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 Senior Series 2023 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Senior Series 2023B Bond for any period during which such Senior Series 2023B Bond is held by a “substantial user” of the facilities financed or refinanced by the Senior Series 2023B 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 Senior Series 2023A Bonds is not a specific preference item for purposes of the federal alternative minimum tax on individuals, and (b) interest on the Senior Series 2023B Bonds is a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. For tax years beginning after December 31, 2022, interest on the Senior Series 2023 Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion that interest on the Senior Series 2023 Bonds is exempt from present State of California personal income taxes. See “TAX MATTERS” herein.

$1,061,980,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

$74,675,000 Senior Airport Revenue Bonds Series 2023A (Governmental/Non-AMT)	$987,305,000 Senior Airport Revenue Bonds Series 2023B (Private Activity/AMT)

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 (a) Senior Airport Revenue Bonds, Series 2023A (Governmental/Non-AMT) (the “Senior Series 2023A Bonds”), and (b) Senior Airport Revenue Bonds, Series 2023B (Private Activity/AMT) (the “Senior Series 2023B Bonds,” and together with the Senior Series 2023A Bonds, the “Senior Series 2023 Bonds”), to (i) pay for certain capital improvements at San Diego International Airport associated with the New T1 program, (ii) repay all of the outstanding Subordinate Revolving Obligations, (iii) purchase a portion of the Airport Authority’s outstanding Subordinate Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable), that have been tendered by the holders thereof in response to a formal tender solicitation and agreed to be purchased by the Airport Authority, (iv) fund a portion of the interest accruing on the Senior Series 2023 Bonds, (v) make a deposit to the Senior Reserve Fund, and (vi) pay the costs of issuance of the Senior Series 2023 Bonds. See “PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Senior Series 2023 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of and first lien on 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. After this issuance of the Senior Series 2023 Bonds, the Senior Series 2023 Bonds will be the only Outstanding Senior 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 SENIOR SERIES 2023 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 SENIOR SERIES 2023 BONDS. SEE “SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2023 BONDS.”

The Senior Series 2023 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 Senior Series 2023 Bonds may be made in book-entry-form only in denominations of $5,000 and integral multiples thereof. Interest on the Senior Series 2023 Bonds will be payable on January 1 and July 1, commencing on January 1, 2024. So long as the Senior Series 2023 Bonds are held by DTC, the principal of and interest on the Senior Series 2023 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 Senior Series 2023 Bonds, as more fully described herein. See “APPENDIX G—BOOK-ENTRY-ONLY SYSTEM.”

Maturity Schedules on Inside Front Cover

The Senior Series 2023 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as more fully described herein. See “DESCRIPTION OF THE SENIOR SERIES 2023 BONDS—Redemption Provisions.”

The purchase and ownership of Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 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, Squire Patton Boggs (US) LLP. Frasca & Associates, LLC, has served as Municipal Advisor to the Airport Authority. It is expected that the delivery of the Senior Series 2023 Bonds will be made through the facilities of DTC on or about October 25, 2023.

Jefferies **Ramirez & Co., Inc.**

Academy Securities **BofA Securities** **Morgan Stanley**
RBC Capital Markets **Siebert Williams Shank & Co., LLC** **Stern Brothers**

Date of Official Statement: October 3, 2023.

MATURITY SCHEDULES

$74,675,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Senior Airport Revenue Bonds
Series 2023A
(Governmental/Non-AMT)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Numbers†
2024	$2,235,000	5.000%	3.680%	100.877	79739GPW0
2025	2,865,000	5.000	3.680	102.130	79739GPX8
2028	680,000	5.000	3.490	106.467	79739GPY6
2029	710,000	5.000	3.500	107.665	79739GPZ3
2030	745,000	5.000	3.510	108.802	79739GQA7
2031	2,000,000	5.000	3.520	109.882	79739GQB5
2032	1,780,000	5.000	3.560	110.670	79739GQC3
2033	2,360,000	5.000	3.590	111.442	79739GQD1
2034	910,000	5.000	3.670	110.751[C]	79739GQE9
2035	955,000	5.000	3.800	109.640[C]	79739GQF6
2036	3,060,000	5.000	3.970	108.208[C]	79739GQG4
2037	1,325,000	5.000	4.090	107.210[C]	79739GQH2
2038	1,445,000	5.000	4.190	106.387[C]	79739GQJ8
2039	1,570,000	5.000	4.310	105.409[C]	79739GQK5
2040	1,700,000	5.000	4.390	104.763[C]	79739GQL3
2041	5,840,000	5.000	4.460	104.202[C]	79739GQM1
2042	6,135,000	5.000	4.510	103.803[C]	79739GQN9
2043	6,440,000	5.000	4.540	103.565[C]	79739GQP4

$8,175,000 5.000% Term Bonds due July 1, 2048; Yield 4.720%; Price 102.149[C]; CUSIP No.†: 79739GQQ2

$10,425,000 5.000% Term Bonds due July 1, 2053; Yield 4.780%; Price 101.682[C]; CUSIP No.†: 79739GQR0

$13,320,000 5.000% Term Bonds due July 1, 2058; Yield 4.890%; Price 100.833[C]; CUSIP No.†: 79739GQS8

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[C] Priced to the optional redemption date of July 1, 2033 at a redemption price of 100% of par.

$987,305,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
Senior Airport Revenue Bonds
Series 2023B
(Private Activity/AMT)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Numbers†
2028	$13,770,000	5.000%	4.360%	102.678	79739GQT6
2029	14,460,000	5.000	4.390	103.032	79739GQU3
2030	15,180,000	5.000	4.450	103.143	79739GQV1
2031	15,940,000	5.000	4.470	103.408	79739GQW9
2032	16,740,000	5.000	4.490	103.627	79739GQX7
2033	17,995,000	5.000	4.500	103.883	79739GQY5
2034	18,450,000	5.250	4.500	105.828[C]	79739GQZ2
2035	19,420,000	5.250	4.590	105.106[C]	79739GRA6
2036	21,820,000	5.250	4.680	104.390[C]	79739GRB4
2037	21,510,000	5.250	4.800	103.445[C]	79739GRC2
2038	22,640,000	5.250	4.900	102.665[C]	79739GRD0
2039	23,830,000	5.000	5.030	99.670	79739GRE8
2040	25,025,000	5.000	5.050	99.433	79739GRF5
2041	26,275,000	5.000	5.070	99.181	79739GRG3
2042	27,585,000	5.000	5.090	98.915	79739GRH1
2043	28,970,000	5.000	5.100	98.759	79739GRJ7

$168,070,000 5.000% Term Bonds due July 1, 2048; Yield 5.200%; Price 97.229; CUSIP No.†: 79739GRK4

$214,500,000 5.000% Term Bonds due July 1, 2053; Yield 5.240%; Price 96.398; CUSIP No.†: 79739GRL2

$275,125,000 5.250% Term Bonds due July 1, 2058; Yield 5.340%; Price 98.577; CUSIP No.†: 79739GRM0

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[C] Priced to the optional redemption date of July 1, 2033 at a redemption price of 100% of par.

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SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

BOARD OF DIRECTORS[*]

Guillermo “Gil” Cabrera (Chair)[**]
Mary Casillas Salas (Vice Chair)[**]
Rafael Perez[**]
Lidia S. Martinez
Paul McNamara
Esther Sanchez
James Sly
Marni von Wilpert
Colonel Thomas M. Bedell, *Ex-Officio* Member
Gustavo Dallarda, *Ex-Officio* Member
Gayle Miller, *Ex-Officio* Member

[*] There is currently one vacancy on the Board of Directors of the Airport Authority.
[**] Member of the Executive Committee.

EXECUTIVE MANAGEMENT

Kimberly J. Becker, President and CEO
Scott M. Brickner, Vice President, Chief Financial Officer
Angela Shafer-Payne, Vice President, Chief Development Officer
Rick Francis, Vice President, Chief Operations Officer
Hampton Brown, Vice President, Chief Revenue Officer
Lee Parravano, Chief Auditor
Amy Gonzalez, General Counsel

BOND COUNSEL AND DISCLOSURE COUNSEL

Kutak Rock LLP

MUNICIPAL ADVISOR

Frasca & Associates, LLC

SENIOR TRUSTEE

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

INDEPENDENT AUDITOR

Forvis, LLP

FEASIBILITY CONSULTANT

Unison Consulting, Inc.

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 Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE SENIOR SERIES 2023 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 SENIOR INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SENIOR SERIES 2023 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 SENIOR SERIES 2023 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.

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OFFICIAL STATEMENT

$1,061,980,000
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

$74,675,000 **Senior Airport Revenue Bonds** **Series 2023A** **(Governmental/Non-AMT)**	**$987,305,000** **Senior Airport Revenue Bonds** **Series 2023B** **(Private Activity/AMT)**

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) $74,675,000 San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2023A (Governmental/Non-AMT) (the "**Senior Series 2023A Bonds**"), and (b) $987,305,000 San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2023B (Private Activity/AMT) (the "**Senior Series 2023B Bonds**," and together with the Senior Series 2023A Bonds, the "**Senior Series 2023 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 ("**SAN**" or the "**Airport**")); (b) planning and operating any future airport that could be developed as a supplement or replacement to SAN; (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

SAN was owned and operated by the San Diego Unified Port District (the "**Port District**") until January 2003 at which time SAN was transferred by long-term lease to the Airport Authority (the "**Transfer**"). The Transfer included all obligations associated with SAN, including bonds and commercial paper notes issued for the improvement of SAN. According to Airports Council International ("**ACI**") statistics, SAN 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, 2022 and December 31, 2021, SAN was ranked as the 25th 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 SAN; for the fiscal year ended June 30, 2020 ("**Fiscal Year 2020**"), approximately 9.2 million passengers were enplaned at SAN; for the fiscal year ended June 30, 2021 ("**Fiscal Year 2021**"), approximately 4.9 million passengers were enplaned at SAN; for the fiscal year ended June 30, 2022 ("**Fiscal Year 2022**"), approximately 10.0 million passengers were enplaned at SAN; and for the fiscal year ended June 30, 2023 ("**Fiscal Year 2023**"), approximately 11.9 million passengers were enplaned at SAN. The significant decreases of enplaned passengers at SAN in Fiscal Years 2020 and 2021 were a direct result of the COVID-19 pandemic. For the calendar year ended December 31, 2022, approximately 98% of the passengers using SAN were origination and destination ("**O&D**") passengers (passengers beginning or ending their trips at SAN, as opposed to passengers connecting through SAN to other cities). Over the last five Fiscal Years, on average, approximately 97% of all enplanements at SAN have been domestic enplanements. See "THE AIRPORT AUTHORITY" and "SAN DIEGO INTERNATIONAL AIRPORT" herein.

In addition to operating SAN, 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 SAN, 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, SAN is the only airport in the Airport System.

Plan of Finance

The Senior Series 2023 Bonds are being issued to (a) pay for certain capital improvements at San Diego International Airport associated with the New T1 program, (b) repay all of the outstanding Subordinate Revolving Obligations (as defined herein), (c) purchase a portion of the Airport Authority's Subordinate Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable) (the "**Subordinate Series 2021C Bonds**"), that have been tendered by the holders thereof in response to a formal tender solicitation (see "—Tender Offer for Subordinate Series 2021C Bonds" below) and agreed to be purchased by the Airport Authority, (d) fund a portion of the interest accruing on the Senior Series 2023 Bonds, (e) make a deposit to the Senior Reserve Fund (as defined herein), and (f) pay the costs of issuance of the Senior Series 2023 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" and "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT."

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 New T1 is expected to be designed and constructed through Fiscal Year 2028, and all approved open projects of the CIP are anticipated to be completed between Fiscal Years 2024 through 2028. The Capital Program was approved by the board of directors of the Airport Authority (the "**Board**") on June 1, 2023 and, as of the date of this Official Statement, has a budgeted cost of \$3.854 billion (as of June 30, 2023, \$999.5 million of this cost had been incurred), of which approximately \$3.464 billion is the approved budgeted cost of the New T1. Escalation of construction costs, due to global inflationary pressures, have increased the expected cost of the Capital Program. While the approved Capital Program budget for Fiscal Years 2024 through 2028 included an adjustment for some of the projects in the

CIP to account for this escalation, there has not yet been any adjustment to the New T1 budget. See "New T1" below for a discussion of the estimated increase of the budget for the New T1.

New T1. In 2012, the Airport 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 anticipated to be needed to meet the Airport's 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 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 be approximately 1.2 million square feet (three times larger than the existing Terminal 1 which is approximately 336,000 square feet) and 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 New T1 is being procured through the use of "progressive design-build" and "design-bid-build" delivery methods. The terminal and roadway components of the New T1 are being designed and built by Turner-Flatiron, A Joint Venture (the "**Terminal and Roadway Contractor**"); the airside improvement components of the New T1 were designed by Jacobs Engineering Group Inc. ("**Jacobs**") and are being built by Griffith Company (the "**Airside Contractor**"); and the administration building component of the New T1 was designed and is being built by Sundt Construction, Inc. (the "**Administration Building Contractor**").

As of the date of this Official Statement, the New T1 has an approved budget of approximately $3.464 billion. This amount incorporates $488 million of total contingencies and allowances including an escalation allowance of $105 million. Since the budget for the New T1 was approved by the Board in October 2021, global inflationary pressures have resulted in an increase in construction costs above what was anticipated by the $105 million escalation allowance. The Airport Authority is in the process of negotiating a guaranteed maximum price with the Terminal and Roadway Contractor and the escalation allowance developed in 2021 will be revised. As of the date of this Official Statement, the Airport Authority is estimating that the budget for the New T1 may increase by up to 11% from the original approved budget (which increase is expected to be attributable to the terminal and roadways component of the New T1). However, the existing program contingencies and allowances may be sufficient to cover some of the expected increases in cost due to inflation. The Airport Authority and the Administration Building Contractor entered into a guaranteed maximum price contract for the administration building in 2022 (which was amended in July 2023), and the Airport Authority and the Airside Contractor entered into a contract for the airside components of the New T1 in 2021.

Projected Funding Sources for Capital Program and New T1. The Capital Program (including the New T1) is expected to be financed with a combination of proceeds of the Senior Series 2023 Bonds, the previously-issued Subordinate Series 2019 Bonds (as defined herein) and Subordinate Series 2021A/B 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."

Tender Offer for Subordinate Series 2021C Bonds

The Airport Authority, with the assistance of Jefferies LLC, as dealer manager (the "**Dealer Manager**"), released an "Invitation to Tender Made by San Diego County Regional Airport Authority" dated September 11, 2023 (the "**Invitation to Tender**") inviting holders of certain of the Subordinate Series 2021C Bonds to tender their bonds for purchase by the Airport Authority. As described in more detail under "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS—Tender and Purchase of Subordinate Series 2021C Bonds," the Airport Authority agreed to purchase certain Subordinate Series 2021C Bonds that were tendered by their holders (the "**Purchased Subordinate Series 2021C Bonds**"). The Purchased Subordinate Series 2021C Bonds will be purchased by the Airport Authority concurrently with the issuance of the Senior Series 2023 Bonds, and the purchase price for the Purchased Subordinate Series 2021C Bonds will be funded with a portion of the proceeds of the Senior Series 2023 Bonds and certain other available moneys. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS—Tender and Purchase of Subordinate Series 2021C Bonds."

Senior Series 2023 Bonds and Pledge of Net Revenues

The Senior Series 2023 Bonds are being issued 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., formerly known as The Bank of New York Trust Company, N.A., as trustee (the "**Senior Trustee**"), and the Fifth Supplemental Trust Indenture, to be dated as of October 1, 2023 (the "**Fifth 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 Act; and certain other provisions of California State law (including Section 53580 *et seq*. of the California Government Code). The Board authorized the issuance of the Senior Series 2023 Bonds pursuant to a resolution adopted by the Board on September 7, 2023 (the "**Resolution**"). See "DESCRIPTION OF THE SENIOR SERIES 2023 BONDS." There currently are no Senior Bonds Outstanding, and upon their issuance, the Senior Series 2023A Bonds will be the only Senior Bonds Outstanding.

The Senior Series 2023 Bonds are secured by a pledge of and first lien on Net Revenues (as defined herein) on a parity with any additional bonds or obligations issued or incurred on a parity with the Senior Series 2023 Bonds under the terms and provisions of the Master Senior Indenture ("**Additional Senior Bonds**"). For purposes of this Official Statement, "**Senior Bonds**" means the Senior Series 2023 Bonds and any Additional Senior Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2023 BONDS—Flow of Funds," "—Pledge of Net Revenues," "—Use of PFCs to Pay Debt Service" and "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE."

The Senior Series 2023 Bonds are special obligations of the Airport Authority, payable solely from and secured by a pledge of and first lien on (a) Net Revenues, which include certain income and revenues received by the Airport Authority from the operation of the Airport System less all amounts which are required to be used to pay the Operation and Maintenance Expenses of the Airport System (as defined herein), and (b) certain funds and accounts held by the Senior Trustee under the Senior 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 Senior Series 2023 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 Senior Series 2023 Bonds.

Subordinate Obligations

In addition to the Senior Series 2023 Bonds, pursuant to the Master Subordinate Trust Indenture, dated as of September 1, 2007, as amended (the "**Master Subordinate Indenture**," and together with all supplements thereto, the **"Subordinate Indenture**"), by and between the Airport Authority and U.S. Bank Trust Company, National Association, successor in interest to U.S. Bank National Association, as successor trustee (the "**Subordinate Trustee**"), the Airport Authority has issued the Existing Subordinate Bonds (as defined below), is authorized to issue and have outstanding, from time to time, up to $200,000,000 in aggregate principal amount of its Subordinate Revolving Obligations and may, from time to time, issue additional Subordinate Obligations ("**Additional Subordinate Obligations**"), all of which are secured by a pledge of and lien on "**Subordinate Net Revenues**" (which consist of Net Revenues less all amounts necessary to pay debt service on and fund the reserves for the Senior Bonds (including the Senior Series 2023 Bonds)). See "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2023 BONDS—Flow of Funds."

The Airport Authority previously issued, and as of September 1, 2023, there was $2,822,255,000 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**"), 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**"), Subordinate Airport Revenue Bonds, Series 2021A (Governmental/Non-AMT) (the "**Subordinate Series 2021A Bonds**"), 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 2021A/B Bonds**"), and Subordinate Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable) (the "**Subordinate Series 2021C Bonds**," and together with the Subordinate Series 2021A/B, the "**Subordinate Series 2021 Bonds**"). The Subordinate Series 2017 Bonds, the Subordinate Series 2019 Bonds, the Subordinate Series 2020 Bonds and the Subordinate Series 2021 Bonds are collectively referred to in this Official Statement as the "**Existing Subordinate Bonds**." See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS—Tender and Purchase of Subordinate Series 2021C 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 September 1, 2023, the Airport Authority had $80,100,000 aggregate principal amount of Subordinate Revolving Obligations outstanding. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" for a discussion of the Airport Authority's plan to repay all of the outstanding Subordinate Revolving Obligations with a portion of the proceeds of the Senior Series 2023 Bonds.

The Existing Subordinate Bonds and the Subordinate Revolving Obligations are collectively referred to in this Official Statement as the "**Existing Subordinate Obligations**"; and the Existing Subordinate Obligations and any Additional Subordinate Obligations are collectively referred to in this Official Statement as "**Subordinate Obligations**." See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Outstanding Subordinate Obligations."

Financial Feasibility Report

Included as Appendix A to this Official Statement is a Financial Feasibility Report dated September 11, 2023 (the "**Financial Feasibility Report**"), prepared by Unison Consulting, Inc. (the "**Feasibility Consultant**"), in conjunction with the issuance of the Senior Series 2023 Bonds. The Financial Feasibility Report includes, among other things, a description of the underlying economic base of SAN's air service area; a description of historical air traffic activity at SAN; the Feasibility Consultant's projections for air traffic activity at SAN through Fiscal Year 2029 and a description of the assumptions on which such projections were based; a description of existing and planned facilities at SAN, including the New T1; and the Feasibility Consultant's projections of debt service, debt service coverage, expenses and revenues through Fiscal Year 2029 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. "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 Senior Series 2023 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 Senior Series 2023 Bonds involve investment risks. Prospective purchasers of the Senior Series 2023 Bonds should read this Official Statement in its entirety. For a discussion of certain risks relating to the Senior Series 2023 Bonds, see "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 Senior Series 2023 Bonds, the Senior Indenture, the Subordinate Indenture, the Airline Lease Agreements (as defined herein), the Invitation to Tender 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 Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 Bonds.

PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS

General

Proceeds from the sale of the Senior Series 2023 Bonds will be used to (a) pay for certain capital improvements at SAN associated with the New T1 program, (b) repay all of the outstanding Subordinate Revolving Obligations, (c) purchase a portion of the Subordinate Series 2021C Bonds that were tendered by the holders thereof in response to the Invitation to Tender and agreed to be purchased by the Airport Authority, (d) fund a portion of the interest accruing on the Senior Series 2023 Bonds, (e) make a deposit to the Senior Reserve Fund, and (f) pay the costs of issuance of the Senior Series 2023 Bonds.

Financing of New T1

A portion of the proceeds of the Senior Series 2023 Bonds will be used to pay 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."

Tender and Purchase of Subordinate Series 2021C Bonds

Concurrently with the marketing of the Senior Series 2023 Bonds, the Airport Authority, with the assistance of the Dealer Manager, released the Invitation to Tender inviting holders of certain of the Subordinate Series 2021C Bonds to tender their bonds for purchase by the Airport Authority. Based on the results of the tender offer, the Airport Authority agreed to purchase the Purchased Subordinate Series 2021C Bonds, which are described in more detail in the table below. The purchase price of the Purchased Subordinate Series 2021C Bonds will be funded with a portion of the proceeds of the Senior Series 2023 Bonds and certain other available moneys. The Purchased Subordinate Series 2021C Bonds will be purchased and cancelled on the date of issuance of the Senior Series 2023 Bonds, and will no longer be deemed "Outstanding" within the meaning of the Subordinate Indenture.

San Diego County Regional Airport Authority
Subordinate Airport Revenue Refunding Bonds
Series 2021C
(Federally Taxable)

Maturity Date (July 1)	CUSIP Number[1]	Outstanding Principal Amount	Interest Rate	Maximum Principal Amount That May Be Accepted for Purchase if Tendered	Principal Amount Tendered and Accepted	Remaining Outstanding Principal Amount
2024	79739GPC4	$ 16,570,000	1.081%	$ 4,345,000	$ 4,345,000	$ 12,225,000
2025	79739GPD2	16,745,000	1.341	4,390,000	3,740,000	13,005,000
2030	79739GPM2	505,000	2.256	505,000	–	505,000
2031	79739GPE0	7,650,000	2.356	7,650,000	2,000,000	5,650,000
2032	79739GPF7	8,145,000	2.506	8,145,000	1,730,000	6,415,000
2033	79739GPG5	8,610,000	2.656	8,610,000	3,000,000	5,610,000
2034	79739GPH3	9,205,000	2.806	9,205,000	–	9,205,000
2035	79739GPJ9	9,870,000	2.906	9,870,000	–	9,870,000
2036	79739GPK6	10,695,000	2.956	10,695,000	4,500,000	6,195,000
2043	79739GPL4	242,950,000	3.103	242,950,000	21,120,000	221,830,000

[1] CUSIP number is provided only for the convenience of the reader. None of the Airport Authority, the Underwriters or the Dealer Manager undertake any responsibility for the accuracy of such CUSIP number or for any changes or errors in the CUSIP number.

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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 Senior Series 2023 Bonds:

	Senior Series 2023A Bonds	Senior Series 2023B Bonds	Total
Sources			
Principal Amount	$74,675,000.00	$987,305,000.00	$1,061,980,000.00
Net Original Issue Premium/(Discount)	2,867,254.20	(9,890,515.65)	(7,023,261.45)
Other Available Moneys[1]	4,190,327.41	184,528.05	4,374,855.46
Total Sources	$81,732,581.61	$977,599,012.40	$1,059,331,594.01
Uses			
Deposit to Senior Series 2023 Construction Funds	$ 1,768,875.77	$780,426,864.72	$ 782,195,740.49
Deposit to Senior Series 2023 Capitalized Interest Accounts	4,029,742.07	84,536,116.25	88,565,858.32
Repay the Subordinate Revolving Obligations	40,168,099.88	40,268,520.12	80,436,620.00
Purchase the Purchased Subordinate Series 2021C Bonds	29,974,814.43	1,906,513.22	31,881,327.65
Deposit to Senior Reserve Fund	5,317,857.30	67,031,205.20	72,349,062.50
Costs of Issuance[2]	473,192.16	3,429,792.89	3,902,985.05
Total Uses	$81,732,581.61	$977,599,012.40	$1,059,331,594.01

[1] Includes moneys to be released from certain funds and accounts established and maintained for the Subordinate Series 2021C Bonds.
[2] Includes Underwriters' discount, Dealer Manager fees, tender agent fees, legal and other costs of issuance.

DESCRIPTION OF THE SENIOR SERIES 2023 BONDS

General

The Senior Series 2023 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 Senior Series 2023 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 January 1, 2024. Interest due and payable on the Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is on or before December 15, 2023, in which event such Senior Series 2023 Bond will bear interest from its date of delivery. If interest on the Senior Series 2023 Bonds is in default, Senior Series 2023 Bonds issued in exchange for Senior Series 2023 Bonds surrendered for transfer or exchange will bear interest from the Interest Payment Date to which interest has been paid in full on the Senior Series 2023 Bonds surrendered.

The Senior Series 2023 Bonds will be issued in denominations of $5,000 or integral multiples thereof. The Senior Series 2023 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 Senior Series 2023 Bonds. Individual purchases may be made in book-entry-form only. Purchasers will not receive certificates representing their interest in the Senior Series 2023 Bonds purchased. So long as Cede & Co., as a nominee of DTC, is the registered owner of the Senior Series 2023 Bonds, references herein to the Holders or registered owners means Cede & Co., and does not mean the Beneficial Owners of the Senior Series 2023 Bonds.

So long as Cede & Co. is the registered owner of the Senior Series 2023 Bonds, principal of and interest on the Senior Series 2023 Bonds will be payable by wire transfer by the Senior 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."

Redemption Provisions

Optional Redemption. The Senior Series 2023 Bonds maturing on or before July 1, 2033 are not subject to optional redemption prior to maturity. The Senior Series 2023 Bonds maturing on and after July 1, 2034 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, 2033, at a redemption price equal to 100% of the principal amount of the Senior Series 2023 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption.

The Senior Series 2023A Bonds maturing on July 1, 2048 (the "**Senior Series 2023A Term Bonds (2048)**") 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	$1,480,000
2045	1,555,000
2046	1,630,000
2047	1,715,000
2048†	1,795,000

† Final Maturity.

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The Senior Series 2023A Bonds maturing on July 1, 2053 (the "**Senior Series 2023A Term Bonds (2053)**") 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**
2049	$1,885,000
2050	1,980,000
2051	2,080,000
2052	2,185,000
2053†	2,295,000

† Final Maturity.

The Senior Series 2023A Bonds maturing on July 1, 2058 (the "**Senior Series 2023A Term Bonds (2058)**," and collectively with the Senior Series 2023A Term Bonds (2048) and the Senior Series 2023A Term Bonds (2053), the "**Senior Series 2023A 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**
2054	$2,410,000
2055	2,530,000
2056	2,660,000
2057	2,790,000
2058†	2,930,000

† Final Maturity.

The Senior Series 2023B Bonds maturing on July 1, 2048 (the "**Senior Series 2023B Term Bonds (2048)**") 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	$30,415,000
2045	31,940,000
2046	33,535,000
2047	35,210,000
2048†	36,970,000

† Final Maturity.

The Senior Series 2023B Bonds maturing on July 1, 2053 (the "**Senior Series 2023B Term Bonds (2053)**") 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**
2049	$38,820,000
2050	40,760,000
2051	42,795,000
2052	44,940,000
2053†	47,185,000

† Final Maturity.

The Senior Series 2023B Bonds maturing on July 1, 2058 (the "**Senior Series 2023B Term Bonds (2058)**," and collectively with the Senior Series 2023B Term Bonds (2048) and the Senior Series 2023B Term Bonds (2053), the "**Senior Series 2023B 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**
2054	$49,540,000
2055	52,145,000
2056	54,880,000
2057	57,765,000
2058†	60,795,000

† Final Maturity.

The Senior Series 2023A Term Bonds and the Senior Series 2023B Term Bonds are collectively referred to herein as the "**Senior Series 2023 Term Bonds**." At the option of the Airport Authority, to be exercised by delivery of a written certificate to the Senior Trustee on or before the 60th day next preceding any mandatory sinking fund redemption date for the Senior Series 2023 Term Bonds, it may (a) deliver to the Senior Trustee for cancellation Senior Series 2023 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 Senior Series 2023 Term Bonds, as applicable, or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Senior Trustee at the request of the Airport Authority and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Senior Series 2023 Term Bond, as applicable, or portion thereof so purchased or otherwise acquired or redeemed and delivered to the Senior Trustee for cancellation will be credited by the Senior Trustee at 100% of the principal amount thereof against the obligation of the Airport Authority to pay the principal of such applicable Senior Series 2023 Term Bond on such mandatory sinking fund redemption date.

Notices of Redemption to Holders; Conditional Notice of Optional Redemption. The Senior 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 Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 Bond to be redeemed, if less than all Senior Series 2023 Bonds of a Series, maturity date and interest rate are called for redemption the numbers assigned to the Senior Series 2023 Bonds to be redeemed, the principal amount to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, the Senior Trustee's name, that payment will be made upon presentation and surrender of the Senior Series 2023 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 Senior Trustee moneys sufficient to redeem all the Senior Series 2023 Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Senior 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 Senior Series 2023 Bonds called for redemption.

Failure to give any required notice of redemption as to any particular Senior Series 2023 Bonds will not affect the validity of the call for redemption of any Senior Series 2023 Bonds in respect of which no failure occurs. Any notice sent as provided in the Senior Indenture will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Senior Series 2023 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 Senior Trustee sufficient for redemption, interest on the Senior Series 2023 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 Senior Indenture and as described above and sufficient moneys for payment of the redemption price being held in trust to pay the redemption price, the Senior Series 2023 Bonds called for redemption will become and be due and payable on the redemption date, interest on such Senior Series 2023 Bonds will cease to accrue from and after such redemption date, such Senior Series 2023 Bonds will cease to be entitled to any lien, benefit or security under the Senior Indenture and the Holders of such Senior Series 2023 Bonds will have no rights in respect thereof except to receive payment of the redemption price. Senior Series 2023 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 Tenth Supplemental Senior Indenture, will not be deemed to be Outstanding under the provisions of the Senior Indenture.

Selection of Senior Series 2023 Bonds for Redemption; Senior Series 2023 Bonds Redeemed in Part. Redemption of the Senior Series 2023 Bonds will only be in Authorized Denominations. The Senior Series 2023 Bonds are subject to redemption in such order of maturity and interest rate within a Series (except mandatory sinking fund payments on the Senior Series 2023A Term Bonds and the Senior Series 2023B Term Bonds) as the Airport Authority may direct, and by lot within such maturity and interest rate selected in such manner as the Senior Trustee (or DTC, as long as DTC is the securities depository for the Senior Series 2023 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 Senior Trustee will proceed to select for redemption (by lot in such manner as the Senior Trustee may determine), from the applicable Senior Series 2023A Term Bonds or the Senior Series 2023B Term Bonds, as applicable, subject to such redemption, an aggregate principal amount of such applicable Senior Series 2023A Term Bonds or the Senior Series 2023B 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 Senior Series 2023A Term Bonds or Senior Series 2023B Term Bonds, as applicable, or portions thereof (in Authorized Denominations) for redemption and give notice of such call.

Upon surrender of a Senior Series 2023A Bond or a Senior Series 2023B Bond to be redeemed in part only, the Senior Trustee will authenticate for the Bondholder a new Senior Series 2023A Bond or Senior Series 2023A Bonds or Senior Series 2023B Bond or Senior Series 2023B Bonds, as applicable, of the same maturity date and interest rate equal in principal amount to the unredeemed portion of the Senior Series 2023A Bond or Senior Series 2023B Bond, as applicable, surrendered.

SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2023 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 (as defined herein) 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, 2021 and 2022, the Airport Authority applied COVID-19 Federal Relief Funds to the payment of a portion of the debt service on the then-outstanding Senior Series 2013 Bonds and the Existing Subordinate Obligations. As of the date of this Official Statement, the Airport Authority has applied all of its COVID-19 Federal Relief Funds. Also, although not included in Revenues, the Senior Capitalized Interest on deposit in the debt service funds for the Senior Series 2023A Bonds and the Senior Series 2023B Bonds is subject to a lien on and security interest in favor of the Holders of the Senior Series 2023A Bonds and the Senior Series 2023B 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.

(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. See "—Senior Reserve Fund" below.

(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.

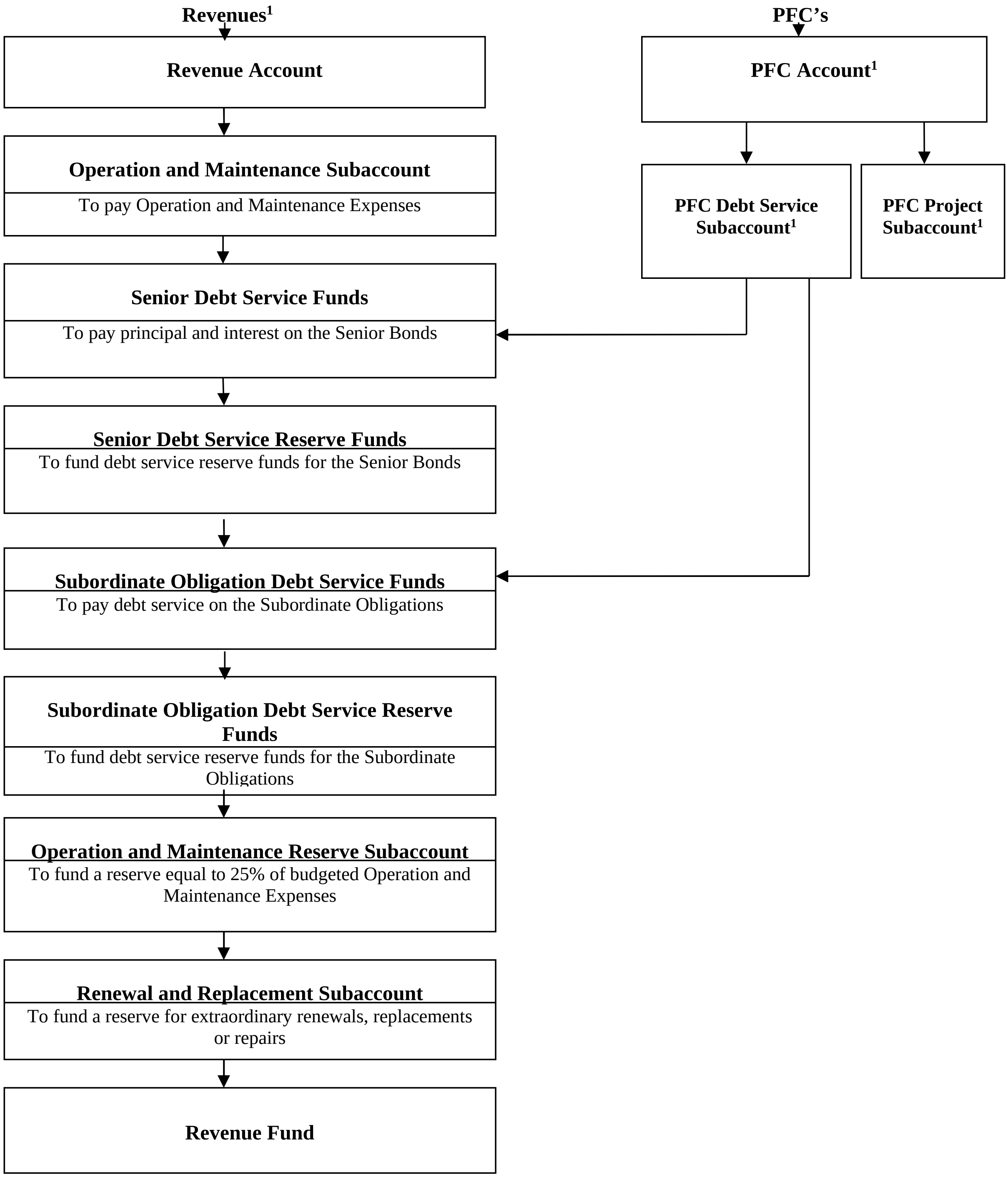
(6) *Operation and Maintenance Reserve Subaccount.* On or prior to the 20th day of each month, to the payment of the amounts required to be deposited in the Operation and Maintenance Reserve Subaccount which are payable from Net Revenues as specified in the Master Senior Indenture.

(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 or CFCs 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 Net Revenues

The Senior Series 2023 Bonds are special obligations of the Airport Authority payable solely from and secured by a pledge of and first lien on Net Revenues. The Senior Series 2023 Bonds also are secured by a pledge of and lien on amounts held by the Senior Trustee in certain funds and accounts pursuant to the Senior Indenture, as further described herein..

"**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. 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 Senior Series 2023 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 Senior Series 2023 Bonds.

Net Revenues are available for the equal and proportionate benefit and security of all Senior Bonds. The Senior Series 2023 Bonds are secured by a pledge of and lien on Net Revenues on parity with any Additional Senior Bonds issued in the future. See "—Additional Senior Bonds" below.

Senior Rate Covenant

(a) Under the Master Senior Indenture, the Airport Authority has covenanted that while any Senior Bonds 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 Net Revenues in each Fiscal Year will be at least equal to the following amounts:

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

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

(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 required to be funded during such Fiscal Year other than Senior Bonds, including the Subordinate Obligations; and

(v) payments of any reserve requirement for debt service for any indebtedness other than Senior Bonds, including 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 Net Revenues will be equal to at least 125% of the total Senior Aggregate Annual Debt Service on the Outstanding Senior Bonds.

The Airport Authority has covenanted that if 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 Net Revenues in the next succeeding Fiscal Year sufficient to comply with paragraphs (a) and (b) above.

In the event 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 Net Revenues will not constitute an Event of Default under the Master Senior Indenture. However, if after taking the measures described in the preceding paragraph to revise the schedule of rentals, rates, fees and charges, 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 Net Revenues will constitute an Event of Default under the Master Senior Indenture.

Pursuant to the Master Senior Indenture, the Airport Authority may exclude from its calculation of Operation and Maintenance Expenses of the Airport System and Senior Aggregate Annual Debt Service with respect to the Senior Bonds, 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 Senior Bonds whose debt service is payable, from amounts not included in Revenues, including, but not limited to PFC revenues, Federal Direct Payments, Senior 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, 2021 and 2022, the Airport Authority used COVID-19 Federal Relief Funds to pay Operation and Maintenance Expenses of the Airport System and debt service on the prior outstanding Senior Series 2013 Bonds and the Existing Subordinate Obligations. 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 Subordinate Series 2019A Bonds, the Subordinate Series 2020 Bonds, the Subordinate Series 2021 Bonds, the Senior Series 2023 Bonds and Additional Senior Bonds and/or Additional Subordinate Obligations that are PFC Eligible Bonds, and (b) Senior Capitalized Interest to pay a portion of the interest on the Senior Series 2023 Bonds through July 1, 2025. The Airport Authority does not expect to use any PFCs to pay debt service on the Subordinate Series 2017 Bonds or the Subordinate Series 2019B Bonds. See "—Use of PFCs to Pay Debt Service," "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Projected 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."

Senior Reserve Fund

Pursuant to the Master Senior Indenture and the Fifth Supplemental Senior Indenture, the Airport Authority will establish a Senior Debt Service Reserve Fund (the "**Senior Reserve Fund**") to secure the Senior Series 2023 Bonds and any Additional Senior Bonds for which the Airport Authority elects to participate in the Senior Reserve Fund. At the time of issuance of the Senior Series 2023 Bonds, no other Senior Bonds will be Outstanding and, therefore, no other Senior Bonds will be secured by the Senior Reserve Fund.

Except as otherwise provided in the Fifth Supplemental Senior Indenture, the Senior Reserve Fund is required to be funded at all times in an amount equal to the Senior Reserve Requirement. The "**Senior Reserve Requirement**" is 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 Senior Bonds participating in the Senior Reserve Fund, less the amount of original issue discount with respect to such Senior Bonds if such original issue discount exceeded 2% on such Senior Bonds at the time of their original sale; and (c) 125% of the average Senior Aggregate Annual Debt Service for all Senior Bonds participating in the Senior Reserve Fund. At the time of issuance of the Senior Series 2023 Bonds, the Senior Reserve Requirement will be met by depositing a portion of the proceeds of the Senior Series 2023 Bonds into the Senior Reserve Fund. At the time of issuance of the Senior Series 2023 Bonds, the Senior Reserve Requirement will be equal to $72,349,062.50.

The Senior Trustee will annually, on or about July 2 of each year and at such other times as the Airport Authority deems appropriate, value the Senior Reserve Fund. If, upon any valuation, the value of the Senior Reserve Fund exceeds the Senior Reserve Requirement, the excess amount, including investment earnings, will be withdrawn and deposited by the Senior Trustee into the respective Senior Debt Service Funds for each Series of Senior Bonds participating in the Senior Reserve Fund, pro rata based on outstanding par amounts for each Series of Senior Bonds participating in the Senior Reserve Fund, unless otherwise directed by the Airport Authority. If, upon any valuation, the value of the Senior Reserve Fund is less than the Senior Reserve Requirement, the Airport Authority will replenish such amounts within 12 months of the date of valuation.

In the event the Airport Authority elects to have Additional Senior Bonds participate in the Senior Reserve Fund, at the time of issuance of such Additional Senior Bonds or within twelve months of the date of issuance of such Additional Senior Bonds, the Airport Authority will deposit an amount in the Senior Reserve Fund sufficient to cause the amount on deposit in the Senior Reserve Fund to equal the Senior Reserve Requirement.

Moneys or investments held in the Senior Reserve Fund may only be used to pay the principal of and interest on the Senior Series 2023 Bonds and any Additional Senior Bonds the Airport Authority has elected to participate in the Senior Reserve Fund. Moneys and investments held in the Senior Reserve Fund are not available to pay debt service on any Senior Bonds for which the Airport Authority has decided will not participate in the Senior Reserve Fund or on the Subordinate Obligations. The Senior Reserve Fund may be drawn upon if the amounts in the respective Senior Debt Service Funds for the Senior Series 2023 Bonds and any Additional Senior Bonds participating in the Senior Reserve Fund, are insufficient to pay in full any principal or interest then due on the Senior Series 2023 Bonds and any Additional Senior Bonds participating in the Senior Reserve Fund. In the event any amounts are required to be withdrawn from the Senior Reserve Fund, such amounts will be withdrawn and deposited *pro rata* to meet the funding requirements of the Senior Debt Service Funds for the Senior Series 2023 Bonds and any Additional Senior Bonds participating in the Senior Reserve Fund.

