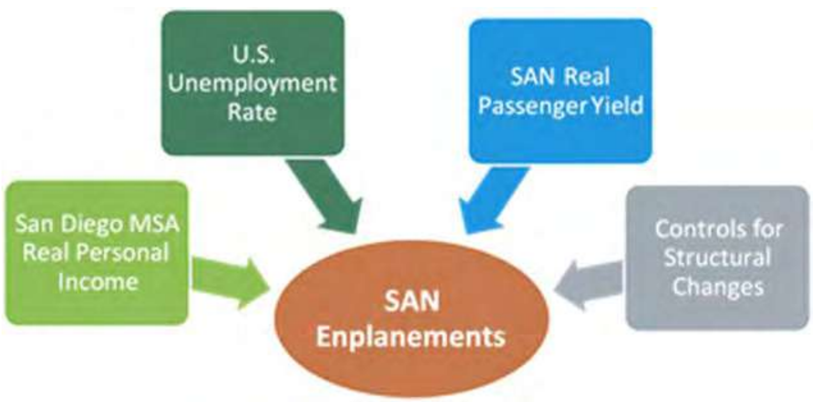


3.3.4 | Post-Recovery Growth Phase

The post-recovery growth phase begins after full recovery to pre-COVID-19 traffic level—in FY2027 under Scenario 1 (Base), in FY2024 under Scenario 2 (High), and beyond FY2027 under Scenario 3 (Low). From this point, the forecast growth in passenger traffic is driven by the economics of air travel demand, assuming airlines will provide enough seat capacity to accommodate demand.

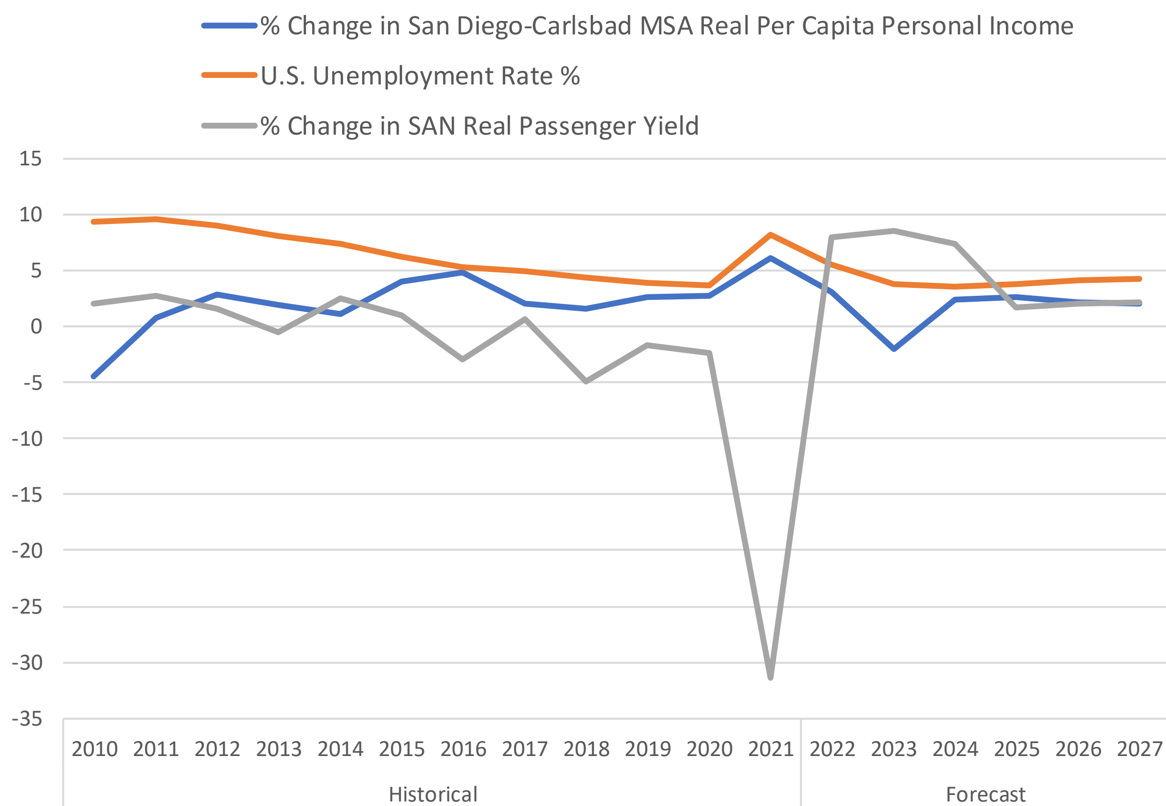
Multivariate time series regression analysis links enplanement growth to trends in market demand drivers for passenger traffic (Figure 43). This method provides a quantitative framework for measuring the contributions of key demand drivers to passenger traffic, while accounting for structural changes, time-dependent trends, and serial correlation often found in time series data. Model estimation using historical data produces regression coefficients measuring the contributions of explanatory variables to SAN's enplanement trends. The estimated regression equation is used to generate forecasts of enplanements given the projected trends for the explanatory variables. Model estimation uses the least squares method, designed to minimize forecast errors.

Figure 43| Key Drivers of Enplanement Growth



The regression model specification is based on the underlying theory of consumer demand and the dynamics of traffic growth at the Airport. The dependent variable is total enplanements, and the key explanatory variables (independent variables) include two economic indicators and a price indicator. The economic indicators are the San Diego-Carlsbad MSA real per capita personal income for local economic conditions and U.S. unemployment rate for national economic conditions. The price indicator is the average real passenger yield at the Airport. These three indicators prove the best in explaining growth trends in enplanements at SAN, based on statistical tests for evaluating regression results. Figure 44 shows the historical and forecast trends in these three explanatory variables.

Figure 44| Regression Model Explanatory Variables: Historical and Forecast Trends



Sources: Moody's Analytics, U.S. Department of Transportation, and Federal Aviation Administration.

Real Per Capita Personal Income in the San Diego-Carlsbad MSA

Real per capita personal income in the San Diego-Carlsbad MSA indicates regional income trends and economic conditions. Growth in the metro area's real per capita personal income promotes growth in enplanement at SAN. A decrease in per capita personal income, occurring during a recession, slows or reverses traffic growth. This direct relationship is confirmed by the positive regression coefficient estimate for real per capita personal income. Real per capita personal income in the San Diego-Carlsbad MSA increased at an average annual rate of 2.8 percent from FY2010 through FY2021. It is forecast to increase at a slower average annual rate of 1.7 percent through FY2027, according to forecast data from Moody's Analytics as of August 2021.

U.S. Unemployment Rate

The U.S. unemployment rate indicates overall economic conditions. Falling U.S. unemployment rates signal improving national economic conditions, growing employment, and rising incomes—conditions that strengthen air travel demand. Rising unemployment rates indicate deteriorating economic conditions, rising unemployment, and falling incomes—conditions that could weaken air travel demand. The inverse relationship in the U.S. unemployment rate and enplanements at SAN is confirmed by a negative regression coefficient estimate. The U.S. unemployment rate declined from

9.3 percent in FY2019 to 2.7 percent in FY2020, before rising to 8.11 percent in FY2021. It is projected to start falling in FY2022 and continue falling to around 4 percent over the forecast period, according to economic forecast by Moody's Analytics.

Real Passenger Yield at SAN

Consumer demand, including the demand for air travel, is inversely related to price. Demand increases when price decreases; demand decreases when price increases, if all other things are equal. This inverse relationship is confirmed by the negative regression coefficient of the average real passenger yield at SAN. Real passenger yield indicates the price of air travel. Passenger yield, which is the average revenue per passenger mile, is a better price indicator than the average fare, because it controls for trip distance. The average real passenger yield at SAN decreased at an average annual rate of 3.2 percent from FY2010 to FY2021. It decreased 31.3 percent during FY2021, as airlines slashed air fares to attract passengers during the pandemic. The average real passenger yield at SAN is projected to increase annually at a decreasing rate through the end of the forecast period, following national trends projected by the FAA.

Structural Changes

In addition to the three key explanatory variables, the regression model also includes a control variable to account for the adverse effects of the terrorist attacks in 2001 and the subsequent structural changes in the travel market and the airline industry during the historical period used for model estimation. The terrorist attacks had profound effects on the airline industry and airports, including SAN. They caused a sharp decrease in enplanements, they prompted more stringent security screening processes at airports that caused lasting changes in the demand for air travel, and they set in motion other structural changes in the airline industry. Even though these events occurred in the past, it is important to account for their effects to obtain unbiased estimates of the contributions of the key explanatory variables to enplanement trends during the post-recovery period.

3.3.5 | Forecast Results

The enplanement forecast results are summarized in Table 22. Detailed forecast results for each of the three scenarios are presented in Table 22 through Table 33. Figure 45 summarizes the forecast results and compares the Report's enplanement forecasts with those in the FAA Terminal Area Forecasts (TAF) for SAN as of May 2021. The TAF account for the decline in enplanements due to COVID-19 but projects a slower recovery than Scenario 1 (Base). The enplanement forecasts are summarized below:

- Scenario 1 (Base) – Annual enplanements grow 85.4 percent in FY2022 to 9.01 million, from a low of 4.86 million in FY2021. They continue growing at decelerating rates until FY2026, when they begin exceeding FY2019 level. In FY2027, enplanement growth slows to 1.5 percent, with enplanements reaching 12.63 million in FY2027.
- Scenario 2 (High) – Annual enplanements grow 101.0 percent in FY2022 to 9.77 million, continue growing at a high rate of 27 percent in FY2023, slightly exceeding FY2019 level that year. In the post-recovery phase, enplanement growth slows to 2.1 percent in FY2024

and to less than 2 percent annually through FY2027. Enplanements reach 13.22 million in FY2027.

- Scenario 3 (Low) – Annual enplanements grow 74.8 percent in FY2022 to 8.5 million. They continue growing at decelerating rates through FY2027, reaching 12.08 million, about 2 percent below FY2019 level.
- FAA TAF, May 2021 – The FAA TAF are on federal fiscal year basis, which ends on September 30. They have been converted to SAN fiscal year ending on June 30. The FAA TAF projects a slower recovery initially with the resulting annual enplanements in FY2022 and FY2023 falling below Scenario 3 (Low) forecast for those fiscal years. After FY2023, TAF projects faster recovery so that by FY2026, annual enplanements under the TAF begin to exceed those forecast under Scenario 2 (High). Under the TAF, annual enplanements reach 14.16 million in FY2027, higher than the Scenario 2 (High) forecast.

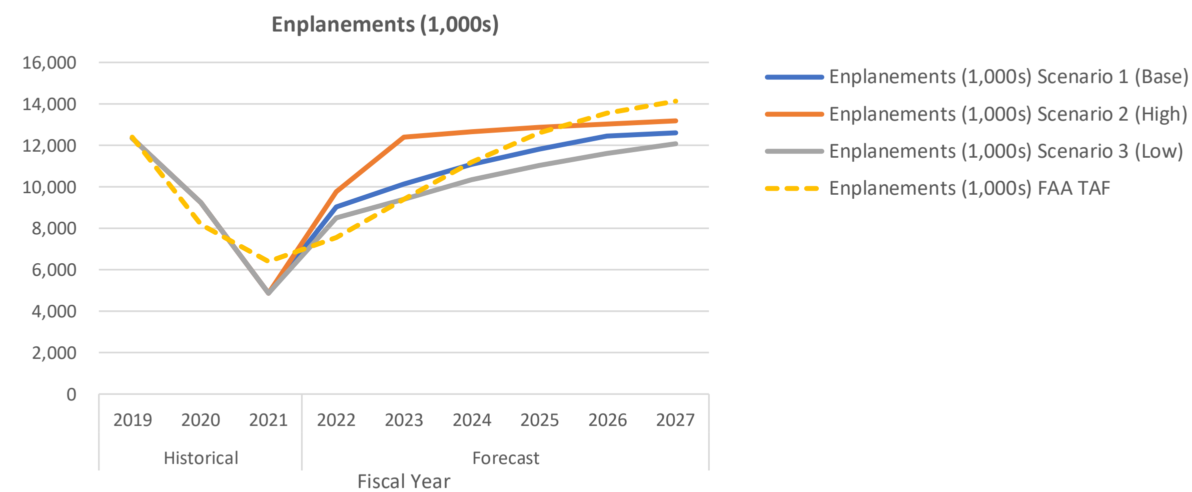
Projections of seats and aircraft departures or landings after FY2022 are derived from forecast enplanement levels, along with projections for average seats per departure and boarding load factors. Flight departures recover more slowly than enplanements due to increasing average seats per departure and increasing boarding load factors. Annual aircraft departures reach 100,575 in FY2027 under Scenario 1 (Base), 103,393 under Scenario 2 (High), and 98,075 under Scenario 3 (Low)—all lower than the FY2019 level.

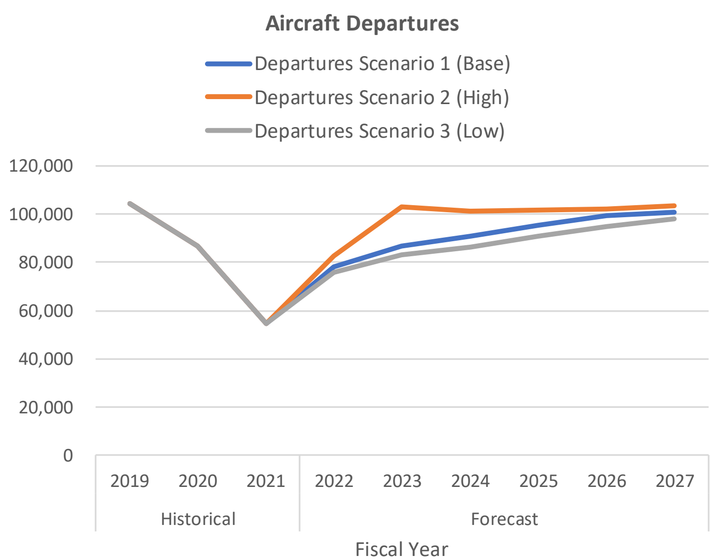
Projections of landed weight are derived from forecast aircraft landings. Landed weight increases faster than landings due to projected increases in the average weight per landing. In Scenario 1 (Base), annual landed weight begins to exceed FY2019 level in FY2026, increasing to 14.8 billion pounds in FY2027. In Scenario 2 (High), annual landed weight surpasses the FY2019 level in FY2023 and reaches 15.22 billion pounds in FY2027. In Scenario 3 (Low), annual landed weight remains below FY2019 level through FY2027, reaching 14.42 billion pounds.

Table 21| Summary of Forecast Enplanements (1,000s)

	Historical			Forecast					
FY ending June 30	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Scenario 1 (Base)	12,356	9,235	4,861	9,014	10,138	11,111	11,852	12,451	12,634
Scenario 2 (High)	12,356	9,235	4,861	9,770	12,406	12,663	12,860	13,026	13,217
Scenario 3 (Low)	12,356	9,235	4,861	8,495	9,430	10,347	11,045	11,610	12,084

Figure 45 | Forecast Commercial Aviation Activity at SAN





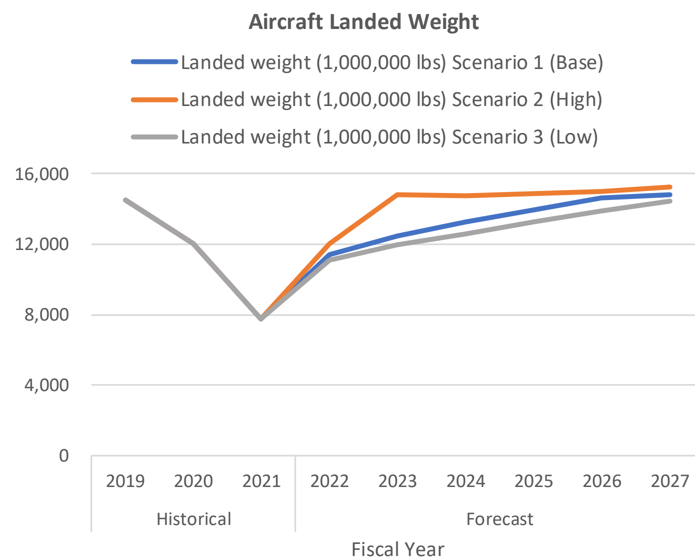


Table 22| Forecast Enplanements - Scenario 1 (Base)

	Actual			Recovery Phase					Post-Recovery	CAGR	
FY ending June 30	2019	2020	2021	2022	2023	2024	2025	2026	2027	2021-2027	2019-2027
Enplanements (1,000s)											
Southwest	4,656	3,475	1,628	2,919	3,290	3,606	3,846	4,041	4,100	16.6%	-1.6%
Delta Airlines	1,504	1,168	568	1,080	1,145	1,255	1,339	1,406	1,427	16.6%	-0.7%
United Airlines	1,593	1,106	600	1,293	1,560	1,709	1,823	1,916	1,944	21.6%	2.5%
American Airlines	1,468	1,128	768	1,218	1,373	1,505	1,605	1,686	1,711	14.3%	1.9%
Other signatory	2,881	2,184	1,252	2,365	2,607	2,857	3,047	3,201	3,248	17.2%	1.5%
Subtotal - signatory	12,103	9,061	4,815	8,875	9,974	10,932	11,661	12,250	12,430	17.1%	0.3%
Subtotal - nonsignatory	254	174	46	139	164	179	191	201	204	28.3%	-2.7%
Total - passenger carriers	**12,356**	**9,235**	**4,861**	**9,014**	**10,138**	**11,111**	**11,852**	**12,451**	**12,634**	**17.3%**	**0.3%**
Annual percent change		-25.3%	-47.4%	85.4%	12.5%	9.6%	6.7%	5.1%	1.5%		
Enplanement Shares											
Southwest	37.7%	37.6%	33.5%	32.4%	32.5%	32.5%	32.5%	32.5%	32.5%		
Delta Airlines	12.2%	12.7%	11.7%	12.0%	11.3%	11.3%	11.3%	11.3%	11.3%		
United Airlines	12.9%	12.0%	12.3%	14.3%	15.4%	15.4%	15.4%	15.4%	15.4%		
American Airlines	11.9%	12.2%	15.8%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%		
Other signatory	23.3%	23.6%	25.8%	26.2%	25.7%	25.7%	25.7%	25.7%	25.7%		
Subtotal - signatory	97.9%	98.1%	99.1%	98.5%	98.4%	98.4%	98.4%	98.4%	98.4%		
Subtotal - nonsignatory	2.1%	1.9%	0.9%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%		

Note: The signatory-nonsignatory break-out in all the forecast summary tables is based on the current signatory and nonsignatory designation of airlines serving SAN.

Table 23| Forecast Seats and Aircraft Departures – Scenario 1 (Base)

	Actual			Recovery Phase					Post-Recovery	CAGR	
FY ending June 30	2019	2020	2021	2022	2023	2024	2025	2026	2027	2021-2027	2019-2027
Seats (1,000s)											
Southwest	6,060	5,428	2,686	4,031	4,256	4,468	4,716	4,942	5,013	11.0%	-2.3%
Delta Airlines	1,727	1,489	1,056	1,285	1,363	1,494	1,577	1,653	1,677	8.0%	-0.4%
United Airlines	1,836	1,434	845	1,566	1,888	2,070	2,185	2,290	2,323	18.3%	3.0%
American Airlines	1,712	1,463	1,020	1,455	1,640	1,798	1,898	1,989	2,018	12.1%	2.1%
Other signatory	3,521	2,911	2,142	2,988	3,293	3,461	3,653	3,829	3,884	10.4%	1.2%
Subtotal - signatory	14,856	12,726	7,749	11,325	12,441	13,290	14,029	14,702	14,916	11.5%	0.0%
Subtotal - nonsignatory	319	246	86	172	202	213	224	235	239	18.6%	-3.6%
Total - passenger carriers	**15,175**	**12,972**	**7,835**	**11,496**	**12,643**	**13,503**	**14,254**	**14,937**	**15,154**	**11.6%**	**0.0%**
Annual percent change		-14.5%	-39.6%	46.7%	10.0%	6.8%	5.6%	1.3%	1.5%		
Aircraft Departures (Landings)											
Southwest	39,175	33,477	16,695	25,472	27,225	28,193	29,649	30,959	31,300	11.0%	-2.8%
Delta Airlines	11,566	9,411	5,835	7,095	7,616	8,234	8,664	9,047	9,147	7.8%	-2.9%
United Airlines	12,272	9,239	5,879	9,957	12,153	13,139	13,822	14,433	14,592	16.4%	2.2%
American Airlines	10,912	8,756	5,689	8,076	9,215	9,963	10,482	10,946	11,066	11.7%	0.2%
Other signatory	25,391	21,144	16,613	23,207	25,890	26,836	28,229	29,478	29,803	10.2%	2.0%
Subtotal - signatory	99,316	82,027	50,711	73,806	82,100	86,365	90,845	94,864	95,909	11.2%	-0.4%
Subtotal - nonsignatory	1,502	1,062	497	800	952	988	1,040	1,086	1,098	14.1%	-3.8%
Subtotal - passenger carriers	100,818	83,089	51,208	74,606	83,052	87,353	91,885	95,950	97,006	11.2%	-0.5%
All-cargo - signatory	2,783	2,755	3,017	2,997	3,007	3,002	3,005	3,003	3,004	-0.1%	1.0%
All-cargo - nonsignatory	539	676	563	566	565	565	565	565	565	0.1%	0.6%
Subtotal - all-cargo carriers	3,322	3,431	3,580	3,563	3,572	3,567	3,569	3,568	3,569	-0.1%	0.9%
Total	**104,140**	**86,520**	**54,788**	**78,169**	**86,624**	**90,920**	**95,454**	**99,518**	**100,575**	**10.7%**	**-0.4%**
Annual percent change		-16.9%	-36.7%	42.7%	10.8%	5.0%	5.0%	1.3%	1.5%		

Table 24| Forecast Enplanement per Departure, Seats per Departure, and Boarding Load Factors - Scenario 1 (Base)

	Actual			Recovery Phase					Post-Recovery
FY ending June 30	2019	2020	2021	2022	2023	2024	2025	2026	2027
Enplanements per Departure									
Southwest	119	104	97	115	121	128	130	131	131
Delta Airlines	130	124	97	152	150	152	155	155	156
United Airlines	130	120	102	130	128	130	132	133	133
American Airlines	135	129	135	151	149	151	153	154	155
Other signatory	113	103	75	102	101	106	108	109	109
Subtotal - signatory	122	110	95	120	121	127	128	129	130
Subtotal - nonsignatory	169	164	92	174	172	182	184	185	186
Total	**123**	**111**	**95**	**121**	**122**	**127**	**129**	**130**	**130**
Seats per Departure									
Southwest	155	162	161	158	156	158	159	160	160
Delta Airlines	149	158	181	181	179	181	182	183	183
United Airlines	150	155	144	157	155	158	158	159	159
American Airlines	157	167	179	180	178	180	181	182	182
Other signatory	139	138	129	129	127	129	129	130	130
Subtotal - signatory	150	155	153	153	152	154	154	155	156
Subtotal - nonsignatory	212	232	173	215	212	215	216	217	217
Total	**151**	**156**	**153**	**154**	**152**	**155**	**155**	**156**	**156**
Boarding load factors									
Southwest	77%	64%	61%	72%	77%	81%	82%	82%	82%
Delta Airlines	87%	78%	54%	84%	84%	84%	85%	85%	85%
United Airlines	87%	77%	71%	83%	83%	83%	83%	84%	84%
American Airlines	86%	77%	75%	84%	84%	84%	85%	85%	85%
Other signatory	82%	75%	58%	79%	79%	83%	83%	84%	84%
Subtotal - signatory	81%	71%	62%	78%	80%	82%	83%	83%	83%
Subtotal - nonsignatory	79%	71%	53%	81%	81%	84%	85%	85%	86%
Total	**81%**	**71%**	**62%**	**78%**	**80%**	**82%**	**83%**	**83%**	**83%**

Table 25| Forecast Landed Weight and Average Weight per Landing - Scenario 1 (Base)

	Actual			Recovery Phase					Post-Recovery	CAGR	
FY ending June 30	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2021-2027**	**2019-2027**
Landed Weight (1,000,000 lbs.)											
Southwest	5,180	4,422	2,277	3,464	3,658	3,840	4,053	4,247	4,309	11.2%	-2.3%
Delta Airlines	1,617	1,374	1,049	1,457	1,545	1,694	1,788	1,874	1,901	10.4%	2.0%
United Airlines	1,702	1,285	771	1,452	1,751	1,919	2,026	2,123	2,154	18.7%	3.0%
American Airlines	1,566	1,299	918	1,302	1,467	1,608	1,698	1,779	1,805	11.9%	1.8%
Other signatory	3,370	2,730	1,995	2,824	3,113	3,271	3,453	3,619	3,671	10.7%	1.1%
Subtotal - signatory	13,435	11,110	7,010	10,499	11,535	12,332	13,019	13,643	13,841	12.0%	0.4%
Subtotal - nonsignatory	447	307	70	190	224	235	249	261	264	24.9%	-6.4%
Subtotal - passenger carriers	13,882	11,417	7,080	10,689	11,759	12,568	13,267	13,903	14,105	12.2%	0.2%
All-cargo - signatory	593	587	613	605	607	606	607	607	607	-0.2%	0.3%
All-cargo - nonsignatory	7	49	87	87	86	86	86	86	86	0.0%	37.6%
Subtotal - all-cargo carriers	600	636	700	692	694	693	693	693	693	-0.2%	1.8%
Total	**14,481**	**12,053**	**7,780**	**11,381**	**12,452**	**13,261**	**13,961**	**14,596**	**14,799**	**11.3%**	**0.3%**
Annual Percent Change		-16.8%	-35.5%	46.3%	9.4%	6.5%	5.3%	1.3%	1.5%		
Average Weight per Landing (1,000 lbs.)											
Southwest	132	132	136	136	134	136	137	137	138		
Delta Airlines	140	146	180	205	203	206	206	207	208		
United Airlines	139	139	131	146	144	146	147	147	148		
American Airlines	144	148	161	161	159	161	162	163	163		
Other signatory	133	129	120	122	120	122	122	123	123		
Subtotal - signatory	135	135	138	142	140	143	143	144	144		
Subtotal - nonsignatory	298	289	140	238	235	238	239	240	241		
Subtotal - passenger carriers	138	137	138	143	142	144	144	145	145		
All-cargo - signatory	213	213	203	202	202	202	202	202	202		
All-cargo - nonsignatory	12	73	154	153	153	153	153	153	153		
Subtotal - all-cargo carriers	180	185	195	194	194	194	194	194	194		
Total	**139**	**139**	**142**	**146**	**144**	**146**	**146**	**147**	**147**		

Table 26| Forecast Enplanements - Scenario 2 (High)

	Actual			Recovery Phase		Post-Recovery Phase				CAGR	
FY ending June 30	2019	2020	2021	2022	2023	2024	2025	2026	2027	2021-2027	2019-2027
Enplanements (1,000s)											
Southwest	4,656	3,475	1,628	3,170	4,026	4,109	4,173	4,227	4,289	17.5%	-1.0%
Delta Airlines	1,504	1,168	568	1,165	1,401	1,430	1,453	1,471	1,493	17.5%	-0.1%
United Airlines	1,593	1,106	600	1,406	1,909	1,948	1,978	2,004	2,033	22.6%	3.1%
American Airlines	1,468	1,128	768	1,318	1,680	1,715	1,742	1,764	1,790	15.1%	2.5%
Other signatory	2,881	2,184	1,252	2,560	3,190	3,256	3,306	3,349	3,398	18.1%	2.1%
Subtotal - signatory	12,103	9,061	4,815	9,620	12,205	12,458	12,652	12,815	13,004	18.0%	0.9%
Subtotal - nonsignatory	254	174	46	150	200	205	208	210	213	29.2%	-2.1%
Total - passenger carriers	**12,356**	**9,235**	**4,861**	**9,770**	**12,406**	**12,663**	**12,860**	**13,026**	**13,217**	**18.1%**	**0.8%**
Annual percent change		-25.3%	-47.4%	101.0%	27.0%	2.1%	1.6%	1.3%	1.5%		
Enplanement Shares											
Southwest	37.7%	37.6%	33.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%		
Delta Airlines	12.2%	12.7%	11.7%	11.9%	11.3%	11.3%	11.3%	11.3%	11.3%		
United Airlines	12.9%	12.0%	12.3%	14.4%	15.4%	15.4%	15.4%	15.4%	15.4%		
American Airlines	11.9%	12.2%	15.8%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%		
Other signatory	23.3%	23.6%	25.8%	26.2%	25.7%	25.7%	25.7%	25.7%	25.7%		
Subtotal - signatory	97.9%	98.1%	99.1%	98.5%	98.4%	98.4%	98.4%	98.4%	98.4%		
Subtotal - nonsignatory	2.1%	1.9%	0.9%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%		

Table 27| Forecast Seats and Aircraft Departures - Scenario 2 (High)

	Actual			Recovery Phase		Post-Recovery Growth Phase				CAGR	
FY ending June 30	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2021-2027**	**2019-2027**
Seats (1,000s)											
Southwest	6,060	5,428	2,686	4,281	5,100	4,991	5,016	5,068	5,142	11.4%	-2.0%
Delta Airlines	1,727	1,489	1,056	1,361	1,636	1,670	1,696	1,714	1,739	8.7%	0.1%
United Airlines	1,836	1,434	845	1,667	2,264	2,311	2,323	2,347	2,381	18.8%	3.3%
American Airlines	1,712	1,463	1,020	1,545	1,970	2,011	2,042	2,063	2,093	12.7%	2.5%
Other signatory	3,521	2,911	2,142	3,172	3,951	3,870	3,890	3,931	3,988	10.9%	1.6%
Subtotal - signatory	14,856	12,726	7,749	12,026	14,921	14,852	14,967	15,123	15,344	12.1%	0.4%
Subtotal - nonsignatory	319	246	86	181	243	248	249	251	255	19.9%	-2.8%
Total - passenger carriers	**15,175**	**12,972**	**7,835**	**12,207**	**15,164**	**15,100**	**15,216**	**15,375**	**15,599**	**12.2%**	**0.3%**
Annual percent change		-14.5%	-39.6%	55.8%	24.2%	-0.4%	0.8%	1.3%	1.5%		
Departures (Landings)											
Southwest	39,175	33,477	16,695	27,054	32,626	31,492	31,539	31,754	32,104	11.5%	-2.5%
Delta Airlines	11,566	9,411	5,835	7,525	9,157	9,220	9,330	9,395	9,498	8.5%	-2.4%
United Airlines	12,272	9,239	5,879	10,606	14,577	14,677	14,702	14,804	14,967	16.9%	2.5%
American Airlines	10,912	8,756	5,689	8,573	11,062	11,138	11,272	11,349	11,474	12.4%	0.6%
Other signatory	25,391	21,144	16,613	24,641	31,069	30,017	30,068	30,275	30,609	10.7%	2.4%
Subtotal - signatory	99,316	82,027	50,711	78,398	98,492	96,545	96,911	97,577	98,652	11.7%	-0.1%
Subtotal - nonsignatory	1,502	1,062	497	844	1,142	1,150	1,151	1,159	1,172	15.4%	-3.1%
Subtotal - passenger carriers	100,818	83,089	51,208	79,242	99,634	97,694	98,062	98,736	99,824	11.8%	-0.1%
All-cargo - signatory	2,783	2,755	3,017	2,997	3,007	3,002	3,005	3,003	3,004	-0.1%	1.0%
All-cargo - nonsignatory	539	676	563	566	565	565	565	565	565	0.1%	0.6%
Subtotal - all-cargo carriers	3,322	3,431	3,580	3,563	3,572	3,567	3,569	3,568	3,569	-0.1%	0.9%
Total	**104,140**	**86,520**	**54,788**	**82,805**	**103,206**	**101,262**	**101,632**	**102,305**	**103,393**	**11.2%**	**-0.1%**
Annual percent change		-16.9%	-36.7%	51.1%	24.6%	-1.9%	0.4%	1.3%	1.5%		

Table 28| Forecast Enplanements per Departure, Seats per Departure, and Boarding Load Factors - Scenario 2 (High)

	Actual			Recovery Phase		Post-Recovery Growth Phase			
FY ending June 30	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Enplanements per Departure									
Southwest	119	104	97	117	123	130	132	133	134
Delta Airlines	130	124	97	155	153	155	156	157	157
United Airlines	130	120	102	133	131	133	135	135	136
American Airlines	135	129	135	154	152	154	155	155	156
Other signatory	113	103	75	104	103	108	110	111	111
Subtotal - signatory	122	110	95	123	124	129	131	131	132
Subtotal - nonsignatory	169	164	92	178	176	178	180	182	182
Total	**123**	**111**	**95**	**123**	**125**	**130**	**131**	**132**	**132**
Seats per Departure									
Southwest	155	162	161	158	156	158	159	160	160
Delta Airlines	149	158	181	181	179	181	182	182	183
United Airlines	150	155	144	157	155	157	158	159	159
American Airlines	157	167	179	180	178	181	181	182	182
Other signatory	139	138	129	129	127	129	129	130	130
Subtotal - signatory	150	155	153	153	151	154	154	155	156
Subtotal - nonsignatory	212	232	173	215	212	215	216	217	218
Total	**151**	**156**	**153**	**154**	**152**	**155**	**155**	**156**	**156**
Boarding load factors									
Southwest	77%	64%	61%	74%	79%	82%	83%	83%	83%
Delta Airlines	87%	78%	54%	86%	86%	86%	86%	86%	86%
United Airlines	87%	77%	71%	84%	84%	84%	85%	85%	85%
American Airlines	86%	77%	75%	85%	85%	85%	85%	85%	86%
Other signatory	82%	75%	58%	81%	81%	84%	85%	85%	85%
Subtotal - signatory	81%	71%	62%	80%	82%	84%	85%	85%	85%
Subtotal - nonsignatory	79%	71%	53%	83%	83%	83%	83%	84%	84%
Total	**81%**	**71%**	**62%**	**80%**	**82%**	**84%**	**85%**	**85%**	**85%**

Table 29| Forecast Landed Weight - Scenario 2 (High)

	Actual			Recovery Phase		Post-Recovery Growth Phase				CAGR	
FY ending June 30	2019	2020	2021	2022	2023	2024	2025	2026	2027	2021-2027	2019-2027
Landed Weight (1,000,000 lbs.)											
Southwest	5,180	4,422	2,277	3,679	4,384	4,290	4,311	4,356	4,420	11.7%	-2.0%
Delta Airlines	1,617	1,374	1,049	1,543	1,855	1,894	1,923	1,943	1,972	11.1%	2.5%
United Airlines	1,702	1,285	771	1,546	2,099	2,143	2,154	2,176	2,208	19.2%	3.3%
American Airlines	1,566	1,299	918	1,382	1,762	1,798	1,826	1,845	1,872	12.6%	2.3%
Other signatory	3,370	2,730	1,995	2,998	3,735	3,658	3,677	3,716	3,770	11.2%	1.4%
Subtotal - signatory	13,435	11,110	7,010	11,149	13,835	13,783	13,892	14,037	14,242	12.5%	0.7%
Subtotal - nonsignatory	447	307	70	203	272	277	279	282	286	26.6%	-5.4%
Subtotal - passenger carriers	13,882	11,417	7,080	11,352	14,107	14,060	14,171	14,319	14,528	12.7%	0.6%
All-cargo - signatory	593	587	613	605	607	606	607	607	607	-0.2%	0.3%
All-cargo - nonsignatory	7	49	87	87	86	86	86	86	86	0.0%	37.6%
Subtotal - all-cargo carriers	600	636	700	692	694	693	693	693	693	-0.2%	1.8%
Total	**14,481**	**12,053**	**7,780**	**12,044**	**14,801**	**14,753**	**14,865**	**15,012**	**15,221**	**11.8%**	**0.6%**
Annual Percent Change		-16.8%	-35.5%	54.8%	22.9%	-0.3%	0.8%	1.3%	1.5%		
Average Weight per Landing (1,000 lbs.)											
Southwest	132	132	136	136	134	136	137	137	138		
Delta Airlines	140	146	180	205	203	205	206	207	208		
United Airlines	139	139	131	146	144	146	147	147	148		
American Airlines	144	148	161	161	159	161	162	163	163		
Other signatory	133	129	120	122	120	122	122	123	123		
Subtotal - signatory	135	135	138	142	140	143	143	144	144		
Subtotal - nonsignatory	298	289	140	241	238	241	242	243	244		
Subtotal - passenger carriers	138	137	138	143	142	144	145	145	146		
All-cargo - signatory	213	213	203	202	202	202	202	202	202		
All-cargo - nonsignatory	12	73	154	153	153	153	153	153	153		
Subtotal - all-cargo carriers	180	185	195	194	194	194	194	194	194		
Total	**139**	**139**	**142**	**145**	**143**	**146**	**146**	**147**	**147**		

Table 30| Forecast Enplanements - Scenario 3 (Low)

	Actual			Recovery Phase						CAGR	
FY ending June 30	2019	2020	2021	2022	2023	2024	2025	2026	2027	2021-2027	2019-2027
Enplanements (1,000s)											
Southwest	4,656	3,475	1,628	2,742	3,060	3,358	3,584	3,768	3,921	15.8%	-2.1%
Delta Airlines	1,504	1,168	568	1,021	1,065	1,169	1,248	1,311	1,365	15.7%	-1.2%
United Airlines	1,593	1,106	600	1,219	1,451	1,592	1,699	1,786	1,859	20.7%	1.9%
American Airlines	1,468	1,128	768	1,150	1,277	1,401	1,496	1,572	1,636	13.4%	1.4%
Other signatory	2,881	2,184	1,252	2,231	2,424	2,660	2,840	2,985	3,107	16.4%	0.9%
Subtotal - signatory	12,103	9,061	4,815	8,363	9,277	10,180	10,867	11,422	11,888	16.3%	-0.2%
Subtotal - nonsignatory	254	174	46	132	152	167	178	188	195	27.3%	-3.2%
Total - passenger carriers	**12,356**	**9,235**	**4,861**	**8,495**	**9,430**	**10,347**	**11,045**	**11,610**	**12,084**	**16.4%**	**-0.3%**
Annual percent change		-25.3%	-47.4%	74.8%	11.0%	9.7%	6.8%	5.1%	4.1%		
Enplanement Shares											
Southwest	37.7%	37.6%	33.5%	32.3%	32.5%	32.5%	32.5%	32.5%	32.5%		
Delta Airlines	12.2%	12.7%	11.7%	12.0%	11.3%	11.3%	11.3%	11.3%	11.3%		
United Airlines	12.9%	12.0%	12.3%	14.3%	15.4%	15.4%	15.4%	15.4%	15.4%		
American Airlines	11.9%	12.2%	15.8%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%		
Other signatory	23.3%	23.6%	25.8%	26.3%	25.7%	25.7%	25.7%	25.7%	25.7%		
Subtotal - signatory	97.9%	98.1%	99.1%	98.4%	98.4%	98.4%	98.4%	98.4%	98.4%		
Subtotal - nonsignatory	2.1%	1.9%	0.9%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%		

Table 31| Forecast Seats and Aircraft Departures - Scenario 3 (Low)

	Actual			Recovery Phase						CAGR	
FY ending June 30	2019	2020	2021	2022	2023	2024	2025	2026	2027	2021-2027	2019-2027
Seats (1,000s)											
Southwest	6,060	5,428	2,686	3,917	4,088	4,290	4,530	4,749	4,942	10.7%	-2.5%
Delta Airlines	1,727	1,489	1,056	1,250	1,304	1,431	1,511	1,585	1,649	7.7%	-0.6%
United Airlines	1,836	1,434	845	1,521	1,810	1,906	2,014	2,111	2,197	17.3%	2.3%
American Airlines	1,712	1,463	1,020	1,415	1,571	1,654	1,748	1,833	1,908	11.0%	1.4%
Other signatory	3,521	2,911	2,142	2,906	3,158	3,318	3,504	3,674	3,823	10.1%	1.0%
Subtotal - signatory	14,856	12,726	7,749	11,009	11,930	12,599	13,307	13,952	14,519	11.0%	-0.3%
Subtotal - nonsignatory	319	246	86	167	193	203	215	225	234	18.2%	-3.8%
Total - passenger carriers	**15,175**	**12,972**	**7,835**	**11,177**	**12,124**	**12,802**	**13,522**	**14,177**	**14,753**	**11.1%**	**-0.4%**
Annual percent change		-14.5%	-39.6%	42.6%	8.5%	5.6%	5.6%	1.3%	1.5%		
Aircraft Departures (Landings)											
Southwest	39,175	33,477	16,695	24,753	26,146	27,069	28,480	29,752	30,853	10.8%	-2.9%
Delta Airlines	11,566	9,411	5,835	6,899	7,285	7,885	8,299	8,671	8,992	7.5%	-3.1%
United Airlines	12,272	9,239	5,879	9,672	11,651	12,097	12,736	13,307	13,800	15.3%	1.5%
American Airlines	10,912	8,756	5,689	7,853	8,824	9,168	9,653	10,087	10,460	10.7%	-0.5%
Other signatory	25,391	21,144	16,613	22,564	24,817	25,721	27,069	28,280	29,326	9.9%	1.8%
Subtotal - signatory	99,316	82,027	50,711	71,742	78,722	81,940	86,238	90,098	93,431	10.7%	-0.8%
Subtotal - nonsignatory	1,502	1,062	497	777	908	942	992	1,036	1,075	13.7%	-4.1%
Subtotal - passenger carriers	100,818	83,089	51,208	72,518	79,630	82,882	87,230	91,134	94,506	10.8%	-0.8%
All-cargo - signatory	2,783	2,755	3,017	2,997	3,007	3,002	3,005	3,003	3,004	-0.1%	1.0%
All-cargo - nonsignatory	539	676	563	566	565	565	565	565	565	0.1%	0.6%
Subtotal - all-cargo carriers	3,322	3,431	3,580	3,563	3,572	3,567	3,569	3,568	3,569	-0.1%	0.9%
Total	**104,140**	**86,520**	**54,788**	**76,082**	**83,202**	**86,449**	**90,799**	**94,703**	**98,075**	**10.2%**	**-0.7%**
Annual percent change		-16.9%	-36.7%	38.9%	9.4%	3.9%	5.0%	1.3%	1.5%		

Table 32| Forecast Enplanements per Departure, Seats per Departure, and Boarding Load Factors - Scenario 3 (Low)

	Actual			Recovery Phase					
FY ending June 30	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Enplanements per Departure									
Southwest	119	104	97	111	117	124	126	127	127
Delta Airlines	130	124	97	148	146	148	150	151	152
United Airlines	130	120	102	126	125	132	133	134	135
American Airlines	135	129	135	146	145	153	155	156	156
Other signatory	113	103	75	99	98	103	105	106	106
Subtotal - signatory	122	110	95	117	118	124	126	127	127
Subtotal - nonsignatory	169	164	92	170	168	177	180	181	182
Total	**123**	**111**	**95**	**117**	**118**	**125**	**127**	**127**	**128**
Seats per Departure									
Southwest	155	162	161	158	156	158	159	160	160
Delta Airlines	149	158	181	181	179	181	182	183	183
United Airlines	150	155	144	157	155	158	158	159	159
American Airlines	157	167	179	180	178	180	181	182	182
Other signatory	139	138	129	129	127	129	129	130	130
Subtotal - signatory	150	155	153	153	152	154	154	155	155
Subtotal - nonsignatory	212	232	173	215	213	216	217	217	218
Total	**151**	**156**	**153**	**154**	**152**	**154**	**155**	**156**	**156**
Boarding load factors									
Southwest	77%	64%	61%	70%	75%	78%	79%	79%	79%
Delta Airlines	87%	78%	54%	82%	82%	82%	83%	83%	83%
United Airlines	87%	77%	71%	80%	80%	84%	84%	85%	85%
American Airlines	86%	77%	75%	81%	81%	85%	86%	86%	86%
Other signatory	82%	75%	58%	77%	77%	80%	81%	81%	81%
Subtotal - signatory	81%	71%	62%	76%	78%	81%	82%	82%	82%
Subtotal - nonsignatory	79%	71%	53%	79%	79%	82%	83%	83%	83%
Total	**81%**	**71%**	**62%**	**76%**	**78%**	**81%**	**82%**	**82%**	**82%**

Table 33| Forecast Landed Weight - Scenario 3 (Low)

	Actual			Recovery Phase						CAGR	
FY ending June 30	2019	2020	2021	2022	2023	2024	2025	2026	2027	2021-2027	2019-2027
Landed Weight (1,000,000 lbs.)											
Southwest	5,180	4,422	2,277	3,367	3,513	3,688	3,894	4,082	4,248	11.0%	-2.4%
Delta Airlines	1,617	1,374	1,049	1,417	1,478	1,622	1,714	1,797	1,870	10.1%	1.8%
United Airlines	1,702	1,285	771	1,411	1,679	1,767	1,867	1,958	2,037	17.6%	2.3%
American Airlines	1,566	1,299	918	1,266	1,405	1,480	1,564	1,640	1,706	10.9%	1.1%
Other signatory	3,370	2,730	1,995	2,745	2,983	3,135	3,311	3,471	3,612	10.4%	0.9%
Subtotal - signatory	13,435	11,110	7,010	10,206	11,059	11,691	12,349	12,947	13,473	11.5%	0.0%
Subtotal - nonsignatory	447	307	70	184	212	223	236	247	257	24.3%	-6.7%
Subtotal - passenger carriers	13,882	11,417	7,080	10,389	11,271	11,914	12,584	13,194	13,730	11.7%	-0.1%
All-cargo - signatory	593	587	613	605	607	606	607	607	607	-0.2%	0.3%
All-cargo - nonsignatory	7	49	87	87	86	86	86	86	86	0.0%	37.6%
Subtotal - all-cargo carriers	600	636	700	692	694	693	693	693	693	-0.2%	1.8%
Total	**14,481**	**12,053**	**7,780**	**11,081**	**11,965**	**12,607**	**13,278**	**13,887**	**14,423**	**10.8%**	**-0.1%**
Annual Percent Change		-16.8%	-35.5%	42.4%	8.0%	5.4%	5.3%	1.3%	1.5%		
Average Weight per Landing (1,000 lbs.)											
Southwest	132	132	136	136	134	136	137	137	138		
Delta Airlines	140	146	180	205	203	206	206	207	208		
United Airlines	139	139	131	146	144	146	147	147	148		
American Airlines	144	148	161	161	159	161	162	163	163		
Other signatory	133	129	120	122	120	122	122	123	123		
Subtotal - signatory	135	135	138	142	140	143	143	144	144		
Subtotal - nonsignatory	298	289	140	236	233	237	238	238	239		
Subtotal - passenger carriers	138	137	138	143	142	144	144	145	145		
All-cargo - signatory	213	213	203	202	202	202	202	202	202		
All-cargo - nonsignatory	12	73	154	153	153	153	153	153	153		
Subtotal - all-cargo carriers	180	185	195	194	194	194	194	194	194		
Total	**139**	**139**	**142**	**146**	**144**	**146**	**146**	**147**	**147**		

3.4 | Forecast Uncertainty and Risk Factors

The forecasts are based on information available at the time of the study, measurable factors that drive air traffic, and assumptions about their future trends. Actual results could differ materially from the forecasts if any of the assumptions do not hold or if unexpected events cause traffic to decrease or increase significantly. The Airport operates in a dynamic business environment where a variety of factors are at play. Many of these factors, often intertwined, are subject to volatility and uncertainty, introducing risk—both downside and upside—to forecast activity levels.

3.4.1 | Disease Outbreaks

Passenger air travel demand is sensitive to disease outbreaks. In 2020, the COVID-19 pandemic developed to become the greatest threat to the entire aviation industry. It will remain a threat until the spread of the disease is successfully contained. Widespread vaccination is key to containing the spread of the disease, restoring people's confidence in the public health safety of air travel, and making people comfortable again with being close to other people. The distribution of COVID-19 vaccines has aided in the recovery of air travel and the overall U.S. economy, but new variants of the disease and resurgences in infections continue to present uncertainty for the future.

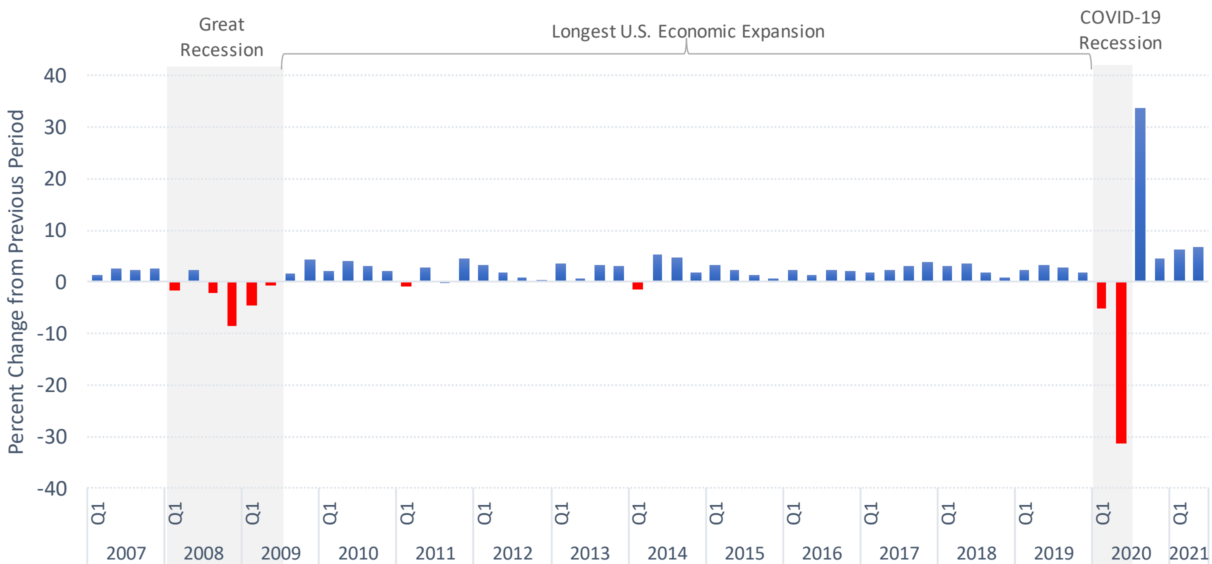
3.4.2 | Economic Conditions

The aviation industry is a pro-cyclical industry. Aviation traffic grows during periods of economic expansion, as consumer and business incomes grow, increasing overall demand, including for air travel. Conversely, aviation traffic declines during periods of economic recession, as consumer and business incomes fall, causing overall demand and the demand for air travel to fall.

Various factors can trigger an economic recession. In 2020, the COVID-19 pandemic and extreme mitigation measures triggered a global economic recession. The U.S. economy had recovered its pre-COVID output level in the second quarter of 2021; it is forecast to continue its strong growth in the third quarter. However, the ongoing economic expansion faces threats from flare-ups of COVID-19 cases and new virus variants that could prompt another wave of widespread economic lockdowns. In addition, the U.S. economy faces other sources of economic risks, including inflationary pressures, supply constraints, slowing of population growth, population aging, international trade tensions, continuing geo-political tensions, weakness in certain parts of the global economy, financial market volatility, and the high level of U.S. government and private debt. The federal aid recently provided to individuals and businesses to alleviate the recession impacts of COVID-19 added substantially to an already high level of federal debt.

Figure 46 shows the trends in U.S. real GDP since the first quarter of 2007 through the Great Recession in 2008 and 2009, and the COVID-19 recession in 2020.

Figure 46| U.S. Real GDP, Quarterly, Annualized Percent Change from Previous Period, Q1 2007-Q2 2021



Source: U.S. Bureau of Economic Analysis.

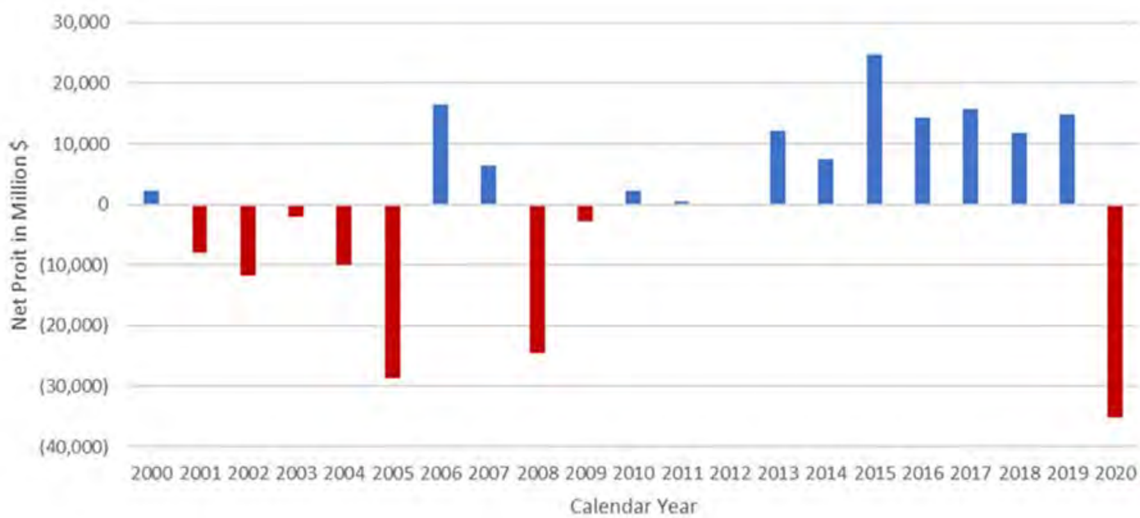
3.4.3 | U.S. Airline Industry Volatility

The U.S. airline industry is extremely volatile. It is vulnerable to many exogenous factors such as economic downturns, sharp increases in oil prices, adverse weather, disease outbreaks, travel restrictions, terrorism threats, and geo-political tensions.

In 21 years from 2000 through 2020, the U.S. airline industry incurred annual net losses in eight years and annual net profits in 13 years, netting a profit of $5.816 billion over the entire 21 year-period (Figure 47). After persistent losses during most of the 2000s, the U.S. airline industry realized net profits in every year during the 2010s. The U.S. airline industry thrived amid the long economic expansion during the 2010s and the sharp decrease in fuel price, reaping the benefits of business restructuring, capacity restraint, cost-cutting measures, and productivity improvements implemented since the Great Recession. Markedly improved financial performance enabled U.S. airlines to renew their fleets and increase scheduled flights and seats, while maintaining capacity discipline.

In 2020, the U.S. airline industry outlook took a dramatic downturn with the advent of COVID-19. Passenger air travel came to a near halt in April 2020 and has yet to recover to its pre-COVID-19 level. In 2020, U.S. passenger airlines incurred a net loss of more than $35 billion, the largest annual loss on record since 1977, the year prior to the Airline Deregulation Act of 1978.

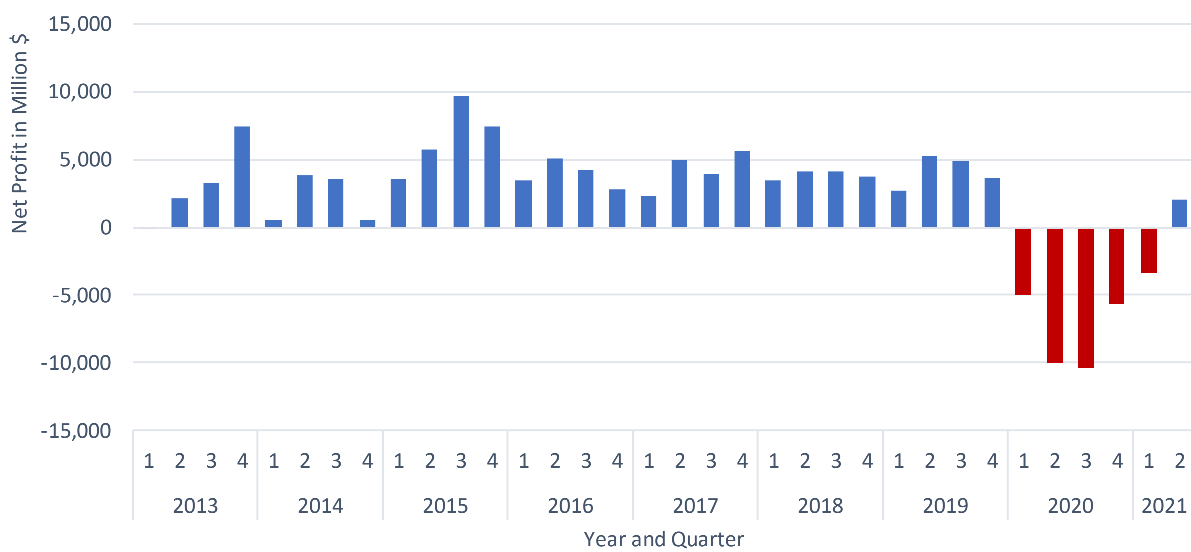
Figure 47| U.S. Passenger Airlines' Annual Net Profit, 2000-2020



Source: U.S. Bureau of Transportation Statistics F41 Schedule P12 data.

Due to the COVID-19 pandemic, Q1 2020 was the first quarter to result in a negative net income for all U.S. carriers since Q1 2013 (Figure 48). The net income loss only became more severe through 2020's later quarters, reaching a trough of -$10.4 billion in Q3 2020. From there, quarterly net income began to recover, and finally reached a positive total of approximately $2 million in Q2 2021.

Figure 48| Quarterly Net Income for All U.S. Carriers in All Regions, 2013-2021



Source: U.S. Bureau of Transportation Statistics F41 Schedule P12 data.

To alleviate the negative financial impact of the COVID-19 pandemic on U.S. airlines' finances, the U.S. federal government provided financial relief to the U.S. airlines—as it did for U.S. airports—in three federal aid packages: the Coronavirus Aid, Relief, and Economic Security Act (CARES Act); the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA); and the American Rescue Plan Act of 2021 (ARPA).

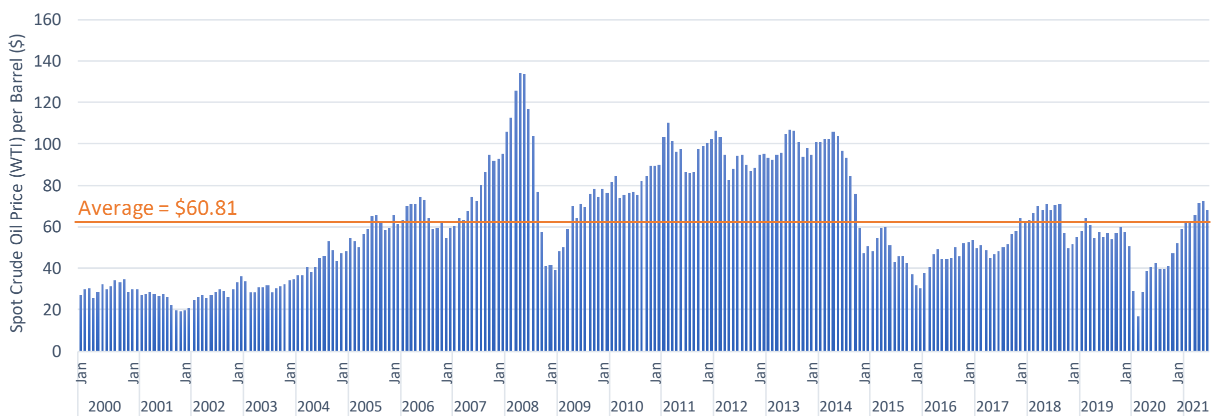
3.4.5 | Volatility of Oil Prices and Implications for Aviation Fuel Cost

Volatility in oil prices has direct implications for aviation fuel cost, a major component of airlines' operating costs. Oil price increases translate directly into higher airline fuel costs. In the 2000s, record oil price increases raised fuel costs and put tremendous pressure on airline finances, contributing to net losses incurred by the U.S. airline industry during that decade. Oil prices have come down from their mid-2000 peak levels due to increased oil production amid a slowing global economy. The resulting decrease in aviation fuel price contributed to sustained profitability in the U.S. airline industry in the 2010s.

Figure 49 shows the trends in oil prices. In 2020, the global economic recession and the oil supply glut kept oil prices low. Airlines enjoyed low aviation fuel prices, which provided some cost relief during the pandemic crisis. In 2021, global economy recovery has begun to push oil prices up. Oil prices climbed back up to an average of $72.49 per barrel in July 2021, but they have recently dipped downward to an average of $67.73 in August 2021. Prospectively, oil prices will continue to be affected by geopolitical factors including high production of oil in Russia, uncertainty in the pricing of oil in the Middle East, and unpredictability of actions taken by the Organization of the Petroleum Exporting Countries (OPEC).

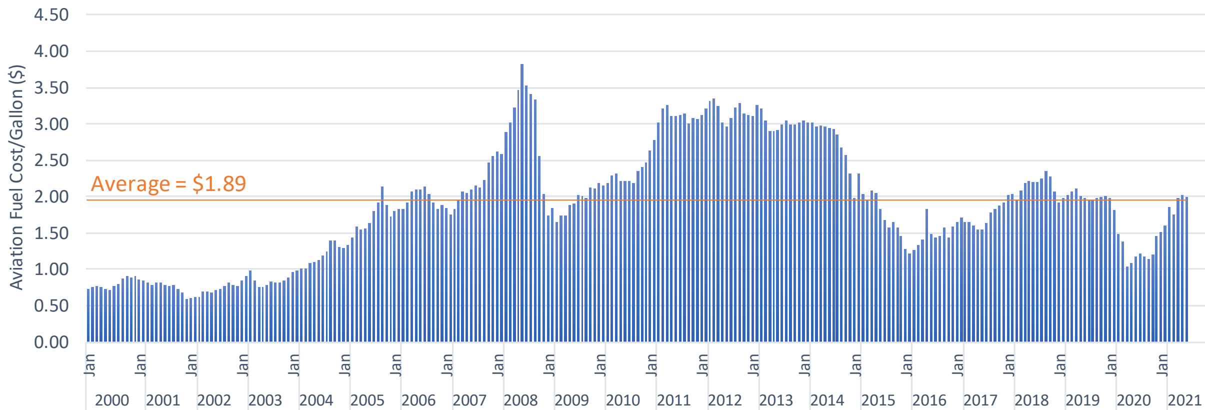
Figure 50 shows the trends in aviation fuel cost per gallon, which follow the trends in oil prices.

Figure 49| Spot Crude Oil Price: West Texas Intermediate, $/Barrel, Not Seasonally Adjusted



Source: Federal Reserve Bank of St. Louis, Spot Crude Oil Price: West Texas Intermediate (WTI) [WTISPLC], retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/WTISPLC>, July 27, 2021.

Figure 50| Aviation Fuel Cost per Gallon, Monthly Average



Source: U.S. Department of Transportation Form 41.

3.4.6 | Airline Market Concentration

Airline market concentration raises concern if it could lead to abuse of market power or increased ticket prices. At SAN, while Southwest Airlines maintains the largest share of passenger traffic, its share has never exceeded 40 percent of the Airport's annual enplanements. In FY2021, this share decreased to 33 percent.

Among U.S. airlines, Southwest Airlines had the strongest financial position coming into the pandemic. In 2019, the airlines' financial performance was strong even with the grounding of its Boeing 737 MAX aircraft—at the time of the grounding, Southwest Airlines had 24 MAX 8 aircraft in its fleet. That year Southwest Airlines enjoyed its 47th consecutive year of profitability—a record unmatched by any commercial airline—and ended the year with exceptionally strong liquidity of $5.1 billion.[37]

The COVID-19 pandemic and the resulting economic shock hit all airlines hard. Southwest Airlines reacted by enhancing aircraft cleaning procedures, implementing cost-saving measures, reducing flight schedules, and cancelling/deferring capital projects. Southwest Airlines also enjoyed cost relief from lower fuel prices.[38]

Like other U.S. passenger airlines, Southwest Airlines incurred losses through the pandemic. But compared with its peers, Southwest Airlines has maintained relatively strong liquidity.

3.4.7 | Airline Mergers

Responding to competition, cost and regulatory pressures, the airline industry has been consolidating. Airline mergers affect service and traffic at airports when the merged airlines consolidate facilities, optimize route networks, and route connecting traffic through other hubs. The

[37] Southwest Airlines Co., *2019 Annual Report to Shareholders*.

[38] Southwest Airlines Co., *2019 Annual Report to Shareholders*.

impact on affected airports usually plays out within a few years—sometimes immediately—following the merger. The impact can be significant or trivial, depending upon whether the merging airlines have a large market share at an airport and whether they carry significant connecting traffic through the airport.

Recent mergers include Delta and Northwest in 2008, United and Continental in 2010, Southwest and AirTran in 2011, American and US Airways in 2013, and Alaska and Virgin America in 2016. After the United-Continental merger, the combined seats of the two airlines at the Airport decreased beginning FY2011, and the decreases persisted through FY2015. Following the American-US Airways merger, their combined seats at the Airport increased each year through FY2016, except in FY2015. The decreases in Southwest's seats at the Airport following Southwest's acquisition of AirTran could not be clearly attributed to the merger, because of other developments affecting Southwest's network decisions at the time. The Alaska-Virgin America merger appears to have been beneficial to SAN. Alaska has been increasing its share of SAN's passenger traffic since the merger.

3.4.8 | Structural Changes in Demand and Supply

In the past, major crises prompted lasting structural changes on both demand and supply side in the aviation industry. For example, the 2001 terrorist attacks prompted more stringent airport security measures. More thorough passenger security screening resulted in longer wait times that required passengers to arrive at the airport much earlier than scheduled flight departure times. This reduced, if not eliminated, the time advantage of air travel to ground transportation and decreased the demand for air travel for short-haul trips. The COVID-19 pandemic is also expected to result in lasting structural changes.

On the demand side, COVID-19 could usher in "a new normal" in consumer behavior, social interactions, and ways of conducting business that would permanently alter travel propensities and preferences. Public health safety concerns could cause consumers to favor ground transportation even for longer distances for which they previously preferred traveling by air. For vacation travel, consumers are adapting to the COVID-19 environment by favoring destinations accessible by ground transportation. The accelerated adoption of technology for virtual meetings and conferences could result in a permanent downshift in business travel demand. Such permanent shifts in air travel demand could delay recovery to pre-COVID traffic levels for many years beyond the recovery periods assumed in the recovery scenarios and slow post-recovery traffic growth.

On the supply side, U.S. airlines have taken steps to become smaller—accelerating retirement of old aircraft, deferring new aircraft orders, and cutting workforces. U.S. airlines could take many years to recover from the major financial setback from COVID-19 and to restore service to pre-COVID levels. The aviation industry could see another wave of airline capacity rationalization continuing long after traffic recovery as airlines take measures, including possibly raising fares, to return to profitability, slowing post-recovery traffic growth.

One favorable trend is the accelerated adoption of no-touch technologies by airlines, airports, and the TSA. These new technologies would not only help allay public health safety concerns, but could also speed up passenger processing. By saving passengers time and anxiety waiting in lines, these technologies could help restore the competitiveness of air travel at all airports against ground transportation modes and help stimulate traffic recovery and growth nationwide.

3.4.9 | Competition from Other Nearby Airports

Section 2 identified the commercial service airports within 150 road miles of SAN, and it discussed the extent by which each airport could compete with SAN for passenger traffic. With the exception of LAX (125 miles north of SAN), none of the other Southern California airports pose significant competition to SAN for passenger traffic. Across the border in Mexico, just 24 miles south of SAN, is the Tijuana Rodriguez International Airport (TIJ) serving mostly destinations in Mexico.

3.4.10 | Airfield and Curfew Constraints

The Airport has a single runway, which will eventually cause congestion and limit traffic growth. Runway additions at SAN will be difficult because of the following obstacles: (1) significant geographic obstructions (including high terrain to the northeast and southwest of the Airport); (2) manmade obstructions, such as office buildings, to the northeast, east, and southeast of the Airport; (3) major land acquisition requirements; (4) extensive infrastructure impacts; (5) local resident opposition; and (6) increased noise impacts. According to the SAN Master Plan, runway congestion is anticipated to occur when annual aircraft operations reach between 260,000 and 300,000. Annual aircraft operations are not projected to reach this range during the forecast period.

Beyond the forecast period, the Next Generation Air Transportation System (NextGen) offers significant improvements to the air traffic control system that could increase SAN air traffic capacity, regardless of the constraint to airfield expansion. NextGen refers to the ongoing, wide-ranging transformation of the National Airspace System (NAS) including the change from a ground-based air traffic control system to a satellite-based management system.

In addition to airfield capacity restrictions, the Airport operations are subject to restrictions relating to the curfew imposed on the Airport. Section 9.40 of the San Diego County Regional Airport Authority Code, which sets forth the regulations of the Airport Authority that restrict and regulate certain operations at the Airport, prohibits aircraft departures between 11:30 p.m. and 6:30 a.m. Commercial passenger aircraft departures at SAN are scheduled outside of the restricted hours.

3.4.11 | Labor Supply Constraints

The COVID-19 pandemic and the resulting downturn in passenger traffic led to airline staff reductions, and airlines went into 2021 with a significantly smaller workforce than they had prior to the pandemic. With the recovery of air traffic, the demand for leisure travel accelerated in the first half of 2021, requiring airlines to build their workforces back up to meet this demand. Insufficient numbers of qualified employees could adversely affect airline operations, and by extension, possibly impact overall air traffic recovery and growth. As a result, competition between companies to attract and retain skilled personnel increased, which may continue to intensify if overall industry capacity continues to increase.

3.4.12 | Geopolitical Conflicts and Threat of Terrorism

Geopolitical conflicts and acts of terrorism can disrupt air transportation. The terrorist attacks of September 11, 2001, serve as a constant reminder of the serious threat of such acts to the aviation industry. Elevated threat warnings also elevate airport security measures, resulting in more meticulous passenger screening and longer waits at security screening lines. They can result in travel advisories that discourage air travel altogether.

SECTION 4 | AIRLINE OPERATING AND LEASE AGREEMENT

The Airport Authority has entered into separate, but substantially similar, Airline Operating and Lease Agreements, as amended (the AOLA) with 14 passenger airlines operating at SAN (the Signatory Passenger Airlines) and three all-cargo carriers (the Signatory Cargo Carriers, and together with the Signatory Passenger Airlines, the "Signatory Airlines"). As of October 2021, the Signatory Passenger Airlines are Air Canada, Alaska, American, British Airways, Delta, Frontier, Hawaiian, Japan Airlines, JetBlue, Southwest, Spirit, Sun Country, United and WestJet; and the Signatory Cargo Carriers are currently Atlas, FedEx, and UPS.