The Airport Authority may fund all or a portion of the Senior Reserve Requirement with a Senior Reserve Fund Insurance Policy. A Senior Reserve Fund Insurance Policy may be an insurance policy, 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, in one of the two highest long term rating categories (without regard to any numerical modifier, plus or minus sign or other modifier). Any such Senior Reserve Fund Insurance Policy must either extend to the final maturity of the Series of Senior Bonds for which the Senior Reserve Fund Insurance Policy was issued, or the Airport Authority must agree, by Supplemental Senior Indenture, that the Airport Authority will replace such Senior Reserve Fund Insurance Policy prior to its expiration with another Senior Reserve Fund Insurance Policy or with cash. Any such Senior Reserve Fund Insurance Policy will be required to secure all of the Senior Bonds participating in the Senior Reserve Fund.

At the time of issuance of the Senior Series 2023 Bonds, the Senior Reserve Fund will be funded with cash and securities, and no portion of the Senior Reserve Fund will be funded with a Senior Reserve Fund Insurance Policy.

Additional Senior Bonds

Additional Senior Bonds may be issued under the Master Senior Indenture on a parity with the Senior Series 2023 Bonds, provided, among other things, that there is delivered to the Senior Trustee either:

(a) a certificate, dated as of a date between the date of pricing of the Senior Bonds being issued and the date of delivery of such Senior Bonds (both dates inclusive), prepared by an Authorized Authority Representative showing the 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 Senior Bonds or preceding the first issuance of the proposed Senior Program Bonds were at least equal to 125% of Senior Maximum Aggregate Annual Debt Service with respect to all Outstanding Senior Bonds, Unissued Senior Program Bonds and the proposed Series of Senior Bonds, calculated as if the proposed Series of Senior Bonds and the full Authorized Amount of such proposed Senior Program Bonds, as applicable, were then Outstanding; or

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

(i) the Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Senior Bonds or the establishment of a Senior Program, were at least equal to 125% of the sum of Senior Aggregate Annual Debt Service due and payable with respect to all Outstanding Senior Bonds 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 Senior Bonds through and including the last Fiscal Year during any part of which the amount of interest on such Series of Senior Bonds to be on deposit in the respective Senior 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 set forth in the Master Senior Indenture (see "—Senior Rate Covenant" above); and

(iii) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Senior Bonds during which no interest on such Series of Senior Bonds to be on deposit in the respective Senior 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 Senior Bonds; or (B) the third full Fiscal Year during which no amount of interest on such Series of Senior Bonds to be on deposit in the respective Senior Debt Service Fund or such other fund or account is expected to be funded from the proceeds thereof, the estimated Net Revenues for each such Fiscal Year, will be at least equal to 125% of the Senior Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Senior Bonds, Unissued Senior Program Bonds and calculated as if the proposed Series of Senior Bonds and the full Authorized Amount of such proposed Senior Program Bonds, as applicable, were then Outstanding.

The certificate described in (a) above is expected to be delivered by the Airport Authority at the time of issuance of the Senior Series 2023 Bonds.

For purposes of clauses (b)(ii) and (iii) above, in estimating 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 Net Revenues, and will also set forth the calculations of Senior 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 Senior Bonds being issued are for the purpose of refunding then Outstanding Senior Bonds and there is delivered to the Senior Trustee, instead, a certificate of an Authorized Authority Representative showing that Senior Aggregate Annual Debt Service after the issuance of the Refunding Senior Bonds will not exceed the Senior Aggregate Annual Debt Service prior to the issuance of such Refunding Senior Bonds for each Fiscal Year;

(B) the Senior Bonds being issued constitute Senior Notes and there is delivered to the Senior Trustee, instead, a certificate prepared by an Authorized Authority Representative showing that the principal amount of the proposed Senior Notes being issued, together with the principal amount of any Senior Notes then Outstanding, does not exceed 10% of the Net Revenues for any

12 consecutive months out of the most recent 24 months immediately preceding the issuance of the proposed Senior Notes and there is delivered to the Senior Trustee a certificate of an Authorized Authority Representative setting forth calculations showing that for each of the Fiscal Years during which the Senior Notes will be Outstanding, and taking into account the debt service becoming due on such Senior Notes, the Airport Authority will be in compliance with the rate covenant set forth in the Master Senior Indenture (see "—Senior Rate Covenant" above); or

(C) if the Senior Bonds being issued are to pay costs of completing a Project for which Senior Bonds have previously been issued and the principal amount of such Senior Bonds being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Senior Bonds 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 Senior 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 construction fund allocable to such Project) of the original Senior Bonds 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 construction fund established for the Project (including unspent proceeds of Senior Bonds 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 SAN a PFC of $4.50. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Projected 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. Pursuant to the terms of the Airline Lease Agreements, to help reduce airline costs following the opening of the new Terminal 1 (expected in September 2025), the Airport Authority agreed not to use any PFCs to pay debt service on PFC Eligible Bonds between Fiscal Years 2023 and 2025, and use those PFCs in Fiscal Years 2026 through 2029 to pay debt service on PFC Eligible Bonds. As described in additional detail in the Feasibility Report, in Fiscal Years 2026 through 2029, the Airport Authority expects to use approximately $310.0 million of PFCs to pay debt service on PFC Eligible Bonds (including a portion of the Subordinate Series 2019A Bonds, a portion of the Subordinate Series 2020 Bonds, a portion of the Subordinate Series 2021 Bonds, a portion of the Senior Series 2023 Bonds and certain Additional Senior Bonds and/or Additional Subordinate Obligations expected to be issued to finance a portion of the New T1). 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 2017 Bonds or the Subordinate Series 2019B Bonds. See also "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Projected 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."

Senior Events of Default and Remedies; No Acceleration

Events of Default under the Senior Indenture and related remedies are described in "APPENDIX C-2—SUMMARY OF MASTER SENIOR INDENTURE—Senior Defaults and Remedies." The occurrence of a Senior Event of Default under the Senior Indenture (or a Subordinate Event of Default under the Subordinate Indenture) does not grant any right to accelerate payment of the Senior Bonds (including the Senior Series 2023 Bonds) or the Subordinate Obligations to either the Senior Trustee or the Subordinate Trustee, or the Holders of the Senior Bonds (including the Senior Series 2023 Bonds) or the Subordinate Obligations. The Senior Trustee is authorized to take certain actions upon the occurrence of a Senior Event of Default under the Senior Indenture, including proceedings to enforce the obligations of the Airport Authority under the Senior Indenture. If there is a Senior Event of Default under the Senior Indenture, payments, if any, on the Senior Bonds will be made after Operation and Maintenance Expenses of the Airport System.

OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE

No Outstanding Senior Bonds

As of the date of the Official Statement, the Airport Authority has no outstanding Senior Bonds.

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 September 1, 2023.

TABLE 4
San Diego County Regional Airport Authority
Existing Subordinate Bonds
(as of September 1, 2023)

Existing Subordinate Bonds	Original Principal Amount	Principal Amount Outstanding	Final Maturity Date
Series 2017A	$ 146,040,000	$ 131,055,000	7/1/2047
Series 2017B	145,170,000	129,955,000	7/1/2047
Series 2019A	338,775,000	329,225,000	7/1/2049
Series 2019B	124,905,000	119,265,000	7/1/2049
Series 2020A	26,145,000	19,900,000	7/1/2040
Series 2020B	189,090,000	155,430,000	7/1/2040
Series 2020C	26,405,000	21,905,000	7/1/2040
Series 2021A	495,315,000	495,315,000	7/1/2056
Series 2021B	1,089,260,000	1,089,260,000	7/1/2056
Series 2021C[1]	357,170,000	330,945,000	7/1/2043
Total	$2,938,275,000	$2,822,255,000	

[1] A portion of the proceeds of the Senior Series 2023 Bonds, together with other available moneys, are expected to be used to purchase and cancel the Purchased Subordinate Series 2021C Bonds on the date of issuance of the Senior Series 2023 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS—Tender and Purchase of Subordinate Series 2021C Bonds."

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 September 1, 2023, the Airport Authority had $80,100,000 aggregate principal amount of Subordinate Revolving Obligations outstanding. As described under "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS—General," the Airport Authority expects to repay all of the outstanding Subordinate Revolving Obligations with a portion of the proceeds of the Senior Series 2023 Bonds.

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 Senior Series 2023 Bonds and the Existing Subordinate Bonds (after the purchase and cancellation of the Purchased Subordinate Series 2021C Bonds).

TABLE 5
San Diego County Regional Airport Authority
Debt Service Requirements for Senior Series 2023 Bonds and Existing Subordinate Bonds[1]

Year Ended July 1	Senior Series 2023A Bonds[2] Principal	Senior Series 2023A Bonds[2] Interest[3]	Senior Series 2023B Bonds[2] Principal	Senior Series 2023B Bonds[2] Interest[4]	Total Debt Service for Senior Series 2023 Bonds	Total Debt Service for Existing Subordinate Bonds[5,6]	Total Debt Service for Senior and Subordinate Bonds
2024	$ 2,235,000	$ 2,551,396	–	$ 34,380,319	$ 39,166,715	$ 167,644,708	$ 206,811,423
2025	2,865,000	3,622,000	–	50,312,663	56,799,663	159,853,839	216,653,502
2026	–	3,478,750	–	50,312,663	53,791,413	156,977,192	210,768,605
2027	–	3,478,750	–	50,312,663	53,791,413	156,992,192	210,783,605
2028	680,000	3,478,750	$ 13,770,000	50,312,663	68,241,413	156,995,192	225,236,605
2029	710,000	3,444,750	14,460,000	49,624,163	68,238,913	156,992,442	225,231,355
2030	745,000	3,409,250	15,180,000	48,901,163	68,235,413	157,484,692	225,720,105
2031	2,000,000	3,372,000	15,940,000	48,142,163	69,454,163	174,451,299	243,905,462
2032	1,780,000	3,272,000	16,740,000	47,345,163	69,137,163	175,804,685	244,941,848
2033	2,360,000	3,183,000	17,995,000	46,508,163	70,046,163	174,674,675	244,720,838
2034	910,000	3,065,000	18,450,000	45,608,413	68,033,413	179,031,174	247,064,587
2035	955,000	3,019,500	19,420,000	44,639,788	68,034,288	182,662,381	250,696,669
2036	3,060,000	2,971,750	21,820,000	43,620,238	71,471,988	178,219,309	249,691,297
2037	1,325,000	2,818,750	21,510,000	42,474,688	68,128,438	181,901,085	250,029,523
2038	1,445,000	2,752,500	22,640,000	41,345,413	68,182,913	181,898,358	250,081,271
2039	1,570,000	2,680,250	23,830,000	40,156,813	68,237,063	181,891,696	250,128,759
2040	1,700,000	2,601,750	25,025,000	38,965,313	68,292,063	181,922,401	250,214,464
2041	5,840,000	2,516,750	26,275,000	37,714,063	72,345,813	177,296,367	249,642,180
2042	6,135,000	2,224,750	27,585,000	36,400,313	72,345,063	177,291,463	249,636,526
2043	6,440,000	1,918,000	28,970,000	35,021,063	72,349,063	177,289,911	249,638,974
2044	1,480,000	1,596,000	30,415,000	33,572,563	67,063,563	152,835,750	219,899,313
2045	1,555,000	1,522,000	31,940,000	32,051,813	67,068,813	152,840,800	219,909,613
2046	1,630,000	1,444,250	33,535,000	30,454,813	67,064,063	152,844,200	219,908,263
2047	1,715,000	1,362,750	35,210,000	28,778,063	67,065,813	152,835,000	219,900,813
2048	1,795,000	1,277,000	36,970,000	27,017,563	67,059,563	134,516,500	201,576,063
2049	1,885,000	1,187,250	38,820,000	25,169,063	67,061,313	134,517,500	201,578,813
2050	1,980,000	1,093,000	40,760,000	23,228,063	67,061,063	120,746,000	187,807,063
5051	2,080,000	994,000	42,795,000	21,190,063	67,059,063	120,745,500	187,804,563
5052	2,185,000	890,000	44,940,000	19,050,313	67,065,313	148,111,250	215,176,563
2053	2,295,000	780,750	47,185,000	16,803,313	67,064,063	148,100,500	215,164,563
2054	2,410,000	666,000	49,540,000	14,444,063	67,060,063	148,104,750	215,164,813
2055	2,530,000	545,500	52,145,000	11,843,213	67,063,713	148,104,750	215,168,463
2056	2,660,000	419,000	54,880,000	9,105,600	67,064,600	148,106,500	215,171,100
2057	2,790,000	286,000	57,765,000	6,224,400	67,065,400	–	67,065,400
2058	2,930,000	146,500	60,795,000	3,191,738	67,063,238	–	67,063,238
Total	$74,675,000	$74,069,646	$987,305,000	$1,184,222,519	$2,320,272,165	$5,299,684,060	$7,619,956,225

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

2 The Senior Series 2023 Bonds have a lien on Net Revenues. Principal of and interest on the Senior Series 2023 Bonds does not reflect the application of PFCs to the payment of debt service on the Senior Series 2023 Bonds.

3 Includes a portion of the interest on the Senior Series 2023A Bonds through July 1, 2025 to be paid from a portion of the proceeds of the Senior Series 2023A Bonds.

4 Includes a portion of the interest on the Senior Series 2023B Bonds through July 1, 2025 to be paid from a portion of the proceeds of the Senior Series 2023B Bonds.

5 The Subordinate Obligations (including the Existing Subordinate Bonds and the Subordinate Revolving Obligations) have a lien on Subordinate Net Revenues. Includes debt service on the Existing Subordinate Bonds after the purchase and cancellation of the Purchased Subordinate Series 2021C Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS—Tender and Purchase of Subordinate Series 2021C Bonds." Principal of and interest on the Existing Subordinate Bonds does not reflect the application of PFCs to the payment of debt service on the Existing Subordinate Bonds. Includes a portion of the interest on the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds through July 1, 2025 to be paid from a portion of the proceeds of the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds.

6 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 September 1, 2023, $80,100,000 aggregate principal amount of Subordinate Revolving Obligations were outstanding. At the time of issuance of the Senior Series 2023 Bonds, the Airport Authority expects to repay all of the outstanding Subordinate Revolving Obligations with a portion of the proceeds of the Senior Series 2023 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS—Tender and Purchase of Subordinate Series 2021C Bonds."

Source: San Diego County Regional Airport Authority; and Frasca & Associates, LLC (only with respect to debt service on the Senior Series 2023 Bonds).

Future Financings

After the issuance of the Senior Series 2023 Bonds, the Airport Authority expects to issue approximately $1.1 billion in aggregate principal amount of Additional Senior Bonds and/or Additional Subordinate Obligations between Fiscal Years 2025 and 2026 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 SAN 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 SAN 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 is using 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 is using 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 is using this property for temporary construction trailers and parking during construction of the New T1.

- On July 13, 2023, the Board authorized the President and CEO to enter into a lease for 45 years and 4-months with the Port District for approximately 28,519 square feet of land located on North Harbor Drive in support of the on-Airport roadway components of the New T1. Annual rental payments are expected to be $95,538 for the first five years with Consumer Price Index adjustments each subsequent 5-year lease period.

As of July 1, 2023, 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
2024	$ 12,103,977
2025	12,103,977
2026	11,200,856
2027	10,929,162
2028	10,895,281
2029-2033	52,687,948
2034-2038	52,868,413
2039-2043	52,104,176
2044-2048	50,883,300
2049-2053	50,883,300
2054-2058	50,883,300
2059-2063	50,883,300
2064-2069	50,883,300
2070-2073	5,088,330
Total	$474,398,622

Source: San Diego County Regional Airport Authority

Under current law, in the event SAN is relocated and the current location is no longer used by SAN 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 (including the Senior Series 2023 Bonds) and the Subordinate Obligations.

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 SAN, 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 SAN. Distribution of these goods to various locations at SAN 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 (including the Senior Series 2023 Bonds) and the Subordinate Obligations, 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 SAN. As of September 1, 2023, the Series 2014 Special Facilities Bonds were outstanding in the aggregate principal amount of $269,015,000. 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 SAN, (b) under certain circumstances, "**Bond Funding Supplemental Consideration**" payable by the rental car companies operating at SAN, 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 (including the Senior Series 2023 Bonds) or secured by a pledge of and lien on the Subordinate Net Revenues on parity with the Subordinate Obligations. 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 SAN 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 SAN 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 SAN); (b) planning and operating any future airport that could be developed as a supplement or replacement to SAN; (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, 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.

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The current members of the Board are set forth below. There is currently one vacancy on the Board.

Board Members	Occupation	Appointing Authority	Current Term Expires
Executive Committee			
Guillermo "Gil" Cabrera (Chair)	Attorney	Mayor, City of San Diego	January 31, 2024
Mary Casillas Salas (Vice Chair)	Former Mayor, Chula Vista	Mayors, South County Cities	January 31, 2024
Rafael Perez	Realtor	Chair, San Diego County Board of Supervisors	January 31, 2026
General Members			
Lidia S. Martinez	Partner, Adelante Strategies	Mayor, City of San Diego	January 31, 2026
Paul McNamara	Former Mayor, City of Escondido	Mayors, North County Inland City Mayors	January 31, 2024
Esther Sanchez	Mayor, City of Oceanside	Mayors, North County Coastal Cities	January 31, 2026
James Sly	President/CEO, East County Economic Development Council	Mayors, East County Cities	January 31, 2025
Marni von Wilpert	Councilmember, City of San Diego	Mayor, City of San Diego	January 31, 2025
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 their 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, Chief 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 SAN 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 Kyoto Symposium Organization. Ms. Becker is an executive committee member for the San Diego Regional Economic

Development Corporation and the Immediate Past-Chair of the San Diego Tourism Authority. Ms. Becker is actively engaged with ACI, for which she serves on the Board of Directors and as a U.S. Policy Council member. Additionally, she serves as Vice-Chair on ACI's Board for Large Hub, and as Board Liaison to ACI's Commercial Management Committee. Ms. Becker is the Current Topics 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 previously served on the Finance Steering Committee of ACI. Mr. Brickner is a recipient of the San Diego Business Journal's CFO of the Year award for 2023 and 2016. 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 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 Development Officer. Angela Shafer-Payne is the Vice President, Chief Development Officer of the Airport Authority. Ms. Shafer-Payne oversees Planning & Environmental Compliance, Quieter Home Program and Airport Design and Construction. She has been with SAN since 1995, during which time she has held various leadership positions, including being the Vice President, Chief Operations Officer prior to her current position. One of Ms. Shafer-Payne's most notable achievements was her instrumental role in establishing and setting up the Airport Authority, effectually separating SAN 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.

Rick Francis, Vice President, Chief Operations Officer. Rick Francis is the Vice President, Chief Operations Officer of the Airport Authority. Mr. Francis is responsible for setting the strategic direction for airside and terminal operations, aviation security and public safety, ground transportation, and facilities maintenance functions at SAN. He joined the Airport Authority in 2022 after spending six years at John Wayne Airport, including the most recent one as Interim Airport Director. Prior to his work in the airport industry, Mr. Francis served as the Assistant City Manager for the City of Costa Mesa, providing leadership and supervision for the executive management team. In conjunction with the City Manager, he was instrumental in the planning of strategic long-range goals and implementation of departmental programs. Before joining the City of Costa Mesa, Mr. Francis served as Chief of Staff for Orange County Supervisor John Moorlach, whose district included John Wayne Airport, reviewing policy, budget, and development at the airport for the County Supervisor's Office. Mr. Francis holds a Bachelor of Arts in Religious Education from the Vanguard University of Southern California and a Master of Arts in Public Administration from American Public 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, Business Intelligence Marketing, Arts and Air Service Development functions of the Airport Authority. Prior to joining the Airport Authority in 2004, 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 as a senior audit manager for 11 years for the accounting, audit, and tax management advisory firm formally known as White Nelson Diehl Evans (now CliftonLarsonAllen). With over 20 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, a Certified Fraud Examiner, 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 21 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 the University of San Diego School of Law.

Employees and Labor Relations

The Airport Authority employs approximately 403 full-time employees. Approximately 120 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 120 employees are governed by a labor agreement between the Airport Authority and Teamsters Local 911, which will expire on September 30, 2027.

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

SAN DIEGO INTERNATIONAL AIRPORT

Introduction

SAN is located approximately three miles northwest of downtown San Diego on 661 acres of land. SAN is bounded by San Diego Bay, military facilities and residential areas. Dedicated on August 16, 1928, SAN was originally named "San Diego Municipal Airport—Lindbergh Field." SAN 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 SAN 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 SAN jet-ready long before jet passenger planes came into widespread service.

SAN 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 SAN 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 SAN 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, SAN is the busiest single-runway commercial airport in the United States based on passenger levels. SAN 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 June 30, 2023, SAN handled air transportation for 16 passenger airlines. In Fiscal Year 2023, SAN enplaned approximately 11.9 million passengers (which represented an approximately 19.2% increase in enplaned passengers from Fiscal Year 2022). For each of the calendar years ended December 31, 2021 and December 31, 2022, approximately 98% of the passengers using SAN were O&D passengers. According to ACI statistics, for each of the calendar years ended December 31, 2021 and December 31, 2022, SAN was ranked as the 25th 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 SAN and proposing a county-wide ballot measure regarding the relocation of SAN. After a thorough study, the Airport Authority concluded that the best alternative for relocating SAN 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 SAN to Marine Corps Air Station-Miramar. At this time, the Board does not plan to pursue relocation of SAN from its current location.

Existing Facilities

Airfield. 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 SAN 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. SAN has a system of taxiways leading to and from the terminal area on the south side of SAN, and to and from the north side of SAN 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.

Terminal Facilities. Passenger services at SAN are currently located in two terminals, Terminal 1 and Terminal 2 (consisting of Terminal 2 East and Terminal 2 West). Prior to the start of construction of the New T1 program, Terminals 1 and 2 provided a total of 51 aircraft gates. The existing Terminal 1, the oldest terminal at the Airport, was opened in 1967 and renovated in 1994 and 1997. Terminal 1 is approximately 336,000 square-feet, and previously provided 19 aircraft gates. In order to accommodate the current phase of construction for the new Terminal 1, five of the 19 gates in the existing Terminal 1 have been permanently closed, leaving 14 gates operational. 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 1 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.

Parking Facilities. Approximately 3,907 public parking spaces, operated by the Airport Authority, are currently available at the Airport, including (a) approximately 3,356 parking spaces located in the Terminal 2 Parking Plaza that opened in 2018 and two adjacent surface lots, (b) 62 spaces in a free cell phone lot located west of Terminal 2 and (c) 489 parking spaces are available for valet service offered at SAN with curb-side drop-off in front of Terminals 1 and 2 . Once construction began on the new Terminal 1, the surface parking lot located in front of Terminal 1 (approximately 1,100 parking spaces) was permanently closed. Prior to the start of the COVID-19 pandemic, the Airport Authority also 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 is being used for employee parking and the parking lot on Harbor Drive is being used as part of the New T1 development. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—New T1" for a discussion of the construction of a new parking structure that will be located 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). Phase 1 of the new Terminal 1 parking structure is expected to open in the fall of 2024 and contain approximately 2,800 parking spaces, and Phase 2 is expected to be completed in the fall of 2025 with approximately 2,400 additional spaces. 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.

Rental Car Facilities. 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."

Cargo Facilities. 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.

Other Facilities. 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), 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 demolition of the Commuter Terminal in connection with the construction of the new Terminal 1 and the Airport Authority's current construction of a new administrative building that is expected to be completed by September 2023.

Additionally, the New T1 includes a replacement shuttle hold lot for rental car and terminal buses. This will encompass 3.16 acres on property the Airport Authority partially owns and leases from the Port District located east of the Airport. It will include a 3794 sq ft maintenance building and will open in phases beginning in mid-2023 through the beginning of 2024.

Air Carriers Serving SAN

As of July 1, 2023, 16 passenger airlines provided service from SAN to a total of 67 U.S. cities and 9 international cities, and 6 air carriers provided scheduled all-cargo service at SAN. The following table sets forth the air carriers serving SAN as of July 1, 2023. See “AIRLINE INDUSTRY INFORMATION.”

TABLE 7
San Diego International Airport
Air Carriers Serving San Diego International Airport
(As of July 1, 2023)

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

Aviation Activity

In Fiscal Year 2023, SAN enplaned approximately 11.9 million passengers (which represented an approximately 19.2% increase in enplaned passengers from Fiscal Year 2022). For each of the calendar years ended December 31, 2021 and December 31, 2022, approximately 98% of the passengers using SAN were O&D passengers. During July 2023, passenger airlines and cargo carriers were operating approximately 279 departures daily at SAN.

The following table sets forth the total domestic and international enplanements and total deplanements at SAN for the last ten Fiscal Years.

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**
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)
2022	9,736,802	97.8	216,360	2.1	9,953,162	104.8	9,878,485	104.0	19,831,647	104.4
2023	11,440,757	96.4	426,812	3.6	11,867,569	19.2	11,583,718	17.3	23,451,287	18.3

Source: San Diego County Regional Airport Authority

The following table sets forth total revenue operations (landings and takeoffs) for passenger and cargo carriers at SAN for Fiscal Years 2014 through 2023.

TABLE 9
San Diego International Airport
Revenue Operations

Fiscal Year	**Total Operations[1]**	**Operations Growth**
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)
2022	190,485	46.5
2023	200,973	5.5

[1] For revenue-related departures and arrivals.
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.

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
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 [2]	(65.5)	154,380	(17.2)
2021	143,957	(1.4)	N/A[2]	N/A	N/A	N/A
2022	143,382	(0.4)	N/A[2]	N/A	N/A	N/A
2023	131,727	(8.1)	N/A[2]	N/A	N/A	N/A

[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] In accordance with new rules imposed by the U.S. Postal Service, as of August 2019, FedEx ceased reporting U.S. Mail tonnage.
Source: San Diego County Regional Airport Authority.

Enplanements by Air Carriers

The following table presents total enplanements for each air carrier serving SAN for the last five Fiscal Years. For Fiscal Year 2023, Southwest accounted for approximately 35% of the enplanements at SAN, 36% of the landed weight at SAN and 15.9% of the operating revenues (preliminary; subject to year-end adjustments) of the Airport Authority. Over the past five Fiscal Years, Southwest has enplaned about one-third of the passengers at SAN. Since approximately 98% of the passengers using SAN are O&D passengers (based on calendar year 2022 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 SAN.

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TABLE 11
San Diego International Airport
Enplanements By Air Carriers
(Ranked on 2023 Results)[1]

Air Carrier	Fiscal Year 2019	2019 Percent Share	Fiscal Year 2020	2020 Percent Share	Fiscal Year 2021	2021 Percent Share	Fiscal Year 2022	2022 Percent Share	Fiscal Year 2023	2023 Percent Share
Southwest	4,656,029	37.7%	3,474,860	37.6%	1,627,594	33.5%	3,393,713	34.1%	4,190,108	35.3%
Alaska[2]	1,702,289	13.8	1,325,147	14.3	806,949	16.6	1,740,532	17.5	1,940,822	16.4
United[3]	1,593,244	12.9	1,105,820	12.0	600,216	12.3	1,238,336	12.4	1,458,543	12.3
Delta[4]	1,504,544	12.2	1,168,462	12.7	567,589	11.7	1,237,530	12.4	1,452,461	12.2
American[5]	1,467,899	11.9	1,128,443	12.2	767,833	15.8	1,307,253	13.1	1,282,356	10.8
Frontier	277,320	2.2	201,280	2.2	180,181	3.7	272,802	2.7	349,379	2.9
Spirit	323,623	2.6	225,279	2.4	111,604	2.3	168,192	1.7	303,804	2.6
JetBlue	230,909	1.9	195,279	2.1	90,332	1.9	249,217	2.5	285,079	2.4
Hawaiian	149,744	1.2	102,759	1.1	61,754	1.3	133,525	1.3	148,305	1.2
Air Canada[6]	130,404	1.1	90,425	1.0	0 [8]	0.0	43,376	0.4	135,080	1.1
British Airways	83,492	0.7	57,998	0.6	0 [8]	0.0	41,417	0.4	91,914	0.8
Allegiant	30,750	0.2	13,162	0.1	22,391	0.5	49,355	0.5	75,959	0.6
Lufthansa	49,974	0.4	34,654	0.4	0	0.0	13,695	0.1	47,928	0.4
Sun Country	40,167	0.3	37,073	0.4	23,461	0.5	35,962	0.4	41,618	0.4
WestJet	42,939	0.3	28,905	0.3	0 [8]	0.0	11,836	0.1	32,290	0.3
Japan Airlines	66,688	0.5	43,596	0.5	1,027	0.0	12,784	0.1	31,380	0.3
Others[7]	6,271	0.1	2,317	<0.1	0	0.0	3,637	<0.1	543	>0.1
Total Enplanements	12,356,286	100.0%	9,235,459	100.0%	4,860,931	100.0%	9,953,162	100.0%	11,867,569	100.0%

1 Totals may not add due to rounding.
2 Enplanements are for Alaska and Alaska's regional carrier service provided by Horizon and SkyWest.
3 Enplanements are for United and its regional carrier service provided by SkyWest.
4 Enplanements are for Delta and its regional carrier service provided by Compass and SkyWest. Compass ceased operating in April 2020.
5 Enplanements are for American 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 SAN 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, Lufthansa and WestJet did not operate from the Airport in Fiscal Year 2021. Air Canada resumed service from the Airport in August 2021, British Airways and WestJet resumed service from the Airport in October 2021, and Lufthansa resumed service from the Airport in April 2022.

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 SAN for the last five Fiscal Years, ranked on Fiscal Year 2023 results.

TABLE 12
San Diego International Airport
Total Revenue Landed Weight
(Ranked on Fiscal Year 2023 Results)
(in thousands of lbs.)[1]

Airline/Cargo Carrier	2019	2020	2021	2022	2023	2023% of Total
Southwest	5,180,064	4,422,096	2,277,011	3,688,292	5,001,008	36.1%
Alaska[2]	1,995,130	1,672,207	1,342,664	1,981,230	2,092,212	15.1
Delta[3]	1,616,827	1,373,938	1,049,374	1,527,982	1,568,504	11.3
United[4]	1,701,559	1,285,393	770,742	1,321,399	1,513,743	10.9
American[5]	1,566,041	1,298,505	917,691	1,238,945	1,317,772	9.5
FedEx	382,879	401,386	466,734	483,403	412,455	3.0
JetBlue	281,715	260,940	171,957	292,311	316,168	2.3
Frontier	247,145	204,924	199,836	264,830	311,884	2.2
Spirit	331,366	230,911	125,589	165,464	288,873	2.1
Hawaiian	237,560	155,345	122,574	211,844	209,839	1.5
British Airways	210,432	141,615	0 [8]	98,141	173,266	1.2
Air Canada[6]	138,417	100,851	0 [8]	54,699	149,232	1.1
United Parcel Service	138,860	146,624	138,926	138,064	147,200	1.1
Lufthansa	103,322	72,466	0 [8]	24,643	98,117	0.7
Japan Airlines	138,700	104,500	32,680	119,120	82,090	0.6
Allegiant	31,927	19,387	38,889	53,883	75,345	0.5
Sun Country	44,972	39,589	30,643	34,130	37,814	0.3
Others[7]	134,315	122,404	86,798	65,703	73,640	0.5
Total	14,481,229	12,053,081	7,779,528	11,764,083	13,869,162	100.0%
Annual % Change	4.7%	(16.8)%	(35.5)%	51.2%	17.9%	

1 Totals may not add due to rounding.
2 Landed weight is for Alaska 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 for United and its regional carrier service provided by SkyWest.
5 Landed weight is both American and American's regional carrier service provided by Compass and Sky West. Compass Air ceased operating in April 2020.
6 Landed weight is for Air Canada Rouge and Jazz Aviation, both affiliates for Air Canada.
7 "Others" includes airlines/cargo carriers that ceased operating at SAN during the period shown in the table, and airlines/cargo carriers with a Fiscal Year 2023 market share of less than 0.3%.
8 As a result of the COVID-19 pandemic and the resulting travel restrictions to foreign countries, British Airways, Air Canada and Lufthansa did not operate from the Airport in Fiscal Year 2021. British Airways resumed service from the Airport in October 2021, Air Canada resumed service from the Airport in August 2021 and Lufthansa resumed service from the Airport in April 2022.
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 SAN 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/SAN. 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 SAN 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 BCP is reviewed with the various department of the Airport Authority on a regular basis and tabletop exercises are conducted annually to test the readiness of the plan.

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 SAN and the Airport Authority. However, the Airport Authority cannot predict whether SAN would need to cease operations in the event of an emergency or what types of emergencies would cause SAN to cease operating. The Airport Authority is not able to predict for how long SAN would be closed and whether the Airport Authority's reserves would be adequate to return SAN 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 SAN.

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 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. During Fiscal Year 2023, the Signatory Airlines enplaned approximately 99.0% 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 SAN. 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, Spirit and Sun Country) and Terminal 2 (Air Canada, Alaska, American, British Airways, Delta, Hawaiian, Japan Airlines, JetBlue, United and Westjet) 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 SAN are calculated based on a residual rate-setting methodology and the terminal rental rates at SAN 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 SAN 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 (if necessary), 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) Federal Inspection Services ("**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 (if necessary), 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. If the calculation of coverage charges results in a negative amount, no coverage charges are imposed by 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 deposited $30,000,000 into the Major Maintenance Fund and allocated the costs of the deposit 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 deposited $10,000,000 into the Major Maintenance Fund and allocated the costs of the deposit 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 deposited $10,000,000 into the Major Maintenance Fund and allocated the costs of the deposit 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.

- Beginning in Fiscal Year 2023 and continuing through Fiscal Year 2029, the Airport Authority deposited and 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.

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 SAN 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 provide 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 SAN also apply to the Affiliate Airline's operations at SAN. 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 Airlines.

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

Signatory Airline	Affiliate Airline
Air Canada	Air Canada Rouge
Air Canada	Jazz Aviation
Alaska Airlines	Horizon Air
Alaska 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 SAN 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 ABX, Allegiant, Ameriflight, Lufthansa and Swift Air. 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.

See "FINANCIAL INFORMATION—Summary of Financial Results" for information with respect to aviation revenues collected by the Airport Authority in Fiscal Year 2023.

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 SAN. 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 both of its options to extend the agreement until September 30, 2023. The Airport Authority subsequently extended the agreement an additional 90 days to December 31, 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 is currently in the procurement process to award a new 3-year contract to a parking management company to manage the parking facilities at SAN.

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 2024, parking rates are $2.50 for the first 15 minutes and a maximum of $38 for the first day, with every additional day being $38 per day. Beginning in March 2023, the Airport Authority began moving towards a dynamic pricing strategy where reservation rates have a range of discounts based on various factors that include, the time of year, arrival day, percentage occupancy and length of stay. 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.

Valet parking rates are $60 per day. Customers who reserve parking in advance of arriving at SAN pay a discounted rate for valet parking based upon the time of year, arrival day, percentage occupancy and length of stay. Public parking accounted for approximately $44.2 million of operating revenues in Fiscal Year 2022, equal to approximately 13.8% of operating revenues or approximately 25.7% of non-airline revenues. Public parking accounted for approximately $46.3 million (preliminary; subject to year-end adjustments) of operating revenues in Fiscal Year 2023, equal to approximately 12.4% of operating revenues or approximately 25.7% of non-airline revenues.

Rental Car Agreements

As of July 1, 2023, there were seven rental car companies (operating a total of 15 brands) authorized by the Airport Authority to provide rental car services at SAN. Most of the major national brands are represented at SAN (Alamo, Avis, Budget, Dollar, Enterprise, Fox, Hertz, National, Payless, Sixt, Thrifty and ZipCar), as well as local brands (NuCar, U-Save and Green Motion). Twelve of the brands lease space within and operate from the Rental Car Center (the "**On-Airport Rental Car Companies**"). The remaining two 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 operate 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 (which was subsequently repealed and replaced with Section 50474.1 et seq. of the California Government Code), on October 4, 2012, the Board authorized the following CFC collection rates on rental cars rented from the rental car companies operating at SAN: $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 Senior Series 2023 Bonds).

In Fiscal Year 2022, the Airport Authority received approximately $36.5 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 $30.3 million of CFC revenues. In Fiscal Year 2023, the Airport Authority received approximately $40.6 million (preliminary; subject to year-end adjustments) in payments (not including CFCs) from the On-Airport Rental Car Companies and Off-Airport Rental Car Companies, and recorded the receipt of approximately $34.4 million (preliminary; subject to year-end adjustments) of CFC revenues. The CFC revenues are not pledged to or available to pay the Senior Series 2023 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 three years, unless suspended, revoked or terminated sooner in accordance with the terms of the TNC Permit. Each TNC Permit must be renewed every three years. The current TNC Permits expire on June 30, 2025. Pursuant to the TNC Permits, for Fiscal Year 2024, TNCs are required to pay $4.00 for each pick-up and $4.00 for each drop-off, and for Fiscal Year 2025, TNCs will be required to pay $4.25 for each pick-up and $4.25 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 2023, TNCs recorded approximately 2.1 million Airport pick-ups and approximately 2.3 million Airport drop-offs resulting in $16.6 million (preliminary; subject to year-end adjustments) in fee revenue for the Airport Authority (pick-up and drop-off fees were each $3.75 during Fiscal Year 2023). In Fiscal Year 2022, TNCs recorded approximately 1.4 million Airport pick-ups and approximately 1.7 million Airport drop-offs resulting in $10.8 million in fee revenue for the Airport Authority (pick-up and drop-off fees were each $3.50 during Fiscal Year 2023). 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 previous 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 63 food, beverage and retail units at SAN. 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 expired 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 expired on a date 7 years after such date of available use. Nearly all existing concession leases executed as part of the transition from the master concessionaire model in 2011 through 2014 are either in holdover status or are due to expire in late 2023 or early 2024. Once these leases expire, the Airport Authority will be able to create a new concessions program tailored to the expectations of passengers as they have evolved over the last decade. In particular, the model for airport retail has evolved from a focus on printed material, souvenirs and snacks to a "marketplace" format featuring grab-n-go food, sundries, personal care/over-the-counter pharmaceuticals, personal electronics and specialty retail. The marketplace model enables retailers greater flexibility to rotate merchandise as customer preferences change without new capital investment. The Airport Authority expects to solicit for new concessions for Terminal 2 in calendar year 2024.

In June 2023, the Airport Authority completed its solicitation of new concessions for the new Terminal 1. Concession operators will open 19 restaurants and seven retail stores in the New T1. The new concessions will occupy approximately 32,000 square feet of food & beverage and 14,000 square feet of retail space. This represents more than a 250% increase in square footage as compared to the current Terminal 1, which includes approximately 13,000 square feet of food & beverage and retail space. Due to the significant investment required by the vendors, the duration of the lease agreements with the new concessionaires will increase to 15 years for food & beverage and twelve years for retail. The selected concessionaires are expected to design and permit the Phase 1 concession units in Fiscal Year 2024 with construction expected to occur in Fiscal Year 2025. Similar to the expiring lease agreements, the new leases will provide for rental payments equal to the greater of a minimum annual guarantee ("**MAG**") or a percentage of gross income. The MAG will be set at 80% of the previous year's total rent paid after the first full year of operation. The percentage rent offers for these new concession agreements as compared to the previous generation are slightly lower food & beverage but slightly higher for convenience retail.

In 2022, the Airport Authority awarded a 10-year lease agreement for a CHASE Sapphire Lounge in Terminal 2 West. The new lounge is currently under construction and is expected to open in early 2024.

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 2022, gross sales for food and beverage outlets were $76.5 million, providing approximately $11.1 million in operating revenues to the Airport Authority (which equaled a percentage of the gross sales for food and beverage outlets). For Fiscal Year 2023, gross sales for food and beverage outlets were $99.5 million (preliminary; subject to year-end adjustments), providing approximately $14.4 million (preliminary; subject to year-end adjustments) 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 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). For Fiscal Year 2022, gross sales for gift, news and specialty retail outlets were $42.2 million, providing approximately $6.7 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 2023, gross sales for gift, news and specialty retail outlets were $51.3 million (preliminary; subject to year-end adjustments), providing approximately $8.6 million (preliminary; subject to year-end adjustments) 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 SAN. As a result of the COVID-19 pandemic, between May 2020 and December 2021, the Airport Authority waived the MAG provisions under the lease with Clear Channel. For Fiscal Year 2021, gross advertising income was $1.1 million, providing approximately $837,000 in operating revenues to the Airport Authority. For Fiscal Year 2022, gross advertising income was $3.4 million, providing approximately $1.4 million in operating revenues to the Airport Authority. For Fiscal Year 2023, gross advertising income was $2.7 million (preliminary; subject to year-end adjustments), providing approximately $1.9 million (preliminary; subject to year-end adjustments) 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.

By mid-2023, nearly all of the food and beverage and retail concessions had recovered from the impacts of the COVID-19 pandemic. The only minor exceptions were the duty-free retail businesses (which are expected to recover as international flights increase at SAN) and the airport spa/massage.

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 2021, 2022 and 2023.

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

	Fiscal Year 2021[1]		Fiscal Year 2022[2]		Fiscal Year 2023[3]	
Concession	**Gross Concession Sales**	**Airport Authority Operating Revenues**	**Gross Concession Sales**	**Airport Authority Operating Revenues**	**Gross Concession Sales**	**Airport Authority Operating Revenues**
Food & Beverage	$29,724,679	$4,206,180	76,456,934	$11,099,280	$99,509,669	$14,409,645
Retail	20,978,579	3,245,777	42,194,788	6,704,143	51,274,430	8,621,769
Other	1,761,080	788,835	5,195,872	2,839,034	10,098,959	2,086,319
Advertising	1,189,963	844,504	3,482,817	1,508,702	2,822,656	2,028,114
Total	$53,654,301	$9,085,298	127,330,411	22,151,161	$163,705,714	$27,145,849

[1] Fiscal Year 2021 and Fiscal Year 2022 Governmental Accounting Standards Board – Statement No. 87 – Leases ("**GASB 87**") adjustments are excluded from operating revenues to allow comparison with Fiscal Year 2023.
[2] Fiscal Year 2022 excludes credits provided to concession operators relating to COVID-19 pandemic relief under the terms of the American Rescue Plan Act.
[3] Preliminary; subject to year-end adjustments.
Source: San Diego County Regional Airport Authority.

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 review the Airport Authority's strategic plan progress, discuss strategy and policy, and update initiatives to drive business and operational 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 and action plans with strategic plan initiatives. The Board is consulted frequently 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 for the first six months of the Fiscal Year. In February and March, departments submit budget requests reflecting the needs to execute strategic plan initiatives. Meetings are held with each division to review their budget requests and weigh the cost/benefit impact, where appropriate.

The next step in the budgeting process is the creation of the revenue budget. This budget has two distinct parts, airline revenue and non-airline revenue. In building these two sections, Finance staff first builds a forecast of the enplanements and landed weight in partnership with air service development. These forecasts are a key component in the rest of the revenue streams. In addition, Finance staff reviews the current revenue trends and partners with the revenue generation department on future trends in non-airline revenue. Finally, the expense budget, amortization, and debt service allocations are inputted into the Airline rates and charges model to create the airline revenue. After completing this process, the finance staff checks to ensure that the total budget is adequate to maintain a strong financial position.

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

On June 1, 2023, the Board adopted the budget for Fiscal Year 2024 and approved, in concept, the budget for Fiscal Year 2025. The conceptual budget for Fiscal Year 2025 approved by the Board will be brought back to the Board in 2024 for review, any needed revisions and final adoption.

In 2023, the Airport Authority received its 18th 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 2023.