In an effort to better match capacity with demand in some markets, certain Signatory Airlines have entered into agreements with affiliated passenger airlines (the Affiliate Airlines) to operate smaller aircraft on behalf of those Signatory Airlines. The Affiliate Airlines have each executed an agreement with the Airport Authority and the applicable Signatory Airline (the Affiliate Airline Operating Agreement). The Affiliate Airline Operating Agreements allow the Affiliate Airlines to operate at SAN on behalf of the applicable Signatory Airlines without the Affiliate Airlines having to execute an AOLA. The same rates, fees, and charges applicable to the Signatory Airlines' operations at SAN generally apply to the Affiliate Airlines' operations at SAN. In the event an Affiliate Airline fails to pay fees to the Airport Authority, the applicable Signatory Airline is responsible for the fees and charges billed to its Affiliate Airline. The Affiliate Airlines currently operating at SAN are Air Canada Rouge and Jazz (affiliated with Air Canada), Horizon (affiliated with Alaska), and SkyWest (affiliated with Alaska, American, Delta, and United), and WestAir (affiliated with FedEx).

The following two passenger airlines currently operate at SAN pursuant to the Non-Signatory Airline Operating Agreement (the Non-Signatory Airlines): Allegiant and Swoop. In addition, Ameriflight is an all-cargo airline that operates pursuant to the Non-Signatory Airline Operating Agreement[39].

4.1 | Term

The term of the AOLA began on July 1, 2019 and will terminate at the close of business on June 30, 2029.

4.2 | Use of Premises

The AOLA grants to the Signatory Airlines the right to use the Airport, in common with others so authorized, for the purpose of conducting their business for the commercial transportation by air of persons, property, mail, parcels and/or cargo. The Airport Authority leases to the Signatory Airlines

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[39] Swift Air, a cargo carrier that provides service for DHL, began operating at the Airport in July 2021, and currently operates at the Airport neither as a Signatory Airline nor as a Non-Signatory Airline. The Airport Authority and Swift Air are currently in negotiations as to whether Swift Air will continue operating at the Airport as a Signatory Airline or as a Non-Signatory Airline.

the following types of premises (Premises) of the Airport, as defined in the AOLA: Exclusive Use Premises; Shared Use Premises; Joint Use Premises; Common Use Premises; Unenclosed Operations Premises; and Aircraft Parking Premises. The AOLA contains provisions that provide the Airport Authority flexibility to relocate Signatory Airlines, as necessary, to accommodate the implementation of improvements at the Airport, including implementation of the New T1, for accommodation of the traveling public, or in order to maximize the use of the terminals at SAN.

4.3 | Key Provisions to Enhance Funding of Capital Improvements

The AOLA contains provisions intended to enhance the Airport Authority's ability to meet its financial obligations and fund future capital improvements[40]. These key provisions are described in the paragraphs below.

Major Maintenance Fund

A Major Maintenance Fund (MMF) was established to fund capital projects in the Airfield Area, Terminal Area, Common Use Systems, and Airline Terminal Support Cost Centers and Capital Projects in Indirect Cost Centers to the extent allocable to such cost centers. The AOLA stipulates that each Fiscal Year, the Airport Authority will deposit $40.0 million into the MMF, from the following revenue sources: $15.0 million from the Airfield Area; $15.0 million from the Terminal Area; and $10.0 million from non-airline revenue. However, in order to mitigate the effect of this provision on airline rates and charges during the COVID-19 pandemic, the Airport Authority reduced the FY2020 deposit to the MMF to $30.0 million in FY2020, with $10 million charged to the Airfield, $10.0 million charged to the Terminal, and $10.0 million from non-airline revenue sources. The MMF deposit in FY2021 and FY2022 is $10.0 million each year, all from non-airline sources, with no charges to either the Airfield Area or the Terminal Area. For FY2023 through FY2029, the Airport Authority plans to deposit $50.0 million per year into the MMF to make up for the deposits that were deferred, with $20.0 million charged to each of the Airfield and Terminal cost centers and $10.0 million from non-airline revenue sources. The airlines are required to pay these amounts as part of their landing fee and terminal rent obligations under the AOLA.

Coverage Charges

Coverage Charges are included in the calculation of airline rates and charges, as needed, to ensure that 1.4 times debt service cash flow coverage is maintained. Coverage Charges are calculated in each Fiscal year as follows: 140 percent times Debt Service; plus O&M Expenses; minus Revenues, PFCs used to pay Debt Service, and Federal funds applied to Debt Service. If the calculation results in a positive number, the Coverage Charges are allocated to the Airfield Area, Terminal Area, Common Use Systems, and Airline Terminal Support cost centers in proportion to the Debt Service in each of those cost centers.

[40] All capitalized terms used in this section refer to defined terms in the AOLA.

Any Coverage Charges available for use after the year-end reconciliation shall be used by the Airport Authority to either (1) reduce the amount of outstanding bonds, or (2) make a supplemental deposit to the Major Maintenance Fund.

Days Cash on Hand

Any available cash over 600 Days Cash on Hand (DCOH) may be used by the Airport Authority to either (1) reduce the amount of bonds outstanding in a subsequent Fiscal Year or (2) fund future capital projects.

Passenger Facility Charges

The Airport Authority may allocate PFCs each year in order to manage the level of Cost per Enplanement (CPE). The Airport Authority has budgeted an allocation of $30.0 million of PFCs to debt service in FY2022. The Airport Authority is not planning to allocate any PFCs to debt service during FY2023 – FY2025, in order to hold PFC collections to be used in later years, after the capitalized interest period ends on the Subordinate Series 2021AB Bonds and the future New T1-related bond issues. The Airport Authority will continue to collect PFCs in each year during the forecast period. Currently, the Airport Authority plans to allocate $45.0 million and $75.0 million to debt service in FY2026 and FY2027, respectively.

4.4 | Rentals, Fees, and Charges

The Signatory Airlines pay to the Airport Authority certain rentals, fees, and charges in consideration for their use of Airport facilities. The landing fee is calculated according to a cost center residual methodology, and the terminal rental rate is calculated according to a cost center compensatory methodology. The methodologies for calculating the airline rates and charges, as specified in the AOLA, are described in the following paragraphs.

In order to allocate the costs of operating, maintaining, and developing the Airport for the purposes of setting airline rates and charges, the Airport Authority has established various cost centers.

The Airport Authority establishes the following types of airline fees and charges:

- Landing Fees
- Aircraft Parking Position Rentals and Fees
- Terminal Rental Rates
  - Rent for Exclusive and Shared Use Premises
  - Joint Use Charges
  - Federal Inspection Service (FIS) Use Fees
- Common Use Fees
- Non-Signatory carriers pay Non-Signatory Airline Rates, Fees, and Charges

The Airport Authority is required under the AOLA to review the rentals, fees and charges at least once during each Fiscal Year. If such a review reveals a variation of more than five (5) percent between actual expenses and/or activity levels and those originally estimated by the Airport Authority, the Airport Authority may, after consulting with the Signatory Airlines, adjust the rentals, fees, and charges. A year-end reconciliation is also required by the AOLA. Within six (6) months after the end of each Fiscal Year, the Airport Authority is required to calculate the final rentals, fees, and charges based on the actual expenses and activity for the Fiscal Year. Any variations between the amounts paid by the Signatory Airlines and the amounts calculated based on actual expenses and activity are to be either refunded by the Airport Authority to the Signatory Airlines or paid to the Airport Authority by the Signatory Airlines.

4.4.1 | Landing Fees

The Signatory Airlines are required to pay for their use of the Airfield Area based on the Landing Fee rate, which is set at the beginning of each Fiscal Year, by first determining the *Airfield Area Requirement*, which is calculated as the sum of: O&M Expenses; Annual Net Debt Service; Amortization Charges; Reserve Deposits; Coverage Charges; Major Maintenance Fund Deposits; Bad Debt Expenses; and Fuel System Costs; minus fuel flowage fee revenue; fingerprinting revenue; ground handling concession revenue; 70 percent of inflight catering revenue; and any federal, State, or local grants allocable to the Airfield Area. The Landing Fee Rate is calculated by deducting from the Airfield Area Requirement the sum of Non-Signatory Landing Fees; Aircraft Parking Position Rentals; Aircraft Parking Position Turn Fees; and Aircraft Parking Position Overnight Fees; and then dividing by the cumulative Maximum Gross Landed Weight of the Signatory Airlines (in thousand-pound units) for the Fiscal Year.

4.4.2 | Aircraft Parking Position Rentals and Fees

In consideration for their use of Aircraft Parking Positions, the Signatory Airlines pay the following rentals and fees:

- Aircraft Parking Position Rentals, which are paid by Signatory Airlines for Terminal parking positions associated with preferential use gates and cargo parking positions.
- Aircraft Parking Position Turn Fees, which are charged for each operation utilizing a Terminal parking position associated with any of the following: a common use gate; an accommodation of an airline requesting a gate on a preferential use basis or a cargo parking position; a cargo carrier operation on a remote parking positions; and an accommodation of a cargo carrier on another cargo carrier's cargo parking position.
- Aircraft Parking Position Overnight Fees, which are charged for each operation parking overnight at any of the following locations: remote parking positions; Terminal parking positions associated with common use gates; accommodations on Terminal parking positions associated with preferential use gates; and accommodations on cargo parking positions.

The percentage of the Airfield Area Requirement allocated to the Aircraft Parking Position calculation is 20 percent.

4.4.3 | Terminal Rental Rates

The Signatory Airlines are required to pay rent for Exclusive Use Premises[41], Joint Use Charges, and Common Use Fees for their use of the Terminal Area based on the Terminal Rental Rate, which is set at the beginning of each Fiscal Year, by first determining the Base Terminal Area Requirement, which is the sum of: O&M Expenses, Annual Net Debt Service, Amortization Charges, and Reserve Deposits allocable to the Terminal Area; minus federal, State, or local grants received to offset those amounts, and minus FIS fee revenue. The Base Terminal Area Rental Rate is calculated by dividing the Base Terminal Requirement by the square footage of the Leasable Premises. The Supplemental Terminal Rental Rate is calculated by dividing the sum of Coverage Charges, Major Maintenance Fund Deposits, and Bad Debt Expense allocable to the Terminal Area by the square footage of the Airline Leased Premises. The Terminal Rental Rate is calculated as the sum of the Base Terminal Rental Rate and the Supplemental Terminal Rental Rate.

Joint Use Charges

The Signatory Airlines and Non-Signatory Airlines are required to pay Joint Use Charges for their use of the Joint Use Premises and Airline Terminal Support[42]. The Joint Use Charges are determined by first calculating the Joint Use Requirement (the Terminal Rental Rate multiplied by the total square footage of the Joint Use Premises), plus the sum of the O&M Expenses, Annual Net Debt Service, Amortization, and Coverage Charges attributable or allocable to Airline Terminal Support[43], minus rental payments received for Unenclosed Operations Premises[44]. The Joint Use Charges are determined by two calculations. The first calculation takes 10 percent (10%) of the Joint Use Requirement, minus: (1) any Non-Signatory Airline Joint Use Charges, minus (2) the number of Signatory Airlines, excluding Cargo Carriers, with one percent (1%) or less of the enplanements at the Airport multiplied by two-tenths of one percent (0.2%) of the Joint Use Requirement, divided by (3) the number of Signatory Airlines, excluding Cargo Carriers, with more than one percent (1%) of enplanements at the Airport. The second calculation takes 90 percent (90%) of the Joint Use

[41] Exclusive Use Premises are defined in the AOLA as those areas in the Terminal used exclusively by an airline, including (a) ticket counters, free-standing self-service kiosks, skycap podiums, curbside positions, and associated queuing space in Terminal 1 on a transitional basis until the DBO of new Terminal facilities to be constructed in the New T1; and (b) certain ticket offices and baggage service offices, airline clubrooms, and operational support areas.

[42] Joint Use Premises are defined in the AOLA as those areas used by one or more air carriers, including but not limited to hold rooms, passenger screening areas and baggage claim areas, as such areas may be modified and expanded from time to time by the Airport Authority. Airline Terminal Support is defined in the AOLA as Passenger Loading Bridges, Baggage Handling Systems, flight information displays (FIDS), gate information displays (GIDS), baggage information displays (BIDS), paging, and Airport Authority provided staffing, contractual services, facilities, equipment, and other support systems that provide security and other resources supporting Passenger Carrier operations not specifically identified in the Terminal Area.

[43] Once new Terminal facilities are completed and opened under the planned New T1, the Joint Use Requirement will include an additional amount equal to the Terminal Rental Rate multiplied by the total square footage of the Shared Use Premises.

[44] The Unenclosed Operations Premises are defined in the AOLA as those areas between the terminal building and the apron that are not equipped with utility services and that are assigned to airlines.

Requirement, minus any Non-Signatory Airline Joint Use Charges, divided by the total Signatory enplanements.

Common Use Fees

The Signatory Airlines and Non-Signatory Airlines are required to pay Common Use Fees for their use of Common Use Premises and Common Use Systems. The Common Use Fee is determined by multiplying the Terminal Rental Rate by the total square footage of the Common Use Premises, plus the sum of the O&M Expenses, Annual Net Debt Service, Amortization, and Coverage Charges attributable or allocable to the Common Use Systems, minus the sum of the O&M Expenses, Annual Net Debt Service, Amortization, and Coverage Charges attributable or allocable to Signatory Airlines excluded from paying Common Use Fees, minus Non-Signatory Common Use Fees, divided by the total Signatory Airline enplanements in Common Use System equipped terminals.

SECTION 5 | FINANCIAL ANALYSIS

This section reviews the framework for the financial operation of the Airport Authority, including key provisions of bond indentures that govern the Airport Authority's senior revenue bonds (Senior Bonds) and subordinate revenue obligations (Subordinate Obligations). This section also (1) reviews the recent historical financial performance of the Airport Authority, and examines the ability of the Airport Authority to generate sufficient Net Revenues and Subordinate Net Revenues (as defined in the bond indentures and explained later in this Section)[45] in each Fiscal Year of the forecast period to meet the obligations of the bond indentures, and (2) discusses the information and assumptions underlying the financial forecasts, which include Revenues, Operation and Maintenance Expenses (O&M Expenses), debt service requirements, and debt service coverage. The financial analysis presented in this section reflects the base case air traffic forecast scenario presented in Section 3.

5.1 | Financial Framework

The Subordinate Series 2021 Bonds are being issued as Subordinate Obligations under and subject to the terms of the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended (the Master Subordinate Indenture), by and between the Airport Authority and U.S. Bank National Association, as successor trustee (the Subordinate Trustee), and the Ninth Supplemental Subordinate Trust Indenture, to be dated as of December 1, 2021 (the Ninth Supplemental Subordinate Indenture), by and between the Airport Authority and the Subordinate Trustee. The Subordinate Series 2021 Bonds are special obligations of the Airport Authority, secured by and payable from the Airport Authority's Subordinate Net Revenues and certain funds and accounts held by the Subordinate Trustee. Except as noted otherwise, all capitalized terms in this section have the meanings set forth in the Master Subordinate Indenture.

Prior to the issuance of the Subordinate Series 2021 Bonds, the Airport Authority had outstanding the following long-term obligations that are secured by a pledge of Net Revenues or Subordinate Net Revenues of the Airport Authority:[46]

- In April 2020, the Airport Authority issued $241.64 million of its Subordinate Airport Revenue Refunding Series 2020A, Series 2020B, and Series 2020C (the Subordinate Series 2020 Bonds). The Subordinate Series 2020 Bonds were issued as Subordinate Obligations pursuant to the Master Subordinate Indenture and a Seventh Supplemental Subordinate Trust Indenture, date as of April 1, 2020, by and between the Airport Authority and the Subordinate Trustee. The Series 2020 Bonds are special obligations of the Airport

[45] Capitalized terms not otherwise defined are used in this section as they are defined in the bond indentures.

[46] On February 1, 2014, the Airport Authority issued $305.3 million of Senior Special Facilities Revenue Bonds (the "Series 2014 Bonds"), which are special limited obligations of the Airport Authority, payable from and secured by a pledge of CFCs. The Series 2014 Bonds are not secured by a pledge of the Net Revenues or Subordinate Net Revenues of the Airport Authority.

Authority, secured by a pledge of Subordinate Net Revenues (as defined in the Master Subordinate Indenture), and certain funds and accounts held by the Subordinate Trustee.

- In December 2019, the Airport Authority issued $463.68 million of its Subordinate Airport Revenue and Revenue Refunding Series 2019A and Series 2019B (the Subordinate Series 2019 Bonds). The Subordinate Series 2019 Bonds were issued as Subordinate Obligations pursuant to the Master Subordinate Indenture and a Sixth Supplemental Subordinate Trust Indenture, dated as of December 1, 2019, by and between the Airport Authority and the Subordinate Trustee. The Subordinate Series 2019 Bonds are special obligations of the Airport Authority, secured by a pledge of Subordinate Net Revenues , and certain funds and accounts held by the Subordinate Trustee.

- In August 2017, the Airport Authority issued $291.2 million of its Subordinate Airport Revenue Bonds Series 2017A and Series 2017B (the Subordinate Series 2017 Bonds). The Subordinate Series 2017 Bonds were issued as Subordinate Obligations pursuant to the Master Subordinate Indenture and a Fifth Supplemental Subordinate Trust Indenture, dated as of August 1, 2017, by and between the Airport Authority and the Subordinate Trustee. The Series 2017 Bonds are special obligations of the Airport Authority, secured by a pledge of Subordinate Net Revenues, and certain funds and accounts held by the Subordinate Trustee.

- In January 2013, the Airport Authority issued $379.6 million of its Senior Airport Revenue Bonds Series 2013A and Series 2013B (the Senior Series 2013 Bonds). The Senior Series 2013 Bonds were issued as Senior Bonds pursuant to the Master Trust Indenture, dated as of November 1, 2005, as amended (the Master Senior Indenture), by and between the Airport Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the Senior Trustee) and the Third Supplemental Trust Indenture, dated as of January 1, 2013, by and between the Airport Authority and the Senior Trustee. The Senior Series 2013 Bonds are special obligations of the Airport Authority, secured by a pledge of and first lien on Net Revenues and certain funds and accounts held by the Senior Trustee. The Airport Authority plans to refund all or a portion of the Senior Series 2013 Bonds with the Subordinate Series 2021C Bonds.

In July 2021, the Board authorized the issuance, from time to time, of up to $200.0 million of Subordinate Airport Revenue revolving obligations pursuant to a revolving line of credit provided by Bank of America, N.A. These obligations are payable solely from and secured by a pledge of Subordinate Net Revenues, pursuant to the Master Subordinate Indenture. As at the date of this Report, $80.1 million of these Subordinate Obligations are outstanding.

Under the Master Senior Indenture, the Airport Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to the following amounts: (1) the aggregate annual debt service on any outstanding Senior Bonds; (2) the required deposits to any Senior Debt Service Reserve Fund; (3) the reimbursement owed to any credit provider or liquidity provider as required by a Supplemental Senior Indenture; (4) the interest on and principal of any indebtedness other than Outstanding Senior Bonds, including

Subordinate Obligations; and (5) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Senior Bonds, including Subordinate Obligations.

The Airport Authority has also covenanted in the Master Senior Indenture to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues at least equal to 125 percent of aggregate annual debt service on the Outstanding Senior Bonds. This provision is known as the "Senior Rate Covenant."

Under the Master Subordinate Indenture, the Airport Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues at least equal to the following amounts: (1) the interest on and principal of the Outstanding Subordinate Obligations required to be funded by the Airport Authority in such Fiscal Year; (2) the required deposits to any Subordinate Debt Service Reserve Fund; (3) the reimbursement owed to any credit provider or liquidity provider; (4) the interest on and principal of any indebtedness other than Special Facility Obligations, senior lien revenue bonds and Outstanding Subordinate Obligations, including obligations issued with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations; (5) payments of any reserve requirement for debt service for any indebtedness other than Senior Bonds and Outstanding Subordinate Obligations, including obligations issued with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations.

The Airport Authority has also covenanted in the Master Subordinate Indenture to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues of at least 110 percent of Aggregate Annual Debt Service on the Outstanding Subordinate Obligations. This provision is known as the "Subordinate Rate Covenant."

The Master Subordinate Indenture requires, as a condition to the issuance of new Subordinate Obligations, that the Airport Authority demonstrate that it meets the requirements of the provision known as the "Additional Bonds Test (ABT)." The ABT can be met through a historical debt service coverage test (Subordinate Net Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the new Subordinate Obligations were at least equal to 110 percent of maximum annual debt service on all outstanding Subordinate Obligations and the new Subordinate Obligations). Alternatively, the ABT can be met through the issuance of a certificate prepared by a consultant between the date of pricing and the date of delivery of the subordinate bonds showing the following conditions:

- 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 subordinate bonds were at least equal to 110% of the sum of Subordinate Aggregate Annual Debt Service due and payable with respect to all Outstanding Subordinate Obligations for such applicable period.

- For the period from and including the first full Fiscal Year following the issuance of the proposed new subordinate bonds through and including the last Fiscal Year during any part of which interest on the proposed new subordinate bonds is expected to be paid from the bond proceeds, the consultant estimates that the Airport Authority will be in compliance with the rate covenant under the Master Subordinate Indenture.

- For the period from and including the first full Fiscal Year following the issuance of the proposed new subordinate bonds during which no interest on the proposed new subordinate bonds is expected to be paid from the bond proceeds through and including the later of: (1) the fifth full Fiscal Year following the issuance of the bonds, or (2) the third full Fiscal Year during which no interest on the bonds is expected to be paid from the proceeds of the bonds. The estimated Subordinate Net Revenues for each such Fiscal Year will be at least equal to 110% of the Subordinate Aggregate Annual Debt Service for each such Fiscal Year with respect to all outstanding Subordinate Obligations, Unissued Subordinate Program Obligations and calculated as if the proposed series of Subordinate Obligations and the full Authorized Amount of such proposed Subordinate Program Obligations were then outstanding.

Figure 51 illustrates the application and priority in the uses of Revenues and PFCs, as specified in the Master Senior Indenture and the Master Subordinate Indenture.

5.2 | Airport Authority Financial Statements

The basic financial statements of the Airport Authority are reported using the economic resources measurement focus and the accrual basis of accounting, which means that revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Independent Auditor's Report for the year ended June 30, 2020 (the most recent fiscal year for which audited financial statements are available) states that, in the opinion of the independent auditors, the Airport Authority's financial statements for those years were presented in conformity with accounting principles generally accepted in the United States of America. Financial information is presented based on the Airport Authority's fiscal year beginning July 1 of each calendar year and ending on June 30 of the succeeding calendar year. The Airport Authority's FY2020 financial statements show that as of June 30, 2020, the Airport Authority had total assets of approximately $2,934.7 million, total liabilities of $2,049.7 million, and total net assets of approximately $885.1 million.

Figure 51 | Flow of Funds

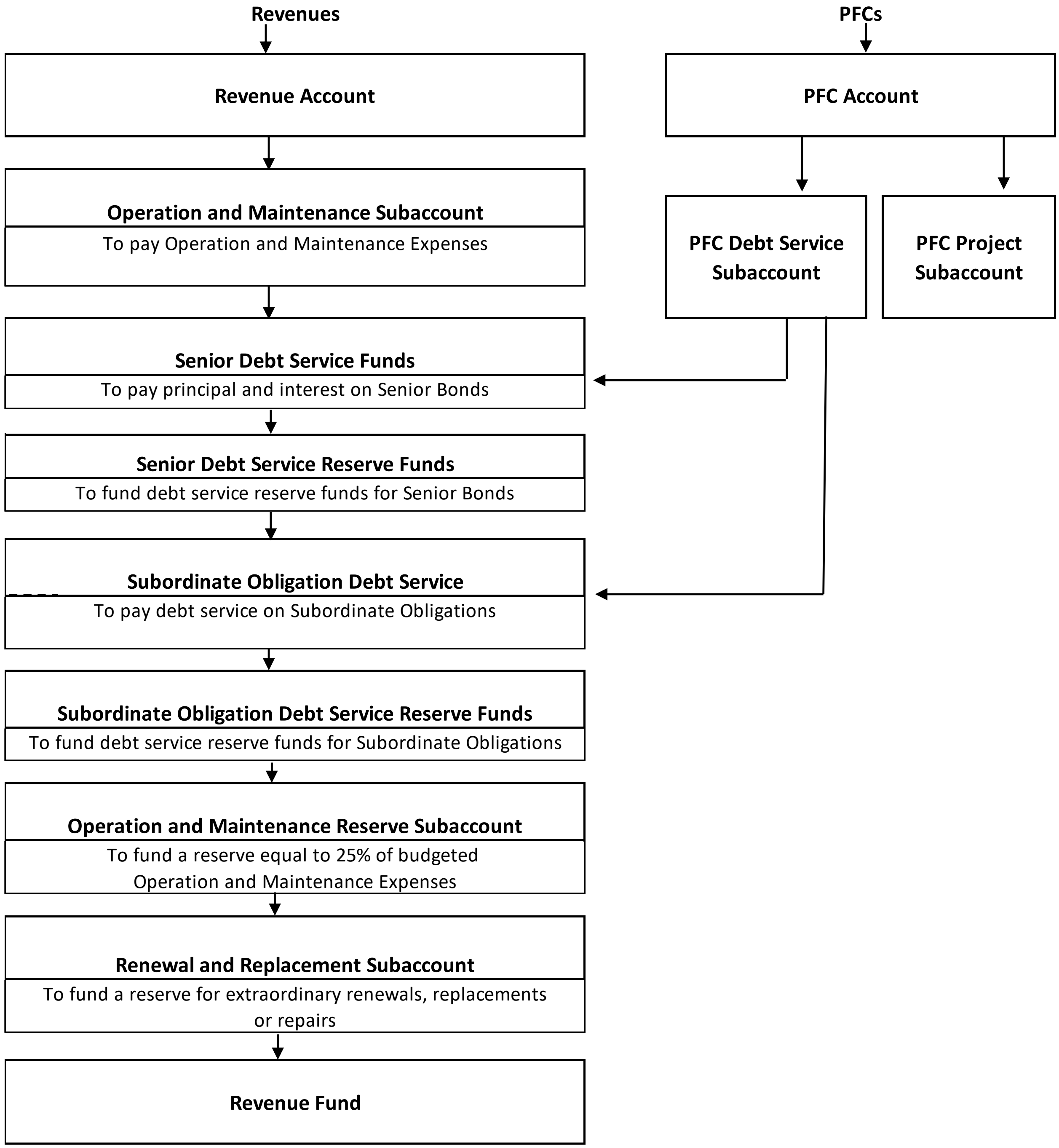

Table 34 summarizes the Airport Authority's operating results for FY2016 through FY2020 presented in the audited financial statements, the Net Revenues presented in this Report, and a reconciliation between the two presentations. The Net Revenues presented in this Report are calculated pursuant to the definitions of Revenues, Operation and Maintenance Expenses (O&M Expenses), and Net Revenues included in the Master Senior Indenture – with the exception of grant reimbursements. Grant reimbursements are included in the definition of Revenues in the Master Senior Indenture, but they are excluded from the projections of Revenues in this Report, in order to reflect only the ongoing operations of the Airport Authority.

The reconciling items between the annual Operating Profit or Loss reported in the financial statements and the Net Revenues presented in this Report consist of depreciation and amortization expense[47], interest income (excluding interest earned on unspent PFCs and CFCs)[48], Federal relief funds[49], RCC busing expenses paid with CFCs[50], Governmental Accounting Standards Board (GASB) non-cash funded liability[51], and the Joint Studies Program expenses[52].

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[47] Depreciation and amortization expense is included in Operating Expenses in the audited financial statements, but it is excluded from the definition of O&M Expenses in the Master Senior Indenture.

[48] Interest Income, excluding interest earned on unspent PFCs and CFCs, is included in the definition of Revenues in the Master Senior Indenture, but is not included in the calculation of Operating Profit or Loss on the audited financial statements because it is classified as Non-Operating Revenue.

[49] The Federal relief funds related to COVID-19 awarded to the Airport Authority are shown on Table 35. The amount from Table 35 that is relevant to the reconciliation of operating results shown on Table 34 is the amount of Federal relief funds applied to O&M Expenses in FY2020.

[50] The definition of O&M Expenses in the Master Senior Indenture excludes expenses paid with CFCs (the definition of Revenues excludes CFC revenue).

[51] The GASB non-cash funded liability represents non-cash accounting entries made by the Airport Authority to comply with reporting requirements for the audited financial statements.

[52] Joint Studies Program expenses are included in the definition of O&M Expenses in the Master Senior Indenture, but they are not part of the calculation of Operating Profit or Loss on the financial statements because they are included in Non-Operating Expenses.

Table 34| Historical Financial Results

Category	2016	2017	2018	2019	2020
Audited Statement of Revenues and Expenses					
Operating Revenues	$233,994,051	$248,846,939	$266,079,130	$293,678,932	$263,035,972
Less: Operating Expenses	(241,429,319)	(258,954,558)	(274,652,093)	(301,547,639)	(293,837,620)
Operating Gain (Loss)	**($7,435,268)**	**($10,107,619)**	**($8,572,963)**	**($7,868,707)**	**($30,801,648)**
Net Revenues per Master Senior Indenture					
Revenues	$238,640,326	$255,540,858	$276,983,726	$306,683,097	$280,572,988
Federal Relief Funds	0	0	0	0	16,080,061
Less: O&M Expenses	(151,327,219)	(154,455,699)	(157,246,523)	(165,925,555)	(152,377,707)
Net Revenue per Master Senior Indenture	**$87,313,106**	**$101,085,158**	**$119,737,203**	**$140,757,542**	**$144,275,342**
Reconciliation					
Operating Gain (Loss) per Financial Statements	($7,435,268)	($10,107,619)	($8,572,963)	($7,868,707)	($30,801,648)
Depreciation and Amortization Expense	87,820,864	95,229,029	105,531,703	124,328,880	131,587,039
Interest excluding interest on PFCs and CFCs	4,930,292	6,985,911	11,445,451	13,454,311	17,838,099
Federal Relief Funds	0	0	0	0	16,080,061
RCC Expenses	3,655,876	7,298,143	7,909,104	10,407,134	8,497,367
Actuarial Liability Adjustments	(1,514,601)	1,679,109	3,537,583	435,910	1,074,421
Joint Studies Program	(101,359)	0	(114,387)	0	0
Rounding	(42,698)	586	713	14	2
Net Revenue per Master Senior Indenture	**$87,313,106**	**$101,085,159**	**$119,737,203**	**$140,757,542**	**$144,275,342**

Please see discussion, including footnotes, on the previous page for explanations of the reconciling items.

5.3 | Federal Aid Related to COVID-19

The United States government took legislative and regulatory actions and implemented measures to mitigate the effects of the COVID-19 pandemic. The Airport Authority has been awarded Federal relief funds under the three legislative actions: $91.2 million under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), $22.9 million under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and $89.6 million under the American Rescue Plan Act (ARPA). Table 35 summarizes the amount of relief funds awarded to the Airport Authority under these three legislative actions, as well as the actual and expected application of the funds to O&M Expenses, debt service, and concessions.

Table 35| Federal Aid Related to COVID-19 Awarded to the Airport Authority

	CARES Act	CRRSAA	ARPA	Total
FY2020				
O&M Expenses	$16,080,061	$0	$0	$16,080,061
Debt Service	20,815,428	0	0	20,815,428
Total FY2020	$36,895,489	$0	$0	$36,895,489
FY2021				
O&M Expenses	$28,326,406	$20,201,613	$0	$48,528,019
Debt Service	26,000,000	0	0	26,000,000
Concessions	0	2,709,020	0	2,709,020
Total FY2021	$54,326,406	$22,910,633	$0	$77,237,039
FY2022				
O&M Expenses	$0	$0	$60,390,418	$60,390,418
Debt Service	0	0	18,400,000	18,400,000
Concessions [1]	0	0	10,836,011	10,836,011
Total FY2022	$0	$0	$89,626,429	$89,626,429
FY2020-FY2022				
O&M Expenses	$44,406,467	$20,201,613	$60,390,418	$124,998,498
Debt Service	46,815,428	0	18,400,000	65,215,428
Concessions	0	2,709,020	10,836,011	13,545,031
Totals	**$91,221,895**	**$22,910,633**	**$89,626,429**	**$203,758,957**

[1] The ARPA funds for concessions have been allocated by the FAA to the Airport Authority, but not yet awarded to the Airport Authority.

5.4 | Operation and Maintenance Expenses

The Master Senior Indenture defines "Operation and Maintenance Expenses," or "O&M Expenses," as the total operation and maintenance expenses of the Airport as determined in accordance with generally accepted accounting principles, excluding depreciation expense and any operation and maintenance expenses payable from moneys other than Revenues, such as PFCs and CFCs. Table 36 presents recent historical O&M Expenses, for the period FY2017 through FY2021. Total O&M expenses increased from approximately $154.5 million in FY2017 to $165.9 million in FY2019. The increases in FY2019 were in part due to the additional obligations from the Terminal 2 expansion, the Terminal 2 Parking Plaza, and the Terminal 2 West FIS Buildout.

In March 2020, the Airport Authority implemented a number of cost-cutting measures in response to the decrease in air traffic resulting from the COVID-19 pandemic. These measures included adopting a strategy of "essential spend" in order to economize during the current environment. Initiatives implemented by the Airport Authority to reduce expenses have included the following:

- Delaying all nonessential spending, such as marketing efforts
- Renegotiating contractual agreements, where possible
- Implementing a hiring freeze

- Performing essential maintenance in-house, thereby reducing contractual services costs
- Reducing parking and shuttle operations
- Delaying annual and major maintenance projects, where possible

Largely as a result of these cost-cutting measures, which were implemented in response to the decrease in air traffic, total O&M Expenses decreased to $152.4 million in FY2020 and $139.3 million in FY2021. The historical changes in the various categories of O&M Expenses are discussed in the subsections below.

The projections of O&M Expenses reflect the Airport Authority's FY2022 and FY2023 budgets; anticipated future expense trends, including an inflation factor; the impact of increased passenger activity; and the projected operating expense impacts of projects in the Capital Program. Increases in certain categories of O&M Expenses are projected in FY2026, to reflect the anticipated effects of the opening of the first phase of the new Terminal 1. O&M Expenses are budgeted to increase from $138.9 million in FY2021 to $159.1 million in FY2022 and $173.6 million in FY2023. During the forecast period, total O&M Expenses are projected to increase to approximately $205.7 million in FY2027, as shown in Table 37. The projected changes in the various elements of O&M Expenses are explained in the sub-sections below.

Table 36| Historical O&M Expenses

	For Fiscal Years Ended June 30				
O&M Expense Categories	**2017**	**2018**	**2019**	**2020**	**2021**
Personnel	$45,194,744	$44,328,131	$49,142,135	$50,592,427	$48,801,890
Contractual Services	37,030,964	37,339,120	39,495,672	29,196,265	18,183,567
Safety and Security	28,421,602	30,733,076	31,397,061	29,456,871	35,085,809
Utilities	10,735,955	12,509,607	13,194,012	12,747,898	11,729,710
Maintenance	14,269,951	12,602,989	13,435,561	11,584,301	9,110,600
Space Rent	10,189,944	10,189,836	10,190,910	10,207,066	10,266,658
Business Development	2,340,951	3,245,988	2,630,035	2,033,123	208,640
Other Expenses	6,271,588	6,297,776	6,440,170	6,559,756	5,871,451
Total O&M Expenses	**$154,455,699**	**$157,246,523**	**$165,925,555**	**$152,377,707**	**$139,258,325**

Source: Airport Authority records. This table presents O&M Expenses as defined in the Master Senior Indenture.

Table 37| Projected O&M Expenses

O&M Expense Category	Fiscal Years Ending June 30						Compound Annual Growth
	Budget	Projected					
	2022	2023	2024	2025	2026	2027	2022-2027
Personnel	$51,355,425	$55,185,607	$57,739,322	$60,401,077	$62,644,288	$64,967,787	4.8%
Contractual Services	25,327,164	32,341,313	33,311,552	34,310,898	36,311,342	37,400,682	8.1%
Safety and Security	36,385,237	37,739,232	38,871,409	40,037,552	42,800,606	44,084,624	3.9%
Utilities	14,693,378	15,459,780	15,923,574	16,401,281	19,391,806	19,973,560	6.3%
Maintenance	11,342,158	11,583,676	11,931,186	12,289,122	14,718,472	15,160,027	6.0%
Space Rent	10,652,077	10,654,648	10,654,648	10,654,648	10,654,648	10,654,648	0.0%
Business Development	1,849,346	2,556,694	2,633,394	2,712,396	2,793,768	2,877,581	9.2%
Other Expenses	7,536,216	8,048,748	8,296,091	8,550,854	10,247,925	10,561,243	7.0%
Total O&M Expenses	$159,141,003	$173,569,698	$179,361,176	$185,357,828	$199,562,855	$205,680,152	5.3%

This table presents O&M Expenses as defined in the Master Senior Indenture.

5.4.1 | Personnel

Personnel expenses increased from approximately $45.2 million in FY2017 to $49.1 million in FY2019 and $50.6 million in FY2020, due to an increase in the headcount from 395 in FY2017 to 413 in FY2020, merit increases, increases in retirement contributions, increased medical benefits and a decrease in staff costs charged to capital projects. Towards the end of FY2020, at the start of the COVID-19 pandemic, the Airport Authority implemented a hiring freeze and other cost saving measures that resulted in a reduction in Personnel expenses to $48.5 million in FY2021. Unlike other categories of O&M Expenses, the Airport Authority was limited in the amount of reduction possible in Personnel expenses during the COVID-19 pandemic due to the following main reasons: (1) Federal relief funding was contingent on the Airport Authority maintaining 90 percent of its personnel headcount as of March 27, 2020; (2) much of the decreases in Contractual Services and Maintenance expenses (discussed below) were possible because significant work tasks were transferred from contractors to Airport Authority staff, resulting in increased workload for Airport Authority personnel; and (3) although traffic decreased significantly, the Airport Authority still had to continue managing and maintaining the existing facilities.

Personnel expenses are budgeted to increase to $51.4 million in FY2022 due to planned hirings to fill some vacant positions. However, the employee headcount used by the Airport Authority to develop the FY2022 budget is below the authorized level. Personnel expenses are estimated to increase to $55.2 million in FY2023 due to anticipated pay for performance and contracted wage increases, plus anticipated additional hirings to fill vacancies in anticipation of increased passenger activity. In FY2024 through FY2027, Personnel expenses are projected to increase based on anticipated salary and merit increases, plus anticipated increases in retirements costs and other benefits. Total Personnel expenses are projected to increase to approximately $65.0 million in FY2027.

5.4.2 | Contractual Services

The Contractual Services category consists primarily of fees incurred for contracts for services supplied by vendors, such as parking management and parking shuttle costs, janitorial services for the terminals and Airport Administration space, contracts with program management support services, legal consultants, and other consultants. Contractual Services increased from approximately $37.0 million in FY2017 to $39.5 million in FY2019, mainly due to increased expenses for parking and shuttle operations, including the costs of the new inter-terminal shuttle. Contractual Services expenses decreased to $29.2 million and $18.2 million in FY2020 and FY2021, respectively, due to decreases in terminal janitorial costs, and various cost-cutting measures implemented by the Airport Authority in response to the decrease in passenger activity during the COVID-19 pandemic. The Airport Authority closed the remote parking lot on Harbor Drive, moved employee parking from a remote location to parking areas in front of the terminals, suspended the valet parking operations, and suspended the inter terminal shuttle services.

Contractual Services are budgeted to increase to $25.3 million in FY2022, reflecting the planned resumption of the inter terminal and employee shuttle services, start of Old Town Connector, as well as the reopening of valet parking in January 2022. Contractual Services are estimated to increase to $32.3 million in FY2023 due to anticipated increases in parking operations, a full year of valet operations, shuttle operations, and planned increases in Old Town Connector shuttle operations. Contractual Services are projected to increase to $36.3 million in FY2026 because of increased janitorial costs associated with the opening of the new terminal. Contractual Services are projected to be approximately $37.4 million in FY2027.

5.4.3 | Safety and Security

Charges for police and fire services represent the majority of the expenses under the Safety and Security category (ranging between 79.2 percent and 84.5 percent of Safety and Security expenses between FY2019 and FY2021). Most of the remainder of the Safety and Security category is composed of the costs of a private security company that provides staff to perform inspections, secure perimeter gates, and certain communication and dispatching functions. Police services are provided by the Port District Law Enforcement-Harbor Police Department, as mandated by the Act that created the Airport Authority. Airfield Rescue and Fire Fighting (ARFF) services provided by the City of San Diego. Total Safety and Security expenses increased from $28.4 million in FY2017 to $35.1 million in FY2021. The increases have included increases in Harbor Police hourly rates, retirement benefits, and overhead.

Safety and Security expenses are budgeted to increase to $36.4 million in FY2022 and $37.7 million in FY2023, mainly due to increased wages for Harbor Police and guard services. Safety and Security expenses are projected to increase by 3.0 percent per year, except for FY2026, which includes additional increases totaling 6.9 percent, to reflect additional police staffing anticipated to be needed when the new Terminal 1 opens. Safety and Security expenses are projected to total approximately $44.1 million in FY2027.

5.4.4 | Utilities

Utilities expenses increased from approximately $10.7 million in FY2017 to $13.2 million in FY2019 due to rate increases and additional utilities usage corresponding to the completion of the Terminal 2 Parking Plaza and the Terminal 2 West FIS Buildout. Utility expenses decreased to $12.7 million in FY2020 and $11.7 million in FY2021, respectively, due to decreased utility usage during the COVID-19 pandemic.

Utilities expenses are budgeted to increase by 19.0 percent and 5.2 percent in FY2022 and FY2023, respectively, due to expected higher utility usage as air traffic recovers and anticipated rate increases. Utility expenses are projected to increase 3.0 percent in FY2024 and FY2025. With the opening of the new Terminal 1, utility expenses are projected to increase by 18.2 percent in FY2026, and then increase with inflation (3.0 percent) in FY2027. Utility expenses are projected to increase to $20.0 million in FY2027.

5.4.5 | Maintenance

Maintenance expenses decreased overall from approximately $14.3 million in FY2017 to $9.1 million in FY2021. In response to the COVID-19 pandemic, the Airport Authority eliminated all nonessential maintenance, and Airport Authority staff is performing all essential maintenance.

Maintenance expenses are budgeted to increase to $11.3 million in FY2022 for green oval painting work and increased costs associated with increased enplanements. Maintenance expenses are projected to increase to $11.6 million in FY2023, as a result of contractual increases and increased passenger activity. Maintenance expenses are projected to increase with inflation in FY2024 and FY2025. Maintenance expenses are projected to increase by 19.8 percent in FY2026 as a result of the additional space and common use systems that will be added with the new Terminal 1. Maintenance expenses are projected to increase with inflation in FY2027, to $15.2 million.

5.4.6 | Space Rent

Space rental expense consists of lease payments to the Port District for properties adjacent to the Airport, including the former General Dynamics and Teledyne Ryan parcels. Space rental payments increased slightly, from approximately $10.2 million in FY2017 to $10.3 million in FY2021, reflecting contractual lease adjustments. This line item is budgeted to increase to 10.7 million in FY2022 due to a new lease, and it is projected remain at that level throughout the forecast period, reflecting the long-term nature of the Airport Authority's lease agreements.

5.4.7 | Business Development

The business development expense category includes costs for advertising, membership and dues, postage and shipping, promotional activities and materials, and travel. Business Development expenses increased from $2.3 million in FY2017 to $3.2 million in FY2018 due to one-time expenses related to the sponsorship and marketing activities for the AAAE annual conference that was held in San Diego that year. Business Development expenses returned to normal levels in FY2019. This category decreased to $2.0 million in FY2020 and $0.2 million in FY2021 as a result of cost-cutting measures implemented by the Airport Authority. In response to the drop in air traffic near the end of FY2020, the Airport Authority significantly reduced the concessions marketing program and advertising expenses, and only Alaska Airlines used air service development incentives in FY2021.

Business Development expenses are budgeted to increase to $1.8 million in FY2022 and $2.6 million in FY2023, mainly due to the expected resumption of air service development incentives and marketing programs as air traffic continues to recover. Business Development expenses are projected to increase by an average of 3.0 percent per year from FY2024 to FY2027, to $2.9 million in FY2027.

5.4.8 | Other Expenses

Other expenses include employee development and support; equipment rentals and repairs; insurance; operating equipment and systems; operating supplies; tenant improvements; and other expenses. The total amount of these expenses increased from approximately $6.3 million in FY2017 to $6.6 million in FY2020. This line item decreased to $5.9 million in FY2021 as a result of the Authority's cost cutting measures.

Total Other Expenses are budgeted to increase to $7.5 million in FY2022 and $8.0 million in FY2023, due to the cost of new property management software, as well as software system implementations, licenses, and upgrades. Future projections of this category include anticipated increases related to the new Terminal 1, including software systems, IT maintenance and support contracts, common use system maintenance, and insurance. Total Other Expenses are projected to increase to approximately $10.6 million in FY2027.

5.5 | Debt Service and Amortization Charges

As discussed in Section 1, the Airport Authority's Capital Program includes approximately $4.0 billion in capital costs, of which approximately $1.0 billion are being funded with a portion of the proceeds of the Subordinate Series 2021AB Bonds. The Series 2021C Refunding Bonds are are anticipated to be used to refund all of the Senior Series 2013 Bonds.

The estimated sources and uses of the Subordinate Series 2021 Bonds are presented in Table 38.

Table 38| Estimated Sources and Uses of the Subordinate Series 2021 Bonds (in 000s)

	Series 2021A	Series 2021B	Series 2021C Refunding	Total Series 2021
Sources				
Par Amount	$300,205	$757,935	$378,140	$1,436,280
Premium	65,793	150,125	-	215,917
Debt Service Funds on Hand	-	-	10,831	10,831
Total Sources	$365,998	$908,060	$388,971	$1,663,028
Uses				
Project Fund	$294,520	$702,990	$0	$997,511
Escrow Deposit	-	-	385,942	385,942
Capitalized Interest	43,739	135,059	-	178,798
Debt Service Reserve Fund	25,327	63,944	-	89,270
Underwriters Discount/COI/Rounding	2,412	6,066	3,029	11,507
Total Uses	$365,998	$908,060	$388,971	$1,663,028

Source: Frasca & Associates, LLC.

The estimated debt service requirements assume all-in interest rates of 3.72 percent for the Subordinate Series 2021A Bonds, 3.83 percent for the Subordinate Series 2021B Bonds, and 3.72 percent for the Subordinate Series 2021C Bonds. All assumptions are preliminary and subject to change. A portion of the estimated interest on the Series 2021A Bonds and the Series 2021B Bonds is capitalized to July 1, 2025. The actual terms of the Series 2021 Bonds may differ from what is assumed for this financial analysis.

The Airport Authority's Capital Program assumes additional debt issuances during the forecast period to continue to fund the New T1. The debt service projections assume one future subordinate bond issue in January 2023 (the Subordinate Series 2023 Bonds) and two future senior bond issues, one in January 2024 and one in January 2025 (the Senior Series 2024 Bonds and the Senior Series 2025 Bonds). For this analysis, it is assumed that the Subordinate Series 2023 Bonds will have a par amount of approximately $529.0 million, with an all-in interest rate of 6.0 percent and include about 2.5 years of capitalized interest. It is assumed that the Senior Series 2024 Bonds will have a par amount of approximately $764.0 million, an all-in interest rate of 6.0 percent and about 1.5 years of capitalized interest. It is also assumed that the Senior Series 2025 Bonds will have a par amount of approximately $885.0 million, an all-in interest rate of 6.0 percent, and about three years of capitalized interest. The timing, par amount, interest rates, and capitalized interest periods on the assumed future bonds may differ from what is assumed for this financial analysis.

The estimated debt service requirements, summarized in Table 39, which are net of estimated capitalized interest, are projected to increase during the forecast period, due to the debt service scheduled for the Subordinate Series 2021 Bonds and the assumed future bond financings to fund a portion of the New T1 costs.

Table 39| Projected Debt Service

Bond Series	Historical	Projected					
	Fiscal Years Ending June 30						
	2021	2022	2023	2024	2025	2026	2027
Senior Bonds:							
Series 2013 A	6,711,600	2,796,396	-	-	-	-	-
Series 2013 B	19,288,500	8,034,583	-	-	-	-	-
Total Series 2013	26,000,100	10,830,979	-	-	-	-	-
Planned Series 2024	-	-	-	54,882	112,331	65,731,900	65,730,300
Planned Series 2025	-	-	-	-	323,242	3,878,901	3,878,901
Total Senior Lien	$26,000,100	$10,830,979	$0	$54,882	$435,573	$69,610,801	$69,609,201
Subordinate Obligations:							
Series 2017 A	9,498,750	9,496,500	9,498,000	9,497,750	9,495,500	9,496,000	9,498,750
Series 2017 B	9,420,500	9,419,250	9,416,750	9,417,750	9,416,750	9,418,500	9,417,500
Total Series 2017	$18,919,250	$18,915,750	$18,914,750	$18,915,500	$18,912,250	$18,914,500	$18,916,250
Series 2019 A Refunding	9,570,250	9,570,000	9,572,500	9,572,500	8,470,000	8,470,000	8,470,000
Series 2019 A	5,370,074	6,015,461	10,361,250	10,359,750	10,361,250	10,360,250	10,361,500
Series 2019 B	4,310,158	7,051,453	8,060,350	8,062,100	8,058,100	8,058,350	8,062,350
Total Series 2019	19,250,483	22,636,914	27,994,100	27,994,350	26,889,350	26,888,600	26,893,850
Series 2020 A Refunding	3,263,750	3,260,750	3,263,000	3,260,000	2,726,750	2,724,500	2,727,750
Series 2020 B/C Refunding	22,602,250	22,609,000	22,600,750	22,606,750	17,609,750	17,603,250	17,603,500
Total Series 2020	25,866,000	25,869,750	25,863,750	25,866,750	20,336,500	20,327,750	20,331,250
Planned Series 2021 A	-	305,500	611,000	4,073,500	4,766,083	16,965,250	16,962,500
Planned Series 2021 B	-	-	-	-	479	39,916,750	39,915,750
Planned Series 2021 C Refunding	-	15,162,760	25,998,129	25,997,864	25,995,133	21,433,957	21,434,477
Total Planned Series 2021	-	15,468,260	26,609,129	30,071,364	30,761,696	78,315,957	78,312,727
Planned Series 2023	-	-	75,571	1,064,842	1,247,676	46,029,800	46,032,000
Total Subordinate	64,035,733	82,890,674	99,457,300	103,912,806	98,147,472	190,476,608	190,486,079
Total Debt Service	$90,035,833	$93,721,653	$99,457,300	$103,967,688	$98,583,045	$260,087,409	$260,095,280

Source: Airport Authority and Frasca & Associates, LLC.

Total annual debt service is projected to increase from $90.0 million in FY2021 to $93.7 million in FY2022. Total annual debt service is projected to increase to $99.5 million in FY2023, mainly due to scheduled increases in the debt service for the Subordinate Series 2019 Bonds. Total debt service is projected to increase to $104.0 million in FY2024, corresponding with the planned completion of two components of the New T1 – the shuttle lot and the administration building. In FY2025, total debt service is projected to decrease to $98.6 million due to refunding savings produced by the Subordinate Series 2020 Bonds. Total annual debt service is projected to increase to $260.1 million in FY2026 and FY2027 with the completion of the capitalized interest period for the Subordinate Series 2021AB Bonds, and the debt service for the assumed future bonds associated with the New T1.

5.6 | Revenues

The Master Senior Indenture defines "Revenues" as all income, receipts, earnings and revenues received by the Airport Authority from the operation and ownership of the Airport. Excluded from the definition of Revenues are PFCs, CFCs, interest income on unspent PFCs and CFCs, Federal relief funds, and certain other items.[53] The Airport Authority has covenanted that all Revenues will be deposited into the Revenue Account within the Revenue Fund to be pledged as security for the Senior Bonds, the Subordinate Obligations, and any additional bonds issued pursuant to the Master Senior Indenture and the Master Subordinate Indenture.

Historical and projected Revenues are presented on Table 40 and Table 41, respectively. Revenues decreased from approximately $255.5 million in FY2017 to $227.6 million in FY2021, due to the factors described in the sub-sections below. Revenues are projected to increase to $246.6 million in FY2022, and they are projected to increase to $494.7 million in FY2027. The projections of the various categories of Revenues are explained in the sub-sections below.

[53] Although FAA grant receipts, which are reimbursements of capital expenditures, are included in the definition of Revenues in the Master Senior Indenture, they are excluded from the projections of Revenues in this section, in order to reflect only the ongoing operations of the Airport Authority.

Table 40| Historical Revenues

	For Fiscal Years Ended June 30				
	2017	2018	2019	2020	2021
Airline Revenue					
Landing Fees	$24,612,412	$23,900,414	$24,816,308	$33,241,411	$34,046,302
Aircraft Parking Fees	2,926,972	3,235,788	3,471,363	8,354,053	8,541,326
Terminal Rentals	57,756,575	63,533,823	72,319,630	29,764,891	26,875,478
Common Use Fees	-	-	-	7,627,629	7,369,019
FIS Use Charge	-	-	-	3,261,820	984,860
Joint Use Fees	-	-	-	49,426,560	55,229,873
Security Surcharge	29,468,089	32,303,267	33,558,621	-	-
Other Aviation Revenue	1,617,410	183,910	188,211	161,162	884,586
Incentive Program	-	-	-	-	(62,080)
Total Airline Revenue	$116,381,458	$123,157,202	$134,354,133	$131,837,525	$133,869,364
Non-Airline Revenue					
Building and Other Rents	1,556,123	2,035,733	2,163,147	2,460,888	2,589,064
Concessions					
Rental Cars	30,161,820	31,464,479	34,304,635	26,070,018	16,973,062
Food and Beverage	10,974,569	12,640,069	13,949,528	10,753,084	4,206,180
Gifts and News	7,199,925	7,735,413	8,186,875	6,343,380	3,245,777
License Fees	4,948,191	5,782,383	6,849,951	6,174,751	3,369,435
Other Terminal Concessions	3,858,153	3,331,389	3,100,994	3,854,855	1,633,340
Cost Recovery	4,113,155	4,656,124	4,864,309	4,047,234	1,669,075
Total Concessions	$61,255,813	$65,609,858	$71,256,292	$57,243,322	$31,096,869
Parking and Ground Transportation	49,407,237	53,254,029	62,817,900	50,750,966	27,446,678
Ground rentals	18,496,911	20,072,905	20,646,993	18,925,455	19,259,872
Other Operating Revenue	1,457,406	1,408,548	1,990,322	1,516,733	1,338,471
Interest Income	6,985,911	11,445,451	13,454,311	17,838,099	11,973,199
Total Non-Airline Revenue	$139,159,401	$153,826,525	$172,328,964	$148,735,463	$93,704,153
Total Revenues	$255,540,858	$276,983,726	$306,683,097	$280,572,988	$227,573,517

[1] Airport Authority records. This table presents Revenues as defined in the Master Senior Indenture.

Table 41| Projected Revenues

	Fiscal Years Ending June 30						Compound Annual Growth
	Budget	Projected					
	2022	2023	2024	2025	2026	2027	2022 - 2027
Airline Revenue							
Landing Fees	$33,619,370	$53,851,720	$55,341,374	$60,474,396	$70,382,777	$71,676,320	16.3%
Aircraft Parking Fees	8,465,602	13,462,930	13,835,344	15,118,599	17,595,694	17,919,080	16.2%
Terminal Rentals	30,768,930	50,034,751	50,649,739	36,207,167	40,895,905	35,487,547	2.9%
Common Use Fees	7,931,826	11,020,228	9,407,026	10,508,028	19,052,974	16,919,316	16.4%
FIS Use Charge	2,343,010	4,197,930	5,139,407	5,653,348	5,766,415	5,881,743	20.2%
Joint Use Fees	60,376,222	85,257,766	87,023,587	104,016,127	187,153,782	168,229,687	22.7%
Other Aviation Revenue	170,584	173,995	173,995	173,995	173,995	173,995	0.4%
Incentive Program	(2,670,724)	(5,521,075)	-	-	-	-	N/A
Total Airline Revenue	$141,004,819	$212,478,245	$221,570,473	$232,151,660	$341,021,543	$316,287,688	17.5%
Non-Airline Revenues							
Building and Other Rents	2,608,202	2,600,164	2,603,924	2,614,605	2,624,969	2,636,070	0.2%
Concessions:							
Rental Cars	18,710,812	22,831,649	27,978,600	32,249,559	33,868,345	34,437,892	13.0%
Food and Beverage	5,104,079	10,137,826	11,111,169	13,037,448	17,431,504	17,688,124	28.2%
Gifts and News	3,843,000	6,082,695	6,666,701	7,111,335	8,093,198	8,212,343	16.4%
License Fees	4,234,577	5,207,475	6,227,913	6,924,872	7,496,624	7,606,986	12.4%
Other Terminal Concessions	1,751,746	4,231,500	4,637,771	4,947,086	5,197,044	5,273,553	24.7%
Cost Recovery	2,536,894	3,784,108	4,528,343	4,980,992	5,113,509	5,253,218	15.7%
Total Concessions	36,181,108	52,275,253	61,150,498	69,251,293	77,200,225	78,472,116	16.7%
Parking & Ground Transportation	33,258,122	41,620,097	46,075,443	56,687,407	60,242,790	61,841,205	13.2%
Ground rentals	22,615,586	22,750,778	22,988,090	23,229,980	23,451,559	23,677,941	0.9%
Other Operating Revenue	1,058,585	1,064,816	1,100,296	1,402,906	1,409,713	1,416,725	6.0%
Interest Income	9,882,578	20,771,948	19,044,439	17,480,185	12,605,939	10,358,150	0.9%
Total Non-Airline Revenues	$105,604,181	$141,083,055	$152,962,690	$170,666,374	$177,535,195	$178,402,207	11.1%
Total Revenues	$246,609,000	$353,561,300	$374,533,163	$402,818,034	$518,556,737	$494,689,896	14.9%

This table presents Revenues as defined in the Master Senior Indenture.[1]

5.6.1 | Airline Revenues

Airline revenues consist of landing fees, aircraft parking fees, terminal rentals, common use fees, FIS use charges, joint use fees, and other aviation revenue, net of reductions for the Air Service Incentive Program, as discussed later this this section. Prior to FY2020, the Signatory Airlines also paid a separate Security Surcharge to reimburse the Airport Authority for the cost of providing security in the airfield and terminal areas. Beginning in FY2020, under the provisions of the new AOLA, security costs are now being recovered through landing fees and terminal rents.

Total airline revenues increased from approximately $116.4 million in FY2017 to $134.4 million in FY2019, mainly due to increases in the amount of O&M Expenses allocated to the airline cost centers resulting from the expansion of Airport facilities, and the increases in debt service with the issuance of the Series 2017 and Series 2019 Bonds. Total airline revenues decreased to $131.8 million in FY2020 and $133.9 million in FY2021, as described in the subsections below.

Total airline revenues are budgeted to increase to $141.0 million in FY2022 largely due to increased O&M Expenses. Total airline revenues are projected to increase to approximately $316.3 million in FY2027, mostly due to projected increases in O&M Expenses and increases in debt service requirements, as discussed in the sub-sections below. The components of airline revenue are discussed below.

Landing Fees

Landing fees ranged between $23.9 million and $24.8 million during FY2017 through FY2019 before increasing to $33.2 million in FY2020 and $34.0 million in FY2021. The increase in FY2020 was mainly due to the new provision in the AOLA that allowed the Airport Authority to allocate $15.0 million of the annual MMF deposit to the Airfield cost center. However, to mitigate the effect of this new provision on the landing fee rate during the COVID-19 pandemic, the Airport Authority reduced the MMF deposit in FY2020, and reduced the associated Airfield allocation to $10 million. The Airport Authority also applied federal funds to the Airfield to reduce airline costs in FY2020. In FY2021, the O&M Expenses allocated to the Airfield cost center increased by $5.5 million and the debt service allocated to the Airfield increased by $6.3 million. In addition, the ground handling concession revenues, which are a credit to the Airfield cost center, decreased by $1.3 million. The majority of these changes were offset by the Airport Authority deferring the MMF deposit allocated to the Airfield in FY2021.

The calculations of the projected Airfield Net Requirement and landing fee rate are shown on Table 42. Landing fee revenue (shown on Table 41) is projected to increase from approximately $33.6 million in FY2022 to $53.9 million in FY2023 and $55.3 million in FY2024, with the resumption of the annual MMF deposits in those years, of which $20.0 million per year will be allocated to the Airfield. In FY2022 through FY2024[54], the Airport Authority plans to include a portion of the Federal relief funds in the credits that are deducted from the Total Airfield Requirement to arrive at the Airfield Area Requirement. . In FY2025, the Airport Authority is not planning to include Federal relief funds in the credit to the Airfield Area Requirement, and therefore, landing fees are projected to increase to $60.5 million. Increases are projected in landing fees in FY2026 and FY2027, to $70.4 million and $71.7 million, respectively, due to projected increases in debt service requirements, as well as Coverage Charges required in the AOLA, as described in Section 4.

Based on the financial projections described above, and the forecast aircraft landed weight, the Signatory Landing Fee Rate is projected to increase from $3.55 in FY2022 to $4.82 in FY2027.

Aircraft Parking Fees

Aircraft parking fees are assessed based on the number of aircraft parking positions assigned to each airline at the terminal gates and in remote parking positions. Aircraft parking fees increased from $2.9 million in FY2017 to $8.5 million in FY2021. The increased Aircraft parking fees were a result of the change in calculation in the new AOLA. Previously, 10 percent of the Airfield Area Requirement was allocated to the Aircraft Parking Position calculation. In the new AOLA, 20 percent of the Airfield Area Requirement is allocated to the Aircraft Position calculation. The fees also increased because of the Airfield Area Requirement increasing. Aircraft parking fees are projected to increase from $8.5 million in FY2022 to $17.9 million in FY2027, mainly due to the projected increase in Airfield costs, as discussed above.

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[54] The Airport Authority is planning to apply a portion of Federal relief funds received in FY2020 through FY2022 (shown on Table 35), to the Airfield Area Requirement in FY2022 through FY2024, for purposes of airline rates and charges.

Table 42| Projected Landing Fee Rate

Calculation Elements	Fiscal Years Ending June 30					
	Budget	Projected				
	2022	2023	2024	2025	2026	2027
Airfield Costs						
O&M Expenses	$57,089,160	$58,545,133	$60,082,776	$61,675,470	$63,177,353	$64,728,098
Debt Service	6,945,198	10,312,960	11,602,482	11,548,821	21,735,835	22,310,428
Coverage Charges	-	-	-	-	1,800,986	954,182
Amortization Charges	5,055,033	5,026,582	4,502,982	4,787,255	4,843,366	4,938,772
Reserve Deposits	349,236	611,910	625,738	1,307,081	630,414	976,254
Major Maintenance Fund	-	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Total Airfield Requirement	$69,438,628	$94,496,585	$96,813,978	$99,318,628	$112,187,955	$113,907,734
Credits:						
Fuel Flowage	170,584	173,995	173,995	173,995	173,995	173,995
Finger Printing Revenue	90,488	90,488	90,488	90,488	90,488	90,488
Ground Handling Concession Revenue	3,467,669	4,289,917	5,171,976	5,516,919	5,795,669	5,880,990
Inflight Services Revenue (70%)	536,835	642,291	739,156	985,567	1,190,669	1,208,197
Quieter Home Program Grants	17,403,663	16,662,663	16,662,663	16,662,663	16,662,663	16,662,663
TSA Operating Grant Reimbursement	386,348	296,000	296,000	296,000	296,000	296,000
Federal Relief Funds	5,055,033	5,026,582	4,502,982	-	-	-
Total Credits	$27,110,620	$27,181,935	$27,637,260	$23,725,633	$24,209,484	$24,312,334
Airfield Area Requirement	**$42,328,008**	**$67,314,649**	**$69,176,718**	**$75,592,995**	**$87,978,471**	**$89,595,401**
Less: Non-Signatory Landing Fees	1,138,824	1,601,586	1,604,159	1,732,966	1,998,039	2,028,806
Less: Aircraft Parking Position Fees	8,465,602	13,462,930	13,835,344	15,118,599	17,595,694	17,919,080
Airfield Net Requirement	**$32,723,582**	**$52,250,134**	**$53,737,216**	**$58,741,430**	**$68,384,738**	**$69,647,515**
Signatory Landed Weight (1,000 lb. units)	9,219,814	12,142,157	12,938,818	13,625,574	14,249,254	14,447,962
Signatory Landing Fee Rate	$3.55	$4.30	$4.15	$4.31	$4.80	$4.82
Non-Signatory Landing Fee Rate	$4.26	$5.16	$4.98	$5.17	$5.76	$5.78

Terminal Rentals

Terminal rentals increased from approximately $57.8 million in FY2017 to $72.3 million in FY2019, due to the increases in O&M Expenses and debt service requirements associated with the expansion of Terminal 2. The decrease in Terminal rentals to $29.8 million in FY2020 was primarily due to Common Use and Joint Use revenues being accounted for in their own individual accounts. As with the landing fee calculation discussed above, the Airport Authority mitigated the effect of the MMF deposit by reducing the total deposit in FY2020 and allocating only $10.0 million to the Terminal cost center. Terminal rentals decreased to $26.9 million in FY2021, when the Airport Authority deferred the annual MMF deposit and decreased O&M Expenses.

Terminal rentals are budgeted to increase to $30.8 million in FY2022, due to increased O&M Expenses allocated to the Terminal cost center. The effect on the terminal rental rate from the increase in O&M Expenses is partially offset by the reduced debt service included in the terminal rental rate calculation, due to the application of PFCs to debt service. Terminal Rentals are projected to increase to $50.0 million in FY2023, because the Airport Authority does not plan to apply PFCs to debt service in that year, and it plans to begin recovering deferred annual MMF deposit amounts. The Airport Authority plans to include a portion of the Federal relief funds received in FY2020 through FY2022, in the credits deducted from the Total Terminal Requirement to arrive at the Base Terminal Area Requirement in FY2022 through FY2024. Terminal rentals are projected to increase to approximately $40.9 million in FY2026, due to projected increases in O&M Expenses, debt service requirements, as well as Coverage Charges required in the AOLA, as described in Section 4. As shown on Table 43, the terminal rental rate is projected to increase from $167.29 in FY2022 to $386.47 in FY2027.

Common Use Fees

Common Use fees are charged to the airlines for the use of the common use systems. Common Use fees decreased slightly from $7.6 million in FY2020 to $7.4 million in FY2021. The fees decreased in FY2021 because of the reduced terminal rental rate and reduced O&M Expenses allocated to the common use systems. Common Use fees are budgeted to increase to $7.9 million in FY2022 as a result of increased O&M allocated to the terminal, which increases the rate charged for the common use space. Common Use fees are projected to increase to $16.9 million in FY2027 as a result of increased O&M allocated to the terminal and the common use systems and increased debt service allocated to the terminal. The signatory common use fee is projected to increase from $1.82 per enplaned passenger in FY2022 to a $1.97 in FY2027, as shown on Table 44.

FIS Use Charges

Beginning in FY2020, the Airport Authority began charging the airlines $10.00 for each international arriving seat for the use the Airport's international facilities. In FY2020, the Airport Authority collected approximately $3.3 million in FIS Use Charge revenues. This revenue decreased to approximately $1.0 million in FY2021 as a result of the significant reduction in international arriving seats. This revenue is budgeted to increase to $2.3 million in FY2022. As international traffic continues to recover, FIS Use Charge revenues are projected to increase to $5.9 million in FY2027.

Joint Use Fees

As described above in Section 4, Joint Use fees are charged to the airlines for the use of the joint use facilities at the Airport. Beginning in FY2020, these fees began being accounted for in addition to the terminal rental revenues and the common use fee revenues. Joint Use fee revenues increased from $49.4 million in FY2020 to $55.2 million in FY2021. The increase was a result increased O&M Expenses and debt service allocated to airline terminal support. Joint Use fee revenue is budgeted to increase to $60.4 million in FY2022. Joint Use fee revenue is projected to increase to $168.2 million in FY 2027 because of a higher terminal rental rates and increased O&M Expenses and debt service allocated to airline terminal support.

Table 43| Projected Terminal Rental Rate

Calculation Elements	Fiscal Years Ending June 30					
	Budget	Projected				
	2022	2023	2024	2025	2026	2027
Terminal Costs						
O&M Expenses	58,494,001	67,723,224	70,229,822	72,828,724	79,791,362	82,410,699
Revenue Bond Debt Service	36,579,332	60,174,024	62,309,853	57,463,490	147,868,825	117,868,539
Coverage Charges	-	-	-	-	16,744,808	6,889,746
Amortization Charges	10,321,940	10,014,123	8,731,516	8,425,996	8,093,622	8,336,806
Reserve Deposits	698,473	1,223,820	1,251,476	2,614,161	1,260,829	1,952,509
Total Terminal Requirement	**$106,093,745**	**$139,135,191**	**$142,522,667**	**$141,332,372**	**$253,759,445**	**$217,458,300**
Credits:						
Operating Grant Revenue	-	-	-	-	-	-
FIS Use Charge	2,343,010	4,197,930	5,139,407	5,653,348	5,766,415	5,881,743
Federal Relief Funds	4,500,833	4,800,455	5,324,055	-	-	-
Total Credits	$6,843,843	$8,998,385	$10,463,462	$5,653,348	$5,766,415	$5,881,743
Base Terminal Area Requirement	**$99,249,903**	**$130,136,806**	**$132,059,205**	**$135,679,024**	**$247,993,030**	**$211,576,556**
Terminal Leasable Square Footage	593,293	593,293	593,293	593,293	618,293	618,293
Base Terminal Area Rental Rate	**$167.29**	**$219.35**	**$222.59**	**$228.69**	**$401.09**	**$342.19**
Supplemental Terminal Area Requirement						
Major Maintenance Fund	$0	$20,000,000	$20,000,000	$20,000,000	$20,000,000	$20,000,000
Airline Leased Square Footge	464,458	451,734	451,734	451,734	451,734	451,734
Supplemental Terminal Rate	**$0.00**	**$44.27**	**$44.27**	**$44.27**	**$44.27**	**$44.27**
Terminal Rental Rate	**$167.29**	**$263.62**	**$266.86**	**$272.96**	**$445.37**	**$386.47**
NonSignatory Terminal Rental Rate	**$200.74**	**$316.34**	**$320.23**	**$327.55**	**$534.44**	**$463.76**

Security Surcharge

The Signatory Airlines paid a Security Surcharge to reimburse the Airport Authority for the cost of providing security in the airfield and terminal areas. The security costs incorporated into the calculation of the Security Surcharge included allocated O&M Expenses, debt service costs, amortization charges, and terminal rent for the security check point areas used by the TSA for passenger security screening. This revenue category increased from approximately $29.5 million in FY2017 to $33.6 million in FY2019, reflecting the historical increases in the cost of providing security. Beginning in FY2020, under the provisions of the new AOLA, security costs are now included in the Airline Terminal Support cost center.

Other Aviation Revenues

Other Aviation Revenues consist primarily of fuel farm franchise fees. Prior to FY2018, this category also included the capital cost recovery of the fuel farm. With the completion of the capital cost recovery period, this revenue category decreased from approximately $1.6 million in FY2017 to $184,000 in FY2018. Fuel farm franchise fees decreased during the COVID-19 pandemic, but they are projected to increase to $174,000 in FY2027.

Air Service Incentive Program

The Air Service Incentive Program (ASIP), which started on January 1, 2021, is intended to increase the SAN's nonstop destinations, enable fair access for new entrants, promote competition, and restart air service that was impacted by the COVID-19 pandemic. This revenue category is a reduction in airline revenues because it represents the credits awarded by the Airport Authority to qualifying airlines. ASIP credits totaled approximately $62,000 in FY2021, and they are budgeted to increase to $2.7 million in FY2022 and $5.5 million in FY2023.

Table 44| Projected Common Use Fee

Calculation Elements	Fiscal Years Ending June 30					
	Budget	Projected				
	2022	2023	2024	2025	2026	2027
Common Use Ticketing	31,914	31,914	31,914	35,136	37,438	37,438
Terminal Rental Rate	$167.29	$263.62	$266.86	$272.96	$445.37	$386.47
Common Use Requirement	**$5,338,781**	**$8,413,183**	**$8,516,591**	**$9,590,880**	**$16,673,646**	**$14,468,607**
O&M Expenses	$850,500	$864,500	$890,435	$917,148	2,379,328	2,450,708
Annual Net Debt Servie	-	-	-	-	-	-
Amortization Charges	1,742,545	1,742,545	-	-	-	-
Total Common Use Requirement	**$7,931,826**	**$11,020,228**	**$9,407,026**	**$10,508,028**	**$19,052,974**	**$16,919,316**
Non-Signatory Common Use Revenue	($233,377)	($314,711)	($268,642)	($300,083)	($544,106)	($483,174)
Net Common Use Requirement	**$7,698,449**	**$10,705,517**	**$9,138,385**	**$10,207,945**	**$18,508,868**	**$16,436,142**
Total Signatory Enplanements in Common Use Terminal	4,233,408	6,684,195	7,325,951	7,814,554	8,209,394	8,330,250
Common Use Fee	**$1.82**	**$1.60**	**$1.25**	**$1.31**	**$2.25**	**$1.97**
Non-Signatory Common Use Fee	**$2.18**	**$1.92**	**$1.50**	**$1.57**	**$2.71**	**$2.37**

5.6.2 | Non-Airline Revenues

Non-airline revenues consist of building rents, terminal concession revenues, parking and ground transportation revenues, ground rentals, other operating revenue, and interest income. Non-airline revenues increased from $139.2 million in FY2017 to $172.3 million in FY2019, and then decreased to $148.7 million in FY2020 and $93.7 million in FY2021, as explained in the paragraphs below that discuss the components of non-airline revenue. Total non-airline revenues are projected to increase from approximately $105.6 million in FY2022 to $178.4 million in FY2027, as explained in the paragraphs below.

Building and Other Rents

The Airport Authority receives rent from non-airline tenants for space rented in the terminal buildings and other areas. This revenue category increased from $1.6 million in FY2017 to $2.6 million in FY2021, due to the increase in terminal rental rates. Building and Other Rent revenue is projected to remain relatively flat at $2.6 million throughout the projection period.

Concessions

The Airport Authority receives percentage concession fees, subject to a minimum annual guarantee (MAG), from rental car, food and beverage, news and gift, and other concessionaires. The concession revenue is calculated as a percentage of each concessionaire’s sales, subject to MAG amounts. The various types of concession revenues and the historical trends and projected future increases are described in the sub-sections below. The concession revenue projections are based on percentage gross sales only. The MAGs either have been reset or are intended to be reset (depending on the category of concessions), in response to the effect of the COVID-19 pandemic on air traffic and concession revenues.

Rental Car Concession Revenue

The largest component of the terminal concession revenue category is rental car concession revenue. The rental car companies that operate at the Airport pay a concession fee of 10 percent of their gross revenues, plus a cost recovery fee for the operating expenses of the RCC (defined in Section 1). Rental car concession revenue, including the RCC cost recovery component, increased from approximately $30.2 million in FY2017 to $34.3 million in FY2019, but then decreased to $26.1 million in FY2020 and $17.0 million in FY2021, reflecting the reduced activity during the COVID-19 pandemic.

Rental car concession revenue at SAN, expressed on a per-originating enplanement basis, ranged between $2.84 in FY2017 and $2.66 in FY2020, and then increased significantly to $4.62 in FY2021, reflecting nationwide industry trends after the outbreak of the COVID-19 pandemic, as the rental car companies reduced inventory and increased prices. The ratio of rental car transaction days per originating enplanement decreased from 0.60 in FY2017 to 0.54 in FY2020, and then recovered to 0.55 in FY2021, indicating that rental car demand remained fairly constant in relation to passenger activity at the Airport.

FY2022 rental car concession revenue, including the RCC cost recovery component, is budgeted to increase to $18.7 million due to the anticipated increase in passenger activity. For FY2023 and subsequent years, rental car concession revenue is projected based on an assumed return to pre-COVID pandemic rental car pricing, using the historical average ratio of transaction days to originating enplanements, applied to forecast air traffic activity. Rental car concession revenue, including the RCC cost recovery component, is projected to increase to $34.4 million in FY2027.

Food and Beverage/Gift and News Concession Revenues

In March 2015, the Airport Authority completed its Concessions Development Program (CDP), which involved a complete revamp of the shopping and dining options in the passenger terminals. The CDP significantly increased the number of shops and restaurants, and it involved the introduction of local San Diego offerings. The CDP was designed to increase competition among concessionaires, to promote a variety of brands and concepts, and to increase the Airport Authority's control over the concessions program – thereby enhancing the customer experience and maximizing concession sales and the resulting revenue to the Airport Authority. The concession leases started on the date the applicable concession space was available for beneficial use by the vendor, with lease terms of 10 years for food and beverage concessions and seven years for gift and news concessions. The leases provide for rental payments equal to the greater of a minimum annual guarantee (MAG) or a percentage of gross income. The leases also provide for the cost recovery of terminal concessions program costs. including: the capital and operating costs of the Receiving and Distribution Center (RDC) located on the north side of the airfield; and marketing, storage, and other O&M Expenses related to the terminal concessions, as discussed in the Cost Recovery revenue category, below. As of the date of this Report, most of the retail concession leases have expired and the retail concessionaires are operating at SAN on a month-by-month basis under the terms of the expired leases. The Airport Authority expects to solicit for new retail concessions in 2022. The concession revenue projections, described below, assume the new retail concession leases will contain provisions substantially similar to the expired leases.

Food and Beverage concession revenue increased from approximately $11.0 million in FY2017 to $13.9 million in FY 2019, and then decreased to $10.8 million in FY2020 and $4.2 million in FY2021. Gift and News concession revenue increased from $7.2 million in FY2017 to $8.2 million in FY2019, and then decreased to $6.3 million in FY 2020 and $3.2 million in FY2021. Due to the significant decrease in passengers in mid-March 2020, the Airport Authority closed about 90 percent of the terminal concessions. As passenger traffic began to recover, some of the terminal concessions re-opened, and by December 2020 about 50 percent of the terminal concessions were open. By the end of September 2021, about 90 percent of the terminal concessions were open with modified hours.

The projections of concession revenues for Food and Beverage and Gift and News are based on pre-COVID-19 pandemic ratios of revenue per enplanement for each category, with assumed increases for inflation, applied to forecast enplanements, plus increases in FY2026 associated with the planned opening of the new Terminal 1. Concession revenue is projected to increase to $17.7 million in FY2027 for Food and Beverage, and $8.2 million for Gift and News.

License Fees

The Airport Authority receives license fees from companies that provide ground handling and in-flight food services. These license fees, which are based on a percentage of the providers' gross revenues, increased from $5.0 million in FY2017 to $6.8 million in FY2019. License Fees decreased to $6.2 million and $3.4 million in FY 2020 and FY 2021, respectively, due to decreased activity, net of license fee waivers of $0.6 million for in-flight food services in FY2021. License Fees are budgeted to total approximately $4.2 million in FY 2022, due to increased activity. Based on anticipated increases in future passenger activity, License Fees are projected to increase to approximately $7.6 million in FY2027.

Other Terminal Concession Revenues

This category includes rents and fees received for advertising displays, luggage carts, ATMs, wifi service providers, security bin advertisements, and other miscellaneous sources. During FY2017 through FY2020, this revenue category fluctuated between $3.9 million and $3.1 million, due to changes in the advertising concession agreement and changes in the way shared tenant services are charged to the concessionaires. This category decreased to $1.6 million in FY2021, due to the decreased air traffic activity. This revenue category is budgeted to increase to $1.8 million in FY2022. Other Terminal Concession Revenues are projected based on the pre-COVID pandemic (FY2019) revenue per enplanement, applied to forecast enplanements. This revenue category is projected to increase to $5.3 million in FY2027.

Cost Recovery Revenue

The Airport Authority receives cost recovery fees as reimbursement for terminal concessions program costs. including: the capital and operating costs of the Receiving and Distribution Center (RDC) located on the north side of the airfield; and marketing, storage, and other O&M Expenses related to the terminal concessions. These fees increased from $4.1 million in FY2017 to $4.9 million in FY2019. As a result of the reduced activity and fee waivers provided by the Airport Authority, these fees decreased to $4.0 million and $1.7 million in FY2020 and FY2021, respectively. Cost recovery revenue is budgeted to increase to $2.5 million in FY2022, and it is projected to increase throughout the forecast period, to $5.3 million in FY2027, due to the projected increases in the various expenses related to the terminal concessions program.

Parking and Ground Transportation

The Airport Authority receives revenues from the public parking lots at the Airport, ground transportation permit and trip fees from TNCs and other ground transportation users, and parking citation revenues. Parking and Ground Transportation revenues increased from approximately $49.4 million in FY2017 to $62.8 million in FY2019, reflecting the increase in passenger traffic during those years. As a result of the significant passenger decrease, Parking and Ground Transportation revenues decreased to $50.8 million in FY2020 and $27.4 million in FY2021.

Parking revenue and TNC trip fees together constituted over 96 percent of total Parking and Ground Transportation revenue in FY2021. The following paragraphs discuss the trends in these two revenue sources:

Parking revenue, which accounted for 80 percent of total FY2021 Parking and Ground Transportation revenue, increased from $41.4 million in FY2017 to $46.6 million in FY2019, and then decreased to $36.4 million in FY2020 and $22.2 million in FY2021. The ratio of parking transactions per originating enplanement decreased from 0.12 in FY2017 to 0.10 in FY2018, and it remained essentially constant at that level through FY2021. Parking revenue is budgeted to increase to $26.1 million in FY2022, reflecting the anticipated increase in passenger activity. Parking revenue through the remainder of the forecast period is projected to increase based on estimated increases in parking transactions per originating enplanement, plus an assumed additional increase in parking transactions in FY2025, with the planned opening of the first phase of the new Terminal 1 Parking Plaza. To be conservative, no parking rate increases are assumed during the forecast period. Parking revenue is projected to increase to $43.1 million in FY2027.

TNC trip fees, which accounted for 16 percent of total FY2021 Parking and Ground Transportation revenue, increased significantly from FY2017 through FY2019, as TNC usage increased and the Airport Authority increased fees charged to the TNCs, as follows: (1) The pick-up fee increased from $2.76 to $4.06 at the start of FY2017, through the first eight months of FY 2018; (2) the pick-up fee was reduced to $3.86 for the last four months of FY 2018; (3) at the beginning of FY 2019, the Airport Authority decreased the pick-up fee to $3.00, but added a $3.00 drop-off fee; (4) in FY2020, the pick-up and drop-off fees were each increased to $3.50. TNC transactions per originating enplanement increased from 0.12 in FY2017 to 0.39 in FY2019, and revenue per originating enplanement increased from $0.48 in FY2017 to $1.16 in FY2019. In FY2021, the ratios of transactions and revenue per originating enplanement were both significantly lower, with a ratio of transactions per originating enplanement of 0.26 and a ratio of revenue per originating enplanement of $0.84. TNC revenues are budgeted to increase to $6.5 million in FY2022, reflecting the anticipated increase in air traffic activity. TNC revenues through the remainder of the forecast period are projected based on current ratios of transactions and revenue per originating enplanement with estimated increases in the ratios, as TNC usage recovers. To be conservative, no future increases in TNC per-trip fees are assumed for the revenue projections. TNC revenues are projected to increase to $17.5 million in FY2027.

Based on the assumptions described above, total Parking and Ground Transportation revenues, including Parking revenue, TNC trip fees, and other Ground Transportation revenues are projected to increase to $61.8 million in FY2027.

Ground and Non-Terminal Rentals

The Airport Authority receives rentals for land parcels containing various facilities, including the RCC, FBO facilities, and facilities used by the passenger and all-cargo airlines. Ground and Non-Terminal Rentals increased from $18.5 million in FY2017 to $20.6 million in FY 2019 before decreasing to between $18.9 million and $19.3 million in FY2020 and FY2021, due to waivers provided by the Airport Authority in those years.

Ground and Non-Terminal Rentals are budgeted to increase to $22.6 million in FY2022 because the Airport Authority will begin to recover capital costs expended for the fuel consortium and O&M Expenses incurred for the Airline Support Building (ASB). This revenue category is projected to increase to $23.7 million in FY2027.

Other Operating Revenues

This revenue category includes finger printing fees, reimbursement of utility expenses, service charges, equipment rentals, non-airline remote aircraft parking fees, and other miscellaneous revenues. From FY2017 through FY2019, the total of this revenue category increased from $1.5 million to $2.0 million, mainly due to increased traffic violations from TNC operators. Revenue in this category decreased to $1.5 million in FY2020 and $1.3 million in FY2021 due to decreased activity. Other Operating Revenues are budgeted at $1.1 million in FY2022 and FY2023, and are projected increase modestly in subsequent years, to $1.4 million in FY2027.

Interest Income

The Airport Authority receives interest income on Airport Authority discretionary cash, promissory notes from the Port District, and the various bond funds and accounts established pursuant to the Master Senior Indenture. Interest Income increased from $7.0 million in FY2017 to $17.8 million in FY2020, due to increased yields and higher cash balances maintained by the Airport Authority. Interest income decreased to $12.0 million in FY2021, and it is budgeted to decrease to $9.9 million in FY 2022 due lower interest rates available. Interest Income is projected to increase to $20.8 million in FY2023, after the deposit of bond proceeds into the Construction Fund, and then decrease each year thereafter to $10.4 million in FY2027, as monies in the Construction Fund are expended to construct the ADP.

5.7 | Key Financial Indicators

This sub-section discusses the projections of the following key financial indicators: (1) the application of Revenues pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture, (2) the Airport Authority's ability to satisfy the Additional Bonds Test, as evidenced by its ability to meet the Senior Rate Covenant and the Subordinate Rate Covenant; and (3) the airline cost per enplaned passenger (CPE).

5.7.1 | Application of Revenues

Table 45 shows the forecast application of Revenues pursuant to the provisions of the Master Senior Indenture, during the forecast period. Revenues are applied in the order shown on Figure 50.

Table 45| Application of Revenues

	Fiscal Years Ending June 30							
	Audited	Unaudited	Budget	Projected				
	2020	2021	2022	2023	2024	2025	2026	2027
Airport Revenues	$280,572,988	$227,573,517	$246,609,000	$353,561,300	$374,533,163	$402,818,034	$518,556,737	$494,689,896
Application of Airport Revenues								
Operation & Maintenance Subccount	$152,377,707	$139,258,325	$159,141,003	$173,569,698	$179,361,176	$185,357,828	$199,562,855	$205,680,152
Senior Debt Service net of PFCs	15,390,351	14,827,851	10,830,979	-	54,882	435,573	54,610,801	24,609,201
Debt Service Reserve Funds	-	-	-	-	-	-	-	-
Subordinate Debt Service, net of PFCs	71,023,158	55,202,648	52,885,340	99,457,300	103,912,806	98,147,472	160,471,274	160,480,744
Subordinate Debt Service Reserve Funds	-	-	-	-	-	-	-	-
O&M Reserve Subaccount	(3,386,962)	(3,279,846)	4,970,669	3,607,174	1,447,870	1,499,163	3,551,257	1,529,324
Renewal and Replacement Subaccount	-	-	-	-	-	-	-	-
Airport Revenue Fund	45,168,735	21,564,538	18,781,009	76,927,128	89,756,429	117,377,999	100,360,550	102,390,475
Total Airport Revenues Applied	$280,572,988	$227,573,517	$246,609,000	$353,561,300	$374,533,163	$402,818,034	$518,556,737	$494,689,896

5.7.2 | Rate Covenants

The calculations of the Senior Rate Covenant in the Master Senior Indenture and the Subordinate Rate Covenant in the Master Subordinate Indenture are projected on Table 46. The calculations reflect the projected debt service of the Senior Bonds and the Subordinate Obligations after the issuance of the Subordinate Series 2021 Bonds and the refunding of the Senior Series 2013 Bonds.

Under the Master Senior Indenture, the Airport Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Net Revenues that will satisfy all the Airport Authority's obligations under the Master Senior Indenture, and that will at least equal 125 percent of aggregate annual debt service on the outstanding Senior Bonds (the Senior Rate Covenant). Under the Master Subordinate Indenture, the Airport Authority has covenanted to establish and collect fees and charges in each Fiscal Year which will generate Subordinate Net Revenues that will satisfy all the Airport Authority's obligations under the Master Subordinate Indenture, and that will at least equal 110 percent of aggregate annual debt service on the outstanding Subordinate Obligations (the Subordinate Rate Covenant).

Table 46| Projected Debt Service Coverage

	Fiscal Years Ending June 30							
	Audited	Unaudited	Projected					
	2020	2021	2022	2023	2024	2025	2026	2027
Senior Bonds:								
Revenues	$280,572,988	$227,573,517	$246,609,000	$353,561,300	$374,533,163	$402,818,034	$518,556,737	$494,689,896
Minus O&M Expenses	(152,377,707)	(139,258,325)	(159,141,003)	(173,569,698)	(179,361,176)	(185,357,828)	(199,562,855)	(205,680,152)
Add: Federal Relief Funds	16,080,061	51,237,039	71,226,429	-	-	-	-	-
Net O&M Expenses	(136,297,647)	(88,021,286)	(87,914,574)	(173,569,698)	(179,361,176)	(185,357,828)	(199,562,855)	(205,680,152)
Net Revenues	$144,275,342	$139,552,231	$158,694,427	$179,991,602	$195,171,987	$217,460,206	$318,993,882	$289,009,744
Senior Bonds Debt Service	$26,006,350	$26,000,100	$10,830,979	$0	$54,882	$435,573	$69,610,801	$69,609,201
Minus PFCs	(11,260,741)	(11,172,249)	-	-	-	-	(15,000,000)	(45,000,000)
Minus Federal Relief Funds	(6,501,585)	(3,406,934)	-	-	-	-	-	-
Senior Bonds Debt Service, Net	$8,244,024	$11,420,917	$10,830,979	$0	$54,882	$435,573	$54,610,801	$24,609,201
Senior Bonds Debt Service Coverage	**17.50**	**12.22**	**14.65**	**N/A**	**3,556.23**	**499.25**	**5.84**	**11.74**
Subordinate Bonds:								
Senior Lien Net Revenues	$144,275,342	$139,552,231	$158,694,427	$179,991,602	$195,171,987	$217,460,206	$318,993,882	$289,009,744
Minus Senior Bonds Debt Service, Net	($8,244,024)	($11,420,917)	($10,830,979)	$0	($54,882)	($435,573)	($54,610,801)	($24,609,201)
Subordinate Lien Net Revenues	$136,031,318	$128,131,313	$147,863,447	$179,991,602	$195,117,105	$217,024,633	$264,383,081	$264,400,543
Subordinate Debt Service	61,133,659	64,035,733	82,890,674	99,457,300	103,912,806	98,147,472	190,476,607	190,486,077
Minus PFCs	(18,744,592)	(8,833,085)	(30,005,333)	-	-	-	(30,005,333)	(30,005,333)
Minus BAB Subsidy	(2,089,397)	-	-	-	-	-	-	-
Minus Federal Relief Funds	(14,313,843)	(22,593,066)	(18,400,000)	-	-	-	-	-
Subordinate Debt Service, Net	25,985,827	32,609,582	34,485,340	99,457,300	103,912,806	98,147,472	160,471,274	160,480,744
Subordinate Debt Service Coverage	**5.23**	**3.93**	**4.29**	**1.81**	**1.88**	**2.21**	**1.65**	**1.65**
Total Debt Service, Net	$34,229,850	$44,030,500	$45,316,320	$99,457,300	$103,967,688	$98,583,045	$215,082,075	$185,089,945
Total Debt Service Coverage	**4.21**	**3.17**	**3.50**	**1.81**	**1.88**	**2.21**	**1.48**	**1.56**

Net Revenues are defined in the Master Senior Indenture as Revenues minus O&M Expenses. Subordinate Net Revenues are defined in the Master Subordinate Indenture as Net Revenues minus deposits to the Debt Service Funds for the payment of debt service on the Senior Bonds and any reserve fund deposits required pursuant to the Master Senior Indenture.

The Airport Authority has budgeted an allocation of $30.0 million of PFCs to debt service in FY2022. The Airport Authority is not planning to allocate any PFCs to debt service during FY2023 through FY2025, in order to preserve its PFC capacity until later years, after the capitalized interest period ends on the Subordinate Series 2021AB Bonds and the future New T1-related bond issues. Currently, the Airport Authority plans to allocate $45.0 million and $75.0 million to debt service in FY2026 and FY2027, respectively. The amount of PFCs applied to pay debt service on the Senior Bonds or the Subordinate Obligations reduces the debt service for purposes of the Rate Covenant calculations.

The Airport Authority's plan for the Federal relief funds involves applying a portion to O&M Expenses and a portion to debt service requirements, in FY2020 through FY2022. For the purposes of the debt service coverage calculations, the Federal relief funds applied to O&M Expenses reduce O&M Expenses in arriving at Net Revenues. The Federal relief funds applied to debt service reduce the debt service amount for purposes of the debt service calculations.

In FY2011, the Airport Authority began receiving cash subsidy payments from the U.S. Treasury for the portion of the Series 2010 Bonds that were issued as Build America Bonds (the BAB subsidy). The annual BAB subsidy payments ended in FY2020 due to the refunding of those bonds with the issuance of the Series 2019 Bonds. The amount of BAB subsidy payments in FY2020 are treated as a reduction of debt service for purposes of the debt service coverage calculation.

Debt service coverage calculated according to the Senior Rate Covenant is projected to equal at least 5.84 times throughout the forecast period. Debt service coverage calculated according to the Subordinate Rate Covenant is projected to equal at least 1.65 times throughout the forecast period. Therefore, the Airport Authority is projected to satisfy the coverage requirements for both the Master Senior Indenture and the Master Subordinate Indenture.

Total debt service coverage (reflecting Senior Bonds and Subordinate Obligations) is projected to remain at or above 1.48 times throughout the forecast period.

5.7.3 | PFC Cash Flow

The projected PFC cash flow is presented on Table 47. The projections assume the PFC collection level will remain at the current rate of $4.50. PFC collections, net of the airline collection fee, are projected to increase from $35.7 million in FY2022 to $50.1 million in FY2027.

As discussed above, the Airport Authority has budgeted an allocation of $30.0 million of PFCs to debt service in FY2022. The Airport Authority is not planning to allocate any PFCs to debt service during FY2023 through FY2025, in order to preserve its PFC revenues until later years, after the capitalized interest period ends on the Subordinate Series 2021AB Bonds and the future New T1-related bond issues. Currently, the Airport Authority plans to allocate $45.0 and $75.0 million to debt service in FY2026 and FY2027, respectively.

The Airport Authority is also applying PFCs on a Pay-As-You-Go basis toward PFC eligible costs of the Capital Program. In addition, the Airport Authority plans to apply an annual amount to fund a portion of the Quieter Home Program[55]. This annual amount is budgeted at $2.0 million in FY2022, between $3.1 million and $3.2 million during FY2023 through FY2025, and $2.9 million in FY2026 and FY2027.

The balance in the PFC Fund is projected to increase from $51.2 million at the beginning of FY2022 to $157.3 million at the end of FY2027.

Table 47| Projected PFC Cash Flow

	Fiscal Years Ended June 30					
	Budget	Projected				
	2022	2023	2024	2025	2026	2027
PFC Collections						
Projected Enplanements	9,014,181	10,137,826	11,111,169	11,852,226	12,451,075	12,634,375
% Eligible	90.3%	90.3%	90.3%	90.3%	90.3%	90.3%
PFC Eligible Enplanements	8,135,900	9,150,100	10,028,600	10,697,500	11,238,000	11,403,400
Gross PFC Collections						
$4.50 Per Eligible EP	$36,611,600	$41,175,500	$45,128,700	$48,138,800	$50,571,000	$51,315,300
Less: Airline Collection Fee						
$0.11 Per Eligible EP	(894,900)	(1,006,500)	(1,103,100)	(1,176,700)	(1,236,200)	(1,254,400)
Net PFC Collections	$35,716,700	$40,169,000	$44,025,600	$46,962,100	$49,334,800	$50,060,900
PFC Fund						
Beginning Balance	$51,233,050	$56,061,077	$93,642,296	$129,897,374	$176,801,126	$181,791,183
Net PFC Collections	35,716,700	40,169,000	44,025,600	46,962,100	49,334,800	50,060,900
Amounts Applied to:						
Debt Service	(30,005,333)	-	-	-	(45,005,333)	(75,005,333)
PFC Pay-Go	-	(959,199)	(6,756,556)	-	-	-
Quieter Home Program	(1,956,281)	(3,125,616)	(3,249,364)	(3,125,333)	(2,925,333)	(2,925,333)
Interest Income	1,072,941	1,497,034	2,235,397	3,066,985	3,585,923	3,391,036
Ending Balance	$56,061,077	$93,642,296	$129,897,374	$176,801,126	$181,791,183	$157,312,454

5.7.4 | Airline Cost per Enplanement

An important component of the financial feasibility report is an assessment of how the planned capital improvements and the related financings will affect airline rates and charges, as measured through the airline CPE. The projected CPE through FY2027 is presented on Table 48. The FY2021 estimated CPE of $26.06 is unusually high for SAN, due to the significantly reduced enplanements. With the anticipated increase in enplanements in FY2022, the CPE is projected to decrease to

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

$14.96. The CPE is projected to increase to $20.06 in FY2023 due to increases in airline rates and charges, as discussed above. Despite further anticipated increases in airline rates and charges, in FY2024 and FY2025, the CPE is projected to be lower in those years ($19.11 in FY2024 and $18.74 in FY2025), due to the forecast increase in enplanements. The CPE is projected to increase to $26.39 in FY2026, due to increases in airline rates and charges related to the completion of the New T1, as discussed above. With the continued increase in enplanements forecast for FY2027, the CPE is projected to decrease to $24.07 in that year.

Several large hub airports reported a CPE in 2019 (prior to the effects of the COVID-19 pandemic) at or above $20, including Miami, JFK, Newark, LaGuardia, and Chicago O'Hare. A few other large hub airports that reported a CPE in the $15 to $20 range will likely experience an increase in CPE as they implement future capital improvements. Therefore, SAN's projected CPE reflecting the completion of the New T1 appears to be reasonable in light of industry trends.

Table 48| Projected Airline Cost per Enplanement

	Fiscal Years Ending June 30						
	Unaudited	Projected					
	2021	2022	2023	2024	2025	2026	2027
Landing Fees	$30,942,421	$31,406,243	$50,866,170	$52,463,601	$57,485,270	$67,056,317	$68,334,494
Aircraft Parking Fees	$6,859,419	$6,336,203	$10,128,876	$10,316,652	$10,905,787	$13,065,769	$13,068,787
Terminal Rents	88,956,075	99,762,680	147,898,987	149,575,971	153,680,436	248,456,826	222,689,549
Incentive Fees	(62,080)	(2,670,724)	(5,521,075)	-	-	-	-
Total Airline Revenue	**$126,695,835**	**$134,834,401**	**$203,372,958**	**$212,356,224**	**$222,071,493**	**$328,578,912**	**$304,092,829**
Enplanements	4,860,931	9,014,181	10,137,826	11,111,169	11,852,226	12,451,075	12,634,375
Cost Per Enplanement	**$26.06**	**$14.96**	**$20.06**	**$19.11**	**$18.74**	**$26.39**	**$24.07**

5.8 | Sensitivity Analysis

A sensitivity analysis was prepared using the low enplanement forecast scenario presented in Section 3. The projections of the key financial variables under the sensitivity analysis, and for comparative purposes, the base enplanement forecast scenario, are summarized on Table 49. Under the low enplanement forecast scenario, the senior debt service coverage and subordinate debt service coverage will be at least 5.59 times and 1.65 times debt service, respectively, throughout the forecast period. The landing fee rate is projected to rise to a high of $5.13 (in FY 2026), and the airline cost per enplanement is projected to increase to a high of $29.28 (in FY 2026). The projected airline costs under the low enplanement forecast scenario would still be reasonable considering that the projections reflect the estimated costs of the Capital Program. Under the low forecast scenario, the PFC Fund balance is projected to equal $145.8 million in FY2027.

Table 49| Key Financial Projections for Sensitivity Analysis

	For Fiscal Years Ended June 30					
	2022	2023	2024	2025	2026	2027
Base Forecast						
Net Revenues	$158,694,427	$179,991,602	$195,171,987	$217,460,206	$318,993,882	$289,009,744
Debt Service Coverage						
Senior	14.65	N/A	3,556.23	499.25	5.84	11.74
Subordinate	4.29	1.81	1.88	2.21	1.65	1.65
Total	3.50	1.81	1.88	2.21	1.48	1.56
Landing Fee Rate	$3.55	$4.30	$4.15	$4.31	$4.80	$4.82
Airline Cost per Enplanement	$14.96	$20.06	$19.11	$18.74	$26.39	$24.07
PFC Fund Balance	$56,061,077	$93,642,296	$129,897,374	$176,801,126	$181,791,183	$157,312,454
Low Forecast						
Net Revenues	$156,014,552	$174,139,690	$188,645,860	$209,818,368	$321,997,918	$292,011,767
Debt Service Coverage						
Senior	14.40	N/A	3,437.32	481.71	5.59	10.58
Subordinate	4.21	1.75	1.81	2.13	1.65	1.65
Total	3.44	1.75	1.81	2.13	1.48	1.55
Landing Fee Rate	$3.06	$4.50	$4.39	$4.56	$5.13	$5.01
Airline Cost per Enplanement	$15.94	$21.59	$20.55	$20.13	$29.28	$25.87
PFC Fund Balance	$53,983,098	$88,687,388	$121,783,477	$165,293,716	$169,714,634	$145,817,994

5.9 | Summary

The following points highlight the significant findings of the financial analysis contained in this section:

- Debt service coverage calculated according to the Senior Rate Covenant is projected to equal at least 5.84 times debt service during the forecast period.
- Debt service coverage calculated according to the Subordinate Rate Covenant equaled 5.23 times debt service in FY2020 and then is projected to equal at least 1.65 times debt service during the remainder of the forecast period.
- The airline CPE is projected to remain reasonable, remaining under $27.00 during the forecast period.
- PFC revenues are projected to increase from $35.7 million in FY2022 to $50.1 million in FY2027. The PFC fund balance is projected to increase from $51.2 million at the beginning of FY2022 to $157.3 million in FY2027.
- Under the low enplanement forecast scenario, senior debt service coverage and subordinate debt service coverage are projected to remain well above the minimum requirements throughout the forecast period. The projected airline cost per enplanement under the low enplanement forecast scenario is projected to remain at or below $30.00 during the forecast period, and the PFC fund balance is projected to increase from $54.0 million in FY2022 to $145.8 million in FY2024.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

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San Diego County Regional Airport Authority

Financial Statements

For the Fiscal Years Ended

June 30, 2020 and 2019

San Diego County Regional Airport Authority

June 30, 2020 and 2019

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the San Diego County Regional Airport Authority (Airport Authority) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

BKD, LLP

Dallas, Texas
October 20, 2020

Management's Discussion and Analysis

For The Years Ended June 30, 2020 and 2019

INTRODUCTION

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

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

SAN DIEGO INTERNATIONAL AIRPORT

History of Ownership

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

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

Legislative Background

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

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

1. Operation of SDIA;
2. Planning and operation of any future airport that could be developed as a supplement or replacement to SDIA;
3. Development of comprehensive airport land use plans for the airports in the county;

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

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

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

Airport Activities Highlights (2018 – 2020)

After experiencing strong growth the prior two fiscal years, the Airport Authority experienced a decline in activities in fiscal year 2020 as did most commercial airports across the country due to the downturn in the economy caused by the COVID-19 pandemic that hit in March 2020.

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

	FY 2018	FY 2019	**FY 2020**
Enplaned passengers	11,731,559	12,356,286	**9,235,459**
% change from prior year	10.7%	5.3%	**-25.3%**
Total passengers	23,433,018	24,691,673	**18,450,599**
% change from prior year	10.8%	5.4%	**-25.3%**
Aircraft operations	218,671	228,092	**190,746**
% change from prior year	8.8%	4.3%	**-16.4%**
Freight and mail (in tons)	191,347	186,469	**154,380**
% change from prior year	1.5%	-2.5%	**-17.2%**
Landed weight (in thousands)	13,770	14,481	**12,053**
% change from prior year	9.1%	5.2%	**-16.8%**

SDIA is an origin and destination airport and is not a hub for any airlines. Further, there is a balanced mixture of leisure and business travelers at SDIA. These factors generally add to the stability of SDIA enplanements in comparison to most airports. However, SDIA realized a 25.3 percent enplanement reduction in fiscal year 2020 compared to 2019 as the global pandemic forced many travelers to stay home. Prior to the pandemic, SDIA showed healthy growth of 10.8 percent and 5.4 percent in passenger enplanements in fiscal year 2018 and 2019, respectively. Fiscal Year 2020 enplanement growth was also strong until the pandemic drastically reduced activity in March 2020. Initially, passenger enplanements fell over 96 percent from Fiscal Year 2019 levels with slight recovery to approximately 82 percent of prior year levels in June 2020.

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

The metric 'Changes in Net Position' is an indicator of whether the Airport Authority's overall financial condition has improved or deteriorated during the fiscal year. Net position increased 3.40 percent in 2018, 5.40 percent in 2019, followed by a solid increase of 3.7 percent in 2020 despite the negative effects on operating revenues due to the pandemic. The following is a summary of the statements of revenues, expenses, and changes in net position (in thousands):

	FY 2018	FY 2019	**FY 2020**
Operating revenues	$ 266,079	$ 293,679	**$ 263,036**
Operating expenses	(274,651)	(301,548)	**(293,837)**
Nonoperating revenues, net	21,528	43,033	**58,493**
Capital contributions and grants	13,079	8,213	**4,072**
Increase in net position	26,035	43,377	**31,764**
Net position, beginning of year	783,173	809,925	**853,302**
Prior-period adjustment GASB 75	717	-	**-**
Net position, end of year	$ 809,925	$ 853,302	**$ 885,066**

Detailed descriptions of the components of operating revenues and expenses, and nonoperating revenues and expenses are described in the sections that follow. The implementation of GASB 75 caused prior-period adjustments in fiscal year 2018. The cumulative changes in accounting for post-retirement benefits liabilities are reflected in these adjustments.

FINANCIAL HIGHLIGHTS

Operating Revenues (in thousands)

			From 2019 to 2020	
	FY 2019	**FY 2020**	Increase (Decrease)	% Change
Airline revenue:				
Landing fees	$ 24,816	**$ 33,242**	$ 8,426	34.0%
Aircraft parking fees	3,471	**8,354**	4,883	140.7%
Building rentals	70,912	**82,453**	11,541	16.3%
Security surcharge	33,559	**-**	(33,559)	(100.0%)
Other aviation revenue	1,597	**7,789**	6,192	387.7%
Total airline revenue	134,355	**131,838**	(2,517)	(1.9%)
Concession revenue	71,256	**57,243**	(14,013)	(19.7%)
Parking and ground transportation revenue	62,818	**50,751**	(12,067)	(19.2%)
Ground rentals	22,810	**21,386**	(1,424)	(6.2%)
Other operating revenue	2,440	**1,818**	(622)	(25.5%)
Total operating revenue	$ 293,679	**$ 263,036**	$ (30,643)	(10.4%)

		FY 2018		FY 2019	From 2018 to 2019 Increase (Decrease)		% Change
Airline revenue:							
Landing fees	$	23,900	$	24,816	$	916	3.8%
Aircraft parking fees		3,236		3,471		235	7.3%
Building rentals		62,241		70,912		8,671	13.9%
Security surcharge		32,303		33,559		1,256	3.9%
Other aviation revenue		1,477		1,597		120	8.1%
Total airline revenue		123,157		134,355		11,198	9.1%
Concession revenue		65,610		71,256		5,646	8.6%
Parking and ground transportation revenue		53,254		62,818		9,564	18.0%
Ground rentals		22,109		22,810		701	3.2%
Other operating revenue		1,949		2,440		491	25.2%
Total operating revenue	$	266,079	$	293,679	$	27,600	10.4%

Fiscal year 2020 compared to 2019*:* Total airline revenues decreased by $2.5 million, or 1.90 percent, primarily due to the global economic downturn that started in March 2020 which resulted in lower cost recovery from airline tenants. Recoverable expenses were reduced due to activation of the Airport Authority's Financial Resilience Plan which implemented a hiring freeze and limited expenses to essential spending only. In addition, the Airport Authority received a $91.2 million CARES Act stimulus grant award and used a portion of the proceeds to pay for certain expenses charged to airline cost centers.

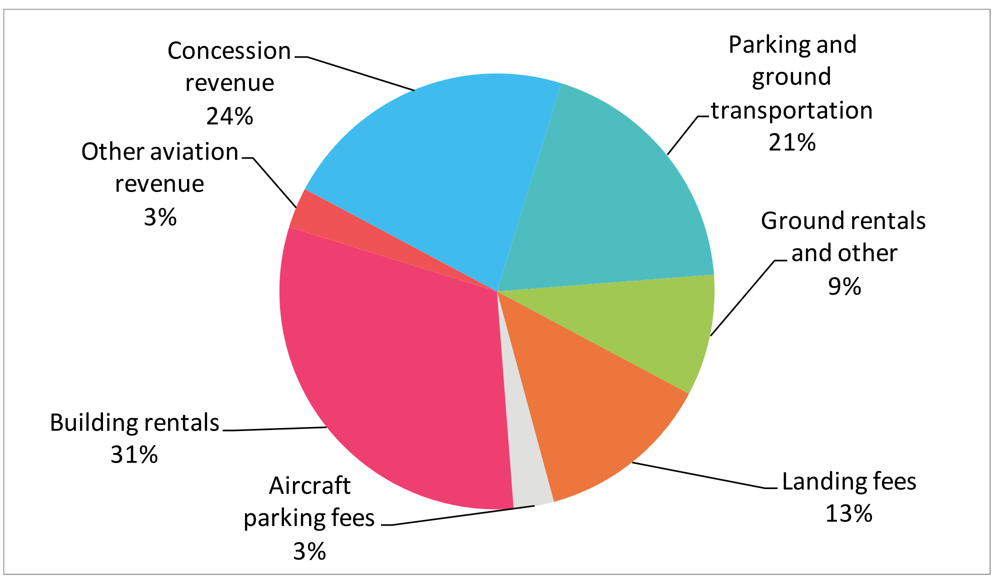
The Airport Authority has entered into Airline Operating and Lease Agreements (AOLAs) with passenger airlines and cargo carriers operating at SAN. The AOLAs cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SAN. The term commenced on July 1, 2019 and terminates on June 30, 2029. Pursuant to the AOLA, the landing fees at SAN are calculated based on a residual rate-setting methodology and the terminal rental rates are calculated based on a compensatory rate-setting methodology. The AOLA includes signatory and non-signatory rate structures. Air Carriers that signed non-signatory agreement are charged a 120 percent premium on all signatory rates, fees and charges, except for the FIS fee. The agreement has no provisions that grant the airlines direct approval rights over capital projects, with the limited exception of certain transportation projects that exceed a $350 million threshold, as defined in the AOLA. It also allows flexibility to meet the demands of changing airline activity and to accommodate new entrant carriers. Terms of the new agreement financially support execution of the ADP.

Landing fees increased by $8.4 million or 34.0 percent due to airfield security costs being recovered under landing fees pursuant to the new AOLA. Aircraft parking fees increased by $4.9 million or 140.7 percent. Building rentals increased by $11.5 million or 16.30 percent due to terminal security costs being recovered under building rentals pursuant the new AOLA. Security surcharges decreased by $33.6 million or 100 percent, reflecting the new AOLA classification of security expenses in landing fees and building rental categories. Other aviation revenue increased by $6.2 million or 388.0 percent, due to the recovery of common use space costs under the new AOLA.

Concession and rental car revenue decreased by $14.0 million or 19.70 percent, reflecting decreased concessionaire sales for March through June and fee abatements granted due to the decline in passenger traffic caused by the pandemic. Parking and ground transportation decreased by $12.1 million or 19.20 percent, also due to lower enplanements reflecting an impact of the pandemic. Ground and non-airline terminal rentals decreased by $1.4 million or 6.20 percent. This is primarily due to transferring cargo carriers' apron rent to landing fees based on the terms of the new AOLA and the completion of cost recovery for the Fuel Farm. This decrease was partially offset by scheduled CPI rent increases. Other operating revenue decreased by $623 thousand or 25.5 percent, primarily due to a decrease in curfew violations and service charges.

Fiscal year 2019 compared to 2018*:* Total airline revenues increased by $11.2 million, or 9.10 percent, primarily due to increased cost recovery from the airlines in fiscal year 2019. Landing fees increased by $916 thousand or 3.8 percent due to higher airfield-related costs. Aircraft parking fees increased by $235 thousand or 7.3 percent due to additional overnight aircraft parking positions. Building rentals increased by $8.7 million or 13.9 percent due to increased cost recovery from airline rents, higher exclusive use square footage, and higher employee shuttle services expenses. Security surcharge increased by $1.3 million or 3.9 percent, primarily due to increased terminal security charges. Other aviation revenue increased by $119 thousand or 8.1 percent, mostly due to the recovery of higher common use cost charges. Concession revenue increased by $5.6 million or 8.6 percent, reflecting increased enplanements. Parking and ground transportation increased by $9.6 million or 18 percent, due to higher enplanements, a full year of our new Terminal 2 Parking Plaza and higher trip fees from transportation network companies. Ground and non-airline terminal rentals increased by $701 thousand or 3.2 percent. This increase was primarily due to scheduled CPI rent increases. Other operating revenue increased by $492 thousand or 25.2 percent, primarily due to two new revenue sources; telecom services offered to terminal tenants and revenue generated by the Innovation Lab.

San Diego County Regional Airport Authority
Fiscal Year Ended June 30, 2020
Operating Revenues



Operating Expenses (in thousands)

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

	FY 2018	FY 2019	From 2018 to 2019 Increase (Decrease)	% Change
Salaries and benefits	$ 47,866	$ 49,578	$ 1,712	3.6%
Contractual services	45,249	49,903	4,654	10.3%
Safety and security	30,733	31,397	664	2.2%
Space rental	10,190	10,191	1	0.0%
Utilities	12,509	13,194	685	5.5%
Maintenance	12,603	13,436	833	6.6%
Equipment and systems	598	375	(223)	(37.3%)
Materials and supplies	655	656	1	0.2%
Insurance	1,098	1,200	102	9.3%
Employee development and support	1,248	1,045	(203)	(16.3%)
Business development	3,246	2,630	(616)	(19.0%)
Equipment rentals and repairs	3,124	3,614	490	15.7%
Total operating expenses before depreciation	169,119	177,219	8,100	4.8%
Depreciation	105,532	124,329	18,797	17.8%
Total operating expense	$ 274,651	$ 301,548	$ 26,897	9.8%

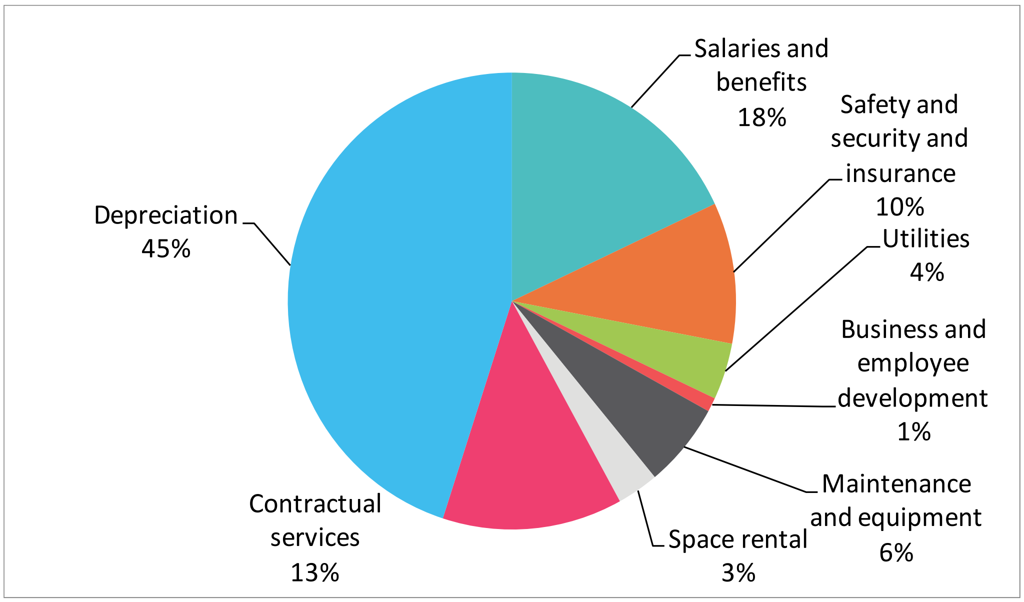
Fiscal year 2020 compared to 2019: Total fiscal year 2020 operating expenses decreased by $7.7 million or 2.6 percent. In March 2020, the Airport Authority took action to implement its Financial Resilience Plan, eliminating, delaying, or reducing non-essential operating and capital expenditures.

Contractual services decreased by $12.2 million or 24.50 percent, mainly due to lower expenses in shuttle services, planning, and environmental services, terminal operation services, legal services, and IT services. Safety and security decreased by $1.9 million or 6.20 percent due to decreased rates and overhead for law enforcement and emergency services. Maintenance expenses decreased by $1.9 million, or 13.80 percent, due to a decrease in annual and major maintenance.

Partially offsetting the decrease in operating expenses described above were increases in salaries and benefits, increasing by $2.1 million or 4.20 percent, due to additional pension expense. Depreciation also increased by $7.3 million or 5.80 percent, due to additional depreciation for capital projects placed in service in fiscal years 2020 and 2019.

Fiscal year 2019 compared to 2018: Total fiscal year 2019 operating expenses increased by $26.9 million or 9.8 percent. Salaries and benefits increased by $1.7 million or 3.6 percent, due to planned wage and benefit increases, higher overtime and increased head count. Contractual services increased by $4.7 million or 10.3 percent, mainly due to higher expenses in shuttle services, janitorial services, and temporary services. Depreciation increased by $18.8 million or 17.8 percent, due to a full year of deprecation for the Parking Plaza and the international passenger arrival processing area (FIS) being placed in service.

San Diego County Regional Airport Authority
Fiscal Year Ended June 30, 2020
Operating Expenses



Nonoperating Revenues (Expenses) (in thousands)

	FY 2019	**FY 2020**	From 2019 to 2020 Increase (Decrease)	% Change
Passenger facility charges	$ 49,198	**$ 34,393**	$ (14,805)	(30.1%)
Customer facility charges	41,918	**30,240**	(11,678)	(27.9%)
CARES Act Grant	-	**36,895**	36,895	0.0%
Quieter Home Program, net	(3,192)	**(3,295)**	(103)	(3.2%)
Joint studies program	(99)	**-**	99	100.0%
Investment income	25,533	**32,430**	6,897	27.0%
Interest expense, net	(69,815)	**(73,612)**	(3,797)	(5.4%)
Other nonoperating income (expenses)	(510)	**1,442**	1,952	382.7%
Nonoperating revenues, net	$ 43,033	**$ 58,493**	$ 15,460	35.9%

	FY 2018	FY 2019	From 2018 to 2019 Increase (Decrease)	% Change
Passenger facility charges	$ 46,953	$ 49,198	$ 2,245	4.8%
Customer facility charges	41,036	41,918	882	2.1%
Quieter Home Program, net	(2,747)	(3,192)	(445)	(16.2%)
Joint studies program	(114)	(99)	15	13.2%
Investment income	9,426	25,533	16,107	170.9%
Interest expense, net	(63,745)	(69,815)	(6,070)	(9.5%)
Other nonoperating income (expenses)	(9,281)	(510)	8,771	94.5%
Nonoperating revenues, net	$ 21,528	$ 43,033	$ 21,505	99.9%

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

Customer Facility Charges (CFCs) are authorized under Section 1949 of the California Civil Code and approved by legislation under Senate Bill 1510. The revenues collected have been used to plan and construct a consolidated rental car facility and operate the related ground transportation system. The rental car agencies remit to the Airport Authority collection of the fee monthly. In January 2017, the fee was increased from $7.50 to $9.00 per day, up to five days for rental car transactions. This fee applies to transactions that originated at the Rental Car Center. For car rental transactions of non-RCC tenants, the CFC rate was increased from $2.42 to $3.41 per day, up to five days for rental car transactions.

CARES Act grant is the *Coronavirus Aid, Relief, and Economic Security Act* approved by the United States Congress and signed into law by the President on March 27, 2020. It was a legislative action to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Airport Authority was awarded $91.2 million in CARES Act grant funds. The Airport Authority drew $36.9M of the CARES Act grant in FY 2020.

Quieter Home Program includes sound attenuation construction improvements at all eligible single-family and multi-family dwellings located in the Year 2014 65 dB Community Noise Equivalent Level contour. The project is eligible for the FAA's Airport Improvement Program (AIP) which awards grants for certain eligible Airport Authority expenditures. From inception through the end of fiscal year 2019, the Airport Authority has spent $229.6 million and received reimbursement for $185.9 million.

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

Interest expense includes interest paid and accrued on the Bonds, Variable Debt, and Lease Interest. As of June 30, 2020 and 2019 interest expense was $75.7 and $74.5 million, respectively. The 2010 Series C Bonds were issued as Build America Bonds and, as such, the Airport Authority received a cash subsidy from the U.S. Treasury equal to 32.7 percent of the interest payable. The interest subsidy for the fiscal years ended June 30, 2020 and 2019, was $2.1 million and $4.7 million, respectively. These Built America Bonds were defeased in December 2019.

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

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

The increase in nonoperating revenue was partially offset by decreases in PFCs and CFCs due to reduced enplaned passengers caused by the pandemic. PFCs decreased by $14.8 million or 30.10 percent, and CFCs decreased by $11.7 million or 27.90 percent.

Fiscal year 2019 compared to 2018: Nonoperating revenues (net) increased by $21.5 million or 99.90 percent. PFCs increased by $2.2 million or 4.8 percent, due to a 5.2 percent increase in enplaned passengers. Investment income increased by $16.1 million or 170.9 percent, due to higher investment returns. Other nonoperating expense decreased by $8.8 million or 94.5 percent, primarily due to a nonrecurring loss on disposal of capital assets related to the Terminal 2 construction projects in 2018.

The increase in nonoperating income was offset by a Quieter Home Program expense (net) increase of $445 thousand or 16.2 percent, due to higher sound attenuation activity. Interest expense (net) was higher by $6 million or 9.5 percent, due to a full year of interest from the series 2017 bond issuance.

Capital Grant Contributions (in thousands)

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

			From 2018 to 2019	
	FY 2018	FY 2019	Increase (Decrease)	% Change
Federal grants	$ 13,079	$ 8,213	$ (4,866)	(37.2%)

Capital Grant Contributions are comprised of Airport Improvement Project (AIP) entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. In fiscal year 2020 capital grant contributions decreased by $4.1 million or 50.4 percent compared to fiscal year 2019. This was due to a delay in the Cross-Taxiway project that will push into fiscal year 2021. In fiscal year 2019, capital grant contributions decreased by $4.9 million or 37.2 percent compared to fiscal year 2018.

Assets, Liabilities and Net Position (in thousands)

The statements of net position present the financial position of the Airport Authority as of a period in time. The statements include all assets, deferred outflows, liabilities, deferred inflows, and net position of the Airport Authority. A summary comparison of the Airport Authority's assets, liabilities, and net position at June 30, 2018, 2019 and 2020, is as follows:

	FY 2018	FY 2019	**FY 2020**
Assets and Deferred Outflows of Resources			
Current assets	$ 223,610	$ 244,592	**$ 349,617**
Capital assets, net	1,704,141	1,722,150	**1,788,601**
Noncurrent assets	643,474	598,156	**773,751**
Total assets	2,571,225	2,564,898	**2,911,969**
Deferred outflows of resources	24,196	26,681	**22,761**
Total assets and deferred outflows of resources	2,595,421	2,591,579	**2,934,730**
Liabilities and Deferred Inflows of Resources			
Current liabilities	145,942	131,085	**162,269**
Long-term liabilities	1,635,326	1,600,230	**1,875,514**
Total liabilities	1,781,268	1,731,315	**2,037,783**
Deferred inflows of resources	4,228	6,961	**11,881**
Total liabilities and deferred inflows of resources	1,785,496	1,738,276	**2,049,664**
Net Position			
Net investment in capital assets	294,937	281,491	**266,213**
Restricted	230,954	246,508	**211,329**
Unrestricted	284,034	325,303	**407,524**
Total net position	$ 809,925	$ 853,302	**$ 885,066**

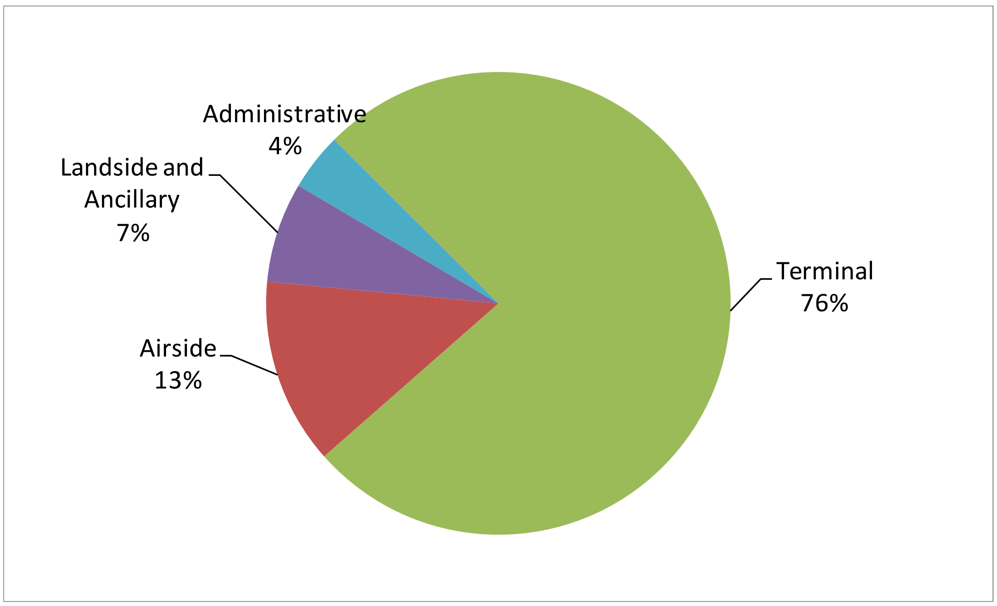
As of June 30, 2020, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $885.1 million. This reflects a $31.8 million or 3.7 percent increase in net position from June 30, 2019. The Airport Authority uses capital assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital assets is reported net of related debt, the funds required to repay this debt must be provided annually from operations. The unrestricted net position of $407.3 million as of June 30, 2020, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2020, 2019 and 2018, management has designated unrestricted funds in the amount of $43.4 million, $26.2 million, and $39.3 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance, and operating contingency.

Capital Program

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

The current Capital Program, which includes projects through 2025, consists of $488.9 million for airside projects, $235 million for landside and ancillary projects, $2.8 billion for terminal projects, and $162 million for administrative projects.

Capital Program Projects by Type



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

Capital Financing and Debt Management

On October 5, 2010, the Airport Authority issued $572.6 million of Subordinate Airport Revenue Bonds Series 2010 A, B and C (Series 2010 Bonds). The Subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the Subordinate Series 2010 Bonds, refund $142.2 million of the Airport Authority's outstanding commercial paper notes, fund the subordinate bond reserve fund and pay the costs of issuance of the Subordinate Series 2010 Bonds.

The Subordinate Series 2010 C Bonds were refunded and defeased on December 11, 2019, when the Airport Authority issued Subordinate Series 2019A Revenue Refunding Bonds. The proceeds of the Series 2019 Bonds included an amount to fund the escrow which will be used to pay the principal and interest of the Series 2010C Bonds. As of June 30, 2020, the balance of the 2010C escrow fund was $220.5 million. Subordinate Series 2010 A and B (except series maturing July,1 2020) were refunded and defeased on April 8, 2020, when the Airport Authority Issued Series 2020A, 2020B, and 2020C Revenue Refunding Bonds. The proceeds of the Subordinate Series 2020 Bonds included an amount to fund the escrow which will be used to pay the principal and interest of the Series 2010A and 2010B Bonds. As of June 30, 2020, the balance of the 2010A escrow fund was $265.9 million and the balance of the 2010B escrow fund was $32.0 million. Amount on deposit in the escrow funds will be used to pay the redemption price and interest on the Refunded Series 2010 Bonds on July 1, 2020.

Interest for the fiscal year ended June 30, 2020 amounted to $17.9 million, including accrued interest of $407 thousand. As of June 30, 2020, the principal balance on the subordinate Series 2010 Bonds was $10.9 million.

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

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of $55.9 million, which is being amortized over the life of the bonds. Interest on the Senior Series 2013 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal year ended June 30, 2020, amounted to $18.17 million, including accrued interest of $9.04 million. The principal balance on the Series 2013 Bonds as of June 30, 2020 was $368.8 million.

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

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

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

The Series 2014 A Bonds were structured as tax-exempt non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent and mature in fiscal years 2019 to 2045. Interest expense for the fiscal year ended June 30, 2020, amounted to $16.0 million, including accrued interest of $8.0 million. As of June 30, 2020, the principal balance on the Series 2014 Bonds was $294.0 million.

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

On August 3, 2017, the Airport Authority issued $291.2 million of Series A and B Subordinate Airport Revenue Bonds (Series 2017 Bonds). The Series 2017 Bonds were issued to finance certain capital improvements at SDIA including the Parking Plaza and the FIS facility, fund a portion of the interest accruing on the subordinate Series 2017 Bonds, refund $32.6 million of the Airport Authority's outstanding variable rate debt, which was issued during 2017, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2017 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2019 to 2048. The bonds were issued at a premium of $48.4 million, which is being amortized over the life of the bonds. Interest on the senior Series 2017 Bonds is payable semiannually on January 1 and July 1, of each year. Interest expense for the fiscal year ended June 30, 2020, amounted to $14.0 million, including accrued interest of $7.05 million. As of June 30, 2020, the principal balance on the Series 2017 was $281.8 million.

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

Interest for the fiscal years ended June 30, 2020, amounted to $12.4 million, including accrued interest of $12.4 million. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2020, was $463.7 million.

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

Interest for the fiscal years ended June 30, 2020, amounted to $2.8 million, including accrued interest of $2.8 million. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2020, was $241.6 million.

During fiscal year 2015, the Airport Authority established a $125.0 million Revolving Line Of Credit issued by US Bank. The Revolving Line of Credit was a three-year agreement that took effect on September 5, 2014. The agreement was amended on June 29, 2017, to extend the commitment through June 29, 2020. The Airport Authority terminated the agreement on June 29, 2020.

At June 30, 2020 and 2019, the outstanding principal balances of the Series B Revolving Obligations were $0 and $13.7 million , respectively. The Series B Revolving Obligations bore interest at the tax-exempt rate which is based on a spread to LIBOR.

In April of 2017, the Airport Authority established a Subordinate Drawdown Bond program with RBC Municipal Products of up to $100.0 million. On April 1, 2017, the Airport Authority and RBC Municipal Products agreed upon a Bondholders Agreement and on April 19, 2017, the Airport Authority and RBC Capital Markets LLC agreed upon a Subordinate Drawdown Bond Purchase Agreement. When issued, all Subordinate Drawdown Bonds will be purchased by the Subordinate Drawdown Bond Purchaser in accordance with the terms of the Subordinate Drawdown Bondholder's Agreement and the Subordinate Drawdown Bond Purchase Agreement. This commitment expired on April 17, 2020.

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

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

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately $119.9 million in grant awards for the federal fiscal year ended September 30, 2020, as compared to $24.8 million for 2019. Grant awards are recognized as nonoperating revenue or capital contributions as eligible expenses are incurred.

REQUEST FOR INFORMATION

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

Statements of Net Position
June 30, 2020 and 2019

Assets and Deferred Outflows of Resources	**2020**	2019
Current Assets		
Unrestricted:		
Cash and cash equivalents (*Note 2*)	$ 36,935,136	$ 10,286,307
Investments (*Notes 2 and 11*)	159,562,631	124,558,161
Tenant lease receivables, net	22,826,211	12,491,101
Grants receivable	25,467,263	4,148,758
Note receivable, current portion (*Note 3*)	2,123,843	2,006,052
Other current assets	9,216,212	7,111,124
Total unrestricted current assets	256,131,296	160,601,503
Restricted cash, cash equivalents and investments with trustees (*Notes 2 and 5*)	93,486,053	83,990,603
Total current assets	349,617,349	244,592,106
Noncurrent Assets		
Restricted assets (*Notes 2 and 5*):		
Restricted cash, cash equivalents, and investments not with trustees	174,924,058	205,979,093
Restricted cash, cash equivalents and investments with trustees	360,941,845	162,164,029
Passenger facility charges receivable (*Note 1*)	428,687	6,959,982
Customer facility charges receivable (*Note 1*)	1,135,327	4,339,192
Other restricted assets	5,519,914	5,315,982
Total restricted assets	542,949,831	384,758,278
Other noncurrent assets:		
Investments, noncurrent (*Note 2*)	137,429,307	157,461,822
Note receivable, long-term portion (*Note 3*)	27,208,867	29,332,710
Cash and cash equivalents designated for specific capital projects and other commitments (*Notes 2 and 11*)	64,026,034	26,208,561
Net OPEB asset (*Note 9*)	2,136,494	394,547
Total other noncurrent assets	230,800,702	213,397,640
Capital assets (*Note 4*):		
Land and land improvements an nondepreciable assets	136,757,114	135,850,386
Buildings and structures	1,747,847,784	1,709,304,802
Machinery and equipment	135,435,875	131,172,225
Runways, roads and parking lots	708,999,286	698,595,118
Construction in progress	288,353,299	144,432,327
	3,017,393,358	2,819,354,858
Less accumulated depreciation	(1,228,792,352)	(1,097,205,313)
Capital assets, net	1,788,601,006	1,722,149,545
Total noncurrent assets	2,562,351,539	2,320,305,463
Total assets	2,911,968,888	2,564,897,569
Deferred outflows of resources		
Deferred pension outflows *(Notes 6 and 7)*	21,647,509	25,602,589
Deferred OPEB outflows *(Note 9)*	1,113,811	1,078,263
Total deferred outflows of resources	22,761,320	26,680,852
Total assets and deferred outflows of resources	$ 2,934,730,208	$ 2,591,578,421

(continued)

See Notes to Financial Statements.

Statements of Net Position, Continued
June 30, 2020 and 2019

Liabilities, Deferred Inflows of Resources and Net Position	2020	2019
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	$ 11,144,310	$ 5,671,003
Accrued liabilities	31,209,234	29,101,867
Compensated absences, current portion (*Note 5*)	2,847,306	2,978,157
Other current liabilities	23,312,345	9,020,385
Capital leases, current portion (*Note 5*)	269,427	323,242
Total payable from unrestricted assets	68,782,622	47,094,654
Payable from restricted assets:		
Accounts payable	6,595,678	7,093,105
Accrued liabilities	15,618,238	14,798,425
Long-term debt, current portion (*Note 5*)	31,560,000	22,865,000
Accrued interest on variable rate debt and bonds (*Note 5*)	39,712,137	39,234,073
Total payable from restricted assets	93,486,053	83,990,603
Total current liabilities	162,268,675	131,085,257
Long-Term Liabilities		
Compensated absences, net of current portion (*Note 5*)	1,241,278	572,054
Other noncurrent liabilities	668,290	648,372
Long-term debt, net of current portion (*Note 5*)	1,855,876,151	1,578,980,028
Net pension liability (*Notes 6 and 7*)	17,728,734	20,029,343
Total long-term liabilities	1,875,514,453	1,600,229,797
Total liabilities	2,037,783,128	1,731,315,054
Deferred inflows of resources		
Deferred pension inflows *(Notes 6 and 7)*	6,409,312	6,453,432
Deferred OPEB inflows *(Note 9)*	1,400,369	507,578
Deferred gain on refunding	4,071,732	-
Total deferred inflows of resources	11,881,413	6,961,010
Total liabilities and deferred inflows of resources	2,049,664,541	1,738,276,064
Net Position		
Net investment in capital assets	266,212,751	281,491,126
Restricted:		
Debt Service	75,586,323	71,952,864
Construction	109,650,020	150,466,640
OPEB	2,136,494	394,547
Operation and maintenance expenses	14,436,251	14,377,942
Small business bond guarantee	4,000,000	4,000,000
OCIP loss reserve	5,519,913	5,315,982
Total restricted net position	211,329,001	246,507,975
Unrestricted net position	407,523,915	325,303,256
Total net position	$ 885,065,667	$ 853,302,357

See Notes to Financial Statements.

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Airline revenue:		
Landing fees	**$ 33,241,410**	$ 24,816,308
Aircraft parking fees	**8,354,052**	3,471,363
Building rentals (*Note 12*)	**82,453,273**	70,911,568
Security surcharge	**-**	33,558,621
Other aviation revenue	**7,788,791**	1,596,275
Concession revenue	**57,243,328**	71,256,293
Parking and ground transportation revenue	**50,750,966**	62,817,901
Ground and non-airline terminal rentals (*Note 12*)	**21,386,342**	22,810,139
Other operating revenue	**1,817,810**	2,440,464
Total operating revenues	**263,035,972**	293,678,932
Operating expenses before depreciation:		
Salaries and benefits (*Notes 6, 7 and 8*)	**51,666,850**	49,578,048
Contractual services (*Note 14*)	**37,693,633**	49,902,811
Safety and security	**29,456,872**	31,397,062
Space rental (*Note 13*)	**10,207,066**	10,190,910
Utilities	**12,747,899**	13,194,014
Maintenance	**11,584,303**	13,435,562
Equipment and systems	**336,469**	375,089
Materials and supplies	**650,975**	656,501
Insurance	**1,308,471**	1,199,555
Employee development and support	**966,575**	1,045,116
Business development	**2,033,120**	2,630,038
Equipment rentals and repairs	**3,598,348**	3,614,053
Total operating expenses before depreciation	**162,250,581**	177,218,759
Income from operations before depreciation	**100,785,391**	116,460,173
Depreciation expense	**131,587,039**	124,328,880
Operating loss	**(30,801,648)**	(7,868,707)

(Continued)

See Notes to Financial Statements.

Statements of Revenues, Expenses, and Change in Net Position, Continued
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Nonoperating revenues (expenses):		
Passenger facility charges	**$ 34,392,981**	$ 49,197,716
Customer facility charges	**30,239,698**	41,918,554
CARES Act Grant	**36,895,488**	-
Quieter Home Program grant revenue (*Note 1*)	**12,155,776**	11,550,178
Quieter Home Program expenses (*Note 1*)	**(15,450,983)**	(14,742,390)
Joint Studies Program	**-**	(98,601)
Investment Income	**32,429,489**	25,533,268
Interest expense (*Note 5*)	**(75,700,970)**	(74,501,336)
Build America Bonds subsidy (*Note 5*)	**2,089,397**	4,686,174
Other revenues (expenses), net	**1,442,102**	(510,440)
Nonoperating revenue, net	**58,492,978**	43,033,123
Income before federal grants	**27,691,330**	35,164,416
Federal grants (*Note 1*)	**4,071,980**	8,213,234
Change in net position	**31,763,310**	43,377,650
Net position, beginning of year	**853,302,357**	809,924,707
Net position, end of year	**$ 885,065,667**	$ 853,302,357

See Notes to Financial Statements.

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Receipts from customers	$ 265,194,930	$ 286,895,333
Payments to suppliers	(103,828,307)	(107,008,045)
Payments to employees	(52,578,787)	(50,553,389)
Other receipts	1,699,331	2,555,497
Net cash provided by operating activities	110,487,167	131,889,396
Cash Flows From Noncapital Financing Activities		
Settlement receipts (payments)	1,442,102	(1,177,331)
Quieter Home Program grant receipts	7,252,520	14,204,701
Quieter Home Program payments	(15,450,983)	(14,742,390)
Joint Studies Program payments	-	(98,601)
Net cash used in noncapital financing activities	(6,756,361)	(1,813,621)
Cash Flows From Capital and Related Financing Activities		
Capital outlay	(197,716,114)	(172,486,803)
Proceeds on Build America Bonds subsidy	2,089,397	4,686,174
Proceeds from variable rate debt	34,040,000	-
Payment of variable rate debt	(47,759,000)	(6,444,000)
Federal grants received (excluding Quieter Home Program)	24,552,219	12,365,181
Proceeds from passenger facility charges	40,924,276	48,873,007
Proceeds from customer facility charges	33,443,563	41,677,119
Payment of principal on bonds	(528,735,000)	(22,650,000)
Proceeds from issuance of Series 2019 Bond	610,021,863	-
Proceeds from issuance of Series 2020 Bond	241,640,000	-
Payment of capital lease	(323,243)	(323,514)
Interest and debt fees paid	(94,444,671)	(80,694,774)
Net cash provided by (used in) capital and related financing activities	117,733,290	(174,997,610)
Cash Flows From Investing Activities		
Sales and maturities of investments	407,557,391	248,392,203
Purchases of investments	(599,747,577)	(240,504,726)
Interest received on investments and note receivable	33,186,340	25,088,046
Principal payments received on notes receivable	2,006,052	1,903,323
Net cash provided by (used in) investing activities	(156,997,794)	34,878,846
Net increase (decrease) in cash and cash equivalents	64,466,302	(10,042,989)
Cash and cash equivalents, beginning of year	36,494,868	46,537,857
Cash and cash equivalents, end of year	$ 100,961,170	$ 36,494,868

(Continued)

See Notes to Financial Statements.