Fiscal Year 2024 Budget. Budgeted operating and non-operating revenues for Fiscal Year 2024 are $618.4 million, an increase of $132.9 million (or 27.4%) over Fiscal Year 2023 budgeted operating and non-operating revenues. This increase is primarily attributed to increases in airline revenue ($27.4 million) and non-airline revenues ($42.7 million), including terminal concessions, rental car licenses and parking, as well as increases in non-operating revenue from capital grant contributions ($33.0 million) and interest income ($19.8 million) on projected higher cash balances. Budgeted expenses for Fiscal Year 2024 are projected to increase $44.6 million, or 11.6%, over Fiscal Year 2023 budgeted expenses (which were $382.8 million). This increase is primarily attributable to increases in debt service (a $28.3 million increase), operating expense increases related to passenger activity and cost escalation in shuttle services and utility expenses. The Fiscal Year 2024 budget assumes 12.1 million enplaned passengers, as compared to (a) 10.1 million enplaned passengers in the Fiscal Year 2023 budget (a 19.8% increase), and (b) 11.9 million actual enplaned passengers for Fiscal Year 2023 (a 1.7% increase).

<u>*Conceptual Fiscal Year 2025 Budget*</u>. Budgeted operating and non-operating revenues for Fiscal Year 2025 are $661.1 million, an increase of $42.7 million (or 6.9%) over Fiscal Year 2024 budgeted operating and non-operating revenues. This increase is primarily attributed to an increase in airline revenue due to increased operating expenses and non-airline revenues due to an anticipated increase in enplanements. Budgeted expenses for Fiscal Year 2025 are projected to increase $55.8 million, or 13.0%, over Fiscal Year 2024 budgeted expenses (which are $427.4 million). This increase is primarily attributable to increases in personnel costs, safety and security costs and contractual services. The Fiscal Year 2025 budget assumes 12.5 million enplaned passengers, versus 12.1 million enplaned passengers in the Fiscal Year 2024 budget (a 3.0% 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 June 2023. 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, leverage 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; (b) a target of unrestricted reserves of 600 days of budgeted operating and maintenance expenses for the current fiscal year; (c) a debt per enplanement target range of $300 to $400; and (d) a Net Debt to Cash Flow Available to Debt Service ("**CFADS**") target range of 8x to 11x. Net Debt to CFADS is the ratio of gross debt (including long-term capital leases) less unrestricted cash balances and debt service reserve funds divided by CFADS (which includes Net Revenues, Capitalized Interest and PFCs available for debt service). 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.

The following table sets forth a summary of the Airport Authority's investments as of June 30, 2023:

TABLE 15
San Diego County Regional Airport Authority
Investments
(As of June 30, 2023)

Security Type	Market Value as of June 30, 2023	Percentage of Portfolio
U.S. Treasuries	$302,200,894	36.7%
U.S. Agency Securities	209,262,122	25.4
Medium Term Notes	99,183,584	12.0
Local Area Investment Fund (LAIF)	64,989,198	7.9
San Diego County Investment Pool	58,506,314	7.1
Cal Trust	33,030,634	4.0
Collateralized Bank Demand Deposits	38,881,372	4.7
Collateralized Mortgage Obligations	8,061,683	1.0
Supranationals	5,189,311	0.6
Municipal Bonds	4,927,782	0.6
Money Market Fund	278,356	<0.1
Total	$824,511,250	100.0%

Source: San Diego County Regional Airport Authority June 30, 2023 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 2019 through 2022 (audited) and Fiscal Year 2023 (unaudited). The following table summarizes the financial results from operations for the Airport Authority for Fiscal Years 2019 through 2022 (audited) and Fiscal Year 2023 (unaudited). See "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021." Forvis, 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. Forvis, 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, 2023 will be accepted by the Board in December 2023. Upon acceptance by the Board, the Airport Authority will post the Fiscal Year 2023 audited financial statements on the MSRB's EMMA website. Except for certain adjustments that may be necessary to comply with GASB 87, the Airport Authority does not expect any material differences between the unaudited Fiscal Year 2023 financial results provided in the following table and the financial results that will be contained in its audited financial statements for Fiscal Year 2023.

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

	2019	2020	2021[2]	2022	2023 (unaudited)[3]
Operating revenue:					
Aviation revenue					
Landing fees	$ 24,816	$ 33,242	$34,046	$35,354	$44,582
Aircraft parking fees	3,471	8,354	8,542	8,856	11,149
Building rentals	70,912	82,453	83,090	97,047	131,294
Security surcharge	33,559	–	–	–	–
Other aviation revenue	1,596	7,789	8,192	6,518	7,205
Concession revenue	71,256	57,243	41,801	88,138	83,634
Parking and ground transportation revenue	62,818	50,751	27,447	57,079	65,415
Ground rentals	22,810	21,386	19,177	23,265	27,792
Other operating revenue	2,441	1,818	1,680	2,999	3,735
Total operating revenue	293,679	263,036	223,975	319,253	374,806
Operating expenses:					
Salaries and benefits	49,578	51,667	52,922	46,373	51,149
Contractual services	49,903	37,694	24,977	34,491	45,573
Safety & security	31,397	29,457	35,086	34,191	33,811
Space rental	10,191	10,207	64	839	10,804
Utilities	13,194	12,748	11,730	14,193	17,803
Maintenance	13,436	11,584	9,111	10,747	16,334
Equipment and systems	375	336	425	340	922
Material and supplies	656	651	450	496	650
Insurance	1,200	1,308	1,519	1,741	1,997
Employee development & support	1,045	967	442	537	674
Business development	2,630	2,033	209	1,781	1,916
Equipment rental and repair	3,614	3,598	3,380	3,585	4,228
Total operating expenses before depreciation and amortization	177,219	162,250	140,315	149,314	185,861
Income from operations before depreciation and amortization	116,460	100,786	83,660	169,939	188,945
Depreciation and amortization	124,329	131,587	137,496	141,919	125,715
Operating (loss)	(7,869)	(30,801)	(53,836)	28,020	63,230
Non-operating revenues (expenses):					
Passenger facility charges	49,198	34,393	22,110	40,394	46,755
Customer facility charges	41,919	30,240	15,755	30,333	34,375
Federal Relief Grants (COVID-19)	–	36,895	77,219	78,922	–
Quieter Home Program, net	(3,192)	(3,295)	(3,233)	(2,541)	(2,051)
Joint Studies Program	(99)	–	–	–	–
Other interest income	–	–	6,748	7,263	1,219
Investment income	25,533	32,430	2,495	(48,884)	50,875
Interest expense	(74,501)	(73,612)	(76,628)	(109,675)	(118,897)
"Build America Bond" rebate	4,686	–	–	–	–
Other revenues (expenses), net	(510)	1,442	(705)	(13,316)	(1,655)
Non-operating revenue, net	43,033	58,493	43,761	(17,503)	10,621
Income before capital grant contributions	35,164	27,692	(10,075)	10,518	73,851
Capital grant contributions	8,213	4,072	13,932	12,958	52,287
Change in net position	43,378	31,764	3,857	23,476	126,138
Net position, beginning of year	809,925	853,302	885,066	888,925	912,401
Net position, end of year	$853,302	$885,066	$888,923	$912,401	$1,038,539

[1] Totals may not add due to rounding.
[2] Certain amounts for Fiscal Year 2021 were restated in accordance with Governmental Accounting Standards Board Statement No. 87.
[3] Unaudited and preliminary and subject to year-end adjustments. As of the date of this Official Statement, the Airport Authority expects its audited financial statements for the Fiscal Year ended June 30, 2023 will be accepted by the Board in December 2023. Upon acceptance by the Board, the Airport Authority will post the Fiscal Year 2022 audited financial statements on the MSRB's EMMA website.

Source: Fiscal Years 2019 through 2022 numbers are derived from the audited financial statements of the Airport Authority. Fiscal Year 2023 numbers are derived from the records of the Airport Authority.

Management's Discussion of Fiscal Year 2023 (unaudited) Financial Results. Total operating revenue for Fiscal Year 2023 was $374.8 million, an increase of $55.6 million or 17.4% over Fiscal Year 2022. Airline revenue for Fiscal Year 2023 increased $46.5 million or 31.4% over Fiscal Year 2022. The increase in total airline revenue was primarily due to the amended requirement for the funding of the Major Maintenance Fund in Fiscal Year 2023 following deferral of the fund requirements during Fiscal Years 2021 and 2022. As a result of preserving PFCs to pay debt service in future years, an increase in the cost recovery of debt service also contributed to increased airline revenue. The Airport Authority usually uses PFCs each year to pay a portion of the debt service, which results in reduced airline revenues. The increase in cost recovery was a result of higher operating expenses and debt service increasing. Non-airline revenue increased $9.1 million in Fiscal Year 2023. The Fiscal Year 2023 unaudited results do not yet reflect the GASB 87 adjustment. After removing the GASB 87 adjustment from Fiscal Year 2022 results non-airline revenues for Fiscal Year 2023 are up $17.5 million or 10.8% mainly due to higher enplanements.

Operating expenses, before depreciation, for Fiscal Year 2023 were $185.8 million, an increase of $36.5 million over Fiscal Year 2022. The Fiscal Year 2023 unaudited results do not reflect the GASB 87 non-cash adjustment. After removing GASB 87 adjustment from Fiscal Year 2022 results, operating expenses are up $26.0 million or 17.5%, from Fiscal Year 2022. Contractual services increased by $11.1 million or 32.1%, mainly due to higher expenses for parking and shuttle operations, planning and environmental services, terminal operation costs, legal services, and information technology support. Maintenance expenses increased by $5.6 million, or 52.0%, due to an increase in annual and major maintenance. Salaries and benefits, increased by $4.8 million or 10.3%, due to wage and salary increases required under union contract agreements, pay-for-performance increases for non-union employees and an increase in pension expense. Utilities increased by $3.6 million or 25.4% due to increases gas and electric usage and rates

Non-operating revenue (net) increased by $28.2 million in Fiscal Year 2023. Investment income increased by $99.8 million due to higher cash balances and interest yields, and non-cash market value adjustments to the investments. Investment income is derived from interest earned by the Airport Authority on investments and includes unrealized gains and losses. In Fiscal Year 2022, the Airport Authority recorded a loss of $61.3 million as a result of unrealized investment losses compared to an unrealized gain of $11.7 million in Fiscal Year 2023 and interest earned increased by $26.8 million between Fiscal Year 2022 and Fiscal Year 2023. There were no fixed asset write offs in Fiscal Year 2023 compared to $13.5 million in Fiscal Year 2022. Enplanement increased PFC's and CFC's revenue by $10.4 million. These increases were offset by no federal relief grants being received in Fiscal Year 2023; the Airport Authority received $78.9 million of federal relief grants in Fiscal Year 2022 and higher interest expense of $9.1 million. In Fiscal Year 2023 capital grant contributions increased by $39.4 million compared to Fiscal Year 2022 due to the multi-year Airport Improvement Program grant commitment and Bipartisan Infrastructure Law grant received in Fiscal Year 2023. See "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Projected Funding Sources for Capital Program—Airport Improvement Program and Bipartisan Infrastructure Law Grants."

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Revenue Diversity

The following table sets forth the top ten operating revenue providers at SAN for Fiscal Year 2023.

TABLE 17
San Diego County Regional Airport Authority
Top Ten Operating Revenue Providers
(Fiscal Year 2023)[1]

	Revenue Provider	Revenues	Percent of Total Operating Revenue
1.	Southwest Airlines	$59,517,741	15.9%
2.	Alaska Airlines	29,361,297	7.8
3.	Delta Air Lines	28,222,722	4.5
4.	United Airlines	26,967,634	7.2
5.	American Airlines	21,754,057	5.8
6.	Avis Rent-A-Car	15,715,254	4.2
7.	Enterprise Rent-A-Car	14,532,491	3.9
8.	Hertz Rent-A-Car	12,587,839	3.4
9.	Uber Technologies, Inc.	11,222,131	3.0
10.	Signature Flight Support	7,617,329	2.0

[1] Preliminary; subject to year-end adjustments.
Source: San Diego County Regional Airport Authority

The following table sets forth the top ten operating revenue sources at SAN for Fiscal Year 2023.

TABLE 18
San Diego County Regional Airport Authority
Top Ten Operating Revenue Sources
(Fiscal Year 2023)[1]

	Source	Revenue	Percent of Total Operating Revenue
1.	Building Rentals	$131,294,021	35.0%
2.	Parking Revenue	46,325,005	12.4
3.	Landing Fees	44,582,106	11.9
4.	Rental Car License Fees[2]	40,622,323	10.8
5.	Terminal Concessions	31,849,673	8.5
6.	Ground Rentals	25,062,616	6.7
7.	Ground Transportation Permits and Citations	19,089,593	5.1
8.	Aircraft Parking Fees	11,148,916	3.0
9.	Common Use System Support Charges	11,032,894	2.9
10.	License Fees – Other	8,660,733	2.3

[1] Preliminary; subject to year-end adjustments.
[2] Excludes CFC revenues, of which the Airport Authority recorded the receipt of $34.4 million in Fiscal Year 2023.
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 2019 through 2023. As of December 8, 2021, the Airport Authority defeased all of its then-Outstanding Senior Bonds. After the issuance of the Senior Series 2023 Bonds, the Senior Series 2023 Bonds will be the only

Outstanding Senior Bonds. See " DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Projected 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.

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

	2019	2020	2021	2022	2023[2]
Net Revenues					
Revenues[3]	$306,683,097	$280,572,988	$227,573,517	$324,096,640	$411,242,086
Operating and Maintenance Expenses	(165,925,555)	(152,377,707)	(139,258,325)	(156,925,116)	(178,250,331)
Plus: COVID-19 Federal Relief Funds Applied to Operating and Maintenance Expenses	–	16,080,061	51,237,039	60,790,418	–
Net Operating and Maintenance Expenses	*(165,925,555)*	*(136,297,647)*	*(88,021,286)*	*(96,134,968)*	*(178,250,331)*
Net Revenues Available for Debt Service	$140,757,542	$144,275,342	$139,552,231	$227,961,672	$232,991,755
Senior Debt Service					
Senior Bonds[4]					
Principal	$ 2,320,000	$ 7,925,000	$ 8,315,000	$3,635,598	–
Interest	18,174,150	18,081,350	17,685,100	7,195,563	–
Less: PFCs Applied to Senior Debt Service	(9,544,262)	(11,260,741)	(11,172,249)	(4,691,941)	–
Less: COVID-19 Federal Relief Funds Applied to Senior Debt Service	–	(6,501,585)	(3,406,934)	(1,539,286)	–
Total Senior Debt Service	10,949,889	8,244,024	11,420,917	4,599,934	–
Senior Debt Service Coverage	12.85x	17.50x	12.22x	49.56x	–
Subordinate Debt Service					
Subordinate Net Revenues Available for Debt Service	$129,807,653	$136,031,318	$128,131,313	$223,361,738	$232,991,755
Subordinate Bonds[5]					
Principal	$15,895,000	$17,745,000	$22,315,000	$34,040,000	$43,385,000
Interest[6]	37,917,500	39,404,449	41,720,733	48,876,516	56,052,373
Variable Rate Debt[7]	7,497,649	1,894,813	–	–	–
Less: PFCs Applied to Subordinate Debt Service	(20,461,071)	(18,744,592)	(8,833,085)	(25,313,393)	–
Less: COVID-19 Federal Relief Funds Applied to Subordinate Debt Service	–	(14,313,843)	(22,593,066)	(16,460,714)	–
Total Subordinate Debt Service	$40,849,078	$25,985,827	$32,609,582	$41,142,409	$99,437,373
Subordinate Debt Service Coverage	3.18x	5.23x	3.93x	5.43x	2.34x
Aggregate Senior and Subordinate Debt Service					
Net Revenues Available for Debt Service	$140,757,542	$144,275,342	$139,552,231	$227,961,672	$232,991,755
Aggregate Debt Service (Bonds)					
Principal	18,215,000	25,670,000	30,630,000	37,675,598	43,385,000
Interest[6]	56,091,650	57,485,799	59,405,833	56,072,079	56,052,373
Variable Rate Debt[7]	7,497,649	1,894,813	–	–	–
Less: PFCs Applied to Senior and Subordinate Debt Service	(30,005,333)	(30,005,333)	(20,005,333)	(30,005,334)	–
Less: COVID-19 Federal Relief Funds Applied to Senior and Subordinate Debt Service	–	(20,815,428)	(26,000,000)	(18,000,000)	–
Total Aggregate Debt Service	$51,798,966	$34,229,851	$44,030,500	$45,742,343	$99,437,373
Aggregate Debt Service Coverage	2.72x	4.21x	3.17x	4.98x	2.34x

[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] Preliminary; subject to year-end adjustments.
[3] 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.
[4] Includes principal of and interest paid on the Senior Series 2013 Bonds, which were fully defeased on December 8, 2021.
[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, the Subordinate Series 2020 Bonds and the Subordinate Series 2021 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, proceeds of the Subordinate Series 2021A Bonds and the Subordinate Series 2021B Bonds 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 SAN for the past five Fiscal Years.

TABLE 20
San Diego International Airport
Airline Derived Revenue Per Passenger

Airline Revenues[1]	2019	2020	2021	2022	2023[2]
Joint Use Fees[3]	$ –	$ 49,426,560	$ 55,229,873	$ 62,362,974	$ 79,064,006
Landing Fees[4]	24,973,853	31,605,811	30,942,421	33,343,343	42,634,158
Terminal Rentals[4,5]	65,819,807	28,107,630	25,372,323	30,773,369	46,423,635
Common Use Fees	1,407,707	7,627,629	7,369,019	8,230,945	11,032,894
Aircraft Parking Fees[6]	3,471,363	6,800,018	6,859,419	6,885,847	9,516,261
FIS Use Charges	3,532,491	3,261,820	984,860	2,201,290	3,219,300
Security Surcharge[7]	33,558,621	–	–	–	–
Incentive Program	–	–	(62,080)	(2,078,912)	(4,097,315)
Total Airline Revenue	$132,763,842	$126,829,468	$126,695,834	$141,718,856	$187,792,939
Enplaned Passengers	12,356,286	9,235,459	4,860,931	9,953,162	11,867,569
Airline Derived Revenue Per Passenger	$10.74	$13.73	$26.06	$14.24	$15.82

[1] Includes both Signatory and Non-Signatory Airline Revenues.
[2] Preliminary; subject to year-end adjustments.
[3] 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.
[4] Excludes rebates.
[5] Excludes Executive Lounge rent of approximately $1.9 million in Fiscal Year 2019, $1.7 million in Fiscal Year 2020, $1.5 million in Fiscal Year 2021, $1.8 million in Fiscal Year 2022 and $2.6 million (preliminary; subject to year-end adjustments) in Fiscal Year 2023.
[6] Amount excludes general aviation remote overnight parking.
[7] 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

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Liquidity and Available Funds

As of June 30, 2023, 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 Bonds and the Subordinate Obligations.

Unrestricted Cash and Investments[1]

Cash and investments	$128,228,420
Cash designated for capital projects and other	16,003,736
Major Maintenance Fund	82,998,949
Operation and Maintenance Reserve Subaccount	17,932,678
Operation and Maintenance Subaccount	46,342,596
Renewal and Replacement Account	5,400,000
Small Business Bond Guarantee	2,222,300
Investments – long-term portion	389,193,321
Total Unrestricted Cash and Investments	$688,322,000
Discretionary Cash[2]	$618,646,726

[1] Preliminary; subject to year-end adjustments.
[2] Excludes Operation and Maintenance Reserve Subaccount, Operation and Maintenance Subaccount, and Renewal and Replacement Account.

As of June 30, 2023, the Airport Authority's "days-cash-on-hand" was 1,235 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 2023 ($178.3 million (unaudited)).

As of June 30, 2022, the Airport Authority's "days-cash-on-hand" was 1,100 days, which was calculated using Total Unrestricted Cash and Investments of $472.9 million (minus the deposits to the Major Maintenance Fund ($34.3 million) and minus the Small Business Bond Guarantee ($2.2 million)) and the Operation and Maintenance Expenses of the Airport System for Fiscal Year 2022 ($156.9 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—Projected 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, 2023:

Restricted Cash and Investments (excluding CFCs)[1]

Bond proceeds held by Trustee – Construction	$1,051,846,294
Debt Service Reserve Funds held by Trustee – Subordinate Bonds	185,635,563
Bond proceeds held by Trustee – Capitalized Interest	167,425,953
Passenger Facility Charges	105,594,340
Debt Service Funds held by Trustee	72,735,812
Total Restricted Cash and Investments	$1,583,237,962

[1] Preliminary; subject to year-end adjustments.

Federal Aid Related to COVID-19

In 2020 and 2021, the United States government took several legislative and regulatory actions and implemented measures to mitigate the broad disruptive effects of the COVID-19 pandemic. Among these measures was the adoption of the Coronavirus Aid, Relief, and Economic Security Act (the "**CARES Act**"), the Coronavirus Response and Relief Supplemental Appropriations Act (the "**CRRSAA**"), and American Rescue Plan Act ("**ARPA**"), pursuant to which the Airport Authority was awarded $203,758,957 (collectively, the "**COVID-19 Federal Relief Funds**"). In Fiscal Years 2020, 2021 and 2022, the Airport Authority drew all of its COVID-19 Federal Relief Funds to make debt service payments, to fund Maintenance and Operation Expenses of the Airport System and to provide relief to concessionaires at SAN.

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.

On September 7, 2023, the Board authorized changes to the Airport Authority Pension Plan that will allow new, Airport Authority employees that are not represented by the Teamsters Local 911 to make a one-time, irrevocable election to participate in a defined contribution plan, rather than participate in the Airport Authority Pension Plan. The costs to the Airport Authority for this new defined contribution option are expected to be substantially similar to the costs of the existing defined benefit plan. The Airport Authority expects to offer the new defined contribution plan option within the next few months.

SDCERS uses actuarial developed methods and assumptions to determine the level of contributions 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 2023, the Airport Authority's contribution rate as a percentage of covered payroll was 22.9%, as compared to 30.4% for Fiscal Year 2022. For Fiscal Year 2023 the Airport Authority contributed approximately $7.7 million (preliminary; subject to year-end adjustments) to the Airport Authority Pension Fund, and for Fiscal Year 2022, the Airport Authority contributed approximately $9.1 million to the Airport Authority Pension Fund. For Fiscal Year 2024, the Airport Authority budgeted approximately $7.6 million to the Airport Authority Pension Fund. These contribution rates were greater than the actuarially determined contribution rates. 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 7. DEFINED BENEFIT PLAN" and "REQUIRED SUPPLEMENTARY INFORMATION" in the Airport Authority's financial statements for the year ended June 30, 2022 attached hereto as "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY

REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021" for more information on the Airport Authority's Pension Plan, including funding levels. As of the June 30, 2022 actuarial valuation, the funding ratio of the Airport Authority's Pension Plan was 95.4%, compared to 94.6% as of June 30, 2021. 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 2023, the Airport Authority paid approximately $1.0 million (preliminary; subject to year-end adjustments) for Postemployment Health Benefits, which was the same as what it paid in Fiscal Year 2022. For Fiscal Year 2024, the Airport Authority has budgeted approximately $864,000 for Postemployment Health Benefits. As of the June 30, 2022 actuarial valuation, the Airport Authority's funding ratio for the Postemployment Health Benefits was 98.5% as compared to 114.8% as of June 30, 2021

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 270 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 10. OTHER POSTEMPLOYMENT BENEFITS" and "REQUIRED SUPPLEMENTARY INFORMATION" in the Airport Authority's financial statements for the year ended June 30, 2022 attached hereto as "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021" 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, 2023, the Airport Authority had designated approximately $13.8 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 2023, except for the property insurance policy, there were no reductions in insurance coverage from the prior year.

For the New T1 program, the Airport Authority maintains an OCIP for general liability coverage in an amount not to exceed $23 million. Additionally, the Airport Authority maintains a "builders risk" insurance policy in an amount not to exceed $13 million for the New T1 program.

The Airport Authority also has an active loss prevention program staffed by a Director of Finance and Risk, a Risk Manager, a Senior Risk Analyst and an Administrative Assistant. 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 2008, the Board approved the first-ever Airport Master Plan for San Diego International Airport (the "**Master Plan**"). The Master Plan identified four primary airport components to be improved at SAN: airfield, terminal, ground transportation and airport support. The airfield component included improved efficient aircraft movement areas such as the existing single 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.

Over the past 15 years, the Airport has constructed and implemented major projects that improve the primary four components identified in the Master Plan. The improvements included a 10-gate expansion of Terminal 2 West, an elevated departure roadway, a three-level parking plaza at Terminal 2, an expanded FIS facility at Terminal 2 West and an airline support/belly cargo facility. Additional improvements constructed and placed into operations on the north side of SAN include a new general aviation facility, the RDC, a new on-airport circulation road, the Rental Car Center and an expansion of aircraft fuel storage tanks.

In January 2020, the Board approved and adopted the New T1, which guides the next phase of master planning at SAN including a replacement of the aged Terminal 1 with a new 30-gate Terminal 1, a dual taxiway for improved aircraft circulation, a three-lane vehicle entry road and elevated departure roadway, and a second 5-level parking plaza serving Terminal 1. See "—Capital Program—New T1" below.

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 New T1 is expected to be designed and constructed through Fiscal Year 2028, and all approved open projects of the CIP are anticipated to be completed between Fiscal Years 2024 through 2028. The Capital Program has a budgeted cost of $3.854 billion (as of June 30, 2023, $999.5 million of this cost had been incurred), of which approximately $3.464 billion is the approved budgeted cost of the New T1.

New T1. In 2012, the Airport Authority embarked on a new master-planning effort for SAN 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 passenger growth with approximately 24.7 million passengers being served in Fiscal Year 2019, along with approximately 228,000 operations 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 be approximately 1.2 million square feet (three times larger than the existing Terminal 1 which is approximately 336,000 square feet), and will have 30 gates (11 more gates than the existing Terminal 1) that will be able to accommodate both narrow-body and wide-body aircraft. The terminal building layout design was developed to accommodate existing and projected airline fleet mix requirements, including additional "Airplane Design Group" III (i.e., Boeing 737-700), IV (i.e., Boeing 767) and V (i.e., Boeing 777) gates. The new Terminal 1 also will include an expanded 13 lane security checkpoint, up to two airline or common-use lounges, and a post-security outdoor patio area with views of the San Diego Bay and downtown San Diego. 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 SAN, and designation of a "transit-ready" area adjacent to the new parking structure for a potential future connection to the region's transit system (which is currently in the planning stages). The New T1 also includes the relocation of the shuttle lot. The New T1 will improve the customer experience for all passengers and provide improved aircraft circulation and facilities for SAN's airline tenants. See "APPENDIX A—FINANCIAL FEASIBILITY REPORT" for additional details on various components of the New T1.

The New T1 consists of three main 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 Terminal and Roadways Component has an approved budget of approximately $2.813 billion (including owners allowances and contingencies); the Airside Component has an approved budget of approximately $306.0 million (including owners allowances and contingencies); and the Administration Building Component has an approved budget of approximately $102.0 million (including owners allowances and contingencies). In addition to the approved budgets for the Terminal and Roadways Component, the Airside Component and the Administration Building Component, the adopted budget for the New T1 includes the costs for the shuttle lot relocation project (approximately $15.8 million) and additional project contingencies of $227.2 million.

As of the date of this Official Statement, the Airport Authority is estimating that the budget for the New T1 may increase by up to 11% from the original approved budget (which increase is expected to be attributable to the Terminal and Roadways Component). However, the existing program contingencies and allowances may be sufficient to cover some of the expected increases in cost due to inflation. 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 revised maximum contract price and then establish a guaranteed maximum price.

Design and Construction of the New T1. The New T1 is being procured utilizing "progressive design-build" and "design-bid-build" delivery methods. The Terminal and Roadways Component is being undertaken pursuant to a Progressive Design-Build Agreement (the "**Terminal and Roadway Agreement**") between the Airport Authority and the Terminal and Roadway Contractor (Turner-Flatiron, A Joint Venture). 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. Since approving the maximum contract price in October 2021, global inflationary pressures have resulted in an increase in construction costs above what was anticipated by the $105 million escalation allowance included in the maximum contract price. The Airport Authority is in the process of negotiating a guaranteed maximum price with the Terminal and Roadway Contractor and the escalation allowance developed in 2021 will be revised.

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 the Airside Contractor (Griffith Company). 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 (as amended, the "**Administration Building Agreement**") between the Airport Authority and the

Administration Building Contractor (Sundt Construction, Inc.). On July 1, 2021, the Board approved a maximum guaranteed contract price of $91,379,967 under the Administration Building Agreement for the design and construction of the Administration Building Component. Subsequent to the approval of the maximum contract price, the Administration Building Contractor and the Airport Authority agreed to several change orders which increased the maximum guaranteed contract price to $97,630,002.

As of August 1, 2023 (i) the design of the first 19 gates of the new Terminal 1 was 100% complete, while the design of the remaining 11 gates of the new Terminal 1 were approximately 90% complete, (ii) the design of the other parts of the Terminal and Roadway Component (roadways and parking structure) was 90% complete, and (iii) the design of the Airside Component and the Administration Building Component was 100% complete. Construction activities for the New T1 began in November 2021. As of August 1, 2023 (i) construction of the first 19 gates of the new Terminal 1 (which are expected to open in September 2025) was 26% complete and construction of the other parts of the Terminal and Roadway Component (roadways and parking structure) was 37% complete, and (ii) construction of the Airside Component (which is expected to be completed by November, 2028) was 17.5% complete. The remaining 11 gates of the Terminal and Roadway Component Construction are expected to begin construction in October 2025, and are expected to be completed by January 2028. Construction of the Administration Building Component is expected to be completed in September 2023, with Airport Authority staff commencing utilization of the building in October 2023.

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 SAN. 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 SAN between Fiscal Years 2024 and 2028. The projects in the CIP include, among others, the purchase of new rental car center buses, remodeling certain portions of Terminal 2 East, offsite roadway improvements, solid and liquid waste facilities, replacement of baggage handling system and makeup units in Terminal 2 East and various other airfield, terminal and landside projects. The CIP has an estimated cost of approximately $389 million.

Projected 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 Senior Series 2023 Bonds (approximately $970.3 million); proceeds of the Subordinate Series 2019 Bonds and the Subordinate Series 2021A/B Bonds (approximately $1.7 billion); proceeds of Additional Senior Bonds and/or Additional Subordinate Obligations (approximately $791.2 million); internally generated cash of the Airport Authority (approximately $340.7 million); moneys on deposit in the Major Maintenance Fund (approximately $66.2 million); PFC revenues on a pay-as-you-go basis (approximately $100,000); federal grants (approximately $352.3 million), including federal Airport Improvement Program grants, federal Airport Infrastructure Grants and federal Airport Terminal Program grants; and other sources (approximately $3.7 million). As of June 30, 2023, approximately $918.6 million had been spent on the New T1 and approximately $80.9 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" in "APPENDIX A—FINANCIAL FEASIBILITY REPORT" for additional information on the projected funding sources of the Capital Program.

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

	Estimated Cost	Series 2023 Bonds	Series 2019/ 2021A/B Bonds	Future Senior/Sub. Bonds	Federal Grants[2]	Airport Authority Funds	Major Maintenance Fund	PFCs	Other
New T1									
Total New T1	$3,834,300[1]	$970,262	$1,548,591	$791,238	$304,209	$220,000	–	–	–
CIP									
Rental Car Center Buses	$36,000	–	–	–	7,500	28,500	–	–	–
CIP Support	34,067	–	–	–	–	34,067	–	–	–
Offsite intersection/ roadway improvements	33,600	–	33,600	–	–	–	–	–	–
Expand/Remodel Terminal 2 East	30,000	–	–	–	25,000	–	$5,000	–	–
Solid & Liquid Waste Facilities	26,101	–	13,051	–	–	13,050	–	–	–
Replace baggage handling system & makeup units – Terminal 2 East	22,920	–	–	–	–	–	22,920	–	–
Northside apron improvements	15,200	–	15,039	–	–	–	161	–	–
Security network redesign	13,038	–	13,038	–	–	–	–	–	–
Rehabilitate ARFF Station	11,270	–	–	–	7,500	–	3,770	–	–
Fiscal Year 2024-28 CIP Allowance	10,000	–	–	–	–	10,000	–	–	–
Other Projects	157,053	–	75,773	–	8,110	35,048	34,357	$107	$3,657
Total CIP	$389,248	–	$150,500	–	$48,110	$120,665	$66,209	$107	$3,657
Total Capital Program	$4,223,548	$970,262	$1,699,091	$791,238	$352,319	$340,665	$66,209	$107	$3,657

[1] Includes the New T1 approved budget of $3.464 billion plus an approximate 11% increase to the New T1 approved budget.
[2] Includes federal Airport Improvement Program grants, federal Airport Infrastructure Grants and federal Airport Terminal Program grants.
Source: San Diego County Regional Airport Authority

Senior Series 2023 Bonds, Subordinate Series 2021A/B Bonds, Subordinate Series 2019 Bonds and Additional Senior Bonds and/or Additional Subordinate Obligations. The Airport Authority will use approximately $970.3 million of the proceeds of the Senior Series 2023 Bonds, approximately $1.572 billion of the proceeds of the Subordinate Series 2021A/B Bonds and $127.1 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 Senior Series 2023 Bonds, it will issue approximately $1.1 billion of Additional Senior Bonds and/or Additional Subordinate Obligations between Fiscal Years 2025 and 2026 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 $340.7 million of available funds of the Airport Authority, approximately $66.2 million of moneys on deposit in the Major Maintenance Fund and approximately $3.7 million of other moneys (consisting of funds received from the consortium of airlines funding the fuel facility projects ($3.5 million), and local grant funding for electric supply equipment ($200,000) 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 SAN. 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 SAN totaling approximately $1.6 billion. The Airport Authority has closed nine of the PFC Applications; these applications having been fully funded and the projects they financed having been completed. As of June 30, 2023, there were two active PFC Applications.

As of June 30, 2023, the Airport Authority had recorded the receipt of approximately $911.7 million of PFCs (consisting of $889.4 million of PFCs collections and $22.3 million of interest). As of June 30, 2023, the Airport Authority had disbursed a total of $806.2 million of PFCs on approved capital projects expenditures.

The following table sets forth a summary of the Airport Authority's approved PFC applications through June 30, 2023.

TABLE 22
San Diego County Regional Airport Authority
Approved PFC Applications

PFC Applications	Approval Date	Amended Approval Amount[1,2]
1-5, 7, 10, 11 and 13[3,4]	Various	$ 438,030,936
8	2010	1,118,567,229
12	2016	43,795,768
Total		$1,600,393,933

[1] Includes the amount of PFCs the FAA has authorized the Airport Authority to collect and use at SAN.
[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 and PFC Application #9 was skipped due to internal FAA system processing.
[4] The Airport Authority has closed PFC Applications 1-5, 7, 10, 11 and 13; these applications having been fully funded and the projects they financed having been completed.
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 SAN including, among other things, the Airport Authority's noise mitigation program, and projects associated with the New T1 and the CIP. As described in additional detail in the Feasibility Report, between Fiscal Years 2024 and 2029, the Airport Authority expects to use approximately $17.6 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"). Additionally, as described in additional detail in the Feasibility Report, in Fiscal Years 2026 through 2029, the Airport Authority expects to use approximately $310.0 million of PFCs to pay debt service on PFC Eligible Bonds (including a portion of the Subordinate Series 2019A Bonds, a portion of the Subordinate Series 2020 Bonds, a portion of the Subordinate Series 2021 Bonds, a portion of the Senior Series 2023 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 2019 through 2023.

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

Fiscal Year	PFCs Collected
2019	$49,197,716
2020	34,392,981
2021	22,109,906
2022	40,394,092
2023	46,754,727 [2]

[1] The information in this table is presented on an accrual basis. Does not include interest earnings.
[2] Preliminary; subject to year-end adjustments.
Source: San Diego County Regional Airport Authority

Airport Improvement Program and Bipartisan Infrastructure Law 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 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. Additionally, in November 2021, Congress passed, and President Biden signed into law, the Infrastructure Investment and Jobs Act (Public Law 117-58, commonly referred to as the "**Bipartisan Infrastructure Law**" or "**BIL**"). Title VIII of BIL makes available $20 billion, over five years, for the FAA to administer the newly created Airport Infrastructure Grants ("**AIG**"), and the Airport Terminal Program ("**ATP**"). Both AIP and BIL provide grants to public agencies for the planning and development of public-use airports that are included in the National Plan of Integrated Airport Systems. AIP and BIL grants are available to airport operators in the form of "entitlement" funds and "discretionary" funds. AIP and BIL (through AIG) entitlement funds are apportioned annually based upon the number of enplaned passengers and the aggregate landed weight of all-cargo aircraft. AIP discretionary funds are available at the discretion of the FAA based upon a national priority system. BIL discretionary funds, through ATP, are awarded annually to projects that address the aging infrastructure of the nation's airports through a competitive process. Before federal approval of any AIP or BIL 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 entitlement and discretionary grants to fund a portion of the costs of certain portions of the New T1 (approximately $304.2 million) and certain capital projects in the CIP (approximately $48.1 million). In Fiscal Year 2023, the Airport Authority was awarded $71.4 million in AIP and BIL (both AIG and ATP) grants. In Fiscal Year 2024, the Airport Authority has been awarded $58.4 million in TSA and BIL (both AIG and ATP) grants. In addition, the Airport Authority received a multi-year AIP grant commitment of $118.4 million for the airfield improvements that are part of the New T1. The $118.4 million includes $110.0 million of AIP discretionary funds and $8.4 million of entitlement funds. The Airport Authority's financial plan for funding the Capital Program also includes a $5 million AIP grant awarded prior to Fiscal Year 2023, AIP grants of $27.2 million expected to be awarded between Fiscal Years 2024 and 2029, and $71.8 million of AIG entitlement grants to be awarded between Fiscal Years 2025 and 2027.

In Fiscal Year 2023, the Airport Authority received approximately $52.3 million (preliminary; subject to year-end adjustments) of AIP and BIL grants.

As described above, the FAA has granted the Airport Authority approval to collect PFCs at SAN. 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 or BIL 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 SAN are expected to be financed and constructed by outside third parties, including the North Cargo Facility. This project is currently on hold until the New T1 is completed.

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 SAN, 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 adopted 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 Senior Series 2023 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 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."

Projected Net Revenues, Debt Service Coverage and Cost Per Enplanement

The following table sets forth the projected Net Revenues, debt service requirements for the Senior Bonds and the Subordinate Obligations, the coverage of such debt service requirements based upon the Net Revenues and the cost per enplanement, as forecast by the Feasibility Consultant, for Fiscal Years 2024 through 2029.

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, but do not exclude the debt service on any of the Subordinate Series 2021C Bonds purchased by the Airport Authority as part of the tender offer. 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 SENIOR SERIES 2023 BONDS—Use of PFCs to Pay Debt Service." Additionally, see the Feasibility Consultant's cover letter and "Section 3.10 - 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 projected 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 projected 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 projected financial information.

The assumptions and estimates underlying the projected 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 projected results are indicative of the future performance of the Airport Authority or SAN or that actual results will not be materially higher or lower than those contained in the projected financial information. Inclusion of the projected financial information in this Official Statement should not be regarded as a representation by any person that the results contained in the projected financial information will be achieved.

TABLE 24
San Diego County Regional Airport Authority
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
2024	$254,676,069	$ 9,333	N/A	$103,201,816	2.47x	$17.50
2025	302,698,223	519,327	N/A	97,313,236	3.09	17.68
2026	322,779,142	4,816,686	N/A	119,258,962	2.60	19.44
2027	337,473,555	2,816,807	N/A	139,273,841	2.38	20.47
2028	389,117,905	68,811,620	5.65x	139,276,599	1.87	23.91
2029	404,024,105	94,852,905	4.26	139,271,666	1.73	25.96

[2] Includes debt service on the Senior Series 2023 Bonds and the Additional Senior Bonds assumed to be issued in Fiscal Year 2025. For purposes of the table only: (a) the Senior Series 2023 Bonds are assumed to be issued in the aggregate principal amount of $1.1 billion and with an all-in true interest cost of 4.88%; and (b) the Additional Senior Bonds expected to be issued in Fiscal Year 2025 are assumed to be issued in the aggregate principal amount of $1.1 billion and with an all-in true interest cost of 6.0%. The Senior Debt Service Requirement numbers exclude the debt service on Senior Bonds which the Airport Authority expects to pay with capitalized interest and PFCs. The Feasibility Report assumes that the additional bonds to be issued in the future to finance the New T1 will be issued as Additional Senior Bonds. However, as of the date of this Official Statement, the Airport Authority has not made a final decision whether such bonds will be issued as Additional Senior Bonds and/or Additional Subordinate Obligations.

[3] Includes debt service on the Existing Subordinate Bonds. Does not include any debt service on the Subordinate Revolving Obligations. The Subordinate Debt Service Requirement numbers exclude the debt service on Subordinate Obligations which the Airport Authority paid or expects to pay with capitalized interest and PFCs. The Feasibility Report assumes that the additional bonds to be issued in the future to finance the New T1 will be issued as Additional Senior Bonds. However, as of the date of this Official Statement, the Airport Authority has not made a final decision whether such bonds will be issued as Additional Senior Bonds and/or Additional Subordinate Obligations.

[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 SAN, some of which are described below. These include aircraft noise reduction, clean air requirements and hazardous substance cleanup. SAN 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

General. The Airport Authority has made environmental stewardship a hallmark of operations at SAN. 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.

As part of its ongoing commitment to sustainability, in 2011, SAN 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 – "2022-23 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 expects the "2023-24 Sustainability Report: Sustainability Matters" will be available sometime in October 2023, and, once available, the Airport Authority will make the "2023-24 Sustainability Report: Sustainability Matters" available at sustain.san.org. The Airport Authority has developed a Sustainability Management Program (the "**Sustainability Program**") that sets forth the Airport Authority's framework for advancing and measuring its environmental sustainability progress. The Sustainability Program comprises 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 Program 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. In 2021, SAN attained the highest level of certification under ACI's Airport Carbon Accreditation program, which is Level 4+ "Transition."

Clean Transportation Plan - Provides the Airport Authority's strategy and plan for managing various ground transportation issues at SAN. 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 SAN. The ZWP provides an organized framework for eliminating or reducing waste generation and responsibly managing materials that are produced at SAN. 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 SAN's new Airline Support Building and new Administration Building were 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. See "INVESTMENT CONSIDERATIONS—Climate Change—Possible Sea-Level Rise."

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 Program 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 Program goals through its sustainability report.