Statements of Cash Flows, Continued
For the Fiscal Years Ended June 30, 2020 and 2019

		2020		2019
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position				
Unrestricted cash and cash equivalents	**$**	**36,935,136**	$	10,286,307
Cash and cash equivalents designated for specific capital projects and other commitments		**64,026,034**		26,208,561
Total cash and cash equivalents	**$**	**100,961,170**	$	36,494,868
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities				
Operating loss	**$**	**(30,801,648)**	$	(7,868,707)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation expense		**131,587,039**		124,328,880
Change in pensions/OPEB liability/asset		**(4,042,556)**		(490,244)
Change in deferred outflows related to pensions/OPEB		**3,919,532**		(2,484,789)
Change in deferred inflows related to pensions/OPEB		**848,671**		2,733,503
Changes in assets and liabilities:				
Tenant lease receivables		**(10,335,110)**		(1,653,402)
Other assets		**(3,065,871)**		657,335
Accounts payable		**5,473,307**		18,489,317
Accrued liabilities		**2,107,367**		593,613
Compensated absences		**538,373**		273,623
Other liabilities		**14,258,063**		(2,689,733)
Net cash provided by operating activities	**$**	**110,487,167**	$	131,889,396
Supplemental Disclosure of Noncash Investing, Capital and Financing Activities				
Additions to capital assets included in accounts payable	***$***	***22,213,916***	$	21,891,530

See Notes to Financial Statements.

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

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

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

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

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

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

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

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

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

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

In May 2020, the Airport Authority approved a three-month deferral of airline revenue to provide airlines relief in response to the COVID-19 pandemic. As of June 30, 2020, the balance due on airline deferred revenues was approximately $8.3 million. Any remaining outstanding balances will be included in the fiscal year 2020 airline rates and charges reconciliation and settlement in November 2020.

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

In May 2020, the Airport Authority approved a three-month deferral of airline revenue to provide airlines relief in response to the COVID-19 pandemic. As of June 30, 2020, airline deferred revenues were approximately $8.3 million. Any remaining outstanding balances will be included in the fiscal year 2020 airline rates and charges reconciliation and settlement in November 2020.

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

Airport Improvement Program (AIP): AIP grants are authorized and disbursed by the FAA under the *Airway Improvement Act of 1982*, as amended, which provides funding for airport planning and development projects at airports included in the National Plan of Integrated Airport Systems. As such, the AIP grants must be used to pay for the allowable costs of approved projects. As of June 30, 2020 and 2019, the Airport Authority recovered $4,071,980 and $8,213,234, respectively, for approved capital projects and $12,155,776 and $11,550,178, respectively, for the Quieter Home Program.

CARES Act: CARES Act grant is the *Coronavirus Aid, Relief, and Economic Security Act* approved by the United States Congress and signed into law by the President on March 27, 2020. It was a legislative action to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Airport Authority was awarded $91.2 million in CARES Act grant funds. The Airport Authority drew $36.9M of the CARES Act grant in FY 2020.

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

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

In accordance with the program, PFC revenue must be used to pay allowable costs for approved capital projects contribute to the Airport Authority's noise mitigation (Quieter Home Program) or repay debt service issued to build eligible capital projects. As of June 30, 2020 and 2019, accrued PFC receivables totaled $428,687 and $6,959,982 respectively, and there were $65,034,830 and $96,034,369 PFC amounts collected but not yet applied for approved capital projects as of June 30, 2020 and 2019, respectively.

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

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

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects and operate the related ground transportation system. Effective January 1, 2017, the CFC rate increased from $7.50 to $9.00 per day for a maximum of five days. As of June 30, 2020 and 2019, accrued CFC receivables totaled $1,135,327 and $4,339,192, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2020 and 2019, were $43,051,177 and $43,133,096 respectively.

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

- Employer Contributions – Pensions and OPEB– These contributions are those made after the measurement date through the fiscal year-end (July 1st – June 30th) resulting in a cash outlay not yet recognized under GASB 68 or GASB 75. This amount is deferred and recognized in the following fiscal year. This item is presented as a deferred outflow of resources.

- Investment difference – Pensions and OPEB – These amounts represent the difference in projected and actual earnings on pension/OPEB plan assets. These differences are deferred and amortized over a closed five-year period. This item can be presented as both a deferred outflow and deferred inflow of resources and is combined annually as a single net unamortized balance.

- Experience difference – Pensions and OPEB – These amounts represent the difference in expected and actual pension/OPEB experience. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.

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

- Assumption changes – Pensions and OPEB – These amounts represent the difference resulting from a change in assumptions used to measure the underlying net pension/OPEB liability/asset. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Unrestricted net position as of June 30, 2020 and 2019, includes designations of net position that represent tentative management plans that are subject to change, consisting of:

	2020	2019
Operating contingency	$ 2,000,000	$ 2,000,000
Insurance contingency	11,685,954	10,967,958
Capital projects and other commitments	29,675,668	13,240,603
Total designated net position	$ 43,361,622	$ 26,208,561

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

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

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

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

	2020	2019
Southwest Airlines	37.6%	37.7%
Alaska	14.3%	13.8%
United Airlines	12.7%	12.9%
Delta	12.2%	12.2%
American Airlines	12.0%	11.9%

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

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

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

Accounting pronouncements adopted: The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2020:

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* effective for the Airport Authority's year ending June 30, 2020.

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

- GASB Statement No. 84, *Fiduciary Activities*, effective for the Airport Authority's year ending June 30, 2021
- GASB Statement No. 87, *Leases*, effective for the Airport Authority's year ending June 30, 2022
- GASB Statement No. 90, *Majority Equity Interests,* an amendment of GASB Statements No. 14 and No. 61, effective for the Airport Authority's year ended June 30, 2021.
- GASB Statement No. 91, *Conduit Debt Obligations*, effective for the Airport Authority's year ended June 30, 2023.

Note 2. Cash, Cash Equivalents, and Investments

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

	2020	2019
Unrestricted and undesignated:		
Cash and cash equivalents	**$ 36,935,136**	$ 10,286,307
Current investments	**159,562,631**	124,558,161
Noncurrent investments	**137,429,307**	157,461,822
Total unrestricted and undesignated	**333,927,074**	292,306,290
Designated for specific capital projects and other commitments: cash and cash equivalents	**64,026,034**	26,208,561
Restricted:		
Current cash, cash equivalents, and investments, with trustees	**93,486,053**	83,990,603
Noncurrent cash, cash equivalents, and investments, not with trustees	**174,924,058**	205,979,093
Noncurrent cash, cash equivalents and investments, with trustees	**360,941,845**	162,164,029
Total restricted cash, cash equivalents, and investments	**629,351,956**	452,133,725
Total cash, cash equivalents and investments	**$ 1,027,305,064**	$ 770,648,576

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

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

	2020	2019
Restricted cash, cash equivalents, and investments:		
Bond reserves:		
Operation and maintenance reserve subaccount	**$ 43,308,755**	$ 43,133,828
Operation and maintenance subaccount	**14,436,251**	14,377,942
Renewal and replacement account	**5,400,000**	5,400,000
Total reserves	**63,145,006**	62,911,770
Passenger facility charges unapplied	**65,034,830**	96,034,369
Customer facility charges unapplied	**43,051,177**	43,133,096
Small business development bond guarantee	**4,000,000**	4,000,000
2010 Series debt service reserve fund	**30,146,892**	52,163,004
2010 Series debt service account	**11,344,678**	25,493,536
2013 Series construction fund	**87**	2,397
2013 Series debt service reserve fund	**34,260,842**	34,246,502
2013 Series debt service account	**16,981,079**	11,575,069
2014 Series construction fund	**3,031**	1,941
2014 Series debt service reserve fund	**22,796,477**	22,368,760
2014 Series debt service account	**14,130,702**	13,853,720
2014 Series rolling coverage fund	**7,133,754**	6,905,072
2014 Series renew and replace	**7,452,635**	5,431,585
2017 Series construction fund	**2,352,993**	47,288,403
2017 Series debt service reserve fund	**12,537,440**	14,993,717
2017 Series debt service account	**15,077,845**	11,730,784
2019 Series construction fund	**222,216,692**	-
2019 Series debt service account	**7,990,051**	-
2019 Series debt service reserve fund	**29,918,507**	-
2019 Series CAP interest fund	**16,110,292**	-
2019 Series cost of issuance	**3,224**	-
2020 Series cost of issuance	**57,969**	-
2020 Series debt services	**3,605,753**	-
Total restricted cash, cash equivalents and investments	**$ 629,351,956**	**$ 452,133,725**

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

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

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

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

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

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

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

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

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

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

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

*Investment requires collateralization

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

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

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

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

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

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

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

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

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

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

	2020				
		Investment Maturities (in Years)			
Investment Type	**Total**	**0 - 1**	**1 - 2**	**2 - 5**	**Ratings**
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	$ 152,277,193	$ 38,947,897	$ 54,461,073	$ 58,868,224	N/A
U.S. agency securities	147,157,246	22,271,155	32,673,767	92,212,324	AA+
	6,810,765	-	-	6,810,765	Not rated
Supranationals	4,199,896	2,148,056	2,051,840	-	AAA
	5,610,140	-	-	5,610,140	Not rated
Commercial Paper	2,499,500	2,499,500	-	-	A-1
Negotiable certificates of deposit	4,028,440	4,028,440	-	-	A+
	4,000,000	4,000,000	-	-	A-1+
Medium-term notes	3,041,070	3,041,070	-	-	AAA
	22,040,080	4,048,800	4,115,480	13,875,800	AA
	39,801,962	5,335,102	13,705,980	20,760,880	A
Municipal Bonds	5,176,600	-	-	5,176,600	AA+
Money market mutual funds	17,435,951	17,435,951	-	-	AAA
Local Agency Investment Fund	146,314,756	146,314,756	-	-	Not rated
San Diego County Investment Pool	293,587,647	293,587,647	-	-	Not rated(1)
CalTrust Fund	16,362,863	16,362,863	-	-	AA
Total investments subject to credit and interest rate risk:	870,344,109	$ 560,021,237	$ 107,008,140	$ 203,314,732	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	16,271,235	16,271,235			
Total Investments	$ 886,615,344				

	2019				
		Investment Maturities (in Years)			
Investment Type	**Total**	**0 - 1**	**1 - 2**	**2 - 5**	**Ratings**
Investments subject to credit and interest rate risk:					
U.S. Treasury obligations	$ 115,560,531	$ 25,307,938	$ 32,706,596	$ 57,545,997	N/A
U.S. agency securities	134,911,223	56,506,418	14,699,205	63,705,600	AA+
Supranationals	7,127,201	2,994,180	2,136,241	1,996,780	AAA
	5,485,835	-	-	5,485,835	Not rated
Negotiable certificates of deposit	3,988,200	-	3,988,200	-	AA
	14,763,063	14,763,063	-	-	A+
Medium-term notes	2,974,470	-	-	2,974,470	AAA
	22,796,245	7,490,315	-	15,305,930	AA
	40,834,801	5,498,975	6,333,965	29,001,861	A
Money market mutual funds	81,861	81,861	-	-	AAA
Local Agency Investment Fund	50,140,691	50,140,691	-	-	Not rated
San Diego County Investment Pool	211,235,432	211,235,432	-	-	Not rated(1)
CalTrust Fund	15,952,044	15,952,044	-	-	AA
Total investments subject to credit and interest rate risk:	625,851,597	$ 389,970,917	$ 59,864,207	$ 176,016,473	
Investments not subject to credit or interest rate risk:					
Nonnegotiable certificates of deposit	15,920,692				
Total Investments	$ 641,772,289				

Ratings per Standard and Poor's

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

Concentration of credit risk: The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated in the table provided earlier in this note. The Airport Authority requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity, issuer or class of securities. The Airport Authority had no concentrations of credit risk at June 30, 2020 and 2019.

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

Note 3. Note Receivable

As part of the transfer of airport operations from the District to the Airport Authority, and pursuant to the associated MOU, the District issued a $50,000,000 unsecured promissory note to the Airport Authority. According to an agreement with the District that commenced on January 1, 2006, the note will be amortized over 25 years, maturing on December 31, 2030. The note is subordinate to all bond indebtedness of the District and carries a fixed interest rate of 5.5 percent per annum. At June 30, 2020 and 2019, the balance of the note receivable was $29,332,710 and $31,338,762, respectively.

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

Years Ending June 30,	Amount
2021	$ 2,123,843
2022	2,243,644
2023	2,370,203
2024	2,500,653
2025	2,644,957
2026-2030	15,636,626
2031	1,812,784
	$ 29,332,710

Notes to Financial Statements
June 30, 2020 and 2019

Note 4. Capital Assets

Capital asset activity for the years ended June 30, 2020 and 2019, are as follows:

	Balance at June 30, 2019	Increases	Decreases	**Balance at June 30, 2020**
Nondepreciable assets:				
Land	$ 22,167,594	$ -	$ -	**$ 22,167,594**
Construction in progress	144,432,325	197,072,893	(53,151,919)	**288,353,299**
Intangible asset	440,000	-	-	**440,000**
Total nondepreciable assets	167,039,919	197,072,893	(53,151,919)	**310,960,893**
Depreciable assets:				
Land improvements	113,682,793	906,727	-	**114,589,520**
Buildings and structures (1)	1,708,864,802	38,542,982	-	**1,747,407,784**
Machinery and equipment	131,172,226	4,263,649	-	**135,435,875**
Runways, roads and parking lots	698,595,118	10,297,728	106,440	**708,999,286**
Total capital assets being depreciated	2,652,314,939	54,011,086	106,440	**2,706,432,465**
Less accumulated depreciation for:				
Land improvements	(28,301,823)	(7,639,888)	-	**(35,941,711)**
Building and structures	(670,750,529)	(81,974,091)	-	**(752,724,620)**
Machinery and equipment	(72,553,452)	(12,252,350)	-	**(84,805,802)**
Runways, roads and parking lots	(325,599,509)	(29,720,710)	-	**(355,320,219)**
Total accumulated depreciation	(1,097,205,313)	(131,587,039)	-	**(1,228,792,352)**
Total capital assets being depreciated, net	1,555,109,626	(77,575,953)	106,440	**1,477,640,113**
Capital assets, net	$ 1,722,149,545	$ 119,496,940	$ (53,045,479)	**$ 1,788,601,006**

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

Notes to Financial Statements
June 30, 2020 and 2019

Note 4. Capital Assets (Continued)

	Balance at June 30, 2018	Increases	Decreases	Balance at June 30, 2019
Nondepreciable assets:				
Land	$ 22,167,594	$ -	$ -	$ 22,167,594
Construction in progress	110,520,200	141,915,811	(108,003,686)	144,432,325
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets	133,127,794	141,915,811	(108,003,686)	167,039,919
Depreciable assets:				
Land improvements	112,918,996	763,797	-	113,682,793
Buildings and structures (1)	1,691,662,858	34,154,487	(16,952,543)	1,708,864,802
Machinery and equipment (2)	112,464,060	21,197,185	(2,489,019)	131,172,226
Runways, roads and parking lots	646,939,284	52,976,659	(1,320,825)	698,595,118
Total capital assets being depreciated	2,563,985,198	109,092,128	(20,762,387)	2,652,314,939
Less accumulated depreciation for:				
Land improvements	(20,695,006)	(7,606,817)	-	(28,301,823)
Building and structures	(610,550,433)	(77,152,640)	16,952,544	(670,750,529)
Machinery and equipment	(63,186,253)	(11,398,817)	2,031,618	(72,553,452)
Runways, roads and parking lots	(298,540,239)	(28,170,606)	1,111,336	(325,599,509)
Total accumulated depreciation	(992,971,931)	(124,328,880)	20,095,498	(1,097,205,313)
Total capital assets being depreciated, net	1,571,013,267	(15,236,752)	(666,889)	1,555,109,626
Capital assets, net	$ 1,704,141,061	$ 126,679,059	$ (108,670,575)	$ 1,722,149,545

(1) Includes capitalized lease of building with a net present value of future lease payments of $6,766,536

(2) Includes capitalized leases of office equipment with a net present value of future lease payments of $53,815

Notes to Financial Statements
June 30, 2020 and 2019

Note 5. Long-Term Liabilities

The following is a summary of changes in the long-term liability activity for the years ended June 30, 2020 and 2019:

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

	Principal Balance at June 30, 2018	Additions/ New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2019	Due Within One Year
Variable Rate Debt					
Series B tax-exempt	$ 14,794,000	$ -	$ (1,075,000)	$ 13,719,000	$ -
Series C taxable	5,369,000	-	(5,369,000)	-	-
Total variable rate debt	20,163,000	-	(6,444,000)	13,719,000	-
Bonds payable:					
Series 2010 Bonds	536,990,000	-	(9,890,000)	527,100,000	10,365,000
Series 2013 Bonds	373,310,000	-	(2,240,000)	371,070,000	2,320,000
Series 2014 Bonds	305,285,000	-	(5,580,000)	299,705,000	5,720,000
Series 2017 Bonds	291,210,000	-	(4,940,000)	286,270,000	4,460,000
Bond premiums	103,165,697	-	(5,681,778)	97,483,919	-
Total bonds payable	1,609,960,697	-	(28,331,778)	1,581,628,919	22,865,000
Capital Leases	7,143,865	-	(323,514)	6,820,351	323,242
Total debt obligations	1,637,267,562	-	(35,099,292)	1,602,168,270	23,188,242
Compensated absences	3,276,588	3,251,781	(2,978,158)	3,550,211	2,978,157
Total long-term liabilities	$ 1,640,544,150	$ 3,251,781	$ (38,077,450)	$ 1,605,718,481	$ 26,166,399

Note 5. Long-Term Liabilities (Continued)

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

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

On December 21, 2012, the Airport Authority defeased all of its outstanding Series 2005 Bonds, by depositing proceeds of Subordinate CP Notes and certain other available monies into an irrevocable escrow fund. The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2005 Bonds until their final maturity date of July 1, 2020. As of June 30, 2020 and 2019, the amount held in escrow by the trustee was $5,226,683 and $10,396,042, respectively, and the amount of the defeased Series 2005 Bonds still outstanding was $5,125,000 and $9,990,000, respectively.

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

The Series 2013 Bonds were structured as serial and term bonds that bear interest at rates ranging from 3.00 percent to 5.00 percent and mature in fiscal years 2016 to 2044. The bonds were issued at a premium of $55,934,101, which is being amortized over the life of the bonds. Interest on the senior Series 2013 Bonds is payable semiannually on January 1 and July 1, of each year. Interest for the fiscal years ended June 30, 2020 and 2019, was $18,174,150 and $18,081,350, respectively, including accrued interest of $9,040,675 and $9,087,075 for fiscal years ending June 30, 2020 and 2019, respectively. The principal balance on the Series 2013 Bonds as of June 30, 2020 and 2019, was $368,750,000 and $371,070,000, respectively.

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

Note 5. Long-Term Liabilities (Continued)

As senior lien bonds, the Series 2013 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2013 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's books, as shown previously in the notes. For the fiscal years ended June 30, 2020 and 2019, the amount held by the trustee was $51,242,009 and $45,823,968, respectively, which included the July 1 payment and the debt service reserve fund. The total additional amounts held by the Airport Authority for Operating and Maintenance, and Renewal and Replacements reserves for fiscal years 2020 and 2019 was $63,145,006 and $62,911,770, respectively. The public ratings of the Series 2013 Bonds as of June 30, 2020, are A+/A1/AA- by Standard & Poor's, Moody's Investors Service and Fitch Ratings. After June 30, 2020, Standard & Poor's decreased the rating on the Senior Debt to A.

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

Years Ending June 30,	Principal	Interest	Total
2021	$ 7,925,000	$ 17,883,225	$ 25,808,225
2022	8,315,000	17,477,225	25,792,225
2023	8,725,000	17,051,225	25,776,225
2024	9,170,000	16,603,850	25,773,850
2025	9,625,000	16,133,975	25,758,975
2026-2030	55,740,000	72,904,350	128,644,350
2031-2035	32,225,000	61,481,750	93,706,750
2036-2040	41,165,000	53,463,625	94,628,625
2041-2044	195,860,000	23,077,000	218,937,000
	$ 368,750,000	$ 296,076,225	$ 664,826,225

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

Note 5. Long-Term Liabilities (Continued)

The Subordinate Series 2010 C Bonds were refunded and defeased on December 11, 2019, when the Airport Authority issued Subordinate Series 2019A Revenue Refunding Bonds. The proceeds of the Series 2019 Bonds included an amount to fund the escrow which will be used to pay the principal and interest of the Series 2010C Bonds. As of June 30, 2020, the balance of the 2010C escrow fund was $220,576,269. Subordinate Series 2010 A and B (except series maturing July 1, 2020) were refunded and defeased on April 8, 2020 when the Airport Authority Issued Series 2020A, 2020B, and 2020C Revenue Refunding Bonds. The proceeds of the Subordinate Series 2020 Bonds included an amount to fund the escrow which will be used to pay the principal and interest of the Series 2010A and 2010B Bonds. As of June 30, 2020, the balance of the 2010A escrow fund was $265,874,750 and the balance of the 2010B escrow fund was $31,965,994. Amount on deposit in the escrow funds will be used to pay the redemption price and interest on the Refunded Series 2010 Bonds on July 1, 2020.

Interest for the fiscal years ended June 30, 2020 and 2019, amounted to $17,869,205 and $29,780,849, respectively, including accrued interest of $407,438, and $14,890,425, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2020 and 2019, was $10,865,000 and $527,100,000, respectively.

As a result of the refunding, the Airport Authority reduced its total debt services requirements by $142.7 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $100.0 million.

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

Years Ending June 30,	Principal	Interest	Total
2021	$ 10,865,000	$ 407,438	$ 11,272,438
	$ 10,865,000	$ 407,438	$ 11,272,438

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

Interest for the fiscal years ended June 30, 2020 and 2019, amounted to $14,090,500 and $14,313,501, respectively, including accrued interest of $7,045,250 and $7,156,750, respectively. The principal balance on the subordinate Series 2017 Bonds as of June 30, 2020 and 2019, was $281,810,000 and $286,270,000, respectively.

Note 5. Long-Term Liabilities (Continued)

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

Years Ending June 30,	Principal	Interest	Total
2021	$ 4,825,000	$ 13,969,875	$ 18,794,875
2022	5,070,000	13,722,500	18,792,500
2023	5,320,000	13,462,750	18,782,750
2024	5,585,000	13,190,125	18,775,125
2025	5,865,000	12,903,875	18,768,875
2026-2030	34,025,000	59,669,375	93,694,375
2031-2035	43,430,000	54,201,375	97,631,375
2036-2040	55,425,000	43,045,875	98,470,875
2041-2045	70,755,000	28,808,750	99,563,750
2045-2048	51,510,000	10,635,875	62,145,875
	$ 281,810,000	$ 263,610,375	$ 545,420,375

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

Interest for the fiscal years ended June 30, 2020, amounted to $12,418,806, including accrued interest of $12,418,806. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2020, was $463,680,000.

Note 5. Long-Term Liabilities (Continued)

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

Years Ending June 30,	Principal	Interest	Total
2021	$ 1,235,000	$ 12,418,806	$ 13,653,806
2022	3,420,000	22,292,100	25,712,100
2023	4,440,000	22,121,100	26,561,100
2024	6,095,000	21,899,100	27,994,100
2025	6,400,000	21,594,350	27,994,350
2026-2030	31,030,000	103,420,000	134,450,000
2031-2035	87,365,000	91,611,250	178,976,250
2036-2040	156,590,000	62,613,300	219,203,300
2041-2045	87,365,000	30,044,300	117,409,300
2046-2050	79,740,000	12,349,500	92,089,500
	$ 463,680,000	$ 400,363,806	$ 864,043,806

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

Interest for the fiscal years ended June 30, 2020, amounted to $2,785,572, including accrued interest of $2,785,572. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2020, was $241,640,000.

Note 5. Long-Term Liabilities (Continued)

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

Years Ending June 30,	Principal	Interest	Total
2021	$ 820,000	$ 2,785,572	$ 3,605,572
2022	13,825,000	12,041,000	25,866,000
2023	14,520,000	11,349,750	25,869,750
2024	15,240,000	10,623,750	25,863,750
2025	16,005,000	9,861,750	25,866,750
2026-2030	62,285,000	39,383,000	101,668,000
2031-2035	64,075,000	23,085,000	87,160,000
2036-2040	44,565,000	9,478,500	54,043,500
2041	10,305,000	515,250	10,820,250
	$ 241,640,000	$ 119,123,572	$ 360,763,572

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

As subordinate lien bonds, the Series 2010, 2017, 2019 and 2020 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Bonds require the Airport Authority to maintain a reserve account with the bond trustee. At June 30, 2020 and 2019, the amount held by the trustee was $351,833,334 and $151,669,446, respectively, which included the July 1 payment, a debt service reserve fund, construction fund, and a capitalized interest fund. The public ratings of the Subordinate Series 2010, 2017, 2019 and 2020 Bonds as of June 30, 2020, are A/A2/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings. After June 30, 2020, Standard & Poor's reduced the rating on subordinate debt to A-.

Subordinate Variable Rate Debt Program: During fiscal year 2015, the Airport Authority established a $125,000,000 Revolving Line of Credit issued by US Bank. The Revolving Line of Credit was a three-year agreement that took effect on September 5, 2014. The agreement was amended on June 29, 2017, to extend the commitment through June 29, 2020. The Airport Authority terminated the agreement on June 29, 2020.

At June 30, 2020 and 2019, the outstanding principal balances of the Series B Revolving Obligations were $0 and $13,719,000, respectively. The Series B Revolving Obligations bore interest at the tax-exempt rate which is based on a spread to LIBOR.

Note 5. Long-Term Liabilities (Continued)

In April of 2017, the Airport Authority established a Subordinate Drawdown Bond program with RBC Municipal Products of up to $100,000,000. On April 1, 2017, the Airport Authority and RBC Municipal Products agreed upon a Bondholders Agreement and on April 19, 2017, the Airport Authority and RBC Capital Markets LLC agreed upon a Subordinate Drawdown Bond Purchase Agreement. When issued, all Subordinate Drawdown Bonds will be purchased by the Subordinate Drawdown Bond Purchaser in accordance with the terms of the Subordinate Drawdown Bondholder's Agreement and the Subordinate Drawdown Bond Purchase Agreement. This commitment expired on April 17, 2020.

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

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

The Series 2014 A Bonds were structured as tax-exempt and non-AMT term bonds that bear interest at 5.00 percent. The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.54 percent to 5.59 percent. The bonds were issued at a premium of $594,226, which is amortized over the life of the bonds. Interest on the Series 2014 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for fiscal years ended June 30, 2020 and 2019, was $16,028,789 and $16,199,645, respectively, including accrued interest of $8,014,395 and $8,099,823, respectively. The principal balance on the Series 2014 Bonds for fiscal years ended June 30, 2020 and 2019 was $293,985,000 and $299,705,000, respectively.

The Series 2014 Bonds are special limited obligations of the Airport Authority, payable solely from and secured by a pledge of the Trust Estate, which includes, among other things, customer facility charges collected from the rental car companies operating at the Airport and remitted to the Trustee. No revenues of the Airport Authority other than the customer facility charges and the Bond Funding Supplemental Consideration (as defined in the bond indenture), are pledged to the payment of the Series 2014 Bonds. The Series 2014 Bonds require the Airport Authority to maintain a debt service reserve account with the bond trustee and to reserve certain additional amounts in the Airport Authority's net position, as shown previously in the notes. For the fiscal years ended June 30, 2020 and 2019, the amount held by the trustee was $51,516,600 and $48,561,078, respectively, which included the July 1 payment, the debt service reserve fund, and the rolling coverage fund.

The public ratings of the Senior Series Special Facility 2014 Bonds as of June 30, 2019, are A/A3 by Standard & Poor's and Moody's Investors Service. After June 30, 2020 Standard & Poor's reduced the rating to BBB+.

Note 5. Long-Term Liabilities (Continued)

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

Years Ending June 30,	Principal	Interest	Total
2021	$ 5,890,000	$ 15,928,365	$ 21,818,365
2022	6,090,000	15,714,362	21,804,362
2023	6,320,000	15,424,013	21,744,013
2024	6,670,000	15,060,682	21,730,682
2025	7,045,000	14,874,122	21,919,122
2026-2030	41,600,000	69,100,925	110,700,925
2031-2035	54,610,000	56,433,452	111,043,452
2036-2040	71,690,000	39,804,447	111,494,447
2041-2045	94,070,000	12,987,625	107,057,625
	$ 293,985,000	$ 255,327,993	$ 549,312,993

Line of credit: In fiscal year 2020, the Airport Authority maintained a $4,000,000 line of credit held with US Bank, which is collateralized with a bank certificate of deposit. This line is utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2020, nothing had been drawn on the line of credit and there are no outstanding letters of credit.

The Airport Authority had the following used and unused balances in line of credit type debt instruments as of June 30, 2020 and 2019:

	June 30, 2020		June 30, 2019	
	Used	Unused	Used	Unused
Revolving line of credit	$ -	$ -	$ 13,719,000	$ 111,281,000
Drawdown bonds	-	-	-	100,000,000
Line of Credit	-	4,000,000	-	4,000,000
	$ -	$ 4,000,000	$ 13,719,000	$ 215,281,000

Event of Default: In the event of default of all general airport revenue bonds issued by the Airport Authority, acceleration is not a remedy. For the Letter of Credit and Reimbursement Agreement, an event of default could result in either an acceleration or an interest rate increase of 3.00-7.00 percent in addition to the base rate. Other than this, there are no significant finance-related consequences in the event of default on other debt instruments. The Airport Authority’s Letter of Credit and Reimbursement Agreement is collateralized with a $4,000,000 negotiable certificate of deposit held with US Bank. Excluding general airport revenue bonds, special facility bonds, and capital leases, no other assets have been pledged or collateralized for any other debt instruments. General Airport revenue bonds are secured by a pledge of Net Revenues which are generally defined as all revenues and other cash receipts of the Airport Authority’s operations less amounts required to pay for operations and maintenance expenses of the airport (net revenues do not include cash received from PFC’s, CFC’s or Federal Grants). The special facility bonds are secured by a pledge of the Trust Estate.

Note 5. Long-Term Liabilities (Continued)

Capital Leases

Office equipment leases: The Airport Authority has entered into five year capital lease agreements for office equipment that require monthly lease payments of $6,849. These leases were paid off in 2020.

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

The following is a schedule of future lease payments applicable to the RDC installment purchase agreement, the office equipment capital leases, and the net present value of the future lease payments at June 30, 2020:

Years Ending June 30,	Amount
2021	$ 877,298
2022	877,298
2023	877,298
2024	877,298
2025	877,298
2026-2030	4,386,489
2031-2033	2,120,136
Total Lease Payments	10,893,115
Less amount representing interest	(4,396,007)
Present value of future lease payments	$ 6,497,108

Note 6. Defined Benefit Plan

Introduction: The Airport Authority has two defined benefit pension plans which cumulatively represent the net pension liability and related deferred inflows and deferred outflows of resource balances as reported on the statement of net position. The below schedule represents aggregating information as of June 30, 2020 and 2019:

	Defined Benefit Plan (GASB 68)	Preservation of Benefits Trust Plan (GASB No. 73)	Total
Balances as of June 30, 2019			
Pension Expense	$ 9,905,772	$ 314,006	$ 10,219,778
Net pension liability	15,961,502	1,767,232	17,728,734
Deferred outflows of resources	21,105,307	542,202	21,647,509
Deferred inflows of resources	6,190,685	218,627	6,409,312
Balances as of June 30, 2018			
Pension Expense	$ 7,774,562	$ 347,712	$ 8,122,274
Net pension liability	18,373,281	1,656,062	20,029,343
Deferred outflows of resources	25,046,571	556,018	25,602,589
Deferred inflows of resources	6,235,495	217,937	6,453,432

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

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

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

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

Note 6. Defined Benefit Plan (Continued)

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

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

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

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

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

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

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

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

Note 6. Defined Benefit Plan (Continued)

As of the measurement dates June 30, 2019 and June 30, 2018, Plan membership was as follows:

	2019	2018
Active employees	407	405
Inactive employees entitled to but not yet receiving benefits	143	139
Inactive employees or beneficiaries currently receiving benefits	117	101
Total	667	645

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

The actuarial valuation is completed as of June 30, of each year. Once accepted by the SDCERS Board, the approved rates for Airport Authority apply to the fiscal year beginning 12 months after the valuation date. For June 30, 2020, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2018, actuarial valuation.

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

For the years ended June 30, 2020 and 2019, employees contributed $3,285,722 and $3,178,464 respectively, and the Airport Authority contributed $8,423,955 and $7,848,712, respectively, to the Plan. Under the Plan, the Airport Authority pays a portion of the classic participant's contribution, referred to as the "off-set". The off-set is equal to 7.00 percent or 8.50 percent of the general classic members' base compensation and 9.55 percent of the executive classic members' base compensation. These contributions are included in the employee contribution. There is no off-set for PEPRA participants.

Net Pension Liability: The Airport Authority's net pension liability as of June 30, 2020, is measured as the total pension liability, less the pension plan's fiduciary net position. The total pension liability as of June 30, 2020, is measured as of June 30, 2019. The annual valuation used is as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability follow.

Note 6. Defined Benefit Plan (Continued)

Actuarial Assumptions: The total pension liability in the June 30, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2019	June 30, 2018
Valuation date	June 30, 2018	June 30, 2017
Measurement date	June 30, 2019	June 30, 2018
Actuarial cost method	Entry-age normal funding method	Entry-age normal funding method
Asset valuation method	Expected value with smoothing	Expected value with smoothing
Actuarial assumptions:		
Investment rate of return [(1)]	6.50%	6.50%
Projected salary increase [(2)]	3.05%	3.05%
Cost-of-living adjustment	1.9% per annum, compounded	1.9% per annum, compounded
Termination rate [(3)]	3.0% - 11.0%	3.0% - 11.0%
Disability rate [(4)]	0.01% - 0.30%	0.01% - 0.30%
Mortality [(5)]	0.02% - 13.54%	0.02% - 13.54%

[(1)] Net of investment expense

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

[(3)] Based on years of service

[(4)] Based on age

[(5)] All active and retired healthy members: CalPERS Mortality Tables from the CalPERS January 2014 Experience Study
Further details about the actuarial assumptions can be found in the SDCERS June 30, 2018 and June 30 , 2017 actuarial reports.

Discount Rate: For the June 30, 2019 and 2018 actuarial valuations, the discount rates used to measure the total pension liability were 6.50 percent and 6.50 percent, respectively. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability (asset).

Note 6. Defined Benefit Plan (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rates of Return	Long-term Expected Nominal Rates of Return
Domestic equity	18.0%	4.3%	6.7%
International equity	15.0%	5.5%	7.9%
Global equity	8.0%	5.1%	7.5%
Domestic fixed income	22.0%	1.2%	3.5%
Emerging market debt	5.0%	3.7%	6.1%
Real estate	11.0%	3.5%	5.9%
Private equity and infrastructure	13.0%	6.3%	8.8%
Opportunity fund	8.0%	4.5%	6.9%
	100.0%		

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

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 6/30/19	$ 204,875,919	$ 186,502,638	$ 18,373,281
Changes for the year:			
Service cost	7,632,696	-	7,632,696
Interest on total pension liability	13,355,418	-	13,355,418
Difference between expected and actual experience	(645,462)	-	(645,462)
Changes in assumptions	-	-	-
Employer contributions	-	7,848,712	(7,848,712)
Member contributions	-	3,178,464	(3,178,464)
Net investment income	-	12,086,349	(12,086,349)
Benefit payments	(6,429,660)	(6,429,660)	-
Administrative expense	-	(359,094)	359,094
Net changes	13,912,992	16,324,771	(2,411,779)
Balances as of 6/30/20	$ 218,788,911	$ 202,827,409	$ 15,961,502

Note 6. Defined Benefit Plan (Continued)

Changes in the total pension liability, plan fiduciary net position and the net pension liability through the year ended June 30, 2019, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 6/30/18	$ 185,541,212	$ 166,797,759	$ 18,743,453
Changes for the year:			
Service cost	7,390,428	-	7,390,428
Interest on total pension liability	12,621,227	-	12,621,227
Difference between expected and actual experience	(2,630,285)	-	(2,630,285)
Changes in assumptions	6,416,088	-	6,416,088
Employer contributions	-	7,318,546	(7,318,546)
Member contributions	-	3,162,781	(3,162,781)
Net investment income	-	14,036,710	(14,036,710)
Benefit payments	(4,462,751)	(4,462,751)	-
Administrative expense	-	(350,407)	350,407
Net changes	19,334,707	19,704,879	(370,172)
Balances as of 6/30/19	$ 204,875,919	$ 186,502,638	$ 18,373,281

Sensitivity of the Net Pension Liability to Discount Rate Changes: The following presents the resulting net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal years ended June 30, 2020:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Total pension liability	$ 249,327,648	$ 218,788,911	$ 193,677,125
Plan fiduciary net position	202,827,408	202,827,409	202,827,408
Net pension liability (asset)	$ 46,500,240	$ 15,961,502	$ (9,150,283)
Plan fiduciary net position as a percentage of the total pension liability (asset)	81.3%	92.7%	104.7%

Note 6. Defined Benefit Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Plan: For the years ended June 30, 2020 and 2019, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 68, of $9,905,772 and $7,774,562, respectively. At June 30, 2019 and 2018, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

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

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,765,239	$ 3,281,160
Net difference between projected and actual earnings	-	2,954,335
Changes in assumptions	14,497,834	-
Employer contributions made subsequent to June 30, 2018 measurement date	7,783,498	-
Total	$ 25,046,571	$ 6,235,495

The deferred outflows of resources, at June 30, 2020 and 2019, related to pensions resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net pension liability at June 30, 2021 and 2020, respectively.

Other amounts reported as deferred outflows/inflows of resources related to the plan at June 30, 2020, will be recognized in pension expense as follows:

Fiscal Year-end	
2021	$ 3,039,794
2022	1,248,666
2023	1,709,191
2024	561,087
	$ 6,558,738

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

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

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

Benefits provided: The Airport Authority provides retirement benefits.

Retirement benefits are provided to POB members with retirement benefits in excess of Code Section 415(b) who have participated in in the Plan since establishment of the POB. Participation ends for a portion of a plan year in which the retirement benefit of a retiree or beneficiary is not limited by Code Section 415(b) or when all benefit obligations to the retiree or beneficiary have been satisfied. Benefit payments are equal to the amount of retirement income that would have been payable, less the amount payable by the Plan. Benefit payments for the years ended June 30, 2020 and 2019, were $47,081 and $31,329, respectively. The POB is unfunded and provides benefits on an annual basis as determined by SDCERS.

As of the measurement dates of June 30, 2019 and 2018, Plan membership was as follows:

	2019	2018
Inactive employees or beneficiaries currently receiving benefits	2	1
Active employees	2	2
	4	3

Total Pension Liability: The Airport Authority's total pension liability as of June 30, 2020 and 2019, was $1,767,232 and $1,656,062, respectively. The pension liability as of June 30, 2020, is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability follow.

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

Actuarial Assumptions: The total pension liability in the June 30, 2019 and 2018, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2019	June 30, 2018
Valuation date	June 30, 2018	June 30, 2017
Measurement date	June 30, 2019	June 30, 2018
Actuarial cost method	Entry-age normal	Entry-age normal
Actuarial assumptions:		
Discount rate	3.50%	3.87%
Inflation rate	3.05%	3.05%
Interest credited to member contributions	6.50%	6.50%
Projected salary increases	3.05%	3.05%

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

	Total Pension Liability
Balances as of 6/30/19	$ 1,656,062
Changes for the year:	
Service cost	49,343
Interest on total pension liability	64,133
Difference between expected and actual experience	(64,295)
Changes in assumptions	109,070
Benefit payments	(47,081)
Net changes	111,170
Balances as of 6/30/20	$ 1,767,232

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

Changes in the total pension liability through the year ended June 30, 2019, was as follows:

	Total Pension Liability
Balances as of 6/30/18	$ 1,479,005
Changes for the year:	
Service cost	51,775
Interest on total pension liability	53,311
Difference between expected and actual experience	193,013
Changes in assumptions	(89,713)
Benefit payments	(31,329)
Net changes	177,057
Balances as of 6/30/19	$ 1,656,062

Sensitivity of the Total Pension Liability to Discount Rate Changes: The following presents the resulting total pension liability calculated using the discount rate of 3.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the fiscal year ended June 30, 2020:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total Pension Liability	$ 2,114,822	$ 1,767,232	$ 1,492,635

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the POB: For the year ended June 30, 2020 and 2019, the Airport Authority recognized pension expense, as measured in accordance with GASB Statement No. 73, of $314,006 and $347,712. At June 30, 2020 and 2019, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	$ 322,838	$ 51,436
Change of assumptions	178,115	167,191
Employer contributions subsequent to June 30, 2019 measurement date	41,249	-
Total	$ 542,202	$ 218,627

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	$ 419,729	$ -
Change of assumptions	136,289	217,937
Total	$ 556,018	$ 217,937

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

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

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

Years Ending June 30		Amount
2021	$	100,530
2022		100,529
2023		55,096
2024		26,171
	$	282,326

Note 8. Employees' Deferred Compensation Plan

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

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

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

Note 9. Other Postemployment Benefits

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

Note 9. Other Postemployment Benefits (Continue)

Plan description: As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for approximately 2 million California public employees, retirees, and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States, managing more than $370 billion in assets for more than 2,890 California employers. In 1988 and 2007, enabling statutes and regulations were enacted which permitted CalPERS to form the CERBT fund, an irrevocable Section 115 Trust, for the purpose of receiving employer contributions that will prefund health and other postemployment benefit costs for retirees and their beneficiaries. Financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding policy: CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the actuarially determined contributions (ADCs). As of May 9, 2009, the agreement with CERBT was approved. The retirees' contribution rate was raised from 5 percent to 10 percent of plan costs for single coverage and the entire cost of vision benefits, lowering the OPEB liabilities of the Airport Authority. Annually, the Airport Authority's goal is to fund 100 percent of the actuarially calculated ADC for its OPEB. During the fiscal years ended June 30, 2020 and 2019, the Airport Authority's contributions were $784,845 and $339,003, respectively.

A measurement date of June 30, 2019 and 2018, was used for the June 30, 2020 and June 2019, OPEB assets and expenses. The information that follows was determined as of a valuation date of June 30, 2019 and July 1, 2018, respectively. Assumptions used in the July 1, 2018, valuation were rolled forward from the July 1, 2017 valuation.

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

	2019	2018
Active employees	151	161
Inactive employees or beneficiaries currently receiving benefits	79	69
Total	230	230

Note 9. Other Postemployment Benefits (Continued)

Actuarial Assumptions: The total OPEB liability in the July 1, 2019 and 2018, actuarial valuations was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	2.75%
Projected salary increase	3.00%
Investment rate of return	6.75% at June 30, 2019; 7.28% at June 30, 2018; Expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust
Actuarial cost method	Entry Age Normal, with amortization of 7/1/2017 unfunded liability over the period ending 6/30/2037 and amortization of subsequent unanticipated changes in liability over 15-year periods.
Asset valuation method	5 year asset smoothing
Retirement age	Rates used are the same as used in the June 30, 2016, San Diego City Employees' Retirements System actuarial valuation.
Mortality	CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4% in 2076; Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
Healthcare Participation of Future Retirees	90%
Spousal Assumption for Future Retirees	Currently covered - 2-party coverage if currently have 2 party or family coverage; Currently waived - 80% cover spouses at retirement

Note 9. Other Postemployment Benefits (Continued)

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

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

Discount Rate: The discount rate used to measure the total OPEB liability (asset) at June 30, 2019 and June 30, 2018, was 6.75 percent and 7.28 percent, respectively. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balances as of 6/30/19	$ 25,804,494	$ 26,199,041	$ (394,547)
Changes for the year:			
Service cost	449,596	-	449,596
Interest on total OPEB liability	1,883,080	-	1,883,080
Difference between expected and actual experience	(169,582)	-	(169,582)
Changes in assumptions	(1,531,369)	-	(1,531,369)
Employer contributions	-	775,225	(775,225)
Member contributions	-	-	-
Net investment income	-	1,604,058	(1,604,058)
Benefit payments	(775,225)	(775,225)	-
Administrative expense	-	(5,611)	5,611
Net changes	(143,500)	1,598,447	(1,741,947)
Balances as of 6/30/20	$ 25,660,994	$ 27,797,488	$ (2,136,494)

Note 9. Other Postemployment Benefits (Continued)

Changes in the total OBEP liability, plan fiduciary net position, and the net OPEB liability (asset) through the year ended June 30, 2019, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances as of 6/30/18	$ 24,217,840	$ 24,315,258	$ (97,418)
Changes for the year:			
Service cost	436,501	-	436,501
Interest on total OPEB liability	1,772,578	-	1,772,578
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	622,425	(622,425)
Member contributions	-	-	-
Net investment income	-	1,896,351	(1,896,351)
Benefit payments	(622,425)	(622,425)	-
Administrative expense	-	(12,568)	12,568
Net changes	1,586,654	1,883,783	(297,129)
Balances as of 6/30/19	$ 25,804,494	$ 26,199,041	$ (394,547)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Health Care Cost Trend Rates: The net OPEB liability (asset) of the Airport Authority has been calculated using a discount rate of 6.75 percent. The following presents the net OPEB liability (asset) using a discount rate 1.00 percent higher and 1.00 percent lower than the current discount rate.

	1% Decrease 7.75%	Current Rate 6.75%	1% Increase 7.75%
Net OPEB liability (asset)	$ 1,580,429	$ (2,136,494)	$ (5,195,525)

The net OPEB liability (asset) of the Airport Authority has been calculated using health care cost trend rates of 7.25 percent decreasing to 4.00 percent in 2076 and thereafter for non-Medicare and 6.30 percent decreasing to 4.00 percent in 2076 for Medicare. The following presents the net OPEB liability (asset) using health care cost trend rates 1.00 percent higher and 1.00 percent lower than the current health care cost trend rates.

	1% Decrease	Trend Rate	1% Increase
Net OPEB liability (asset)	$ (5,355,870)	$ (2,136,494)	$ 1,787,127

Note 9. Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB: For the years ended June 30, 2020 and 2019, the Airport Authority recognized OPEB expense, as measured in accordance with GASB Statement No. 75, of $71,854 and $436,990, respectively, and reported deferred inflows of resources and deferred outflows of resources related to the OPEB from the following sources:

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

For June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	$ -	$ 507,578
Changes in assumptions	475,260	-
Employer contributions subsequent to June 30, 2018 measurement date	603,003	-
Total	$ 1,078,263	$ 507,578

The deferred outflows of resources at June 30, 2020 related to OPEB resulting from Airport Authority contributions subsequent the measurement date and prior to year-end will be recognized as an addition to the net OPEB asset at June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2020, related to the OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	Amount
2021	$ (359,347)
2022	(359,348)
2023	(331,808)
2024	(20,391)
Total	$ (1,070,894)

Note 10. Risk Management

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

Commercially issued insurance:

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

Self-insurance: Due to the exorbitant cost of earthquake insurance, the Airport Authority self-insures for losses due to earthquake damage. Effective July 1, 2007, the Airport Authority removed the purchase of commercial earthquake insurance from the Risk Management Program and increased reliance on the laws designed to assist public entities through the Federal Emergency Management Agency and the *California Disaster Assistance Act*. As of June 30, 2020 and 2019, the Airport Authority has designated $11,685,954 and $10,967,958, respectively, from its net position, as an insurance contingency.

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

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

During fiscal year 2020, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

Note 11. Disclosures About Fair Value of Assets

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

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

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

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

Notes to Financial Statements
June 30, 2020 and 2019

Note 11. Disclosures About Fair Value of Assets (Continued)

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at the fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

June 30, 2020	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Treasury obligations	$ 152,277,193	$ 152,277,193	$ -	$ -
U.S. agency securities	153,968,011	-	153,968,011	-
Non-U.S Securities	9,810,036	9,810,036	-	-
Commercial paper	2,499,500	-	2,499,500	-
Negotiable certificates of deposit	8,028,440	-	8,028,440	-
Municipal bonds	5,176,600	-	5,176,600	-
Medium-term notes	64,883,112	-	64,883,112	-
Total investments by fair value level	396,642,892	$ 162,087,229	$ 234,555,663	$ -
Investments measured at amortized cost				
Money market mutual funds	17,435,951			
Non-negotiable certificate of deposit	16,271,235			
Investment measured at net asset value				
CalTrust Fund	16,362,863			
Local Agency Investment Fund	146,314,756			
San Diego County Investment Pool	293,587,647			
Total investments	$ 886,615,344			

June 30, 2019	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Treasury obligations	$ 115,560,531	$ 115,560,531	$ -	$ -
U.S. agency securities	134,911,223	-	134,911,223	-
Non-U.S Securities	12,613,036	12,613,036	-	-
Commercial paper	-	-	-	-
Negotiable certificates of deposit	18,751,263	-	18,751,263	-
Medium-term notes	66,605,516	-	66,605,516	-
Total investments by fair value level	348,441,569	$ 128,173,567	$ 220,268,002	$ -
Investment measured at amortized cost				
Money market mutual funds	81,861			
Non-negotiable certificate of deposit	15,920,692			
Investment measured at net asset value				
CalTrust Fund	15,952,044			
Local Agency Investment Fund	50,140,691			
San Diego County Investment Pool	211,235,432			
Total investments	$ 641,772,289			

Note 12. Lease Revenues

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

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

The Airport Authority finalized a new ten year AOLA effective July 1, 2019 through June 30, 2029. This new agreement is substantially similar to the expired agreement.

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

In April 2020, as enplanements dropped to 96 percent below prior year numbers, many shops and restaurants were forced to temporarily closed. The Airport Authority received numerous requests for rate relief from concessionaires and rental car companies. In response, in May 2020, the Board approved and authorized the President/CEO to execute agreements to provide abatement of certain rents and fees to qualifying concessionaires and rental car companies, for a period beginning April 1, 2020 and ending September 30, 2020. The waivers will total an estimated $13 million for terminal concessions and passenger services, and approximately $9 million for rental car companies. As of June 30, 2020, enplanements had recovered to 82 percent below April 2019, and there were 24 terminal food service and retail concession locations open.

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

Note 12. Lease Revenues (Continued)

The minimum future lease payments to be received under the Airport Authority's non-cancelable lease agreements, including known minimum escalations, as of June 30, 2020, are as follows:

Years Ending June 30,	Amount
2021	$ 32,439,999
2022	31,081,274
2023	28,198,218
2024	24,918,494
2025	18,230,922
2026-2030	79,542,914
2031-2035	86,379,616
2036-2040	94,499,472
2041-2045	104,143,316
2046-2050	68,946,492
2051-2055	724,440
2056-2060	724,440
2061-2065	724,440
2066-2070	507,108
	$ 571,061,145

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

Note 13. Lease Commitments

Operating Leases

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

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

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

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

Note 13. Lease Commitments (Continued)

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

Years Ending June 30,	Amount
2021	$ 10,176,660
2022	10,176,660
2023	10,176,660
2024	10,176,660
2025	10,176,660
2026-2030	50,883,300
2031-2035	50,883,300
2036-2040	50,883,300
2041-2045	50,883,300
2046-2050	50,883,300
2051-2055	50,883,300
2056-2060	50,883,300
2061-2065	50,883,300
2066-2068	35,618,310
	$ 493,568,010

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

	2020	2019
Rental payments made	**$ 10,207,066**	$ 10,190,910

Note 14. Commitments and Contingencies

Commitments: As of June 30, 2020 and 2019, the Airport Authority had significant commitments for capital expenditures and other matters as described below:

i. The Airport Authority has funds which have been classified as non-current assets, primarily for the unpaid contractual portion of capital projects that are currently in progress and will not be funded by grants or additional debt but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. At June 30, 2020 and 2019, these funds totaled approximately $ 29.7 million and $13.2 million, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.

Note 14. Commitments and Contingencies (Continued)

ii. Support services. As part of the MOU, services provided by the District Harbor Police are required to be purchased by the Airport Authority as long as SDIA continues to operate at the current location. At the time of the transfer, the Airport Authority entered into a Master Services Agreement, a Police Services Agreement and a Communications Services Agreement with the District, which described the services that the Airport Authority could purchase and the manner of calculating the payments for such services. The largest amount that became payable under any of these agreements is under the Police Services Agreement, which is for Harbor Police services. The District provides monthly billings to the Airport Authority, with payment generally due 30 days after the date of the invoice, and provision of appropriate supporting documentation. During the years ended June 30, 2020 and 2019, the Airport Authority expensed $19,435,429 and $19,291,981 respectively for these services.

iii. In fiscal year 2019, the Board approved two new contracts with Ace Parking Management Inc., for parking management services in the amount of $38 million and airport shuttle services in the amount of $45 million. As of June 30, 2020, $11.2 million has been spent for parking management services and $11.8 million for shuttle services.

iv. In fiscal year 2015, the Board approved a $29.2 million contract with SP Plus Corporation to transport rental car companies' customers between the Rental Car Center facility and the terminals. The contract scope also includes the operation, management and maintenance of the shuttle vehicles. In fiscal year 2016, the Board approved an additional $1.2 million. In fiscal year 2019 the Board approved an additional $14.6 million. As of June 30, 2020, $37 million had been spent and the contract is due to be completed in fiscal year 2021.

v. In fiscal year 2019, the Board approved a $19.5 million contract with AECOM Technical Services, Inc. for on call program management, staffing support and consulting services. In fiscal year 2020, the board approved an additional $134.8 million. As of June 30, 2020, $14.5 million has been spent and the contract is due to be completed in fiscal year 2024.

vi. In fiscal year 2017, the Board approved a $186.6 million contract with Turner-PCL, A Joint Venture for Terminal 2 West Federal Inspection Station build out. In fiscal year 2018 and 2019, the Board approved an additional $1.6 million and $5.3 million respectively. As of June 30, 2020, $186 million had been spent and the contract was completed in fiscal year 2020.

vii. In fiscal year 2019, the Board approved a $40.9 million contract with Granite Construction Company to provide a new hydrant fueling infrastructure on the north side of the runway. As of June 30, 2020, $29.5 million had been spent and is due to be completed in fiscal year 2021.

viii. In fiscal year 2019, the Board approved a $152.9 million contract with Sundt Construction, Inc. for the design and construction of Airport Support Facilities. As of June 30, 2020, $103.1 million had been spent and the contract is scheduled for completion in early fiscal year 2021.

ix. In fiscal year 2019, the Board approved a $11.7 million contract with Pacific Rim Mechanical for HVAC repair and maintenance services. As of June 30, 2020, $4.1 million had been spent and the contract is due to be completed in fiscal year 2021.

Note 14. Commitments and Contingencies (Continued)

x. In fiscal years 2012 thru 2018, the Board had approved a total of $9.4 million with Leighfisher for a SDIA development plan consultant. In fiscal year 2019 and 2020 the Board approved an additional $2.3 million and $800k. As of June 30, 2020, $11 million had been spent and the contract is due to be completed in fiscal year 2021.

xi. In fiscal year 2020, the Board approved a $35 million contract with Jacobs Engineering Group, Inc. to provide Airside-Landside Engineering consulting services. As of June 30, 2020, $1.5 million had been spent and the contract is due to be completed in fiscal year 2025.

xii. In fiscal year 2020, the Board approved a $2.45 million contract with Velocity Technology Solutions, Inc. to provide Oracle JD Edwards Enterpriseone hosting and management consulting services. As of June 30, 2020, $176 thousand has been spent and the contract is due to be completed in fiscal year 2023.

Contingencies: As of June 30, 2020, the Airport Authority is subject to contingencies arising from matters as described below:

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

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

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

Note 15. Subsequent Events

For the first quarter of fiscal year 2021, enplanements levels were 72 percent lower compared to the first quarter of fiscal year 2020. The profound decline in enplanements resulted in continued severe decline in sales for all Non-Airline Tenants, whose gross revenues continue to be 70 percent to 90 percent below prior year levels. To address the continued impact and provide significant relief of rents and fees, on October 26, 2020, Airport Authority management will forward the recommendation for Board approval to extend rent forbearance and abatement agreements mentioned in *Note 12*, as modified, to qualifying non-airline tenants for an additional three month period beginning October 1, 2020 and ending December 31, 2020. The Airport Authority intends to use funds from the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) to reimburse certain operating expenses and debt service in order to offset the financial impact.

On July 22, 2020, the Airport Authority filed a "Voluntary Statement Regarding Impacts of COVID-19" (Statement) relating to the Airport Authority Senior Revenue Bonds, Subordinate Revenue Bonds, and Special Facilities Revenue Bonds with the Municipal Securities Rule Making Board. The document describes some of the impacts that the COVID-19 pandemic has had, and will continue to have, on passenger traffic at San Diego International Airport and the Airport Authority's finances, and to describe some of the actions that the Airport Authority has taken, and is taking, in response to the pandemic.

Required Supplementary Information (Unaudited)
Fiscal Year Ended June 30, 2020

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

Defined Benefit Plan

	2020	2019	2018	2017	2016	2015
Total Pension Liability:						
Service cost	**$ 7,632,696**	$ 7,390,428	$ 6,996,180	$ 6,205,263	$ 6,154,579	$ 6,099,481
Interest (includes interest on service cost)	**13,355,418**	12,621,226	11,416,679	10,277,610	9,327,538	8,465,485
Differences between expected and actual experience	**(645,462)**	(2,630,285)	3,975,029	(2,178,527)	345,661	-
Effect of changes of assumptions	**-**	6,416,088	5,871,218	10,473,890	-	-
Benefit payments, including refunds of member contributions	**(6,429,659)**	(4,462,751)	(4,669,787)	(3,023,391)	(2,482,523)	(2,913,221)
Net change in total pension liability	**13,912,993**	19,334,706	23,589,319	21,754,845	13,345,255	11,651,745
Total pension liability - beginning	**204,875,918**	185,541,212	161,951,893	140,197,048	126,851,793	115,200,048
Total pension liability - ending	**$ 218,788,911**	$ 204,875,918	$ 185,541,212	$ 161,951,893	$ 140,197,048	$ 126,851,793
Plan Fiduciary Net Position:						
Contributions - employer	**$ 7,848,712**	$ 7,318,546	$ 5,480,984	$ 4,047,780	$ 3,897,545	$ 3,924,988
Contributions - employee	**3,178,464**	3,162,781	2,990,317	2,967,269	2,840,236	2,765,079
Net investment income	**12,086,349**	14,036,710	19,480,875	1,651,283	4,390,185	18,302,683
Benefit payments, including refunds of member contributions	**(6,429,659)**	(4,462,751)	(4,669,786)	(3,023,391)	(2,482,523)	(2,913,221)
Administrative expense	**(359,094)**	(350,408)	(325,042)	(318,817)	(332,290)	(332,645)
Net change in plan fiduciary net position	**16,324,772**	19,704,878	22,957,348	5,324,124	8,313,153	21,746,884
Plan fiduciary net position - beginning	**186,502,637**	166,797,759	143,840,411	138,516,287	130,203,134	108,456,250
Plan fiduciary net position - ending	**$ 202,827,409**	$ 186,502,637	$ 166,797,759	$ 143,840,411	$ 138,516,287	$ 130,203,134
Net pension liability (asset) - ending	**$ 15,961,502**	$ 18,373,281	$ 18,743,453	$ 18,111,482	$ 1,680,761	$ (3,351,341)
Plan fiduciary net position as a percentage of the total pension liability	**92.70%**	91.03%	89.90%	88.82%	98.80%	102.64%
Covered payroll	**$ 31,584,841**	$ 31,628,301	$ 31,131,795	$ 29,189,357	$ 27,955,455	$ 26,380,323
Net pension liability as a percentage of covered payroll	**50.54%**	58.09%	60.21%	62.05%	6.01%	(12.70%)

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

Notes to Financial Statements
June 30, 2020 and 2019

Required Supplementary Information (Unaudited)
Fiscal Year Ended June 30, 2020

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

Defined Benefit Plan

	2020	2019	2018	2017	2016
Actuarially determined contribution	**$ 6,159**	$ 5,740	$ 5,416	$ 3,765	$ 3,666
Contributions in relation to the actuarially determined contribution	**8,424**	7,848	7,247	5,421	3,948
Contribution deficiency (excess)	**$ (2,265)**	$ (2,108)	$ (1,831)	$ (1,656)	$ (282)
Covered payroll	**$ 33,091**	$ 31,864	$ 30,848	$ 31,506	$ 29,189
Contributions as a percentage of covered payroll	**25.46%**	24.63%	23.49%	17.21%	13.53%

	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 3,823	$ 2,900	$ 2,600	$ 3,800	$ 4,300
Contributions in relation to the actuarially determined contribution	3,823	3,728	2,600	3,800	4,300
Contribution deficiency (excess)	$ -	$ (828)	$ -	$ -	$ -
Covered payroll	$ 27,955	$ 26,380	$ 24,840	$ 25,148	$ 25,596
Contributions as a percentage of covered payroll	13.68%	14.13%	10.47%	15.11%	16.80%

* This schedule is presented for the fiscal year.

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Notes to Financial Statements
June 30, 2020 and 2019

Required Supplementary Information (Unaudited)
Fiscal Year Ended June 30, 2020

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

Preservation of Benefits Trust Plan

	2020	2019	2018	2017
Total Pension Liability				
Service cost	**$ 49,343**	$ 51,774	$ 60,994	$ 29,270
Interest cost	**64,133**	53,311	35,323	34,173
Differences between expected and actual experience	**(64,295)**	193,013	388,329	-
Changes of assumptions	**109,070**	(89,712)	(214,765)	272,579
Benefit Payments	**(47,081)**	(31,329)	-	-
Net Change in Total Pension Liability	**111,170**	177,057	269,881	336,022
Total pension liability -beginning	**1,656,062**	1,479,005	1,209,124	873,102
Total pension liability - ending	**$ 1,767,232**	$ 1,656,062	$ 1,479,005	$ 1,209,124
Covered payroll	**31,584,841**	31,628,301	31,131,795	29,189,357
Total Pension Liability as a percentage of covered payroll	**5.6%**	5.2%	4.8%	4.1%

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

Required Supplementary Information (Unaudited)
Fiscal Year Ended June 30, 2020

Schedule of Contributions (Pensions), Last 10 Fiscal Years:

Preservation of Benefits Trust Plan

	2020	2019	2018
Actuarially determined contribution	**$ -**	$ -	$ -
Contributions in relation to the actuarially determined contribution	**41,249**	45,353	56,513
Contribution deficiency (excess)	**$ (41,249)**	$ (45,353)	$ (56,513)
Covered payroll	**$ 33,090,880**	$ 31,584,841	$ 31,628,301
Contributions as a percentage of covered payroll	**0.12%**	0.14%	0.18%

*** This schedule is presented for the fiscal year.**

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

Required Supplementary Information (Unaudited)
Fiscal Year Ended June 30, 2020

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

Other Postemployment Benefits

	2020	2019	2018
Total OPEB Liability			
Service Cost	$ 449,596	$ 436,501	$ 411,052
Interest Cost	1,883,080	1,772,578	1,606,959
Difference between expected and actual experience	(169,582)	-	-
Changes of Assumptions	(1,531,369)	-	766,830
Benefit Payments	(775,225)	(622,425)	(451,189)
Net Change in Total OPEB Liability	(143,500)	1,586,654	2,333,652
Total OPEB Liability (Beginning)	25,804,494	24,217,840	21,884,188
Total OPEB Liability (Ending)	$ 25,660,994	$ 25,804,494	$ 24,217,840
Plan Fiduciary Net Position			
Contributions—Employer	$ 775,225	$ 622,425	$ 2,012,419
Net Investment Income	1,604,058	1,896,351	2,175,582
Benefit Payments	(775,225)	(622,425)	(451,189)
Administrative Expense	(5,611)	(12,568)	(10,578)
Net Change in Plan Fiduciary Net Position	1,598,447	1,883,783	3,726,234
Plan Fiduciary Net Position (Beginning)	26,199,041	24,315,258	20,589,024
Plan Fiduciary Net Position (Ending)	$ 27,797,488	$ 26,199,041	$ 24,315,258
Net OPEB Asset	(2,136,494)	(394,547)	(97,418)
Net Position as a Percentage of OPEB Liability	108.33%	101.53%	100.40%
Covered Payroll	14,608,940	16,625,857	16,141,609
Net OPEB Liability as a Percentage of Covered Payroll	(14.62%)	(2.37%)	(0.60%)

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

Required Supplementary Information (Unaudited)
Fiscal Year Ended June 30, 2020

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

Other Postemployment Benefits

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

* This schedule is presented for the fiscal year.

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

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APPENDIX C-1

CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Official Statement including the summaries of the Master Senior Indenture, the Master Subordinate Indenture and the Ninth Supplemental Subordinate Indenture found in Appendices C-2, C-3 and C-4, respectively.

"*Account*" means any account established pursuant to the Master Senior Indenture or any Supplemental Senior Indenture or Master Subordinate Indenture or any Supplemental Subordinate Indenture, as the case may be.

"*Accreted Value*" means

(a) with respect to any Capital Appreciation Senior Bonds or Capital Appreciation Subordinate Obligations, as the case may be, as of any date of calculation, the sum of the amount set forth in a Supplemental Senior Indenture or a Supplemental Subordinate Indenture, as the case may be, as the amount representing the initial principal amount of such Capital Appreciation Senior Bond or Capital Appreciation Subordinate Obligation, as the case may be, plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or

(b) with respect to Original Issue Discount Senior Bonds or Original Issue Discount Subordinate Obligations, as the case may be, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Senior Bonds or Original Issue Discount Subordinate Obligations, as the case may be, plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value will be determined in accordance with the provisions of the Supplemental Senior Indenture or the Supplemental Subordinate Indenture, as the case may be. authorizing the issuance of such Capital Appreciation Senior Bonds or Original Issue Discount Senior Bonds or Capital Appreciation Subordinate Obligations or Original Issue Discount Subordinate Obligations, as the case may be. All references in the Master Senior Indenture or the Master Subordinate Indenture to "principal" will include Accreted Value, as applicable.

"*Act*" means Section 170000 *et seq*. of the California Public Utilities Code, as amended from time to time.

"*Airport Authority*" or "*Authority*" means the San Diego County Regional Airport Authority, created under the provisions of the Act, and any successor to its function. Any action required or authorized to be taken by the Airport Authority in the Master Senior Indenture or the Master Subordinate Indenture, as the case may be, may be taken by the Authorized Authority Representative with such formal approvals by the Airport Authority as are required by the policies and practices of the Airport Authority and applicable laws; provided, however, that actions taken by the Authorized Authority Representative in accordance with the provisions of the Master Senior Indenture or the Master Subordinate Indenture, as the case may be, will conclusively be deemed by the Senior Trustee or the Subordinate Trustee, as the case may be, and the Owners to be the act of the Airport Authority without further evidence of the authorization thereof by the Airport Authority.

"*Airport Facilities*" or "*Airport Facility*" means a facility or group of facilities or category of facilities which constitute or are part of the Airport System.

"*Airport System*" means all airports, airport sites, and all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce under the jurisdiction and control of the Airport Authority, including San Diego International Airport (Lindbergh Field), and any successor entities thereto, including all facilities and property related thereto, real or personal, under the jurisdiction or control of the Airport Authority or in which the Airport Authority has other rights or from which the Airport Authority derives revenues at such location; and including or excluding, as the case may be, such property as the Airport Authority may either acquire or which will be placed under its control, or divest or have removed from its control.

"*Authorized Authority Representative*" means the President/CEO of the Airport Authority (previously known as the Executive Director of the Airport Authority), or such other officer or employee of the Airport Authority or other person which other officer, employee or person has been designated by the President/CEO as an Authorized Authority Representative by written notice delivered by the President/CEO to the Senior Trustee or the Subordinate Trustee, as the case may be.

"*Authorized Denominations*" means $5,000 principal amount and integral multiples thereof.

"*Balloon Indebtedness*" means, with respect to any Series of Senior Bonds or Subordinate Obligations, as the case may be, 50% or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Senior Bonds or Subordinate Obligations, as the case may be, of a Series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such Series which matures during any Fiscal Year. For purposes of this definition, the principal amount maturing on any date will be reduced by the amount of such Senior Bonds or Subordinate Obligations, as the case may be, scheduled to be amortized by prepayment or redemption prior to their stated maturity date. A Senior Commercial Paper Program and the Commercial Paper constituting part of such Senior Program will not be Balloon Indebtedness. A Subordinate Commercial Paper Program and the Commercial Paper constituting part of such Subordinate Program will not be Balloon Indebtedness.

"*Beneficial Owner*" means, whenever used with respect to a Senior Bond or a Subordinate Obligation, as the case may be, the person in whose name such Senior Bond or Subordinate Obligation, as the case may be, is recorded as the beneficial owner of such Senior Bond or Subordinate Obligation, as the case may be, by a Participant on the records of such Participant or such person's subrogee.

"*Board*" means the board of directors of the Airport Authority established pursuant to the provisions of the Act.

"*Bond Counsel*" means a firm or firms of attorneys which are nationally recognized as experts in the area of municipal finance and which are familiar with the transactions contemplated under the Master Senior Indenture or the Master Subordinate Indenture, as the case may be, and which are acceptable to the Airport Authority.

"*Bondholder*," "*Holder*," "*holder*," "*Owner*," "*owner*" or "*registered owner*" means

(a) the person in whose name any Senior Bond or Senior Bonds are registered on the books maintained by the Senior Registrar and will include any Credit Provider or Liquidity Provider to which a Senior Repayment Obligation is then owed, to the extent that such Senior Repayment Obligation is deemed to be a Senior Bond under the provisions of the Master Senior Indenture; and

(b) the person in whose name any Subordinate Obligation or Subordinate Obligations are registered on the books maintained by the Subordinate Registrar and will include any Credit Provider or Liquidity Provider to which a Subordinate Repayment Obligation is then owed, to the extent that such Subordinate Repayment Obligation is deemed to be a Subordinate Obligation under the provisions of the Master Subordinate Indenture.

"*Business Day*" means a day on which banks located in New York, New York, in San Diego, California, and in the city in which the principal corporate trust office of the Senior Trustee or the Subordinate Trustee, as the case may be, is located are open, provided that such term may have a different meaning for any specified Series of Senior Bonds if so provided by Supplemental Senior Indenture or any specified Series of Subordinate Obligations if so provided by Supplemental Subordinate Indenture.

"*Capital Appreciation Senior Bonds*" means Senior Bonds all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Senior Indenture and is payable only upon redemption or on the maturity date of such Senior Bonds. Senior Bonds which are issued as Capital Appreciation Senior Bonds, but later convert to Senior Bonds on which interest is paid periodically will be Capital Appreciation Senior Bonds until the conversion date and from and after such conversion date will no longer be Capital Appreciation Senior Bonds, but will be treated as having a principal amount equal to their Accreted Value on the conversion date.

"*Capital Appreciation Subordinate Obligations*" means Subordinate Obligations all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Subordinate Indenture and is payable only upon redemption or on the maturity date of such Subordinate Obligations. Subordinate Obligations which are issued as Capital Appreciation Subordinate Obligations, but later convert to Subordinate Obligations on which interest is paid periodically will be Capital Appreciation Subordinate Obligations until the conversion date and from and after such conversion date will no longer be Capital Appreciation Subordinate Obligations, but will be treated as having a principal amount equal to their Accreted Value on the conversion date.

"*Code*" means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

"*Commercial Paper*" means notes of the Airport Authority with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time pursuant to a Senior Program or a Subordinate Program, as the case may be, adopted by the Airport Authority.