Sustainability of New T1. The New T1 construction and design will reflect a strong commitment to sustainability through energy and water conservation, as well as clean-air and zero-waste initiatives. The Airport Authority's goal is to achieve "Leadership in Energy and Environmental Design" ("**LEED**") Gold certification for the new Terminal 1, Parksmart Gold certification for the new Terminal 1 parking structure and Envision infrastructure certification. Sustainable features of the New T1 are expected to include:

Aircraft Operations

- Hydrant fueling system, eliminating the need for tanker trucks, thereby reducing emissions and potential for accidents
- Linear Terminal Design - avoids need for airfield alleyways which leads to more efficient operations and reduces potential for accidents
- New Taxiway A - allows bi-directional aircraft flow of traffic which leads to more efficient operations

- All gates equipped with ground power & pre-conditioned air, which minimizes the use of airplane fuel use while at gates

- Five charging ports per gate (on average) for electric ground support equipment

Energy Efficiency

- Established an Energy Use Intensity target of 45 kBtu/square foot for the new Terminal 1

- Installing a highly efficient heat recovery chiller to capture otherwise wasted heat and reduce energy usage at the Central Utility Plant

- Reduced embodied carbon by 30% by using steel bracing systems in new Terminal 1 and less cementitious material in the new Terminal 1 Parking Plaza

Renewable Energy

- New Terminal 1 designed to accommodate approximately four megawatts of new photovoltaic solar and a 4 megawatt-hour battery energy storage system

- Receiving grid-delivered, carbon-free renewable electricity (solar and wind) through San Diego Community Power (a provider of affordable clean energy in the San Diego region)

Expanded electric vehicle alternatives

- Approximately 190 Level 2 charging ports in new Terminal 1 Parking Plaza (with another 353 pre-wired for future use)

- Approximately six direct current fast charging ports to support the conversion of taxis and TNCs to electric vehicles

- Conversion of all airport shuttles to electric

- Complimentary all-electric shuttle service from Old Town to the terminals

Water Quality & Conservation

- Installing an additional large capacity cistern on the south side of the Airport

- Capturing storm water from 150+ acres captured from airfield, terminal, and landside/roadway components (e.g., Terminal 1 Parking Plaza) for reuse

- A/C condensate from passenger boarding bridges also plumbed to reuse system

- Water reused in Central Utility Plant and to flush toilets in the new Terminal 1

Resiliency

- New Terminal 1, the new Terminal 1 Parking Plaza and roadways designed to be resilient to sea level rise conditions in Year 2100

- New Terminal 1 designed to be compatible with future Pure Water San Diego reclamation facility to receive recycled water

Future Fixed-Rail Connection

- Preserved transit station area at the Airport terminals

Bicycle Infrastructure

- Approximately 250 bike rack and 30 bike locker stalls

- Multi-use path for bicycles and pedestrians to terminals (Project Component): A new muti-use path to allow pedestrians and bicyclists to travel on a dedicated route from Anchor Island to the new Terminal 1 along the north side of North Harbor Drive, with connections to Laurel and North Harbor Drive/Embarcadero across Anchor Island with a hawk-signal crossing at Laurel

- Install bicycle lane on Grape Street from North Harbor Drive to Kettner (Mitigation Measure): Consistent with the Downtown Mobility Plan to replace parking with bicycle lanes

- Install cycle track on Pacific Highway (airport side) from Laurel to Washington (Mitigation Measure): Consistent with the Downtown Mobility Plan to install a cycle track on Pacific Highway and extend to the north

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 SAN of any air carrier commercial aircraft not complying with Stage 3 noise levels.

There also are direct restrictions on aircraft departures at SAN, primarily relating to noise abatement. Specifically, departures from SAN between 11:30 p.m. and 6:30 a.m. (the "**Curfew**") may be subject to penalty. 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 SAN are not prohibited during the Curfew.

California Noise Standards. SAN 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 the California Department of Transportation ("**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 SAN was issued by Caltrans in September 2019 and was valid for three years. The Airport Authority submitted a new variance application for SAN with Caltrans in June 2022, which is currently under review. SAN continues to operate under the expired variance until Caltrans issues a new variance. During the term of the variance, the Airport Authority is required to continue the 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 SAN 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 sound insulation program (the "**Quieter Home Program**"), which includes both residential and non-residential properties, is an ongoing program that provides acoustical insulation to all eligible single- and multi-family dwellings and certain other non-residential properties located in SAN's noise impact area. 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. The Airport Authority mainly uses AIP grant revenues and PFC revenues to pay for the Quieter Home Program. To date, the Quieter Home Program has sound-attenuated approximately 5,347 residences. From its inception through May 31, 2023, the Airport Authority has spent approximately $278 million ($227 million of which has been paid with AIP grant revenues and $50 million of PFC revenues) on the Quieter Home Program.

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 SAN 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

New T1. See "—Environmental Stewardship—Sustainability of New T1" above for a description of certain of the air quality measures the Airport Authority is undertaking with respect to the New T1.

Continuing Efforts to Reduce Carbon Footprint. The Airport Authority continues to pursue opportunities for reducing its carbon footprint and particulate emissions. Notable examples include encouraging contractors to use renewable diesel and Tier 4 equipment on construction projects to reduce greenhouse gas and particulate emissions. In 2022, a significant portion (96%) of construction equipment were classified as Tier 4. Approximately 98% of nonroad vehicle emissions from the construction of the Airside Component of the New T1 was from renewable diesel consumption, which can reduce emissions by up to 75% or more compared to petroleum diesel.

Ground Transportation Vehicle Conversion Incentive-Based Program. In 2010, the Board adopted a Ground Transportation Vehicle Conversion Incentive-Based Program (the "**Incentive Program**"). For various eligible ground transportation providers at SAN, the Incentive Program provides incentive payments, reduced permit fees, and/or reduced trip fees for Alternative Fuel Vehicles ("**AFVs**") and Clean Air Vehicles ("**CAVs**"), and increased user fees for non-AFVs and non-CAVs. The Incentive Program cost approximately $150,000 in Fiscal Year 2023. 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 GSE as priority action areas. The Airport Authority is now complying with requirements of CARB's ZEV Shuttle Bus regulation, and with a fleet of 33 electric buses and shuttles, the Airport Authority is ahead of the conversion compliance timeline. On the airside, the Airport Authority is working with airline and ground handling business partners to convert GSE to alternative fuels (e.g., electric, propane, and renewable diesel). These initiatives are part of the Airport Authority's "**Carbon Neutrality Plan**", that was developed in 2019, and proactively addresses GHG-emission sources at SAN. 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 (also known as Sustainable Aviation Fuel) 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 SAN.

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 ("**SDRWQCB**") and the State Water Resources Control Board ("**SWRCB**"). The Airport Authority is currently in compliance with all of its storm water runoff discharge permits.

Certain portions of the SAN, fueling, maintenance and wash areas, are regulated under California's Industrial General Permit, adopted on July 1, 2015 by SWRCB. As part of the new permit, industrial facilities' storm water discharges need to be below certain "numeric action levels" for water quality parameters. SAN 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 SAN's north side and an approximately 900,000 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. The New T1 also has been designed with infiltration basins and detention pipes to capture stormwater runoff.

On June 18, 2014, 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 SDRWQCB and that investigation was completed. In August 2017, 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 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 SDRWQCB. On October 2, 2019, 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 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 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 SDRWQCB's October 2, 2019 investigative order seeking, among other things, to require SDRWQCB to add the Airport Authority and others as parties to the new investigative order. In response to a demurrer filed by 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 (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 ("**Navy Boat Channel**") immediately adjacent to SAN. In a letter to the Airport Authority dated December 28, 2016, the Navy alleged that the Airport Authority, among others, was a responsible party under the federal Comprehensive Environmental Response, Compensation, and Liability Act ("**CERCLA**") due to past contributions of metals and other contaminants into the Boat Channel. 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. On March 27, 2023, the United States of America filed an action against the City, in the United States District Court for the Southern District of California, Case No. 3:23-CV-541-LL-BGS (the "**Action**"), concerning the clean-up of contaminated sediments in the Navy Boat Channel. On July 14, 2023, the City filed a Third-Party Complaint against the Airport Authority and the Port District concerning contribution for clean-up of contaminated sediments in the Navy Boat Channel, including causes of action for: (i) contribution under CERCLA, 42 U.S.C. § 9613(f); (ii) cost recovery under CERCLA, 42 U.S.C. § 9607(a); (iii) declaratory relief under CERCLA, 42 U.S.C. § 9613 and other federal laws; (iv) equitable indemnity under common law; and (v) declaratory relief pursuant to CERCLA § 113(g)(2) and other federal and state laws. The Airport Authority cannot predict the ultimate outcome of this case or 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.

On March 20, 2019, 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 SAN. The Airport Order identifies SAN as a facility that accepted, stored, or used materials that may contain PFAS. SAN possesses 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 SAN and submitted a formal completion report to 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, 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 subsequently approved by the SDRWQCB and the Airport Authority filed its Supplemental Per- And PolyFluoroalkyl Substances Investigation Report with the SDRWQCB on August 1, 2023.

Additionally, in October 2019, 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, SDRWQCB 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 and Procurement

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, 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 Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 Bonds. The information contained in this Official Statement relates solely to the Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 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 severely disrupted the economies of the United States and other countries. There can be no assurances that any resurgence of COVID-19 will not have a material adverse effect on the demand for passenger air travel, although air travel volumes have begun to recover since mid-2020.

In addition, the COVID-19 pandemic resulted in operational difficulties for certain airlines as they have increased 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.

Future outbreaks, pandemics or events outside the Airport Authority's control may reduce demand for air travel, which in turn could cause a decrease in passenger activity at SAN and declines in Airport Authority revenues.

Senior Series 2023 Bonds Are Special Obligations

The Senior Series 2023 Bonds are special obligations of the Airport Authority, payable solely from and secured by a pledge of and lien on (a) 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 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 Senior Series 2023 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 Senior Series 2023 Bonds.

Factors Affecting the Airline Industry

General. Key factors that affect airline traffic at SAN and the financial condition of the airlines, and, therefore, the amount of Net Revenues available for payment of the Senior Series 2023 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 SAN 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 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 SAN 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 SAN 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 MAG, 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. At the beginning of the COVID-19 pandemic, in order to provide financial assistance to the concessionaires, the Airport Authority waived certain fees and rents payable by the concessionaires. The new concession agreements to be entered into with the new concessionaires will have language to allow MAG suspension as a result of a severe decline in enplanements.

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 SAN 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—3.11 Sources of Forecast Risk and Uncertainty."

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 SAN 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, including the war between Ukraine and Russia and, historically, 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. The price of aviation fuel rose to an all-time high of approximately $4.04 per gallon in June 2022. According to the U.S. Bureau of Transportation Statistics, the price of aviation fuel averaged approximately $2.80 per gallon during the first six months of 2023. For comparison purposes, according to the U.S. Bureau of Transportation Statistics, between 2018 and 2022, the price of aviation fuel averaged approximately $2.25 per gallon per year. 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 SAN 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; (e) in December 2016, Alaska Air Group acquired Virgin America; and (f) in July 2022, JetBlue Airways agreed to acquire Spirit Airlines (the U.S. Department of Justice, along with several states, have sued to stop this merger). To date none of these mergers have had any material impact on airline service or enplanements at SAN. While these prior mergers have not had any material impact on airline service or enplanements at SAN or on Revenues, future mergers or alliances among airlines operating at SAN 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 SAN.

Industry Workforce Shortages. Workforce and labor shortages are an aviation industry-wide issue. For example, a shortage in pilots have especially affected smaller regional airlines. There are several causes for such shortage. 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. Additionally, at the onset of the COVID-19 pandemic, airlines were faced with a surplus of personnel resulting from the sudden and dramatic decline in traffic. As a result, airlines offered their employees buyouts and early retirement packages and, according to certain media reports, approximately 10% of pilots took early retirement. Other factors include an aging pilot workforce and fewer new pilots coming out of the military. Further, as passenger demand increases as air traffic demand returns, 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. An additional concern regarding the pilot workforce has recently come to light due to the COVID-19 pandemic. Pilots have self-reported increased errors to NASA's Aviation Safety Reporting System and attributed their errors to the reduction in flights, which has meant less time for pilots in the cockpit. Such reports raise the possible need for retraining opportunities as the airline industry recovers.

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 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.

General labor staffing shortages have also affected the airline industry. Over the last several months, numerous airlines have cancelled thousands of flights attributed to bad weather, staffing shortages, and air traffic control issues, among other things.

Aircraft Shortages. After retiring numerous aircraft during the COVID-19 pandemic, airlines are struggling to acquire sufficient aircraft to meet growing demand for air service in the United States and abroad. Those challenges are compounded because aircraft manufacturers, including Airbus and Boeing, have experienced delays in producing and delivering aircraft. Such delays result from several factors, including supply-chain disruptions, staffing shortages and FAA certification delays. Delays in aircraft delivery may hamper airlines' ability to increase capacity to meet travel demand. If such aircraft-delivery delays persist, airlines could reduce service domestically and internationally, including from SAN.

Bankruptcy by Airlines and Concessionaires

A bankruptcy of an airline or of another tenant or tenants operating from SAN could result in delays or reductions in payments on the Senior Series 2023 Bonds.

Since December 2000, several airlines that currently operate at SAN, 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 SAN could have a material adverse effect on operations of SAN, Revenues, and the cost to the other airlines operating at SAN.

In the event of a bankruptcy by an airline or other tenant operating from SAN, 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 Senior Trustee and the holders of the Senior Series 2023 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 Senior Series 2023 Bonds and that was received by the Airport Authority or the Senior 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 SAN also are required to pay to the Airport Authority PFCs collected from enplaned passengers at SAN. 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 SAN. 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 SAN 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 (including the Senior Series 2023 Bonds) or Subordinate Obligations, 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 SENIOR SERIES 2023 BONDS—Use of PFCs to Pay Debt Service."

Each Non-Signatory Airline operating at SAN 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 Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 Bonds.

Southwest Airlines – SAN's Largest Carrier

In Fiscal Year 2023, Southwest Airlines accounted for approximately 35.3% of the total enplaned passengers at SAN. 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 SAN, this risk is mitigated by the following factors: (a) except during the COVID-19 pandemic, Southwest Airlines has been generally a profitable airline; and (b) the development of service by Southwest Airlines at SAN has demonstrated a large O&D passenger demand that could be served by other airlines at SAN in the unlikely event Southwest Airlines were to reduce service at SAN. 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 SAN 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 SAN.

Regulations and Restrictions Affecting SAN

The operations of SAN 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, SAN 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 SAN will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for SAN, 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 SAN'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 SAN 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 SAN 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 SAN 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 SAN 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 SAN. Current conditions at SAN 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 SAN and manmade obstructions, such as office buildings, to the northeast, east and southeast of SAN. See "SAN DIEGO INTERNATIONAL AIRPORT—Existing Facilities."

There also are direct restrictions on aircraft departures at SAN, primarily relating to noise abatement. Specifically, departures from SAN between 11:30 p.m. and 6:30 a.m. (known as Curfew) may be subject to penalty, 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 SAN 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 SAN 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 SAN. 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 SAN 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 SAN. See "INTRODUCTION—Capital Program and New T1—New T1" and "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT—Capital Program—New T1" for a discussion of the ongoing negotiations between the Airport Authority and the Terminal and Roadway Contractor to agree on a guaranteed maximum price for the design and construction of the Terminal and Roadways Component of the New T1. As of the date of this Official Statement, the Airport Authority is estimating that the budget for the New T1 will increase up to 11% (which increase is attributable to the cost of the Terminal and Roadways Component of the New T1).

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 Senior Series 2023 Bonds, the previously issued Subordinate Series 2019 Bonds and Subordinate Series 2021A/B 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 and BIL 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 or BIL grants available to the Airport Authority; non-appropriation 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 SAN and the Airport Authority.

Availability of PFCs. The Airport Authority expects to use approximately $17.6 million of PFCs on a pay-as-you-go basis to finance costs of the Quieter Home Program. Additionally, in Fiscal Years 2026 through 2029, the Airport Authority expects to use approximately $310 million of PFCs to pay debt service on PFC Eligible Bonds (including a portion of the Subordinate Series 2019A Bonds, a portion of the Subordinate Series 2020 Bonds, a portion of the Subordinate Series 2021 Bonds, a portion of the Senior Series 2023 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 SENIOR SERIES 2023 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 SAN. 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 SAN 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 and BIL grant funding. Although the Airport Authority considers these assumptions to be reasonable, assumptions are inherently subject to certain uncertainties and contingencies. Actual AIP and BIL 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 SAN 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 or BIL 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 systems, but none have resulted in widespread compromise of the systems, 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; annually, the Airport Authority conducts incident response table top exercises to simulate a data breech provide Airport Authority wide training to staff and contractors on cybersecurity best practices; the Airport Authority has implemented TSA amendments for aircraft operators to develop plans that describe measures to improve cybersecurity resilience; and the Airport Authority develops TSA directive cyber incident response plans to reduce the risk of operational disruption should information or operational technology systems be impacted by a cyber incident.

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. In July 2023, the U.S. House of Representatives approved a bill reauthorizing the FAA for five more years. The U.S. Senate also has introduced a bill to reauthorize the FAA. The U.S. Senate is expected to continue work on the new reauthorizing bill once it returns from its summer break in September 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."

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.

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 Senior Series 2023 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 Revenues, Net Revenues, 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 Senior Series 2023 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 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 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 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 SAN 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. SAN has not experienced any significant losses of facilities or services as a result of earthquakes.

The main terminal buildings of SAN were seismically upgraded in the mid-1990s and comply with applicable building codes. However, SAN's facilities could sustain extensive damage in a major seismic event, ranging from total destruction of SAN, 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 SAN 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, 2023, the Airport Authority had designated approximately $13.8 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. - ***verify*** 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 SAN 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 SAN and also could affect ground operations at SAN.

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 EPA reviewed the rule pursuant to President Biden's Executive Order 13990, which directed agency review of regulations promulgated, issued or adopted between January 20, 2017 and January 20, 2021, and announced in November 2021 that it did not propose any changes to the rule. The petition to review the rule is pending.

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 released its 2022 Scoping Plan Update, which is intended to achieve carbon neutrality by 2045 and cut statewide GHG emissions by 85% below 1990 levels. 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 SAN.

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 SAN or on SAN operations. The effects, however, could be material.

Possible Sea-Level Rise. SAN 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 SAN, 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 SAN.

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 SAN'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 also is a member of the San Diego Regional Climate Collaborative, providing interagency coordination on how to address and implement actions to address the impacts of climate change in the region.

The Airport Authority now requires all new development projects to be screened for potential impacts created by climate change. It has already raised the elevation of new facilities (the new Administration Building and the Airline Support Building) where modeling had indicated the potential for future coastal flooding, and the New Terminal 1, the new Terminal 1 Parking Plaza and roadways being constructed as part of the New T1 have been sited and designed to be resilient to potential sea level rise conditions in Year 2100.

The Airport Authority is unable to predict whether sea-level rise or other impacts of climate change will occur while the Senior Series 2023 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 SENIOR SERIES 2023 BONDS—Senior Rate Covenant," the Airport Authority has covenanted in the Master Senior 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 Senior Indenture is met. In addition to 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 SENIOR SERIES 2023 BONDS—Use of PFCs to Pay Debt Service." Also see "—Availability of PFCs" above.

If Net Revenues were to fall below the levels necessary to meet the rate covenant set forth in the Master Senior Indenture, the Master Senior 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 SAN" above). Implementation of an increase in the schedule of rentals, rates, fees and charges for the use of SAN could have a detrimental impact on the operation of SAN by making the cost of operating at SAN unattractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of SAN.

Enforceability of Remedies; Limitation on Remedies

As discussed above under "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2023 BONDS—Senior Events of Default and Remedies; No Acceleration," there is no right to acceleration of payments to bondholders under the Senior 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 Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 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 (the "**Code**"), or court decisions may also cause interest on the Senior Series 2023 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 Code or court decisions may also affect the market price for, or marketability of, the Senior Series 2023 Bonds. Prospective purchasers of the Senior Series 2023 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 Senior Series 2023A Bonds and/or the Senior Series 2023B 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 Senior Series 2023 Bonds.

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 SAN 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 Senior Series 2023 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 Senior Series 2023 Bonds or in any way contests the validity of the Senior Series 2023 Bonds or any proceedings of the Board taken with respect to the authorization, sale or issuance of the Senior Series 2023 Bonds, the pledge or application of any moneys provided for the payment of or security for the Senior Series 2023 Bonds, or the use of the proceeds of the Senior Series 2023 Bonds.

Litigation Relating to the Airport Authority and SAN

There are a number of litigation matters pending against the Airport Authority for incidents at SAN. These claims and suits are of a nature usually incident to the operation of SAN 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 SAN. 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 SAN.

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, 2022 AND 2021—NOTE 12. COMMITMENTS AND CONTINGENCIES."

TAX MATTERS

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 Senior Series 2023 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Senior Series 2023B Bond for any period during which such Senior Series 2023B Bond is held by a "substantial user" of the facilities financed or refinanced by the Senior Series 2023B Bonds or a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that (a) interest on the Senior Series 2023A Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals, and (b) interest on the Senior Series 2023B Bonds is a specific preference item 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 Senior Series 2023 Bonds. Failure to comply with such requirements could cause interest on the Senior Series 2023 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Senior Series 2023 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 Senior Series 2023 Bonds. For tax years beginning after December 31, 2022, interest on the Senior Series 2023 Bonds may affect the federal alternative minimum tax imposed on certain corporations.

The accrual or receipt of interest on the Senior Series 2023 Bonds may otherwise affect the federal income tax liability of the owners of the Senior Series 2023 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 Senior Series 2023 Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax imposed on corporations for tax years beginning after

December 31, 2022), 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 Senior Series 2023 Bonds.

Bond Counsel is further of the opinion that interest on the Senior Series 2023 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 Senior Series 2023 Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "**Premium Senior Series 2023 Bonds**"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Senior Series 2023 Bond over its stated redemption price at maturity constitutes premium on such Premium Senior Series 2023 Bond. A purchaser of a Premium Senior Series 2023 Bond must amortize any premium over such Premium Senior Series 2023 Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 Bonds should consult 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 Senior Series 2023 Bond.

Tax Treatment of Original Issue Discount

The Senior Series 2023 Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "**Discount Senior Series 2023 Bonds**"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Senior Series 2023 Bonds and their stated amounts to be paid at maturity (excluding "qualified stated interest" within the meaning of Section 1.1273-1 of the Regulations) 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 a Discount Senior Series 2023 Bond 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 Senior Series 2023 Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Senior Series 2023 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 Senior Series 2023 Bond, on days that are determined by reference to the maturity date of such Discount Senior Series 2023 Bond. The amount treated as original issue discount on such Discount Senior Series 2023 Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Senior Series 2023 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 Senior Series 2023 Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of any interest payable for such Discount Senior Series 2023 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 Senior Series 2023 Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Senior Series 2023 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 Senior Series 2023 Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Senior Series 2023 Bond. Subsequent purchasers of Discount Senior Series 2023 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.

Backup Withholding

An owner of a Senior Series 2023 Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Senior Series 2023 Bonds if such owner 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.

Changes in Federal and State 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 Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 Bonds or the market value thereof would be impacted thereby. Purchasers of the Senior Series 2023 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Senior Series 2023 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.

Prospective purchasers of the Senior Series 2023 Bonds are advised to consult their own tax advisors prior to any purchase of the Senior Series 2023 Bonds as to the impact of the Code upon their acquisition, holding or disposition of the Senior Series 2023 Bonds.

RATINGS

Fitch Ratings and Moody's Investors Service, Inc. have assigned ratings of "AA-" (stable outlook) and "A1" (positive outlook), respectively, to the Senior Series 2023 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, 33 Whitehall Street, 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 Senior Series 2023 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 Senior Series 2023 Bonds.

LEGAL MATTERS

The validity of the Senior Series 2023 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, Squire Patton Boggs (US) LLP. All of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel with respect to the issuance of the Senior Series 2023 Bonds are contingent upon the issuance and delivery of the Senior Series 2023 Bonds. Bond Counsel, Disclosure Counsel and Underwriters' Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

UNDERWRITING

The Senior Series 2023A Bonds will be purchased by Jefferies LLC, Samuel A. Ramirez & Co., Inc., Academy Securities, Inc., BofA Securities, Inc., Morgan Stanley & Co. LLC, RBC Capital Markets, LLC, Siebert Williams Shank & Co., LLC, and Stern Brothers & Co. (collectively, the "**Underwriters**"), from the Airport Authority at a price of $77,343,942.26 (which consists of the par amount of the Senior Series 2023A Bonds, plus an original issue premium of $2,867,254.20, less an underwriters' discount of $198,311.94), subject to the terms of the purchase contract (the "**Purchase Contract**"), between Jefferies LLC, as representative of the Underwriters, and the Airport Authority.

The Senior Series 2023B Bonds will be purchased by the Underwriters, from the Airport Authority at a price of $975,031,856.76 (which consists of the par amount of the Senior Series 2023B Bonds, less a net original issue discount of $9,890,515.65, less an underwriters' discount of $2,382,627.59), subject to the terms of the Purchase Contract.

The Purchase Contract provides that the Underwriters will purchase all of the Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 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 Academy Securities, Inc., BofA Securities, Inc., Morgan Stanley & Co. LLC, and Stern Brothers & Co., respectively for inclusion in this Official Statement and the Airport Authority does not make any representation as to their accuracy or completeness.

Academy Securities, Inc., one of the Underwriters of the Senior Series 2023 Bonds, has entered into third-party distribution agreements with various dealers for the retail distribution of certain municipal securities at the original issue prices. Pursuant to these third-party distribution agreements, Academy Securities may share a portion of its underwriting compensation with the respective dealers.

BofA Securities, Inc., one of the Underwriters of the Senior Series 2023 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("**MLPF&S**"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Senior Series 2023 Bonds.

Morgan Stanley & Co. LLC, one of the Underwriters of the Senior Series 2023 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 Senior Series 2023 Bonds.

Stern Brothers & Co., one of the Underwriters of the Senior Series 2023 Bonds, has entered into agreements (each a "**Stern Brothers Agreement**") each with InspereX LLC ("**InspereX**") and Wedbush Securities Inc. ("**Wedbush**") for the distribution of certain municipal securities offerings at the original issue price. Pursuant to each Stern Brothers Agreement, Stern Brothers & Co. may sell the Senior Series 2023 Bonds to each InspereX and Wedbush and will share a portion of its selling concession compensation with each, if applicable.

RELATED PARTIES

BofA Securities, Inc., one of the Underwriters of the Senior Series 2023 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. A portion of the proceeds of the Senior Series 2023 Bonds will be used to repay all of the outstanding Subordinate Revolving Obligations.

Jefferies LLC, one of the Underwriters of the Senior Series 2023 Bonds, also is serving as the sole Dealer Manager in connection with the tender and purchase of the Purchased Subordinate Series 2021C Bonds. The Airport Authority will pay Jefferies LLC a separate fee (in addition to the underwriters' discount) for acting as Dealer Manager with respect to the tender.

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 Senior Series 2023 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.

CONTINUING DISCLOSURE

At the time of issuance of the Senior Series 2023 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 2022 and 2021 are included as Appendix B attached hereto. The financial statements referred to in the preceding sentence have been audited by Forvis, LLP, the Airport Authority's independent auditor, as stated in its Independent Auditor's Report, dated November 1, 2022, included in Appendix B. Forvis, 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. Forvis, 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, 2023 will be accepted by the Board in December 2023. Upon acceptance by the Board, the Airport Authority will post the Fiscal Year 2023 audited financial statements on the MSRB's EMMA website.

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 Senior Series 2023 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

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APPENDIX A

FINANCIAL FEASIBILITY REPORT

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Chicago, IL
St. Louis, MO
Orange County, CA

150 N. Michigan Avenue, Suite 2930
Chicago, IL 60601
p. 312.988.3360
f. 312.988.3370

September 11, 2023

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 Senior Airport Revenue Bonds, Series 2023A and Series 2023B***

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 Senior Airport Revenue Bonds, Series 2023A (Governmental/Non-AMT) (the Senior Series 2023A Bonds) and San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2023B (Private Activity/AMT) (the Senior Series 2023B Bonds, and together with the Senior Series 2023A Bonds, the "Senior Series 2023 Bonds").

The Senior Series 2023 Bonds are being issued to (1) pay and/or reimburse the Airport Authority for certain capital improvements associated with the New T1 program (defined in the Report) at the San Diego International Airport (SAN or the Airport); (2) repay all of the outstanding Subordinate Revolving Obligations; (3) purchase, in the sole discretion of the Airport Authority, all or a portion of the Airport Authority's Subordinate Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable), that may be tendered by the holders thereof in response to a formal tender solicitation; (4) fund a portion of interest accruing on the Senior Series 2023 Bonds; (5) make a deposit to the Senior Debt Service Reserve Fund; and (6) pay the costs of issuance of the Senior Series 2023 Bonds.

The Senior Series 2023 Bonds are being issued as Senior Bonds under and subject to the terms of 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 successor trustee (the Senior Trustee), and the Fifth Supplemental Trust Indenture, to be dated as of October 1, 2023 (the Fifth Supplemental Senior Indenture, and collectively with the Master Senior Indenture and all prior supplements, the "Senior Indenture"), by and between the Airport Authority and the Senior Trustee. Except as noted otherwise, all capitalized terms in this Letter have the meanings set forth in the Master Senior Indenture and the Master Subordinate Indenture (as defined in the Report).

The San Diego County Regional Airport Authority Act, codified in California Public Utilities Code Section 170000 et seq. (the Act), established the Airport Authority, a local governmental entity of 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 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 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, 2023 (FY2023), [1] SAN served approximately 11.9 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 from approximately 12.4 million in FY2019 to 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, the first full Fiscal Year after the U.S. declaration of a national emergency, before increasing the approximately 10.0 million in FY2022 and 11.9 million in FY2023.

<u>Purpose of the Bond Financing</u>

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 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 Capital Improvement Program (the CIP) that addresses airfield safety and capacity, environmental protection, terminal enhancements, landside infrastructure and access improvements. The New T1 is expected to be designed and constructed through Fiscal Year 2029 and the CIP projects are anticipated to be completed between Fiscal Years 2024 through 2028. The Capital Program was approved by the Board on June 1, 2023, and has a budgeted cost of $3.854 billion, of which approximately $3.464 billion is the budgeted cost of the New T1.

The Senior Series 2023 Bonds are estimated to fund approximately $970.3 million in project funding for the New T1. Other sources of funding for the Capital Program are anticipated to include: proceeds of the Subordinate Series 2021A/B Bonds; proceeds of the Subordinate Series 2019 Bonds; assumed future Senior Bonds or Subordinate Obligations; FAA Airport Improvement Program (AIP) grants and Bipartisan Infrastructure Law (BIL) grants; Passenger Facility Charges (PFCs); Airport Authority funds; monies from the Major Maintenance Fund; and Other Funds (other sources, as described in the Report).

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

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 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).

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.

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 term of the AOLA began on July 1, 2019 and will terminate at the close of business on June 30, 2029. 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 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 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 the 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 Senior Series 2023 Bonds, within the estimated costs disclosed in the Report, and according to the estimated schedule.
2. The debt service projections contained in the Report assume one future senior bond issue in January 2025. However, the specific timing and size of any future bond financing(s) will be determined by the Airport Authority based on continuing evaluations of cash flow needs and market conditions.
3. The financial projections contained in the Report assume that the Airport Authority will apply PFCs toward debt service beginning in FY2026 and through FY2029.
4. 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. The model is consistent with sound economic theory, is well-supported by empirical trends, and passes statistical evaluation.

Findings and Conclusions

Based upon the assumptions and analysis presented in the Report, we forecast that the Airport Authority will be able to comply with the rate covenant provisions of the Master Senior Indenture and 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:

- After the end of the capitalized interest period for the Senior Series 2023 Bonds, debt service coverage calculated according to the Senior Rate Covenant is projected to equal 5.65 and 4.26 times debt service in FY2028 and FY2029, respectively.
- Debt service coverage calculated according to the Subordinate Rate Covenant is projected to equal at least 2.22 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 $26.00 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 $49.5 million in FY2024 to $57.4 million in FY2029. The PFC fund balance is projected to increase from $155.5 million in FY2024 to $207.4 million in FY2025, and then decrease each year thereafter, as the Airport Authority applies PFCs to pay a portion of annual debt service, to $118.0 million in FY2029.
- 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 airline cost per enplanement is projected to reach a high of $27.06, and the PFC fund balance is projected to equal $101.5 million in FY2029.

Based on the above, we conclude that it is financially feasible for the Airport Authority to proceed with the issuance of the Senior Series 2023 Bonds.

Sincerely,

UNISON CONSULTING, INC.

Unison Consulting, Inc.

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SAN DIEGO
INTERNATIONAL AIRPORT

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

FINANCIAL FEASIBILITY REPORT

September 11, 2023

UNISON CONSULTING

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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 Senior Airport Revenue Bonds, Series 2023A (Governmental/Non-AMT) (the Senior Series 2023A Bonds), and the San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2023B (Private Activity/AMT) (the Senior Series 2023B Bonds, and together with the Senior Series 2023A Bonds, the "Senior Series 2023 Bonds"). The Senior Series 2023 Bonds are being issued to (1) pay and/or reimburse the San Diego County Regional Airport Authority (the Airport Authority) for certain capital improvements at the San Diego International Airport (SAN or the Airport) associated with the New T1 program (as described in Section 1.3.1 below); (2) repay all of the outstanding Subordinate Revolving Obligations (as defined herein); (3) purchase, in the sole discretion of the Airport Authority, all or a portion of the Airport Authority's outstanding Subordinate Airport Revenue Refunding Bonds, Series 2021C (Federally Taxable) (the Subordinate Series 2021C Bonds), that may be tendered by the holders thereof in response to a formal tender solicitation; (4) fund a portion of the interest accruing on the Senior Series 2023 Bonds; (5) make a deposit to the Senior Debt Service Reserve Fund (as defined herein); and (6) pay the costs of issuance of the Senior Series 2023 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 (as defined herein).

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, a local governmental entity of 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, 2023 (FY2023), SAN served approximately 11.9 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 from approximately 12.4 million in FY2019 to 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 further decreased to approximately 4.9 million in FY2021, the first full Fiscal Year after the U.S. declaration of a national emergency, before increasing to approximately 10.0 million in FY2022 and 11.9 million in FY2023. More details regarding recent trends in economic conditions and 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, 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, runway congestion is anticipated to occur when annual commercial aircraft operations reach between 262,000 and 292,000. Annual commercial aircraft operations totaled approximately 192,000 in FY2023 and are projected to reach approximately 221,000 in FY2029 under the base air traffic forecast presented in Section 3, which is well below the level 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 (currently 46 gates are operational due to ongoing construction). 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. Approximately 63 dining and shopping options are available in the passenger terminals.

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, along with certain airfield enhancements and roadway and parking improvements, and a new administration building for the Airport Authority. These planned facilities are described in more detail in Section 1.3 below.

1.2.3 | Landside Facilities

Approximately 3,907 public parking spaces, operated by the Airport Authority, are currently available at the Airport, including approximately 3,356 parking spaces located in the Terminal 2 Parking Plaza that opened in 2018 and two adjacent surface lots, 62 spaces in a free cell phone lot located west of Terminal 2 and 489 valet parking services are offered with curb-side drop-off in front of Terminals 1 and 2. Once construction began for the new Terminal 1, the Terminal 1 surface lot (approximately 1,100 parking spots) was permanently closed. 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 is now being used for employee parking and the Harbor Drive parking lot will be used as part of the New T1 airside development.

The Capital Program includes the construction of a new public parking garage adjacent to the new Terminal 1 building, which will replace the closed Terminal Lot 1 and will provide additional parking spaces, as described below. The Capital Program also includes a replacement shuttle hold lot for Rental Car and terminal buses. This will encompass 3.16 acres. on property the Airport Authority partially owns and leases from the Port District located to the east of the Airport. It will include a 3794 sq ft maintenance building and will open in phases beginning in mid-2023 through the beginning of 2024.

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 once the Authority moves to the new Administration offices to make way for the new Terminal 1 building. The new administration offices are being constructed at the far west end of the Airport, as described in more detail later in this Section. 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 were demolished to enable the 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 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" in subsection 1.3.1 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 New T1 is expected to be designed and constructed through Fiscal Year 2028 and the CIP projects are anticipated to be completed between Fiscal Years 2024 through 2028. The Capital Program was approved by the Board on June 1, 2023, and has a budgeted cost of $3.854 billion, of which approximately $3.464 billion is the budgeted cost of the New T1.

Escalation of construction costs, due to global inflationary pressures, has increased the expected cost of the Capital Program. While the approved Capital Program budget for FY2024-FY2028 includes some adjustment for the CIP to account for this escalation, there has not yet been any adjustment to the New T1 budget. The potential impact to New T1 is explained in the subsection 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 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 will be able to accommodate both narrow-body and wide-body aircraft. The terminal building layout design was developed to accommodate existing and projected airline fleet mix requirements, including additional Airplane Design Group (ADG) III, IV, and V gates that will support future expansions in the airline fleet mix at

SAN. The New T1 will also include three Multi Aircraft Ramping Stands (MARS) gates, each of which will be able to accommodate two aircraft simultaneously, thus improving the management of gate allocations based on peak periods that may involve larger 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. Phase 1 of the parking structure is anticipated to open in the fall of 2024 and contain approximately 2,800 parking spaces. Phase 2 of the parking structure is anticipated to be completed in the fall of 2025 with approximately 2,400 additional spaces. Upon completion of the New T1, there will be approximately 9,100 public parking spaces, available and operated by the Airport Authority, an increase of approximately 100 new, permanent public parking spaces at the Airport, since the start of the design and construction of the New T1. Other features of the New T1 will include an expansive security checkpoint with 13 lanes for faster passenger throughput; a post-security outdoor patio area with views of the San Diego Bay and downtown San Diego; up to two airline or common-use lounges/clubs; and the preservation of space for a future transit station. The New T1 will also 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 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 "progressive design-build" and "design-bid-build" delivery methods. The Terminal and Roadways Component is being undertaken pursuant to a Progressive Design-Build Agreement (the Terminal and Roadway Agreement) between the Airport Authority and Turner-Flatiron, A Joint Venture (the Terminal and Roadway Contractor). The Airside Component was designed by Jacobs Engineering Group, Inc. and will be built by Griffith Company (the Airside Contractor). The Administration Building Component will be designed and built by Sundt Construction, Inc. (the Administration Building Contractor)

Construction activities for the New T1 began in November 2021. The first phase of the New T1 (19 gates) is expected to open in late summer 2025, and full completion of the new facility (30 gates) and associated roadway and airfield improvements in early 2028.

The total cost of the New T1 is currently budgeted by the Airport Authority to be approximately $3.464 billion. This amount incorporates $452 million of total contingencies and allowances including an escalation allowance of $105 million. Since the budget was approved by the Board in October 2021, global inflationary pressures have resulted in an increase in construction costs above what was anticipated by the $105 million escalation allowance. The Airport Authority is in the process of negotiating a guaranteed maximum price with the contractor for the Terminal and Roadways Component, and the escalation allowance developed in 2021 will be revised. As of the date of this Report, the Airport Authority is estimating that the New T1 budget may increase up to 11 percent from the original approved budget (expected to be for the Terminal and Roadways Component). However, the existing program contingencies and allowances may be sufficient to cover some of the expected increase in cost due to inflation. The financial analysis in this Report assumes an increase of approximately 11 percent, above the budget, to approximately $3.834 billion.

Table 1 summarizes the estimated costs of the Capital Program, including the New T1, as discussed above. 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." 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 7 at the end of Section 1.

1.3.2 | Capital Funding Program Sources

The Airport Authority expects to finance the costs of the Capital Program from various sources including, but not limited to, the proceeds of the Senior Series 2023 Bonds; proceeds of the Subordinate Series 2021A/B Bonds; proceeds of the Subordinate Series 2019 Bonds; assumed future Senior Bonds or Subordinate Obligations; FAA Airport Improvement Program (AIP) grants and Bipartisan Infrastructure Law (BIL) grants; Passenger Facility Charges (PFCs); Airport Authority funds; monies from the Major Maintenance Fund; and Other Funds (other sources, as described below).

The estimated funding sources of the Capital Program, presented in Table 1, are described below.

The Senior Series 2023 Bonds

The Airport Authority currently estimates that the Senior Series 2023 Bonds will provide approximately [$970.3 million] in project funding for the Capital Program, all of which will be used for a portion of the costs of the New T1.

Prior Bond Proceeds

The Airport Authority plans to apply prior bond proceeds of approximately $1.699 billion to project costs, including $1.572 billion in proceeds from the Subordinate Series 2021A/B Bonds and $127.1 million in proceeds from the Subordinate Series 2019 Bonds and the Subordinate Series 2017 Bonds.

Future Bonds

The Airport Authority plans a future bond financing in FY2025 or FY2026 to fund the final phases of the New T1. The funding plan assumes approximately $791.2 million of future bond proceeds. The timing and size of the future bond financings will be determined by the Airport Authority based on continuing evaluations of cash flow needs and market conditions.

FAA AIP Grants and BIL Grants

Approximately $352.3 million in funding from AIP grants, including AIP Letter of Intent (LOI) grants, and BIL grants are anticipated for the Capital Program. 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. Approximately $118.4 million in LOI grant funds have been awarded to the Airport Authority for airfield projects, including the construction of a new Taxiway A, the relocation of Taxiway B, and apron areas associated with the New T1.

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 February 1, 2040. The Airport Authority's funding plan includes approximately $100,000 in PFCs to be applied on a "pay-as-you-go" basis to eligible project costs in the Capital Program. The Airport Authority 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 downturn in air traffic in FY2021, 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 was $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 $66.2 million in funding from the Major Maintenance Fund.

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 $340.7 million in Airport Authority funds to the Capital Program.

Other Funding Sources

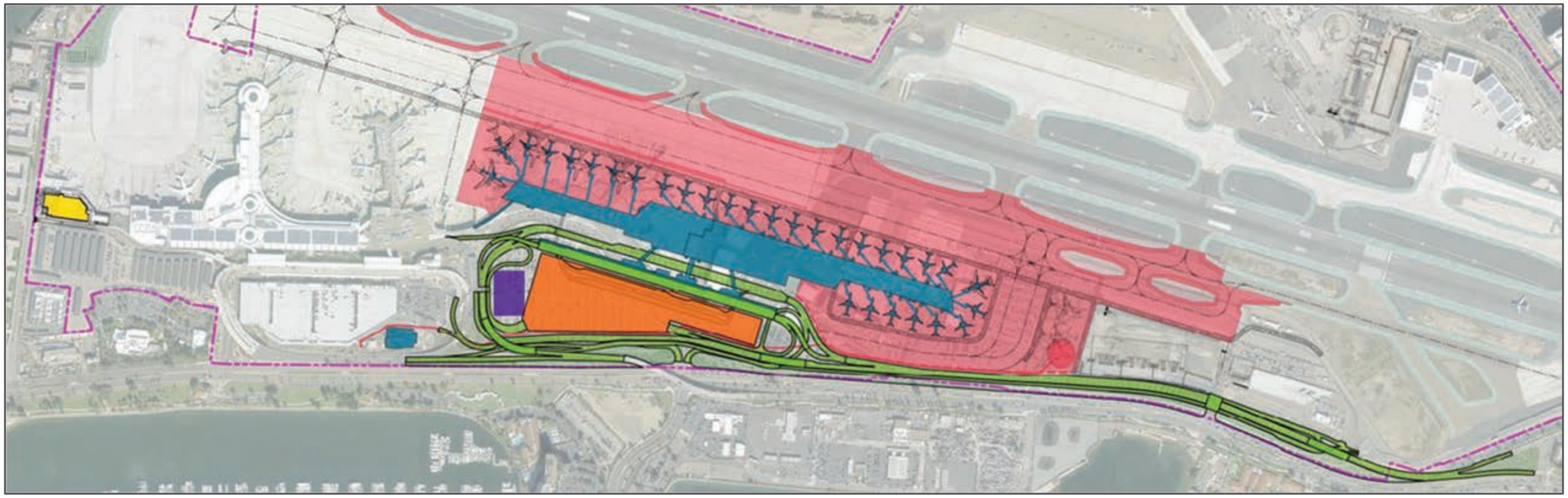
Other funding sources anticipated for the Capital Program funding plan, which total approximately $3.7 million, are mainly composed of airline direct funding from the fuel consortium, which is an airline consortium that operates the aircraft fueling system at the Airport. Pursuant to an agreement between the Airport Authority and the airline fuel consortium, the consortium agreed to fund fuel-related projects at the Airport. This funding is projected to total approximately $3.5 million. In addition, local grant funding from San Diego Gas & Electric of approximately $200,000 is anticipated for the electric vehicle supply equipment.

Table 1 | Estimated Capital Program Costs and Funding Plan

Project Name	Total	Series 2023 Bonds	Prior Bonds	Future Bonds	AIP and BIL Grants	PFCs	Major Maintainence Fund	Airport Authority Funds	Other Funding
New T1 Program	$ 3,834,299,621	$ 970,261,671	$ 1,548,590,800	$ 791,238,150	$ 304,209,000	$ -	$ -	$ 220,000,000	$ -
Rental Car Center Buses	36,000,000	-	-	-	7,500,000	-	-	28,500,000	
CIP Support	34,066,573	-	-	-	-	-	-	34,066,573	-
Offsite Intersection/Roadway Segment Improvements	33,600,000	-	33,600,000	-	-	-	-	-	-
Expand/Remodel T2E- Program Level Scope Definition/Design	30,000,000	-	-	-	25,000,000	-	5,000,000	-	
Solid & Liquid Waste Facilities	26,100,540	-	13,050,270	-	-	-	-	13,050,270	-
Replace Baggage Handling System & Makeup Units In T2E	22,920,000	-	-	-	-	-	22,920,000	-	-
Northside Apron Improvements	15,200,000	-	15,038,783	-	-	-	161,217	-	-
Security Network Redesign	13,037,668	-	13,037,668	-	-	-	-	-	-
Rehabilitate ARFF Station (Proposed)	11,270,000	-	-	-	7,500,000	-	3,770,000	-	-
FY23 Capital Improvement Project Allowance	10,000,000	-	-	-	-	-	-	10,000,000	-
Subtotal- Projects over $10 Million Dollars	$ 4,066,494,402	$ 970,261,671	$ 1,623,317,521	$ 791,238,150	$ 344,209,000	$ -	$ 31,851,217	$ 305,616,843	$ -
All other Projects	157,053,147	-	75,773,434	-	8,110,044	106,960	34,357,401	35,048,188	3,657,120
Total- All Pojects	$ 4,223,547,549	$ 970,261,671	$ 1,699,090,955	$ 791,238,150	$ 352,319,044	$ 106,960	$ 66,208,618	$ 340,665,031	$ 3,657,120

Source: The San Diego County Regional Airport Authority.

Figure 1 | Map of New T1 on Airport Property



	Terminal Roadways
	Airside Improvements
	Administration Building
	Future Transit Station

Figure 2 | New T1 Sitework

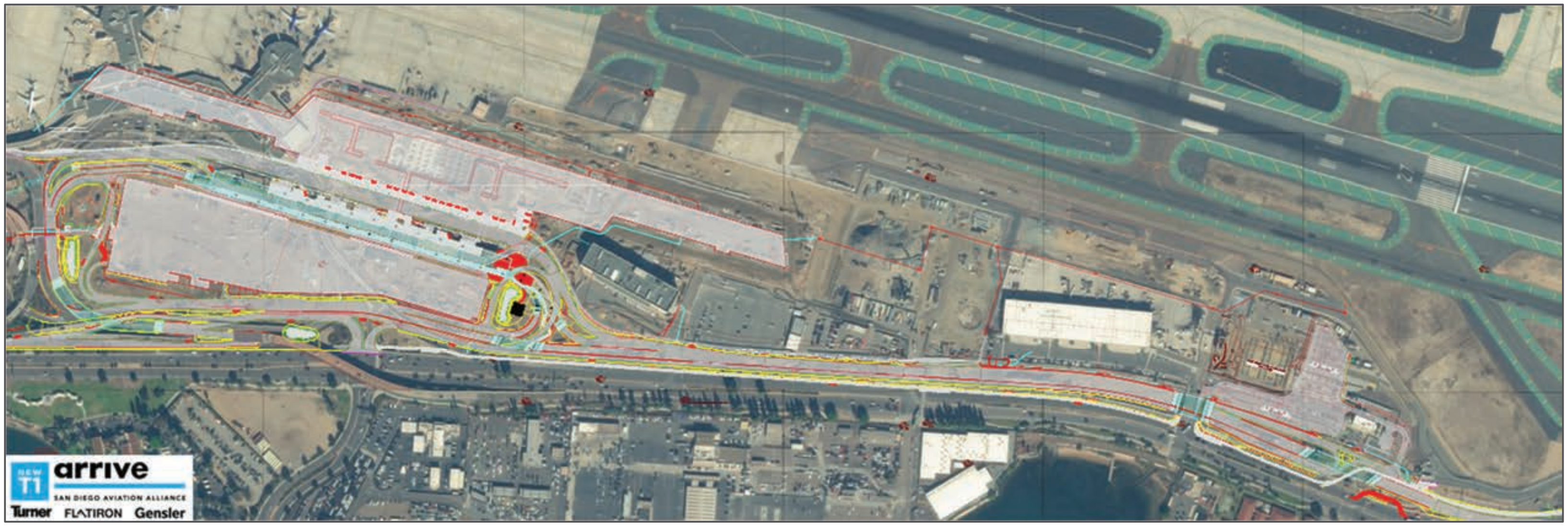


Figure 3 | New T1

Figure 4 | Arrivals Road at T1

Figure 5 | New T1 Ticket Lobby

Figure 6 | New T1 Baggage Claim Lobby

Figure 7 | New T1 Administration Building

SECTION 2 | REGIONAL AND MACROECONOMIC ENVIRONMENT

Demographic and economic conditions influence the demand for air travel, especially at airports like SAN, which primarily serves origin and destination (O&D) passengers that either begin or end their flight itineraries at the Airport. Healthy demographic and economic conditions promote increased business and leisure air travel. In addition, macroeconomic trends drive demand for air travel and affect state and regional economies. At the regional level, demographic and economic factors determine residents' propensity for outbound travel and the region's attractiveness for inbound visitors. This section explores the demographic and economic trends in SAN's service area, California, and the United States. It also evaluates the economic outlook for both the region and the nation.

2.1 | COVID-19 Pandemic

Over the past three years, the world grappled with the pandemic, which caused significant disruptions to daily life and global economic activities. Measures such as stay-at-home orders, travel restrictions, and social distancing helped mitigate the spread of the virus but also exacerbated the adverse economic effects of the pandemic. However, recent economic trends demonstrate remarkable resilience. The data presented in this section underscores the magnitude of the pandemic's impact while also highlighting the ability of the economy to withstand and recover from adverse shocks.

On May 5, 2023, the World Health Organization (WHO) declared an end to the global public health emergency, signifying a turning point. Figure 8 shows the reported COVID-19 cases from the WHO's announcement of a global pandemic on March 11, 2020, to the end of the public health emergency declaration in the United States on May 11, 2023. After peaking in January 2022, infections have declined sharply and now remain at very low levels.

Figure 8 | COVID-19 in the Rearview: Archive of U.S Reported Cases, March 2020–May 2023

Sources: Centers for Disease Control and Prevention and Unison Consulting, Inc.

Vaccine distribution helped slow virus transmission and alleviated symptoms. As of May 2023, about 230.6 million people in the United States are fully vaccinated (69.5 percent of the population), and 56.4 million have received an updated bivalent booster dose. California has a higher vaccination rate: 29.6 million are vaccinated (74.9 percent of state residents), and about 8.1 million have received an updated bivalent booster dose. The high vaccination rate reflects significant progress in safeguarding public health and restoring economic normalcy.

2.2 | Airport Service Area

The Airport's primary air service area is the San Diego Metropolitan Statistical Area (San Diego MSA), which coincides with San Diego County. SAN is adjacent to the city's central business district, less than two miles from downtown San Diego. While San Diego County is large in area, most of the population lives in the western quarter, in a north-south band from the Mexican border in the south to Camp Pendleton in the north.

SAN operates in relative isolation as the only major commercial service airport in San Diego County (Figure 9). However, passengers have several options in southern California and northern Mexico (Figure 9 and Table 2). The closest is Mexico's Tijuana International Airport (TIJ), which is at least a 30-minute drive from SAN through the Cross Border Express and serves the Mexican domestic market. Within a 2.5-hour drive of SAN are six Southern California hub airports:

- Large hub Los Angeles International Airport (LAX).
- Medium hubs John Wayne Airport (SNA), Hollywood-Burbank Airport (BUR), and Ontario International Airport (ONT).
- Small hubs Long Beach Airport (LGB) and Palm Springs International Airport (PSP).

Two nonhub airports, San Bernardino International Airport (SBD) and Imperial County Airport (IPL), are also within a 2.5-hour drive, and they provide minimal passenger air service.[1]

Typically, passengers opt for a more distant airport if it offers significantly better air service or lower fares, and only LAX competes among the six other Southern California hub airports. However, the long drive and traffic congestion on Southern California freeways can discourage San Diego residents' and visitors' use of LAX and the other alternative airports.

In CY2022, SAN remained about 12 percent below CY2019 enplanement levels—only LAX remained further behind pre-pandemic enplanement levels among Southern California hub airports.

[1] See Table 2 for FAA commercial service airport hub classifications. SBD is served only by Breeze Airways. IPL is currently served by Southern Airways Express with multiple daily direct round-trip flights to LAX and Phoenix Sky Harbor International Airport (PHX) using 9-seat Cessna Grand Caravan aircraft.

Figure 9 | SAN Air Service Area

Sources: Esri, FAA, and Unison Consulting Inc.

Table 2 | Selected Commercial Service Airports in Southern California and Northern Mexico

Airport Information			Distance from SAN		Enplanements (1000s)			
Name	State	Code	Miles	Time	CY2022	CY2019	CY2022 vs. CY2019	2022 FAA Hub Class
San Diego	CA	SAN	0	0h 00m	11,162.2	12,648.7	-11.8%	Large
Tijuana*	MEX	TIJ	23	0h 30m	6,162.3	4,462.7	38.1%	--
Orange County	CA	SNA	87	1h 20m	5,536.3	5,153.3	7.4%	Medium
Long Beach	CA	LGB	105	1h 30m	1,601.0	1,752.3	-8.6%	Small
San Bernardino	CA	SBD	112	1h 50m	10.1	0.0	--	Nonhub
Ontario	CA	ONT	115	1h 50m	2,840.8	2,723.0	4.3%	Medium
Imperial County	CA	IPL	120	2h 00m	9.2	3.4	--	Nonhub
Los Angeles	CA	LAX	126	2h 00m	32,326.6	42,939.1	-24.7%	Large
Palm Springs	CA	PSP	132	2h 20m	1,500.0	1,309.2	14.6%	Small
Hollywood Burbank	CA	BUR	134	2h 00m	3,054.7	2,988.7	2.2%	Medium

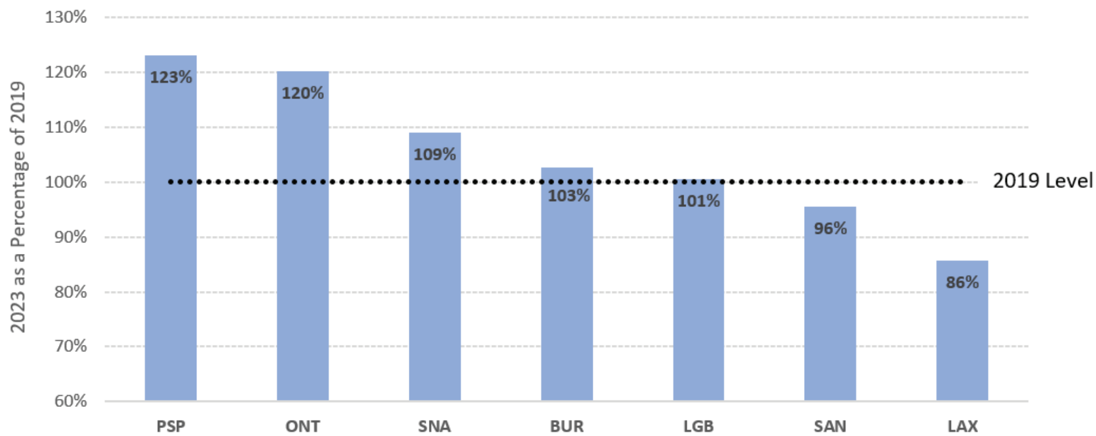
Sources: FAA, Google Maps, and Unison Consulting, Inc.
Distances are approximate, and drive times vary by day, time of day, and traffic. Actual drive times can be significantly longer during peak traffic. The driving distance and time to TIJ is to the Cross Border Express.
The FAA defines commercial service airports as publicly owned airports with at least 2,500 annual enplanements and classifies them as follows:

- Large hubs serve more than 1 percent of U.S. enplanements.
- Medium hubs serve 0.25-1.0 percent of U.S. enplanements.
- Small hubs serve 0.05-0.25.
- Nonhub airports serve less than 0.5 percent of U.S. enplanements and at least 2,500 enplanements annually. Nonhub primary airports have at least 10,000 annual enplanements, and nonhub nonprimary airports have less than 10,000 and at least 2,500 annual enplanements.

TIJ enplanements are estimated as 50 percent of total passengers.

Passenger trends continued to improve at SAN through the first half of 2023 (Figure 10). Based on a comparison of TSA throughput, a close proxy for O&D enplanements, for January 1-July 15, 2023 with the same period in 2019, SAN was at 96 percent of its 2019 level. While SAN is behind the recovery of the other smaller airports in the region (PSP, ONT, SNA and BUR), each of which has 2023 throughput above 2019 levels, it is outpacing LAX and continues to approach 2019 passenger activity.

Figure 10 | TSA Throughput, January-July 15, 2023, vs. Same Period, 2019



Sources: U.S. Transportation Security Administration and Unison Consulting, Inc.

2.3 | Demographic Attributes

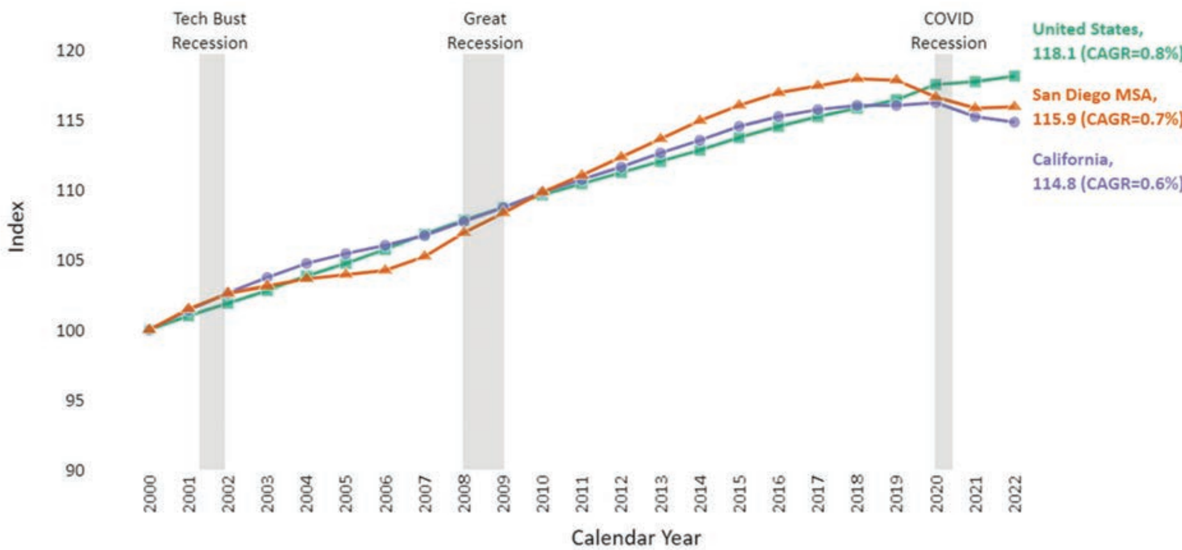
Demographics shape and drive regional economies in fundamental ways. For example, population size, growth trends, age distribution, foreign-born population, and educational attainment determine the labor force's size, quality, and productivity. Moreover, along with income characteristics, demographic attributes determine consumption patterns and demand levels for goods and services, including air transportation. Hence, demographic trends can impact economic growth through effects on both the supply side (the labor force) and the demand side (consumer spending).

2.3.1 | Population

In 2022, the population of the San Diego MSA was about 3.3 million, ranking as the 18th largest MSA in the nation and similar in size to Tampa, FL, and Minneapolis, MN. Since 2000, the population of the MSA has grown by a total of 16 percent or a compound annual growth rate (CAGR) of 0.7 percent (Figure 11). While this growth was slightly faster than California's 15 percent growth (0.6 percent CAGR), it was slower than the nation's 18 percent growth (0.8 percent CAGR). The San Diego MSA experienced robust population growth between 2006 and 2018, but the population declined from 2018 to 2022 by about 56,000 residents (-1.7 percent), comparable to California's 1 percent population loss. Over the next two decades, the population of the San Diego MSA is forecast to remain relatively stable.[2]

[2] Source: State of California Department of Finance.

Figure 11 | Population Index (2000=100), 2000-2022



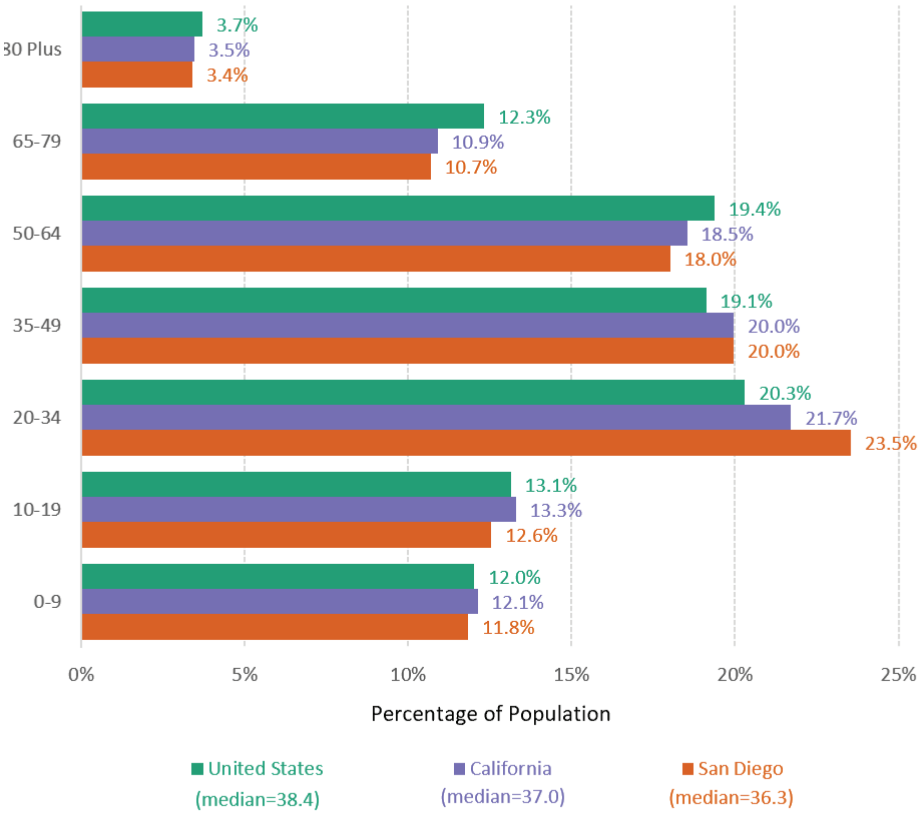
Sources: U.S. Census Bureau and Unison Consulting, Inc.
Gray areas are economic recession periods.

2.3.2 | Population Age Structure

A region's population distribution by age has essential economic and social implications (Figure 12). A large working-age population is essential for maintaining a vibrant local economy and a high standard of living. In 2021, approximately 62 percent of the population of the San Diego MSA was in the primary working age cohort of 20 to 64 years of age, higher than that of the nation (59 percent) and California (60 percent).

With a relatively higher percentage of residents in the 20-34 age cohort, the San Diego MSA has a slightly lower median age of 36.3 years compared to California's 37.0 years and the nation's 38.4 years. However, the MSA population is aging along with the state and national populations. From 2010 to 2021, the median age increased by 1.8 years in the San Diego MSA, compared to 2.1 years in California and 1.5 years in the United States. The working-age population from 20 to 64 years decreased from 63 percent to 62 percent. Although these changes are small, they indicate population aging, which could slow economic growth. For the economy to grow, the working-age population needs to grow. However, productivity improvements can mitigate the economic effects of an aging population through upskilling the labor force, education, and technological advancements.

Figure 12 | Population Age Structure, 2021



Sources: U.S. Census Bureau 2021 American Community Aurvey and Unison Consulting, Inc.

2.3.3 | Foreign-Born Population

Amid an aging population and declining national birth rates, attracting in-migration offers another way to increase the population, expand the labor force, and support economic growth. Immigrants add to a region's labor supply, contribute to increasing productivity, and expand the regional market for goods and services.[3, 4] Immigrants also generate demand for air service—for their travel to visit family and friends in their region of origin, and from their family and friends coming to visit the United States.

[3] G.J. Borjas, "Immigration and Economic Growth," National Bureau of Economic Research *Working Paper Series*, Working Paper 25836, May 2019, https://www.nber.org/system/files/working_papers/w25836/w25836.pdf.

[4] P. Orrenius and C. Smith, "Without Immigration, U.S. Economy Will Struggle to Grow," *Dallas Fed Economics*, Federal Reserve Bank of Dallas, April 9, 2020, https://www.dallasfed.org/research/economics/2020/ 0409.

While net migration to the United States fell sharply between 2016 and 2021, the San Diego MSA has a relatively large and stable foreign-born population (Table 3).[5] In 2021, approximately 23 percent of San Diego MSA residents were born outside the United States. This is lower than California's share (27 percent) but much higher than the national share (14 percent). Among the foreign-born population groups in the San Diego MSA, the largest came from Latin America (49 percent), followed by Asia (39 percent) and Europe (8 percent). This distribution by region of foreign origin in the San Diego MSA is similar to the national and state distributions. The percentage of foreign-born San Diego MSA residents has remained nearly the same since 2010.

Table 3 | Foreign-Born Population, 2021

	Foreign Born	Percentage by Region of Origin					
Region	**Total**	**Europe**	**Asia**	**Africa**	**Oceania**	**Latin America**	**Northern America**
United States	13.6%	10.8%	31.2%	5.5%	0.6%	50.0%	1.8%
California	26.5%	6.5%	40.0%	2.0%	0.8%	49.5%	1.2%
San Diego MSA	22.7%	8.0%	38.8%	2.5%	0.6%	48.5%	1.6%

Sources: U.S. Census Bureau 2021 American Community Survey and Unison Consulting, Inc.

2.3.4 | Educational Attainment

Education promotes economic growth in several ways. First, education increases the value of human capital and labor productivity. Second, it promotes innovation and the adoption of new technologies. Third, it provides flexibility to adapt to changing work environments and skill requirements.[6, 7]

Advancements in information and communication technologies have amplified the role of workers' skills in generating economic growth.[8] Cities and regions that have been able to attract and retain educated and skilled workers have thrived, while cities failing to do so have lagged.[9] The value of education is evident in the disparities in average wages and unemployment rates by educational attainment. Workers who have not completed high school earn an average of only 48 percent of the

[5] U.S. Census Bureau. "Net Migration Between the United States and Abroad in 2022 Reaches Highest Level Since 2017," https://www.census.gov/library/stories/2022/12/net-international-migration-returns-to-pre-pandemic-levels.html, December 22, 2022.

[6] E. Hanushek and L. Woessman, "Education and Economic Growth," International Encyclopedia of Education (Oxford: Elsevier, 2010), Vol. 2, pp. 245-252.

[7] D. Claude and L. Charlotte, "Human Capital and Economic Growth," *Encyclopedia of International Higher Education Systems and Institutions* (Dordrecht: Springer, 2019).

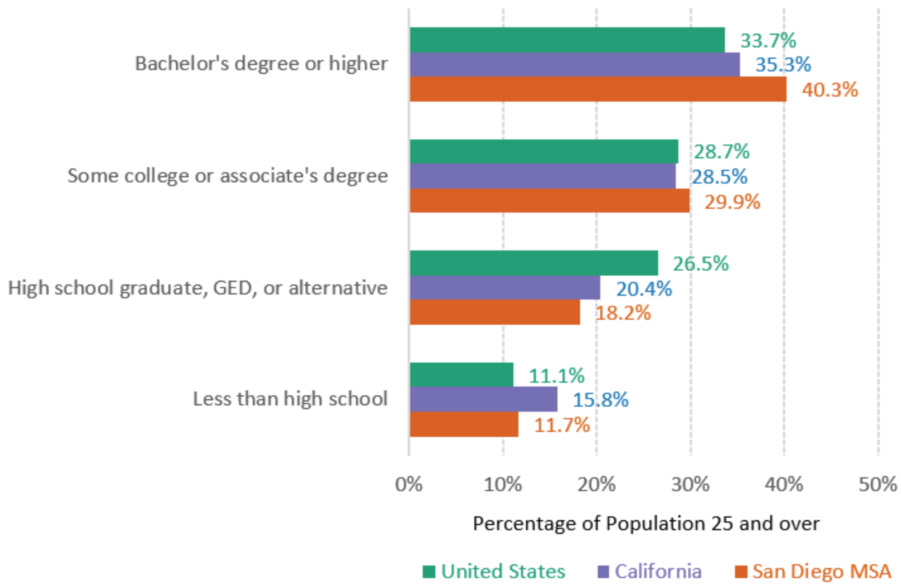
[8] Enrico Moretti, *The New Geography of Jobs* (Boston: Houghton Mifflin Harcourt, 2012).

[9] Edward Glaeser, *Triumph of the City* (New York: Penguin Books, 2012).

wages earned by college graduates. They also have average unemployment rates that are three times higher.[10,11]

Educational attainment levels in the San Diego MSA are much higher than state and national levels (Figure 13). More than 70 percent of the population aged 25 and over in the San Diego MSA have at least some college or an associate degree, or a bachelor's degree or higher. This compares with 64 percent in California and 62 percent nationally. Over time, the percentage of the population 25 and over with a high school degree or less is falling, and those with at least some college is rising. Continued improvements in educational attainment and the upskilling of the local workforce are critical for maintaining and enhancing regional economic competitiveness in the San Diego MSA.

Figure 13 | Educational Attainment, 2021



Sources: U.S. Census Bureau 2021 American Community Survey and Unison Consulting, Inc.

[10] U.S. Bureau of Labor Statistics, "Education pays, 2022," May 2023, https://www.bls.gov/careeroutlook/2023/data-on-display/education-pays.htm.

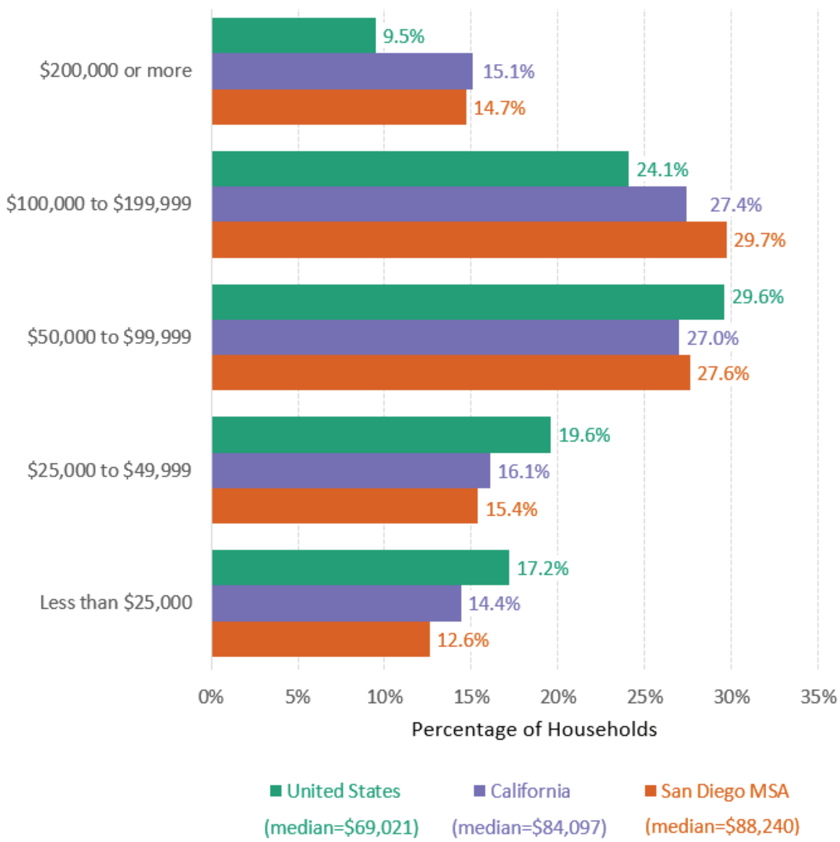
[11] U.S. Bureau of Labor Statistics, "Unemployment Rates for Persons 25 years and older by Educational Attainment, Seasonally Adjusted."

2.3.5 | Income

Demand for air travel increases with income. Studies suggest that income elasticities for air travel demand are typically greater than one, indicating that air travel increases more than income does, all other factors being equal.[12]

Household incomes in the San Diego MSA are higher than in the rest of California and the nation (Figure 14). The median household income in the San Diego MSA is $88,240, about 28 percent higher than the national average ($69,061) and 5 percent above the California average ($84,097). In addition, the San Diego MSA has a higher percentage of households earning at least $100,000 compared with the state of California and a lower percentage of households earning less than $50,000.

Figure 14 | Household Income Distribution and Median Household Income, 2021

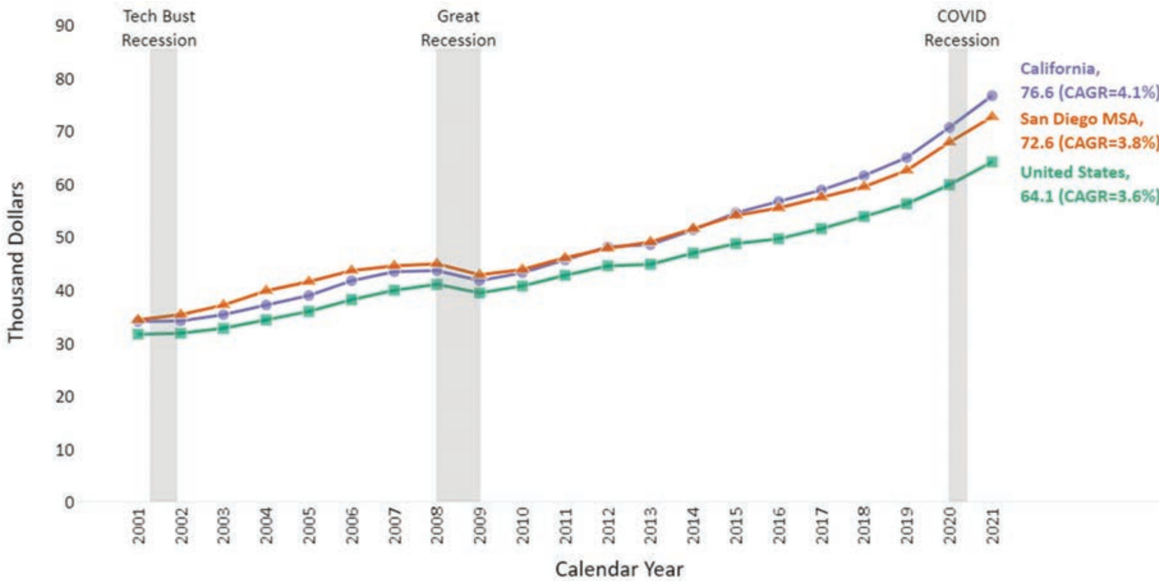


Sources: U.S. Census Bureau 2021 American Community Survey and Unison Consulting, Inc.

[12] For example, a 10 percent increase in income will generate more than a 10 percent increase in air travel demand. See C. A. Gallet and H. Doucouliagos, "The income elasticity of air travel: A meta-analysis," *Annals of Tourism Research* 49 (2014), 141-155.

The San Diego MSA has enjoyed steady per capita personal income growth since 2001, experiencing only a minor dip during the Great Recession (Figure 15). Per capita personal income in the San Diego MSA increased at a compound annual growth rate of 3.8 over the past two decades—slightly higher than the nation's 3.6 percent but slightly lower than California's 4.1 percent. In 2021 per capita personal income was about $72,600 in the San Diego MSA, about 5 percent lower than the state average but 13 percent higher than the national average.

Figure 15 | Per Capita Personal Income (Nominal), 2001-2021

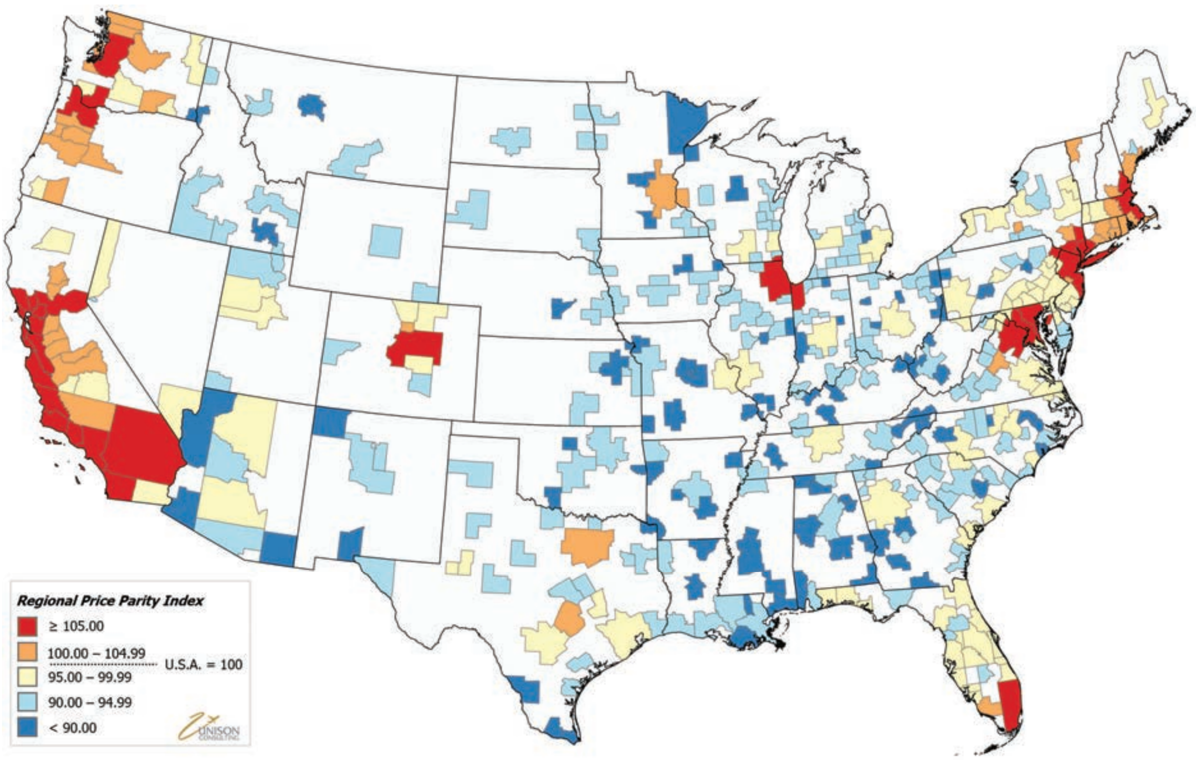


Sources: U.S. Bureau of Economic Analysis and Unison Consulting, Inc.

2.3.6 | Cost of Living

Compared to the national average, living in the San Diego MSA is expensive (Figure 16). The MSA regional price parity index for 2021 shows that prices in the San Diego MSA are about 15 percent above the U.S. average, similar to the neighboring Los Angeles MSA. Nationally, other MSAs with a comparable cost of living include New York and Seattle. All things equal, lower average prices give consumers more discretionary income for travel.

Figure 16 | Regional Price Parity Index by MSA (U.S. Average = 100), 2021



Sources: U.S. Bureau of Economic Analysis and Unison Consulting, Inc.

2.4 | Economic Attributes

Demand for air transport services is a function of the economic vitality of a region, which can be gleaned from trends in the gross domestic product (GDP), the labor market, the mix of industries that make up the regional economy, and tourism. Regional, national, and even global economic conditions influence the demand for air transportation services at a particular airport.

2.4.1 | Gross Domestic Product

The most comprehensive measure of economic output is GDP—the dollar value of all goods and services produced in a geographic region.[13] Sustained growth in inflation-adjusted real GDP underpins economic expansions, while decreases in real GDP over two or more consecutive quarters often signal a recession.[14] Generally, during an economic expansion, employment grows, incomes rise, and the demand for air travel also rises. Conversely, during an economic recession, employment decreases, incomes fall, and the demand for air travel also falls.

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[13] In this report, GDP refers to economic output measured at national and sub-national levels.

[14] The National Bureau of Economic Research (NBER) Business Cycle Dating Committee officially determines recessions based on several economic indicators.

In the first quarter of 2020, widespread lockdowns, stay-at-home orders, and voluntary social distancing depressed consumer spending, causing the economy to fall into a deep recession. As a result, in 2020, U.S. real GDP decreased by 4.6 percent (annual rate) in the first quarter and another 29.9 percent in the second quarter (Figure 17). The magnitude of the overall contraction in U.S. real GDP was unprecedented. The second-quarter contraction alone was at least three times the GDP contraction during the 2008-2009 Great Recession.

The 2020 recession was different from previous U.S. economic recessions. The typical causes of recessions are market-related and economic—for example, asset market crashes, oversupply, loss of consumer and business confidence, or tight monetary and fiscal policy. The 2020 recession resulted from shocks to both supply and demand induced by the pandemic and deliberate containment measures. Therefore, when counties and states began to reopen in the second half of 2020, and social distancing began to ease, the U.S. real GDP rebounded quickly, increasing 35.3 percent in the third quarter and 3.9 percent in the fourth quarter. Vaccination helped restore consumer and business confidence, accelerate business re-openings, and sustain the economic recovery in 2021. U.S. real GDP grew 5.9 percent for the entire year, the highest annual increase since 1978.

Trends changed in 2022. The U.S. real GDP declined during the first two quarters—by 1.6 percent during the first quarter and 0.6 percent during the second quarter. GDP decreased due to supply and demand issues. On the supply side, production lagged due to:

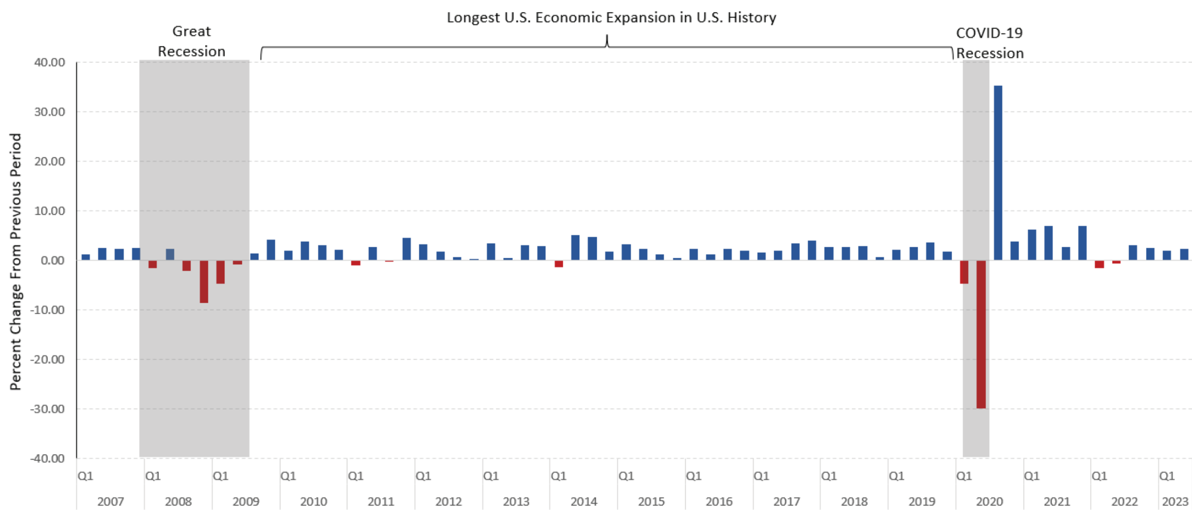
- A surge in sick calls due to the Omicron variant.
- The supply-chain bottlenecks and inventory pressures.
- A fundamental tightness in the labor market due to demand far exceeding labor supply.

On the demand side, growth slowed due to:

- The disappearing stimulus from household income transfers.
- Reduced government spending.
- Rising interest rates resulting from monetary tightening to contain inflation.
- The decrease in exports due to the appreciation of the U.S. dollar.

GDP decline in two consecutive quarters typically would have signaled a recession. However, the NBER Business Cycle Dating Committee, the official arbiter of U.S. business cycles, also looks at trends in other key economic indicators such as nonfarm employment, real consumer spending, industrial production, and real personal income. These indicators, which were generally increasing, did not signal a recession, which the NBER defines as a "significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators." During the third quarter of 2022, the U.S. real GDP grew by 3.2 percent, while the fourth quarter grew by 2.6 percent. Estimates for the first and second quarter 2023 GDP growth indicate continued economic resilience. While the first quarter growth cooled slightly to 2 percent, the advance estimate for the second quarter rebounded to 2.4 percent.

Figure 17 | U.S. Real GDP, Quarterly, Annualized Percent Change from Previous Period, Q1 2007-Q2 2023

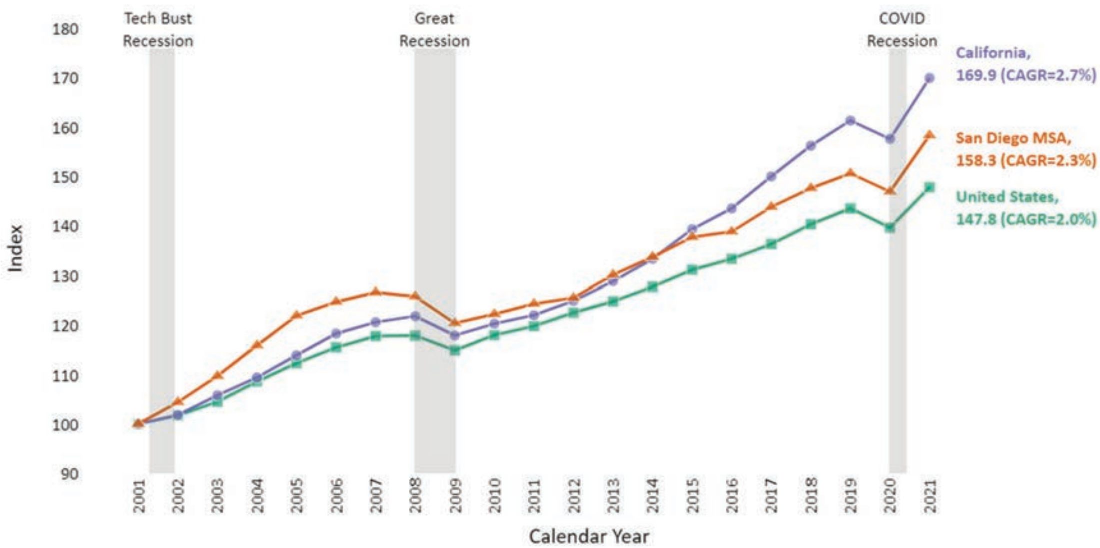


Sources: U.S. Bureau of Economic Analysis and Unison Consulting, Inc.
Gray areas are economic recession periods.