"*Consultant*" means any Independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, financial advisory or investment banking firm, or other expert recognized to be well-qualified for work of the character required and retained by the Airport Authority to perform acts and carry out the duties provided for such consultant in the Master Senior Indenture or the Master Subordinate Indenture, as the case may be.

"*Costs*" or "*Costs of a Project*" means all costs of planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and will include, but not be limited to the following: (a) costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (b) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (c) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the Airport Authority or a Consultant; (d) costs of the Airport Authority properly allocated to a Project and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (e) financing expenses, including costs related to issuance of and securing of Senior Bonds and Subordinate Obligations, costs of Credit Facilities, Liquidity Facilities, Senior Capitalized Interest, Subordinate Capitalized Interest, a Senior Debt Service Reserve Fund, if any, a Subordinate Debt Service Reserve Fund, if any, Senior Trustee's fees and expenses and Subordinate Trustee's fees and expenses; (f) any Senior Swap Termination Payment due in connection with a Series of Senior Bonds or the failure to issue such Series of Senior Bonds, (g) Subordinate Swap Termination Payments due in connection with a Series of Subordinate Obligations or the failure to issue such Series of Subordinate Obligations, and (h) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the Airport Authority.

"*Costs of Issuance*" means all costs and expenses incurred by the Airport Authority in connection with the issuance of the Subordinate Series 2021 Bonds, including, but not limited to, costs and expenses of printing and copying documents, the preliminary and final official statements and the Subordinate Series 2021 Bonds, underwriters' compensation and the fees, costs and expenses of rating agencies, the Subordinate Trustee, counsel, accountants, financial advisors, feasibility consultants and other consultants.

"*Credit Facility*" means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, Senior Debt Service Reserve Fund Surety Policy, Subordinate Debt Service Reserve Fund Surety Policy or other financial instrument which obligates a third party to make payment of or provide funds to the Senior Trustee or the Subordinate Trustee, as the case may be, for the payment of the principal of and/or interest on Senior Bonds or Subordinate Obligations, as the case may be, whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the Airport Authority fails to do so.

"*Credit Provider*" means the party obligated to make payment of principal of and/or interest on the Senior Bonds or the Subordinate Obligations, as the case may be, under a Credit Facility.

"*Customer Facility Charge*" means a customer facility charge authorized to be imposed by the Airport Authority in accordance with Section 1936 of the California Civil Code or any other applicable State law.

"*DTC*" means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"*Eighth Supplemental Subordinate Indenture*" means the Eighth Supplemental Subordinate Trust Indenture, dated as of July 1, 2021, by and between the Airport Authority and the Subordinate Trustee.

"*Executive Director*" means the person at a given time who is the executive director of the Airport Authority, as provided for in the Act, or such other title as the Airport Authority may from time to time assign for such position, including, but not limited to President/CEO, and the officer or officers succeeding to such position as certified to the Senior Trustee or the Subordinate Trustee, as the case may be, by the Airport Authority.

"*Facilities Construction Credit*" and "*Facilities Construction Credits*" means the amounts further described in the Master Senior Indenture resulting from an arrangement embodied in a written agreement of the Airport Authority and another person or entity pursuant to which the Airport Authority permits such person or entity to make a payment or payments to the Airport Authority which is reduced by the amount owed by the Airport Authority to such person or entity under such agreement, resulting in a net payment to the Airport Authority by such person or entity. The "Facilities Construction Credit" will be deemed to be the amount owed by the Airport Authority under such agreement which is "netted" against the payment of such person or entity to the Airport Authority. Facilities Construction Credits are sometimes referred to as "rental credits."

"*Federal Direct Payments*" means amounts payable by the federal government to the Airport Authority pursuant to Sections 54AA and 6431 of the Code, and any amendments thereto, in connection with the Airport Authority's issuance of Senior Bonds or Subordinate Obligations, in lieu of any credit otherwise available to the bondholders of such Senior Bonds or Subordinate Obligations.

"*Fiscal Year*" means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other similar period as the Airport Authority designates as its fiscal year.

"*Fitch*" means Fitch Ratings, its successors and its assigns, and, if such corporation will for any reason no longer perform the functions of a securities rating agency, "Fitch" will be deemed to refer to any nationally recognized rating agency designated by the Airport Authority.

"*Fund*" means any fund established pursuant to the Master Senior Indenture or any Supplemental Senior Indenture or Master Subordinate Indenture or any Supplemental Subordinate Indenture, as the case may be.

"*General Counsel*" means the in-house general counsel to the Airport Authority who is responsible for representing the Airport Authority on legal matters.

"*Government Obligations*" means (a) United States Obligations (including obligations issued or held in book-entry form), (b) prerefunded municipal obligations meeting the following conditions: (i) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (ii) the municipal obligations are secured by cash and/or United States Obligations, which United States Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (iii) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (iv) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (v) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (vi) the municipal obligations are rated in their highest rating category by one or more of the Rating Agencies, but only if such Rating Agencies have been requested by the Airport Authority to maintain a rating on the Senior Bonds or the Subordinate Obligations, as the case may be, and such Rating Agencies are then maintaining a rating on any of the Senior Bonds or the Subordinate Obligations, as the case may be; and (c) any other type of security or obligation which the Rating Agencies then maintaining ratings on the Senior Bonds or the Subordinate Obligations, as the case may be, to be defeased have determined to be permitted defeasance securities.

"*Implemented*" means,

(a) when used with respect to a Senior Program, a Senior Program which has been authorized and the terms thereof approved by a resolution adopted by the Board and, with respect to which Senior Program, the items described the Master Senior Indenture have been filed with the Senior Trustee; and

(b) when used with respect to a Subordinate Program, a Subordinate Program which has been authorized and the terms thereof approved by a resolution adopted by the Board and, with respect to which Subordinate Program, the items described the Master Subordinate Indenture have been filed with the Subordinate Trustee.

"*Independent*" means, when used with respect to any specified firm or individual, such a firm or individual who (a) does not have any direct financial interest or any material indirect financial interest in the operations of the Airport Authority, other than the payment to be received under a contract for services to be performed, and (b) is not connected with the Airport Authority as an official, officer or employee.

"*Liquidity Facility*" means a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Senior Bonds or Subordinate Obligations, as the case may be.

"*Liquidity Provider*" means the entity, including a Credit Provider, which is obligated to provide funds to purchase Senior Bonds or Subordinate Obligations, as the case may be, under the terms of a Liquidity Facility.

"*Mail*" means by first-class United States mail, postage prepaid.

"*Master Senior Indenture*" means the Master Trust Indenture, dated as of November 1, 2005, as amended from time to time, by and between the Airport Authority and the Senior Trustee, together with all amendments thereto.

"*Master Subordinate Indenture*" means the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended from time to time, between the Airport Authority and the Subordinate Trustee under which the Subordinate Series 2017 Bonds are authorized and secured.

"*Moody's*" means Moody's Investors Service Inc., its successors and its assigns, and, if such corporation will for any reason no longer perform the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized rating agency designated by the Airport Authority.

"*Net Proceeds*" means insurance proceeds received as a result of damage to or destruction of Airport Facilities or any condemnation award or amounts received by the Airport Authority from the sale of Airport Facilities under the threat of condemnation less expenses (including attorneys' fees and expenses and any fees and expenses of the Senior Trustee or the Subordinate Trustee, as the case may be) incurred in the collection of such proceeds or award.

"*Net Revenues*" means, for any given period, the Revenues for such period, less the Operation and Maintenance Expenses of the Airport System for such period.

"*Ninth Supplemental Subordinate Indenture*" means the Ninth Supplemental Subordinate Trust Indenture, to be dated as of December 1, 2021, by and between the Airport Authority and the Subordinate Trustee and which, among other things, sets forth the terms of the Subordinate Series 2021 Bonds.

"*Operation and Maintenance Expenses of the Airport System*" means for any given period, the total operation and maintenance expenses of the Airport System as determined in accordance with generally accepted accounting principles as in effect from time to time, excluding depreciation expense and any operation and maintenance expenses of the Airport System payable from moneys other than Revenues (including, but not limited to, any non-cash items that are required to be treated as operation and maintenance expenses of the Airport System in accordance with generally accepted accounting principles).

"*Operation and Maintenance Reserve Subaccount*" mean the "Operation and Maintenance Reserve Subaccount" created by the Airport Authority within the Revenue Account pursuant to the provisions of the Master Senior Indenture.

"*Operation and Maintenance Reserve Subaccount Requirement*" means, as of any date of calculation, an amount equal to one-fourth of the current annual budget of the Airport Authority for Operation and Maintenance Expenses of the Airport System or such higher amount as may be established by the Airport Authority from time to time.

"*Operation and Maintenance Subaccount*" means the "Operation and Maintenance Subaccount" created by the Airport Authority within the Revenue Account pursuant to the provisions of the Master Senior Indenture.

"*Original Issue Discount Senior Bonds*" means Senior Bonds which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Senior Bonds by the Supplemental Senior Indenture under which such Senior Bonds are issued.

"*Original Issue Discount Subordinate Obligations*" means Subordinate Obligations which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Subordinate Obligations by the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued.

"*Outstanding*" means:

(1) when used with respect to Senior Bonds means all Senior Bonds which have been authenticated and delivered under the Master Senior Indenture, except:

(a) Senior Bonds cancelled or purchased by the Senior Trustee for cancellation or delivered to or acquired by the Senior Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) Senior Bonds deemed to be paid in accordance with the Master Senior Indenture;

(c) Senior Bonds in lieu of which other Senior Bonds have been authenticated under the provisions of the Master Senior Indenture;

(d) Senior Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Senior Trustee or a Senior Paying Agent;

(e) Senior Bonds which, under the terms of the Supplemental Senior Indenture pursuant to which they were issued, are deemed to be no longer Outstanding;

(f) Senior Repayment Obligations deemed to be Senior Bonds under the Master Senior Indenture to the extent such Senior Repayment Obligation arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Senior Bonds acquired by the Liquidity Provider; and

(g) for purposes of any consent or other action to be taken by the holders of a specified percentage of Senior Bonds under the Master Senior Indenture, Senior Bonds held by or for the account of the Airport Authority or by any person controlling, controlled by or under common control with the Airport Authority, unless such Senior Bonds are pledged to secure a debt to an unrelated party.

(2) when used with respect to Subordinate Obligations means all Subordinate Obligations which have been authenticated and delivered under the Master Subordinate Indenture, except:

(a) Subordinate Obligations cancelled or purchased by the Subordinate Trustee for cancellation or delivered to or acquired by the Subordinate Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) Subordinate Obligations deemed to be paid in accordance with the Master Subordinate Indenture;

(c) Subordinate Obligations in lieu of which other Subordinate Obligations have been authenticated under the Master Subordinate Indenture;

(d) Subordinate Obligations that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Subordinate Trustee or a Subordinate Paying Agent;

(e) Subordinate Obligations which, under the terms of the Supplemental Subordinate Indenture pursuant to which they were issued, are deemed to be no longer outstanding;

(f) Subordinate Repayment Obligations deemed to be Subordinate Obligations under the Master Subordinate Indenture to the extent such Subordinate Repayment Obligation arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Subordinate Obligations acquired by the Liquidity Provider; and

(g) for purposes of any consent or other action to be taken by the holders of a specified percentage of Subordinate Obligations under the Master Subordinate Indenture, Subordinate Obligations held by or for the account of the Airport Authority or by any person controlling, controlled by or under common control with the Airport Authority, unless such Subordinate Obligations are pledged to secure a debt to an unrelated party.

"*Participants*" means the participants of DTC which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

"*Passenger Facility Charges*" means charges received and collected by the Airport Authority pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990 and 14 CFR Part 158, as amended from time to time, in respect of any component of the Airport System and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

"*Payment Date*" means, with respect to any Senior Bonds or Subordinate Obligations, as the case may be, each date on which interest is due and payable thereon and each date on which principal is due and payable thereon whether by maturity or redemption thereof.

"*President/CEO*" means the person at a given time who is the President and CEO of the Airport Authority, as provided for in the Act, or such other title as the Airport Authority may from time to time assign for such position, including, but not limited to Executive Director, and the officer or officers succeeding to such position as certified to the Senior Trustee or the Subordinate Trustee, as the case may be, by the Airport Authority.

"*Project*" means any and all facilities, improvements and other expenditures related to the Airport System financed in whole or in part with proceeds of a Series of Senior Bonds or Subordinate Obligations.

"*Rating Agency*" and "*Rating Agencies*" means Fitch or Moody's or S&P, or any other nationally recognized rating agency of municipal obligations, but only if such Rating Agencies have been requested by the Airport Authority to maintain a rating on the Senior Bonds or the Subordinate Obligations, as the case may be, and such Rating Agencies are then maintaining a rating on any of the Senior Bonds or Subordinate Obligations, as the case may be.

"*Rating Category*" and "*Rating Categories*" means (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.

"*Record Date*" means, (a) with respect to any Series of Senior Bonds, the record date as specified in the Supplemental Senior Indenture which provides for the issuance of such Series; (b) for purposes of the Master Subordinate Indenture and with respect to any Series of Subordinate Obligations, the record date as specified in the Supplemental Subordinate Indenture which provides for the issuance of such Series; and (c) for purposes of the Ninth Supplemental Subordinate Indenture, for a January 1 Interest Payment Date the preceding December 15 and for a July 1 Interest Payment Date the preceding June 15.

"*Refunding Senior Bonds*" means any Senior Bonds issued pursuant to the Master Senior Indenture to refund or defease all or a portion of any series of Outstanding Senior Bonds.

"*Refunding Subordinate Obligations*" means any Subordinate Obligations issued pursuant to the Master Subordinate Indenture to refund or defease all or a portion of any series of Outstanding Subordinate Obligations.

"*Regularly Scheduled Swap Payments*" means the regularly scheduled payments under the terms of a Swap which are due absent any termination, default or dispute in connection with such Swap.

"*Released Revenues*" means Revenues in respect of which the following have been filed with the Senior Trustee:

(a) a resolution of the Board describing a specific identifiable portion of Revenues and approving that such Revenues be excluded from the term Revenues;

(b) either (i) a certificate prepared by an Authorized Authority Representative showing that Net Revenues for each of the two most recent completed Fiscal Years, after the specific identifiable portion of Revenues covered by the Board's resolution described in (a) above are excluded, were at least equal to the larger of (A) the amounts needed for making the required deposits and payments pursuant to the flow of funds set forth in the Master Senior Indenture (see "SECURITY OF SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS—Flow of Funds" in the forepart of this Official Statement), or (B) an amount not less than

150% of average Senior Aggregate Annual Debt Service for each Fiscal Year during the remaining term of all Senior Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of Revenues; or (ii) a certificate prepared by a Consultant showing that the estimated Net Revenues (excluding the specific identifiable portion of Revenues covered in the resolution adopted by the Board described in (a) above) for each of the first three complete Fiscal Years immediately following the Fiscal Year in which the resolution described in (a) above is adopted by the Board, will not be less than the larger of (A) the amounts needed for making the required deposits and payments pursuant to the flow of funds set forth in the Master Senior Indenture (see "SECURITY OF SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS—Flow of Funds" in the forepart of this Official Statement), or (B) an amount not less than 150% of the average Senior Aggregate Annual Debt Service for each Fiscal Year during the remaining term of all Senior Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of Revenues;

(c) an opinion of Bond Counsel to the effect that the exclusion of such specific identifiable portion of revenues from the definition of Revenues and from the pledge and lien of the Master Senior Indenture will not, in and of itself, cause the interest on any Outstanding Senior Bonds to be included in gross income for purposes of federal income tax; and

(d) written confirmation from each of Fitch, Moody's and S&P (provided such Rating Agencies have been requested by the Airport Authority to maintain a rating on the Senior Bonds and such Rating Agencies are then maintaining a rating on any of the Senior Bonds) to the effect that the exclusion of such specific identifiable portion of Revenues from the pledge and lien of the Master Senior Indenture will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Senior Bonds.

Upon filing of such documents, the specific identifiable portion of Revenues described in the resolution of the Board will no longer be included in Revenues and will be excluded from the pledge and lien of the Master Senior Indenture, unless otherwise included in Revenues and in the pledge and lien of the Master Senior Indenture pursuant to a Supplemental Senior Indenture.

"*Renewal and Replacement Subaccount*" means the "Renewal and Replacement Subaccount" created by the Airport Authority within the Revenue Account pursuant to the Master Senior Indenture.

"*Renewal and Replacement Subaccount Requirement*" means, as of any date of calculation, such minimum amount as will be established by the Airport Authority from time to time.

"*Revenue Account*" means the "Revenue Account" created by the Airport Authority within the Revenue Fund pursuant to the provisions of the Master Senior Indenture.

"*Revenue Fund*" means the "San Diego County Regional Airport Authority Revenue Fund" established by the Airport Authority and held and maintained by the Airport Authority for the purpose of depositing all Revenues and other moneys and funds not included in Revenues.

"*Revenues*" means, except to the extent specifically excluded herefrom, all income, receipts, earnings and revenues received by the Airport Authority from the operation and ownership of the Airport System, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to, (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the Airport Authority for the use or availability of the Airport System, and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Airport Authority, including rental or business interruption insurance proceeds, received by, held by, accrued to or entitled to be received by the Airport Authority or any successor thereto from the possession, management, charge, superintendence and control of the Airport System and its related facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the Airport Authority receives payments which are attributable to the Airport System or activities or undertakings related thereto. Additionally, "Revenues" will also include amounts received from tenants representing the principal portion of payments received pursuant to certain self-liquidating lease agreements, all income, receipts and earnings (except any earning allowed to be pledged by the terms of a Supplemental Senior Indenture to fund the Senior Construction Fund) from the investment of amounts held in the Revenue Account, any Senior or Subordinate Construction Fund, any Senior or Subordinate Debt Service Fund (except Senior or Subordinate Capitalized Interest, as the case may be, on deposit therein), any Senior Debt Service Reserve Fund, any Subordinate Debt Service Reserve Fund and such additional revenues, if any, as are designated as "Revenues" under the terms of any Supplemental Senior Indenture. The following, including any investment earnings thereon, are specifically excluded from Revenues: (i) any amounts received by the Airport Authority from the imposition of ad valorem taxes, (ii) gifts, grants and other income (including any investment earnings thereon) otherwise included in this definition of "Revenues" which are restricted by their terms to purposes inconsistent with the payment of debt service on the Senior Bonds, (iii) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds is restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Senior Bonds (except to the extent Net Proceeds are utilized to pay Operation and Maintenance Expenses of the Airport System), and (iv) Special Facilities Revenue (to the extent there is no excess Special Facilities Revenue as described in the Master Senior Indenture). In addition, the following, including any investment earnings thereon, are specifically excluded from "Revenues," unless designated as "Revenues" under the terms of a Supplemental Senior Indenture or pursuant to a certificate of an Authorized Authority Representative: (A) any Senior or Subordinate Swap Termination Payments paid to the Airport Authority pursuant to a Senior Qualified Swap or a Subordinate Qualified Swap, as the case may be, (B) Facilities Construction Credits, (C) Passenger Facility Charges, (D) Released Revenues, (E) subject to (ii) in the previous sentence, grants and other charges authorized on or after the date of the Master Senior Indenture by federal and/or State laws or regulations to be assessed to fund specific programs at the Airport System, (F) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Senior Bonds or Subordinate Obligations, as the case may be, (G) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code, (H) Senior or Subordinate Capitalized Interest, (I) Customer Facility Charges, and (J) Federal Direct Payments. Further, interest earnings or other investment earnings on any Senior or Subordinate Construction Fund established by any Supplemental Senior Indenture or Supplemental Subordinate Indenture, as the case may be, are specifically excluded from "Revenues," unless otherwise provided for in such Supplemental Senior Indenture or Supplemental Subordinate Indenture, as the case may be.

"*Second Supplemental Subordinate Indenture*" means the Second Supplemental Subordinate Trust Indenture, dated as of October 1, 2010, by and between the Airport Authority and the Subordinate Trustee.

"*Senior Aggregate Annual Debt Service*" means for any Fiscal Year the aggregate amount of Senior Annual Debt Service on all Outstanding Senior Bonds and Unissued Senior Program Bonds. For purposes of calculating Senior Aggregate Annual Debt Service, the following components of debt service will be computed as follows:

(a) in determining the amount of principal to be funded in each year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Senior Bonds and Unissued Senior Program Bonds in accordance with any amortization schedule established by the governing documents setting forth the terms of such Senior Bonds, including, as a principal payment, the

Accreted Value of any Capital Appreciation Senior Bonds or Original Issue Discount Senior Bonds maturing or scheduled for redemption in such year; in determining the amount of interest to be funded in each year, interest payable at a fixed rate will (except to the extent subsection (b), (c) or (d) of this definition applies) be assumed to be made at such fixed rate and on the required funding dates; provided, however, that interest payable on the Senior Bonds will be excluded to the extent such payments are to be paid from Senior Capitalized Interest for such Fiscal Year;

(b) if all or any portion or portions of an Outstanding Series of Senior Bonds, or Unissued Senior Program Bonds constitute Balloon Indebtedness (excluding Senior Program Bonds or Unissued Senior Program Bonds to which subsection (f) applies), then, for purposes of determining Senior Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness will, unless otherwise provided in the Supplemental Senior Indenture pursuant to which such Balloon Indebtedness is issued or unless provision (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service funding payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than 30 years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation will 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 Airport Authority, or if the Airport Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed rate Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Senior Bonds, Unissued Senior Program Bonds or Senior Program Bonds only a portion of which constitutes Balloon Indebtedness, the remaining portion will be treated as described in (a) above or such other provision of this definition as will be applicable and, with respect to any Series, Unissued Senior Program Bonds or Senior Program Bonds or that portion of a Series thereof which constitutes Balloon Indebtedness, all funding requirements of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness will be treated as described in (a) above or such other provision of this definition as will be applicable;

(c) any maturity of Senior Bonds which constitutes Balloon Indebtedness as described in provision (b) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Senior Aggregate Annual Debt Service is made, will be assumed to become due and payable on the stated maturity date and provision (b) above will not apply thereto unless there is delivered to the entity making the calculation of Senior Aggregate Annual Debt Service a certificate of an Authorized Authority Representative stating that the Airport Authority intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Airport Authority is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness will be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms will be used for purposes of calculating Senior Aggregate Annual Debt Service, provided that such assumption will not result in an interest rate lower than that which would be assumed under provision (b) above and will be amortized over a term of not more than 30 years from the date of refinancing;

(d) if any Outstanding Senior Bonds (including Senior Program Bonds) or any Senior Bonds which are then proposed to be issued constitute Senior Tender Indebtedness (but excluding Senior Program Bonds or Senior Bonds as to which a Senior Qualified Swap is in effect and to which subsection (g) or (h) applies), then, for purposes of determining Senior Aggregate Annual Debt Service, Senior Tender Indebtedness will be treated as if the principal amount of such Senior Bonds were to be amortized over a term of not more than 30 years commencing in the year in which such Series is first subject to tender and with substantially level Senior Annual Debt Service payments and extending not later than 30 years from the date such Senior Tender Indebtedness was originally issued; the interest rate used for such computation will 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 Airport Authority, or if the Airport Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; and with respect to all funding requirements of principal and interest payments becoming due prior to the year in which such Senior Tender Indebtedness is first subject to tender, such payments will be treated as described in (a) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date will be determined as provided in (e) or (f) below, as appropriate;

(e) if any Outstanding Senior Bonds constitute Variable Rate Indebtedness, including obligations described in subsection (h)(ii) to the extent it applies (except to the extent subsection (b) or (c) relating to Balloon Indebtedness or (d) relating to Senior Tender Indebtedness or subsection (h)(i) relating to Synthetic Fixed Rate Debt applies), the interest rate on such Senior Bonds will 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 Airport Authority, or if the Airport Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for variable rate Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(f) with respect to any Senior Program Bonds or Unissued Senior Program Bonds (other than a Senior Commercial Paper Program) (i) debt service on Senior Program Bonds then Outstanding will be determined in accordance with such of the foregoing provisions of this definition as will be applicable, and (ii) with respect to Unissued Senior Program Bonds, it will be assumed that the full principal amount of such Unissued Senior Program Bonds will be amortized over a term certified by an Authorized Authority Representative at the time the initial Senior Program Bonds of such Senior Program are issued to be the expected duration of such Senior Program or, if such expectations have changed, over a term certified by an Authorized Authority Representative to be the expected duration of such Senior Program at the time of such calculation, but not to exceed 30 years from the date the initial Senior Program Bonds of such Senior Program are issued and it will be assumed that debt service will be paid in substantially level Senior Annual Debt Service payments over such assumed term; the interest rate used for such computation will 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 Airport Authority, or if the Airport Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed rate Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(g) debt service on Senior Repayment Obligations, to the extent such obligations constitute Senior Bonds under the Master Senior Indenture, will be calculated as provided in the Master Senior Indenture;

(h) (i) for purposes of computing the Senior Aggregate Annual Debt Service of Senior Bonds which constitute Synthetic Fixed Rate Debt, the interest payable thereon will, if the Airport Authority elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable; or, if the Airport Authority fails to elect such rate, then it will be deemed to be the fixed interest 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 Airport Authority;

(ii) for purposes of computing the Senior Aggregate Annual Debt Service of Senior Bonds with respect to which a Swap has been entered into whereby the Airport Authority has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Senior Bonds to which such Swap pertains will be included in the calculation of Senior Aggregate Annual Debt Service, and the interest rate with respect to such Senior Bonds will, if the Airport Authority elects, be the sum of that rate as determined in accordance with subsection (e) relating to Variable Rate Indebtedness plus the difference between the interest rate on the Senior Designated Debt and the rate received from the Swap Provider;

(i) with respect to any Senior Commercial Paper Program which has been Implemented and not then terminated or with respect to any Senior Commercial Paper Program then proposed to be Implemented, the principal and interest thereon will be calculated as if the entire Senior Authorized Amount of such Senior Commercial Paper Program were to be amortized over a term of 35 years commencing in the year in which such Senior Commercial Paper Program is Implemented and with substantially level Senior Annual Debt Service payments; the interest rate used for such computation will 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 Airport Authority, or if the Airport Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed rate Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(j) if moneys or Senior Permitted Investments have been irrevocably deposited with and are held by the Senior Trustee or another fiduciary or Senior Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Senior Bonds, then the principal and/or interest to be paid from such moneys, Senior Permitted Investments, or Senior Capitalized Interest or from the earnings thereon will be disregarded and not included in calculating Senior Annual Debt Service; and

(k) if Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, Federal Direct Payments, or other moneys have been irrevocably committed or are held by the Senior Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal and/or interest on specified Senior Bonds, then the principal and/or interest to be paid from such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, Federal Direct Payments, or other moneys or from earnings thereon will be disregarded (unless such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, Federal Direct Payments, or other moneys are included in the definition of Revenues) and not included in calculating Senior Aggregate Annual Debt Service.

"*Senior Annual Debt Service*" means, with respect to any Senior Bond, the aggregate amount required to be on deposit in the respective Senior Debt Service Fund or such other Fund or Account during the current Fiscal Year to satisfy the funding requirements for the payment of principal and interest becoming due and payable during such Fiscal Year or in a future Fiscal Year, and if a Senior Qualified Swap is in effect for any Senior Bond, plus the amount payable by the Airport Authority (or the Senior Trustee) under the Senior Qualified Swap in accordance with the terms thereof, less any amount to be received by the Airport Authority from the Senior Qualified Swap Provider pursuant to the Senior Qualified Swap, calculated using the principles and assumptions set forth in the definition of Senior Aggregate Annual Debt Service.

"*Senior Authorized Amount*" means, when used with respect to Senior Bonds, including Senior Bonds issued pursuant to a Senior Program, the maximum Principal Amount of Senior Bonds which is then authorized by a resolution adopted by the Board or a Supplemental Senior Indenture entered into by the Airport Authority pursuant to the Master Senior Indenture to be Outstanding at any one time under the terms of such Senior Program or Supplemental Senior Indenture. If the maximum Principal Amount of Senior Bonds or Senior Program Bonds authorized by a preliminary resolution or form of Supplemental Senior Indenture approved by the Airport Authority pursuant to the Master Senior Indenture exceeds the maximum Principal Amount of Senior Bonds set forth in the final definitive Supplemental Senior Indenture executed and delivered by the Airport Authority pursuant to which such Senior Bonds are issued or such Senior Program is established, the Principal Amount of such Senior Bonds or Senior Program Bonds as is set forth in said final definitive Supplemental Senior Indenture as executed and delivered by the Airport Authority will be deemed to be the "Senior Authorized Amount."

"*Senior Bond*" or "*Senior Bonds*" means any debt obligation of the Airport Authority issued as a taxable or tax-exempt obligation under and in accordance with the provisions of the Master Senior Indenture, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper notes and other instruments creating an indebtedness of the Airport Authority, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Senior Repayment Obligations to the extent provided in the Master Senior Indenture. The term "Senior Bond" or "Senior Bonds" in the Master Senior Indenture does not include any Subordinate Obligation; provided, however, that the Airport Authority may provide in a Supplemental Senior Indenture to the Master Senior Indenture that Subordinate Obligations may be thenceforth issued pursuant to the Master Senior Indenture having the terms applicable to the Senior Bonds, except that such Subordinate Obligations will be junior and subordinate in payment to the Senior Bonds from Net Revenues. The term "Senior Bond" and "Senior Bonds" includes Senior Program Bonds.

"*Senior Capitalized Interest*" means the amount of interest on Senior Bonds, if any, funded from the proceeds of the Senior Bonds or other monies that are deposited with the Senior Trustee in the Senior Debt Service Fund as described in a Supplemental Senior Indenture upon issuance of Senior Bonds to be used to pay interest on the Senior Bonds.

"*Senior Commercial Paper Program*" means a Senior Program authorized by the Airport Authority pursuant to which Commercial Paper will be issued and reissued from time to time, up to the Authorized Amount of such Senior Program.

"*Senior Construction Fund*" means any of the Construction Funds authorized to be created as provided by the Master Senior Indenture.

"*Senior Debt Service Fund*" or "*Senior Debt Service Funds*" means a Senior Debt Service Fund or any of the Senior Debt Service Funds required to be created as provided by the Master Senior Indenture.

"*Senior Debt Service Reserve Fund*" means any Senior Debt Service Reserve Fund created by the Airport Authority or the Senior Trustee pursuant to a Supplemental Senior Indenture in connection with the issuance of any Series of Senior Bonds and that is required to be funded for the purpose of providing additional security for such Series of Senior Bonds and under certain circumstances to provide additional security for such other designated Series of Senior Bonds issued pursuant to the terms of the Master Senior Indenture and as specified in any Supplemental Senior Indenture.

"*Senior Debt Service Reserve Fund Surety Policy*" means an insurance policy or surety bond, or a letter of credit, deposited with the Subordinate Trustee for the credit of the Senior Debt Service Reserve Fund created for one or more series of Outstanding Senior Bonds in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Senior Debt Service Reserve Fund Surety Policy will be rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

"*Senior Designated Debt*" means a specific indebtedness, designated by the Airport Authority, in which such debt will be offset with a Swap, such specific indebtedness to include all or any part of a Series of Senior Bonds.

"*Senior Event of Default*" means any occurrence or event specified as an "Event of Default" in the Master Senior Indenture. See "APPENDIX C-2—SUMMARY OF MASTER SENIOR INDENTURE—Senior Defaults and Remedies."

"*Senior Indenture*" means the Master Senior Indenture, together with all Supplemental Senior Indentures.

"*Senior Investment Agreement*" means an 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 Senior Investment Agreement is less than three years) or in either of the two highest long term Rating Categories (if the term of the Senior 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 the definition of Senior Permitted Investments which are (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, (ii) held by the Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (iii) subject to a perfected first lien on behalf of the Senior Trustee, and (iv) free and clear from all third party liens.

"*Senior Maximum Aggregate Annual Debt Service*" means the maximum amount of Senior Aggregate Annual Debt Service with respect to all Senior Bonds, Unissued Senior Program Bonds, and the Authorized Amount of all Senior Bonds then proposed to be issued in the then current or any future Fiscal Year.

"*Senior Notes*" means Senior Bonds issued under the provisions of the Master Senior Indenture which have a maturity of one year or less from their date of original issuance and which are not part of a Senior Commercial Paper Program.

"*Senior Paying Agent*" or "*Senior Paying Agents*" means, with respect to the Senior Bonds or any Series of Senior Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Senior Indenture or a resolution of the Airport Authority as the place where such Senior Bonds will be payable. As of the date of this Official Statement, the Senior Trustee acts as Senior Paying Agent with respect to all Outstanding Senior Bonds.

"*Senior Permitted Investments*" means any of the following, but only to the extent permitted by the laws of the State and the Airport Authority's investment policy and except as otherwise limited pursuant to a Supplemental Senior Indenture:

(a) United States Obligations;

(b) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration;

(c) Direct and general long-term obligations of any state, which obligations are rated in one of the two highest Rating Categories by one or more of the Rating Agencies;

(d) Direct and general short-term obligations of any state which obligations are rated in the highest Rating Category by one or more of the Rating Agencies;

(e) Interest-bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC") or by savings and loan associations that are members of the FDIC, which deposits or interests must either be (i) continuously and fully insured by FDIC and with banks that are rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies; or (ii) fully secured by obligations described in item (a) or (b) of this definition of Senior Permitted Investments (A) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (B) held by the Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (C) subject to a perfected first lien in favor of the Senior Trustee, and (D) free and clear from all third-party liens;

(f) Long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest Rating Categories by one or more of the Rating Agencies;

(g) Repurchase agreements which are (A) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from one or more of the Rating Agencies and (B) fully secured by obligations specified in items (a) or (b) of this definition of Senior Permitted Investments (1) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements, (2) held by the Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (3) subject to a perfected first lien in favor of the Senior Trustee and (4) free and clear from all third-party liens;

(h) Prime commercial paper of a United States corporation, finance company or banking institution rated in the highest short-term Rating Category of one or more of the Rating Agencies;

(i) Shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (A) a money market fund that has been rated in one of the two highest Rating Categories by one or more of the Rating Agencies or (B) a money market fund or account of the Senior Trustee or its affiliates or any state or federal bank that is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or whose own bank holding company parent is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or that has a combined capital and surplus of not less than $50,000,000 (all investments included in this clause (i) may include funds which the Senior Trustee or its affiliates provide investment advisory or other management services);

(j) Interest bearing notes issued by a banking institution having a combined capital and surplus of at least $500,000,000 and whose senior debt is in the highest Rating Category by one or more of the Rating Agencies;

(k) Public housing bonds issued by public agencies which are either unconditionally guaranteed as to principal and interest by the United States of America, or rated in the highest Rating Category by one or more of the Rating Agencies;

(l) Obligations issued or guaranteed by Private Export Funding Corporation, Resolution Funding Corporation and any other instrumentality or agency of the United States of America;

(m) Investment Agreements;

(n) Any other type of investment consistent with Authority policy in which the Airport Authority directs the Senior Trustee to invest provided that there is delivered to the Senior Trustee a certificate of an Authorized Authority Representative stating that each of the Rating Agencies then maintaining a rating on the Senior Bonds has been informed of the proposal to invest in such investment and each of such Rating Agencies has confirmed that such investment will not adversely affect the rating then assigned by such rating agency to any of the Senior Bonds;

(o) Any state administered pool investment fund in which the Airport Authority is statutorily permitted or required to invest (including but not limited to the State of California Local Agency Fund ("LAIF") established pursuant to Section 16429.1 et seq. of the Government Code of the State);

(p) The San Diego County Investment Pool ("SDCIP"). The Airport Authority may invest in SDCIP up to the LAIF statutory limit; and

(q) any other investment which is a permitted investment of the Airport Authority in accordance with the laws of the State.

"*Senior Principal Amount*" or "*Senior principal amount*" means, as of any date of calculation, (a) with respect to any Capital Appreciation Senior Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), (b) with respect to any Original Issue Discount Senior Bond, the Accreted Value thereof, unless the Supplemental Senior Indenture under which such Senior Bond was issued will specify a different amount, in which case, the terms of the Supplemental Senior Indenture will control, and (c) with respect to any other Senior Bonds, the principal amount of such Senior Bond payable at maturity.

"*Senior Program*" means a financing program identified in a Supplemental Senior Indenture, including but not limited to a Senior Commercial Paper Program, (a) which is authorized and the terms thereof approved by a resolution adopted by the Board and the items described in the Master Senior Indenture have been filed with the Senior Trustee, (b) wherein the Airport Authority has authorized the issuance, from time to time, of notes, commercial paper or other indebtedness in a Senior Authorized Amount, and (c) the Senior Authorized Amount of which has met the additional bonds test set forth in the Master Senior Indenture and the Outstanding amount of which may vary from time to time, but not exceed the Senior Authorized Amount.

"*Senior Program Bonds*" means Senior Bonds issued and Outstanding pursuant to a Senior Program, other than Unissued Senior Program Bonds.

"*Senior Qualified Swap*" means any Swap (a) whose Senior Designated Debt is all or part of a particular Series of Senior Bonds; (b) whose Swap Provider is a Senior Qualified Swap Provider or has been a Senior Qualified Swap Provider within the 60 day period preceding the date on which the calculation of Senior Annual Debt Service or Senior Aggregate Annual Debt Service is being made; (c) which has a term not greater than the term of the Senior Designated Debt or to a specified mandatory tender or redemption of such Senior Designated Debt; and (d) which has been designated in writing to the Senior Trustee by the Airport Authority as a Senior Qualified Swap with respect to such Senior Bonds.

"*Senior Qualified Swap Provider*" means a financial institution whose senior long-term debt obligations, or whose obligations under any Senior Qualified Swap are (a) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least "A1," in the case of Moody's and "A+," in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (b) fully secured by obligations described in items (a) or (b) of the definition of Senior Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (iii) subject to a perfected first lien on behalf of the Senior Trustee, and (iv) free and clear from all third party liens.

"*Senior Rebate Fund*" means any fund created by the Airport Authority or the Senior Trustee pursuant to a Supplemental Senior Indenture in connection with the issuance of the Senior Bonds or any Series of Senior Bonds for the purpose of complying with the Code and providing for the collection and holding for and payment of amounts to the United States of America.

"*Senior Registrar*" means, with respect to the Senior Bonds or any Series of Senior Bonds, the bank, trust company or other entity designated in a Supplemental Senior Indenture or a resolution of the Airport Authority to perform the function of Senior Registrar under the Master Senior Indenture or any Supplemental Senior Indenture, and which bank, trust company or other entity has accepted the position in accordance with the Master Senior Indenture. As of the date of this Official Statement, the Senior Trustee acts as Senior Registrar with respect to all Outstanding Senior Bonds.

"*Senior Repayment Obligations*" means an obligation arising under a written agreement of the Airport Authority and a Credit Provider pursuant to which the Airport Authority agrees to reimburse the Credit Provider for amounts paid through a Credit Facility to be used to pay debt service on any Senior Bonds or an obligation arising under a written agreement of the Airport Authority and a Liquidity Provider pursuant to which the Airport Authority agrees to reimburse the Liquidity Provider for amounts paid through a Liquidity Facility to be used to purchase Senior Bonds.

"*Senior Reserve Fund*" means the Senior Debt Service Reserve Fund established pursuant to the Third Supplemental Senior Indenture and which provides additional security for the Senior Bonds as may be specified by the Airport Authority pursuant to a Supplemental Senior Indenture.

"*Senior Reserve Fund Insurance Policy*" means an insurance policy, a letter of credit, surety bond or other financial instrument deposited in the Senior Reserve Fund in lieu of or in partial substitution for cash or securities which is provided by an institution rated, at the time of issuance of such policy, letter of credit, surety bond or other financial instrument, in one of the two highest long term Rating Categories by one or more of the Rating Agencies

"*Senior Reserve Requirement*" means an amount equal to the lesser of (a) Senior Maximum Aggregate Annual Debt Service for all Series of Senior Bonds participating in the Senior Reserve Fund, (b) 10% of the principal amount of all Series of Senior Bonds participating in the Senior Reserve Fund, less for any Series of Senior Bonds the amount of original issue discount with respect to such Series of Senior Bonds if such original issue discount exceeded 2% on such Series of Senior Bonds at the time of their original sale, and (c) 125% of the average Senior Aggregate Annual Debt Service for all Series of Senior Bonds participating in the Senior Reserve Fund. When calculating the Senior Reserve Requirement, all references to Fiscal Year will mean a 12-month period beginning on July 2 of each given year and ending on July 1 of the immediate subsequent year.

"*Senior Responsible Officer*" means an officer or assistant officer of the Senior Trustee assigned by the Senior Trustee to administer the Master Senior Indenture.

"*Senior Serial Bonds*" means Senior Bonds for which no sinking installment payments are provided.

"*Senior Series 2013 Bonds*" means, collectively, the $379,585,000 original principal amount of Senior Bonds designated as "San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013A" and "San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2013B".

"*Senior Swap Termination Payment*" means an amount payable by the Airport Authority or a Senior Qualified Swap Provider, in accordance with a Senior Qualified Swap, to compensate the other party to the Senior Qualified Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Senior Qualified Swap.

"*Senior Tender Indebtedness*" means any Senior Bonds or portions of Senior Bonds a feature of which is an obligation on the part of the Bondholders, under the terms of such Senior Bonds, to tender all or a portion of such Senior Bonds to the Airport Authority, the Senior Trustee, the Senior Paying Agent or other fiduciary or agent or Credit Provider or Liquidity Provider for payment or purchase and requiring that such Senior Bonds or portions of Senior Bonds be purchased if properly presented.

"*Senior Term Bonds*" means Senior Bonds of a Series which are payable on or before their specified maturity dates from sinking installment payments established pursuant to the Supplemental Senior Indenture for such Series for that purpose and calculated to retire the Senior Bonds on or before their specified maturity dates.

"*Senior Trustee*" means The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., and any successor thereto.

"*Series*" means (a) with respect to Senior Bonds, Senior Bonds designated as a separate Series by a Supplemental Senior Indenture and, with respect to Senior Program Bonds or a Senior Commercial Paper Program, means the full Senior Authorized Amount of such program, regardless of when or whether issued, unless portions thereof are, by Supplemental Senior Indenture, designated as separate Series; and (b) with respect to Subordinate Obligations, Subordinate Obligations designated as a separate Series by a Supplemental Subordinate Indenture and, with respect to Subordinate Program Obligations or a Subordinate Commercial Paper Program, means the full Subordinate Authorized Amount of such program, regardless of when or whether issued, unless portions thereof are, by Supplemental Subordinate Indenture, designated as separate Series.

"*Significant Portion*" means any Airport Facilities or portions thereof which, if such facilities had been sold or disposed of by the Airport Authority at the beginning of an annual period which includes the month of commencement of the 12 month period ending on the day of such disposition would have resulted in a reduction in Net Revenues for such annual period of more than 5% when the actual Net Revenues for such annual period are decreased by the Revenues directly attributable to such Airport Facilities and increased by the expenses of the Airport Authority directly attributable to such Airport Facilities. The Airport Authority will notify each of the Rating Agencies that the Airport Authority has requested ratings from and who are then maintaining a rating on any of the Subordinate Obligations prior to the selling or disposing of a Significant Portion of any Airport Facilities or portions thereof.

"*Special Facilities*" or "*Special Facility*" means a facility or group of facilities or category of facilities which are designated as a Special Facility pursuant to the provisions of the Master Senior Indenture.

"*Special Facilities Revenue*" means the contractual payments and all other revenues (other than ground rentals relating to such Special Facility) derived by or available to the Airport Authority from a Special Facility which are pledged to secure Special Facility Obligations.

"*Special Facility Obligations*" means bonds or other debt instruments issued pursuant to an indenture other than the Master Senior Indenture to finance Special Facilities and which are not secured by nor payable from a lien on and pledge of the Net Revenues but which are secured by revenues derived from Special Facilities.

"*S&P*" means S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, its successors and their assigns, and if such entity will for any reason no longer perform the functions of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating agency designated by the Airport Authority.

"*State*" means the State of California.

"*Subaccount*" means any subaccount established pursuant to the Master Senior Indenture or any Supplemental Senior Indenture or Master Subordinate Indenture or any Supplemental Subordinate Indenture, as the case may be.

"*Subordinate Aggregate Annual Debt Service*" means for any Fiscal Year the aggregate amount of Subordinate Annual Debt Service on all Outstanding Subordinate Obligations and Unissued Subordinate Program Obligations. For purposes of calculating Subordinate Aggregate Annual Debt Service, the following components of debt service will be computed as follows:

(a) in determining the amount of principal to be funded in each year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Subordinate Obligations and Unissued Subordinate Program Obligations in accordance with any amortization schedule established by the governing documents setting forth the terms of such Subordinate Obligations, including, as a principal payment, the Accreted Value of any Capital Appreciation Subordinate Obligations or Original Issue Discount Subordinate Obligations maturing or scheduled for redemption in such year; in determining the amount of interest to be funded in each year, interest payable at a fixed rate will (except to the extent subsection (b), (c) or (d) of this definition applies) be assumed to be made at such fixed rate and on the required funding dates; provided, however, that interest payable on the Subordinate Obligations will be excluded to the extent such payments are to be paid from Subordinate Capitalized Interest for such Fiscal Year;

(b) if all or any portion or portions of an Outstanding Series of Subordinate Obligations, or Unissued Subordinate Program Obligations constitute Balloon Indebtedness (excluding Subordinate Program Obligations or Unissued Subordinate Program Obligations to which subsection (f) applies), then, for purposes of determining Subordinate Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness will, unless otherwise provided in the Supplemental Subordinate Indenture pursuant to which such Balloon Indebtedness is issued or unless provision (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service funding payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than 30 years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation will 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 Airport Authority, or if the Airport 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 Master Subordinate 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; with respect to any Series of Subordinate Obligations, Unissued Subordinate Program Obligations or Subordinate Program Obligations only a portion of which constitutes Balloon Indebtedness, the remaining portion will be treated as described in (a) above or such other provision of this definition as will be applicable and, with respect to any Series, Unissued Subordinate Program Obligations or Subordinate Program Obligations or that portion of a Series thereof which constitutes Balloon Indebtedness, all funding requirements of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness will be treated as described in (a) above or such other provision of this definition as will be applicable;

(c) any maturity of Subordinate Obligations which constitutes Balloon Indebtedness as described in provision (b) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Subordinate Aggregate Annual Debt Service is made, will be assumed to become due and payable on the stated maturity date and provision (b) above will not apply thereto unless there is delivered to the entity making the calculation of Subordinate Aggregate Annual Debt Service a certificate of an Authorized Authority Representative stating that the Airport Authority intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Airport Authority is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness will be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms will be used for purposes of calculating Subordinate Aggregate Annual Debt Service, provided that such assumption will not result in an interest rate lower than that which would be assumed under provision (b) above and will be amortized over a term of not more than 30 years from the date of refinancing;

(d) if any Outstanding Subordinate Obligations (including Subordinate Program Obligations) or any Subordinate Obligations which are then proposed to be issued constitute Subordinate Tender Indebtedness (but excluding Subordinate Program Obligations or Subordinate Obligations as to which a Subordinate Qualified Swap is in effect and to which subsection (g) or (h) applies), then, for purposes of determining Subordinate Aggregate Annual Debt Service, Subordinate Tender Indebtedness will be treated as if the principal amount of such Subordinate Obligations were to be amortized over a term of not more than 30 years commencing in the year in which such Series is first subject to tender and with substantially level Subordinate Annual Debt Service payments and extending not later than 30 years from the date such Subordinate Tender Indebtedness was originally issued; the interest rate used for such computation will 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 Airport Authority, or if the Airport 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 Master Subordinate 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; and with respect to all funding requirements of principal and interest payments becoming due prior to the year in which such Subordinate Tender Indebtedness is first subject to tender, such payments will be treated as described in (a) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date will be determined as provided in (e) or (f) below, as appropriate;

(e) if any Outstanding Subordinate Obligations constitute Variable Rate Indebtedness, including obligations described in subsection (h)(ii) to the extent it applies (except to the extent subsection (b) or (c) relating to Balloon Indebtedness or (d) relating to Subordinate Tender Indebtedness or subsection (h)(i) relating to Synthetic Fixed Rate Debt applies), the interest rate on such Subordinate Obligations will 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 Airport Authority, or if the Airport Authority fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for variable rate Subordinate Obligations of a corresponding term issued under the Master Subordinate 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;

(f) with respect to any Subordinate Program Obligations or Unissued Subordinate Program Obligations (other than a Subordinate Commercial Paper Program) (i) debt service on Subordinate Program Obligations then Outstanding will be determined in accordance with such of the foregoing provisions of this definition as will be applicable, and (ii) with respect to Unissued Subordinate Program Obligations, it will be assumed that the full principal amount of such Unissued Subordinate Program Obligations will be amortized over a term certified by an Authorized Authority Representative at the time the initial Subordinate Program Obligations of such Subordinate Program are issued to be the expected duration of such Subordinate Program or, if such expectations have changed, over a term certified by an Authorized Authority Representative to be the expected duration of such Subordinate Program at the time of such calculation, but not to exceed 30 years from the date the initial Subordinate Program Obligations of such Subordinate Program are issued and it will be assumed that debt service will be paid in substantially level Subordinate Annual Debt Service payments over such assumed term; the interest rate used for such computation will 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 Airport Authority, or if the Airport 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 Master Subordinate 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;

(g) debt service on Subordinate Repayment Obligations, to the extent such obligations constitute Subordinate Obligations under the Master Subordinate Indenture, will be calculated as provided therein;

(h) (i) for purposes of computing the Subordinate Aggregate Annual Debt Service of Subordinate Obligations which constitute Synthetic Fixed Rate Debt, the interest payable thereon will, if the Airport Authority elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable; or, if the Airport Authority fails to elect such rate, then it will be deemed to be the fixed interest 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 Airport Authority;

(ii) for purposes of computing the Subordinate Aggregate Annual Debt Service of Subordinate Obligations with respect to which a Swap has been entered into whereby the Airport Authority has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Subordinate Obligations to which such Swap pertains will be included in the calculation of Subordinate Aggregate Annual Debt Service, and the interest rate with respect to such Subordinate Obligations will, if the Airport Authority elects, be the sum of that rate as determined in accordance with subsection (e) relating to Variable Rate Indebtedness plus the difference between the interest rate on the Subordinate Designated Debt and the rate received from the Swap Provider;

(i) with respect to any Subordinate Commercial Paper Program which has been Implemented and not then terminated or with respect to any Subordinate Commercial Paper Program then proposed to be Implemented, the principal and interest thereon will be calculated as if the entire Subordinate Authorized Amount of such Subordinate Commercial Paper Program were to be amortized over a term of 35 years commencing in the year in which such Subordinate Commercial Paper Program is Implemented and with substantially level Subordinate Annual Debt Service payments; the interest rate used for such computation will 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 Airport Authority, or if the Airport 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 Master Subordinate 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;

(j) if moneys or Subordinate Permitted Investments have been irrevocably deposited with and are held by the Subordinate Trustee or another fiduciary or Subordinate Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Subordinate Obligations, then the principal and/or interest to be paid from such moneys, Subordinate Permitted Investments, or Subordinate Capitalized Interest or from the earnings thereon will be disregarded and not included in calculating Subordinate Aggregate Annual Debt Service or Subordinate Annual Debt Service; and

(k) if Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, Federal Direct Payments, or other moneys have been irrevocably committed or are held by the Subordinate Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal and/or interest on specified Subordinate Obligations, then the principal and/or interest to be paid from such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, Federal Direct Payments, or other moneys or from earnings thereon will be disregarded (unless such Passenger Facility Charges, Customer Facility Charges, state and/or federal grants, Federal Direct Payments, or other moneys are included in the definition of Revenues) and not included in calculating Subordinate Aggregate Annual Debt Service.

"*Subordinate Annual Debt Service*" means, with respect to any Subordinate Obligation, the aggregate amount required to be on deposit in the respective Subordinate Debt Service Fund or such other Fund or Account during the current Fiscal Year to satisfy the funding requirements for the payment of principal and interest becoming due and payable during such Fiscal Year or in a future Fiscal Year, and if a Subordinate Qualified Swap is in effect for any Subordinate Obligation, plus the amount payable by the Airport Authority (or the Subordinate Trustee) under the Subordinate Qualified Swap in accordance with the terms thereof, less any amount to be received by the Airport Authority from the Subordinate Qualified Swap Provider pursuant to the Subordinate Qualified Swap, calculated using the principles and assumptions set forth in the definition of Subordinate Aggregate Annual Debt Service..

"*Subordinate Authorized Amount*" means, when used with respect to Subordinate Obligations, including Subordinate Obligations issued pursuant to a Subordinate Program, the maximum Principal Amount of Subordinate Obligations which is then authorized by a resolution adopted by the Board or a Supplemental Subordinate Indenture entered into by the Airport Authority pursuant to the Master Subordinate Indenture to be Outstanding at any one time under the terms of such Subordinate Program or Supplemental Subordinate Indenture. If the maximum Principal Amount of Subordinate Obligations or Subordinate Program Obligations authorized by a preliminary resolution or form of Supplemental

Subordinate Indenture approved by the Airport Authority pursuant to the Master Subordinate Indenture exceeds the maximum Principal Amount of Subordinate Obligations set forth in the final definitive Supplemental Subordinate Indenture executed and delivered by the Airport Authority pursuant to which such Subordinate Obligations are issued or such Subordinate Program is established, the Principal Amount of such Subordinate Obligations or Subordinate Program Obligations as is set forth in said final definitive Supplemental Subordinate Indenture as executed and delivered by the Airport Authority will be deemed to be the "Subordinate Authorized Amount." Notwithstanding the provisions of this definition of "Subordinate Authorized Amount," in connection with the Master Subordinate Indenture and the calculation of Subordinate Aggregate Annual Debt Service, Subordinate Annual Debt Service or Subordinate Maximum Annual Debt Service with respect to a Subordinate Commercial Paper Program, "Subordinate Authorized Amount" means the lessor of (i) the authorized amount of Subordinate Program Obligations set forth in the Supplemental Subordinate Indenture establishing the Subordinate Commercial Paper Program or (ii) the total amount available (utilized and unutilized, if applicable) under a Credit Facility entered into with respect to such Subordinate Commercial Paper Program and the total amount of Subordinate Commercial Paper Notes that may be issued pursuant to an Unenhanced Subordinate Commercial Paper Program.

"*Subordinate Capitalized Interest*" means the amount of interest on Subordinate Obligations, if any, funded from the proceeds of the Subordinate Obligations or other monies that are deposited with the Subordinate Trustee in the Subordinate Debt Service Fund as will be described in a Supplemental Subordinate Indenture upon issuance of Subordinate Obligations to be used to pay interest on the Subordinate Obligations.

"*Subordinate Commercial Paper Program*" means a Subordinate Program authorized by the Airport Authority pursuant to which Commercial Paper will be issued and reissued from time to time, up to the Subordinate Authorized Amount of such Subordinate Program.

"*Subordinate Construction Fund*" means any of the Subordinate Construction Funds authorized to be created as provided by the Master Subordinate Indenture.

"*Subordinate Debt Service Fund*" or "*Subordinate Debt Service Funds*" means a Subordinate Debt Service Fund or any of the Subordinate Debt Service Funds required to be created as provided by the Master Subordinate Indenture.

"*Subordinate Debt Service Reserve Fund*" means any Subordinate Debt Service Reserve Fund created by the Airport Authority or the Subordinate Trustee pursuant to a Supplemental Subordinate Indenture in connection with the issuance of any Series of Subordinate Obligations and that is required to be funded for the purpose of providing additional security for such Series of Subordinate Obligations and under certain circumstances to provide additional security for such other designated Series of Subordinate Obligations issued pursuant to the terms of the Master Subordinate Indenture and as specified in any Supplemental Subordinate Indenture. The Subordinate Reserve Fund is a Subordinate Debt Service Reserve Fund.

"*Subordinate Debt Service Reserve Fund Surety Policy*" means an insurance policy or surety bond, or a letter of credit, deposited with the Subordinate Trustee for the credit of the Subordinate Debt Service Reserve Fund created for one or more series of Outstanding Subordinate Obligations in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Subordinate Debt Service Reserve Fund Surety Policy will be rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

"*Subordinate Designated Debt*" means a specific indebtedness, designated by the Airport Authority, in which such debt will be offset with a Swap, such specific indebtedness to include all or any part of a Series of Subordinate Obligations.

"*Subordinated Obligation*" means any bond, note or other debt instrument issued or otherwise entered into by the Airport Authority which ranks junior and subordinate to the Senior Bonds and which may be paid from moneys constituting Net Revenues only if all amounts of principal and interest which have become due and payable on the Senior Bonds whether by maturity, redemption or acceleration have been paid in full and the Airport Authority is current on all payments, if any, required to be made to replenish all Senior Debt Service Reserve Funds. "Subordinated Obligations" are not Senior Bonds for purposes of the Master Senior Indenture; provided, however, that the Airport Authority may henceforth by Supplemental Senior Indenture elect to have the provisions of the Master Senior Indenture applicable to the Senior Bonds apply to the Subordinated Obligations issued thereunder, except that such Subordinated Obligations will be secured on a junior and subordinate basis to the Senior Bonds from the Net Revenues. No bond, note or other instrument of indebtedness will be deemed to be a "Subordinated Obligation" for purposes of the Master Senior Indenture and payable on a subordinate basis from Net Revenues unless specifically designated by the Airport Authority as a "Subordinated Obligation" in a Supplemental Senior Indenture or other written instrument. In connection with any Subordinated Obligation with respect to which a Swap is in effect or proposes to be in effect, the term "Subordinated Obligation" includes, collectively, both such Subordinated Obligation and either such Swap or the obligations of the Airport Authority under each such Swap, as the context requires. The term "Subordinated Obligations" also includes a Swap or the obligations of the Airport Authority under such Swap which has been entered into in connection with a Subordinated Obligation, as the context requires, although none of the Subordinated Obligations with respect to which such Swap was entered into remain outstanding. In connection with any Senior Bonds with respect to which a Senior Qualified Swap is in effect or proposed to be in effect, the term "Subordinated Obligation" includes any Senior Swap Termination Payment if designated as a Subordinated Obligation in a Supplemental Senior Indenture. "Subordinated Obligations" includes the Subordinate Obligations issued pursuant to the Master Subordinate Indenture, including the Subordinate Series 2021 Bonds.

"*Subordinate Event of Default*" means any occurrence or event specified as an "Event of Default" in the Master Subordinate Indenture. See "APPENDIX C-3—SUMMARY OF MASTER SUBORDINATE INDENTURE—Subordinate Defaults and Remedies."

"*Subordinate Investment Agreement*" means an investment agreement or guaranteed investment contract by and between either the Airport Authority or the Subordinate Trustee (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 Subordinate Investment Agreement is less than three years) or in either of the two highest long-term Rating Categories (if the term of the Subordinate 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 the definition of Subordinate Permitted Investments which are (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, (ii) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (iii) subject to a perfected first lien on behalf of the Subordinate Trustee, and (iv) free and clear from all third-party liens.

"*Subordinate Maximum Aggregate Annual Debt Service*" means the maximum amount of Subordinate Aggregate Annual Debt Service with respect to all Subordinate Obligations, Unissued

Subordinate Program Obligations, and the Subordinate Authorized Amount of all Subordinate Obligations then proposed to be issued in the then current or any future Fiscal Year.

"*Subordinate Net Revenues*" means the Revenues remaining after the Airport Authority has made the deposits to the Operation and Maintenance Subaccount, the Senior Debt Service Funds and the Senior Debt Service Reserve Funds as further described in the forepart of this Official Statement under the caption "SECURITY OF SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS—Flow of Funds."

"*Subordinate Notes*" means Subordinate Obligations issued under the provisions of the Master Subordinate Indenture which have a maturity of one year or less from their date of original issuance and which are not part of a Subordinate Commercial Paper Program.

"*Subordinate Obligation*" or "*Subordinate Obligations*" means any debt obligation of the Airport Authority issued as a taxable or tax-exempt obligation under and in accordance with the provisions of the Master Subordinate Indenture, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper notes and other instruments creating an indebtedness of the Airport Authority, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Subordinate Repayment Obligations to the extent provided in the Master Subordinate Indenture. The term "Subordinate Obligation" or "Subordinate Obligations" include any Subordinate Program Obligations.

"*Subordinate Paying Agent*" or "*Subordinate Paying Agents*" means, (a) for purposes of the Master Subordinate Indenture and with respect to the Subordinate Obligations or any Series of Subordinate Obligations, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Subordinate Indenture or a resolution of the Airport Authority as the place where such Subordinate Obligations will be payable; and (b) for purposes of the Ninth Supplemental Subordinate Indenture and the Subordinate Series 2021 Bonds, the Subordinate Trustee, or any other institution appointed by the Airport Authority.

"*Subordinate Permitted Investments*" means any of the following, but only to the extent permitted by the laws of the State and the Airport Authority's investment policy:

(a) United States Obligations;

(b) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration;

(c) Direct and general long-term obligations of any state, which obligations are rated in one of the two highest Rating Categories by one or more of the Rating Agencies;

(d) Direct and general short-term obligations of any state which obligations are rated in the highest Rating Category by one or more of the Rating Agencies;

(e) Interest-bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC") or by savings and loan associations that are members of the FDIC, which deposits or interests must either be (i) continuously and fully insured by FDIC and with banks that are rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies; or (ii) fully secured by obligations described in item (a) or (b) of this definition of Subordinate Permitted Investments (A) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (B) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (C) subject to a perfected first lien in favor of the Subordinate Trustee, and (D) free and clear from all third-party liens;

(f) Long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest Rating Categories by one or more of the Rating Agencies;

(g) Repurchase agreements which are (A) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from one or more of the Rating Agencies and (B) fully secured by obligations specified in items (a) or (b) of this definition of Subordinate Permitted Investments (1) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements, (2) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (3) subject to a perfected first lien in favor of the Subordinate Trustee and (4) free and clear from all third-party liens;

(h) Prime commercial paper of a United States corporation, finance company or banking institution rated in the highest short-term Rating Category of one or more of the Rating Agencies;

(i) Shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (A) a money market fund that has been rated in one of the two highest Rating Categories by one or more of the Rating Agencies or (B) a money market fund or account of the Subordinate Trustee or its affiliates or any state or federal bank that is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or whose own bank holding company parent is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or that has a combined capital and surplus of not less than $50,000,000 (all investments included in this clause (i) may include funds which the Subordinate Trustee or its affiliates provide investment advisory or other management services);

(j) Interest bearing notes issued by a banking institution having a combined capital and surplus of at least $500,000,000 and whose senior debt is in the highest Rating Category by one or more of the Rating Agencies;

(k) Public housing bonds issued by public agencies which are either unconditionally guaranteed as to principal and interest by the United States of America, or rated in the highest Rating Category by one or more of the Rating Agencies;

(l) Obligations issued or guaranteed by Private Export Funding Corporation, Resolution Funding Corporation and any other instrumentality or agency of the United States of America;

(m) Investment Agreements;

(n) Any other type of investment consistent with Authority policy in which the Airport Authority directs the Subordinate Trustee to invest provided that there is delivered to the Subordinate Trustee a certificate of an Authorized Authority Representative stating that each of the Rating Agencies then maintaining a rating on the Subordinate Obligations has been informed of the proposal to invest in such investment and each of such Rating Agencies has confirmed that such investment will not adversely affect the rating then assigned by such rating agency to any of the Subordinate Obligations;

(o) Any state administered pool investment fund in which the Airport Authority is statutorily permitted or required to invest (including but not limited to the State of California Local Agency Fund ("LAIF") established pursuant to Section 16429.1 et seq. of the Government Code of the State);

(p) The San Diego County Investment Pool ("SDCIP"). The Airport Authority may invest in SDCIP up to the LAIF statutory limit; and

(q) any other investment which is a permitted investment of the Airport Authority in accordance with the laws of the State.

"*Subordinate Principal Amount*" or "*Subordinate principal amount*" means, as of any date of calculation, (a) with respect to any Capital Appreciation Subordinate Obligation, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), (b) with respect to any Original Issue Discount Subordinate Obligation, the Accreted Value thereof, unless the Supplemental Subordinate Indenture under which such Subordinate Obligation was issued will specify a different amount, in which case, the terms of the Supplemental Subordinate Indenture will control, and (c) with respect to any other Subordinate Obligations, the principal amount of such Subordinate Obligation payable at maturity.

"*Subordinate Program*" means a financing program identified in a Supplemental Subordinate Indenture, including but not limited to a Subordinate Commercial Paper Program, (a) which is authorized and the terms thereof approved by a resolution adopted by the Board and the items described in the Master Subordinate Indenture have been filed with the Subordinate Trustee, (b) wherein the Airport Authority has authorized the issuance, from time to time, of notes, commercial paper or other indebtedness in a Subordinate Authorized Amount, and (c) the Subordinate Authorized Amount of which has met the additional bonds test set forth in the Master Subordinate Indenture and the Outstanding amount of which may vary from time to time, but not exceed the Subordinate Authorized Amount.

"*Subordinate Program Obligations*" means Subordinate Obligations issued and Outstanding pursuant to a Subordinate Program, other than Unissued Subordinate Program Obligations.

"*Subordinate Qualified Swap*" means any Swap (a) whose Subordinate Designated Debt is all or part of a particular Series of Subordinate Obligations; (b) whose Swap Provider is a Subordinate Qualified Swap Provider or has been a Subordinate Qualified Swap Provider within the 60 day period preceding the date on which the calculation of Subordinate Annual Debt Service or Subordinate Aggregate Annual Debt Service is being made; (c) which has a term not greater than the term of the Subordinate Designated Debt or to a specified mandatory tender or redemption of such Subordinate Designated Debt; and (d) which has been designated in writing to the Subordinate Trustee by the Airport Authority as a Subordinate Qualified Swap with respect to such Subordinate Obligations.

"*Subordinate Qualified Swap Provider*" means a financial institution whose senior long-term debt obligations, or whose obligations under any Subordinate Qualified Swap are (a) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least "A1," in the case of Moody's and "A+," in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (b) fully secured by obligations described in items (a) or (b) of the definition of Subordinate Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (iii) subject to a perfected first lien on behalf of the Subordinate Trustee, and (iv) free and clear from all third-party liens.

"*Subordinate Rebate Fund*" means any fund created by the Airport Authority or the Subordinate Trustee pursuant to a Supplemental Subordinate Indenture in connection with the issuance of the Subordinate Obligations or any Series of Subordinate Obligations for the purpose of complying with the Code and providing for the collection and holding for and payment of amounts to the United States of America.

"*Subordinate Registrar*" means, (a) for purposes of the Master Subordinate Indenture and with respect to the Subordinate Obligations or any Series of Subordinate Obligations, a bank, trust company or other entity designated in a Supplemental Subordinate Indenture or a resolution of the Airport Authority to perform the function of Registrar under the Master Subordinate Indenture or any Supplemental Subordinate Indenture, and which bank, trust company or other entity has accepted the position in accordance with the Master Subordinate Indenture, and (b) for purposes of the Ninth Supplemental Subordinate Indenture and the Subordinate Series 2021 Bonds, the Subordinate Trustee.

"*Subordinate Repayment Obligations*" means any obligation of the Airport Authority arising under a written agreement of the Airport Authority and a Credit Provider pursuant to which a Credit Facility is issued to pay debt service on any Subordinate Obligations or any obligation arising under a written agreement of the Airport Authority and a Liquidity Provider pursuant to which a Liquidity Facility is issued to purchase Subordinate Obligations.

"*Subordinate Reserve Fund*" means the Subordinate Debt Service Reserve Fund established pursuant to the Master Subordinate Indenture and the Second Supplemental Subordinate Indenture.

"*Subordinate Reserve Fund Insurance Policy*" means an insurance policy, a letter of credit, qualified surety bond or other financial instrument deposited in the Subordinate Reserve Fund in lieu of or in partial substitution for cash or securities which is provided by an institution rated, at the time of issuance of such policy, letter of credit, surety bond or other financial instrument, in one of the two highest long term Rating Categories by one or more of the Rating Agencies.

"*Subordinate Reserve Requirement*" means with respect to the Subordinate Reserve Fund, an amount equal to the lesser of (a) Subordinate Maximum Aggregate Annual Debt Service for all Series of Subordinate Obligations participating in the Subordinate Reserve Fund, (b) 10% of the principal amount of all Series of Subordinate Obligations participating in the Subordinate Reserve Fund, less for any Series of Subordinate Obligations the amount of original issue discount with respect to such Series of Subordinate Obligations if such original issue discount exceeded 2% on such Series of Subordinate Obligations at the time of their original sale, and (c) 125% of the average Subordinate Aggregate Annual Debt Service for all Series of Subordinate Obligations participating in the Subordinate Reserve Fund. When calculating the Subordinate Reserve Requirement, all references to Fiscal Year will mean a 12-month period beginning on July 2 of each given year and ending on July 1 of the immediate subsequent year.

"*Subordinate Responsible Officer*" means an officer or assistant officer of the Subordinate Trustee assigned by the Subordinate Trustee to administer the Master Subordinate Indenture.

"*Subordinate Revolving Obligations*" means the Subordinate Obligations issued and/or incurred under the Master Subordinate Indenture and the Eighth Supplemental Subordinate Indenture that may be outstanding at any one time in the aggregate principal amount of $200,000,000 and designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Revolving Obligations, Series A/B/C."

"*Subordinate Series 2017A Bonds*" means $146,040,000 original principal amount of Subordinate Obligations designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2017A."

"*Subordinate Series 2017B Bonds*" means $145,170,000 original principal amount of Subordinate Obligations designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2017B."

"*Subordinate Series 2017 Bonds*" means, collectively, the Subordinate Series 2017A Bonds and the Subordinate Series 2017B Bonds.

"*Subordinate Series 2019A Bonds*" means $338,775,000 original principal amount of Subordinate Obligations designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue and Revenue Refunding Bonds, Series 2019A (Governmental/Non-AMT)."

"*Subordinate Series 2019B Bonds*" means $124,905,000 original principal amount of Subordinate Obligations designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2019B (Private Activity/AMT)."

"*Subordinate Series 2019 Bonds*" means, collectively, the Subordinate Series 2019A Bonds and the Subordinate Series 2019B Bonds.

"*Subordinate Series 2020A Bonds*" means $26,145,000 original principal amount of Subordinate Obligations designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2020A (Governmental/Non-AMT)."

"*Subordinate Series 2020B Bonds*" means $189,090,000 original principal amount of Subordinate Obligations designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2020B (Private Activity/Non-AMT)."

"*Subordinate Series 2020C Bonds*" means $26,405,000 original principal amount of Subordinate Obligations designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2020C (Private Activity/AMT)."

"*Subordinate Series 2020 Bonds*" means, collectively, the Subordinate Series 2020A Bonds, the Subordinate Series 2020B Bonds and the Subordinate Series 2020C Bonds.

"*Subordinate Series 2021A Bonds*" means $495,315,000 aggregate principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Ninth Supplemental Subordinate Indenture and designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2021A (Governmental/Non-AMT)."

"*Subordinate Series 2021A/B Bonds*" means, collectively, the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds.

"*Subordinate Series 2021B Bonds*" means $1,089,260,000 aggregate principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Ninth Supplemental Subordinate Indenture and designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2021B (Private Activity/Non-AMT)."