The changes in business cycles at the state and MSA levels generally follow national trends, as measured by real GDP (Figure 18). Over the long term, the growth in real GDP in the San Diego MSA lagged that of California and exceeded that of the United States. Between 2001 and 2008, just before the Great Recession, real GDP in the San Diego MSA grew faster by 27 percent compared with 18 percent nationally and 21 percent in California. During the Great Recession, however, the San Diego MSA suffered more substantial losses in real GDP. Between 2008 and 2009, real GDP fell by 4.3 percent locally versus 2.6 percent nationally and 3.2 percent in California. The San Diego MSA was also slower to recover, taking approximately four years to reach pre-recession GDP in 2013, while the nation and California took only one and two years, respectively.

In 2020, the San Diego MSA suffered a 2.5 percent decline in real GDP, compared with 2.8 percent nationally and 2.3 percent in California. Moreover, recovery was faster, with all three areas (the United States, California, and San Diego MSA) restoring pre-pandemic real GDP levels by 2021.

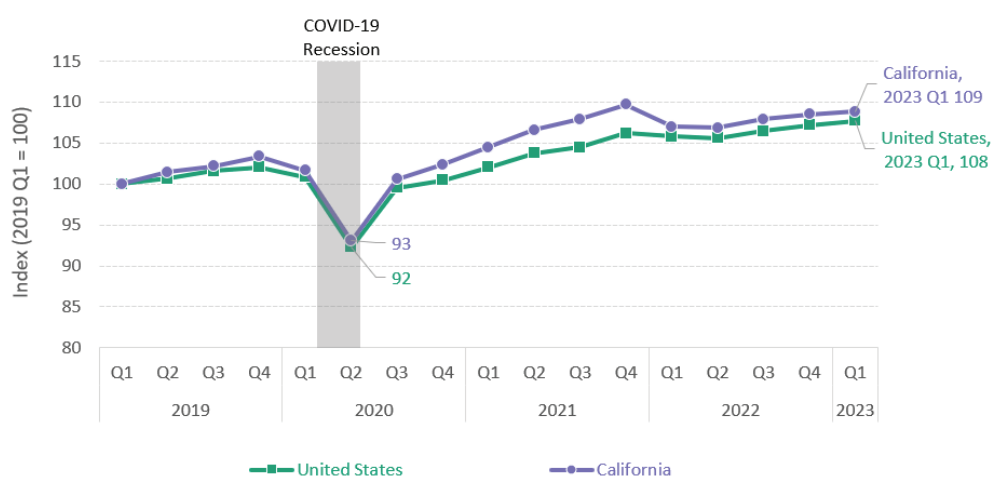
Figure 18 | Real GDP Index (2001-100), 2001-2021



Sources: U.S. Bureau of Economic Analysis and Unison Consulting, Inc.
Gray areas are economic recession periods.

Figure 19 provides more insight into GDP recovery at the state and national levels (quarterly data at the MSA level are not yet available). California had fully recovered to 2019 real GDP levels by the third quarter of 2020, and the nation had fully recovered by the fourth quarter of 2020. By the first quarter of 2022, California's real GDP stood 9 percent above the 2019 first quarter level, and real GDP in the United States was 8 percent higher. Given the annual GDP recovery in Figure 18 and the quarterly trends in Figure 19, the prospects for continued economic recovery appear favorable for the San Diego MSA.

Figure 19 | Real GDP Recovery (Index, Q1 2019=100), Q1 2019-Q1 2023



Sources: U.S. Bureau of Economic Analysis and Unison Consulting, Inc.
Gray areas are economic recession periods.

2.5 | Labor Market

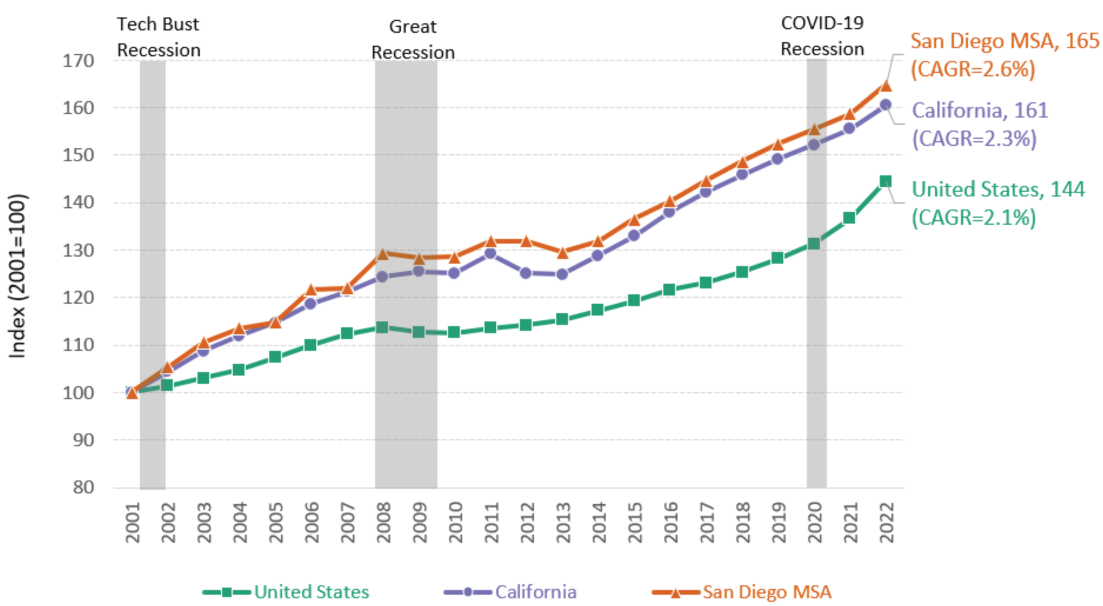
Labor market trends evolve with business cycles and reflect the overall state of the economy. They correlate positively with income and travel patterns. Business creation, employment growth, and low unemployment stimulate leisure and business travel.

2.5.1 | Business Establishments

A growing number of business establishments indicate a healthy business climate, a high level of entrepreneurism, and a favorable start-up environment. New business formation creates jobs and promotes overall economic growth.

Business establishment growth has been strong in the San Diego MSA. Between 2001 and 2021, the number of business establishments in the San Diego MSA grew by 165 percent (2.6 percent CAGR). California saw a 61 percent increase overall (2.2 percent CAGR), and the nation grew by 44 percent (2.1 percent CAGR). All regions experienced slowing business development after the Great Recession, but the pace increased after 2013. There was no slowdown in business creation during the pandemic as there was during the Great Recession. In San Diego, the establishment growth rate has increased—between 2021 and 2022, the number of establishments increased by 5.7 percent, well above the long-term annual average.

Figure 20 | Business Establishment Index (2001=100), 2001-2022



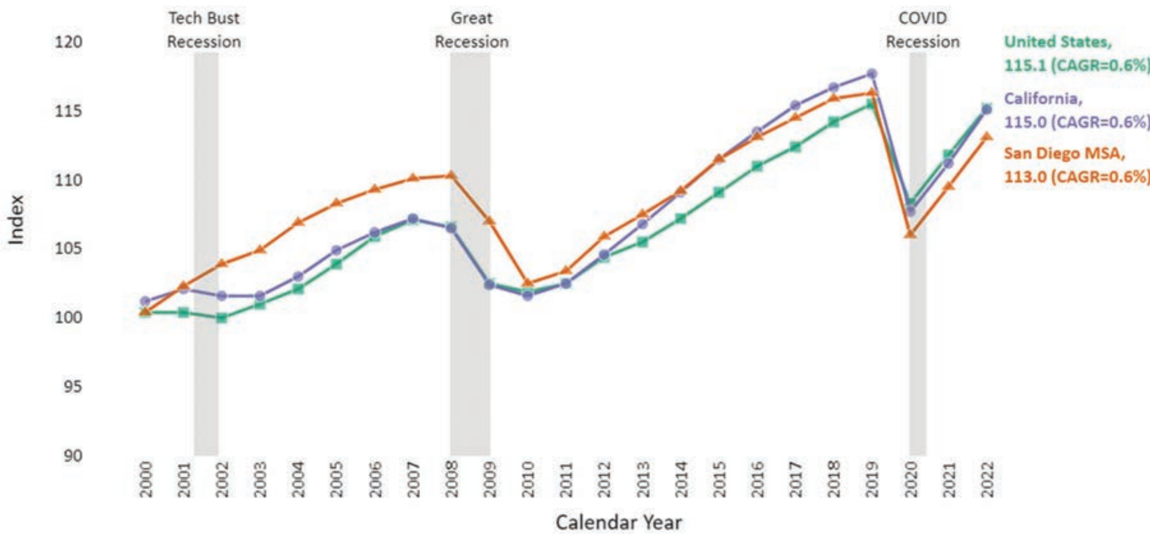
Sources: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.
Gray areas are economic recession periods.

2.5.2 | Employment

From 2000 to 2022, nonfarm employment levels in the San Diego MSA increased by 13 percent overall, at a 0.6 percent CAGR. This is similar to state and national growth of 15 percent (0.6 percent CAGR) during the same period (Figure 21).

Throughout the United States, employment decreased during the Great Recession of 2008-2009, recovered slowly, and continued to increase through 2019. In 2020 when the U.S. economy entered another deep recession, employment again decreased by about 9 percent in the San Diego MSA, 8 percent in California, and 6 percent nationally.

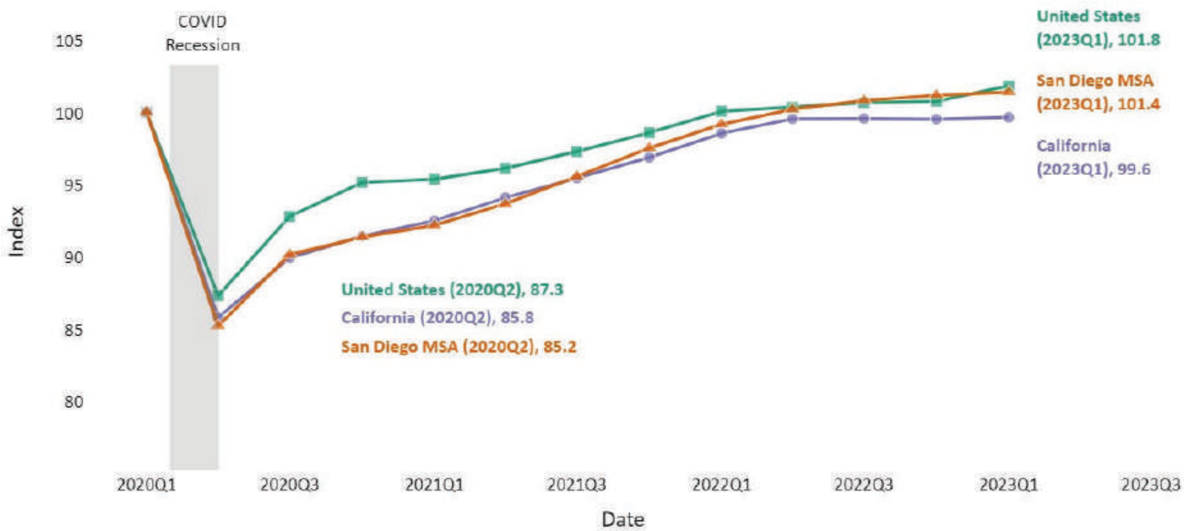
Figure 21 | Employment Index (2000=100), 2000-2022



Source: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.
Gray areas are economic recession periods.

During the pandemic, monthly employment decreased more sharply – by 15 percent in the San Diego MSA, 14 percent in California, and 13 percent in the United States from Q1 to Q3 2020 (Figure 21). However, by Q1 2023, the San Diego MSA had recovered to 101.4 percent and California had recovered to 99.6 percent of Q1 2020 pre-pandemic employment, respectively, slightly under the national recovery rate of 101.8 percent. Steady increases in employment bode well for long-term economic health in the San Diego MSA.

Figure 22 | Employment Recovery (Index, Q1 2020=100), Q1 2020-Q1 2023



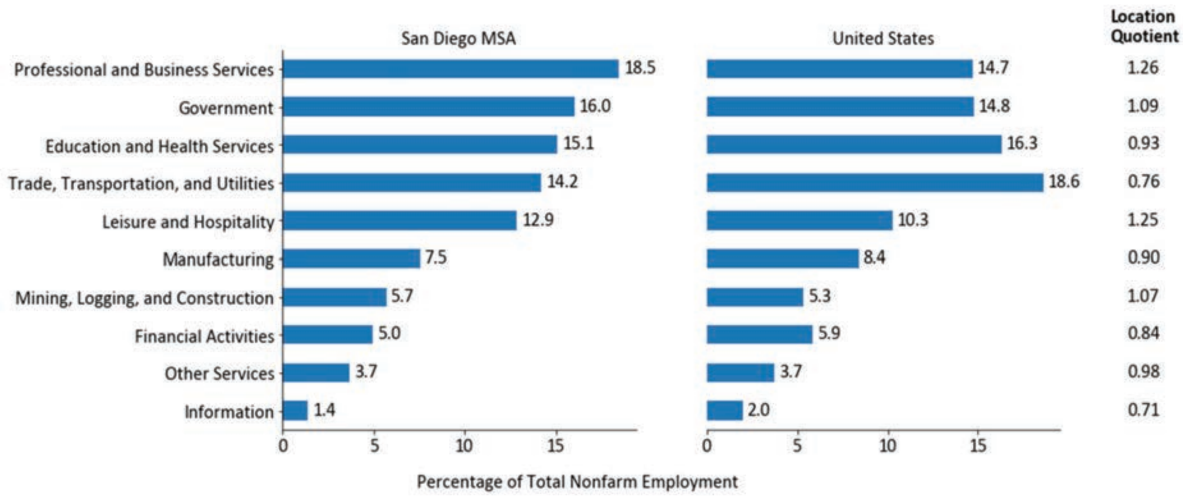
Source: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.
Gray areas are economic recession periods.

2.5.3 | Nonfarm Employment by Industry

A diversified economy withstands shocks better. On the other hand, heavy specialization, especially in pro-cyclical industries such as construction, mining, and manufacturing, exposes the local economy to more significant business cycle fluctuations. Since regions tend to specialize in certain economic activities owing to natural resources, geographic attributes, labor supply, business climate, and other factors, they are more concentrated in specific industries than the national economy.

Figure 23 shows the percentage distribution of employment by nonfarm industry sector in the San Diego MSA and the United States in February 2023. It also shows the location quotient (LQ), which indicates how much more the San Diego MSA specializes in a particular industry than the nation. LQ represents the ratio of an industry's share of the MSA's nonfarm employment to its share of total U.S. nonfarm employment. An LQ above one indicates that the industry contributes a more significant percentage of jobs in the MSA, indicating specialization. Conversely, an LQ below one indicates that the industry has a smaller share of regional employment.

Figure 23 | Percent Employment and Location Quotients -- Selected Nonfarm Sectors, February 2023



Sources: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.

The largest industry sector in the San Diego MSA, with 19 percent of employment, is professional and business services, which includes legal services, accounting, engineering, and consulting. At the national level, the largest sector is trade, transportation and utilities, which is only the fourth largest in the region. The second and third largest industry sectors in the San Diego MSA are government, with 16 percent of employment, and education and health services, with 15 percent. The prominence of the government sector in the San Diego MSA reflects a large military presence.

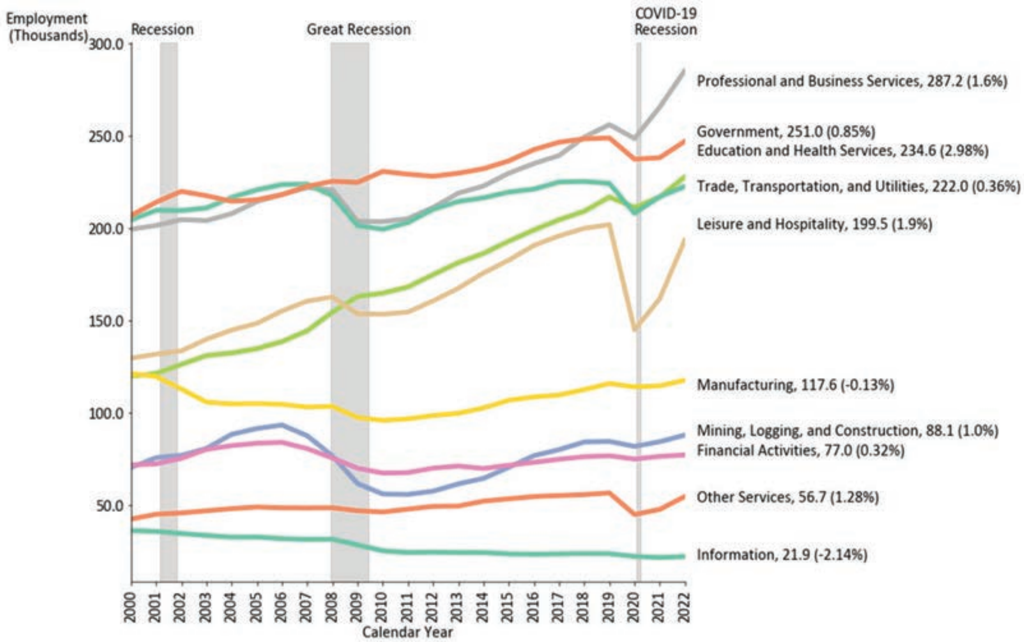
The San Diego MSA's LQs show greater specialization in the following industry sectors:

- Professional and business services with an LQ of 1.26
- Leisure and hospitality with an LQ of 1.25
- Government with an LQ of 1.09
- Mining, logging and construction with an LQ of 1.07

Meanwhile, the San Diego MSA has low LQs for the information sector (0.71), trade transportation and utilities (0.76), financial activities (0.84), and manufacturing. These industries have a smaller presence in the MSA than in the nation.

Figure 24 shows annual trends in employment in selected nonfarm sectors from 2000 through 2023. The effects of the recessions in 2008-2009 and 2020 are evident, especially in pro-cyclical sectors such as construction; trade, transportation, and utilities; and professional and business services. These industries suffered declines in employment in the last two recessions.

Figure 24 | Employment by Selected Industry, 2000-2023



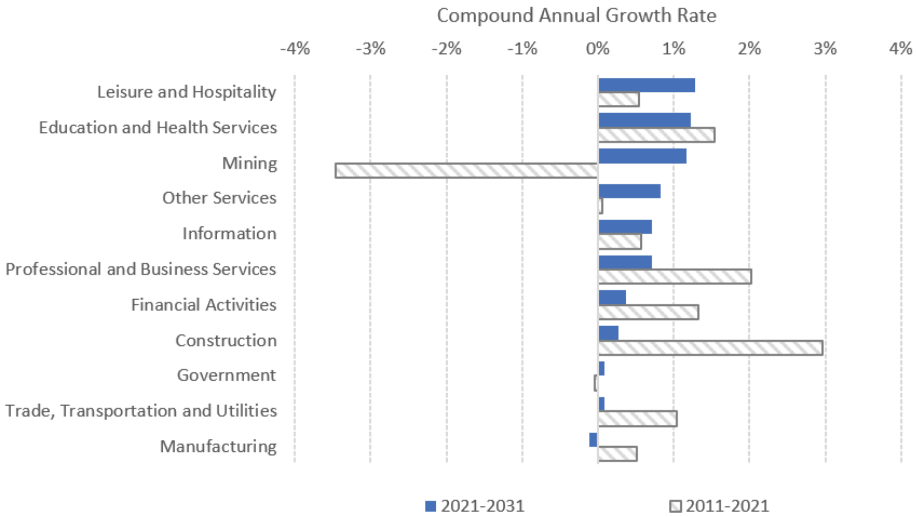
Sources: U.S. Bureau of Labor Statistics and Unison Consulting , Inc.
Gray areas are economic recession periods.

Over the entire period, education and health services experienced the largest employment gains, increasing at a 3 percent CAGR. Leisure and hospitality (1.9 percent CAGR) and professional and business services (1.6 percent CAGR) also grew rapidly. Information (-2.1 percent CAGR) and manufacturing (-0.1 percent CAGR) were the only sectors to lose employment during the period.

Leisure and tourism, a critical sector for the greater San Diego region, suffered significant employment losses during the pandemic after enjoying steady growth between 2011 and 2019. This trend was widespread, as stay-at-home orders and public reluctance to travel disproportionately impacted leisure and tourism. In 2020, the leisure and hospitality sector in the San Diego MSA lost more than 28 percent of its employment. However, the industry rebounded strongly and had recovered 99 percent of pre-pandemic jobs by early 2023. All other sectors have reached 99 percent or more, except “other services,” which remains at only 93 percent.

Looking to the future, the San Diego MSA is poised to continue strong employment growth. Figure 25 shows historical employment growth by sector from 2011-2021 and forecast growth from 2021-2031. Leisure and hospitality, education and health services, and professional and business services—all important in the San Diego MSA—are among the sectors forecast to grow strongly in the coming decades.

Figure 25 | Historical and Forecast Growth Rates by Industry Sector, 2011-2021 and 2021-2031



Sources: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.

2.5.4 | Leading Employers

The San Diego MSA has a range of large public and private employers who, along with the many small enterprises in the area, form the backbone of the region's economy (Table 4). A significant corporate presence generates business demand for air travel.

There is a large public sector in the San Diego MSA. The U.S. defense department, California state government, and local government significantly contribute to employment. The region has other major employers in diverse sectors, including healthcare, food service, electronics, biotechnology, and utilities. Diversity in the job market provides wide-ranging employment opportunities for residents and protects the region from sector-specific downturns while providing multiple employment opportunities for residents. Encouraging business growth that capitalizes on the strengths of the San Diego MSA labor market and geography while encouraging diversification strengthens the region's economy.

Table 4 | Selected Employers with Employees in the San Diego MSA

Organization	Estimated Employment	Sector
Local Government	>10,000	Government
State Government	>10,000	Government
32 St. Naval Station	>10,000	Military
Marine Corps Recruit Depot	>10,000	Military
Sharp Healthcare	>10,000	Healthcare
Kaiser Permanente	5000-9,999	Healthcare
Rady's Children's Hospital	1,000-4,999	Healthcare
General Dynamics	1,000-4,999	Ship Building
Illumina	1,000-4,999	Biotechnology
General Atomics	1,000-4,999	Aerospace & Defense
Sony	1,000-4,999	Electronics
Scripps Mercy Hospital	1,000-4,999	Healthcare
San Diego Gas & Electric	1,000-4,999	Gas and Electric Utilities
Sempra	<1,000	Gas and Electric Utilities
LPL Financial Holdings	<1,000	Securities
Qualcomm	<1,000	Electronics

Sources: California Employment Development Department, Data Axle, Esri, Forbes, Fortune, San Diego County, and Unison Consulting, Inc.
The list is not exhaustive. Employment levels are estimates and may include some non-local employers that have local employees.

2.5.5 | Commuting

The San Diego MSA has an in-area labor force efficiency of about 81 percent, indicating that 81 percent of workers who live in the San Diego MSA also work in the MSA.[15] Most workers who commute outside the MSA work in Los Angeles, Orange, Riverside, or San Bernadino County. Overall, the MSA has a net outflow of jobs, with about 21,000 more workers commuting out than into the San Diego MSA. While the MSA is a major employment node, its proximity to other large MSAs (e.g., Los Angeles and Riverside) provides residents with employment options.

2.5.6 | Unemployment

The unemployment rate represents the share of unemployed members of the labor force (those 16 years and older who are either employed or unemployed and actively looking for work). It provides a measure of unmet demand for jobs. High levels of unemployment imply lower incomes and less discretionary income for travel. As with employment, the unemployment rate follows business cycles (Figure 26).

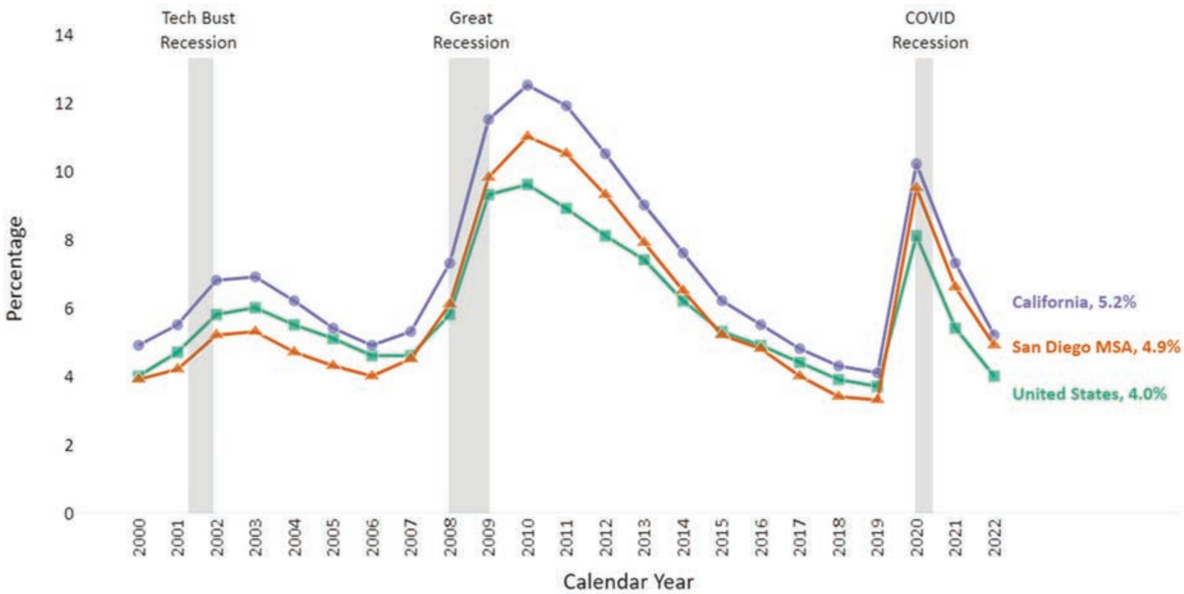
Unemployment rose during the Great Recession to 11 percent in the San Diego MSA, 12.5 percent in California, and 9.6 percent nationally. It then declined during the subsequent expansion—by 2019,

[15] Source: U.S. Census.

to 3.3 percent in the San Diego MSA, 4.1 percent in California, and 3.7 nationally, indicating an economy operating at full employment.[16]

In 2020, amid the business lockdowns, unemployment spiked to an annual average of 9.5 percent in the San Diego MSA, 10.2 percent in California, and 8.1 percent in the United States. By 2022, the annual average unemployment rate had decreased to 4.9 percent in the San Diego MSA, 5.2 percent in California, and 4.0 percent nationally.

Figure 26 | Annual Unemployment Rate, 2000-2022

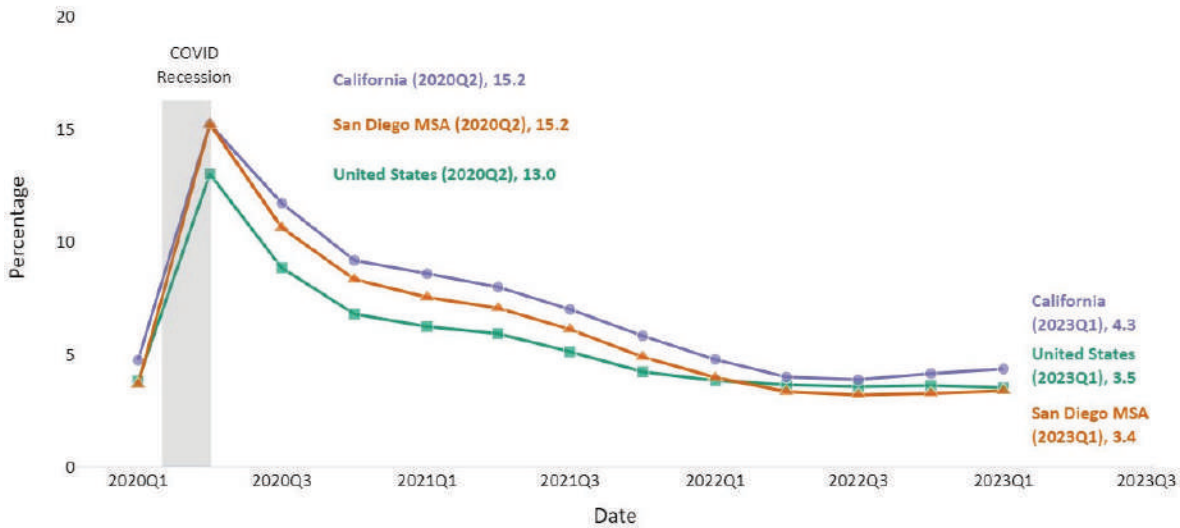


Sources: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.
Gray areas are economic recession periods.

Quarterly unemployment data through Q1 2023 paint a brighter picture (Figure 27). Unemployment rates have consistently dropped since 2020 and, in Q1 2023, reached 3.4 percent in the San Diego MSA, 4.3 percent in California, and 3.5 percent nationally, approaching historic-low 2020 levels. A decline in labor force participation contributes to the low unemployment rates. Nevertheless, the MSA's strong employment recovery and return to low unemployment rates attest to economic resilience.

[16] Unemployment rates between 4.1 and 4.7 percent imply full employment—a state where "…the unemployment rate equals the nonaccelerating inflation rate of unemployment, no cyclical unemployment exists, and GDP is at its potential." Sources: (1) C. Cook, "Full Employment," Bloomberg, 2016. (2) Bureau of Labor Statistics, "Full Employment: an assumption within BLS projections," 2017.

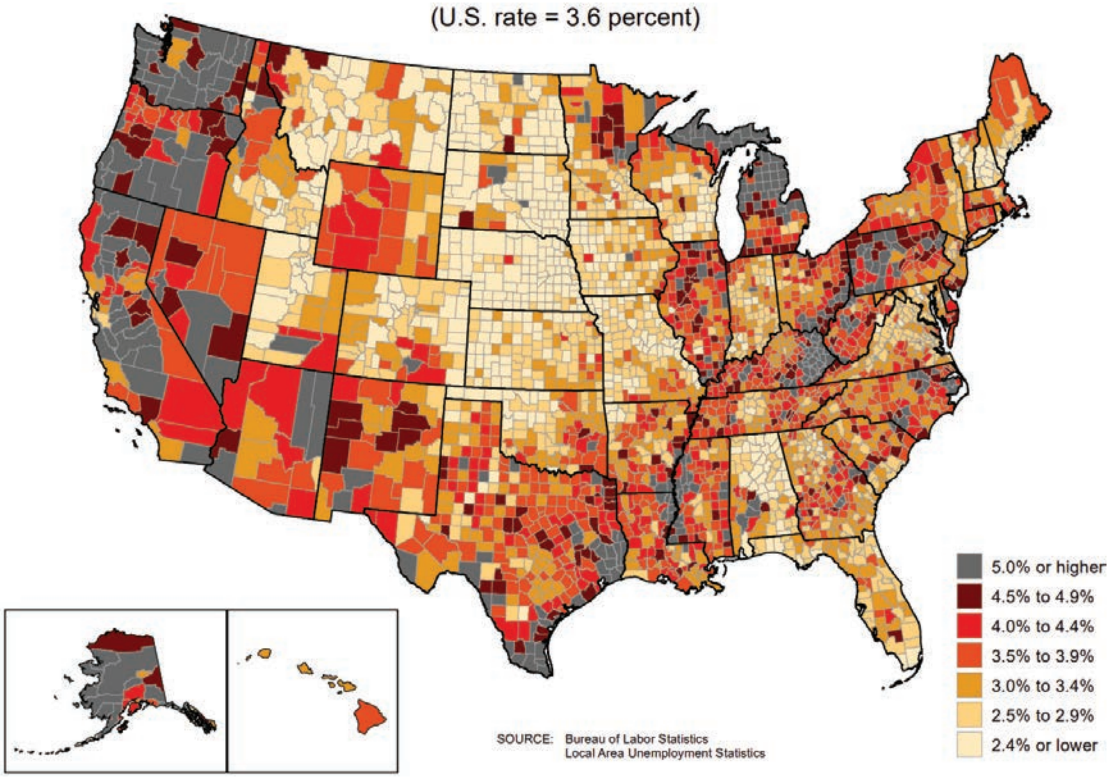
Figure 27 | Quarterly Unemployment Rate, Q1 2020-Q1 2023



Sources: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.
Gray areas are economic recession periods.

Figure 27 shows the 12-month average unemployment rate through May 2023 by county in the United States. San Diego County has a lower unemployment rate than the national average. Regionally, the county compares favorably with nearby Imperial, Los Angeles, Riverside, and San Bernadino Counties. San Diego County has one of the lowest unemployment rates on the west coast.

Figure 28 | Unemployment Rates by County, 12-Month Average through May 2023



Source: U.S. Bureau of Labor Statistics.

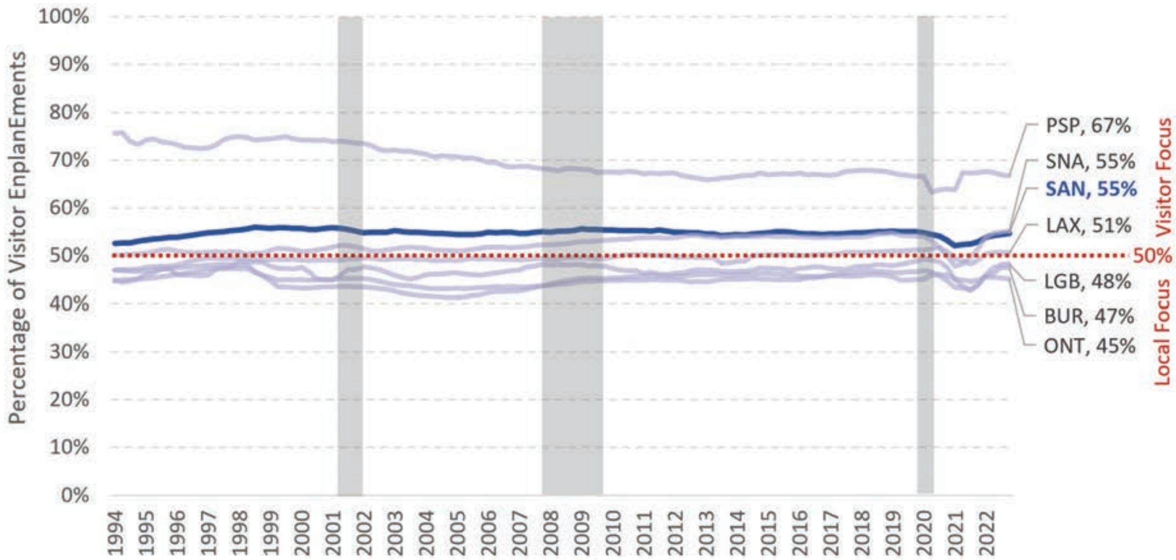
2.6 | Tourism

Tourism is a significant component of the economies of California and the San Diego region. It is a "basic" economic activity and a key driver of economic growth. It brings "new money" from visitor spending on food, lodging, recreation, and other services provided by local businesses.[17] In 2022, travel-related spending in California exceeded $134 billion, contributed nearly $12 billion in tax revenue, and supported about 1.1 million jobs. In the San Diego MSA, tourism-related spending amounted to almost $14 billion in 2021, contributing about $1.1 billion in state and local tax revenue and supporting 96,000 jobs.

SAN plays a fundamental role in drawing visitors to the region. Figure 29 shows the estimated share of visitors among O&D enplanements at each Southern California airports. SAN ties with SNA for the second-largest visitor share of 55 percent in 2022.

[17] In regional economics, "basic" industries, also known as export-base industries, refer to sectors of the economy that generate revenue from customers from outside the region, thus bringing "new money" into the region.

Figure 29 | Visitor Share of O&D Enplanements at Each Southern California Airport (4-Quarter Moving Average), 1994-2022



Sources: U.S. Department of Transportation and Unison Consulting, Inc.
Gray areas are economic recession periods.

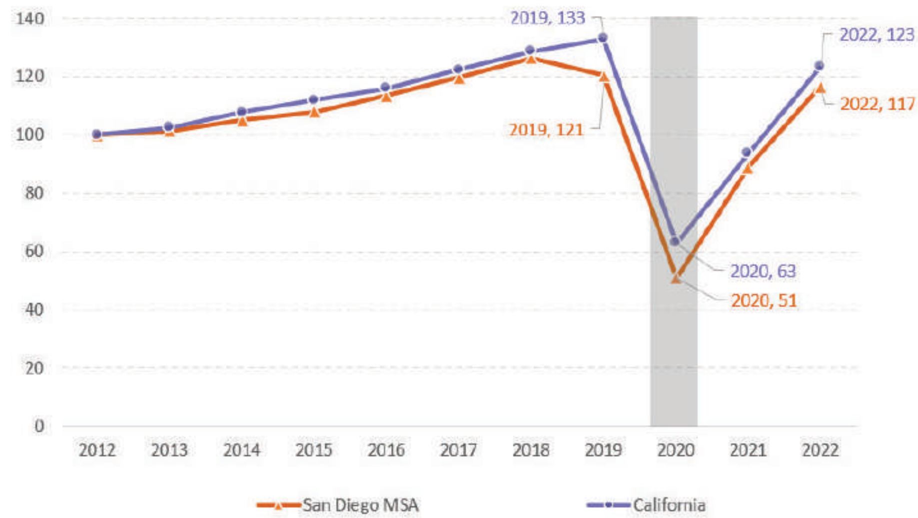
In FY2023, approximately 68 percent of visitors came to San Diego for leisure, 27 percent for business, and the remainder for special events, as compared to 57 percent for leisure and 28 percent for business in FY2019. Leisure travelers gravitate to San Diego's pleasant weather and diverse attractions. Beaches, the harbor/waterfront, Coronado Island, and Old Town are among the top tourist sites. From 2013 to 2019, San Diego hosted an average of 68 conventions yearly, a significant draw for business travelers.

About 49 percent of San Diego's visitors are from Arizona and California, 41 percent from the rest of the United States, and 11 percent from international origins. Mexico, Canada, the United Kingdom, and China are the most important sources of international visitors. About 45 percent of all overnight visitors arrive by air. [18]

Figure 30 shows the trend in visitor spending in the San Diego MSA and California from 2012 to 2022. Visitor spending rose at a healthy 2.7 percent annual rate in the MSA and 4.2 percent in California. After a significant decrease in 2020, by 2022, visitor spending had returned to 97 percent of the 2019 level in the San Diego MSA and 93 percent in California.

[18] Source: San Diego Tourism Authority data for 2019.

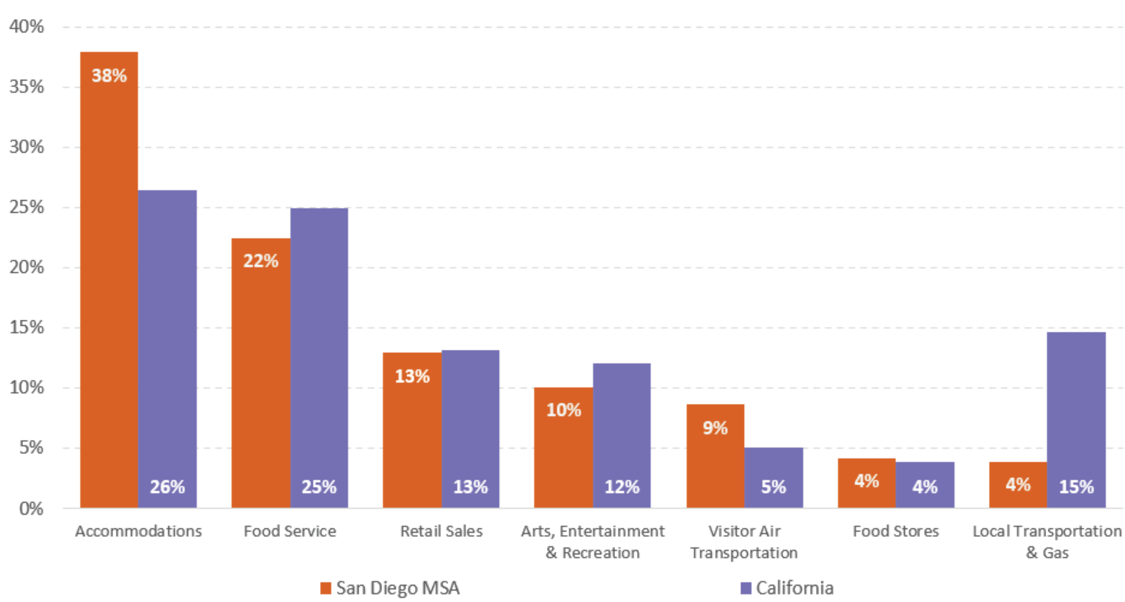
Figure 30 | Visitor Spending Index (2012=100), San Diego MSA and California, 2012-2022



Sources: Visit California and Unison Consulting, Inc.
Gray areas are economic recession periods.

Figure 31 shows visitor spending by expenditure category in the San Diego MSA and California. Accommodations account for 38 percent of visitor spending in the San Diego MSA, much higher than the state average of 26 percent. In addition, about 9 percent of visitor spending in the MSA is for air transportation—about 4 percentage points above the state average.

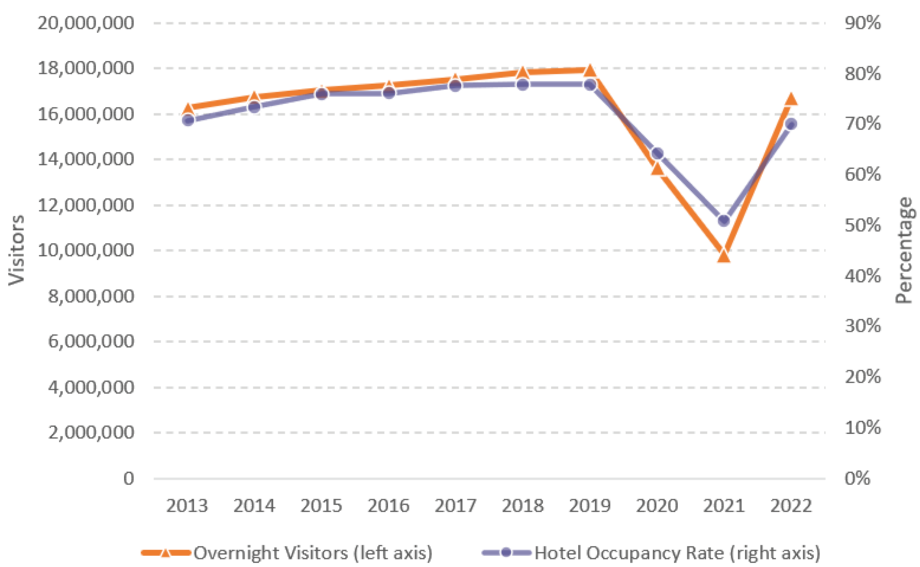
Figure 31 | Visitor Spending by Category, San Diego MSA and California, 2022



Sources: Visit California and Unison Consulting, Inc.

The number of overnight visitors to San Diego and the hotel occupancy rate have moved in tandem since 2013, both rising between 2013 and 2019 (Figure 32). After falling sharply due to the pandemic, the most recent values from fiscal year 2022 show that recovery is progressing.

Figure 32 | Overnight Visitors and Hotel Occupancy Rate, San Diego MSA, Fiscal Year 2013-2022



Sources: San Diego Tourism Authority and Unison Consulting, Inc.
San Diego's fiscal year runs from July 1 to June 30.

Popular San Diego tourist attractions include Balboa Park, SeaWorld San Diego, San Diego Zoo, LEGOLAND California, Petco Park, and numerous beaches in the area. Overall, tourism in the San Diego MSA shows resilience. Visitor spending and hotel occupancy are rebounding from the pandemic, and leisure and hospitality employment has largely recovered. Ongoing trends are positive.

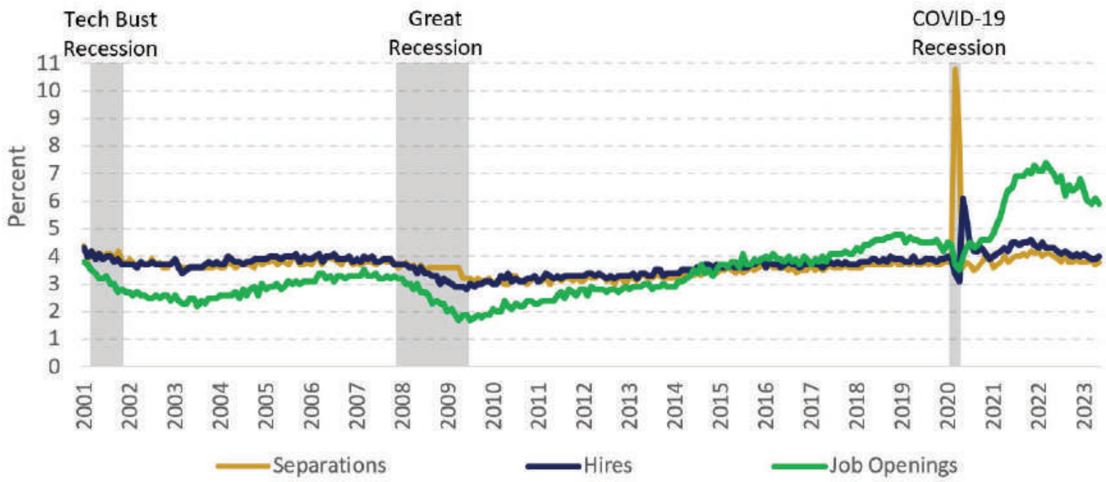
2.7 | Macroeconomic Indicators

The broader U.S. economy affects regional economic conditions and overall demand for air transportation. The current trends in key macroeconomic indicators give mixed signals.

2.7.1 | Employment

The labor market has been robust in the aftermath of the 2020 recession. However, the Federal Reserve's recent efforts to slow inflation are cooling the labor market (Figure 33). In 2021 and early 2022, job openings rose rapidly while hires and separations remained relatively flat amid a shortage of workers to fill available positions. Data from late 2022 and early 2023 show that job openings are decreasing.

Figure 33 | Job Openings, Separations, and Hires, January 2001-May 2023



Sources: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.
Gray areas indicate economic recession periods.
The figure shows separations and hires rates as a percentage of total employment, and job openings as a percentage of total employment plus openings.

2.7.2 | Housing

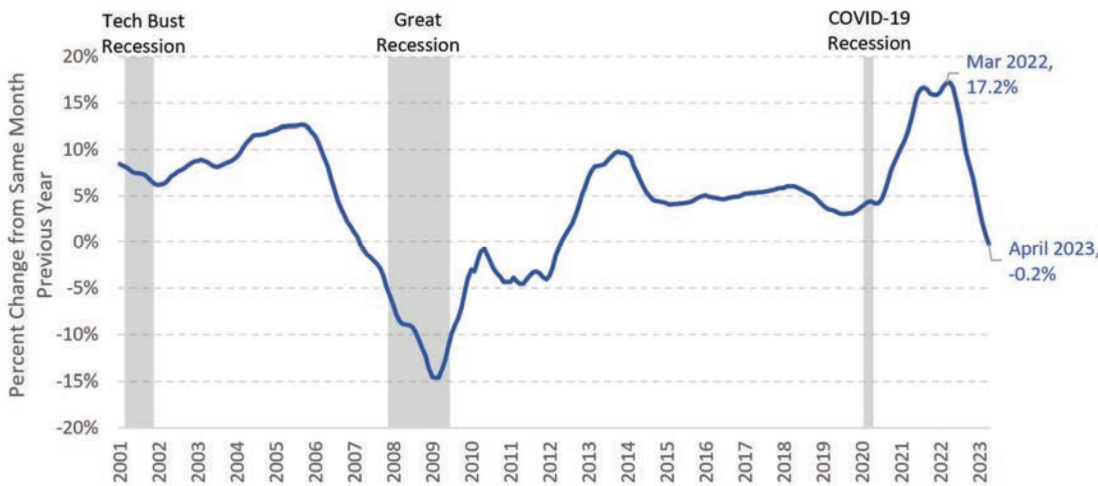
A strong housing market signifies a thriving economy. It also stimulates consumer spending because, for many, housing comprises a substantial portion of net worth. Housing prices, which rose by 40 percent between January 2020 and March 2022, have retreated (Figure 33).

High prices and high interest rates have slowed demand. Moody's Analytics forecasts prices to fall an additional 5-10 percent by early 2025.[19] Falling home prices will reduce consumer wealth, confidence, spending, and consumption.[20]

[19] V. Calanog and K. Fagan, "The Outlook for the Housing Market," Moody's Analytics, February 16, 2023.

[20] P. Carlsson-Szlezak and P. Swartz, "How much damage will the housing market do to the economy?" *Fortune*, August 9, 2022.

Figure 34 | S&P / Case-Shiller National Home Price Index, January 2001-April 2023



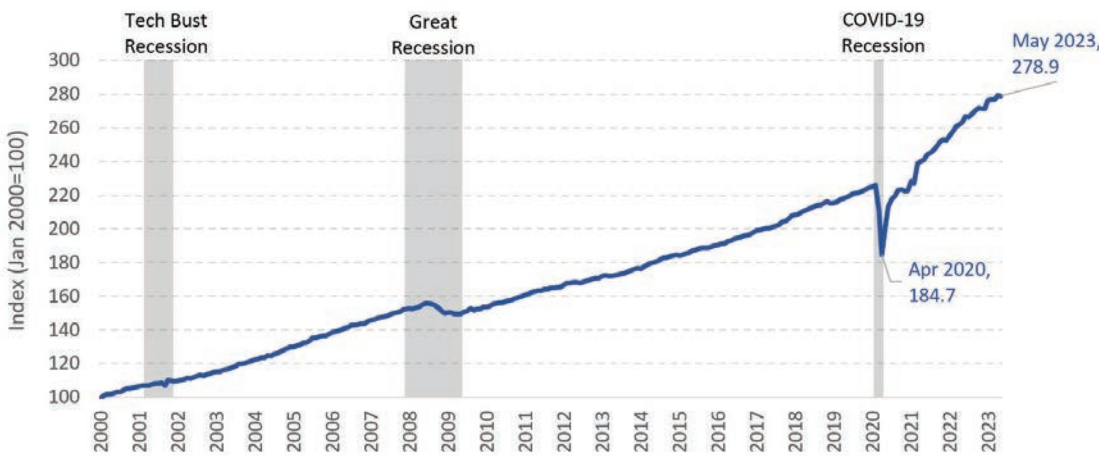
Sources: S&P Dow Jones and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

2.7.3 | Consumer Spending

Consumer spending, a bellwether measure of the economy, continues to signal a growing economy. Personal consumption expenditures (PCE), which account for about 66 percent of the U.S. GDP, have continuously increased, apart from dips during the last two recessions (Figure 35). During the Great Recession, consumer spending decreased by 4.0 percent over eight months in late 2008 and early 2009, after which it rose by 50 percent (3.7 percent CAGR) from January 2009 to January 2020. During the last recession induced by the pandemic, consumer spending decreased by 18 percent over two months from February to April 2020 but rebounded quickly. It increased 51 percent through May 2023 to 23 percent above the pre-pandemic peak. Rising employee compensation has fueled recent increases in consumer spending.[21]

[21] U.S. Bureau of Economic Analysis, Personal Income and Outlays, February 2023.

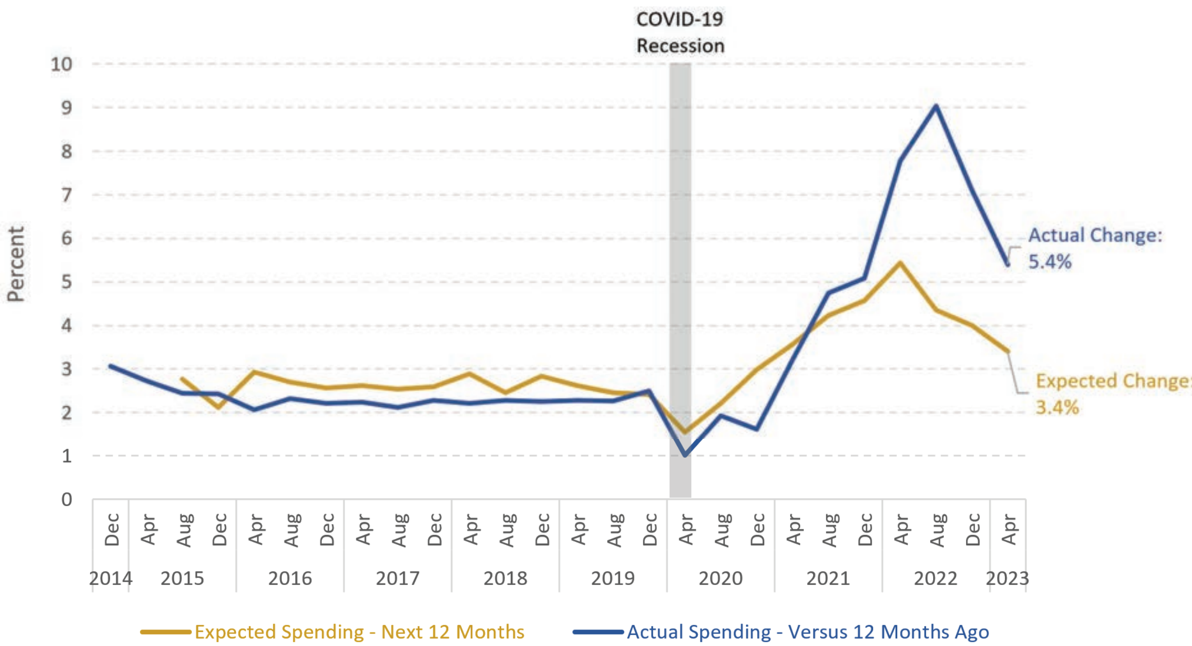
Figure 35 | Personal Consumption Expenditures Index, January 2000-May 2023



Sources: U.S. Bureau of Economic Analysis and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

There are signs that the strong consumer spending that has supported the economic recovery is beginning to weaken. Figure 36 shows consumer spending changes over the previous 12 months and expected spending levels over the upcoming 12 months. The two measures, which had largely mirrored each other until 2021, increased during late 2020 and 2021 due to the improved consumer outlook fostered by the supplementary income provided by the U.S. government during the pandemic. However, the two measures began to diverge in mid-2021, indicating that consumers expect their ability to sustain high spending to fall with the end of government income transfers and rising inflation.

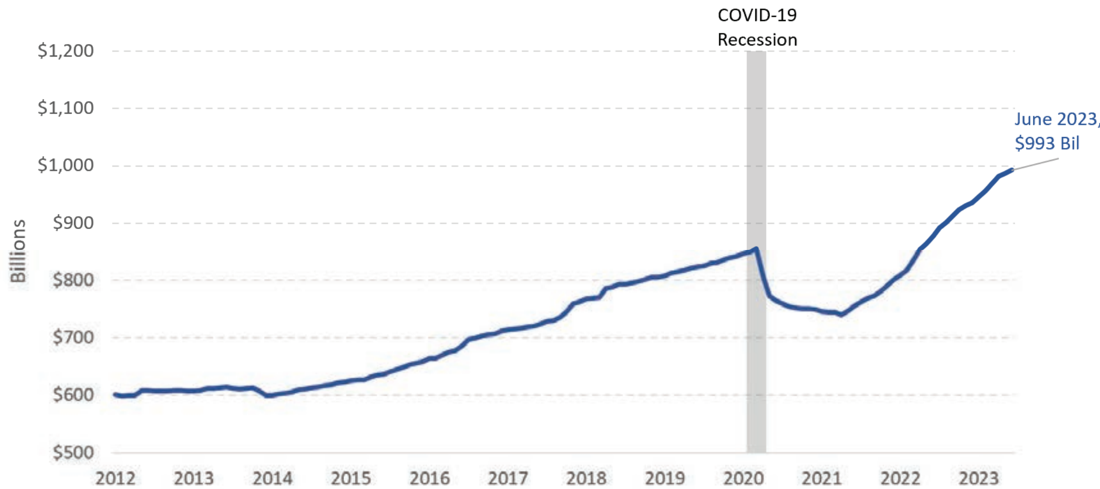
Figure 36 | Actual and Expected Consumer Spending: 12-months ago, Next 12 Months, September 2014-April 2023



Sources: Federal Reserve Bank of New York and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

Consumer spending has been partly fueled by borrowing, as indicated by the rapid rise in consumer loan balances, including credit card debt (Figure 36). Between January 2012 and 2020, consumer loan balances increased by 42 percent, at a CAGR of 4.5 percent. Government stimulus programs for consumers reversed this trend, and between March 2020 and April 2021, consumer revolving loan balances decreased by 14 percent. From April 2021 to June 2023, consumer loan balances increased by 34 percent. The total amount owed by consumers is quickly approaching $1 trillion. The current environment of high inflation and rising interest rates will impinge on the ability of consumers to manage heavy debt burdens and sustain high spending.

Figure 37 | Consumer Loans: Credit Cards and Other Revolving Plans (Commercial Banks), $ Billions, January 2012-June 2023



Sources: U.S. Board of Governors of the Federal Reserve System and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

The personal saving rate soared during the pandemic. Social distancing curtailed household spending, and income transfers from federal relief packages[22] boosted household incomes, resulting in trillions of accumulated savings.

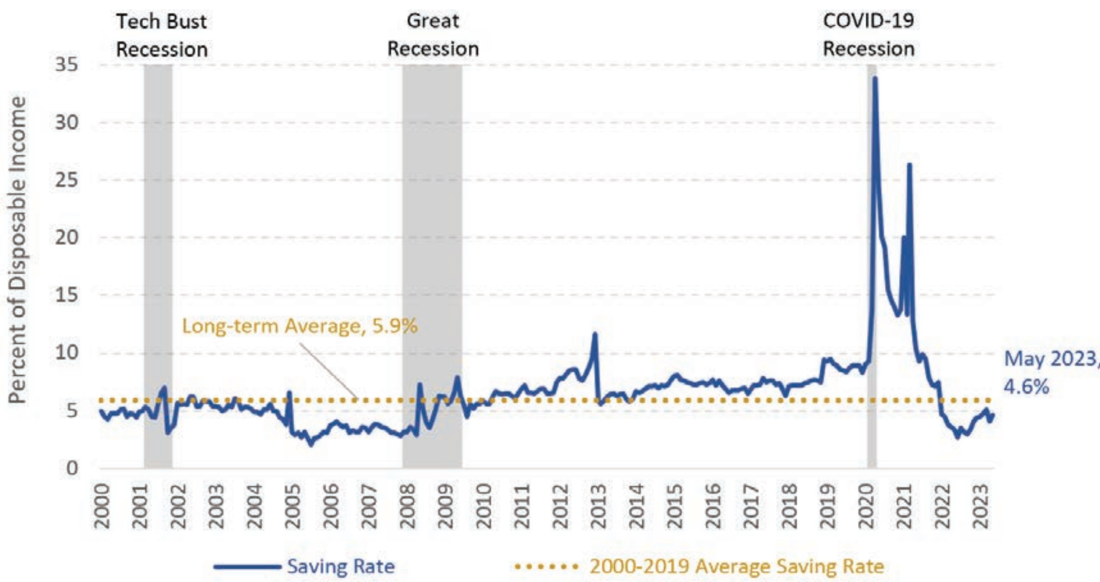
Figure 38 shows monthly personal savings as a percentage of disposable income from January 2000 to March 2023. The long-term average before the pandemic (2000-2019) was 5.9 percent. In 2020 and 2021, the personal saving rate reached levels above 30 percent, and households are estimated to have amassed a peak of more than $2.7 trillion in excess savings through the end of 2021.

Accumulated savings have provided consumers with a cushion to sustain spending—including travel—amid price increases. However, the personal saving rate had fallen to a low 2.7 percent in June 2022, although it had rebounded slightly to 4.6 percent in May 2023. The savings cushion is shrinking as consumers dip more and add less to their savings to sustain spending. Estimates by Federal Reserve economists indicate that excess pandemic savings have already been depleted or

[22] These include the CARES Act in March 2020, the Consolidated Appropriations Act in December 2020, and the American Rescue Plan in March 2021.

will be by the end of 2023.[23, 24] The exhaustion of accumulated pandemic savings removes some support for continued high levels of consumer spending.

Figure 38 | Personal Saving, January 2000- May 2023



Sources: U.S. Bureau of Economic Analysis and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

2.7.4 | Inflation

Strong consumer demand and supply constraints have created an inflationary environment. Inflation, which primarily stayed at or below 2 percent between 2010 and 2020, rose in 2022 to levels not seen since the early 1980s (Figure 39). The headline inflation rate, measured by the All-Items Consumer Price Index (CPI), increased to 9.1 percent in June 2022. Core inflation, which excludes highly price-volatile items like food and energy, has also been high, reaching 6.6 percent in September 2022. To slow inflation, the Federal Open Market Committee (FOMC) raised interest rates in 2022 and 2023. Between March 2022 and July 2023, the FOMC increased the Fed Funds rate 11 times—by 525 basis points, increasing the cost of capital for individuals and corporations. Headline inflation has eased in early 2023 (to 3 percent in June) but is still above the FOMC's long-term target of 2 percent. Core inflation has not fallen as much as the headline rate, straining

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[23] F. de Soyres, D. Moore, and J. Ortiz, "Accumulated Savings During the Pandemic: An International Comparison with Historical Perspective," FEDS Notes, Board of Governors of the Federal Reserve System," June 23, 2023. https://www.federalreserve.gov/econres/notes/feds-notes/accumulated-savings-during-the-pandemic-an-international-comparison-with-historical-perspective-20230623.html.

[24] A. Aladangady, D. Cho, L. Feiveson, and E. Pinto, "The Rise and Fall of Pandemic Excess Savings," FRBSF Economic Letter, Federal Reserve Bank of San Francisco, May 8, 2023.

household finances. High inflation reduces the purchasing power of consumers and erodes the impact of wage growth.[25]

Figure 39 | Consumer Price Index, January 2000-June 2023

Sources: U.S. Bureau of Labor Statistics and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

2.7.5 | Consumer Sentiment

Consumer sentiment, based on a recurring survey conducted by the University of Michigan, is near its lowest level in years – another indicator of caution regarding near-term economic conditions (Figure 39). During 2022, the index, which measures consumer confidence in the economy and suggests future demand behavior and business activity, fell to levels as low as those observed during the Great Recession. Consumers are growing more concerned about high inflation and more uncertain about the near-term economic outlook.

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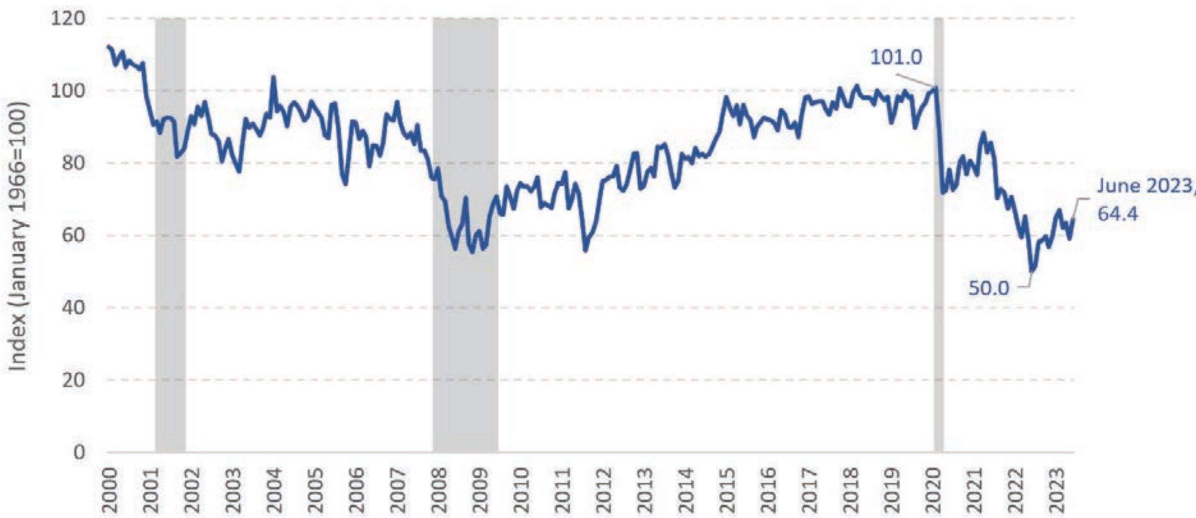
[25] An alternative measure of inflation, the Personal Consumption Expenditures Price Index calculated by the U.S. Bureau of Economic Analysis, shows a similar pattern.

Figure 40 | Consumer Sentiment Index, January 2000-June 2023



Sources: University of Michigan Consumer Sentiment Index and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

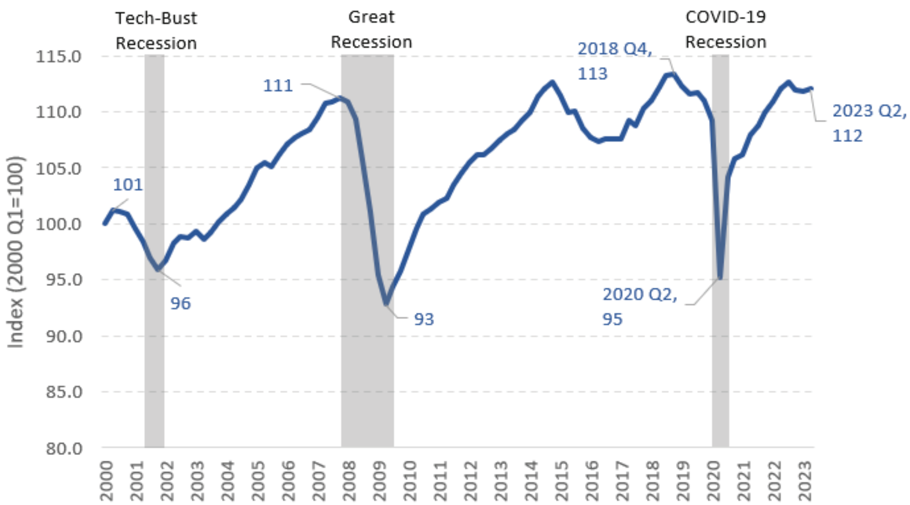
2.7.6 | Industrial Production

Industrial production, which tracks the output of manufacturing, mining, and utilities (for example, power generation), tends to move in concert with business cycles (Figure 41). It decreased significantly during the last three recessions (2001, 2008-2009, and 2020). Most recently, it dropped about 19 percent from the fourth quarter of 2018 through the second quarter of 2020. By the second quarter of 2022, industrial production had rebounded to fourth-quarter 2019 levels—a shorter recovery period than the seven years it took after the Great Recession. However, the trend took another downturn in the fourth quarter of 2022 when the index fell by 0.6 percent due to slowing demand, rising interest rates, and the high value of the dollar, which effectively increases prices for U.S. exports.[26, 27] Entering 2023, the industrial production index stayed mostly flat in the first two quarters.

[26] X. Fontdegloria, "U.S. Industrial Production Declined More Than Expected in December," *MarketWatch*, January 18, 2023, https://www.marketwatch.com/story/u-s-industrial-production-declined-more-than-expected-in-december-271674052883.

[27] Lucia Mutikani, "U.S. manufacturing output tumbles in December," *Reuters*, January 18, 2023, https://www.reuters.com/markets/us/us-manufacturing-output-tumbles-december-2023-01-18/.

Figure 41 | Industrial Production Index, Q1 2000- Q2 2023



Sources: Board of Governors of the Federal Reserve and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

2.7.7 | Global Supply Chain

The pandemic revealed the vulnerability of the global supply chain as the shutdown of factories, transportation issues, and worker shortages due to sick calls impacted various industries, including manufacturing, construction, retail, and wholesale. This caused supply chain bottlenecks, which limited the availability of raw materials, manufacturing capabilities, and product accessibility, ultimately resulting in price increases.

The Federal Reserve Bank of New York's Global Supply Chain Pressure Index (GSCPI) measures strain in the supply chain by combining various transport cost measures with the Purchasing Manager Index (Figure 42). Values above zero indicate more stress on the supply chain, while values below zero indicate a system running smoothly. The index mostly hovered near zero over the past two decades. In 2020, however, the index rose to more than 3 and, after a brief fall, climbed even higher to 4.31 in December 2021. Since then, the index has again fallen to -1.20 in June 2023—a positive indication that the global logistics system is adapting to the demands of the post-pandemic era. While a smoother-running global logistics sector may help economic growth, risks stemming from materials shortages, geopolitical tensions, and continuing changes in the geography of manufacturing will continue to threaten the stability of the global supply chain.[28, 29]

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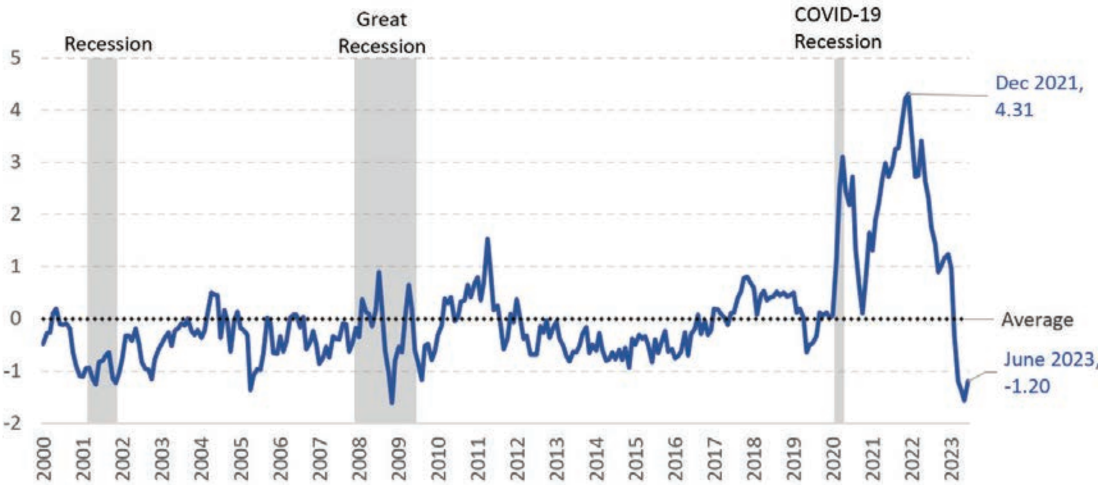
[28] M. Derby, "NY Fed index shows global supply chain pressures eased further in March, Reuters, https://www.reuters.com/markets/ny-fed-index-shows-global-supply-chain-pressures-eased-further-march-2023-04-06/, April 6, 2023.

[29] KPMG, The Supply Chain Trends Shaking up 2023,"
https://kpmg.com/xx/en/home/insights/2022/12/the-supply-chain-trends-shaking-up-2023.html

Figure 42 | Global Supply Chain Pressure Index (Standard deviation from average), January 2000-June 2023



Sources: Federal Reserve Bank of New York and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

2.8 | Macroeconomic Outlook

The economy has rebounded from the 2020 recession and surpassed pre-recession output levels. However, there are signs that growth may be slowing down.

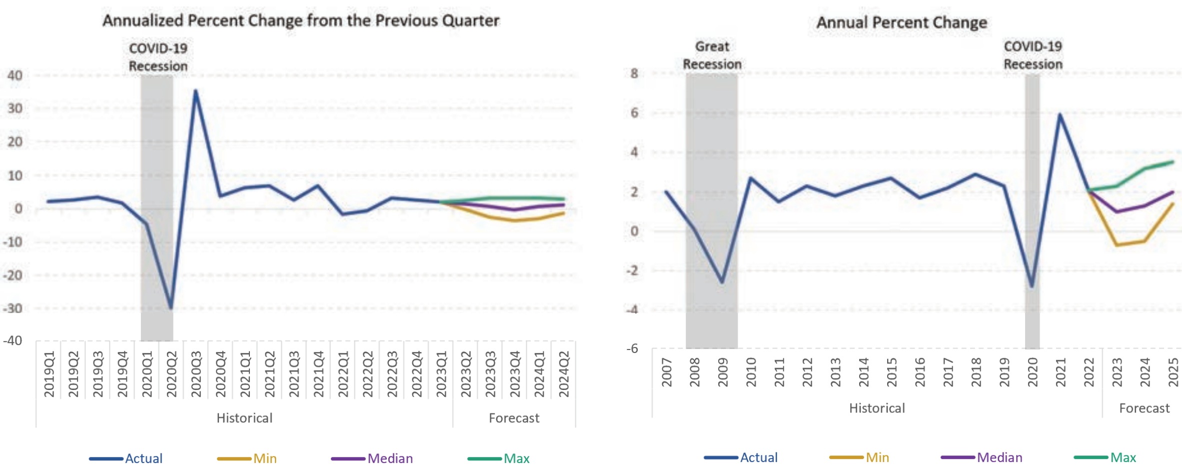
The government income transfers that supported consumer spending have ended, leading consumers to rely on borrowing. The excess savings accumulated during the pandemic have dwindled, and the personal saving rate has dropped below the long-term average. Consumers feel uncertain about economic conditions and anticipate a decrease in future spending. Inflation has slowed in 2023, but it is still high enough for the Federal Reserve to continue raising interest rates. Even though global supply chain pressures have eased, industrial production has slowed as price increases and interest rate hikes reduced demand. The global economy is also slowing—the International Monetary Fund (IMF) cut 2023 global growth forecasts, citing the effects of inflation, Russia's invasion of Ukraine, and China's economic slowdown. As a result, the U.S. dollar continues to strengthen, dampening the demand for U.S. exports.

Notwithstanding the uncertainties in the short-term outlook, the U.S. economy has demonstrated its ability to bounce back and return to a growth trajectory.

2.8.1 | Short-Term Outlook

Predictions are cautious about the short-term economic outlook. According to the median estimates from the Wall Street Journal (WSJ) July 2023 Economic Forecasting Survey, U.S. real GDP is forecast to grow 0.8 percent in the third quarter of 2023, negative 0.35 percent in the fourth quarter of 2023, 0.8 percent in the first quarter of 2024, and 1.2 percent in the second quarter of 2024 (Figure 43). On an annual basis, the median estimate for GDP growth is 1.0 percent in 2023, 1.3 percent in 2024, and 2.0 percent in 2025. However, forecasts vary widely, including some for negative growth starting in the third quarter of 2023. While estimates vary, generally, the growth outlook becomes more stable and positive in 2024 and 2025. The July 2023 WSJ median estimate for the probability that the U.S. economy will slide into another recession within 12 months was 54 percent. This is down from 61 percent in the January and April 2023 forecasts, signaling a potential return to a more stable economic environment.

Figure 43 | U.S. Real GDP, Quarterly and Annual Change (Historical and Forecast)

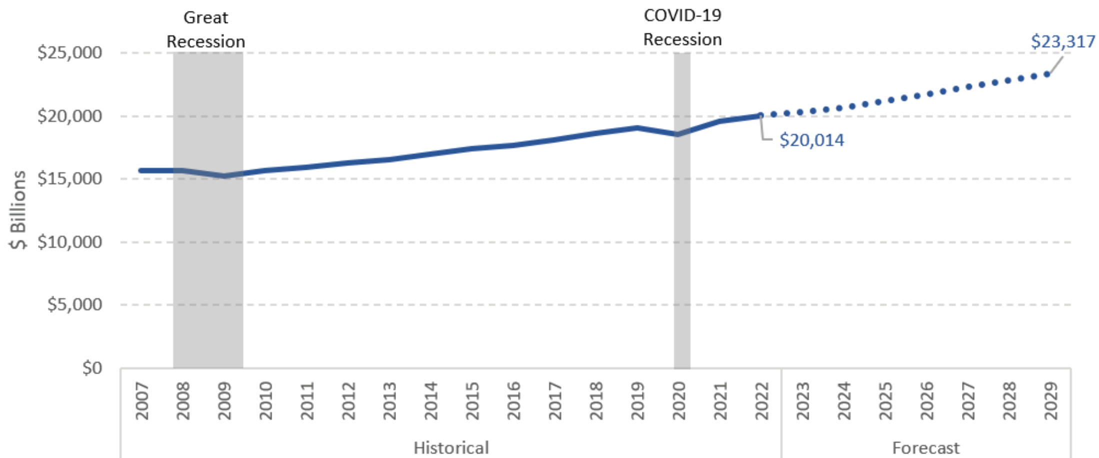


Sources: U.S. Bureau of Economic Analysis, Wall Street Journal July 2023 Economic Forecasting Survey, and Unison Consulting, Inc.
Gray areas indicate economic recession periods.

2.8.2 | Long-Term Outlook

Despite substantial economic uncertainty in the short- and medium-terms, in the long run, the U.S. economy is projected to return to a steady growth path (Figure 44). Moody's Analytics forecasts the U.S. real GDP to grow by 16.5 percent, at a CAGR of 2.2 percent from 2022 to 2029.

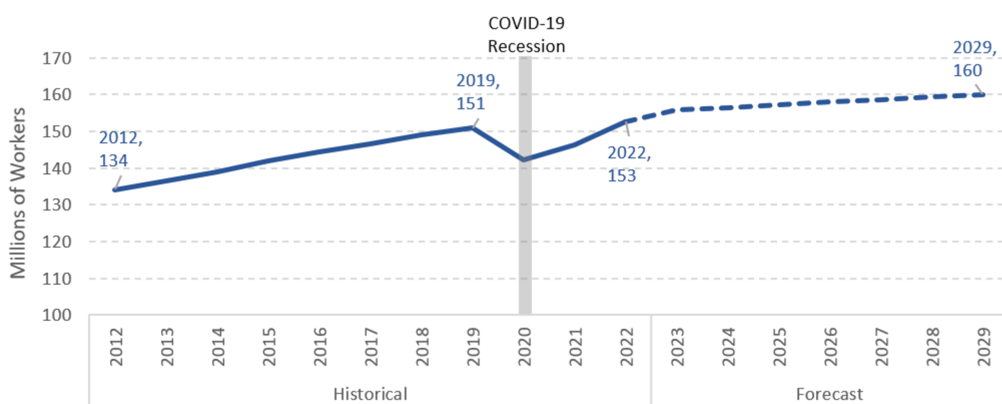
Figure 44 | Long-term Projected U.S. Real Gross Domestic Product, 2007-2029



Sources: U.S. Bureau of Economic Analysis, Moody's Analytics Baseline Forecast (May 2023), and Unison Consulting, Inc. Gray areas indicate economic recession periods.

After falling by almost 6 percent between 2019 and 2020, non-farm employment exceeded pre-pandemic levels by the end of 2022. According to Moody's Analytics forecast, U.S. employment will gain about 7.4 million jobs between 2022 and 2029, increasing at a CAGR of about 0..57 percent (Figure 44).

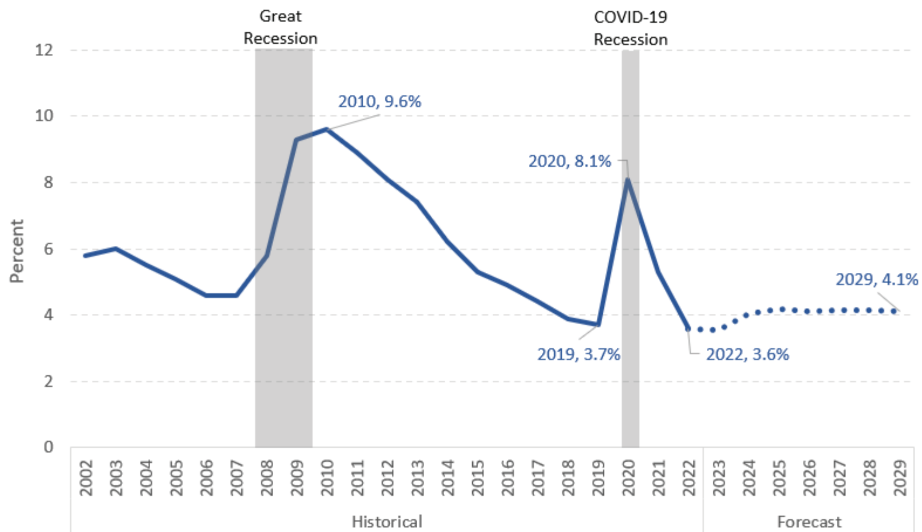
Figure 45 | Historical and Forecast Nonfarm Employment (Millions), 2012-2029



Sources: U.S. Bureau of Economic Analysis, Moody's Analytics Baseline Forecast (May 2023), and Unison Consulting, Inc. Gray areas indicate economic recession periods.

Moody's Analytics projects the U.S. unemployment rate to rise slightly above current levels to 4.2 percent by 2027, remaining nearly constant at just over 4 percent through 2029 at levels consistent with a full-employment economy. Figure 45 shows forecast annual unemployment rates with historical data from 2002 to provide a long-term perspective.

Figure 46 | Historical and Forecast Unemployment Rate, 2002-2029



Sources: U.S. Bureau of Labor Statistics, Moody's Analytics Baseline Forecast (May 2023), and Unison Consulting, Inc. Gray areas indicate economic recession periods.

2.8.3 | Outlook Summary

The San Diego MSA is a highly educated region with above average income. Employment and unemployment have largely recovered from the 2020 recession. Business establishment growth has been robust, and the tourism sector is recovering. Industries with a strong presence in the San Diego MSA—professional and business services, education and healthcare, and leisure and hospitality are poised to grow over the next decade.

The cost of living is high in San Diego, and there has been a recent population decline. In addition, the MSA strongly relies on the government sector—a sector that is not forecast to grow over the next 10 years. In addition, the population is aging, which could have important workforce implications over time.

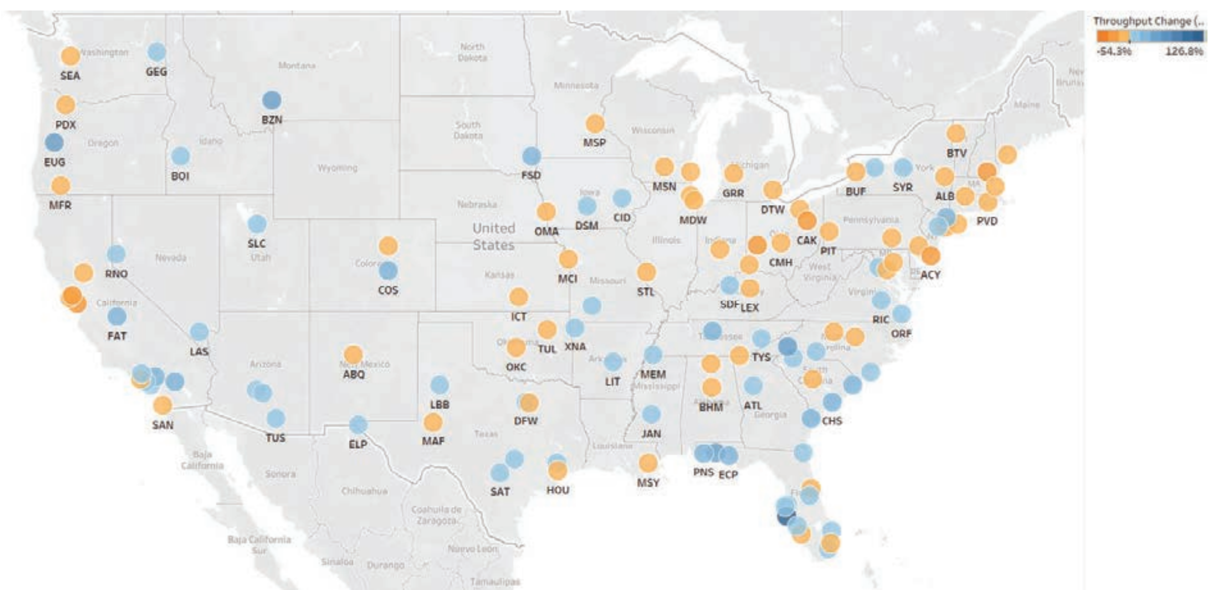
Macroeconomic trends show mixed signals, particularly in the short run. Supply-chain bottlenecks have eased, promoting more efficient production and distribution. Real GDP declined during the first half of 2022 but has rebounded in the final two quarters of 2022 and early 2023. Consumer spending remains strong, although revolving debt levels are rising, and consumer sentiment is low due to inflation and recession worries. Rising interest rates—a consequence of Fed funds rate hikes to slow inflation—dampen housing demand and threaten capital investment. Despite recent announcements of layoffs and a dip in job openings in some sectors, the labor market remains strong for the time being. Beyond 2023 and 2024, the outlook remains positive, although international geopolitical tensions are a continuing concern for the global economy.

SECTION 3 | COMMERCIAL AVIATION ACTIVITY

In this section, we review the historical trends in commercial aviation activity at the Airport, explain the development of forecasts, and present the results. The historical trends in aviation activity at the Airport and the regional and macroeconomic trends in the previous section provide context for the forecasts. Lastly, we discuss broader factors that bring uncertainty to future traffic.

Throughout the section, the trends show the effect of the pandemic. Although the worst has passed and COVID-19's status as a global public health emergency has ended, its effects continue to show in recent data and near-term forecasts. Commercial aviation is one of the sectors that suffered the most severe disruptions due to the pandemic. Global passenger traffic fell to unprecedented low levels. At U.S. airports, including SAN, passenger traffic decreased to as little as 3-to-5 percent of normal levels in April 2020. Recovery has been well underway, with varying progress among U.S. airports (Figure 47).

Figure 47 | U.S. Hub Airport Passenger Traffic Recovery Based on TSA Throughput for January 1-July 15, 2023, Change Over the Same Period in 2019



Sources: Transportation Security Administration and Unison Consulting, Inc.
The map uses TSA throughput, a proxy indicator of O&D enplanements.
Blue indicates at least 100 percent recovery to 2019 level. Orange indicates less than 100 percent recovery.