"*Subordinate Series 2021C Bonds*" means $357,170,000 aggregate principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Ninth Supplemental Subordinate Indenture and designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable)."

"*Subordinate Series 2021 Bonds*" means, collectively, the Subordinate Series 2021A Bonds, the Subordinate Series 2021B Bonds and the Subordinate Series 2021C Bonds.

"*Subordinate Swap Termination Payment*" means an amount payable by the Airport Authority or a Subordinate Qualified Swap Provider, in accordance with a Subordinate Qualified Swap, to compensate the other party to the Subordinate Qualified Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Subordinate Qualified Swap.

"*Subordinate Tender Indebtedness*" means any Subordinate Obligations or portions of Subordinate Obligations a feature of which is an obligation on the part of the Holders, under the terms of such Subordinate Obligations, to tender all or a portion of such Subordinate Obligations to the Airport Authority, the Subordinate Trustee, the Subordinate Paying Agent or other fiduciary or agent or Credit Provider or Liquidity Provider for payment or purchase and requiring that such Subordinate Obligations or portions of Subordinate Obligations be purchased if properly presented.

"*Subordinate Trustee*" means U.S. Bank National Association, until a successor replaces it and, thereafter, means such successor.

"*Supplemental Senior Indenture*" means any document supplementing or amending the Master Senior Indenture or providing for the issuance of Senior Bonds and entered into as provided in the Master Senior Indenture.

"*Supplemental Subordinate Indenture*" means any document supplementing or amending the Master Subordinate Indenture or providing for the issuance of Subordinate Obligations and entered into as provided in the Master Subordinate Indenture.

"*Swap*" means any financial arrangement between the Airport Authority and a Swap Provider which provides that (a) each of the parties will pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate) on a Senior Designated Debt or a Subordinate Designated Debt, as the case may be, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid before it is deemed to have accrued, the amount paid will reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid after it is deemed to have accrued will reflect the time value of such funds; and (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one will pay to the other any net amount due under such arrangement.

"*Swap Provider*" means a party to a Swap with the Airport Authority.

"*Synthetic Fixed Rate Debt*" means indebtedness issued by the Airport Authority which: (a) is combined, as Senior Designated Debt or a Subordinate Designated Debt, as the case may be, with a Senior Qualified Swap or a Subordinate Qualified Swap, as the case may be, and creates, in the opinion of a Consultant, a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (b) consisting of an arrangement in which two inversely related variable-rate securities are issued in equal principal amounts with interest based on off-setting indices resulting in a combined payment which is economically equivalent to a fixed rate.

"*Third Supplemental Senior Indenture*" means the Third Supplemental Trust Indenture, dated as of January 1, 2013, by and between the Airport Authority and the Senior Trustee, and which sets forth the terms of the Senior Series 2013 Bonds.

"*Underwriters*" means, collectively, BofA Securities, Inc., Siebert Williams Shank & Co., LLC, Academy Securities, Inc., Jefferies LLC, Morgan Stanley & Co. LLC, Samuel A. Ramirez & Co., Inc. and Stern Brothers & Co., as the underwriters of the Subordinate Series 2021 Bonds.

"*Unenhanced Subordinate Commercial Paper Program*" will be a Subordinate Commercial Paper Program that is authorized to be issued without the support of a Credit Facility, provided such Subordinate Commercial Paper Program has received a short-term rating of at least "P-2" from Moody's or "A-2" from S&P.

"*Unissued Senior Program Bonds*" means the bonds, notes or other indebtedness authorized to be issued pursuant to a Senior Program and payable from Net Revenues, issuable in an amount up to the Senior Authorized Amount relating to such Senior Program, which have been approved for issuance by the Airport Authority pursuant to a resolution adopted by the Board and with respect to which Senior Program the items described in the Master Senior Indenture have been filed with the Senior Trustee but which have not yet been authenticated and delivered pursuant to the Senior Program documents.

"*Unissued Subordinate Program Obligations*" means the bonds, notes or other indebtedness authorized to be issued pursuant to a Subordinate Program and payable from Subordinate Net Revenues, issuable in an amount up to the Subordinate Authorized Amount relating to such Subordinate Program, which have been approved for issuance by the Airport Authority pursuant to a resolution adopted by the Board and with respect to which Subordinate Program, except as otherwise provided for in the Master Subordinate Indenture, the items described therein have been filed with the Subordinate Trustee but which have not yet been authenticated and delivered pursuant to the Subordinate Program documents.

"*United States Bankruptcy Code*" means Title 11 U.S.C., Section 101 et seq., as amended or supplemented from time to time, or any successor federal act.

"*United States Obligations*" means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, with respect only to direct and general obligations and not to guaranteed obligations, evidences of ownership of proportionate interests in future interest and/or principal payments of such obligations, provided that investments in such proportionate interests must be limited to circumstances wherein: (a) a bank or trust company acts as custodian and holds the underlying United States Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (c) the underlying United States Obligations are held in a special account separate from the custodian's general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated. "United States Obligations" will include any stripped interest or principal portion of United States Treasury securities and any stripped interest portion of Resolution Funding Corporation securities.

"*Variable Rate Indebtedness*" means any Senior Bond, Senior Bonds, Subordinate Obligation or Subordinate Obligations the interest rate on which is not, at the time in question, fixed to maturity, excluding any Senior Commercial Paper Program or Subordinate Commercial Paper Program.

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APPENDIX C-2

SUMMARY OF MASTER SENIOR INDENTURE

In addition to certain information contained under the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS" in the forepart of this Official Statement, the following is a summary of certain provisions of the Master Senior Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Master Senior Indenture.

Grant to Secure Senior Bonds; Pledge of Net Revenues

To secure the payment of the principal and Accreted Value of, premium, if any, and interest on the Senior Bonds and the performance and observance by the Airport Authority of all the covenants, agreements and conditions expressed or implied in the Master Senior Indenture or contained in the Senior Bonds, the Airport Authority has pledged and assigned to the Senior Trustee and granted to the Senior Trustee a lien on and security interest in all right, title and interest of the Airport Authority in and to all of the following and provided that such lien and security interest will be prior in right to any other pledge, lien or security interest created by the Airport Authority in the following: (a) the Net Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Senior Rebate Fund) held from time to time by the Senior Trustee under the Master Senior Indenture, and to the extent provided in any Supplemental Senior Indenture moneys and securities held in any Senior Construction Fund whether or not held by the Senior Trustee, (c) earnings on amounts included in provisions (a) and (b) of this paragraph (except to the extent excluded from the definition of "Revenues"), and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Senior Trustee as additional security under the Master Senior Indenture, for the equal and proportionate benefit and security of all Senior Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, will, with respect to the security provided by this paragraph, be of equal rank without preference, priority or distinction as to any Senior Bond over any other Senior Bond or Senior Bonds, except as to the timing of payment of the Senior Bonds. Any Senior Debt Service Reserve Fund and any Senior Debt Service Reserve Fund Surety Policy, provided at any time in satisfaction of all or a portion of the reserve requirement with respect to each Senior Debt Service Reserve Fund and any other security, Liquidity Facility or Credit Facility provided for specific Senior Bonds, a specific Series of Senior Bonds or one or more Series of Senior Bonds may, as provided by a Supplemental Senior Indenture, secure only such specific Senior Bonds, Series of Senior Bonds or one or more Series of Senior Bonds and, therefore, will not be included as security for all Senior Bonds under the Master Senior Indenture unless otherwise provided by a Supplemental Senior Indenture and moneys and securities held in trust as provided in the Master Senior Indenture exclusively for Senior Bonds which have become due and payable and moneys and securities which are held exclusively to pay Senior Bonds which are deemed to have been paid under the Master Senior Indenture will be held solely for the payment of such specific Senior Bonds.

Senior Repayment Obligations Afforded Status of Senior Bonds

If a Credit Provider or Liquidity Provider makes payment of principal of and interest on a Senior Bond or advances funds to purchase or provide for the purchase of Senior Bonds and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Airport Authority, but is not reimbursed, the Airport Authority's Senior Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Senior Bond issued under the Master Senior

Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider will be the Bondholder and such Senior Bond will be deemed to have been issued at the time of the original Senior Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the issuance provisions of the Master Senior Indenture; provided, however, notwithstanding the stated terms of the Senior Repayment Obligation, the payment terms of the Senior Bond held by the Credit Provider or Liquidity Provider under the Master Senior Indenture will be as follows (unless otherwise provided in the written agreement with the Airport Authority or a Supplemental Senior Indenture pursuant to which the Senior Bonds are issued): (a) interest will be due and payable semiannually and (b) principal will be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or, if shorter, (ii)(A) a term extending to the maturity date of the enhanced Senior Bonds or (B) if longer, the final maturity of the Senior Repayment Obligation under the written agreement, and providing substantially level Senior Annual Debt Service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Senior Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence will bear interest in accordance with the terms of the Senior Repayment Obligation. Any amount which comes due on the Senior Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Senior Bond will be a Subordinated Obligation of the Airport Authority. This provision will not defeat or alter the rights of subrogation which any Credit Provider may have under law or under the terms of any Supplemental Senior Indenture. The Senior Trustee may conclusively rely on a written certification by the Credit Provider or Liquidity Provider of the amount of such non-reimbursement and that such Senior Repayment Obligation is to be afforded the status of a Senior Bond under the Master Senior Indenture.

Funds and Accounts

Funding of Senior Debt Service Funds. So long as any of the Senior Bonds are Outstanding, not later than the 15th day of each calendar month, the Airport Authority will withdraw from the Revenue Account and pay to the Senior Trustee for deposit in the Senior Debt Service Funds established with respect to each Series of Senior Bonds: (a) sums in equal fractional parts for each one-half year so that at least the full amount required to pay the interest on Senior Bonds of that Series, as it becomes due, will be set aside in that Senior Debt Service Fund by not later than the 15th day of the month prior to the date each installment of interest becomes due; (b) sums in equal fractional parts for each year so that at least the full amount required to pay, as it becomes due at maturity, the Senior Principal Amount of Senior Bonds of that Series, will be set aside in that Senior Debt Service Fund by not later than the 15th day of the month prior to the date such Senior Principal Amount becomes due; and (c) sums in equal fractional parts for each year so that at least the full amount required to pay, as it becomes due, the sinking installment payment, if any, due with respect to Senior Term Bonds of such Series will be set aside in that Senior Debt Service Fund by not later than the 15th day of the month prior to the date such sinking installment payment becomes due. No such transfer need be made in respect of any Series of Senior Bonds prior to the actual delivery of that Series of Senior Bonds to the purchasers thereof; provided, however, that subsequent to the issuance of such Series of Senior Bonds, there will be transferred and paid from the Revenue Account to the Senior Debt Service Fund established for that Series of Senior Bonds, equal monthly sums at least sufficient together with other transfers required to be made, commencing not later than the 15th day of the calendar month immediately succeeding the issuance of such Series of Senior Bonds, so that interest due on such Series of Senior Bonds on the first interest payment date to occur after the issuance of such Series of Senior Bonds will be fully funded at least one Business Day prior to the date the first installment of interest is due on such Series of Senior Bonds, and, if the first principal payment or sinking fund installment of such Series of Senior Bonds is due less than twelve months after the issuance of such Series of Senior Bonds, there will be transferred and paid from the Revenue Account to the Senior Debt Service Fund established for that Series of Senior Bonds, equal monthly sums at least sufficient together with other transfers required to be made, commencing not later than the 15th day of the calendar month immediately succeeding the issuance of such Series of Senior Bonds, so that principal or sinking fund installments of such Series of Senior Bonds due on the first principal payment date to occur after the issuance of such Series of Senior Bonds will be fully funded at least one Business Day prior to the date the first principal payment or sinking fund installment is due on such Series of Senior Bonds. On any day on which the Senior Trustee receives funds from the Airport Authority to be used to pay principal or sinking fund installments of or interest on Senior Bonds, the Senior Trustee will, if the amount received is fully sufficient to pay all amounts of principal or sinking fund installments and interest then due or becoming due on the next Payment Date, deposit such amounts into the respective Senior Debt Service Funds for the Series of Senior Bonds for which such payments were made. Notwithstanding any of the foregoing provisions of this paragraph, no amount need be transferred from the Revenue Account or otherwise deposited into any Senior Debt Service Fund for any Series of Senior Bonds for the payment of principal or sinking fund installments or interest, respectively, if the amount already on deposit therein and available for such purpose is sufficient to pay in full the amount of principal or sinking fund installments and/or interest, respectively, coming due on such Senior Bonds on the next succeeding Payment Date.

The Airport Authority may provide in any Supplemental Senior Indenture that, as to any Series of Senior Bonds Outstanding, any amounts required to be transferred to and paid into a Senior Debt Service Fund may be prepaid, in whole or in part, by being earlier transferred to and paid into that Senior Debt Service Fund, and in that event any subsequently scheduled monthly transfer, or any part thereof, which has been so prepaid need not be made at the time appointed therefor. In any Supplemental Indenture, the Airport Authority may provide that moneys in the redemption account allocable to sinking fund installment payments of a Series may, at the discretion of the Airport Authority, be applied to the purchase and cancellation of such Series (at a price not greater than par) prior to notice of redemption of such Series. Such Senior Bonds so delivered or previously redeemed or purchased at the direction of the Airport Authority will be credited by the Senior Trustee at the Senior Principal Amount thereof to the next scheduled sinking installment payments on Senior Bonds of such Series and any excess over the sinking installment payment deposit required on that date will be credited against future sinking installment deposits in such manner and order as the Airport Authority may determine in its discretion, and the scheduled Senior Principal Amount of the Senior Bonds to be redeemed by operation of such sinking installment payments will be accordingly modified in such manner as the Airport Authority may determine and as specified to the Senior Trustee in writing.

Money set aside and placed in a Senior Debt Service Fund for any Series of Senior Bonds will remain therein until from time to time expended for the aforesaid purposes thereof and will not be used for any other purpose whatsoever, except that any such money so set aside and placed in a Senior Debt Service Fund may be temporarily invested as provided in the Master Senior Indenture, but such investment will not affect the obligation of the Airport Authority to cause the full amount required by the terms of this section to be available in a Senior Debt Service Fund at the time required to meet payments of principal of and interest on Senior Bonds of the Series for which it is accumulated. Earnings on such investments upon written request of the Airport Authority may be transferred into the Revenue Account, except that during the continuation of a Senior Event of Default, such earnings will remain in the Senior Debt Service Funds created under the respective Supplemental Senior Indentures.

Each Senior Debt Service Fund established to pay principal of and interest on any Series of Senior Bonds will be held by the Senior Trustee or any agent of the Senior Trustee, and amounts to be used to pay principal of and interest on such Series, as received by the Senior Trustee or its agent, will be deposited therein and used for such purpose. Accounts and subaccounts will be created by the Senior Trustee or any agent of the Senior Trustee in the various Senior Debt Service Funds as requested in writing by the Authorized Authority Representative and will be held by the Senior Trustee or such agents as will be provided by the Supplemental Indenture.

The moneys in each Senior Debt Service Fund established for any Series of Senior Bonds will be held in trust and applied as provided herein and in the Supplemental Senior Indenture, and pending the application of such amounts in accordance herewith and with the provisions of such Supplemental Senior Indenture will be subject to a lien on and security interest in favor of the holders of the Outstanding Senior Bonds of such Series.

On each Payment Date for any Outstanding Senior Bonds, the Senior Trustee will pay to the Owners of the Senior Bonds of a given Series from the appropriate Senior Debt Service Fund or Senior Debt Service Funds, an amount equal to the principal and interest becoming due on such Series of Senior Bonds.

The payments made by the Senior Trustee in this section will be made solely to the extent that moneys are on deposit in the appropriate Senior Debt Service Fund.

All money remaining in a Senior Debt Service Fund on the final Payment Date, in excess of the amount required to make provisions for the payment in full of the interest and/or the principal of the Senior Bonds of the Series for which that Senior Debt Service Fund was established or the payment of amounts required to be rebated, pursuant to the Code, to the United States of America with respect to Senior Bonds of that Series, will be returned to the Airport Authority upon its written request and deposited by the Airport Authority in the Revenue Account.

The Senior Trustee will, at least 10 days prior to each Payment Date on any Senior Bond, or as otherwise directed in any Supplemental Senior Indenture, give the Airport Authority notice by telephone, promptly confirmed in writing, of any additional amount required to be deposited with the Senior Trustee to pay the amount required to be paid on such Payment Date in respect of such Senior Bond, in the event the amount then on deposit in any Senior Debt Service Fund is insufficient to pay the amounts due on any Series of Senior Bonds on such Payment Date. With respect to any Series of Senior Bonds, the Supplemental Senior Indenture under which such Senior Bonds are issued may provide for different times and methods of notifying the Airport Authority of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Senior Indenture will control.

Notwithstanding anything in the Master Senior Indenture to the contrary, including the provisions of the ninth paragraph of this section, if, on any Payment Date, the Senior Trustee does not have sufficient amounts in the Senior Debt Service Funds (without regard to any amounts which may be available in a Senior Debt Service Reserve Fund) to pay in full with respect to Senior Bonds of all Series all amounts of principal and/or interest due on such date, the Senior Trustee will allocate the total amount which is available to make payment on such day (without regard to any amounts in a Senior Debt Service Reserve Fund) as follows: first, to the payment of past due interest on Senior Bonds of any Series, in the order in which such interest came due, second, to the payment of past due principal on Senior Bonds of any Series, in the order in which such principal came due, third, to the payment of interest then due and payable on the Senior Bonds of each Series due on such Payment Date and, if the amount available will not be sufficient to pay in full all interest on the Senior Bonds then due, then pro rata among the Series according to the amount of interest then due, and fourth, to the payment of principal then due on the Senior Bonds and, if the amount available will not be sufficient to pay in full all principal on the Senior Bonds then due, then pro rata among the Series according to the Senior Principal Amount then due on the Senior Bonds.

If a Senior Debt Service Reserve Fund or Senior Debt Service Reserve Funds (or a Credit Facility provided in lieu thereof) have been used to make payments on Senior Bonds secured thereby, then the Airport Authority may be required by a Supplemental Senior Indenture to replenish such Senior Debt Service Reserve Fund or Senior Debt Service Reserve Funds or reimburse the Credit Provider from Net Revenues provided that (a) no amount from Net Revenues may be used for such purpose until all payments of principal of and interest on all Senior Bonds which have become due and payable will have been paid in full, (b) the required payments to replenish any such Senior Debt Service Reserve Fund or Senior Debt Service Reserve Funds or reimburse the Credit Provider will be due in no more than twelve substantially equal monthly installments commencing in the month following any such withdrawal and (c) if the aggregate amount of payments due on any date to replenish the Senior Debt Service Reserve Fund or Senior Debt Service Reserve Funds exceeds the amount available for such purpose, the payments made to the Senior Trustee for such purpose will be allocated among the various Senior Debt Service Reserve Funds pro rata on the basis of the Outstanding Senior Principal Amount of Senior Bonds secured thereby.

Notwithstanding the foregoing, the Airport Authority may, in the Supplemental Senior Indenture authorizing such Series of Senior Bonds, provide for different provisions and timing of deposits with the Senior Trustee and different methods of paying principal of or interest on such Senior Bonds depending upon the terms of such Senior Bonds and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective Senior Debt Service Fund created for the Series of Senior Bonds for which such Credit Facility is provided.

If the Net Revenues are at any time insufficient to make the deposits required to make payments on the Senior Bonds, the Airport Authority may, at its election, pay to the Senior Trustee funds from any available sources with the direction that such funds be deposited into the Senior Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein."

Operation and Maintenance Reserve Subaccount. The Airport Authority will create and maintain, within the Revenue Account, a special subaccount to be designated as the "Operation and Maintenance Reserve Subaccount." Upon adoption of the annual budget of the Airport Authority for Operation and Maintenance Expenses of the Airport System, the Airport Authority will recalculate the Operation and Maintenance Reserve Subaccount Requirement. To the extent amounts on deposit in the Operation and Maintenance Reserve Subaccount exceed the Operation and Maintenance Reserve Subaccount Requirement on the date of any such recalculation, the Airport Authority may transfer such excess to the Revenue Account. To the extent amounts on deposit in the Operation and Maintenance Reserve Subaccount on the date of any such recalculation are less than the recalculated Operation and Maintenance Reserve Subaccount Requirement, the Airport Authority will increase the amount on deposit in the Operation and Maintenance Reserve Subaccount to the recalculated Operation and Maintenance Reserve Subaccount Requirement no later than the last Business Day of the month of such recalculation.

In the event of any withdrawal from the Operation and Maintenance Reserve Subaccount, other than such withdrawal as is permitted pursuant to the immediately preceding paragraph, the Airport Authority will deposit monthly in the Operation and Maintenance Reserve Subaccount an amount equal to one-twelfth (1/12th) of the aggregate amount of such withdrawal until the balance in the Operation and Maintenance Reserve Subaccount is at least equal to the Operation and Maintenance Reserve Subaccount Requirement.

All amounts in the Operation and Maintenance Reserve Subaccount will be used and applied by the Airport Authority: (a) to pay Operation and Maintenance Expenses of the Airport System; (b) to make any required payments or deposits to pay or secure the payment of the principal of, or interest on, or premium, if any, on the Senior Bonds; and (c) to pay the costs of any additions, improvements, repairs, renewals or replacements to the Airport System, in each case only if and to the extent that moneys otherwise available to make such payments or deposits are insufficient.

Renewal and Replacement Subaccount. The Airport Authority will create and maintain, within the Revenue Account, a special subaccount to be designated as the "Renewal and Replacement Subaccount." The Airport Authority will fund the Renewal and Replacement Subaccount in amount equal to the Renewal and Replacement Subaccount Requirement. In the event of any deficiency in the Renewal and Replacement Subaccount, the Airport Authority will deposit monthly in the Renewal and Replacement Subaccount an amount equal to one-twelfth (1/12th) of the aggregate amount of any such deficiency until the balance in the Renewal and Replacement Subaccount is at least equal to the Renewal and Replacement Subaccount Requirement.

All amounts in the Renewal and Replacement Subaccount will be used and applied by the Airport Authority: (a) to pay the costs of any extraordinary repairs, renewals or replacements to the Airport System; and (b) to make any required payments or deposits to pay or secure the payment of the principal of, or interest on, or premium, if any, on the Senior Bonds.

Additional Security. The pledge of Net Revenues and the other security provided in the Granting Clauses of the Master Senior Indenture, secure all Senior Bonds issued under the terms of the Master Senior Indenture on an equal and ratable basis, except as to the timing of such payments. The Airport Authority may, however, in its discretion, provide additional security or credit enhancement for specified Senior Bonds or Series of Senior Bonds with no obligation to provide such additional security or credit enhancement to other Senior Bonds.

Payment of Principal and Interest

The Airport Authority has covenanted and agreed that it will duly and punctually pay or cause to be paid from the Net Revenues and to the extent thereof the principal of, premium, if any, and interest on every Senior Bond at the place and on the dates and in the manner set forth in the Master Senior Indenture, in the Supplemental Senior Indentures and in the Senior Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements in the Master Senior Indenture and in the Senior Bonds contained, provided that the Airport Authority's obligation to make payment of the principal of, premium, if any, and interest on the Senior Bonds will be limited to payment from the Net Revenues, the funds and accounts pledged therefor in the Granting Clauses of the Master Senior Indenture and any other source which the Airport Authority may specifically provide for such purpose and no Bondholder will have any right to enforce payment from any other funds of the Airport Authority.

Subordinated Obligations

The Airport Authority may, from time to time, incur indebtedness which is subordinate to the Senior Bonds and which indebtedness is referred to in the Master Senior Indenture as Subordinated Obligations. Such indebtedness will be incurred at such times and upon such terms as the Airport Authority will determine, provided that: (a) any Supplemental Senior Indenture authorizing the issuance of any Subordinated Obligations will specifically state that such lien on or security interest granted in the Net Revenues is junior and subordinate to the lien on and security interest in such Net Revenues and other assets granted to secure the Senior Bonds; and (b) payment of principal of and interest on such Subordinated Obligations will be permitted, provided that all deposits required to be made pursuant to the Master Senior Indenture, if any, are then current in accordance with the Master Senior Indenture.

Special Facilities and Special Facility Obligations

The Airport Authority is permitted to designate new or existing Airport Facilities as Special Facilities. The Airport Authority may, from time to time, and subject to the terms and conditions of the Master Senior Indenture, (a) designate a separately identifiable existing facility or planned facility as a "Special Facility," (b) pursuant to an indenture other than the Master Senior Indenture and without a pledge of any Net Revenues, incur debt primarily for the purpose of acquiring, constructing, renovating or improving or providing financing or refinancing to a third party to acquire, construct, renovate or improve, such facility, (c) provide that certain of the contractual payments derived from or related to such Special Facility, together with other income and revenues available to the Airport Authority from such Special Facility to the extent necessary to make the payments required by clause (i) of the second succeeding paragraph, be "Special Facilities Revenue" and not included as Revenues or Net Revenues unless on terms provided in any supplemental indenture, and (d) provide that the debt so incurred will be a "Special Facility Obligation" and the principal of and interest thereon will be payable solely from the Special Facilities Revenue. The Airport Authority may from time to time refinance any such Special Facility Obligations with other Special Facility Obligations.

Special Facility Obligations will be payable as to principal, redemption premium, if any, and interest solely from Special Facilities Revenue, which will include contractual payments derived by the Airport Authority under and pursuant to a contract (which may be in the form of a lease) relating to a Special Facility by and between the Airport Authority and another person, firm or corporation, either public or private, as will undertake the operation of a Special Facility.

No Special Facility Obligations will be issued by the Airport Authority unless there will have been filed with the Senior Trustee a certificate of an Authorized Authority Representative stating that: (i) the estimated Special Facilities Revenue pledged to the payment of 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 Airport Authority and all sinking fund, reserve or other payments required by the resolution authorizing the Special Facility Obligations as the same become due; and (ii) 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 Airport Authority will be in compliance with the provisions of the rate covenant of the Master Senior Indenture; and (iii) no Senior Event of Default then exists under the Master Senior Indenture.

To the extent Special Facilities Revenue received by the Airport Authority during any Fiscal Year will exceed the amounts required to be paid pursuant to clause (i) of the immediately preceding paragraph for such Fiscal Year, such excess Special Facilities Revenue, to the extent not otherwise encumbered or restricted, will constitute Revenues.

Notwithstanding any other provision of this section, at such time as the Special Facility Obligations issued for an Special Facility including Special Facility Obligations issued to refinance Special Facility Obligations are fully paid or otherwise discharged, all revenues of the Airport Authority from such facility will be included as Revenues.

Operation and Maintenance of Airport System

Subject to the transfer of any Airport Facilities pursuant to the Master Senior Indenture, the Airport Authority has covenanted that the Airport System will at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises will be complied with (provided the Airport Authority will not be required to comply with any such orders so long as the validity or application thereof will be contested in good faith), and that all licenses and permits necessary to construct or operate any part of the Airport System will be obtained and maintained and that all necessary repairs, improvements and replacements of the Airport System will be made, subject to sound business judgment. Subject to the transfer of any Airport Facilities pursuant to the Master Senior Indenture, the Airport Authority will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the Airport Authority, all taxes (if any), assessments or other governmental charges lawfully imposed upon the Airport System or upon any part thereof, or upon the Revenues or Net Revenues, when the same will become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the Revenues or Net Revenues or the Airport System or any part thereof constituting part of the Airport System.

Insurance; Application of Insurance Proceeds

Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions: (a) the Airport Authority will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self-Insurance (as defined below) with respect to the facilities constituting the Airport System and public liability insurance in the form of commercial insurance or Qualified Self-Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Airport Authority, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar airports; and (b) the Airport Authority will place on file with the Senior Trustee, annually within 120 days after the close of each Fiscal Year a certificate of an Authorized Authority Representative containing a summary of all insurance policies and self-insured programs then in effect with respect to the Airport System and the operations of the Airport Authority. The Senior Trustee may conclusively rely upon such certificate and will not be responsible for the sufficiency or adequacy of any insurance required in the Master Senior Indenture or obtained by the Airport Authority.

"*Qualified Self-Insurance*" means insurance maintained through a program of self-insurance or insurance maintained with a fund, company or association in which the Airport Authority may have a material interest and of which the Airport Authority may have control, either singly or with others. Each plan of Qualified Self-Insurance will be established in accordance with law, will provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the Airport Authority determines to be reasonable to protect against risks assumed under the Qualified Self-Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self-Insurance, and such self-insurance program will be reviewed at least once every 12 months by a Consultant who will deliver to the Airport Authority a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, they will make a recommendation as to the amount of reserves that should be established and maintained, and the Airport Authority will comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the Airport Authority.

If, as a result of any event, any part of the Airport System is destroyed or severely damaged, the Airport Authority will create within the Revenue Account a special account and will credit the Net Proceeds received as a result of such event of damage or destruction to such account and such Net Proceeds will, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (i) repair or replace the Airport System, or portion thereof, which were damaged or destroyed, (ii) provide additional revenue-producing Airport Facilities, (iii) redeem Senior Bonds, or (iv) create an escrow fund pledged to pay specified Senior Bonds and thereby cause such Senior Bonds to be deemed to be paid as provided in the Master Senior Indenture; provided, however, that the Airport Authority will first deliver to the Senior Trustee a certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the redemption of such specified Senior Bonds, the rate covenant as set forth in the Master Senior Indenture would, nevertheless, be met.

Transfer of Airport Facility or Airport Facilities

The Airport Authority will not, except as provided in Section 170060 of the Act and except as permitted below, transfer, sell or otherwise dispose of an Airport Facility or Airport Facilities. For purposes of this section, any transfer of an asset over which the Airport Authority retains substantial control in accordance with the terms of such transfer, will not, for so long as the Airport Authority has such control, be deemed a disposition of an Airport Facility or Airport Facilities.

Except as otherwise provided in Section 170060 of the Act, the Airport Authority may transfer, sell or otherwise dispose of Airport Facilities only if such transfer, sale or disposition complies with one or more of the following provisions: (a) the property being disposed of is inadequate, obsolete or worn out; or (b) the property proposed to be disposed of and all other Airport Facilities disposed of during the 12-month period ending on the day of such transfer (but excluding property disposed of under the preceding paragraph), will not, in the aggregate, constitute a Significant Portion, the proceeds are deposited into the Revenue Account to be used as described below and the Airport Authority believes that such disposal will not prevent it from fulfilling its obligations under the Master Senior Indenture; or (c) the Airport Authority receives fair market value for the property, the proceeds are deposited in the Revenue Account to be used as described below, and prior to the disposition of such property, there is delivered to the Senior Trustee a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the Airport Authority as evidenced by a certificate of an Authorized Authority Representative, the Consultant estimates that the Airport Authority will be in compliance with the rate covenant of the Master Senior Indenture during each of the first five Fiscal Years immediately following such disposition.

Proceeds of the disposition of assets under the preceding two paragraphs above will be deposited into the Revenue Account and used, within a reasonable period of time, not to exceed three years, to (i) provide additional revenue-producing Airport Facilities, (ii) redeem Senior Bonds or (iii) create an escrow fund pledged to pay specified Senior Bonds and thereby cause such Senior Bonds to be deemed to be paid as provided in the Master Senior Indenture.

Airport Facilities which were financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes will not be disposed of, except under the terms of the first paragraph of this section above, unless the Airport Authority has first received a written opinion of Bond Counsel to the effect that such disposition will not cause the interest on such obligations to become includable in gross income for federal income tax purposes.

Investments

Moneys held by the Airport Authority and/or the Senior Trustee in the funds and accounts created in the Master Senior Indenture and under any Supplemental Senior Indenture will be invested and reinvested as directed by the Airport Authority, in Senior Permitted Investments subject to the restrictions set forth in the Master Senior Indenture and such Supplemental Senior Indenture and subject to the investment restrictions imposed upon the Airport Authority by the laws of the State and the Airport Authority's investment policy. The Airport Authority will direct such investments by written certificate (upon which the Senior Trustee may conclusively rely) of an Authorized Authority Representative or by telephone instruction followed by prompt written confirmation by an Authorized Authority Representative; in the absence of any such instructions, the Senior Trustee will, to the extent practicable, invest in Senior Permitted Investments specified in item (a) of the definition thereof, which includes a money market fund comprised of United States Obligations, or in a money market fund or account of the Senior Trustee, provided it meets the requirements specified in (i) of the definition of Senior Permitted Investments, which are Senior Permitted Investments under State law.

Defeasance

Senior Bonds or portions thereof (such portions to be in integral multiples of the authorized denomination) which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Master Senior Indenture except for the purposes of payment from moneys, Government Obligations or obligations described in item (b) of the definition of Senior Permitted Investments held by the Senior Trustee or a Senior Paying Agent for such purpose. When all Senior Bonds which have been issued under the Master Senior Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Master Senior Indenture by the Airport Authority, including all necessary and proper fees, compensation and expenses of the Senior Trustee, the Senior Registrar and the Senior Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Senior Trustee in and to the pledge of Net Revenues and the other assets pledged to secure the Senior Bonds under the Master Senior Indenture will thereupon cease, terminate and become void, and thereupon the Senior Trustee will cancel, discharge and release the Master Senior Indenture, will execute, acknowledge and deliver to the Airport Authority such instruments as will be requisite to evidence such cancellation, discharge and release and will assign and deliver to the Airport Authority any property and revenues at the time subject to the Master Senior Indenture which may then be in the Senior Trustee's possession, except funds or securities in which such funds are invested and are held by the Senior Trustee or the Senior Paying Agent for the payment of the principal of, premium, if any, and interest on the Senior Bonds.

A Senior Bond will be deemed to be paid within the meaning of the Master Senior Indenture and for all purposes of the Master Senior Indenture when payment of the principal, interest and premium, if any, either (a) will have been made or caused to be made in accordance with the terms of the Senior Bonds and the Master Senior Indenture or (b) will have been provided for, as certified to the Senior Trustee by a nationally recognized accounting firm, by irrevocably depositing with the Senior Trustee in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) noncallable Government Obligations or obligations described in item (b) of the definition of Senior Permitted Investments, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Senior Bonds will be deemed to be paid under the Master Senior Indenture, such Senior Bonds will no longer be secured by or entitled to the benefits of the Master Senior Indenture, except for the purposes of payment from such moneys, Government Obligations or obligations described in item (b) of the definition of Senior Permitted Investments.

Any deposit under clause (b) of the foregoing paragraph will be deemed a payment of such Senior Bonds. Once such deposit will have been made, the Senior Trustee will notify all holders of the affected Senior Bonds that the deposit required by (b) above has been made with the Senior Trustee and that such Senior Bonds are deemed to have been paid in accordance with the Master Senior Indenture. Notice of redemption will be required at the time of such defeasance or prior to such date as may be required by the Supplemental Senior Indenture under which such Senior Bonds were issued. The Airport Authority may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Senior Indenture under which such Senior Bonds were issued, modify or otherwise change the scheduled date for the redemption or payment of any Senior Bond deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Senior Bonds or the Master Senior Indenture subject to (A) receipt of an approving opinion of nationally recognized Bond Counsel that such action will not adversely affect the tax-exemption of any Senior Bond or Senior Bonds then Outstanding and (B) receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Government Obligations and/or obligations described in item (b) of the definition of Senior Permitted Investments to provide for the payment of such Senior Bonds. Notwithstanding anything in the Master Senior Indenture to the contrary, monies from the trust or escrow established for the defeasance of Senior

Bonds may be withdrawn and delivered to the Airport Authority so long as the requirements of subparagraphs (A) and (B) above are met prior to or concurrently with any such withdrawal.

Senior Defaults and Remedies

Senior Events of Default. Each of the following events will constitute and is referred to in the Master Senior Indenture as a "Senior Event of Default":

(a) a failure to pay the principal of or premium, if any, on any of the Senior Bonds when the same will become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Senior Bonds when such interest will become due and payable;

(c) a failure to pay the purchase price of any Senior Bond when such purchase price will be due and payable upon an optional or mandatory tender date as provided in a Supplemental Senior Indenture;

(d) a failure by the Airport Authority to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) of this section) that are to be observed or performed by the Airport Authority and which are contained in the Master Senior Indenture or a Supplemental Senior Indenture, which failure, except for a violation under the rate covenant provisions of the Master Senior Indenture which will be controlled by the provisions set forth therein, will continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Airport Authority by the Senior Trustee, which notice may be given at the discretion of the Senior Trustee and will be given at the written request of holders of 25% or more of the Senior Principal Amount of the Senior Bonds then Outstanding, unless the Senior Trustee, or the Senior Trustee and the holders of Senior Bonds in a Senior Principal Amount not less than the Senior Principal Amount of Senior Bonds the holders of which requested such notice, will agree in writing to an extension of such period prior to its expiration; provided, however, that the Senior Trustee or the Senior Trustee and the holders of such principal amount of Senior Bonds will be deemed to have agreed to an extension of such period if corrective action is initiated by the Airport Authority within such period and is being diligently pursued until such failure is corrected;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Bankruptcy Code, or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the Airport Authority and, if instituted against the Airport Authority, said proceedings are consented to or are not dismissed within 60 days after such institution; or

(f) the occurrence of any other Senior Event of Default as is provided in a Supplemental Senior Indenture.

If, on any date on which payment of principal of or interest on the Senior Bonds is due and sufficient moneys are not on deposit with the Senior Trustee or Senior Paying Agent to make such payment, the Senior Trustee will give telephone notice of such insufficiency to the Airport Authority.

Remedies.

(a) Upon the occurrence and continuance of any Senior Event of Default, the Senior Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the Senior Principal Amount of the Senior Bonds then Outstanding and receipt of indemnity to its satisfaction, will, in its own name and as the Senior Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the Airport Authority to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act or any other law to which it is subject and the Master Senior Indenture;

(ii) bring suit upon the Senior Bonds;

(iii) commence an action or suit in equity to require the Airport Authority to account as if it were the trustee of an express trust for the Bondholders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(b) The Senior Trustee will be under no obligation to take any action with respect to any Senior Event of Default unless the Senior Trustee has actual knowledge of the occurrence of such Senior Event of Default.

(c) In no event, upon the occurrence and continuation of a Senior Event of Default, will the Senior Trustee, the Bondholders, a Credit Provider, a Liquidity Provider or any other party have the right to accelerate the payment of principal of and interest on the Senior Bonds Outstanding.

Bondholders' Right to Direct Proceedings. Anything in the Master Senior Indenture to the contrary notwithstanding, holders of a majority in Senior Principal Amount of the Senior Bonds then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Senior Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Senior Trustee under the Master Senior Indenture to be taken in connection with the enforcement of the terms of the Master Senior Indenture or exercising any trust or power conferred on the Senior Trustee by the Master Senior Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Master Senior Indenture and that there will have been provided to the Senior Trustee security and indemnity satisfactory to the Senior Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Senior Trustee.

Limitation on Right To Institute Proceedings. No Bondholder will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Master Senior Indenture, or any other remedy under the Master Senior Indenture or on such Senior Bonds, unless such Bondholder or Bondholders previously will have given to the Senior Trustee written notice of a Senior Event of Default as provided above and unless also holders of 25% or more of the Senior Principal Amount of the Senior Bonds then Outstanding will have made written request of the Senior Trustee to do so, after the right to institute such suit, action or proceeding under the Master Senior Indenture will have accrued, and will have afforded the Senior Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also will have been offered to the Senior Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Senior Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Senior Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Bondholders will have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Master Senior Indenture, or to enforce any right under the Master Senior Indenture or under the Senior Bonds, except in the manner provided in the Master Senior Indenture, and that all suits, actions and proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Master Senior Indenture and for the equal benefit of all Bondholders.

Application of Moneys. If a Senior Event of Default will occur and be continuing, all amounts then held or any moneys received by the Senior Trustee, by any receiver or by any Bondholder pursuant to any right given or action taken under the provisions of the Master Senior Indenture (which will not include moneys provided through a Credit Facility, which moneys will be restricted to the specific use for which such moneys were provided), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Senior Trustee (including attorneys' fees and disbursements), will be applied as follows: (a) first, to the payment to the persons entitled thereto of all installments of interest then due on the Senior Bonds, with interest on overdue installments, if lawful, at the rate per annum as provided in any Supplemental Senior Indenture, as the case may be, in the order of maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (b) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Senior Bonds which will have become due with interest on such Senior Bonds at such rate as provided in a Supplemental Senior Indenture from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full Senior Bonds on any particular date determined to be the payment date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys will be applied at such times, and from time to time, as the Senior Trustee will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Senior Trustee will apply such funds, it will fix the date (which will be an interest Payment Date unless it will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date will cease to accrue. The Senior Trustee will give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Bondholders and will not be required to make payment to any Bondholder until such Senior Bonds will be presented to the Senior Trustee for appropriate endorsement or for cancellation if fully paid.

The Senior Trustee

Standard of Care. If a Senior Event of Default has occurred and is continuing, the Senior Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Senior Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: (i) the Senior Trustee will not be liable for any error of judgment made in good faith by a Senior Responsible Officer unless the Senior Trustee was negligent in ascertaining the pertinent facts; and (ii) the Senior Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Bondholders or the Airport Authority in the manner provided in the Master Senior Indenture.

Individual Rights of Senior Trustee. The Senior Trustee in its individual or any other capacity may become the owner or pledgee of Senior Bonds and may otherwise deal with the Airport Authority with the same rights it would have if it were not Senior Trustee. Any Senior Paying Agent or other agent may do the same with like rights.

Notice of Defaults. If (a) a Senior Event of Default has occurred or (b) an event has occurred which with the giving of notice and/or the lapse of time would be a Senior Event of Default and, with respect to such events for which notice to the Airport Authority is required before such events will become Events of Default, such notice has been given, then the Senior Trustee will promptly, after obtaining actual notice of such Senior Event of Default or event described in (b) above, give notice thereof to each Bondholder. Except in the case of a default in payment or purchase on any Senior Bonds, the Senior Trustee may withhold the notice if and so long as a committee of its Senior Responsible Officers in good faith determines that withholding the notice is in the interests of the Bondholders.

Eligibility of Senior Trustee. The Master Senior Indenture will always have a Senior Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least $100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Senior Trustee. The Senior Trustee may resign by notifying the Airport Authority in writing prior to the proposed effective date of the resignation. The holders of a majority in Senior Principal Amount of the Senior Bonds may remove the Senior Trustee by notifying the removed Senior Trustee and may appoint a successor Senior Trustee with the Airport Authority's consent. The Airport Authority may remove the Senior Trustee, by notice in writing delivered to the Senior Trustee at least 60 days prior to the proposed removal date; provided, however, that the Airport Authority will have no right to remove the Senior Trustee during any time when a Senior Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be a Senior Event of Default.

No resignation or removal of the Senior Trustee under this section will be effective until a new Senior Trustee has taken office and delivered a written acceptance of its appointment to the retiring Senior Trustee and to the Airport Authority. Immediately thereafter, the retiring Senior Trustee will transfer all property held by it as Senior Trustee to the successor Senior Trustee, the resignation or removal of the retiring Senior Trustee will then (but only then) become effective and the successor Senior Trustee will have all the rights, powers and duties of the Senior Trustee under the Master Senior Indenture.

If the Senior Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Master Senior Indenture, the Airport Authority will promptly appoint a successor Senior Trustee.

If a Senior Trustee is not performing its duties under the Master Senior Indenture and a successor Senior Trustee does not take office within 60 days after the retiring Senior Trustee delivers notice of resignation or the Airport Authority delivers notice of removal, the retiring Senior Trustee, the Airport Authority or the holders of a majority in Senior Principal Amount of the Senior Bonds may petition any court of competent jurisdiction for the appointment of a successor Senior Trustee.

Successor Senior Trustee or Agent by Merger. If the Senior Trustee, any Senior Paying Agent or Senior Registrar consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust assets) to, another corporation and meets the qualifications set forth in the Master Senior Indenture, the resulting, surviving or transferee corporation without any further act will be the successor Senior Trustee, Senior Paying Agent or Senior Registrar.

Amendments

Amendments Not Requiring Consent of Bondholders. The Airport Authority may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Senior Indentures supplementing and/or amending the Master Senior Indenture or any Supplemental Senior Indenture as follows:

(a) to provide for the issuance of a Series or multiple Series of Senior Bonds under the provisions of the Master Senior Indenture and to set forth the terms of such Senior Bonds and the special provisions which will apply to such Senior Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Master Senior Indenture or any Supplemental Senior Indenture, provided such supplement or amendment is not materially adverse to the Bondholders;

(c) to add to the covenants and agreements of the Airport Authority in the Master Senior Indenture or any Supplemental Senior Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Airport Authority, provided such supplement or amendment will not adversely affect the interests of the Bondholders;

(d) to confirm, as further assurance, any interest of the Senior Trustee in and to the pledge of Net Revenues or in and to the funds and accounts held by the Senior Trustee or in and to any other moneys, securities or funds of the Airport Authority provided pursuant to the Master Senior Indenture or to otherwise add additional security for the Bondholders;

(e) to evidence any change made in the terms of any Series of Senior Bonds if such changes are authorized by the Supplemental Senior Indenture at the time the Series of Senior Bonds is issued and such change is made in accordance with the terms of such Supplemental Senior Indenture;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;

(g) to modify, alter, amend or supplement the Master Senior Indenture or any Supplemental Senior Indenture in any other respect which is not materially adverse to the Bondholders;

(h) to provide for uncertificated Senior Bonds or for the issuance of coupons and bearer Senior Bonds or Senior Bonds registered only as to principal;

(i) to qualify the Senior Bonds or a Series of Senior Bonds for a rating or ratings from a Rating Agency;

(j) to accommodate the technical, operational and structural features of Senior Bonds which are issued or are proposed to be issued or of a Senior Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, swaps, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the Airport Authority from time to time deems appropriate to incur;

(k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Senior Bonds or a specific Series of Senior Bonds; and

(l) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Senior Bonds, including, without limitation, the segregation of Revenues into different funds.

Before the Airport Authority will, pursuant to this section, execute any Supplemental Senior Indenture, there will have been delivered to the Airport Authority and Senior Trustee an opinion of Bond Counsel to the effect that such Supplemental Senior Indenture: (y) is authorized or permitted by the Master Senior Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Airport Authority in accordance with its terms and (z) will not cause interest on any of the Senior Bonds which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes. The opinion of Bond Counsel required pursuant to clause (z) in the preceding sentence will not be required for a Supplemental Senior Indenture executed and delivered in accordance with subsection (a) above.

Amendments Requiring Consent of Bondholders. Except for any Supplemental Senior Indenture entered into pursuant to the above section and any Supplemental Senior Indenture entered into pursuant to the following paragraph, subject to the terms and provisions contained in this section and not otherwise, the holders of not less than a majority in aggregate Senior Principal Amount of the Senior Bonds then Outstanding will have the right from time to time to consent to and approve the execution by the Airport Authority of any Supplemental Senior Indenture deemed necessary or desirable by the Airport Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Master Senior Indenture or in a Supplemental Senior Indenture; provided, however, that, unless approved in writing by the holders of all the Senior Bonds then Outstanding or unless such change affects less than all Series of Senior Bonds and the following paragraph (b) is applicable, nothing contained in the Master Senior Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Senior Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Senior Bonds or the rate of interest thereon; and provided that nothing contained in the Master Senior Indenture, including the provisions of the following paragraph, will, unless approved in writing by the holders of all the Senior Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Master Senior Indenture) upon or pledge of the Net Revenues created by the Master Senior Indenture, ranking prior to or on a parity with the claim created by the Master Senior Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Senior Bonds, a preference or priority of any Senior Bond or Senior Bonds over any other Senior Bond or Senior Bonds with respect to the security granted therefor under the Granting Clauses of the Master Senior Indenture, or (v) a reduction in the aggregate Senior Principal Amount of Senior Bonds the consent of the Bondholders of which is required for any such Supplemental Senior Indenture. Nothing contained in the Master Senior Indenture, however, will be construed as making necessary the approval by Bondholders of the execution of any Supplemental Senior Indenture as authorized in the section above, including the granting, for the benefit of particular Series of Senior Bonds, security in addition to the pledge of the Net Revenues.

The Airport Authority may, from time to time and at any time, execute a Supplemental Senior Indenture which amends the provisions of an earlier Supplemental Senior Indenture under which a Series or multiple Series of Senior Bonds were issued. If such Supplemental Senior Indenture is executed for one of the purposes set forth in the previous section, no notice to or consent of the Bondholders will be required. If such Supplemental Senior Indenture contains provisions which affect the rights and interests of less than all Series of Senior Bonds Outstanding and the previous section is not applicable, then this paragraph rather than the paragraph above will control and, subject to the terms and provisions contained in this paragraph and not otherwise, the holders of not less than 51% in aggregate Senior Principal Amount of the Senior Bonds of all Series which are affected by such changes will have the right from time to time to consent to any Supplemental Senior Indenture deemed necessary or desirable by the Airport Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Senior Indenture and affecting only the Senior Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Senior Bonds of all the affected Series then Outstanding, nothing contained in the Master Senior Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Senior Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Senior Bonds of such Series or the rate of interest thereon. Nothing contained in the Master Senior Indenture, however, will be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Senior Indenture as authorized in the Master Senior Indenture, including the granting, for the benefit of particular Series of Senior Bonds, security in addition to the pledge of the Net Revenues.

Credit Providers

If a Credit Facility is provided for a Series of Senior Bonds or for specific Senior Bonds, the Airport Authority may in the Supplemental Senior Indenture under which such Senior Bonds are issued, provide any or all of the following rights to the Credit Provider as the Airport Authority deems to be appropriate: (a) the right to make requests of, direct or consent to the actions of the Senior Trustee or to otherwise direct proceedings all as provided in "—Senior Defaults and Remedies" above to the same extent and in place of the Owners of the Senior Bonds which are secured by the Credit Facility and for such purposes the Credit Provider will be deemed to be the Holder of such Senior Bonds; (b) the right to act in place of the Owners of the Senior Bonds which are secured by the Credit Facility for purposes of removing a Senior Trustee or appointing a Senior Trustee under the provisions of the Master Senior Indenture; and (c) the right to consent to Supplemental Senior Indentures, which would otherwise require the consent of the Holders of not less than 51% of the aggregate Senior Principal Amount of the Senior Bonds, entered into pursuant to the provisions of the Master Senior Indenture, except with respect to any amendments described in (i) through (v) of the first paragraph of the section entitled "—Amendments—Amendments Requiring Consent of Bondholders" above and (i) or (ii) of the second paragraph of the section entitled "—Amendments—Amendments Requiring Consent of Bondholders" above which consent of the actual Holders will still be required, of the Master Senior Indenture to the same extent and in place of the Holders of the Senior Bonds which are secured by the Credit Facility and for such purposes the Credit Provider will be deemed to be the Holder of such Senior Bonds.

The rights granted to any such Credit Provider, as described in the previous paragraph, will be disregarded and be of no effect if the Credit Provider is in default of its payment obligations under its Credit Facility.

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APPENDIX C-3

SUMMARY OF MASTER SUBORDINATE INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SUBORDINATE SERIES 2021 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS" and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE" in the forepart of this Official Statement, the following is a summary of certain provisions of the Master Subordinate Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Master Subordinate Indenture.

Grant to Secure Subordinate Obligations; Pledge of Subordinate Net Revenues

To secure the payment of the principal and Accreted Value of, premium, if any, and interest on the Subordinate Obligations and the performance and observance by the Airport Authority of all the covenants, agreements and conditions expressed or implied in the Master Subordinate Indenture or contained in the Subordinate Obligations, the Airport Authority hereby pledges and assigns to the Subordinate Trustee and grants to the Subordinate Trustee a lien on and security interest in all right, title and interest of the Airport Authority in and to all of the following and provides that such lien and security interest will be prior in right to any other pledge, lien or security interest created by the Airport Authority in the following: (a) the Subordinate Net Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Subordinate Rebate Fund) held from time to time by the Subordinate Trustee under the Master Subordinate Indenture, and to the extent provided in any Supplemental Subordinate Indenture moneys and securities held in any Subordinate Construction Fund whether or not held by the Subordinate Trustee, (c) earnings on amounts included in provisions (a) and (b) of this paragraph (except to the extent excluded from the definition of Revenues by the Master Subordinate Indenture), and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Subordinate Trustee as additional security under the Master Subordinate Indenture, for the equal and proportionate benefit and security of all Subordinate Obligations, all of which, regardless of the time or times of their authentication and delivery or maturity, will, with respect to the security provided by this paragraph, be of equal rank without preference, priority or distinction as to any Subordinate Obligation over any other Subordinate Obligation or Subordinate Obligations, except as to the timing of payment of the Subordinate Obligations. Any Subordinate Debt Service Reserve Fund and any Subordinate Debt Service Reserve Fund Surety Policy provided at any time in satisfaction of all or a portion of the Reserve Requirement and any other security, Liquidity Facility or Credit Facility provided for specific Subordinate Obligations, a specific Series of Subordinate Obligations or one or more Series of Subordinate Obligations may, as provided by a Supplemental Subordinate Indenture, secure only such specific Subordinate Obligations, Series of Subordinate Obligations or one or more Series of Subordinate Obligations and, therefore, will not be included as security for all Subordinate Obligations under the Master Subordinate Indenture unless otherwise provided by a Supplemental Subordinate Indenture and moneys and securities held in trust as provided in the Master Subordinate Indenture exclusively for Subordinate Obligations which have become due and payable and moneys and securities which are held exclusively to pay Subordinate Obligations which are deemed to have been paid under the Master Subordinate Indenture will be held solely for the payment of such specific Subordinate Obligations.

Subordinate Repayment Obligations Afforded Status of Subordinate Obligations

If a Credit Provider or Liquidity Provider makes payment of principal of and interest on a Subordinate Obligation or advances funds to purchase or provide for the purchase of Subordinate Obligations and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Airport Authority, but is not reimbursed, the Airport Authority's Subordinate Repayment Obligation under such written agreement may, if and to the extent so provided in the written agreement, be afforded the status of a Subordinate Obligation issued under the Master Subordinate Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider will be the Holder and such Subordinate Obligation will be deemed to have been issued at the time of the original Subordinate Obligation for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of the Master Subordinate Indenture; provided, however, notwithstanding the stated terms of the Subordinate Repayment Obligation, the payment terms of the Subordinate Obligation held by the Credit Provider or Liquidity Provider under the Master Subordinate Indenture will be as follows (unless otherwise provided in the written agreement with the Airport Authority or a Supplemental Subordinate Indenture pursuant to which the Subordinate Obligations are issued): (a) interest will be due and payable semiannually and (b) principal will be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or, if shorter, (ii)(A) a term extending to the maturity date of the enhanced Subordinate Obligations or (B) if longer, the final maturity of the Subordinate Repayment Obligation under the written agreement, and providing substantially level Subordinate Annual Debt Service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Subordinate Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence will bear interest in accordance with the terms of the Subordinate Repayment Obligation. Except as otherwise provided in a Supplemental Subordinate Indenture, any amount which comes due on the Subordinate Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Subordinate Obligation will be a subordinate obligation payable after its obligations to fund the Senior Bonds and the Subordinate Obligations of the Airport Authority. This provision will not defeat or alter the rights of subrogation which any Credit Provider may have under law or under the terms of any Supplemental Subordinate Indenture. The Subordinate Trustee may conclusively rely on a written certification by the Credit Provider or Liquidity Provider of the amount of such non-reimbursement and that such Subordinate Repayment Obligation is to be afforded the status of a Subordinate Obligation under the Master Subordinate Indenture.

Funds and Accounts

Funding of Subordinate Debt Service Funds. So long as any of the Subordinate Obligations are Outstanding, not later than the 20th day of each calendar month, the Airport Authority will withdraw from the Revenue Account and pay to the Subordinate Trustee for deposit in the Subordinate Debt Service Funds established with respect to each Series of Subordinate Obligations: (a) sums in equal fractional parts for each one-half year so that at least the full amount required to pay the interest on Subordinate Obligations of that Series, as it becomes due, will be set aside in that Subordinate Debt Service Fund by not later than the 20th day of the month prior to the date each installment of interest becomes due; (b) sums in equal fractional parts for each year so that at least the full amount required to pay, as it becomes due at maturity, the Principal Amount of Subordinate Obligations of that Series, will be set aside in that Subordinate Debt Service Fund by not later than the 20th day of the month prior to the date such principal amount becomes due; and (c) sums in equal fractional parts for each year so that at least the full amount required to pay, as it becomes due, the sinking installment payment, if any, due with respect to Term Subordinate Obligations of such Series will be set aside in that Subordinate Debt Service Fund by not later than the 20th day of the month prior to the date such sinking installment payment becomes due. No such transfer need be made in respect of any Series of Subordinate Obligations prior to the actual delivery of that Series of Subordinate Obligations to the purchasers thereof; provided, however, that subsequent to the issuance of such Series of

Subordinate Obligations, there will be transferred and paid from the Revenue Account to the Subordinate Debt Service Fund established for that Series of Subordinate Obligations, equal monthly sums at least sufficient together with other transfers required to be made, commencing not later than the 20th day of the calendar month immediately succeeding the issuance of such Series of Subordinate Obligations, so that interest due on such Series of Subordinate Obligations on the first interest payment date to occur after the issuance of such Series of Subordinate Obligations will be fully funded at least one Business Day prior to the date the first installment of interest is due on such Series Subordinate Obligations, and, if the first principal payment or sinking fund installment of such Series of Subordinate Obligations is due less than twelve months after the issuance of such Series of Subordinate Obligations, there will be transferred and paid from the Revenue Account to the Subordinate Debt Service Fund established for that Series of Subordinate Obligations, equal monthly sums at least sufficient together with other transfers required to be made, commencing not later than the 20th day of the calendar month immediately succeeding the issuance of such Series of Subordinate Obligations, so that principal or sinking fund installments of such Series of Subordinate Obligations due on the first principal payment date to occur after the issuance of such Series of Subordinate Obligations will be fully funded at least one Business Day prior to the date the first principal payment or sinking fund installment is due on such Series of Subordinate Obligations. On any day on which the Subordinate Trustee receives funds from the Airport Authority to be used to pay principal or sinking fund installments of or interest on Subordinate Obligations, the Subordinate Trustee will, if the amount received is fully sufficient to pay all amounts of principal or sinking fund installments and interest then due or becoming due on the next Payment Date, deposit such amounts into the respective Subordinate Debt Service Funds for the Series of Subordinate Obligations for which such payments were made. Notwithstanding any of the foregoing provisions of this paragraph, no amount need be transferred from the Revenue Account or otherwise deposited into any Subordinate Debt Service Fund for any Series of Subordinate Obligations for the payment of principal or sinking fund installments or interest, respectively, if the amount already on deposit therein and available for such purpose is sufficient to pay in full the amount of principal or sinking fund installment and/or interest, respectively, coming due on such Subordinate Obligations on the next succeeding Payment Date.

The Airport Authority may provide in any Supplemental Subordinate Indenture that, as to any Series of Subordinate Obligations Outstanding, any amounts required to be transferred to and paid into a Subordinate Debt Service Fund may be prepaid, in whole or in part, by being earlier transferred to and paid into that Subordinate Debt Service Fund, and in that event any subsequently scheduled monthly transfer, or any part thereof, which has been so prepaid need not be made at the time appointed therefor. In any Supplemental Subordinate Indenture, the Airport Authority may provide that moneys in the Redemption Account allocable to sinking fund installment payments of a Series may, at the discretion of the Airport Authority, be applied to the purchase and cancellation of such Series (at a price not greater than par) prior to notice of redemption of such Series. Such Subordinate Obligations so delivered or previously redeemed or purchased at the direction of the Airport Authority will be credited by the Subordinate Trustee at the principal amount thereof to the next scheduled sinking installment payments on Subordinate Obligations of such Series and any excess over the sinking installment payment deposit required on that date will be credited against future sinking installment deposits in such manner and order as the Airport Authority may determine in its discretion, and the scheduled principal amount of the Subordinate Obligations to be redeemed by operation of such sinking installment payments will be accordingly modified in such manner as the Airport Authority may determine and as specified to the Subordinate Trustee in writing.

Money set aside and placed in a Subordinate Debt Service Fund for any Series of Subordinate Obligations will remain therein until from time to time expended for the aforesaid purposes thereof and will not be used for any other purpose whatsoever, except that any such money so set aside and placed in a Subordinate Debt Service Fund may be temporarily invested as provided in the Master Subordinate Indenture, but such investment will not affect the obligation of the Airport Authority to cause the full amount required by the terms of this Section to be available in a Subordinate Debt Service Fund at the time required to meet payments of principal of and interest on Subordinate Obligations of the Series for which it is accumulated. Earnings on such investments upon written request of the Airport Authority may be transferred into the Revenue Account, except that during the continuation of a Subordinate Event of Default, such earnings will remain in the Subordinate Debt Service Funds created under the respective Supplemental Subordinate Indentures.

Each Subordinate Debt Service Fund established to pay principal of and interest on any Series of Subordinate Obligations will be held by the Subordinate Trustee or any agent of the Subordinate Trustee, and amounts to be used to pay principal of and interest on such Series, as received by the Subordinate Trustee or its agent, will be deposited therein and used for such purpose. Accounts and Subaccounts will be created by the Subordinate Trustee or any agent of the Subordinate Trustee in the various Subordinate Debt Service Funds as requested in writing by the Authorized Authority Representative and will be held by the Subordinate Trustee or such agents as will be provided by the Supplemental Subordinate Indenture.

The moneys in each Subordinate Debt Service Fund established for any Series of Subordinate Obligations will be held in trust and applied as provided herein and in the Supplemental Subordinate Indenture, and pending the application of such amounts in accordance herewith and with the provisions of such Supplemental Subordinate Indenture will be subject to a lien on and security interest in favor of the holders of the Outstanding Subordinate Obligations of such Series.

On each Payment Date for any Outstanding Subordinate Obligations, the Subordinate Trustee will pay to the Owners of the Subordinate Obligations of a given Series from the appropriate Subordinate Debt Service Fund or Subordinate Debt Service Funds, an amount equal to the principal and interest becoming due on such Series of Subordinate Obligations.

The payments made by the Subordinate Trustee will be made solely to the extent that moneys are on deposit in the appropriate Subordinate Debt Service Fund.

All money remaining in a Subordinate Debt Service Fund on the final Payment Date, in excess of the amount required to make provisions for the payment in full of the interest and/or the principal of the Subordinate Obligations of the Series for which that Subordinate Debt Service Fund was established or the payment of amounts required to be rebated, pursuant to the Code, to the United States of America with respect to Subordinate Obligations of that Series, will be returned to the Airport Authority and deposited by the Airport Authority in the Revenue Account.

The Subordinate Trustee will, at least seven days prior to each Payment Date on any Subordinate Obligation, or as otherwise directed in any Supplemental Subordinate Indenture, give the Airport Authority prompt notice of any additional amount required to be deposited with the Subordinate Trustee to pay the amount required to be paid on such Payment Date in respect of such Subordinate Obligation, in the event the amount then on deposit in any Subordinate Debt Service Fund is insufficient to pay the amounts due on any Series of Subordinate Obligations on such Payment Date. With respect to any Series of Subordinate Obligations, the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued may provide for different times and methods of notifying the Airport Authority of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Subordinate Indenture will control.

Notwithstanding anything therein to the contrary, including the provisions of the ninth paragraph of this Section, if, on any Payment Date, the Subordinate Trustee does not have sufficient amounts in the Subordinate Debt Service Funds (without regard to any amounts which may be available in a Subordinate Debt Service Reserve Fund) to pay in full with respect to Subordinate Obligations of all Series all amounts of principal and/or interest due on such date, the Subordinate Trustee will allocate the total amount which is available to make payment on such day (without regard to any amounts in a Subordinate Debt Service Reserve Fund) as follows: first, to the payment of past due interest on Subordinate Obligations of any Series, in the order in which such interest came due, second, to the payment of past due principal on Subordinate Obligations of any Series, in the order in which such principal came due, third, to the payment of interest then due and payable on the Subordinate Obligations of each Series due on such Payment Date and, if the amount available will not be sufficient to pay in full all interest on the Subordinate Obligations then due, then pro rata among the Series according to the amount of interest then due, and fourth, to the payment of principal then due on the Subordinate Obligations and, if the amount available will not be sufficient to pay in full all principal on the Subordinate Obligations then due, then pro rata among the Series according to the Principal Amount then due on the Subordinate Obligations.

If a Subordinate Debt Service Reserve Fund or Subordinate Debt Service Reserve Funds (or a Credit Facility provided in lieu thereof) have been used to make payments on Subordinate Obligations secured thereby, then the Airport Authority may be required by a Supplemental Subordinate Indenture to replenish such Subordinate Debt Service Reserve Fund or Subordinate Debt Service Reserve Funds or reimburse the Credit Provider from Subordinate Net Revenues provided that (a) no amount from Subordinate Net Revenues may be used for such purpose until all payments of principal of and interest on all Subordinate Obligations which have become due and payable will have been paid in full, (b) the required payments to replenish any such Subordinate Debt Service Reserve Fund or Subordinate Debt Service Reserve Funds or reimburse the Credit Provider will be due in no more than twelve substantially equal monthly installments commencing in the month following any such withdrawal and (c) if the aggregate amount of payments due on any date to replenish the Subordinate Debt Service Reserve Fund or Subordinate Debt Service Reserve Funds exceeds the amount available for such purpose, the payments made to the Subordinate Trustee for such purpose will be allocated among the various Subordinate Debt Service Reserve Funds pro rata on the basis of the Outstanding Principal Amount of Subordinate Obligations secured thereby.

Notwithstanding the foregoing, the Airport Authority may, in the Supplemental Subordinate Indenture authorizing such Series of Subordinate Obligations, provide for different provisions and timing of deposits with the Subordinate Trustee and different methods of paying principal of or interest on such Subordinate Obligations depending upon the terms of such Subordinate Obligations and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective Subordinate Debt Service Fund created for the Series of Subordinate Obligations for which such Credit Facility is provided.

If the Subordinate Net Revenues are at any time insufficient to make the deposits required to make payments on the Subordinate Obligations, the Airport Authority may, at its election, pay to the Subordinate Trustee funds from any available sources with the direction that such funds be deposited into the Subordinate Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein.

Additional Security. The pledge of Subordinate Net Revenues and the other security provided in the Master Subordinate Indenture, secure all Subordinate Obligations issued under the terms of the Master Subordinate Indenture on an equal and ratable basis, except as to the timing of such payments. The Airport Authority may, however, in its discretion, provide additional security or credit enhancement for specified Subordinate Obligations or a Series of Subordinate Obligations with no obligation to provide such additional security or credit enhancement to other Subordinate Obligations.

Payment of Principal and Interest

The Airport Authority covenants and agrees that it will duly and punctually pay or cause to be paid from the Subordinate Net Revenues and to the extent thereof the principal of, premium, if any, and interest on every Subordinate Obligation at the place and on the dates and in the manner provided in the Master Subordinate Indenture, in the Supplemental Subordinate Indentures and in the Subordinate Obligations specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements the Master Subordinate Indenture and in the Subordinate Obligations contained, provided that the Airport Authority's obligation to make payment of the principal of, premium, if any, and interest on the Subordinate Obligations will be limited to payment from the Subordinate Net Revenues, the funds and accounts pledged therefore in the Granting Clauses of the Master Subordinate Indenture and any other source which the Airport Authority may specifically provide for such purpose and no Holder will have any right to enforce payment from any other funds of the Airport Authority.

Junior and Subordinated Obligations

The Airport Authority may, from time to time, incur indebtedness with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations. Such indebtedness will be incurred at such times and upon such terms as the Airport Authority will determine, provided that:

(a) any resolution or indenture or other instrument of the Airport Authority authorizing the issuance of any subordinate obligations will specifically state that such lien on or security interest granted in the Subordinate Net Revenues is junior and subordinate to the lien on and security interest in such Subordinate Net Revenues and other assets granted to secure the Subordinate Obligations; and

(b) payment of principal of and interest on such subordinated obligations will be permitted, provided that all deposits required to be made to the Subordinate Trustee to be used to pay debt service on the Subordinate Obligations or to replenish the Subordinate Debt Service Reserve Fund, if any, are then current in accordance with the Master Subordinate Indenture.

Operation and Maintenance of Airport System

The Airport Authority covenants that the Airport System will at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises will be complied with (provided the Airport Authority will not be required to comply with any such orders so long as the validity or application thereof will be contested in good faith), and that all licenses and permits necessary to construct or operate any part of the Airport System will be obtained and maintained and that all necessary repairs, improvements and replacements of the Airport System will be made, subject to sound business judgment. The Airport Authority will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the Airport Authority, all taxes (if any), assessments or other governmental charges lawfully imposed upon the Airport System or upon any part thereof, or upon the Revenues, Subordinate Net Revenues, when the same will become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the Revenues, Subordinate Net Revenues or the Airport System or any part thereof constituting part of the Airport System.

Insurance; Application of Insurance Proceeds

Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions: (a) the Airport Authority will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self-Insurance (as defined below) with respect to the facilities constituting the Airport System and public liability insurance in the form of commercial insurance or Qualified Self-Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Airport Authority, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar airports; and (b) the Airport Authority will place on file with the Subordinate Trustee, annually within 120 days after the close of each Fiscal Year a certificate of an Authorized Authority Representative containing a summary of all insurance policies and self-insured programs then in effect with respect to the Airport System and the operations of the Airport Authority. The Subordinate Trustee may conclusively rely upon such certificate and will not be responsible for the sufficiency or adequacy of any insurance required in the Master Subordinate Indenture or obtained by the Airport Authority.

"*Qualified Self-Insurance*" means insurance maintained through a program of self-insurance or insurance maintained with a fund, company or association in which the Airport Authority may have a material interest and of which the Airport Authority may have control, either singly or with others. Each plan of Qualified Self-Insurance will be established in accordance with law, will provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the Airport Authority determines to be reasonable to protect against risks assumed under the Qualified Self-Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self-Insurance, and such self-insurance program will be reviewed at least once every 12 months by a Consultant who will deliver to the Airport Authority a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, they will make a recommendation as to the amount of reserves that should be established and maintained, and the Airport Authority will comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the Airport Authority.

If, as a result of any event, any part of the Airport System is destroyed or severely damaged, the Airport Authority will create within the Revenue Account a special account and will credit the Net Proceeds received as a result of such event of damage or destruction to such account and such Net Proceeds will, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (i) repair or replace the Airport System, or portion thereof, which were damaged or destroyed, (ii) provide additional revenue-producing Airport Facilities, (iii) redeem Subordinate Obligations, or (iv) create an escrow fund pledged to pay specified Subordinate Obligations and thereby cause such Subordinate Obligations to be deemed to be paid as provided in the Master Subordinate Indenture; provided, however, that the Airport Authority will first deliver to the Subordinate Trustee a certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the redemption of such specified Subordinate Obligations, the rate covenant as set forth in the Master Subordinate Indenture would, nevertheless, be met.

Transfer of Airport Facility or Airport Facilities

The Airport Authority will not, except as provided in Section 170060 of the Act and except as permitted below, transfer, sell or otherwise dispose of an Airport Facility or Airport Facilities. Any transfer of an asset over which the Airport Authority retains substantial control in accordance with the terms of such transfer, will not, for so long as the Airport Authority has such control, be deemed a disposition of an Airport Facility or Airport Facilities.

Except as otherwise provided in Section 170060 of the Act, the Airport Authority may transfer, sell or otherwise dispose of Airport Facilities only if such transfer, sale or disposition complies with one or more of the following provisions: (a) the property being disposed of is inadequate, obsolete or worn out; or (b) the property proposed to be disposed of and all other Airport Facilities disposed of during the 12-month period ending on the day of such transfer (but excluding property disposed of under the preceding paragraph), will not, in the aggregate, constitute a Significant Portion, the proceeds are deposited into the Revenue Account to be used as described below and the Airport Authority believes that such disposal will not prevent it from fulfilling its obligations under the Master Senior Indenture or Master Subordinate Indenture; or (c) the Airport Authority receives fair market value for the property, the proceeds are deposited in the Revenue Account to be used as described below, and prior to the disposition of such property, there is delivered to the Senior Trustee and the Subordinate Trustee a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the Airport Authority as evidenced by a certificate of an Authorized Authority Representative, the Consultant estimates that the Airport Authority will be in compliance with the rate covenant of the Master Senior Indenture and the rate covenant of the Master Subordinate Indenture during each of the first five Fiscal Years immediately following such disposition.

Proceeds of the disposition of assets under the preceding two paragraphs above will be deposited into the Revenue Account and used, within a reasonable period of time, not to exceed three years, to (i) provide additional revenue-producing Airport Facilities, (ii) redeem Senior Bonds and/or Subordinate Obligations or (iii) create an escrow fund pledged to pay specified Senior Bonds and/or Subordinate Obligations and thereby cause such Senior Bonds and/or Subordinate Obligations to be deemed to be paid as provided in the Master Senior Indenture or the Master Subordinate Indenture, as the case may be.

Airport Facilities which were financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes will not be disposed of, except under the terms of the first paragraph of this Section, unless the Airport Authority has first received a written opinion of Bond Counsel to the effect that such disposition will not cause the interest on such obligations to become includable in gross income for federal income tax purposes.

Eminent Domain

If a Significant Portion of any Airport Facility or Airport Facilities are taken by eminent domain proceedings or conveyance in lieu thereof, the Airport Authority will create within the Revenue Account a special account and credit the Net Proceeds received as a result of such taking or conveyance to such account and will within a reasonable period of time, after the receipt of such amounts, use such proceeds to (a) replace the Airport Facility or Airport Facilities which were taken or conveyed, (b) provide an additional revenue producing Airport Facility or Airport Facilities, (c) redeem Senior Bonds and/or Subordinate Obligations, or (d) create an escrow fund pledged to pay specified Senior Bonds and/or Subordinate Obligations and thereby cause such Senior Bonds and/or Subordinate Obligations to be deemed to be paid as provided in the Master Senior Indenture or the Master Subordinate Indenture, as the case may be.

Investments

Moneys held by the Airport Authority and/or the Subordinate Trustee in the funds and accounts created in the Master Subordinate Indenture and under any Supplemental Subordinate Indenture will be invested and reinvested as directed by the Airport Authority, in Subordinate Permitted Investments subject to the restrictions set forth in the Master Subordinate Indenture and such Supplemental Subordinate Indenture and subject to the investment restrictions imposed upon the Airport Authority by the laws of the State and the Airport Authority's investment policy. The Airport Authority will direct such investments by written certificate (which certificate will include a certification that such directions comply with the Airport

Authority's investment policy and upon which the Subordinate Trustee may conclusively rely) of an Authorized Authority Representative or by telephone instruction followed by prompt written confirmation by an Authorized Authority Representative; in the absence of any such instructions, the Subordinate Trustee will, to the extent practicable, invest in Subordinate Permitted Investments specified in paragraph (i) of the definition thereof, which includes a money market fund comprised of United States Obligations, or in a money market fund or account of the Subordinate Trustee, provided it meets the requirements specified in paragraph (i) of the definition of Subordinate Permitted Investments, which are Subordinate Permitted Investments under State law.

Defeasance

Subordinate Obligations or portions thereof (such portions to be in integral multiples of the authorized denomination) which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Master Subordinate Indenture except for the purposes of payment from moneys, Government Obligations or obligations described in paragraph (b) of the definition of Subordinate Permitted Investments held by the Subordinate Trustee or a Subordinate Paying Agent for such purpose. When all Subordinate Obligations which have been issued under the Master Subordinate Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Master Subordinate Indenture by the Airport Authority, including all necessary and proper fees, compensation and expenses of the Subordinate Trustee, the Subordinate Registrar and the Subordinate Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Subordinate Trustee in and to the pledge of Subordinate Net Revenues and the other assets pledged to secure the Subordinate Obligations under the Master Subordinate Indenture will thereupon cease, terminate and become void, and thereupon the Subordinate Trustee will cancel, discharge and release the Master Subordinate Indenture, will execute, acknowledge and deliver to the Airport Authority such instruments as will be requisite to evidence such cancellation, discharge and release and will assign and deliver to the Airport Authority any property and revenues at the time subject to the Master Subordinate Indenture which may then be in the Subordinate Trustee's possession, except funds or securities in which such funds are invested and are held by the Subordinate Trustee or the Subordinate Paying Agent for the payment of the principal of, premium, if any, and interest on the Subordinate Obligations.

A Subordinate Obligation will be deemed to be paid within the meaning of the Master Subordinate Indenture and for all purposes thereof when payment of the principal, interest and premium, if any, either (a) will have been made or caused to be made in accordance with the terms of the Subordinate Obligations and the Master Subordinate Indenture or (b) will have been provided for, as certified to the Subordinate Trustee by a nationally recognized accounting firm, by irrevocably depositing with the Subordinate Trustee in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) noncallable Government Obligations or obligations described in paragraph (b) of the definition of Subordinate Permitted Investments, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Subordinate Obligations will be deemed to be paid under the Master Subordinate Indenture, such Subordinate Obligations will no longer be secured by or entitled to the benefits of the Master Subordinate Indenture, except for the purposes of payment from such moneys, Government Obligations or obligations described in paragraph (b) of the definition of Subordinate Permitted Investments.

Any deposit under clause (b) of the foregoing paragraph will be deemed a payment of such Subordinate Obligations. Once such deposit will have been made, the Subordinate Trustee will notify all holders of the affected Subordinate Obligations that the deposit required by (b) above has been made with the Subordinate Trustee and that such Subordinate Obligations are deemed to have been paid in accordance with the Master Subordinate Indenture. Notice of redemption will be required at the time of such defeasance or prior to such date as may be required by the Supplemental Subordinate Indenture under which such

Subordinate Obligations were issued. The Airport Authority may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Subordinate Indenture under which such Subordinate Obligations were issued, modify or otherwise change the scheduled date for the redemption or payment of any Subordinate Obligation deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Subordinate Obligations or the Master Subordinate Indenture subject to (A) receipt of an approving opinion of nationally recognized Bond Counsel that such action will not adversely affect the tax-exemption of any Subordinate Obligation or Subordinate Obligations then Outstanding and (B) receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Government Obligations and/or obligations described in item (b) of the definition of Subordinate Permitted Investments to provide for the payment of such Subordinate Obligations. Notwithstanding anything in the Master Subordinate Indenture to the contrary, monies from the trust or escrow established for the defeasance of Subordinate Obligations may be withdrawn and delivered to the Airport Authority so long as the requirements of subparagraphs (A) and (B) above are met prior to or concurrently with any such withdrawal.

Subordinate Defaults and Remedies

Subordinate Events of Default. Each of the following events will constitute and is referred to in the Master Subordinate Indenture as a "Subordinate Event of Default":

(a) a failure to pay the principal of or premium, if any, on any of the Subordinate Obligations when the same will become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Subordinate Obligations when such interest will become due and payable;

(c) a failure to pay the purchase price of any Subordinate Obligation when such purchase price will be due and payable upon an optional or mandatory tender date as provided in a Supplemental Subordinate Indenture;

(d) a failure by the Airport Authority to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) above) that are to be observed or performed by the Airport Authority and which are contained in the Master Subordinate Indenture or a Supplemental Subordinate Indenture, which failure, except for a violation under the Master Subordinate Indenture which will be controlled by the provisions set forth therein, will continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Airport Authority by the Subordinate Trustee, which notice may be given at the discretion of the Subordinate Trustee and will be given at the written request of holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding, unless the Subordinate Trustee, or the Subordinate Trustee and the holders of Subordinate Obligations in a Principal Amount not less than the Principal Amount of Subordinate Obligations the holders of which requested such notice, will agree in writing to an extension of such period prior to its expiration; provided, however, that the Subordinate Trustee or the Subordinate Trustee and the holders of such principal amount of Subordinate Obligations will be deemed to have agreed to an extension of such period if corrective action is initiated by the Airport Authority within such period and is being diligently pursued until such failure is corrected;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Bankruptcy Code, or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the Airport Authority and, if instituted against the Airport

Authority, said proceedings are consented to or are not dismissed within 60 days after such institution;

(f) the occurrence of any other Subordinate Event of Default as is provided in a Supplemental Subordinate Indenture; or

(g) a default in the payment of principal of or interest on any Senior Bonds.

If, on any date on which payment of principal of or interest on the Subordinate Obligations is due and sufficient moneys are not on deposit with the Subordinate Trustee or Subordinate Paying Agent to make such payment, the Subordinate Trustee will give telephone notice, followed by written confirmation, of such insufficiency to the Airport Authority.

Remedies.

(h) Upon the occurrence and continuance of any Subordinate Event of Default, the Subordinate Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding and receipt of indemnity to its satisfaction, will, in its own name and as the Subordinate Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders, and require the Airport Authority to carry out any agreements with or for the benefit of the Holders and to perform its or their duties under the Act or any other law to which it is subject and the Master Subordinate Indenture;

(ii) bring suit upon the Subordinate Obligations;

(iii) commence an action or suit in equity to require the Airport Authority to account as if it were the trustee of an express trust for the Holders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders.

(i) The Subordinate Trustee will be under no obligation to take any action with respect to any Subordinate Event of Default unless the Subordinate Trustee has actual knowledge of the occurrence of such Subordinate Event of Default.

(j) Except as otherwise provided in the Master Subordinate Indenture or in a Supplemental Subordinate Indenture, a Credit Facility or a Liquidity Facility, in no event, upon the occurrence and continuation of a Subordinate Event of Default described in the Master Subordinate Indenture, will the Subordinate Trustee, the Holders, a Credit Provider, a Liquidity Provider or any other party have the right to accelerate the payment of principal of and interest on the Subordinate Obligations Outstanding.

Holders' Right To Direct Proceedings. Anything in the Master Subordinate Indenture to the contrary notwithstanding, holders of a majority in Principal Amount of the Subordinate Obligations then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Subordinate Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Subordinate Trustee under the Master Subordinate Indenture to be taken in connection with the enforcement of the terms of the Master Subordinate Indenture or exercising any trust or power conferred on the Subordinate Trustee by the Master Subordinate Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Master Subordinate Indenture and that there will have been provided to the Subordinate Trustee security and indemnity satisfactory to the Subordinate Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Subordinate Trustee.

Limitation on Right To Institute Proceedings. No Holder will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Master Subordinate Indenture, or any other remedy under the Master Subordinate Indenture or on such Subordinate Obligations, unless such Holder or Holders previously will have given to the Subordinate Trustee written notice of a Subordinate Event of Default as hereinabove provided and unless also holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding will have made written request of the Subordinate Trustee to do so, after the right to institute such suit, action or proceeding the Master Subordinate Indenture will have accrued, and will have afforded the Subordinate Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also will have been offered to the Subordinate Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Subordinate Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Subordinate Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Holders will have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Master Subordinate Indenture, or to enforce any right under the Master Subordinate Indenture or under the Subordinate Obligations, except in the manner provided in the Master Subordinate Indenture, and that all suits, actions and proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Master Subordinate Indenture and for the equal benefit of all Holders.

Application of Moneys. If a Subordinate Event of Default will occur and be continuing, all amounts then held or any moneys received by the Subordinate Trustee, by any receiver or by any Holder pursuant to any right given or action taken under the provisions of the Master Subordinate Indenture (which will not include moneys provided through a Credit Facility, which moneys will be restricted to the specific use for which such moneys were provided), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys by the Subordinate Trustee or by any receiver and of the expenses, liabilities and advances incurred or made by the Subordinate Trustee in connection with its performance of its powers and duties under the Master Subordinate Indenture and any Supplemental Subordinate Indenture (including attorneys' fees and disbursements), will be applied as follows: (a) first, to the payment to the persons entitled thereto of all installments of interest then due on the Subordinate Obligations, with interest on overdue installments, if lawful, at the rate per annum as provided in any Supplemental Subordinate Indenture, as the case may be, in the order of maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (b) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Subordinate Obligations which will have become due with interest on such Subordinate Obligations at such rate as provided in a Supplemental Subordinate Indenture from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full Subordinate Obligations on any particular date determined to be the payment date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys will be applied at such times, and from time to time, as the Subordinate Trustee will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Subordinate Trustee will apply such funds, it will fix the date (which will be an interest Payment Date unless it will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date will cease to accrue. The Subordinate Trustee will give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Holders and will not be required to make payment to any Holder until such Subordinate Obligations will be presented to the Subordinate Trustee for appropriate endorsement or for cancellation if fully paid.

The Subordinate Trustee

Standard of Care. If a Subordinate Event of Default has occurred and is continuing, the Subordinate Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Subordinate Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: (i) the Subordinate Trustee will not be liable for any error of judgment made in good faith by a Subordinate Responsible Officer unless the Subordinate Trustee was negligent in ascertaining the pertinent facts; and (ii) the Subordinate Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Holders or the Airport Authority in the manner provided in the Master Subordinate Indenture.

Individual Rights of Subordinate Trustee. The Subordinate Trustee in its individual or any other capacity may become the owner or pledgee of Subordinate Obligations and may in such role otherwise deal with the Airport Authority with the same rights it would have if it were not Subordinate Trustee. Any Subordinate Paying Agent or other agent may do the same with like rights.

Notice of Defaults. If (a) a Subordinate Event of Default has occurred or (b) an event has occurred which with the giving of notice and/or the lapse of time would be a Subordinate Event of Default and, with respect to such events for which notice to the Airport Authority is required before such events will become Events of Default, such notice has been given, then the Subordinate Trustee will promptly, after obtaining actual notice of such Subordinate Event of Default or event described in (b), give notice thereof to each Holder. Except in the case of a default in payment or purchase on any Subordinate Obligations, the Subordinate Trustee may withhold the notice if and so long as a committee of its Subordinate Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders.

Eligibility of Subordinate Trustee. The Master Subordinate Indenture will always have a Subordinate Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least $100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Subordinate Trustee. The Subordinate Trustee may resign by notifying the Airport Authority in writing prior to the proposed effective date of the resignation. The holders of a majority in Principal Amount of the Subordinate Obligations may remove the Subordinate Trustee by notifying the removed Subordinate Trustee in writing and may appoint a successor Subordinate Trustee with the Airport Authority's consent. The Airport Authority may remove the Subordinate Trustee, by notice in writing delivered to the Subordinate Trustee at least 60 days prior to the proposed removal date; provided, however, that the Airport Authority will have no right to remove the Subordinate Trustee during any time when a Subordinate Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be a Subordinate Event of Default.

No resignation or removal of the Subordinate Trustee under this Section will be effective until a new Subordinate Trustee has taken office and delivered a written acceptance of its appointment to the retiring Subordinate Trustee and to the Airport Authority. Immediately thereafter, the retiring Subordinate Trustee will transfer all property held by it as Subordinate Trustee to the successor Subordinate Trustee, the resignation or removal of the retiring Subordinate Trustee will then (but only then) become effective and the successor Subordinate Trustee will have all the rights, powers and duties of the Subordinate Trustee under the Master Subordinate Indenture.

If the Subordinate Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Master Subordinate Indenture, the Airport Authority will promptly appoint a successor Subordinate Trustee.

If a Subordinate Trustee is not performing its duties under the Master Subordinate and a successor Subordinate Trustee does not take office within 60 days after the retiring Subordinate Trustee delivers notice of resignation or the Airport Authority delivers notice of removal, the retiring Subordinate Trustee, the Airport Authority or the holders of a majority in Principal Amount of the Subordinate Obligations may petition any court of competent jurisdiction for the appointment of a successor Subordinate Trustee.

Successor Subordinate Trustee or Agent by Merger. If the Subordinate Trustee, any Subordinate Paying Agent or Subordinate Registrar consolidates with, merges or converts into, or sells to or transfers all or substantially all its assets (or, in the case of a bank, national banking association or trust company, its corporate trust assets) to, another corporation and meets the qualifications set forth in the Master Subordinate Indenture, the resulting, surviving or transferee corporation without any further act will be the successor Subordinate Trustee, Subordinate Paying Agent or Subordinate Registrar.

Amendments

Amendments Not Requiring Consent of Bondholders. The Airport Authority may, from time to time and at any time, without the consent of or notice to the Holders, execute and deliver Supplemental Subordinate Indentures supplementing and/or amending the Master Subordinate Indenture or any Supplemental Subordinate Indenture as follows:

(a) to provide for the issuance of a Series or multiple Series of Subordinate Obligations under the provisions of the Master Subordinate Indenture and to set forth the terms of such Subordinate Obligations and the special provisions which will apply to such Subordinate Obligations;

(b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Master Subordinate Indenture or any Supplemental Subordinate Indenture, provided such supplement or amendment is not materially adverse to the Holders;

(c) to add to the covenants and agreements of the Airport Authority in the Master Subordinate Indenture or any Supplemental Subordinate Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Airport Authority, provided such supplement or amendment will not adversely affect the interests of the Holders;

(d) to confirm, as further assurance, any interest of the Subordinate Trustee in and to the pledge of Subordinate Net Revenues or in and to the funds and accounts held by the Subordinate Trustee or in and to any other moneys, securities or funds of the Airport Authority provided pursuant to the Master Subordinate Indenture or to otherwise add additional security for the Holders;

(e) to evidence any change made in the terms of any Series of Subordinate Obligations if such changes are authorized by the Supplemental Subordinate Indenture at the time the Series of Subordinate Obligations is issued and such change is made in accordance with the terms of such Supplemental Subordinate Indenture;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;

(g) to modify, alter, amend or supplement the Master Subordinate Indenture or any Supplemental Subordinate Indenture in any other respect which is not materially adverse to the Holders;

(h) to provide for uncertificated Subordinate Obligations or for the issuance of coupons and bearer Subordinate Obligations or Subordinate Obligations registered only as to principal;

(i) to qualify the Subordinate Obligations or a Series of Subordinate Obligations for a rating or ratings from a Rating Agency;

(j) to accommodate the technical, operational and structural features of Subordinate Obligations which are issued or are proposed to be issued or of a Subordinate Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, swaps, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the Airport Authority from time to time deems appropriate to incur;

(k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Subordinate Obligations or a specific Series of Subordinate Obligations; and

(l) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Subordinate Obligations, including, without limitation, the segregation of Revenues, Net Revenues and Subordinate Net Revenues into different funds.

Before the Airport Authority will, pursuant to this Section, execute any Supplemental Subordinate Indenture, there will have been delivered to the Airport Authority and Subordinate Trustee an opinion of Bond Counsel to the effect that such Supplemental Subordinate Indenture: (x) is authorized or permitted by the Master Subordinate Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Airport Authority in accordance with its terms and (y) will not cause interest on any of the Subordinate Obligations which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes. The opinion of Bond Counsel required pursuant to clause (z) in the preceding sentence will not be required for a Supplemental Subordinate Indenture executed and delivered in accordance with paragraph (a) above.

Amendments Requiring Consent of Bondholders. Except for any Supplemental Subordinate Indenture entered into pursuant to the Master Subordinate Indenture, subject to the terms and provisions contained in this Section and elsewhere in the Master Subordinate Indenture and not otherwise, the holders of not less than a majority in aggregate Principal Amount of the Subordinate Obligations then Outstanding will have the right from time to time to consent to and approve the execution by the Airport Authority of any Supplemental Subordinate Indenture deemed necessary or desirable by the Airport Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Master Subordinate Indenture or in a Supplemental Subordinate Indenture; provided, however, that, unless approved in writing by the holders of all the Subordinate Obligations then Outstanding or unless such change affects less than all Series of Subordinate Obligations and the following paragraph is applicable, nothing contained in the Master Subordinate Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Subordinate Obligations or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Obligations or the rate of interest thereon; and provided that nothing contained in the Master Subordinate Indenture, including the provisions of the following paragraph, will, unless approved in writing by the holders of all the Subordinate Obligations then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Master Subordinate Indenture) upon or pledge of the Subordinate Net Revenues created by the Master Subordinate Indenture, ranking prior to or on a parity with the claim created by the Master Subordinate Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Subordinate Obligations, a preference or priority of any Subordinate Obligation or Subordinate Obligations over any other Subordinate Obligation or Subordinate Obligations with respect to the security granted therefore under the Master Subordinate Indenture, or (v) a reduction in the aggregate Principal Amount of Subordinate Obligations the consent of the Holders of which is required for any such Supplemental Subordinate Indenture. Nothing contained in the Master Subordinate Indenture, however, will be construed as making necessary the approval by Holders of the execution of any Supplemental Subordinate Indenture as authorized in the Master Subordinate Indenture, including the granting, for the benefit of particular Series of Subordinate Obligations, security in addition to the pledge of the Subordinate Net Revenues.

The Airport Authority may, from time to time and at any time, execute a Supplemental Subordinate Indenture which amends the provisions of an earlier Supplemental Subordinate Indenture under which a Series or multiple Series of Subordinate Obligations were issued. If such Supplemental Subordinate Indenture is executed for one of the purposes set forth in the Master Subordinate Indenture, no notice to or consent of the Holders will be required. If such Supplemental Subordinate Indenture contains provisions which affect the rights and interests of less than all Series of Subordinate Obligations Outstanding and the Master Subordinate Indenture is not applicable, then this paragraph rather than the preceding paragraph will control and, subject to the terms and provisions contained in the Master Subordinate Indenture and not otherwise, the holders of not less than 51% in aggregate Principal Amount of the Subordinate Obligations of all Series which are affected by such changes will have the right from time to time to consent to any Supplemental Subordinate Indenture deemed necessary or desirable by the Airport Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Subordinate Indenture and affecting only the Subordinate Obligations of such Series; provided, however, that, unless approved in writing by the holders of all the Subordinate Obligations of all the affected Series then Outstanding, nothing contained in the Master Subordinate Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Subordinate Obligations of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Obligations of such Series or the rate of interest thereon. Nothing contained in the Master Subordinate Indenture, however, will be construed as making necessary the approval by Holders of the adoption of any Supplemental Subordinate Indenture as authorized in the Master Subordinate

Indenture, including the granting, for the benefit of particular Series of Subordinate Obligations, security in addition to the pledge of the Subordinate Net Revenues.

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APPENDIX C-4

SUMMARY OF NINTH SUPPLEMENTAL SUBORDINATE INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SUBORDINATE SERIES 2021 BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS" in this Official Statement, the following is a summary of certain provisions of the Ninth Supplemental Subordinate Indenture. Such summary is only a brief description of limited provisions of limited provisions of such document and is qualified in its entirety by reference to the full text of the Ninth Supplemental Subordinate Indenture.

Terms of the Subordinate Series 2021 Bonds

The Ninth Supplemental Subordinate Indenture sets forth the terms of the Subordinate Series 2021 Bonds, most of which terms are described earlier in this Official Statement under "DESCRIPTION OF THE SUBORDINATE SERIES 2021 BONDS."

Establishment of Funds and Accounts

Pursuant to the Ninth Supplemental Subordinate Indenture, the Subordinate Trustee will establish and maintain the following funds and accounts: the Subordinate Series 2021A Debt Service Fund, the Subordinate Series 2021B Debt Service Fund and the Subordinate Series 2021C Debt Service Fund (collectively, the "Subordinate Series 2021 Debt Service Funds"), and within each Subordinate Series 2021 Debt Service Fund an Interest Account, a Capitalized Interest Account (only in the Subordinate Series 2021A Debt Service Fund and the Subordinate Series 2021B Debt Service Fund), a Principal Account and a Redemption Account; the Subordinate Series 2021A Construction Fund and the Subordinate Series 2021B Construction Fund (collectively, the "Subordinate Series 2021A/B Construction Funds"); the Subordinate Series 2021 Costs of Issuance Fund, and therein a Subordinate Series 2021A Costs of Issuance Account, a Subordinate Series 2021B Costs of Issuance Account and a Subordinate Series 2021C Costs of Issuance Account; the Subordinate Series 2021 Reserve Account in the Subordinate Reserve Fund; and the Subordinate Series 2021A/B Rebate Fund.

The funds and accounts will be initially funded by the proceeds of the sale of the Subordinate Series 2021 Bonds as described earlier in this Official Statement under "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS."

Subordinate Series 2021 Debt Service Funds. The Subordinate Trustee will deposit into the respective Interest Accounts of the Subordinate Series 2021 Debt Service Funds amounts received from the Airport Authority and amounts to be transferred from the respective Capitalized Interest Accounts of the Subordinate Series 2021 Debt Service Funds, as provided in the Master Subordinate Indenture and the Ninth Supplemental Subordinate Indenture, to be used to pay interest on the Subordinate Series 2021 Bonds. The Subordinate Trustee will also deposit into the respective Interest Accounts any other amounts deposited with the Subordinate Trustee for deposit in the respective Interest Accounts or transferred from other funds and accounts for deposit therein. Earnings on amounts representing Capitalized Interest on deposit in the respective Capitalized Interest Accounts will be retained in the respective Interest Accounts until the Subordinate Series 2021A/B Projects are completed. On the completion date of the Subordinate Series 2021A/B Projects, any amounts representing Capitalized Interest, and any earnings thereon, remaining on deposit in the respective Capitalized Interest Accounts will be transferred to the respective Subordinate Series 2021A/B Construction Funds. Earnings on amounts in the Interest Accounts shall be withdrawn by the Trustee and paid to the Airport Authority on the Business Day following an Interest Payment Date for deposit into the Revenue Account.

The Subordinate Trustee will deposit into the respective Principal Accounts of the Subordinate Series 2021 Debt Service Funds amounts received from the Airport Authority to be used to pay principal of the Subordinate Series 2021 Bonds whether at maturity or by mandatory sinking fund redemption as provided in the Ninth Supplemental Subordinate Indenture. On or about July 15 of each Fiscal Year, earnings on the respective Principal Accounts will be withdrawn by the Subordinate Trustee and paid to the Airport Authority for deposit into the Revenue Account unless a Subordinate Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such Principal Accounts.

The Subordinate Trustee will deposit into the respective Redemption Accounts of the Subordinate Series 2021 Debt Service Funds amounts received from the Airport Authority or from other sources to be used to pay the redemption price of Subordinate Series 2021 Bonds being redeemed in advance of their maturity as provided in the Master Subordinate Indenture. Earnings on amounts in the respective Redemption Accounts will be retained in such account or paid to the Airport Authority for deposit into the Revenue Account in accordance with instructions given to the Subordinate Trustee by an Authorized Authority Representative at the time of such deposit.

The Subordinate Series 2021 Debt Service Funds will be invested and reinvested in Subordinate Permitted Investments as directed by the Airport Authority.

Subordinate Series 2021A/B Construction Funds. Amounts in the respective Subordinate Series 2021A/B Construction Funds will be disbursed from time to time, upon requisition of the Airport Authority, to pay the costs or to reimburse the Airport Authority for costs incurred in connection with the portion of the Subordinate Series 2021A/B Projects for which the Subordinate Series 2021A/B Bonds were issued. Moneys held in the respective Subordinate Series 2021A/B Construction Funds will be invested and reinvested as directed by an Authorized Authority Representative in Subordinate Permitted Investments. Earnings on the respective Subordinate Series 2021A/B Construction Funds will be retained in the respective Subordinate Series 2021A/B Construction Funds.

Subordinate Series 2021 Costs of Issuance Fund. The proceeds of the Subordinate Series 2021 Bonds deposited into the Subordinate Series 2021 Costs of Issuance Fund will be disbursed by the Subordinate Trustee, from time to time, to pay Costs of Issuance of the Subordinate Series 2021 Bonds. Amounts in the Subordinate Series 2021 Costs of Issuance Fund will be invested and reinvested in Subordinate Permitted Investments as directed by the Airport Authority and the earnings upon such accounts will be credited to such fund.

Subordinate Series 2021 Reserve Account. For a description of the Subordinate Reserve Fund and the Subordinate Series 2021 Reserve Account, reference is made to the forepart of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SUBORDINATE SERIES 2021 BONDS—Subordinate Reserve Fund."

Subordinate Series 2021A/B Rebate Fund. The Ninth Supplemental Subordinate Indenture creates the Subordinate Series 2021A/B Rebate Fund for the Subordinate Series 2021 Bonds established for the purpose of complying with certain provisions of the Code which require that the Airport Authority pay to the United States of America the excess, if any, of the amounts earned on certain funds held by the Subordinate Trustee with respect to the Subordinate Series 2021 Bonds over the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the Subordinate Series 2021 Bonds. Such excess is to be deposited into the Subordinate Series 2021A/B Rebate Fund and periodically paid to the United States of America. The Subordinate Series 2021A/B Rebate Fund while held by the Subordinate Trustee is held in trust for the benefit of the United States of America and is not pledged as security for nor available to make payment on the Subordinate Series 2021 Bonds.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF AIRLINE LEASE AGREEMENT

The following is a summary of certain provisions of the Airline Lease Agreements and is qualified in its entirety by reference to the Airline Lease Agreements, copies of which are available from the Airport Authority.

Certain Definitions

The following are definitions of certain terms used in this Appendix D. Capitalized terms used in this Appendix D, but not otherwise defined herein, have the meanings set forth in the forepart of this Official Statement and in Appendix C-1 of this Official Statement.

"*AAAC*" means the Airline Airport Affairs Committee established by the Air Carriers operating at the Airport.

"*Additional Termination Damages*" means, collectively, additional damages incurred by Airport Authority because of Airline's default under the Airline Lease Agreement as it relates to Airline's Exclusive Use Premises, including but not limited to the costs of removing or storing any personal property from the Airline's Exclusive Use Premises, the cost of re-letting such Exclusive Use Premises, and the costs of any necessary renovations or repairs and related expenses therefor, all as further described under the caption "Default and Termination—Airport Authority's Remedies—General Remedies – Application to All Portions of the Premises" of this Appendix D.

"*ADP*" means the Airport Development Plan under development by Airport Authority to accommodate the demand for and improve the efficiency of the Airport that is expected to include, among other elements, a new, expanded linear Terminal that will replace the existing Terminal-1, a new Taxiway A to improve airfield efficiency with the new Terminal-1 operations, a new, expanded on-airport roadway to serve both the new Terminal-1 and Terminal-2, structured parking to serve the new Terminal-1, a replacement administration building for Airport Authority and other related projects as determined by Airport Authority.

"*Affiliate*" means an Air Carrier that has been properly designated as an Affiliate by a Signatory Airline in accordance with the provisions of the Airline Lease Agreement and is (a) flying in or out of the Airport solely for the benefit of a Signatory Airline and providing transportation of property or passengers for the Signatory Airline under the name of the Signatory Airline, (b) if flying under its own name, not selling any seats in its own name and all seats are being sold in the name of the Signatory Airline or (c) a wholly-owned subsidiary of the Signatory Airline or a subsidiary of the same corporate parent as the Signatory Airline.

"*Air Carrier*" means a carrier certificated by the Secretary of the U.S. Department of Transportation as a Passenger Carrier under 49 U.S.C. § 41102 or a Cargo Carrier under 49 U.S.C. § 41103.

"*Air Transportation Business*" means that business operated by Airline at the Airport for the commercial transportation by air of persons, property, mail, parcels and/or cargo.

"*Aircraft Parking Position*" means a Terminal Parking Position, Cargo Parking Position or Remote Parking Position.

"*Aircraft Parking Premises*" means those areas within the Airfield Area designated by Airport Authority as Aircraft Parking Positions that are made available by Airport Authority to Airline and to one or more other Air Carriers, subject to the provisions of the Airline Lease Agreement, as such areas may be modified and expanded from time to time by Airport Authority.

"*Airfield Area*" means all (1) facilities, equipment, improvements, runways, taxiways, and control towers, for the purpose of controlling or assisting arrivals, departures and operations of aircraft, (2) all airline apron areas not leased exclusively, including without limitation Aircraft Parking Positions (3) other airport-related facilities operated and maintained by the FAA or any other federal agency, (4) security fences and service roads located on the Airport and related to the rest of the Airfield Area, (5) signals, beacons, wind indicators, flood lights, landing lights, boundary lights, construction lights, radio and electronic aids or other aids to operations, navigation or ground control of aircraft whether or not of a type herein mentioned and even though located away from but related to the rest of the Airfield Area, (6) aircraft rescue and fire-fighting services, (7) aircraft fueling systems, and (8) noise monitoring/mitigation program costs, except as otherwise provided in the Airline Lease Agreement, and all as they may be modified and expanded from time to time by the Airport Authority.

"*Airline*" means the Air Carrier that is a party to an Airline Lease Agreement.

"*Airline Club*" means those Exclusive Use Premises used by Airline to provide services to its passengers.

"*Airline Entity*" means Airline's employees, contractors, subcontractors, agents, licensees, sublessees, Affiliates, vendors, invitees (excluding passengers), and any other Air Carrier that Airline expressly authorizes to use its Premises or the Airfield Area (regardless of whether Airline enters into a sublease or license with such Air Carrier), and other parties under Airline's direction or control that come onto the Airport in connection with Airline's use or occupancy of the Airport, but excluding Air Carriers that Airline is compelled by Airport Authority to accommodate within Airline's Premises pursuant to the provisions of the Airline Lease Agreement.

"*Airline Lease Agreement*" means an Airline Operating and Lease Agreement, together with each Premises Notice issued by Airport Authority to Airline.

"*Airline Leased Premises*" means those areas, if any, assigned to Passenger Carriers collectively as Exclusive Use Premises, Shared Use Premises, Joint Use Premises and Common Use Premises.

"*Airline Rents, Fees and Charges*" means, for any Fiscal Year, all rents, charges and fees payable by Air Carriers for such Fiscal Year as determined and adjusted pursuant to the provisions of the Airline Lease Agreement.

"*Airline Terminal Support*" means Passenger Loading Bridges, Baggage Handling Systems, flight information displays ("FIDS"), gate information displays ("GIDS"), baggage information displays ("BIDS"), paging, and Airport Authority provided staffing, contractual services, facilities, equipment, and other support systems that provide security and other resources supporting Passenger Carrier operations not specifically identified in the Terminal Area. Airline Terminal Support includes the equipment and systems, but not the square footage that houses such systems. The square footage that houses such systems is included in the Terminal Area. Airline Terminal Support shall also include costs incurred by Airport Authority under various provisions of the Airline Lease Agreement.

"*Airport*" means San Diego International Airport and other related real property thereto.

"*Airport Access*" means the roadways and other transit facilities, vehicles, other equipment and related services which serve the Terminal Area and Landside Area, including without limitation Off-Airport Transportation Projects.

"*Airport Facility*" means a facility, group of facilities, or category of facilities which constitute or are part of the Airport.

"*Airport Rules and Regulations*" means, collectively, all rules, procedures, requirements, standards and regulations currently effective and hereafter amended, adopted or established by Airport Authority, all of which are incorporated into and made a part of the Airline Lease Agreement, provided that such Airport Rules and Regulations do not conflict with applicable provisions of state or federal law or the provisions of the Airline Lease Agreement and are enforced in a nondiscriminatory manner. Airport Authority shall provide at least thirty (30) days' advance notice of any new or amended Airport Rules and Regulations affecting Airline. Such notice may include notice by email or posting on the Airport Authority's website.

"*Amortization Charges*" means the amounts properly allocated, whether directly or indirectly, and included in the calculation of Airline Rents, Fees and Charges to repay Airport Authority for costs incurred by Airport Authority for a Capital Project which are not otherwise (1) being repaid in the calculation of Airline Rents, Fees and Charges as Debt Service; (2) being repaid through Passenger Facility Charges, or a federal, state, or local grant; or (3) being funded through the Major Maintenance Fund. The amount to be included in the calculation of Airline Rents, Fees and Charges for each Capital Project shall be in substantially equal annual installments of principal and interest for the term of the asset's useful life as estimated by Airport Authority, with interest calculated by Airport Authority at a rate equal to the Thirty-Year Revenue Bond Index at the time the Capital Project is placed in service.

"*Ancillary*" means those facilities and areas associated with mail facilities, general aviation, flight kitchen, private hangar facilities, and other facilities and land not associated with other Direct Cost Centers located on property owned or leased by Airport Authority.

"*Annual Net Debt Service*" means Debt Service less any Passenger Facility Charges and Federal Interest Payment Subsidy used to pay such Debt Service.

"*Applicable Laws*" means, collectively, all applicable present and future laws, rules, regulations, ordinances, orders, directives, notices, federal grant assurances, limitations, restrictions, or prohibitions of any federal, state or local governmental authority lawfully exercising authority over the Airport or the activities and business operations of Airline, as they may be amended from time to time, whether foreseen or unforeseen, ordinary as well as extraordinary, including without implied limitation those relating to (i) health, sanitation and safety; (ii) the environment, including without limitation all Environmental Laws; (iii) access for persons with disabilities, including without limitation the Americans with Disabilities Act of 1990, 42 U.S.C. §§ 12101 et seq.; and (iv) airport security, including without limitation the regulations of the Transportation Security Administration, 49 CFR Parts 1540, 1542, 1544 et seq.

"*Airport Authority Codes*" means the Airport Authority Codes and Policies.

"*Airport Authority-Controlled Facilities*" means, collectively, those certain areas, fixtures, equipment, systems and improvements and associated space operated, managed and controlled by Airport Authority and located throughout the Airport in furtherance and support of the Air Transportation Business and related operations of Air Carriers at the Airport, including Airline, including without limitation Common Use Premises, Passenger Loading Bridges and Common Use Systems.

"*Average Minimum Use Level*" means the daily average number of Departing Seats calculated by Airport Authority based on the rolling twelve-month average of an Air Carrier's Departing Seats at all of an Air Carrier's Preferential Use Gates.

"*Bad Debt Expenses*" means any Airline Rents, Fees and Charges not remitted by any Air Carrier ninety (90) days after the payment is due to Airport Authority. Bad Debt Expenses shall be allocated to the Airfield Area and Terminal Area Cost Centers. To the extent that Bad Debt Expenses are subsequently collected more than ninety (90) days after the payment is due to Airport Authority, such amounts shall be credited to the applicable Cost Center.

"*Baggage Handling Systems*" means the baggage handling systems at Airport owned and controlled by Airport Authority.

"*Bond*" or "*Bonds*" means any debt obligation of Airport Authority issued under and in accordance with any Indenture involving Airport Authority.

"*Capital Project*" means any project with a cost greater than $150,000, as adjusted by the Consumer Price Index from the Effective Date, that is undertaken and funded by Airport Authority, with a useful life in excess of one year as reasonably determined by Airport Authority, which is acquired, purchased, or constructed to improve, maintain, or develop the Airport, including any extraordinary or substantial expenditure whose objective is to preserve, enhance or protect the Airport which can qualify as a capital expenditure.

"*Cargo Carrier*" means a carrier certificated by the Secretary of the U.S. Department of Transportation as a Cargo Carrier under 49 U.S.C. § 41103.

"*Cargo Parking Positions*" means the apron areas in the Airfield Area, as shown in the Airline Lease Agreement, located adjacent to Cargo Carrier facilities in the Ancillary Area and for which Cargo Carriers pay Aircraft Parking Position Rentals, as such areas may be modified and expanded from time to time by Airport Authority.

"*Claims*" means any and all liability, damages, losses, expenses, claims, judgments, demands, penalties or fines, including without limitation reasonable attorneys' fees and court costs.

"*Common Use Gate*" means a Gate designated by Airport Authority in accordance with the provisions of the Airline Lease Agreement to be used in common by Passenger Carriers operating at the Airport, and shall not be deemed to be a Preferential Use Gate.

"*Common Use Systems*" means information technology-based systems owned by Airport Authority and which accesses a Passenger Airline's proprietary passenger processing network for passenger departure or arrival processing. Common Use Systems includes, if any, such systems and related equipment installed at Common Use Premises, Gates, hold rooms, baggage claim areas, and other areas as determined by Airport Authority. Common Use Systems includes the equipment and systems, but not the square footage that houses such systems. The square footage that houses such systems is included in the Terminal Area.

"*Common Use Ticket Counter*" means the Ticket Counters designated by the President/CEO to be used in common by Passenger Carriers operating at the Airport.

"*Common Use Premises*" means those areas within the Terminal, described in the Airline Lease Agreement as of the Effective Date, related to the ticketing of passengers and equipped with Common Use Systems including, but not limited to Common Use Ticket Counters, free-standing self-service kiosks, skycap podiums, curbside positions and Queuing Space, that are made available by Airport Authority to Airline and to one or more other Passenger Carriers, subject to the provisions of the Airline Lease Agreement, as such areas may be modified and expanded from time to time by Airport Authority.

"*Concluding Walk-Through*" means a physical walk-through of the Premises or any portion thereof by a representative or consultant of Airport Authority and Airline prior to the date that such Premises are vacated or surrendered pursuant to the Airline Lease Agreement.

"*Consumer Price Index*" means the Consumer Price Index for All Urban Consumers, San Diego published by the United States Department of Labor, Bureau of Economic Statistics or, in the event that the United States Department of Labor ceases to publish such an index, a similar index selected in the reasonable discretion of the President/CEO after consultation with the Signatory Airlines.

"*Cost Centers*" means the areas, facilities, systems and services that are grouped for the purpose of accounting for and the assignment of Revenues, O&M Expenses, Debt Service, Amortization Charges, Coverage Charges, Major Maintenance Fund Deposits, Reserve Deposits and any other deposits required by the Indenture.

"*Coverage Charges*" shall be calculated in each Fiscal Year as:

(1) 140% times Debt Service, *plus*

(2) O&M Expenses, and *minus*

(3) Revenues, Passenger Facility Charges used to pay Debt Service, and Federal Interest Payment Subsidy.

If the calculation of Coverage Charges results in a negative amount, no Coverage Charges shall be imposed for such Fiscal Year. Coverage Charges shall be allocated to the Airfield Area, Terminal Area, Common Use Systems, and Airline Terminal Support Cost Centers in proportion to the Annual Net Debt Service in each of those Cost Centers.

"*Date of Beneficial Occupancy*" or "*DBO*" means the date when a Capital Project or phased component of a Capital Project has been completed and the President/CEO determines that it is ready and available for its intended use by Air Carriers.

"*Debt Service*" means the aggregate amount of principal and interest becoming due and payable during the Fiscal Year for Bonds or Other Debt Service of Airport Authority.

"*Departing Seats*" means the total number of seats available on all of a Signatory Airline's and its Affiliates' departing Scheduled Operations over a specified period of time.

"*Direct Cost Centers*" means those functionally or physically discrete Cost Centers established by Airport Authority.

"*Effective Date*" means 12:00 a.m. Pacific Daylight Saving Time, July 1, 2019.

"*Endangered, Threatened and Sensitive Species*" means any flora or fauna identified by the provisions of the California Endangered Species Act (California Fish and Game Code § 2050, et seq.), the Federal Endangered Species Act (16 U.S.C. §§ 1531-1543), and the Federal Migratory Bird Treaty Act (16

U.S.C. §§ 703-712), including the California least tern (Sterna antillarum browni), a seabird known to nest on the Airport.

"*Enplaned Passengers*" means passengers (including non-revenue passengers) boarding an aircraft at the Airport, but does not include the flight crew.

"*Environmental Laws*" means any applicable statute, ordinance, code, rule, permit, regulation, license, approval, authorization, order, directive, notice, injunction, controlling federal or state court decision, or administrative or regulatory decree, judgment or order of any governmental authority, federal, state or local lawfully exercising authority over the Airport or the activities and business operations of Airline at the Airport, or written plan required by or in response to any of the same, which pertains to the environment (including, but not limited to, ground, air, water pollution or contamination, public health, public safety, public welfare, any Regulated Materials and Pollutants, Endangered, Threatened or Sensitive Species, historic properties and underground or above-ground tanks) and shall include, without limitation, the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. § 6901 et seq., as amended by the Hazardous and Solid Waste Amendments of 1984; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601 et seq., as amended by the Superfund Amendments and Reauthorization Act of 1986 the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Clean Air Act ("CWA"), 42 U.S.C. § 7401 et seq.; the Safe Drinking Water Act, 42 U.S.C. §300f, et seq.; the Hazardous Materials Transportation Act 49 U.S.C. § 5101, et seq.; the California Hazardous Waste Control Law, California Health and Safety Code § 25100, et seq.; the Porter-Cologne Water Quality Control Act, California Water Code § 13000, et seq. ("California CWA"); the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health and Safety Code Section 25249.5, et seq.; and any other local, state, or federal environmental statutes, rules, regulations, orders, and decrees applicable now or hereafter promulgated under any of the foregoing, as any of the foregoing may be applicable or may be changed or amended or come into effect in the future. Nothing in these provisions shall preclude Airline from raising reasonable defenses including without limitation federal preemption, to the application of Environmental Laws to Airline.

"*Exclusive Use Premises*" means those areas described in the Airline Lease Agreement, used exclusively by Airline except as otherwise provided in the Airline Lease Agreement, including, but not limited to (a) certain Ticket Counters, free-standing self-service kiosks, skycap podiums, curbside positions, and associated Queuing Space in Terminal 1 on a transitional basis until the DBO of new Terminal facilities to be constructed in the ADP; and (b) certain ticket offices and baggage service offices, Airline Clubs and operational support areas.

"*Expiration Date*" means 11:59 p.m. Pacific Daylight Saving Time, June 30, 2029.

"*FAA*" means the Federal Aviation Administration or its successor.

"*Federal Interest Payment Subsidy*" means subsidies provided by the Federal Government for the payment of Debt Service.

"*Filed Schedule*" means a Passenger Carrier's flight schedule submitted in the form required by Airport Authority prior to, or on, the designated due date in the Gate, Ticket Counter and Aircraft Parking Position Rules.

"*FIS*" means the federal inspection services facilities located in the Terminal.

"*Fiscal Year*" means a year beginning July 1 and ending June 30, as may be amended or changed by Airport Authority from time to time.

"*Fuel System*" means, collectively, all fuel (including motor fuel) receipt, storage, transmission, delivery and dispensing systems, including without limitation hydrant systems, and related facilities, fixtures, equipment and other real and personal property, whether permanent, temporary or mobile, including but not limited to underground delivery pipelines, storage tanks, fuel pumps or load racks, and underground hydrant pipes and pumps, located at the Airport or otherwise that are leased, acquired or controlled at any time during the Term by Air Carriers, either directly or indirectly through or a limited liability company, consortium or committee composed primarily of Air Carriers.

"*Fuel System Costs*" means any costs incurred by Airport Authority that are attributable to the Fuel System, including without limitation direct and indirect costs, Airport Authority in-house costs (including Airport Authority employees' time attributable to the administration and management of the Fuel System), consulting and engineering fees, attorneys' fees, insurance and premium costs, insurance deductibles and self-retention for property insurance, Capital Project costs, operation and maintenance costs, repair and construction costs, any other costs incurred in connection with capital improvements, the demolition, removal or decommissioning of any portion of the Fuel System, security expenses, entry and inspection costs, costs arising, costs related to a Response to the Release of any Regulated Materials and Pollutants and any other costs incurred by Airport Authority to comply with Environmental Laws that are not directly reimbursed to Airport Authority by Air Carriers or a limited liability company, consortium or committee composed primarily of Air Carriers.

"*Future Charges*" means, collectively, the amounts of all Airline Rent, Fees and Charges which, but for termination of the Airline Lease Agreement pursuant to the provisions of the Airline Lease Agreement, would have become due over the remainder of the Airline Lease Agreement.

"*Gate*" or "*Gates*" means the area(s) on the secure side of the Airport Facilities that transition the passenger from the Terminal to a Passenger Carrier's aircraft parked in a Terminal Parking Position, which are controlled, operated or assigned to a Passenger Carrier by Airport Authority as set forth in the Airline Lease Agreement.

"*Gate Requesting Airline*" means a Scheduled Airline seeking to operate at a Preferential Use Gate assigned to a Signatory Airline, in accordance with the procedures specified in the Airline Lease Agreement.

"*Gate, Ticket Counter and Aircraft Parking Position Rules*" means Airport Authority's reasonable policies, rules and protocols, as they shall be developed and may be amended from time to time by the President/CEO after consultation with the Gate, Ticket Counter and Aircraft Parking Position Rules Committee and the Signatory Airlines at a AAAC meeting, governing priorities, procedures and requirements for the assignment and use of Gates, Ticket Counters and Aircraft Parking Positions; provided, however, that the Gate, Ticket Counter and Aircraft Parking Position Rules shall not conflict with the express terms of the Airline Lease Agreement.

"*Gate, Ticket Counter and Aircraft Parking Position Rules Committee*" means a committee comprised of representatives of Airport Authority and the Signatory Airlines that shall make recommendations to the President/CEO on the Gate, Ticket Counter and Aircraft Parking Position Rules. The Gate, Ticket Counter and Aircraft Parking Position Rules Committee shall include at least two Signatory Airlines that are selected by the AAAC.

"*General and Administrative Cost Center*" means all facilities and functions associated with the general management and administration of Airport Authority.

"*Indenture*" means, collectively, the Master Trust Indenture, dated as of November 1, 2005, by and between Airport Authority and the trustee thereto, together with all amendments and supplemental indentures thereto, and the Master Subordinate Trust Indenture, dated as of September 1, 2007 by and between Airport Authority and the trustee thereto, together with any amendments and supplemental indentures thereto, or any other indenture or financial instrument of Airport Authority which creates a debt obligation of Airport Authority.

"*Indirect Cost Centers*" means those Cost Centers established by Airport Authority that are not generally revenue producing and for which costs are not assigned to any Direct Cost Center under Airport Authority's accounting system.

"*Initial Walk-Through*" means a physical walk-through of the Premises prior to Airline's initial occupancy (as of the Effective Date or later) of, use of, or operations at the Premises.

"*Irregular Operation*" means an off-schedule arrival or departure of a Scheduled Operation at a particular Gate or any flight that is not a Scheduled Operation at a particular Gate, but needs to operate at that Gate for reasons outside an Passenger Carrier's control or for other commercially reasonable purposes.

"*Joint Use Premises*" means those areas used by one or more Passenger Carriers and described in the Airline Lease Agreement as of the Effective Date, including but not limited to hold rooms, passenger screening areas and baggage claim areas, as such areas may be modified and expanded from time to time by Airport Authority.

"*Landside Area*" means those services, facilities, and areas associated with auto parking facilities (both public and employee); commercial vehicle operations; and rental car leasing, storage, or operations. For the purposes of calculating Airline Rates, Fees, and Charges, costs associated with providing shuttle bus transportation between the terminal buildings, and between employee parking and the terminal buildings are assigned to the Terminal Area.

"*Leasable Premises*" means those areas and spaces within the Terminal Area that are (1) available for lease to or use by Passenger Carriers as Exclusive Use Premises, Shared Use Premises, Joint Use Premises or Common Use Premises or (2) available for lease to other tenants.

"*Maximum Gross Landing Weight*" ("*MGLW*")" means the maximum certificated weight, in 1,000 pound units, of an aircraft authorized by the FAA to land at an airport, as specified in the flight manual governing that aircraft type.

"*Major Maintenance Fund*" means an account of the name established under the Airline Lease Agreement.

"*Major Maintenance Fund Deposit*" means the amounts deposited into the Major Maintenance Fund in accordance with the provisions of the Airline Lease Agreement.

"*Majority-in-Interest*" means, for any Fiscal Year, at least two Signatory Airlines that together paid at least 50% of all Airline Rents, Fees and Charges paid by all Air Carriers during the immediately preceding Fiscal Year.

"*Minimum Daily Average Utilization*" means (a) for a Signatory Airline assigned only one Preferential Use Gate, 625 Scheduled Departing Seats Per Day over the most recent sixty day period or (b) for a Signatory Airline assigned more than one Preferential Use Gate, 750 Scheduled Departing Seats Per Day over the most recent sixty day period, subject to being adjusted by Airport Authority, after consultation with the Signatory Airlines, from time to time to accommodate Airport operations and promote equity.

"*Non-Signatory Airline*" means any Air Carrier that is not a Signatory Airline.

"*Off-Airport Public Transportation Projects*" means roadway, intersection improvement, fixed-guideway, railway, transit station and other Capital Projects related to public transportation to or from the Airport that include physical components that are located outside of the boundary of the Airport, including on-Airport transportation Capital Projects that link to off-Airport Capital Projects, but excluding the following Capital Projects associated with the ADP: Harbor Drive modifications to integrate the Inbound Roadway Project; elevated departure roadway/departures curb; commercial ground transportation plaza for buses, shuttles and taxis; recirculation roads related to the ADP, including return roadway to parking, terminal, and/or Airport exit; bicycle and pedestrian access facilities; vehicle security screening area; and MTS bus stops and ticket dispensers.

"*Operation*" means the arrival and departure of an aircraft at the Airport.

"*Operation and Maintenance Expenses*" or "*O&M Expenses*" means all reasonable and necessary current expenses of Airport Authority, paid or accrued, for operating, maintaining, and repairing the Airport, including administrative expenses and other Airport Authority expenses reasonably allocated to the Airport, as more specifically defined in the Indenture.

"*Other Debt Service*" means any debt obligation of Airport Authority other than Bonds, including commercial paper, other indebtedness of Airport Authority, and all other related requirements.

"*Passenger Carrier*" means an Air Carrier certificated by the Secretary of the U.S. Department of Transportation under 49 U.S.C. § 41102.

"*Passenger Facility Charges*" or "*PFCs*" means charges authorized by 49 U.S.C. § 40117 and applicable implementing regulations adopted by the FAA, as they may be amended from time to time.

"*Passenger Loading Bridge*" or "*PLB*" means a passenger loading bridge at the Airport owned and controlled by Airport Authority.

"*Period of Use*" means the period of time during which Airline and other Signatory Airlines shall have a scheduling preference on a Preferential Use Gate for a Scheduled Operation, as defined in the Gate, Ticket Counter and Aircraft Parking Position Rules.

"*PFC Regulations*" means, collectively, 49 U.S.C. § 40117 and applicable implementing regulations adopted by the FAA, 14 CFR Part 158, as they may be amended from time to time.

"*Planned Uses*" means commercial, industrial or aviation related land uses reasonably contemplated or anticipated by Airport Authority, except for the following activities: child care, residential, general primary and secondary education facilities and health care uses.

"*Preferential Use Gate*" means a Gate assigned by Airport Authority to Airline or another Passenger Carrier and to which Airline has a higher priority of use over all other Passenger Carriers, in accordance with and subject to Article 4 and the Gate, Ticket Counter and Aircraft Parking Position Rules.

"*Preferential Use FIS Gate*" means a Preferential Use Gate with direct access to the FIS facilities.

"*Premises*" means, (a) Exclusive Use Premises; (b) Shared Use Premises; (c) Joint Use Premises; (d) Common Use Premises; (e) Unenclosed Operations Premises; and (f) Aircraft Parking Premises all as further described in the Airline Lease Agreement; provided, however, that in the case of Shared Use Premises, Joint Use Premises, Common Use Premises, and Aircraft Parking Premises, such areas will only constitute "Premises" during the period of time for which Airline has the right to use such areas. Premises shall not include any areas leased by Airline in the Terminal Area or otherwise on the Airport pursuant to an instrument, license, permit, or agreement other than the Airline Lease Agreement.

"*Premises Notice*" means the notice described in the Airline Lease Agreement.

"*President/CEO*" means the President/CEO of the Airport or his/her successor or designee, or the person, division, department, bureau, or agency designated by Airport Authority to exercise functions equivalent to those now exercised by the President/CEO or his/her successor.

"*Process Water*" means water that contains Regulated Materials and Pollutants from any point or non-point source subject to the CWA or the State of California Porter-Cologne Water Quality Control Act requirements.

"*Public Areas*" means sidewalks, concourses, corridors, lobbies, passageways, restrooms, elevators, escalators and other similar space made available by Airport Authority from time to time for use by passengers, Airport Authority employees, Airline employees and agents, other Air Carrier employees and agents and other members of the public, as such areas presently exist or may hereafter be expanded, modified, constructed, or relocated.

"*Queuing Space*" means the queuing areas associated with Ticket Counters, curbside positions, and Common Use System-equipped terminals, all as may be reasonably determined by Airport Authority from time to time.

"*Regulated Materials and Pollutants*" means (a) any material that, because of its quantity, concentration or physical or chemical characteristics, has been determined by any applicable federal, State or local governmental authority to pose a hazard to human health or safety or to the air, water, soil or environment; (b) any materials, substances, products, by products, waste, or other materials of any nature or kind whatsoever whose presence in and of itself or in combination with other materials, substances, products, by products, or waste may give rise to liability under any Environmental Law and (c) any Process Water or Solid Waste. "Regulated Materials and Pollutants" includes, without limitation, any material or substance identified, listed, or defined as a "hazardous waste," "hazardous substance," "pollutant," "contaminant" or term of similar import, or which is otherwise regulated pursuant to Environmental Laws; any asbestos and asbestos- containing materials; petroleum, including crude oil or any fraction thereof; natural gas or natural gas liquids; polychlorinated biphenyls or lead-based paint.

"*Release*" when used for Regulated Materials and Pollutants shall include any actual spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or on any property or the environment, and includes any threat of Release to the extent regulated under Environmental Laws.

"*Remote Parking Position*" means a location at the Airport designated for parking an aircraft, including use as a hardstand operation, temporary aircraft parking location, or the overnight storage of aircraft, but excluding Terminal Parking Positions and Cargo Parking Positions, as they may be modified from time to time by the Airport Authority.

"*Reserve Deposits*" means any amounts required for (1) any fund established pursuant to the Indenture or any supplemental Indenture, or (2) any deposit for self-insurance or other purposes, upon notice to the Signatory Airlines, whose object is to preserve or protect the Airport in the event of an extraordinary or substantial expenditure event. Reserve Deposits shall be allocated 25% to the Airfield Area, 50% to the Terminal Area, 20% to the Landside Area, and 5% to the Ancillary Area.

"*Response*" or "*Respond*" means action taken in compliance with Environmental Laws to correct, remove, remediate, clean-up, prevent, mitigate, treat, monitor, evaluate, investigate, assess or abate the Release of any Regulated Materials and Pollutants, or to prevent or abate any public nuisance.

"*Revenues*" means "Revenues" as defined in the Indenture.

"*Scheduled Airline*" means a Passenger Carrier performing scheduled passenger service operations at the Airport.

"*Scheduled Departing Seats Per Day*" means (a) the Departing Seats of a Signatory Airline during a specified period of time, (b) divided by the number of days in that period of time. In determining Scheduled Departing Seats Per Day, a Signatory Airline may include the Departing Seats of its Affiliates.

"*Scheduled Operation*" means a Scheduled Airline's operation (arrival or departure) that occurs pursuant to a schedule that is published in the Official Airline Guide (OAG) or any successor publication sixty days prior to the first day of the month in which a Signatory Airline's schedule would take effect, and that is also submitted to Airport Authority in a Filed Schedule as required by the Airline Lease Agreement and the Gate, Ticket Counter and Aircraft Parking Position Rules, subject to Airline's right to amend its Filed Schedule in accordance with the Gate, Ticket Counter and Aircraft Parking Position Rules.

"*Shared Use Premises*" means those areas used by one or more Passenger Carriers and described in the Airline Lease Agreement, including but not limited to baggage make up areas and baggage screening areas, as such areas may be modified and expanded from time to time by Airport Authority.

"*Signatory Airline*" means an Air Carrier that has executed an airline operating and lease agreement with Airport Authority substantially similar to the Airline Lease Agreement. An Affiliate of a Signatory Airline shall not be a Signatory Airline.

"*Solid Waste*" shall have the same meaning as that term is given under RCRA.

"*Temporary Space*" means a portion of Airline's Exclusive Use Premises that is assigned in Airport Authority's sole discretion to Airline for (i) subletting to a ground handler or other vendor of Airline, subject to the provisions of the Airline Lease Agreement or (ii) Airline's use for a term determined in Airport Authority's sole discretion provided that it is less than the remaining Term of the Airline Lease Agreement.

"*Term*" means the period of time beginning on the Effective Date and ending on the Expiration Date, unless earlier terminated as provided in the Airline Lease Agreement; provided, however, that the Effective Date for a duly executed Airline Lease Agreement that is delivered to Airport Authority after July 1, 2019 by any Air Carrier shall be the first day of the next month beginning no less than sixty days after the date the duly executed Airline Lease Agreement is delivered to Airport Authority, and until such Effective Date any such Air Carrier shall be deemed to be a Non-Signatory Airline on and after July 1, 2019.

"*Terminal*" means all of the airline passenger terminal buildings at the Airport, as they may be modified and expanded from time to time by the Airport Authority, including but not limited to Terminal 1 and Terminal 2.

"*Terminal Areas*" means all airline passenger terminal buildings at the Airport, including the central plant and related areas, public walkways and grounds immediately outside the passenger terminal buildings. The square footage that houses the Common Use Systems and Airline Terminal Support equipment and systems is included in the Terminal Area. For the purposes of calculating Airline Rates, Fees, and Charges, costs associated with providing (1) emergency medical service and (2) shuttle bus transportation between the terminal buildings and between employee parking and the terminal buildings are assigned to the Terminal Area.

"*Terminal Parking Position*" means the apron areas located adjacent to the Terminal and not separated from the Terminal by a taxiway or aircraft maneuvering area, as they may be modified from time to time by the Airport Authority.

"*Termination Damages*" means, collectively, all unpaid Airline Rent, Fees and Charges and damages incurred by Airport Authority due to Airline's default of the Airline Lease Agreement, including, but not limited to, attorneys' fees and costs, that Airport Authority is entitled to recover from Airline.

"*Ticket Counter*" means those areas in the Terminal Building designated by the President/CEO for use by Passenger Carriers for ticketing and processing passengers and their baggage, and similar activities.

"*Unenclosed Operations Premises*" means those areas below the dripline between the terminal building and the apron that are not equipped with utility services and that are assigned to Airline in accordance with the provisions of the Airline Lease Agreement.

Airline's Premises

Rights to Use Premises.

Premises Notice. On or before the Effective Date, Airport Authority will issue to Airline a Premises Notice that will designate which areas of the Airport, if any, that Airport Authority will make available for Airline's use as: (a) Exclusive Use Premises; (b) Shared Use Premises; (c) Joint Use Premises; (d) Common Use Premises; (e) Unenclosed Operations Premises and (f) Aircraft Parking Premises. Subject to the terms of the Airline Lease Agreement, Airline acknowledges and agrees that the Premises Notice will be revised by Airport Authority and issued to Airline from time to time during the Term to reflect the reassignment and reallocation of the Premises and rights therein pursuant to the Airline Lease Agreement.

Exclusive Use Premises. Airport Authority leases to Airline and Airline agrees to lease through the Term of the Airline Lease Agreement on an exclusive use basis the Exclusive Use Premises identified in the Premises Notice, subject to the Airline Lease Agreement and Airport Rules and Regulations; provided, however, that the lease of any Exclusive Use Space that is assigned by Airport Authority to Airline as Temporary Space for subleasing to a ground handler or other vendor of Airline may be terminated, in whole or in part, by either Airport Authority or Airline after ninety days' written notice.

Shared Use Premises. Airport Authority grants to airline, subject to the Airline Lease Agreement and Airport Rules and Regulations, the right to use, on a shared use basis with one or more Passenger Carriers, the Shared Use Premises identified in the Premises Notice provided, however, that Airport Authority shall at all times have exclusive control and management of the Shared Use Premises.

Joint Use Premises. Airport Authority grants to Airline, subject to the Airline Lease Agreement, Airport Rules and Regulations and the Gate, Ticket Counter and Aircraft Parking Position Rules, the right to use, on a joint use basis with one or more Passenger Carriers, the Joint Use Premises identified in the Premises Notice provided, however, that Airport Authority shall at all times have exclusive control and management of the Joint Use Premises other than Preferential Use Gates.

Common Use Premises. Airport Authority grants to Airline, subject to the Airline Lease Agreement, Airport Rules and Regulations and the Gate, Ticket Counter and Aircraft Parking Position Rules, the right to use, on a common use basis with other Passenger Carriers using the Airport, the Common Use Premises identified in the Premises Notice; provided, however, that Airport Authority shall at all times have exclusive control and management of the Common Use Premises.

Unenclosed Operations Premises. Airport Authority grants to Airline, subject to the Airline Lease Agreement and Airport Rules and Regulations, the right to use the Unenclosed Operations Premises identified in the Premises Notice; provided, however, that any use of Unenclosed Operations Premises must be approved by the Airport Authority in writing and that Airport Authority shall have the right to reassign any Unenclosed Operations Premises to another Air Carrier after thirty days' notice. Airline's storage or placement of material on Unenclosed Operations Premises shall be limited to operational material that either cannot be stored within enclosed Exclusive Use Premises in the Terminal or for which there are no enclosed Exclusive Use Premises in the Terminal available for lease. Airline shall have priority over another Air Carrier to lease Unenclosed Operations Premises adjacent to any Preferential Use Gate assigned to Airline or to Airline's Exclusive Use Premises. Any area of Unenclosed Operations Premises that becomes supplied with utilities shall be considered Exclusive Use Premises and shall be subject to the full Terminal Rental Rate.

Aircraft Parking Premises. Airport Authority grants to Airline, subject to the Airline Lease Agreement, Airport Rules and Regulations and the Gate, Ticket Counter and Aircraft Parking Position Rules, the right to use, on a common use basis with one or more Air Carriers, the Aircraft Parking Premises identified in the Premises Notice provided, however, that Airport Authority shall at all times have exclusive control and management of the Aircraft Premises other than the Terminal Parking Positions associated with Preferential Use Gates.

***Airline Relocations, Accommodations and Right-Sizing Related to the ADP*.**

Relocations of Space During Construction of the ADP. Airline acknowledges that during construction of the ADP, in order to facilitate the continued operations of all Passenger Carriers at the Airport and to serve the traveling public, it will be necessary for Airport Authority, from time to time, to relocate one or more Signatory Airlines in accordance with the provisions of the Airline Lease Agreement on an interim, transitional basis pending completion of the ADP.

Accommodations. Airline acknowledges that during construction of the ADP, in order to accommodate the needs of all Passenger Carriers for reasonable access to required Terminal facilities, it is likely that Airline will be required to accommodate other Passenger Carriers at its Exclusive Use Premises, where practicable, and on its Preferential Use Gates. If such accommodations are necessary, Airport Authority will coordinate with Airline to allow Airline to address legitimate concerns over labor rights and proprietary information and Airport Authority will apportion the Airline Rents, Fees and Charges fairly between Airline and the accommodated Passenger Carrier.

Airline Right-Sizing Options. Airline may request and Airport Authority shall grant a reduction in the size of Airline's Exclusive Use Premises or, to the extent there is available space, an increase in the size of Airline's Exclusive Use Premises as follows:

(i) On or before January 1, 2024, Airline may make a written request to be effective July 1, 2024; and

(ii) At least six months prior to the DBO of new Terminal facilities to be constructed in the ADP, Airline may make a written request to be effective as of the DBO of such facilities.

Airport Authority shall not be obligated to grant requests for reductions in Airline's Exclusive Use Premises that cumulatively exceed 15% of Airline's Exclusive Use Premises (net any Ticket Counters, free-standing self-service kiosks, skycap podiums, curbside positions, and associated Queuing Space in Terminal 1 assigned to Airline as part of its Exclusive Use Premises on a transitional basis until the DBO of new Terminal facilities to be constructed in the ADP) as measured on the date that Airline makes its first request under this section. Additionally, Airport Authority shall not be obligated to grant a request for a reduction in Airline's Exclusive Use Premises if the space requested by Airline is not, in the reasonable judgment of the President/CEO, suitable for lease to another Air Carrier based on location, size and condition of the space.

Assignment of Gates and Ticket Counters

Airport Authority and Airline intend to ensure open access and balanced utilization of Joint Use Premises, including Gates, Shared Use Premises, and Common Use Premises. Airport Authority shall, at all times, have exclusive possession and control of all Joint Use Premises, subject to Preferential Use Gate rights granted to Signatory Airlines in accordance with the provisions of the Airline Lease Agreement, and Common Use Premises.

No Exclusive Use. No Gate, Ticket Counter, Terminal Parking Position or Remote Parking Position may be assigned for any Air Carrier's exclusive use, except as provided in the Airline Lease Agreement. Each Gate shall be designated by Airport Authority for either common use or preferential use. All Terminal Parking Positions and Remote Parking Positions shall be designated for common use in accordance with the provisions of the Airline Lease Agreement and the Gate, Ticket Counter and Aircraft Parking Position Rules.

Discretion of President/CEO. Subject to the provisions of the Airline Lease Agreement, the use, location and status of Preferential Use Gates, Common Use Gates and Aircraft Parking Positions, scheduling on Common Use Gates, Aircraft Parking Positions and Common Use Ticket Counters, accommodation on Preferential Use Gates and Aircraft Parking Positions shall be determined in the sole discretion of Airport Authority by its President/CEO after consultation with the Gate, Ticket Counter and Airport Parking Position Committee. Airport Authority shall establish and revise from time to time the Gate, Ticket Counter and Airport Parking Position Rules, after consultation with the Gate, Ticket Counter and Airport Parking Position Rules Committee, to set rules, priorities and protocols for the assignment and use of Gates, Aircraft Parking Positions and Ticket Counters.

Minimum Number of Common Use Gates. Airport Authority shall throughout the Term designate, at a minimum, nine Common Use Gates in the Terminals.

Subordination of Agreement to Indenture

The Airline Lease Agreement and any obligations owed by Airport Authority to Airline that may arise under the Airline Lease Agreement or as it may be amended are subordinate in all respects and at all times to the lien, covenants (including rate covenants), pledges, provisions and funding requirements under the Indenture and any supplemental Indenture then in effect.

Airport Rents, Fees and Charges

Budgeted Airline Rents, Fees, and Charges. The Airline Rents, Fees and Charges to be charged by Airport Authority and paid by Airline and all other Air Carriers for use of the Airport from the Effective Date until the expiration or earlier termination of the Airline Lease Agreement shall be calculated using the rate-setting methods described under this caption "Airport Rents, Fees, and Charges". For each Fiscal Year, Airport Authority shall develop a budgeted Landing Fee Rate, Aircraft Parking Position Rentals and Fees, Terminal Rental Rate, Joint Use Fees and Common Use Fees. Before formally adopting the budget, and any resulting Airline Rents, Fees, and Charges, Airport Authority shall consult with the Signatory Airlines and consider their comments regarding the capital improvement program at the Airport, budget and calculation of the budgeted Airline Rents, Fees, and Charges.

Adjustment of Airline Rents, Fees, and Charges During Fiscal Year. Airport Authority shall review the Airline Rents, Fees, and Charges at least once during each Fiscal Year. If during any of these reviews, Airport Authority finds that the estimated Airline Rents, Fees, and Charges vary by 5% or more from those originally budgeted or previously estimated by Airport Authority, Airport Authority may, after consultation with the Signatory Airlines, adjust the Airline Rents, Fees, and Charges to conform to Airport Authority's current estimates.

Reconciliation of Airline Rents, Fees, and Charges for the Fiscal Year. Within six months after the close of each Fiscal Year, Airport Authority shall calculate the Airline Rents, Fees, and Charges based on actual results for the Fiscal Year. Any difference between the budgeted Airline Rents, Fees, and Charges paid by the Signatory Airlines and the actual Airline Rents, Fees, and Charges chargeable to the Signatory Airlines based on actual results shall be either refunded by Airport Authority to Airline or Airline shall pay Airport Authority. If the actual Airline Rents, Fees, and Charges paid by Airline under the Airline Lease Agreement for a given Fiscal Year total less than $500,000 for a Passenger Carrier or $250,000 for a Cargo Carrier, Airline shall make a supplemental payment such that the total Airline Rents, Fees, and Charges plus the supplemental payment under the Airline Lease Agreement for such Fiscal Year equal $500,000 for a Passenger Carrier and $250,000 for a Cargo Carrier. Any amount due Airline shall be paid to Airline in the month following the reconciliation, provided, however, that Airport Authority may deduct any amounts due Airport Authority which are past due by thirty days or more. Any amount due Airport Authority shall be invoiced to Airline and due and payable within thirty days from the date of the invoice. For Fiscal Year 2029, the final year of the Term, the Airport Authority shall make a final settlement in accordance with the provisions of this paragraph and any resulting credit shall be issued to Airline, and any resulting charge will be invoiced to Airline, notwithstanding the termination of the Agreement on June 30, 2029.

Major Maintenance Fund, Coverage Charges, Days Cash on Hand and Transitional Use of Funding.

<u>Establishment of Major Maintenance Fund</u>. Airport Authority shall establish the Major Maintenance Fund to be used to fund Capital Projects in the Airfield Area, Terminal Area, Common Use Systems, and Airline Terminal Support Cost Centers and Capital Projects in Indirect Cost Centers to the extent allocable to the Airfield Area, Terminal Area, Common Use Systems, and Airline Terminal Support Cost Centers. Funding from the Major Maintenance Fund shall not incur Amortization Charges. The Airport Authority shall make deposits to the Major Maintenance Fund as follows:

> (a) For Fiscal Year 2020, Airport Authority shall deposit thirty million dollars ($30,000,000) into the Major Maintenance Fund and allocate the costs of the deposits to Cost Centers as follows: ten million dollars ($10,000,000) to the Airfield Area; ten million dollars ($10,000,000) to the Terminal Area; and ten million dollars ($10,000,000) to a combination of the Landside Area and Ancillary Area, as determined in the discretion of the Airport Authority.

(b) For Fiscal Year 2021, Airport Authority shall deposit ten million dollars ($10,000,000) into the Major Maintenance Fund and allocate the costs of the deposits to Cost Centers as follows: ten million dollars ($10,000,000) to a combination of the Landside Area and Ancillary Area, as determined in the discretion of the Airport Authority.

(c) For Fiscal Year 2022, Airport Authority shall deposit ten million dollars ($10,000,000) into the Major Maintenance Fund and allocate the costs of the deposits to Cost Centers as follows: ten million dollars ($10,000,000) to a combination of the Landside Area and Ancillary Area, as determined in the discretion of the Airport Authority.

(d) Each subsequent Fiscal Year, beginning July 1, 2022, Airport Authority shall deposit fifty million dollars ($50,000,000) into the Major Maintenance Fund and allocate the costs of the deposits to Cost Centers as follows: twenty million dollars ($20,000,000) to the Airfield Area; twenty million dollars ($20,000,000) to the Terminal Area; and ten million dollars ($10,000,000) to a combination of the Landside Area and Ancillary Area, as determined in the discretion of the Airport Authority.

<u>Use of Any Available Coverage Charges</u>. Airport Authority shall report Coverage Charges collected each Fiscal Year to the Signatory Airlines as part of the annual reconciliation. Airport Authority shall use any Coverage Charges that remain available for use after the year-end reconciliation to either (1) reduce the amount of Bonds outstanding in the Airfield Area, Terminal Area, Common Use Systems, and Airline Terminal Support Cost Centers and Indirect Cost Centers to the extent allocable to the Airfield Area, Terminal Area, Common Use Systems, and Airline Terminal Support Cost Centers in a subsequent Fiscal Year or (2) make a supplemental deposit to the Major Maintenance Fund.

<u>Use of Cash, Cash Equivalents, and Investments Above 600 Days' Cash on Hand</u>. After the completion of an audit of Airport Authority's Financial Statements for each Fiscal Year, Airport Authority shall determine Days' Cash on Hand as follows:

(a) As provided in Airport Authority's Audited Financial Statements, the sum of the following three lines under "Cash, Cash Equivalents, and Investments:" (1) Unrestricted and Undesignated, (2) Designated for specific capital projects and other Commitments, and (3) Bonds Reserves; *minus*

(b) As provided in Airport Authority's Audited Financial Statements, the balance in the Major Maintenance Fund; *divided by*

(c) As provided in Airport Authority's Audited Financial Statements, O&M Expenses; *times*

(d) 365 days.

Days' Cash on Hand shall be reported on an annual basis to the Signatory Airlines as part of the year-end reconciliation. Any Days' Cash on Hand above 600 days at the time of the year-end reconciliation shall be used by Airport Authority to either (1) reduce the amount of Bonds outstanding in a subsequent Fiscal Year or (2) fund future Capital Projects.

<u>Smoothing of Airline Rents, Fees, and Charges using Passenger Facility Charges</u>. Subject to the provisions of the Airline Lease Agreement, Airport Authority and Airline agree to set aside $30,000,000 annually in previously FAA-approved Passenger Facility Charges for the three full Fiscal Years prior to the DBO of new Terminal facilities to be constructed in the ADP. These accumulated Passenger Facility

Charges shall be used, in accordance with FAA's previous approval, to pay Debt Service in the Terminal Area in the three full Fiscal Years starting with the DBO of new Terminal facilities to be constructed in the ADP. Airline acknowledges that this section governs only the timing of deploying PFCs and that Airline shall have no right whatsoever to determine which Capital Projects Airport Authority shall fund with Passenger Facility Charges or any other rights with respect to Airport Authority's use of PFCs. Airport Authority shall consult with the Signatory Airlines on an annual basis regarding the use of Passenger Facility Charges, and Airport Authority may adjust the schedule in its sole discretion.

Cost Centers. To allocate the O&M Expenses, Annual Net Debt Service, Amortization Charges, Reserve Deposits, and Major Maintenance Fund Deposits, the following Cost Centers shall be utilized by Airport Authority:

Direct Cost Centers. Airfield Area, Terminal Area, Common Use Systems, Airline Terminal Support, Landside Area and Ancillary.

Indirect Cost Centers. Airport Access, General and Administrative, and allocations of O&M Expenses, Annual Net Debt Service, and Amortization Charges, if any, in Airport Authority departments not otherwise assigned to Direct Cost Centers.

To calculate Airline Rents, Fees, and Charges, Airport Authority shall account for and allocate annual O&M Expenses, Annual Net Debt Service, and Amortization Charges for the Indirect Cost Centers to Direct Cost Centers as set forth in the Airline Lease Agreement.

Landing Fee. Airline shall pay Landing Fees for its use of the Airfield Area based on its Maximum Gross Landed Weight at the Airport during the Fiscal Year. The Landing Fee effective July 1st of each Fiscal Year shall be determined according to the rate-setting method set forth below.

Airfield Area Requirement. The Airport Authority shall calculate the Airfield Area Requirement as the sum of the following for each Fiscal Year:

(a) the sum of O&M Expenses, Annual Net Debt Service, Amortization Charges, Reserve Deposits, Coverage Charges, Major Maintenance Fund Deposits and Bad Debt Expenses allocable to the Airfield Area; *plus*

(b) Fuel System Costs, if any; *minus*

(c) The sum of fuel flowage fee revenue, fingerprinting revenue, ground handling concession revenue, 70% of inflight catering revenue, and any federal, State, or local grants that are allocable to the Airfield Area.

Landing Fee Rate. Airport Authority shall calculate the Landing Fee Rate for each Fiscal Year by first subtracting the sum of (i) Non-Signatory Landing Fees, (ii) Aircraft Parking Position Rentals, (iii) Aircraft Parking Position Turn Fees and (iv) Aircraft Parking Position Overnight Fees collected by the Airport Authority from the Airfield Area Requirement and then dividing by the cumulative Maximum Gross Landed Weight of the Signatory Airlines for the Fiscal Year.

Aircraft Parking Position Rentals and Fees. Airline shall pay Aircraft Parking Position Rentals, Aircraft Parking Position Turn Fees, and Aircraft Parking Position Overnight Fees for its use of Aircraft Parking Positions as set forth below.

Aircraft Parking Position Rental Rate. For (a) Terminal Parking Positions associated with a Preferential Use Gate and (b) Cargo Parking Positions, Airport Authority shall calculate the Aircraft Parking Position Rental Rate effective July 1st of each Fiscal Year as follows:

(a) Twenty percent of the Airfield Area Requirement; *minus*

(b) Aircraft Parking Position Turn Fees and Aircraft Parking Position Overnight Fees collected from Non-Signatory Airlines; *divided by*

(c) The sum of (i) the total number of Remote Parking Positions divided by three; (ii) the total number of Terminal Parking Positions; and (iii) the total number of Cargo Parking Positions.

Aircraft Parking Position Turn Fees. For each Operation utilizing a Terminal Parking Position associated with either a Common Use Gate, an accommodation of a Gate Requesting Airline on a Preferential Use Gate or a Cargo Parking Position, Cargo Carrier Operation on a Remote Parking Position, and an accommodation of a Cargo Carrier on another Cargo Carrier's Cargo Parking Position, Airline shall pay an Aircraft Parking Position Turn Fee for its use of the Terminal Parking Position, Cargo Parking Position, or Remote Parking Position. Airport Authority shall calculate the Aircraft Parking Position Turn Fee effective July 1st of each Fiscal Year as follows:

(a) The sum of (i) the total number of Remote Parking Positions divided by three; and (ii) the total number of Terminal Parking Positions associated with a Common Use Gate; *times*

(b) Aircraft Parking Position Rental Rate; *divided by*

(c) For the Fiscal Year for Signatory Airlines, the sum of (i) the total number of Operations at (a) Terminal Parking Positions associated with Common Use Gates, (b) accommodations of Gate Requesting Airlines on Preferential Use Gates, (c) accommodations of Gate Requesting Airlines on Cargo Parking Positions, (d) Cargo Carrier operations on Remote Parking Positions, and (e) accommodations of Cargo Carriers on another Cargo Carrier's Cargo Parking Position, and (ii) the total number of Operations parking overnight at (a) Remote Parking Positions, (b) Terminal Parking Positions associated with Common Use Gates, (c) Terminal Parking Positions associated with accommodations of Gate Requesting Airlines on Preferential Use Gates and (d) Cargo Parking Positions associated with Passenger Carrier operations multiplied by three.

Aircraft Parking Position Overnight Fees. For each Operation parking overnight at Remote Parking Positions, Terminal Parking Positions associated with Common Use Gates, accommodations on Terminal Parking Positions associated with Preferential Use Gates and accommodations on Cargo Parking Positions, Airline shall pay an Aircraft Parking Position Overnight Fee equal to three times the Aircraft Parking Position Turn Fee.

Cap on Aircraft Parking Position Fees. Notwithstanding the foregoing, for any individual Gate, Airline shall not pay more in cumulative Aircraft Parking Position Turn Fees and Overnight Fees than the Aircraft Parking Position Rental Rate for its use of any single, individual Aircraft Parking Position during a Fiscal Year. Such cap on Aircraft Parking Position Fees shall not apply to Non-Signatory Airlines.

Terminal Rental Rate. Airline shall pay rent for Exclusive Use Premises, Joint Use Charges and Common Use Fees for its use of the Terminal Area based on the Terminal Rental Rate. The Terminal

Rental Rate effective July 1st of each Fiscal Year shall be determined according to the rate-setting method set forth below.

Base Terminal Area Requirement. Airport Authority shall calculate the Base Terminal Area Requirement as the sum of the following for each Fiscal Year:

(a) Sum of the O&M Expenses, Annual Net Debt Service, Amortization Charges, and Reserve Deposits allocable to the Terminal Area; *minus*

(b) FIS fee revenue and any federal, State, or local grants received to offset O&M Expenses, Annual Net Debt Service, or Reserve Deposits allocable to the Terminal Area.

Base Terminal Area Rental Rate. Airport Authority shall calculate the Base Terminal Area Rental Rate by dividing the Base Terminal Requirement by the square footage of the Leasable Premises.

Supplemental Terminal Rental Rate. Airport Authority shall calculate the Supplemental Terminal Rental Rate by dividing the sum of Coverage Charges, Major Maintenance Fund Deposits and Bad Debt Expenses allocable to the Terminal Area by the square footage of Airline Leased Premises.

Terminal Rental Rate. Airport Authority shall calculate the Terminal Rental Rate as the sum of the Base Terminal Rental Rate and the Supplemental Terminal Rental Rate.

Rent for Exclusive Use Premises. Airline shall pay rent to Airport Authority for any Temporary Space within its Exclusive Use Premises by multiplying the Non-Signatory Terminal Rental Rate by the total square footage of its Temporary Space within its Exclusive Use Premises in Airline's Premises Notice. Airline shall pay rent to Airport Authority for the remainder of its Exclusive Use Premises by multiplying the Terminal Rental Rate by the square footage of the remainder of its Exclusive Use Premises in Airline's Premises Notice.

Joint Use Charges. Airline shall pay Airport Authority Joint Use Charges for its use of Joint Use Premises and Airline Terminal Support. The Joint Use Charges effective July 1st of each Fiscal Year shall be determined according to the rate-setting method set forth below.

Joint Use Requirement. Airport Authority shall calculate Joint Use Requirement as follows:

(a) the Terminal Rental Rate multiplied by the total square footage of the Joint Use Premises; *plus*

(b) after the DBO of new Terminal facilities to be constructed in the ADP, the Terminal Rental Rate multiplied by the total square footage of the Shared Use Premises; *plus*

(c) the sum of the O&M Expenses, Annual Net Debt Service, Amortization, and Coverage Charges attributable or allocable to Airline Terminal Support; *minus*

(d) rental payments received for Unenclosed Operations Premises.

Joint Use Charges – 10% Share. Airport Authority shall calculate the Joint Use Charges – 10% Share in the following manner:

(a) Ten percent of the Joint Use Requirement; *minus*

(b) Any Non-Signatory Airline Joint Use Charges – 10% Share collected pursuant to the last paragraph under this caption "Joint Use Charges – 10% Share"; *minus*

(c) The number of Signatory Airlines, excluding Cargo Carriers, with 1% or less of the Enplaned Passengers at the Airport in such Fiscal Year multiplied by 0.2% of the Joint Use Requirement, *divided by*

(d) The number of Signatory Airlines, excluding Cargo Carriers, with more than 1% of the Enplaned Passengers at the Airport in such Fiscal Year. Each Signatory Airline and its approved Affiliate(s) will be treated as a single entity for purposes of determining the Airline's portion of the 10% share.

For Signatory Airlines with more than 1% of the Enplaned Passengers at the Airport for such Fiscal Year, the Joint Use Charges – 10% Share be the amount calculated under (a) through (d) above.

For Signatory Airlines with 1% or less of the Enplaned Passengers at the Airport for such Fiscal Year, the Joint Use Charges – 10% Share shall be the Joint Use Requirement multiplied by 0.2%.

Non-Signatory Airlines, excluding Cargo Carriers, with more than 1% of the Enplaned Passengers at the Airport for such Fiscal Year, shall pay Joint Use Charges – 10% Share in the amount calculated under (a) through (d) above *times* 120%. Non-Signatory Airlines, excluding Cargo Carriers, with 1% or less of the Enplaned Passengers at the Airport for such Fiscal Year, shall pay Joint Use Charges – 10% Share in the amount calculated pursuant to the prior paragraph *times* 120%.

Joint Use Charges – 90% Share. Airport Authority shall calculate the Joint Use Charges – 90% Share in the following manner:

(a) The remaining 90% of the Joint Use Requirement; *minus*

(b) Any Non-Signatory Airline Joint Use Charges – 90% Share; *divided by*

(c) Total Signatory Airline Enplaned Passengers.

Common Use Fees. Airline shall pay Airport Authority Common Use Fees for its use of Common Use Premises and Common Use Systems. The Common Use Fee effective July 1st of each Fiscal Year shall be determined according to the rate-setting method set forth below.

The Airport Authority shall calculate the Common Use Fee by:

(a) Multiplying the Terminal Rental Rate by the total square footage of the Common Use Premises; *plus*

(b) Sum of the O&M Expenses, Annual Net Debt Service, Amortization, and Coverage Charges attributable or allocable to the Common Use Systems; *minus*

(c) Sum of the O&M Expenses, Annual Net Debt Service, Amortization, and Coverage Charges attributable or allocable to Signatory Airlines excluded from paying Common Use Fees in accordance with the following paragraph ; *minus*

(d) Non-Signatory Common Use Fees; *divided by*

(e) Total Signatory Airline Enplaned Passengers in Common Use System equipped terminals.

Any Signatory Airline that uses only Exclusive Use Ticket Counters during a Fiscal Year shall be excluded from Common Use Fees but shall pay the sum of the O&M Expenses, Annual Net Debt Service, Amortization, and Coverage Charges attributable or allocable to their use of Common Use Systems.

Notwithstanding anything to the contrary in the Airline Lease Agreement, if future Common Use System configurations allow, the Airport Authority may, after consultation with the Signatory Airlines at a AAAC meeting, modify the methodology for determining Common Use Fees to a per-use charge based on time or frequency of use. Any such modification may be made without amendment or supplement to the Airline Lease Agreement.

<u>Rent for Shared Use Premises</u>. Prior to the DBO of new Terminal facilities to be constructed in the ADP, Airline shall be assigned a pro-rata share of the square footage of the Shared Use Premises as set forth in the Airline Lease Agreement for each Fiscal Year on the following basis for each individual Shared Use Premises area:

(a) The square footage of the individual Shared Use Premises area; *divided by*

(b) The total Enplaned Passengers of Passenger Carriers assigned to the individual Shared Use Premises area; *multiplied by*

(c) Airline's total Enplaned Passengers.

For each Fiscal Year, Airline shall pay rent to Airport Authority for its assigned Shared Use Premises by multiplying the Terminal Rental Rate by the square footage of its assigned pro-rata share of Shared Use Premises in Airline's Premises Notice. After the DBO of new Terminal facilities to be constructed in the ADP, Shared Use Premises shall be incorporated into the Joint Use Fees.

<u>Other Fees and Charges</u>.

FIS Fees. For each Fiscal Year, Airport Authority shall charge for use of its FIS Facilities an amount equal to $10 per each seat on an arriving aircraft using the FIS Facilities. The President/CEO or a representative appointed by the President/CEO may make adjustments to this charge on a semi-annual basis. The Signatory Airline and Non-Signatory Airline FIS Fee shall be the same.

Unenclosed Operations Premises. Unenclosed Operations Premises shall be charged $12 per square foot per Fiscal Year. The President/CEO or a representative appointed by the President/CEO may make adjustments to this charge on a semi-annual basis based on increases in the Consumer Price Index.

Non-Signatory Airline Rates, Fees, and Charges. The Airline Rates, Fees, and Charges in the Airline Lease Agreement apply to Signatory Airlines. Non-Signatory Airline Rates, Fees, and Charges shall be 120% of the Airline Rates, Fees, and Charges, except the FIS Fees, which are established as described above. The Non-Signatory Airline Terminal Rental Rate shall apply to any Temporary Space leased by a Signatory Airline.

Payments

Landing Fees. Airline agrees to pay monthly Landing Fees in an amount equal to the Landing Fee Rate multiplied by the Airline's Maximum Gross Landing Weight for such monthly period. Landing Fees shall be due and payable on or before the 15th day of each month for the prior month during the term of the Airline Lease Agreement, without invoice, deduction, or setoff, accompanied by an accurate, verifiable activity report on such form as Airport Authority may provide.

Aircraft Parking Position Rentals and Fees.

Aircraft Parking Position Rentals. For Terminal Parking Positions associated with a Preferential Use Gate or Cargo Parking Positions, Airline agrees to pay each month 1/12th of the Aircraft Parking Position Rental Rate for each Terminal Parking Position and Cargo Parking Position assigned to Airline. Aircraft Parking Position Rentals shall be due and payable on or before the tenth day of each month during the term of the Airline Lease Agreement, in advance, without invoice, deduction, or setoff.

Aircraft Parking Position Turn Fees. Airline agrees to pay monthly Aircraft Parking Position Turn Fees in an amount equal to the Aircraft Parking Position Turn Fee multiplied by the number of Airline's Operations at Terminal Parking Positions associated with Common Use Gates and Terminal Parking Positions associated with accommodations of Gate Requesting Airlines on Preferential Use Gates and Cargo Carrier operations on Remote Parking Positions. Aircraft Parking Position Turn Fees shall be due and payable on or before the 15th day of each month for the prior month during the term of the Airline Lease Agreement, without invoice, deduction, or setoff, accompanied by an accurate, verifiable activity report on such form as Airport Authority may provide. Airport Authority reserves the right to require Airline to utilize an electronic system for the transmittal of said reports.

Aircraft Parking Position Overnight Fees. Airline agrees to pay monthly Aircraft Parking Position Overnight Fees in an amount equal to the Aircraft Parking Position Overnight Fee multiplied by the number of the Airline's Operations parking overnight at Remote Parking Positions and Terminal Parking Positions associated with Common Use Gates, Terminal Parking Positions associated with accommodations on Preferential Use Gates and Cargo Parking Positions associated with Passenger Carrier operations. Aircraft Parking Position Overnight Fees shall be due and payable on or before the 15th day of each month for the prior month during the term of the Airline Lease Agreement, without invoice, deduction, or setoff, accompanied by an accurate, verifiable activity report on such form as Airport Authority may provide. Airport Authority reserves the right to require Airline to utilize an electronic system for the transmittal of said reports.

Terminal Rentals.

Exclusive Use and Shared Use Premises. Airline agrees to pay each month 1/12th of the Terminal Rental Rate for each square foot of Exclusive Use Premises , excluding Temporary Space, and the pro-rata share of Shared Use Premises assigned to Airline. Airline agrees to pay each month 1/12th of the Non-Signatory Terminal Rental Rate for each square foot of Temporary Space in its Exclusive Use Premises assigned to Airline. Exclusive Use Premises rent and Shared Use Premises rent shall be due and payable on or before the tenth day of each month during the term of the Airline Lease Agreement, in advance, without invoice, deduction, or setoff.

Joint Use Premises – 10% Share.

(a) If Airline is a Signatory Airline with more than one percent of the Enplaned Passengers at the Airport for such Fiscal Year, Airline agrees to pay each month 1/12th of the applicable Joint Use Premises – 10% Share. Any such payments shall be due and payable on or before the tenth day of each month during the term of the Airline Lease Agreement, in advance, without invoice, deduction, or setoff.

(b) If Airline is a Signatory Airline with one percent or less of the Enplaned Passengers at the Airport for such Fiscal Year, Airline agrees to pay each month 1/12th of the applicable Joint Use Premises – 10% Share. Any such payments shall be due and payable on or before the tenth day of each month during the term of the Airline Lease Agreement, in advance, without invoice, deduction, or setoff.

Joint Use Premises – 90% Share. Airline agrees to pay monthly Joint Use Premises – 90% Share in an amount equal to the Joint Use Premises – 90% Share Fee multiplied by the Airline's Enplaned Passengers in such monthly period. Joint Use Premises – 90% Share shall be due and payable on or before the 15th day of each month for the prior month during the term of the Airline Lease Agreement, without invoice, deduction, or setoff, accompanied by an accurate, verifiable activity report on such form as Airport Authority may provide. Airport Authority reserves the right to require Airline to utilize an electronic system for the transmittal of said reports.

Common Use Fees. Airline agrees to pay monthly Common Use Fees in an amount equal to the Common Use Fee multiplied by the Airline's Enplaned Passengers in such monthly period. Common Use Fees shall be due and payable on or before the 15th day of each month for the prior month during the term of the Airline Lease Agreement, without invoice, deduction, or setoff, accompanied by an accurate, verifiable activity report on such form as Airport Authority may provide. Any Passenger Carrier that uses only Exclusive Use Ticket Counters throughout a Fiscal Year shall be excluded from Common Use Fees; if such a Passenger Carrier utilizes Common Use Ticket Counters for part of a Fiscal Year, it will be excluded from Common Use fees for a prorated portion of the Fiscal Year. Airport Authority reserves the right to require Airline to utilize an electronic system for the transmittal of said reports.

Other Fees and Charges. Airline agrees to pay monthly FIS Fees in an amount equal to the FIS Fee multiplied by the Airline's number of passenger seats on arriving aircraft using the FIS Facilities for such monthly period. FIS Fees shall be due and payable on or before the 15th day of each month for the prior month during the Term, without invoice, deduction, or setoff, accompanied by an accurate, verifiable activity report on such form as Airport Authority may provide. Unenclosed Operations Premises rentals shall be due and payable on or before the tenth day of each month during the Term, in advance, without invoice, deduction, or setoff.

Review of Off-Airport Public Transportation Projects

Off-Airport Public Transportation Projects. Airline acknowledges that, during the Term, Airport Authority may undertake or provide funding for one or more Off-Airport Public Transportation Projects. Airline and Airport Authority agree that addressing public transportation issues related to the Airport is an important goal and that such projects may require funding from Airport Authority. However, as of the Effective Date, the number and scope of any Off-Airport Public Transportation Projects is not known. Due to this uncertainty and the potentially significant impact of Off-Airport Public Transportation Projects on Airline's costs of operating at the Airport, Airline has requested the right to review the Airport Authority's funding of Off-Airport Public Transportation Projects that exceeds certain cost thresholds. In order to address the cost concerns of Airline, Airport Authority and Airline agree to the process set forth in this section for the funding of Off-Airport Public Transportation Projects by the Airport Authority. The Signatory Airlines have committed to pre-approve, in aggregate, an estimated $515,000,000 in funding for Off-Airport Public Transportation Projects, subject to certain conditions.

Pre-Approved Funding. Airport Authority shall have the right, without any review or any other limitation imposed by the Signatory Airlines, to fund the full, actual costs of a new limited access in-bound roadway on the Airport that will connect with North Harbor Drive at approximately Laurel Street and allow vehicles to access both Terminals (the "Inbound Roadway Project"). The Inbound Roadway Project is currently estimated to cost $165,000,000, but the full, actual costs may exceed that estimate.

In addition to funding the Inbound Roadway Project, Airport Authority shall have the right, without any review or any other limitation imposed by the Signatory Airlines, to provide up to $75,000,000 in funding for Off-Airport Public Transportation Projects during the Term.

In addition to the funding described in the two prior paragraphs, Airport Authority shall have the right, without any review or any other limitation imposed by the Signatory Airlines, to provide up to an additional $125,000,000 in funding for Off-Airport Public Transportation Projects during the Term, but only if non-Airport Authority funding of at least $200,000,000 for the Off-Airport Public Transportation Projects has been secured through legally binding commitments from third-parties.

In addition to the funding available in the three prior paragraphs, Airport Authority shall have the right, without any review or any other limitation imposed by the Signatory Airlines, to provide up to an additional $150,000,000 in funding for Off-Airport Public Transportation Projects during the Term, but only if additional non-Airport Authority funding of at least $150,000,000, at $350,000,000 in aggregate, for the Off-Airport Public Transportation Projects has been secured through legally binding commitments from third-parties.

As provided by 49 U.S.C. § 40117(f), no Capital Project shall be subject to Majority-in-Interest voting or approval to the extent such Capital Project is financed by PFCs or PFC-backed bonds.

All amounts of funding provided by Airport Authority under this section shall be net of CFCs and federal and state transportation grants.

Majority-in-Interest Review. Any funding of Off-Airport Public Transportation Projects in excess of the pre-approved amounts described above shall be subject to the Majority-in-Interest review procedures described below.

Airport Authority shall submit a written proposal to the Signatory Airlines describing the Off-Airport Public Transportation Projects, the estimated cost of the Off-Airport Public Transportation Projects, the amount of the funding anticipated from Airport Authority, the amount of anticipated funding from third-parties and the estimated project schedule.

Airport Authority may proceed with the proposed funding of Off-Airport Public Transportation Projects that are subject to review under this section unless Airport Authority is notified in writing by the chair of the AAAC within 30 days of delivery of Airport Authority's proposal that a Majority-in-Interest has disapproved Airport Authority's proposal. Such written notification to Airport Authority shall include the written disapproval of each Signatory Airline that disapproved the proposal.

Cost Allocation. All funding provided by Airport Authority for Off-Airport Public Transportation Projects shall be allocated to the Airport Access Cost Center.

Limitation on Majority-in-Interest Review. Airline shall have no right to review or approve any Capital Projects other than Off-Airport Public Transportation Projects.

Damage or Destruction of Premises

Damage or Destruction of Airport Authority Constructed Improvements. In the event of damage to, or destruction by fire, the elements, acts of God, or any other cause of Airport Authority-constructed improvements at Airport which materially impacts Airport operations, Airport Authority shall have the option, in its reasonable discretion, and shall within 90 days, following the date of such damage, provide Airline written notice of Airport Authority's election, to commence reconstruction of the damaged improvements and prosecute the same diligently to completion, in which event the Airline Lease Agreement shall continue in full force and effect, and Airline Rents, Fees and Charges for all or the portion of the Premises rendered untenantable shall be abated until such repairs are complete and the Premises or the portion thereof deemed untenantable are tenantable once again. In the event Airport Authority elects not to perform such reconstruction, the portion of the Premises rendered untenantable shall be removed from Airline's Premises and a revised Premises Notice shall be issued to Airline and Airport Authority shall reimburse Airline for any Airline Rents, Fees and Charges paid in advance, if any, for all or a portion of the Premises rendered untenantable.

Damage or Destruction of Airline Constructed Improvements. In the event of damage to or destruction by fire, the elements, acts of God, or any other cause, of Airline-constructed improvements located within the Premises or in the event Airline-constructed improvements located within the Premises are declared unsafe or unfit for use or occupancy by a public entity with the authority to make and enforce such declaration, Airline shall, subject to the following paragraph, within 60 days, commence and diligently pursue to completion the repair, replacement, or reconstruction of Airline-constructed improvements necessary to permit full use and occupancy of the Premises for the purposes required by the Airline Lease Agreement.

Repair, replacement or reconstruction of Airline-constructed improvements within the Premises shall be accomplished in a manner and according to plans approved by Airport Authority; provided, however, Airline shall not be obligated to repair, reconstruct, or replace the improvements following their destruction in whole or substantial part except to the extent the loss is covered by insurance required to be carried by Airline pursuant to the Airline Lease Agreement (or would be covered whether or not such required insurance is actually in effect).

Default and Termination

Airline Default. The occurrence of any one or more of the following events shall constitute an Event of Default under the Airline Lease Agreement:

(a) Airline shall become insolvent (as such term is defined under Section 101 of the Federal Bankruptcy Code); or shall fail to pay its debts generally as they mature; or shall take the benefit of any present or future federal or state insolvency statute; or shall make a general assignment for the benefit of creditors.

(b) Airline shall file a voluntary petition in bankruptcy or a petition or answer seeking an arrangement of its indebtedness under the Federal Bankruptcy Code or under any other law or statute of the United States or of any state thereof; or consent to the appointment of a receiver, trustee, custodian, liquidator or other similar official, of all or substantially all of its property; or an order for relief shall be entered by or against Airline under any chapter of the Federal Bankruptcy Code.

(c) By order or decree of a court, Airline shall be adjudged bankrupt or an order shall be made approving a petition filed by any of its creditors or by any of its stockholders, seeking its reorganization or the restructuring of its indebtedness under the Federal Bankruptcy Code or under any other law or statute of the United States or any state thereof and such order or decree shall not be stayed or vacated within 60 days of its issuance.

(d) A petition under any chapter of the Federal Bankruptcy Code or an action under any federal or state insolvency law or statute shall be filed against Airline and shall not be dismissed or stayed within 60 days after the filing thereof.

(e) By or pursuant to, or under authority of any legislative act, resolution or rule, or any order or decree of any court or governmental board, agency or officer, a receiver, trustee, custodian, liquidator or other similar official shall take possession or control of all or substantially all of the property of Airline and such possession or control shall continue in effect for a period of 60 days.

(f) Airline shall become a corporation in dissolution.

(g) The letting, license or other interest of or rights of Airline under the Airline Lease Agreement shall be transferred to, pass to or devolve upon, by operation of law or otherwise, any other person, firm, corporation or other entity, by, in connection with or as a result of any bankruptcy, insolvency, trusteeship, liquidation or other proceedings or occurrence described in (a) through (f) above.

(h) Airline shall fail duly and timely to pay any Airline Rents, Fees and Charges, or any other fee or charge due under the Airline Lease Agreement when due to Airport Authority, and such failure shall continue for ten days beyond Airline's receipt of a written notice of such breach or default from the President/CEO. Notwithstanding the foregoing, if there occur two defaults in the payment of Airline Rents, Fees and Charges, or other fee or charge due under the Airline Lease Agreement in any twelve month period, thereafter Airline shall not be entitled to notice of any further payment defaults (i.e., thereafter Airline's failure to pay Airline Rents, Fees and Charges, or other fee or charge due under the Airline Lease Agreement in a timely manner shall be deemed an Event of Default), and Airport Authority shall have no obligation to give such notice.

(i) Airline shall fail duly and timely to remit to Airport Authority PFCs collected by Airline from its passengers in accordance with the PFC Regulations and such failure shall continue for five days beyond Airline's receipt of a written notice from Airport Authority of such breach or default.

(j) There shall occur an assignment or transfer subject to the provisions of the Airline Lease Agreement without Airport Authority's prior written consent and such assignment or transfer is not reversed within ten days after written notice by Airport Authority or Airport Authority consents in writing to the assignment or transfer.

(k) Airline shall abandon the Premises and its conduct of business at the Airport, and in connection with this abandonment, suspend operations for a period of 60 days in the absence of a labor dispute, force majeure event in accordance with the provisions of the Airline Lease Agreement or other governmental action in which Airline is directly involved.

(l) Any lien shall be filed against the Premises as a result of an act or omission of Airline, and shall not be discharged within sixty days after Airline's receipt of notice.

(m) Airline shall fail to obtain and maintain the insurance required by the Airline Lease Agreement, or provide copies of the policies or certificates (including without limitation those related to renewals of such coverages) to Airport Authority as required and, only with respect to providing copies of the policies or certificates, the failure to provide the copies shall continue for five days beyond Airline's receipt of a written notice from Airport Authority of such breach or default.

(n) Airline shall fail to keep, perform and observe each and every other promise, representation, covenant and agreement set forth in the Airline Lease Agreement, and such failure shall continue for a period of more than ten days after the President/CEO's delivery of written notice of such failure or, if satisfaction of such obligation requires activity over a period of time, if Airline fails to commence the cure of such failure within ten days after Airline's receipt of such notice, or thereafter fails to diligently prosecute such cure, or fails to actually cause such cure within 60 days of the President/CEO's delivery of such notice.

(o) Airline fails to timely pay the Airline Rents, Fees and Charges deferred under the Temporary Deferral of Airline Rents, Fees and Charges In Response to COVID-19 Pandemic.

Airport Authority's Remedies.

General Remedies – Applicable to All Portions of the Premises.

(a) Whenever any Event of Default shall occur (other than a default pursuant to clause (a) under the caption "Airline Default" above upon which termination of the Airline Lease Agreement, at Airport Authority's option, shall be effective immediately without further notice), the Airline Lease Agreement and all of Airline's rights under the Airline Lease Agreement shall terminate if the written notice of default so provides. Airport Authority shall be entitled to recover Termination Damages from Airline, together with interest on all Termination Damages at the rate of 18% per annum, or the maximum rate permitted by Applicable Laws, whichever is lower, from the date such Termination Damages are incurred by Airport Authority.

(b) In addition to Termination Damages, and notwithstanding termination, Airline's liability for Future Charges shall not be extinguished, and Airline agrees that Airport Authority shall be entitled, upon termination for an Event of Default, to collect as additional damages a Rental Deficiency so long as Airport Authority is using commercially reasonable efforts to mitigate its damages; provided, however, that the obligation of Airport Authority to use commercially reasonable efforts to mitigate its damages shall not be construed to require Airport Authority to rent all or any portion of the Premises for a use or to a tenant that is not consistent with the Airline Lease Agreement or Airport Authority's current or future business needs or requirements for the Airport, or to prioritize the renting of all or any portion of the Premises over other space that Airport Authority may have available at the Airport. As used in this section, a "Rental Deficiency" shall mean: an amount or amounts equal to Future Charges less the amount or amounts of rental, if any, that Airport Authority shall actually receive during the remainder of the Term from others to whom the Premises may be rented, in which case such Rental Deficiency shall be computed and payable at Airport Authority's option either: (i) in an accelerated lump sum payment discounted to present value or (ii) in monthly installments, in advance, on the first day of each calendar month following termination of the Agreement, and continuing until the date on which the Term would have expired but for such termination. Any suit or action brought to collect any portion of Rental Deficiency attributable to any particular month or months shall not in any manner prejudice Airport Authority's right to collect any portion of Rental Deficiency by a similar proceeding.

(c) If such Event of Default relates to Airline's Exclusive Use Premises, Airport Authority may re-enter the Exclusive Use Premises upon termination, take exclusive possession of any such Exclusive Use Premises, and remove all persons and property therefrom without Airport Authority being liable to Airline for damage or loss thereby sustained by Airline. Airport Authority shall be entitled to recover from Airline, in addition to Termination Damages and Rental Deficiency, Additional Termination Damages, together with interest on all Additional Termination Damages at the rate of 18% per annum, or the maximum rate permitted by Applicable Laws, whichever is lower, from the date such Additional Termination Damages are incurred by Airport Authority. Airline shall have no right to or claim upon any improvements that may have been previously installed by Airline in or on the Exclusive Use.

(d) If the Airline Lease Agreement terminates as a result of Airline's default, Airport Authority shall use commercially reasonable efforts (as described paragraph (b) above) to relet the Exclusive Use or any part thereof, alone or together with other Exclusive Use, for such term or terms and for such use or uses as Airport Authority in its sole discretion may determine. Airline's obligations under the Airline Lease Agreement shall not be discharged by reason or failure of Airport Authority to relet the Exclusive Use Premises.

(e) Except as specifically provided in the Airline Lease Agreement, Airport Authority's action pursuant to this section shall not in any way limit Airport Authority in the pursuit of any other additional right or remedy available to Airport Authority in law or in equity by reason of Airline's default.

Termination. The Airline Lease Agreement may be terminated in advance of its Expiration Date in the following events:

(a) If Airport Authority, in its sole discretion, shall require the use of the Premises or any substantial portion thereof for a major capital improvement for public or private use in connection with Airport Authority's business, Airport Authority may terminate the Airline Lease Agreement by written notice delivered or mailed by Airport Authority to Airline not less than one year before the termination date specified in the notice; provided, however, that if the Airline Lease Agreement is terminated under this paragraph (a), Airport Authority shall reimburse Airline for the unamortized costs of any improvements to the Terminal constructed by Airline with Airport Authority's consent during the Term; and provided further that the costs of any such improvements shall be amortized base on generally accepted accounting principles, unless Airport Authority has previously reimbursed Airline for the costs of such improvements; or

(b) If any federal, state or local government, or agency or instrumentality thereof, shall, by condemnation or deed or conveyance in lieu thereof, take title, possession, or the right to possession of the Premises or any substantial portion thereof, Airport Authority may, at its option, terminate the Airline Lease Agreement as of the date of such taking; or

(c) If any court having jurisdiction shall render a decision that has become final and will permanently or for a substantial period of time prevent Airport Authority's performance of any of its material obligations under the Airline Lease Agreement, either party hereto may terminate the Airline Lease Agreement by written notice. This right of termination shall be and remain effective whether or not Airport Authority, by taking affirmative action or by inaction, could have prevented the rendering of the decision, or could have caused the decision to be vacated before it became final.

If the Airline Lease Agreement is terminated under paragraph (a) through (c) above, all rights and obligations of the parties shall terminate (with the exception of (i) any undischarged rights and obligations that accrued prior to the effective date of such termination and (ii) any rights and obligations that the Airline Lease Agreement states shall survive such termination), and if Airline is not in default under the Airline Lease Agreement on the effective date of termination, any Airline Rent, Fees and Charges prepaid by

Airline shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Airline.

Airport Authority's Right to Perform. All agreements and obligations to be performed by Airline under the Airline Lease Agreement shall be at Airline's sole cost and expense and without any abatement of Airline Rent, Fees and Charges. If Airline shall fail to make any payment or perform any act required to be performed under the Airline Lease Agreement, and such failure shall continue for ten days after Airport Authority's notice thereof, Airport Authority may, but shall not be obligated to, and without waiving or releasing Airline from any of its obligations, make any such payment or perform any such act on Airline's behalf. All sums so paid by Airport Authority and all necessary incidental costs shall be deemed additional Airline Rent, Fees and Charges under the Airline Lease Agreement, payable to Airport Authority on demand, and Airport Authority shall have (in addition to any other right or remedy of Airport Authority) the same rights and remedies in the event of the nonpayment thereof by Airline as in the case of Airline's default in the payment of Airline Rent, Fees and Charges.

Airline's Rights Related to Termination. In the event of any termination based on any breach by Airline of the covenants, terms and conditions contained in the Airline Lease Agreement, all of Airline's rights, powers and privileges under the Airline Lease Agreement shall cease, and Airline shall immediately vacate any portions of the Premises it occupies under the Airline Lease Agreement. Airline shall have no claim of any kind whatsoever against Airport Authority by reason of such termination, or by reason of any act by Airport Authority related to such termination.

Bankruptcy. In no event shall the Airline Lease Agreement or any rights or privileges under the Airline Lease Agreement be an asset of Airline under any bankruptcy, insolvency or reorganization proceedings. To the extent consistent with and permitted under the United States Bankruptcy Code or similar debtor relief laws, if Airline seeks protection under the United States Bankruptcy Code or similar debtor relief laws, or is currently operating under the protection of the United States Bankruptcy Code or other similar debtor relief laws, Airline will comply with every provision of the Airline Lease Agreement as and when required under the Airline Lease Agreement, including without limitation performing any required remediation relating to any environmental matter pursuant to Airline's obligations under Article 23 which arose prior to or arises during the course of Airline's bankruptcy case. No Air Carrier will be allowed to assume the Airline Lease Agreement without performing any required remediation as part of the cure of any Event of Default under the Airline Lease Agreement.

Surrender of Possession; Holding Over

Surrender. Airline covenants and agrees to surrender possession of the Premises or a portion of the Premises, as applicable, upon (a) termination of the Airline Lease Agreement; (b) partial termination of Premises under the provisions of the Airline Lease Agreement; (c) the effective date of Airport Authority's relocation, reallocation or recapture of all or any portion of the Premises under the provisions of the Airline Lease Agreement; (d) termination of any holdover period; or (e) expiration of the Term in as good condition as on the Effective Date (or in the case of improvements or alterations made or fixtures installed subsequent thereto, then as of the date of such improvements, alternations, or fixtures were made or installed), reasonable wear and tear, and damage from casualty as described the Airline Lease Agreement resulting in the termination or partial termination of the Airline Lease Agreement, and repairs that are the responsibility of Airport Authority, excepted. No act or thing done by Airport Authority during the Term shall be deemed acceptance of a surrender of the Premises, and no agreement to accept such surrender shall be valid, unless in writing and signed by Airport Authority.

Holding Over. In the event Airline holds over its tenancy of all or any portion of the Premises beyond the expiration date of the Airline Lease Agreement with Airport Authority's approval, the Airline

Lease Agreement shall be deemed to be a month-to-month tenancy, terminable on thirty days' written notice given at any time by either party. During any month-to-month tenancy, Airline shall pay all Airline Rents, Fees and Charges required by the Airline Lease Agreement which shall be paid in accordance with the most current rent and landing fees schedules. All provisions of the Airline Lease Agreement shall apply to the month-to-month tenancy.

Miscellaneous Provisions

Taxes. The Airline Lease Agreement may result in or create a taxable possessory interest and be subject to the payment of property taxes.

Airline shall be liable for, and shall pay throughout the Term, all taxes payable for, or on account of: (a) the activities conducted by Airline on the Airport; (b) all taxes, if any, on the personal property of Airline on or at the Premises; (c) taxes, if any, on any property interest of Airline in the Premises created by the Airline Lease Agreement; (d) any taxes levied in lieu of a tax on any such property interest; and (e) any sales, use, or other taxes levied on, or measured by, the Airline Rent, Fees and Charges and any other fees and charges payable under the Airline Lease Agreement, whether imposed on Airline or on Airport Authority.

Airline shall reimburse Airport Authority for all such taxes paid or payable by Airport Authority. With respect to any such taxes payable by Airport Authority that are levied on, or measured by, the Airline Rent, Fees and Charges or any other fees or charges payable under the Airline Lease Agreement, Airline shall pay to Airport Authority with each payment an amount equal to the tax levied on, or measured by, that particular payment. All other tax amounts for which Airport Authority is or will be entitled to reimbursement from Airline shall be payable by Airline to Airport Authority at least 15 days prior to the due dates of the respective tax amounts involved; provided that Airline shall be entitled to a minimum of ten days' written notice of the amounts payable by Airline.

Airline may contest, in its own name or the name of Airport Authority, the validity or amount of any tax it shall be required to pay to a taxing entity; provided, however, that Airline shall defend, indemnify and hold Airport Authority harmless from all liability and expense arising from such contest, which obligations shall survive expiration or earlier termination of the Airline Lease Agreement and shall provide security satisfactory to Airport Authority for its performance of such indemnification obligation. Airline shall not permit a lien or encumbrance to attach to the Premises or the Airport by reason of any failure to pay taxes.

Liens and Encumbrances. Airline shall keep the Premises free and clear of any liens and encumbrances arising or growing out of Airline's use and occupancy of the Premises or activities at the Airport. Airline agrees that it will at all times indemnify, defend and hold harmless Airport Authority from and against all claims, encumbrances, stop notices, levies and liens ("Indemnified Lien Claims") for labor, services, or materials in connection with improvements, repairs, or alterations made by Airline or its subtenants, contractors, and agents on the Premises, and for the costs of defending against such claims, including reasonable attorney's fees and court costs. The indemnification and other obligations under this section shall survive expiration or earlier termination of the Airline Lease Agreement.

In the event that any Indemnified Lien Claim caused by Airline or its subtenants, contractors, and agents, is filed against the Premises or the leasehold interests of Airline therein, Airline shall, upon written request of Airport Authority, make immediate payment in full of all claims upon which said claim has been filed. In the event Airline contests the Indemnified Lien Claim, Airline shall deposit with Airport Authority a bond conditioned for the payment in full of all claims upon which said claim has been filed. Such surety bond shall be acknowledged by Airline as principal and by a corporation, licensed by the Insurance

Commissioner of the State of California to transact the business of a fidelity and surety insurance company, as surety. Airport Authority shall have the right to declare the Airline Lease Agreement in default in the event the bond required by this Article has not been deposited with Airport Authority within ten days after written request has been delivered to Airline.

This provision shall not apply to a foreclosure of a trust deed or mortgage encumbering the leasehold if it has been consented to by Airport Authority as provided in the Airline Lease Agreement.

Depreciation and Investment Credit. Neither Airline nor any successor of Airline under the Airline Lease Agreement may claim depreciation or an investment credit under the Internal Revenue Code of 1954, as amended, with respect to Airport Authority-owned improvements in the Premises, the Terminal or other leased facilities. Airline represents that it has made an election under Proposed Treasury Regulations §1.103(n)-1T through §1.103(n)-6T not to claim such depreciation or investment credit with respect to such Airport Authority-owned improvements in the Premises or other leased facilities and agrees that it will retain copies of said election in its records. Airport Authority acknowledges receipt of a copy of said election and agrees that it will retain copies of said election in its records.

SEC Rule 15c2-12. Airline, upon Airport Authority's request, shall provide to Airport Authority such information as Airport Authority may reasonably request in writing to comply with Airport Authority's continuing disclosure requirements under SEC Rule 15c2-12, as it may be amended from time to time, provided, however, that Airline may, in lieu of providing the requested information, direct Airport Authority to an Airline or SEC website where the requested information is then currently available.

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APPENDIX E

PROPOSED FORM OF BOND COUNSEL'S OPINION

[Closing Date]

San Diego County Regional Airport Authority
San Diego, California

$495,315,000
San Diego County Regional Airport Authority
Subordinate Airport Revenue Bonds
Series 2021A
(Governmental/Non-AMT)

$1,089,260,000
San Diego County Regional Airport Authority
Subordinate Airport Revenue Bonds
Series 2021B
(Private Activity/AMT)

$357,170,000
San Diego County Regional Airport Authority
Subordinate Airport Revenue Refunding Bonds
Series 2021C
(Federally Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel to the San Diego County Regional Airport Authority (the "Authority"), in connection with the Authority's issuance and sale of (a) $495,315,000 aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2021A (Governmental/Non-AMT) (the "Subordinate Series 2021A Bonds"), (b) $1,089,260,000 aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2021B (Private Activity/AMT) (the "Subordinate Series 2021B Bonds"), and (c) $357,170,000 aggregate principal amount of its San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable) (the "Subordinate Series 2021C Bonds," and collectively with the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds, the "Subordinate Series 2021 Bonds"). The Subordinate Series 2021 Bonds are being issued pursuant to Section 170000 et seq. of the California Public Utilities Code (the "Act"); the Revenue Bond Law of 1941 (Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 5 of the California Government Code), excluding Article 3 (commencing with Section 54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code and the limitations set forth in subdivision (b) of Section 54402 of the California Government Code, which will not apply to the issuance and sale of bonds pursuant to the Act (collectively, the "Revenue Bond Law"); the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended (the "Master Subordinate Indenture"), by and between the Authority and U.S. Bank National Association, as successor trustee (the "Subordinate Trustee"); and the Ninth Supplemental Subordinate Trust Indenture, dated as of December 1, 2021 (the "Ninth Supplemental Subordinate Indenture," and together with the Master Subordinate Indenture, the "Subordinate Indenture"), by and between the Authority and the Subordinate Trustee. Issuance of the Subordinate Series 2021 Bonds has been authorized by Resolution No. 2021-0128 adopted by the board of directors of the Authority on November 4, 2021 (the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Subordinate Indenture.

In connection with the issuance of the Subordinate Series 2021 Bonds, we have examined: (a) the Act and the Revenue Bond Law; (b) a certified copy of the Resolution; (c) executed copies of the Master

Subordinate Indenture and the Ninth Supplemental Subordinate Indenture; (d) an executed copy of the Master Trust Indenture, dated as of November 1, 2005, as amended (the "Master Senior Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Senior Trustee"); (e) an executed copy of the Tax Compliance Certificate, dated December 8, 2021, relating to the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds and other matters (the "Tax Certificate"); (f) an executed copy of the Escrow Agreement, dated December 8, 2021, by and between the Authority and the Senior Trustee, as trustee and escrow agent, with respect to the Refunded Senior Series 2013A Bonds and the Refunded Senior Series 2013B Bonds; (g) a copy of the Verification Report, dated December 8, 2021, by Robert Thomas CPA, LLC (the "Verification Agent"); (h) certifications of the Authority, the Subordinate Trustee, the Senior Trustee, BofA Securities, Inc., as representative of the underwriters of the Subordinate Series 2021 Bonds (the "Underwriters"), and others; (i) opinions of the Authority's General Counsel, counsel to the Subordinate Trustee, counsel to the Senior Trustee and counsel to the Underwriters; and (j) such other documents as we deemed relevant and necessary in rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties, other than the Authority, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the Authority, the security provided therefor, as contained in the Subordinate Series 2021 Bonds and the Subordinate Indenture, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against governmental agencies similar to the Authority in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Subordinate Series 2021 Bonds or the Subordinate Indenture. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated November 17, 2021, or any other offering material relating to the Subordinate Series 2021 Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Subordinate Series 2021 Bonds have been duly authorized and all legal conditions precedent to the issuance and delivery of the Subordinate Series 2021 Bonds have been fulfilled.

2. The Subordinate Series 2021 Bonds constitute the valid and binding special obligations of the Authority secured by a pledge of and lien upon and are a charge upon and are payable from the Subordinate Net Revenues and certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture.

3. The Master Subordinate Indenture and the Ninth Supplemental Subordinate Indenture have been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery by the Subordinate Trustee, constitute the valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms. The Subordinate Indenture

creates a valid pledge, to secure the payment of the principal of and interest on the Subordinate Series 2021 Bonds, of the Subordinate Net Revenues and certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture, subject to the provisions of the Subordinate Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

4. The Subordinate Series 2021 Bonds are not general obligations of the Authority. Neither the full faith and credit nor the taxing power of the Authority, the City of San Diego, the County of San Diego, the State of California or any political subdivision or agency of the State of California is pledged to the payment of the principal of and interest on the Subordinate Series 2021 Bonds. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2021 Bonds.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2021A Bonds is excluded from gross income for federal income tax purposes. Interest on the Subordinate Series 2021A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

6. Under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2021B Bonds is excluded from gross income for federal income tax purposes, except that such exclusion does not apply with respect to interest on any Subordinate Series 2021B Bond for any period during which such Subordinate Series 2021B Bond is held by a person who is a "substantial user" of the facilities financed by the Subordinate Series 2021B Bonds or a "related person" to such substantial user within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Interest on the Subordinate Series 2021B Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals.

7. Under existing laws, interest on the Subordinate Series 2021 Bonds is exempt from present State of California personal income taxes.

The opinions set forth in numbered paragraphs 5 and 6 above regarding the exclusion of interest from gross income of the recipient is subject to continuing compliance by the Authority with covenants regarding federal tax law contained in the Subordinate Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds to be included in gross income retroactive to the date of issue of the Subordinate Series 2021 Bonds. Although we are of the opinion that interest on the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Interest on the Subordinate Series 2021C Bonds is included in gross income for federal income tax purposes. Except as provided in numbered paragraph 7 above, we express no opinion regarding the tax consequences relating to the ownership of, receipt of interest on or disposition of the Subordinate Series 2021C Bonds. Taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

Our engagement with respect to the Subordinate Series 2021 Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "***Certificate***") is executed and delivered by the San Diego County Regional Airport Authority (the "***Airport Authority***") in connection with the issuance of its (a) San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2021A (Governmental/Non-AMT) (the "***Subordinate Series 2021A Bonds***"), (b) San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2021B (Private Activity/AMT) (the "***Subordinate Series 2021B Bonds***"), and (c) San Diego County Regional Airport Authority Subordinate Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable) (the "***Subordinate Series 2021C Bonds***," and collectively with the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds, the "***Subordinate Series 2021 Bonds***"). The Subordinate Series 2021 Bonds are being issued pursuant to the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended (the "***Master Subordinate Indenture***"), by and between the Authority and U.S. Bank National Association, as successor trustee (the "Subordinate Trustee"), and the Ninth Supplemental Subordinate Trust Indenture, dated as of December 1, 2021 (the "***Ninth Supplemental Subordinate Indenture***," and collectively with the Master Subordinate Indenture and all supplements thereto, the "***Subordinate Indenture***"), by and between the Authority and the Subordinate Trustee. Additionally, the Subordinate Series 2021 Bonds have been authorized by Resolution No. 2021-0128 adopted by the board of directors of the Authority on November 4, 2021 (the "***Resolution***"). The Subordinate Series 2021 Bonds are being issued pursuant to Section 170000 et seq. of the California Public Utilities Code (the "***Act***"), and in accordance with Revenue Bond Law of 1941 Chapter 6 (commencing with §54300) of Part 1 of Division 2 of Title 5 of the California Government Code, excluding Article 3 (commencing with §54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code and the limitations set forth in California Government Code §54402(b), which shall not apply to the issuance and sale of bonds pursuant to the Act.

In consideration of the purchase of the Subordinate Series 2021 Bonds by the Participating Underwriter (as defined below), the Airport Authority covenants and agrees as follows:

Section 1. Purpose of the Certificate. This Certificate is being executed and delivered by the Airport Authority for the benefit of the Holders and Beneficial Owners of the Subordinate Series 2021 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Subordinate Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the Airport Authority pursuant to, and as described in, Sections 3 and 4 hereof.

"*Beneficial Owner*" means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Subordinate Series 2021 Bonds (including persons holding Subordinate Series 2021 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Subordinate Series 2021 Bonds for federal income tax purposes.

"*Dissemination Agent*" means the Airport Authority, or any successor Dissemination Agent designated in writing by the Airport Authority and which has filed with the Airport Authority a written acceptance of such designation.

"*EMMA System*" means the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"*Financial Obligation*" shall mean, for purposes of the Listed Events set forth in Sections 5(a)(10) and (5)(b)(8) hereof, a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"*Holders*" means either the registered owners of the Subordinate Series 2021 Bonds, or if the Subordinate Series 2021 Bonds are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

"*Listed Events*" means any of the events listed in Sections 5(a) and 5(b) hereof.

"*MSRB*" means the Municipal Securities Rulemaking Board, or any successor thereto.

"*Obligated Person*" means the Airport Authority and each airline or other entity using the Airport System under a lease or use agreement extending for more than one year from the date in question and including bond debt service as part of the calculation of rates and charges, under which lease or use agreement such airline or other entity has paid amounts equal to at least 20% of the Revenues of the Airport System for the prior two Fiscal Years of the Airport Authority. At the time of issuance of the Subordinate Series 2021 Bonds, the Airport Authority is the only Obligated Person.

"*Official Statement*" means the Official Statement, dated November 17, 2021, prepared and distributed in connection with the initial sale of the Subordinate Series 2021 Bonds.

"*Participating Underwriter*" means any of the original underwriters of the Subordinate Series 2021 Bonds required to comply with the Rule in connection with the offering of the Subordinate Series 2021 Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*State*" means the State of California.

Section 3. Provision of Annual Reports.

(a) The Airport Authority shall provide, or shall cause the Dissemination Agent to provide, to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report which is consistent with the requirements of Section 4 hereof by not later than 181 days after the end of the Airport Authority's fiscal year in each fiscal year. The Airport Authority's first Annual Report shall be due December 27, 2021. Not later than 15 Business Days prior to said date, the Airport Authority shall provide the Annual Report to the Dissemination Agent (if other than the Airport Authority). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section

4 hereof. The audited financial statements of the Airport Authority may be submitted separately from the balance of the Annual Report if they are not available by the date of submission, provided such financial statements are submitted within 210 days after the end of the Airport Authority's fiscal year. If the Airport Authority's fiscal year changes, the Airport Authority, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent (if other than the Airport Authority) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Airport Authority to determine if the Airport Authority is in compliance with subsection (a).

(c) If the Airport Authority is unable to provide to the MSRB or the Dissemination Agent (if other than the Airport Authority), an Annual Report by the date required in subsection (a), the Airport Authority shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent (if other than the Airport Authority) shall confirm in writing to the Airport Authority that the Annual Report has been filed as required hereunder, stating the date filed.

Section 4. Content of Annual Reports.

(a) The Airport Authority's Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement relating to the Subordinate Series 2021 Bonds, unless otherwise noted):

(i) Audited financial statements of the Airport Authority, updated to incorporate information for the most recent fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Airport Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Airport Authority, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(ii) Outstanding principal amounts of the Senior Bonds, if any, and the Subordinate Obligations (including the Subordinate Series 2017 Bonds, the Subordinate Series 2019 Bonds, the Subordinate Series 2020 Bonds, the Subordinate Series 2021 Bonds and the Subordinate Revolving Obligations);

(iii) Table 6 — San Diego County Regional Airport Authority, Future Rental Commitments;

(iv) Table 7 — San Diego International Airport, Air Carriers Serving San Diego International Airport;

(v) Table 8 — San Diego International Airport, Total Enplanements and Deplanements;

(vi) Table 9 — San Diego International Airport, Revenue Operations;

(vii) Table 10 — San Diego International Airport, Historical Enplaned and Deplaned Freight and U.S. Mail Cargo;

(viii) Table 11 — San Diego International Airport, Enplanements by Air Carriers;

(ix) Table 12 — San Diego International Airport, Total Revenue Landed Weight;

(x) Table 15 — San Diego County Regional Airport Authority, Investments;

(xi) Table 16 — San Diego County Regional Airport Authority, Statements of Revenues, Expenses and Change in Net Position;

(xii) Table 17 — San Diego County Regional Airport Authority, Top Ten Operating Revenue Providers;

(xiii) Table 18 — San Diego County Regional Airport Authority, Top Ten Operating Revenue Sources;

(xiv) Table 19 — San Diego County Regional Airport Authority, Historical Senior and Subordinate Debt Service Coverage;

(xv) Table 20 — San Diego International Airport, Airline Derived Revenue Per Passenger;

(xvi) Table 22 — San Diego County Regional Airport Authority, Approved PFC Applications; and

(xvii) Table 23 — San Diego County Regional Airport Authority, Annual Receipt of PFCs.

(b) All or any portion of the information of the Annual Report may be incorporated in the Annual Report by cross reference to any other documents which have been filed with the MSRB.

(c) Information contained in an Annual Report for any fiscal year containing any modified operating data or financial information (as contemplated by Section 8 hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Report shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Airport Authority or related public entities, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Airport Authority shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The Airport Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Subordinate Series 2021 Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions with respect to the tax status of the Subordinate Series 2021 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 the Subordinate Series 2021A Bonds and/or the Subordinate Series 2021B Bonds;

6. Tender offers;

7. Defeasances;

8. Rating changes;

9. Bankruptcy, insolvency, receivership or similar event of the Obligated Person; or

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Department, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), 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.

(b) The Airport Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Subordinate Series 2021 Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Subordinate Series 2021 Bonds or other material events affecting the tax status of the Subordinate Series 2021 Bonds;

2. Modifications to rights of the Beneficial Owners or Holders of the Subordinate Series 2021 Bonds;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution or sale of property securing repayment of the Subordinate Series 2021 Bonds;

5. Non-payment related defaults;

6. 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;

7. Appointment of a successor or additional trustee or the change of name of a trustee; or

8. Incurrence of a Financial Obligation of the Airport Authority, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Airport Authority, any of which affect security holders;

(c) The Airport Authority shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a) hereof, as provided in Section 3 hereof.

(d) Whenever the Airport Authority obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the Airport Authority shall determine if such event would be material under applicable federal securities laws.

(e) If the Airport Authority learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the Airport Authority shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in (b)(3) need not be given under this subsection any earlier than the notice of such event is given to Beneficial Owners and Holders of the affected Subordinate Series 2021 Bonds pursuant to the Subordinate Indenture.

(f) The Airport Authority intends to comply with the Listed Events described in Sections 5(a)(10) and 5(b)(8) hereof, and the definition of "Financial Obligation" in Section 2 hereof, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the SEC in Release No. 34-83885 dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the SEC or its staff with respect the amendments to the Rule effected by the 2018 Release.

Section 6. Termination of Reporting Obligation. The Airport Authority's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Subordinate Series 2021 Bonds, or upon delivery to the Dissemination Agent (if other than the Airport Authority) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Subordinate Series 2021 Bonds, the Airport Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

Section 7. Dissemination Agent. From time to time, the Airport Authority may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Airport Authority) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out of pocket expenses (including, but not limited to, attorneys' fees). The Dissemination Agent (if other than the Airport Authority) shall not be responsible in any manner for the content of any notice or report prepared by the Airport Authority pursuant to this Certificate.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Certificate, the Airport Authority may amend this Certificate, and any provision of this Certificate may be waived, provided that all of the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an Obligated Person with respect to the Subordinate Series 2021 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Subordinate Series 2021 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Subordinate Series 2021 Bonds in the same manner as provided in the Subordinate Indenture for amendments to the Subordinate Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Beneficial Owners of the Subordinate Series 2021 Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the Airport Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Airport Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e) hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the Airport Authority from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the Airport Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the Airport Authority shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Airport Authority to comply with any provision of this Certificate, any Holder or Beneficial Owner of the Subordinate Series 2021 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Airport Authority or the Dissemination Agent (if other than the Airport Authority), as the case may be, to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Subordinate Indenture and the sole remedy under this Certificate in the event of any failure of the Airport Authority or the Dissemination Agent (if other than the Airport Authority) to comply with this Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent (if other than the Airport Authority) shall have only such duties as are expressly and specifically set forth in this Certificate, and the Airport Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any claims, losses, expenses and liabilities which such Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties given to the Dissemination Agent hereunder, including the costs and expenses (including attorneys' fees) of defending, in any manner or forum, against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, subject to the Subordinate Indenture. The obligations of the Airport Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Subordinate Series 2021 Bonds.

Section 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Airport Authority, the Dissemination Agent, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Subordinate Series 2021 Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the undersigned has hereunto signed and executed this Certificate this 8th day of December, 2021.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By ____
Scott M. Brickner
Vice President, Chief Financial Officer

Approved as to form:

By _____________________________________
Amy Gonzalez
General Counsel

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	San Diego County Regional Airport Authority
Name of Bond Issue:	Subordinate Airport Revenue Bonds, Series 2021A (Governmental/Non-AMT)
	Subordinate Airport Revenue Bonds, Series 2021B (Private Activity/AMT)
	Subordinate Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable)
Date of Issuance:	December 8, 2021
CUSIP:	79739G___

NOTICE IS HEREBY GIVEN that the San Diego County Regional Airport Authority (the "Airport Authority") has not provided an Annual Report with respect to the above named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated December 8, 2021, executed by the Airport Authority for the benefit of the holders and beneficial owners of the above referenced bonds. The Airport Authority anticipates that the Annual Report will be filed by _________, 20__.

Dated:___________________________

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

By ____
Authorized Representative

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APPENDIX G

BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

The information set forth in this Appendix G is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (DTC, Euroclear and Clearstream together, the "Clearing Systems") currently in effect. The information in this Appendix G concerning the Clearing Systems has been obtained from sources believed to be reliable, but neither the Airport Authority nor the Underwriters take any responsibility for the accuracy, completeness or adequacy of the information in this Appendix G. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Airport Authority nor the Subordinate Trustee will have any responsibility or liability for any aspect of the records relating to, or payments made on account of beneficial ownership interests in the Subordinate Series 2021 Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

So long as Cede & Co. is the registered owner of the Subordinate Series 2021 Bonds, as nominee for DTC, references herein and in the Subordinate Indenture to the Bondholders, registered owners or owners (or similar terms) of the Subordinate Series 2021 Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Subordinate Series 2021Bonds.

DTC Book-Entry-Only System

Introduction. The Beneficial Owners of the Subordinate Series 2021 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE AIRPORT AUTHORITY NOR THE SUBORDINATE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SUBORDINATE SERIES 2021 BONDS UNDER THE SUBORDINATE INDENTURE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SUBORDINATE SERIES 2021 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE TO THE OWNERS OF THE SUBORDINATE SERIES 2021 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SUBORDINATE SERIES 2021 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General. DTC will act as securities depository for the Subordinate Series 2021 Bonds. The Subordinate Series 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Subordinate Series 2021 Bond certificate will be issued for each maturity of the Subordinate Series 2021 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York

Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Subordinate Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Subordinate Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Subordinate Series 2021 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Subordinate Series 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Subordinate Series 2021 Bonds, except in the event that use of the book-entry system for the Subordinate Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Subordinate Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Subordinate Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Subordinate Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Subordinate Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Subordinate Series 2021 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Subordinate Series 2021 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Subordinate Series 2021 Bond documents. For example, Beneficial Owners of Subordinate Series 2021 Bonds may wish to ascertain that the nominee holding the Subordinate Series 2021 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Subordinate Series 2021 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Subordinate Series 2021 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Subordinate Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Airport Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Subordinate Series 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Subordinate Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Airport Authority, the Subordinate Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Subordinate Trustee or the Airport Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Airport Authority or the Subordinate Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Subordinate Series 2021 Bonds at any time by giving reasonable notice to the Airport Authority or the Subordinate Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Subordinate Series 2021 Bonds are required to be printed and delivered.

The Airport Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Subordinate Series 2021 Bonds will be printed and delivered to DTC.

The information in this Appendix G concerning DTC and DTC's book-entry system has been obtained from sources that the Airport Authority believes to be reliable, but neither the Airport Authority nor the Underwriters take any responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SUBORDINATE SERIES 2021 BONDS AND WILL NOT BE RECOGNIZED BY THE SUBORDINATE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

Global Clearance Procedures

Beneficial interests in the Subordinate Series 2021 Bonds may be held through DTC, Clearstream Banking, S.A. ("Clearstream") or Euroclear Bank SA/NV ("Euroclear") as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such system.

Euroclear and Clearstream. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures. The Subordinate Series 2021 Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Subordinate Series 2021 Bonds, the record holder will be DTC's nominee. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Transfer Procedures. Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected by DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time.

The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants or Euroclear participants may not deliver instructions directly to the depositories.

The Airport Authority will not impose any fees in respect of holding the Subordinate Series 2021 Bonds; however, holders of book-entry interests in the Subordinate Series 2021 Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear and Clearstream.

Initial Settlement. Interests in the Subordinate Series 2021 Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Subordinate Series 2021 Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Subordinate Series 2021 Bonds will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the Subordinate Series 2021 Bonds against payment (value as on the date of delivery of the Subordinate Series 2021 Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Subordinate Series 2021 Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Subordinate Series 2021 Bonds following confirmation of receipt of payment to the Airport Authority on the date of delivery of the Subordinate Series 2021 Bonds.

Secondary Market Trading. Secondary market trades in the Subordinate Series 2021 Bonds will be settled by transfer of title to book-entry interests in Euroclear, Clearstream or DTC, as the case may be. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the 2020B Bonds may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Subordinate Series 2021 Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Subordinate Series 2021 Bonds between Euroclear or Clearstream and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

Special Timing Considerations. Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Subordinate Series 2021 Bonds through Euroclear or Clearstream on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Subordinate Series 2021 Bonds, or to receive or make a payment or delivery of the Subordinate Series 2021 Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information. It is expected that the Subordinate Series 2021 Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream. The CUSIP numbers for the Subordinate Series 2021 Bonds are set forth on the inside cover of the Official Statement.

General. Neither Euroclear nor Clearstream is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

NONE OF THE AIRPORT AUTHORITY, THE SUBORDINATE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY FOR THE PERFORMANCE BY EUROCLEAR OR CLEARSTREAM OR THEIR RESPECTIVE DIRECT OR INDIRECT PARTICIPANTS OR ACCOUNT HOLDERS OF THEIR RESPECTIVE OBLIGATIONS UNDER THE RULES AND PROCEDURES GOVERNING THEIR OPERATIONS OR THE ARRANGEMENTS REFERRED TO ABOVE.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

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Subordinate Airport Revenue Bonds, Series 2021A (Governmental/Non-AMT), Series 2021B (Private Activity/AMT) and Subordinate Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable)

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