3.1 | Operating Airline History

As of July 2023, 16 mainline passenger carriers and 6 cargo carriers operate at SAN, all listed in Table 5, while Table 6 expands on the history of air carriers that have served at the Airport. SAN's largest service providers include Southwest, Alaska, United, Delta, and American.

Most of SAN's mainline carriers are long-term staples that have served the Airport through at least the past five fiscal years. However, foreign-flag airlines, such as Air Canada, British Airways, Lufthansa, and WestJet, paused operations in FY2021, due to pandemic-related international travel restrictions. SAN lost service from Edelweiss Air in FY2020 before the pandemic began. Swoop operated at SAN briefly in FY2022; it will be shut down and integrated into its parent company WestJet on October 28, 2023.[30]

SAN's six cargo carriers include ABX, Ameriflight, Atlas Air, FedEx, Swift, and UPS. Over the pandemic, West Air ceased service at SAN. Atlas has a signatory agreement and lease two parking positions for DHL, with Swift operating the DHL flights. ABX previously operated the DHL flights and now performs occasional charter operations at the Airport. However, FedEx and UPS, along with their feeder operator Ameriflight, are longtime service providers at SAN and still operate with strong numbers.

Table 5 | Air Carriers Currently Serving SAN, as of July 2023

Mainline Carriers		Regional Affiliates	Cargo Carriers
Air Canada	JetBlue	Air Canada Jazz[1]	ABX
Alaska Airlines	Lufthansa	Horizon Air[2]	Ameriflight
Allegiant Air	Southwest Airlines	SkyWest Airlines[2,3,4]	Atlas Air
American Airlines	Spirit Airlines		FedEx
British Airways	Sun Country Airlines		Swift
Delta Air Lines	United Airlines		UPS
Frontier Airlines	Westjet		
Hawaiian Airlines			
Japan Airlines			

Sources: OAG Schedules Analyzer, last accessed on May 11, 2023, for passenger carriers, and Airport records for cargo carriers.
[1] Operates as a regional affiliate for Air Canada.
[2] Operates as a regional affiliate for Alaska Airlines.
[3] Operates as a regional affiliate for Delta Air Lines.
[4] Operates as a regional affiliate for United Airlines.

[30] Pete Evans, "WestJet shutting down discount airline Swoop," *CBC News*, June 9, 2023, https://www.cbc.ca/news/business/westjet-swoop-1.6871478.

Table 6 | History of Carriers Serving SAN, FY2019-FY2023

Carriers Serving SAN by Fiscal Year Airline (+ Regional Affiliate)	2019	2020	2021	2022	2023
Air Canada		•		•	•
Air Canada Jazz	•	•		•	•
Air Canada Rouge	•	•			
Alaska Airlines	•	•	•	•	•
Horizon Air	•	•	•	•	•
SkyWest Airlines	•	•	•	•	•
Allegiant Air	•	•	•	•	•
American Airlines	•	•	•	•	•
SkyWest Airlines	•	•			
Compass Airlines	•	•			
British Airways	•	•		•	•
Delta Air Lines	•	•	•	•	•
SkyWest Airlines		•		•	•
Compass Airlines	•	•			
Frontier Airlines Inc.	•	•	•	•	•
Hawaiian Airlines	•	•	•	•	•
Japan Airlines	•	•	•	•	•
JetBlue	•	•	•	•	•
Lufthansa	•	•		•	•
Southwest Airlines	•	•	•	•	•
Spirit Airlines	•	•	•	•	•
Swoop				•	•
Sun Country Airlines	•	•	•	•	•
United Airlines	•	•	•	•	•
SkyWest Airlines	•	•	•	•	•
Mesa Airlines			•		
Westjet	•	•		•	•
Former SAN Passenger Service Providers					
Edelweiss Air	•	•			
Cargo Carriers	**2019**	**2020**	**2021**	**2022**	**2023**
ABX		•	•	•	•
Ameriflight	•	•	•	•	•
Atlas Air	•	•	•		•
FedEx	•	•	•	•	•
Swift					•
UPS	•	•	•	•	•
Former SAN Cargo Service Providers					
West Air	•	•	•		

Sources: OAG Schedules Analyzer, last accessed on May 11, 2023, for passenger carriers, and Airport records for cargo carriers.
Note: Light gray bullet points denote less than 10 operated departures for the year.

Additionally, there are three regional carriers: Air Canada Jazz, which operates for Air Canada; Horizon Air, which operates for Alaska Airlines; and SkyWest Airlines, which operates for Alaska, Delta, and United. Air Canada Rouge, Compass Air, and Mesa Airlines previously served as regional affiliates at SAN but ceased service after FY2020 (in Mesa's case, after FY2021).

3.2 | Historical Passenger Traffic Trends

Changes in the U.S. business cycle drive growth trends in passenger traffic: the demand for air travel grows during periods of economic expansion and declines during periods of economic recession. Passenger traffic is also affected by significant changes in airline network strategies and one-off events such as the 2001 terrorist attacks, which took place during the 2001 U.S. economic recession, and the COVID-19 pandemic, which caused the 2020 economic recession.

3.2.1 | Significant Developments Affecting the U.S. Airline Industry

The U.S. aviation industry enjoyed several periods of rapid expansion, including the 1980s following the federal deregulation of the industry and the 1990s during a decade-long economic boom. Nevertheless, the long-running U.S. economic expansion abruptly ended with the bursting of the dot-com bubble in 2001. Since then, additional adverse events have prompted significant structural changes that continue to shape the industry today.

The terrorist attacks on September 11, 2001, caused a significant drop in air travel in the ensuing months, resulting in substantial losses for U.S. airlines. Airport security tightened, and longer passenger screening times discouraged air travel, particularly to short-haul destinations that could be reached by ground transportation. Airlines competed for passengers by lowering airfares. Passengers became increasingly price sensitive, as the internet made it easy to search and compare airfares.

Meanwhile, airlines faced rising fuel costs. Jet fuel prices quadrupled from 2000 to 2008, remaining at record-high levels through 2014. Amid record fuel prices, the U.S. economy entered the Great Recession from December 2007 to June 2009—the longest U.S. economic recession since the Great Depression. The recession spread globally and weakened demand for air transport. Significant declines in employment and household incomes slowed the recovery of the economy and air transport demand.

Mounting financial difficulties resulting from high fuel costs and weak demand during the Great Recession led to airline bankruptcies and mergers, leaving four major airlines—American, Delta, Southwest, and United—controlling 80 percent of the U.S. domestic passenger traffic. Surviving airlines implemented various cost-cutting measures. They retired old aircraft, acquired larger and fuel-efficient aircraft, and added seats to existing aircraft. They transferred routes between mainline and regional service to better match the supply of seats with demand. They changed their route networks to maximize profits, moving flights from less to more profitable markets. To improve financial results, they changed pricing structures to increase revenue. They also made deliberate cuts to flight schedules to increase load factors and improve aircraft utilization—a business strategy that has become known as airline capacity rationalization—and those cuts fell disproportionately on small and medium hub airports.

Although the U.S. economic recovery from the Great Recession was slow, it became the longest U.S. economic expansion on record. As air travel demand returned, the U.S. airline industry began earning profits in 2010 and continuously sustained those profits for more than 10 years. In late 2014, jet fuel prices began to fall, allowing airlines to boost profits, renew fleets, and increase flight schedules while maintaining capacity discipline. As the economy continued to expand, nationwide air traffic growth accelerated in the last quarter of the decade, despite adverse shocks to the industry, including the grounding of the Boeing 737 MAX, a recent addition to the commercial passenger aircraft fleet.

In 2020, with the onset of the pandemic, air travel came to a near halt, and U.S. airport passenger traffic plummeted nearly 97 percent in mid-April 2020. Additionally, pandemic-related travel restrictions severely depressed international travel. The pandemic significantly impacted air travel, inducing structural changes in the demand for air travel and the supply of airline passenger service that may have long-lasting effects on the airline industry.

Unlike the experience following the Great Recession, leisure travel has led passenger traffic recovery during the pandemic. Business travel has been slower to recover due to the following:

- The widespread adoption of virtual conferencing.
- The delay in workers' return to offices.
- The possible permanent transition to remote work and hybrid work practices.

In response to the sharp decrease in air travel demand, airlines reduced capacity by retiring older aircraft models and postponing the delivery of new ones. They also shrank their workforce by creating incentives for voluntary retirement and extended leave. As air travel demand rebounded, airlines have restored flights but now face fleet constraints, delays in new aircraft deliveries, and labor shortages.

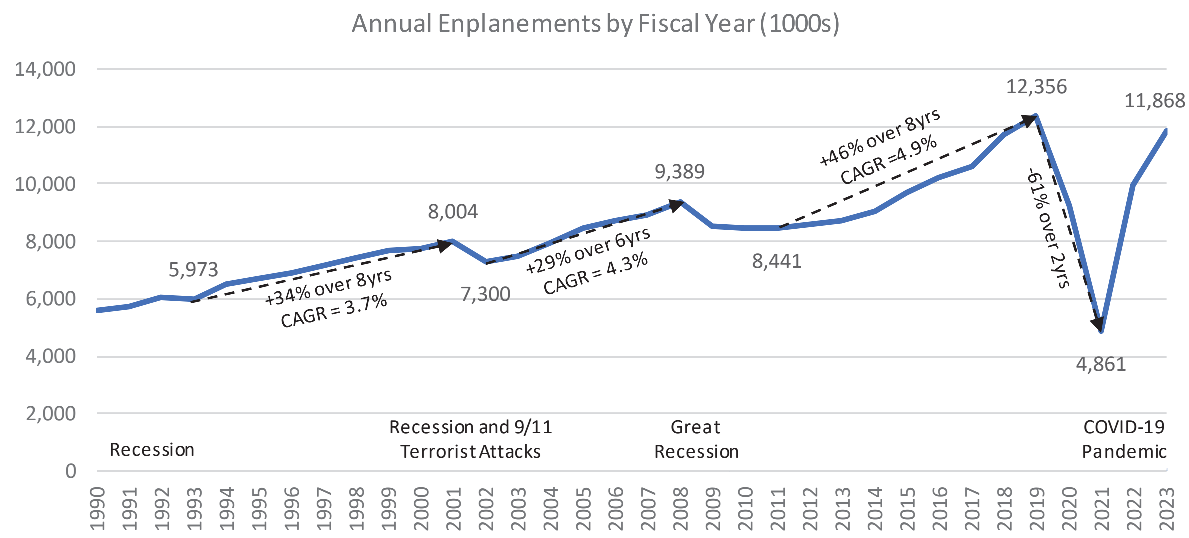
After over three years, the pandemic has ebbed. Unlike the aftermath of the Great Recession, consumers recovered strongly from the deep but brief 2020 recession induced by the pandemic. The job market rebounded strongly: Today, unemployment is historically low, and job openings outnumber job-seekers. Households emerged, on average, with relatively healthy finances and the ability to spend on the pent-up demand for travel. With infections slowing, international travel has been returning as restrictions get lifted, including China's three-year-long border restrictions and closure to foreign visitors, which reopened as of March 2023. However, international travel recovery is hampered instead by geopolitical reasons, including the ongoing war between Russia and Ukraine that began in early 2022.

3.2.2 | Long-Term Historical Trends at SAN

Historically, SAN's passenger traffic grew and declined with the U.S. economy, a major driver of the San Diego MSA economy and overall demand for air travel (Figure 48 and Figure 49). Just as SAN enjoys growing traffic during economic expansions, the normal state of the economy, SAN also experiences declines in traffic during economic downturns, typically brief, with each turn of the business cycle. However, the traffic downturns generally are more pronounced than the proportional declines in GDP due to compounding events—for example, the terrorist attacks in 2001, the airline capacity rationalization following the Great Recession, and the recent pandemic and associated social distancing and travel restrictions. Additionally, the 2001 and 2008-2009 recessions were followed by “jobless” recoveries, which held back leisure travel, a significant traffic segment for SAN. SAN’s enplanements took several years to recover: 3+ years following the 2001 downturn and 6+ years following the Great Recession. The experience in the current recovery from the pandemic is different: households have jobs and money to spend, and pent-up demand has spurred a strong rebound in leisure travel. However, remote work and the accelerated adoption of virtual conferencing technology are slowing business travel recovery.

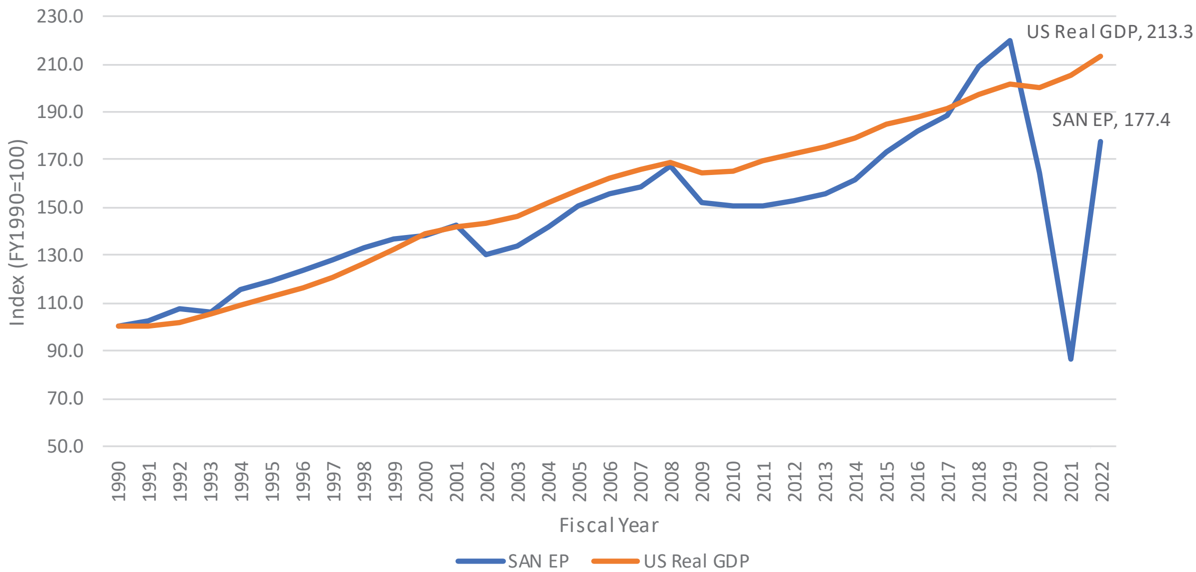
Following each downturn, SAN’s enplanements recover and eventually grow to set new records. From FY1990 to FY2019, SAN’s enplanements grew by 120 percent overall, a 2.8 percent CAGR, to the current all-time high record of 12.4 million. The growth leading up to this record was driven by sustained economic expansion and renewed profitability and capacity expansion in the U.S. airline industry. In 2020, passenger traffic declined to unprecedented low levels at airports nationwide. At SAN, annual enplanements decreased through FY2020 and FY2021, down to 4.9 million in FY2021, an overall drop of 61 percent from its peak FY2019 enplanements. From FY2021 to FY2022, SAN made a relatively strong rebound as enplanements doubled to 9.95 million. Recovery continued further up to 11.9 million enplanements in FY2023, only 4.0 percent below its FY2019 peak.

Figure 48 | Historical Annual Enplanement Trends at SAN, FY1990-FY2023



Source: Airport records.

Figure 49 | SAN Enplanement and U.S. Real GDP Growth (FY1990=100), FY1990-FY2022



Sources: Airport records and U.S. Bureau of Economic Analysis.

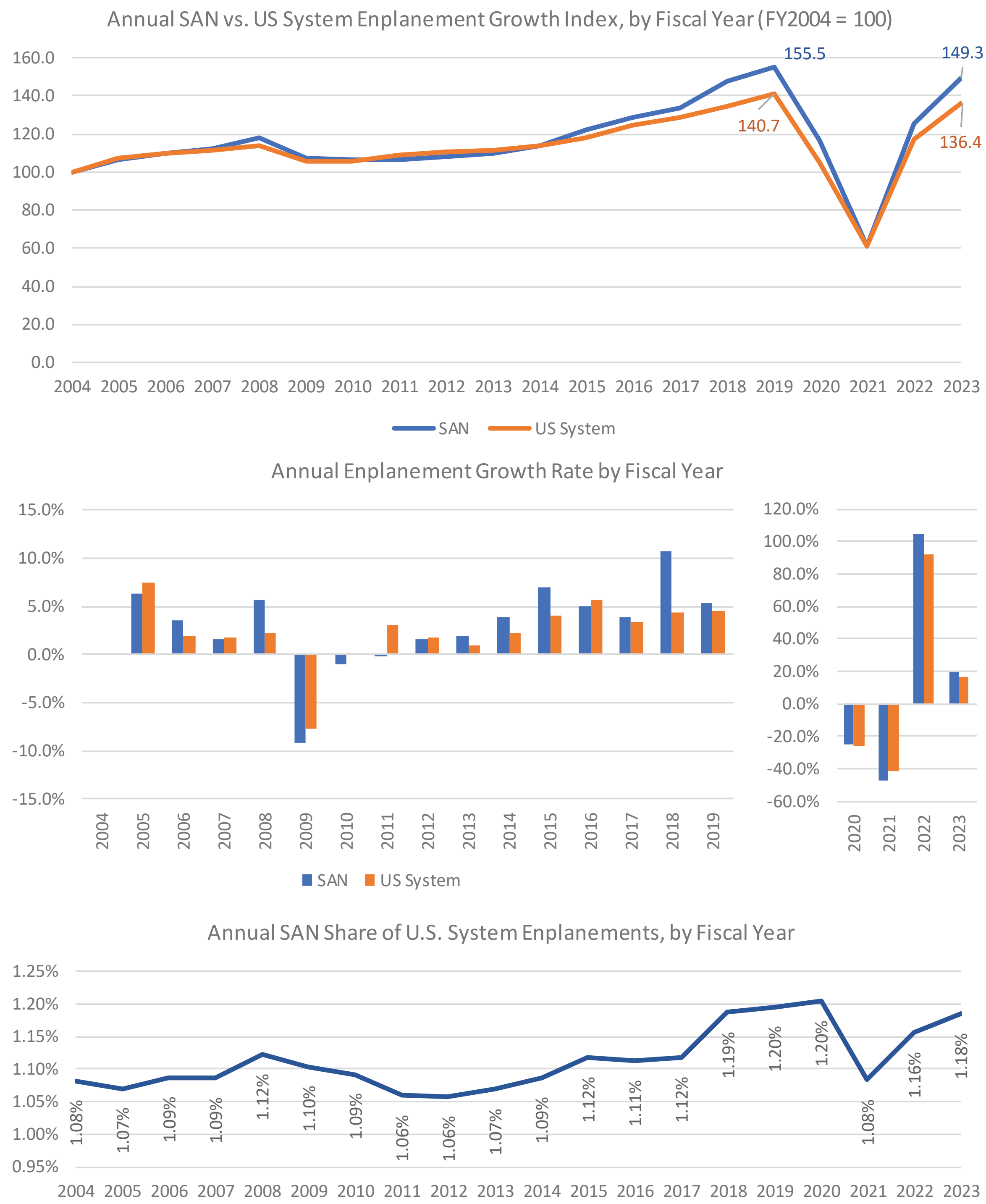
3.2.3 | Comparison with U.S. System Enplanement Trends

Figure 50 and Table 7 show that, from FY2004 through FY2023, SAN's passenger traffic growth tracked and eventually outpaced the national trend from FY2014 onward. The U.S. system growth kept a steady upward pace, while SAN's activity accelerated toward the tail end of the 2010s—particularly in FY2018 when SAN's annual growth rate of 10.7 percent more than doubled the U.S. system's 4.3 percent. By 2019, SAN's enplanements had grown 55.5 percent since its FY2004 level, while the U.S. system rose 40.7 percent above its FY2004 level. As a result, SAN's share of U.S. system enplanements also increased from 1.08 percent in FY2004 to 1.20 percent in FY2019.

SAN and the rest of the U.S. aviation industry faced steep losses in FY2020, which accelerated in FY2021 for a total drop of 61 percent in SAN's enplanements over those two years, slightly greater than the U.S. system's total drop of 57 percent. As a result, SAN's share of U.S. system enplanements decreased to 1.08 percent in FY2021.

SAN and the U.S. system made strong recovery progress through FY2022 and FY2023, growing a total 144.1 percent and 123.2 percent over those two years from their low FY2021 numbers, respectively. SAN's faster recovery restored most of its former share of U.S. system enplanements to 1.18 percent in FY2023.

Figure 50 | Annual SAN vs. U.S. System Enplanement Growth Trends, FY2004-FY2023



Sources: Airport records for SAN and the Bureau of Transportation Statistics for the U.S. system.
Note: U.S. system annual totals are recalculated to align with SAN's fiscal year (July 1-June 30).

Table 7 | Annual SAN vs. U.S. System Enplanements, FY2004-FY2023

	SAN		US System		SAN Share
FY	EP (1000s)	AGR	EP (1000s)	AGR	of US Total
2004	7,947		734,254		1.08%
2005	8,449	6.3%	789,211	7.5%	1.07%
2006	8,750	3.6%	804,674	2.0%	1.09%
2007	8,892	1.6%	818,854	1.8%	1.09%
2008	9,389	5.6%	836,997	2.2%	1.12%
2009	8,536	-9.1%	773,044	-7.6%	1.10%
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%	767,044	-25.8%	1.20%
2021	4,861	-47.4%	448,916	-41.5%	1.08%
2022	9,953	104.8%	861,062	91.8%	1.16%
2023	11,868	19.2%	1,001,771	16.3%	1.18%
Compound Annual Growth Rate					
2004-2010	1.0%		0.9%		
2011-2019	4.9%		3.3%		
2019-2023	-1.0%		-0.8%		
2011-2023	2.9%		1.9%		
2004-2023	2.1%		1.6%		

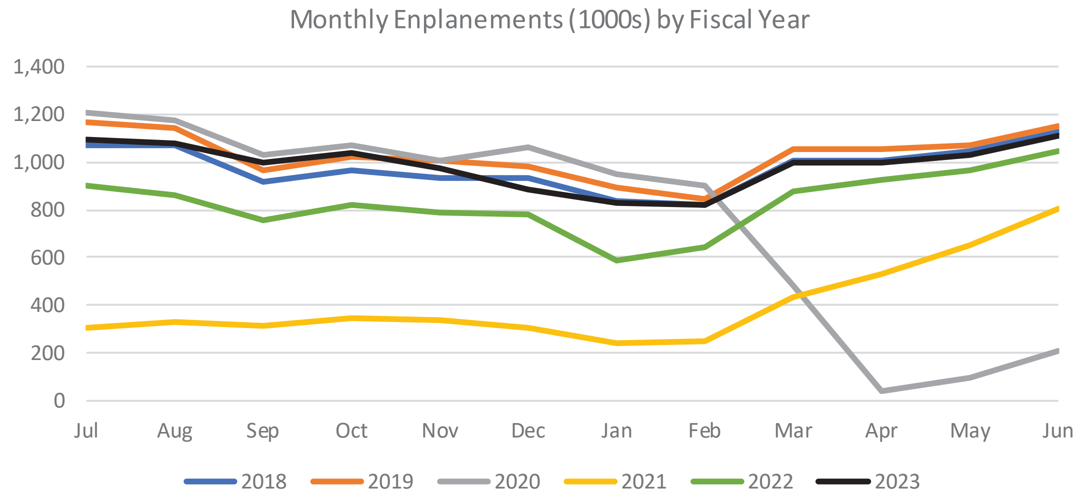
Sources: Airport records for SAN and Bureau of Transportation Statistics for the U.S. system.
Note: U.S. system annual totals are recalculated to align with SAN's fiscal year (July 1-June 30).

3.2.4 | Monthly Enplanement Trends

Figure 49 shows SAN's monthly enplanement levels by fiscal year, from FY2018 through FY2023, while Table 8 shows the monthly enplanement shares of each full fiscal year dating back to FY2010. SAN has maintained a largely consistent monthly pattern since FY2010, with peak months in the summer and its lowest month most often being February, with a recent shift to January (still mid to late winter). The pandemic disrupted this pattern when SAN's enplanements dropped sharply through March and April of FY2020, and travel restrictions and health safety concerns kept enplanements low through most of FY2021. The distribution of vaccines began the recovery process in earnest, and monthly enplanements began to grow steadily. FY2022 returned to SAN's usual monthly patterns, but with enplanement levels still notably lower than its pre-pandemic

FY2018 and FY2019 levels. FY2023, however, has kept mostly on par with or ahead of FY2018 levels, and only marginally lower than FY2019.

Figure 51 | SAN Monthly Enplanement Trends, FY2018-FY2023



Source: Airport records.

Table 8 | SAN Monthly Enplanements Shares, FY2010-FY2023

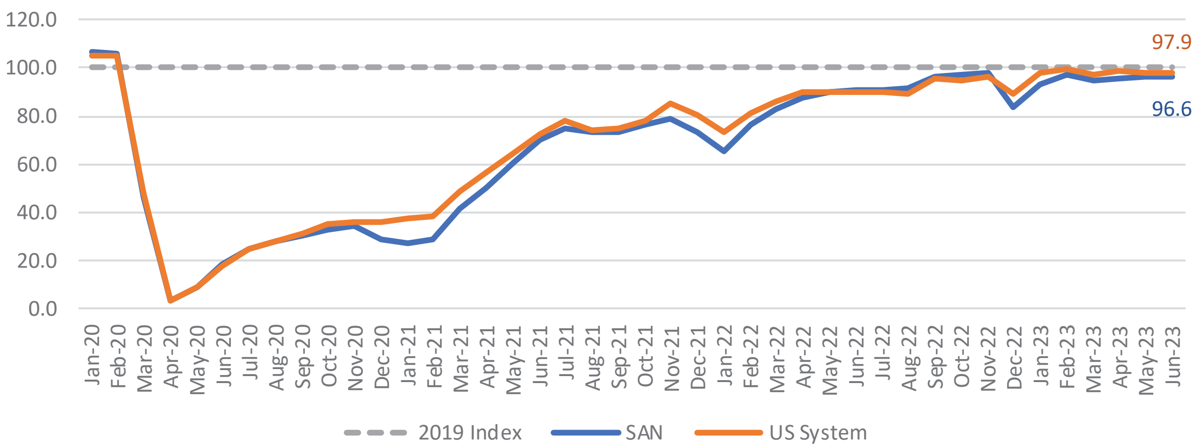
Monthly Enplanements Shares														
Month	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Jul	9.9%	9.6%	9.3%	9.5%	9.3%	9.3%	9.4%	9.1%	9.1%	9.4%	13.1%	6.3%	9.1%	9.3%
Aug	9.7%	9.6%	9.3%	9.5%	9.3%	9.3%	9.2%	9.1%	9.1%	9.2%	12.7%	6.9%	8.6%	9.1%
Sep	7.8%	8.1%	8.2%	8.0%	7.8%	7.8%	8.0%	8.2%	7.9%	7.8%	11.2%	6.4%	7.6%	8.4%
Oct	8.6%	8.6%	8.3%	8.3%	8.1%	8.1%	8.5%	8.4%	8.2%	8.3%	11.6%	7.2%	8.2%	8.8%
Nov	8.1%	8.2%	8.0%	7.9%	7.8%	7.7%	8.0%	8.0%	8.0%	8.1%	10.9%	7.0%	7.9%	8.2%
Dec	8.0%	8.1%	8.3%	7.9%	8.2%	8.1%	8.2%	8.1%	8.0%	8.0%	11.5%	6.3%	7.8%	7.5%
Jan	7.3%	7.3%	7.3%	7.3%	7.4%	7.3%	7.3%	7.0%	7.2%	7.3%	10.3%	5.0%	5.9%	7.0%
Feb	6.8%	6.9%	7.3%	6.9%	7.0%	6.9%	7.1%	6.7%	7.0%	6.9%	9.7%	5.1%	6.5%	6.9%
Mar	8.3%	8.2%	8.5%	8.3%	8.6%	8.6%	8.5%	8.4%	8.6%	8.6%	5.3%	9.0%	8.8%	8.4%
Apr	8.3%	8.2%	8.4%	8.4%	8.6%	8.6%	8.4%	8.5%	8.5%	8.5%	0.4%	10.9%	9.3%	8.4%
May	8.3%	8.4%	8.3%	8.7%	8.6%	8.8%	8.5%	8.9%	8.9%	8.7%	1.0%	13.4%	9.7%	8.7%
Jun	9.0%	9.0%	8.9%	9.3%	9.4%	9.4%	9.0%	9.7%	9.6%	9.3%	2.3%	16.5%	10.5%	9.3%
FY Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Third largest share percentage of annual total.
Second largest share percentage of annual total.
Largest share percentage of annual total.
Third smallest share percentage of annual total.
Second smallest share percentage of annual total.
Smallest share percentage of annual total.

Source: Airport records.

Figure 52 compares monthly enplanement recovery for SAN and the U.S. system relative to the pre-pandemic peak levels in 2019. SAN kept pace with the national recovery. By November 2022, SAN's enplanements reached 97.5 percent of its 2019 level, while the U.S. system recovered to 96.1 percent. However, both SAN and the national trend experienced a brief downturn in recovery in December 2022—partly due to flight cancellations related to severe weather and Southwest Airlines' crew scheduling system failure. SAN was a bit slower to return to an upward trend—as of June 2023, SAN was at 96.6 percent of its June 2019 level, slightly under the U.S. system's 97.9 percent recovery rate.

Figure 52 | SAN vs. U.S. System Monthly Enplanement Recovery Index (2019 = 100), January 2020-June 2023



Sources: Airport records for SAN and Bureau of Transportation Statistics for the U.S. system.

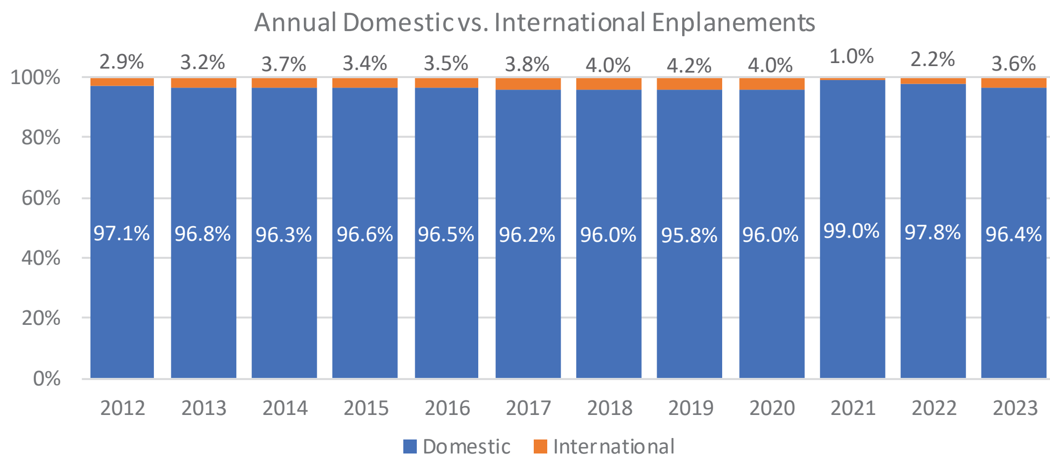
3.3 | Composition of Passenger Traffic

SAN serves primarily O&D traffic, which has consistently accounted for at least 96 percent of total enplanements. O&D traffic is a more stable air service market than connecting traffic. It arises from market demand and generally follows growth in both the local and national economies. Unlike connecting traffic, O&D traffic is less vulnerable to changes in individual airlines' network strategies, business models, and financial conditions. Of SAN O&D traffic, residents account for approximately 44-46 percent, while visitors account for 54-56 percent, based on the U.S. Department of Transportation's DB1B data. These relative shares have been consistent since 1995.

SAN also serves primarily domestic traffic. However, the share of international traffic at the Airport had grown from 2.9 percent in FY2012 to 4.2 percent in FY2019 (Figure 53 and Table 9). Due to international travel restrictions during the pandemic, this share dropped to 1 percent in FY2021. International traffic has since begun to recover thanks to lower infection rates and the easing of international restrictions, though it has yet to reach its pre-pandemic FY2019 share. International enplanements made up 2.2 percent of SAN's traffic in FY2022, and that share continued to grow to 3.6 percent in FY2023.

The expansion of international air service began after FY2009 when Air Canada and WestJet increased nonstop service to Canada. 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 started 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 spread to a global pandemic in March 2020 and caused the suspension of all international service in April 2020. The following international services eventually 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, an ultra-low cost carrier owned by WestJet, briefly provided seasonal service at SAN to Edmonton, Canada, and bolstered the Airport's international traffic recovery for a brief time in FY2022, before ceasing service in FY2023 and eventually shutting down later this year.

Figure 53 | SAN Annual Domestic and International Enplanement Shares, FY2012-FY2023



Source: Airport records.

Table 9 | SAN Annual Domestic and International Enplanements, FY2012-FY2023

	Domestic		International		
FY	EP (1000s)	Share	EP (1000s)	Share	Total
2012	8,323	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
2022	9,737	97.8%	216	2.2%	9,953
2023	11,441	96.4%	427	3.6%	11,868
Compound Annual Growth Rate					
2000-2010	0.8%		3.3%		0.8%
2011-2019	4.5%		19.6%		4.9%
2019-2023	-0.8%		-5.0%		-1.0%
2011-2023	2.7%		10.8%		2.9%
2000-2023	1.7%		7.4%		1.9%

Source: Airport records.

3.4 | 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 consistently accounted for roughly 89 to 92 percent throughout the past decade from FY2012 to FY2022 (Figure 54 and Table 10). Southwest has maintained a strong presence at the Airport, even with the grounding of its Boeing 737 MAX aircraft for over a year from March 13, 2019, through November 18, 2020. However, its share of annual enplanements decreased to 33.5 percent in FY2021 from a steady 37 to 38 percent in the past decade. Southwest's reduced share persisted into FY2022, only slightly recovering to 34.1 percent. That year, American's share also shrank from its 15.8 percent peak in FY2021 to 12.4 percent in FY2022, while Alaska, United, and Delta's shares expanded.

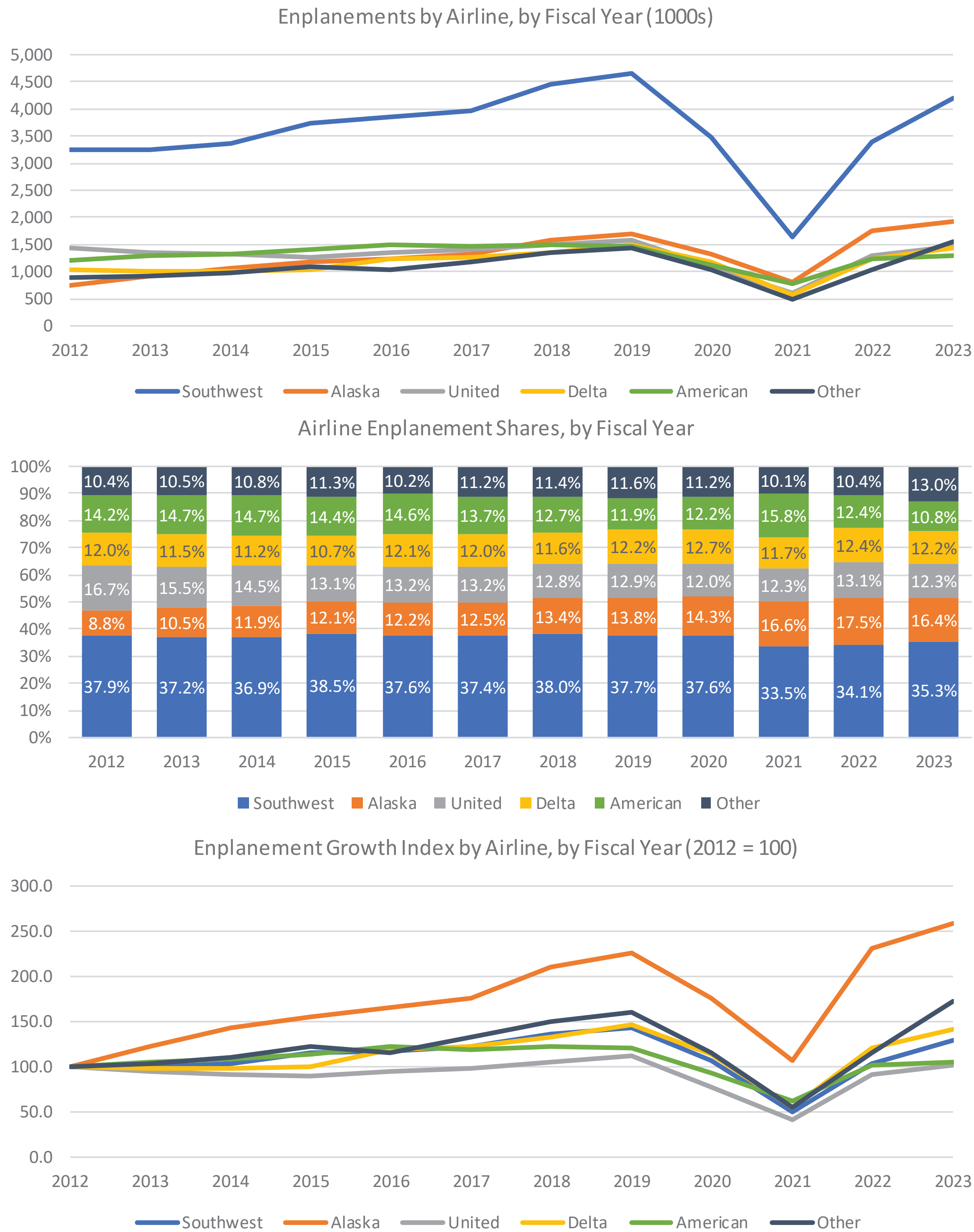
Alaska was the fastest growing airline at SAN. Its enplanements at SAN more than doubled from 752,000 in FY2012 to 1.7 million in FY2019, which has since further increased post-recovery, as discussed in the following paragraphs that address changes in FY2020 through FY2023. Alaska developed San Diego into a focus city, adding new flights and destinations. Over the same period, Southwest and Delta grew their enplanements by 43 percent and 46 percent, respectively. American and United were the slowest to grow, with their enplanements increasing only 20 percent and 12 percent, respectively.

The sharp drop in traffic in April 2020 hit all airlines' total enplanements in FY2020. This effect became more apparent as the next fiscal year started during the resulting recession. Southwest endured the most significant decline for a single airline, falling a total of 65 percent from FY2019 to FY2021. United and Delta both decreased 62.3 percent over the same period, Alaska fell 52.6 percent, and American saw the least severe (but still significant) decline of 47.7 percent.

FY2022 and FY2023 brought along strong recovery for most airlines at SAN. Most airlines more than doubled their enplanement counts in FY2022 from their low FY2021 numbers, with Delta bouncing back with 118.0 percent growth, United with 117.8 percent, Alaska with 115.7 percent, and Southwest with 108.5 percent. Though American had the smallest decline through FY2020 and FY2021, it recovered the least, rising only 61.3 percent. Recovery across all airlines continued through FY2023, albeit slower. However, the "Other" category of airlines maintained its growth rate, thanks to the continued recovery of international travel. As a result, the "Other" category surpassed American, Delta, and United in share size in FY2023.

At the end of FY2023, Southwest continued to lead with 4.2 million enplanements (a 35.3 percent share of SAN's market), followed by Alaska with 1.9 million (a 16.4 percent share), then United and Delta both with 1.5 million each (a 12.3 and 12.2 percent share, respectively), and finally American holds the fifth largest single share with 1.3 million enplanements (a 10.8 percent share). The rest of the airlines at SAN collectively compose the remaining 1.5 million enplanements in FY2023 (a 13.0 percent share).

Figure 54 | SAN Annual Enplanement Trends by Airline, FY2012-FY2023



Source: Airport records.

Table 10 | Annual Enplanements by Airline, FY2012-FY2023

Enplanements by Airline, by Fiscal Year (1000s)												
Airline	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Southwest	3,252	3,253	3,353	3,737	3,840	3,967	4,459	4,656	3,475	1,628	3,394	4,190
Alaska	752	919	1,079	1,173	1,250	1,326	1,576	1,702	1,325	807	1,741	1,941
United	1,429	1,354	1,317	1,271	1,348	1,397	1,502	1,593	1,106	600	1,307	1,459
Delta	1,030	1,006	1,015	1,037	1,234	1,269	1,362	1,505	1,168	568	1,238	1,452
American	1,219	1,285	1,333	1,399	1,495	1,454	1,493	1,468	1,128	768	1,238	1,282
Other	893	920	985	1,096	1,039	1,183	1,339	1,432	1,033	491	1,036	1,543
Total	**8,575**	**8,738**	**9,082**	**9,713**	**10,206**	**10,596**	**11,732**	**12,356**	**9,235**	**4,861**	**9,953**	**11,868**
AGR		1.9%	3.9%	6.9%	5.1%	3.8%	10.7%	5.3%	-25.3%	-47.4%	104.8%	19.2%

Enplanement Shares by Airline, by Fiscal Year												
Airline	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Southwest	37.9%	37.2%	36.9%	38.5%	37.6%	37.4%	38.0%	37.7%	37.6%	33.5%	34.1%	35.3%
Alaska	8.8%	10.5%	11.9%	12.1%	12.2%	12.5%	13.4%	13.8%	14.3%	16.6%	17.5%	16.4%
United	16.7%	15.5%	14.5%	13.1%	13.2%	13.2%	12.8%	12.9%	12.0%	12.3%	13.1%	12.3%
Delta	12.0%	11.5%	11.2%	10.7%	12.1%	12.0%	11.6%	12.2%	12.7%	11.7%	12.4%	12.2%
American	14.2%	14.7%	14.7%	14.4%	14.6%	13.7%	12.7%	11.9%	12.2%	15.8%	12.4%	10.8%
Other	10.4%	10.5%	10.8%	11.3%	10.2%	11.2%	11.4%	11.6%	11.2%	10.1%	10.4%	13.0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Airport records.

3.5 | Scheduled Passenger Service

Table 11 and Figure 55 summarizes the trends in scheduled passenger service at SAN, by calendar year, from 2018 through the advance schedules of 2023. Scheduled passenger service consists of three different measures for every calendar year: number of nonstop destinations, average daily departures, and average daily seats.

Following a sharp decline (44 percent) in 2020, SAN's scheduled departures and seats have been steadily recovering. However, they have not yet reached their pre-pandemic levels, with an average of 261 departures and 41,480 seats per day in 2023, based on advance schedules. Unlike departures and seats, unique nonstop destinations from SAN decreased in 2019 instead of 2020, from 75 to 71. The number has since been steadily rising, and surpassed its pre-pandemic levels with 80 unique destinations according to 2023's advance schedules.

Similar to the trends in enplanements discussed previously, Southwest provides the highest number of flights and seats at SAN. Southwest's peak service at SAN was in 2019, with an average of 113 daily departures and 17,045 seats per day. These two numbers fell to 65 departures and 9,962 seats in 2020, and recovered to 95 and 14,799, respectively, in 2022. 2023's advance schedules show further increases to an average of 99 departures and 15,460 seats per day. Southwest previously held the record for the most unique destinations served by an individual airline at the Airport, with a peak of 36 nonstop destinations in 2019, but a drop to 33 in 2020 and a second drop to 30 in 2023's advance schedules have brought Southwest's number of destinations below that of Alaska, which has 36 nonstop destinations as of 2023, and United, which has 31.

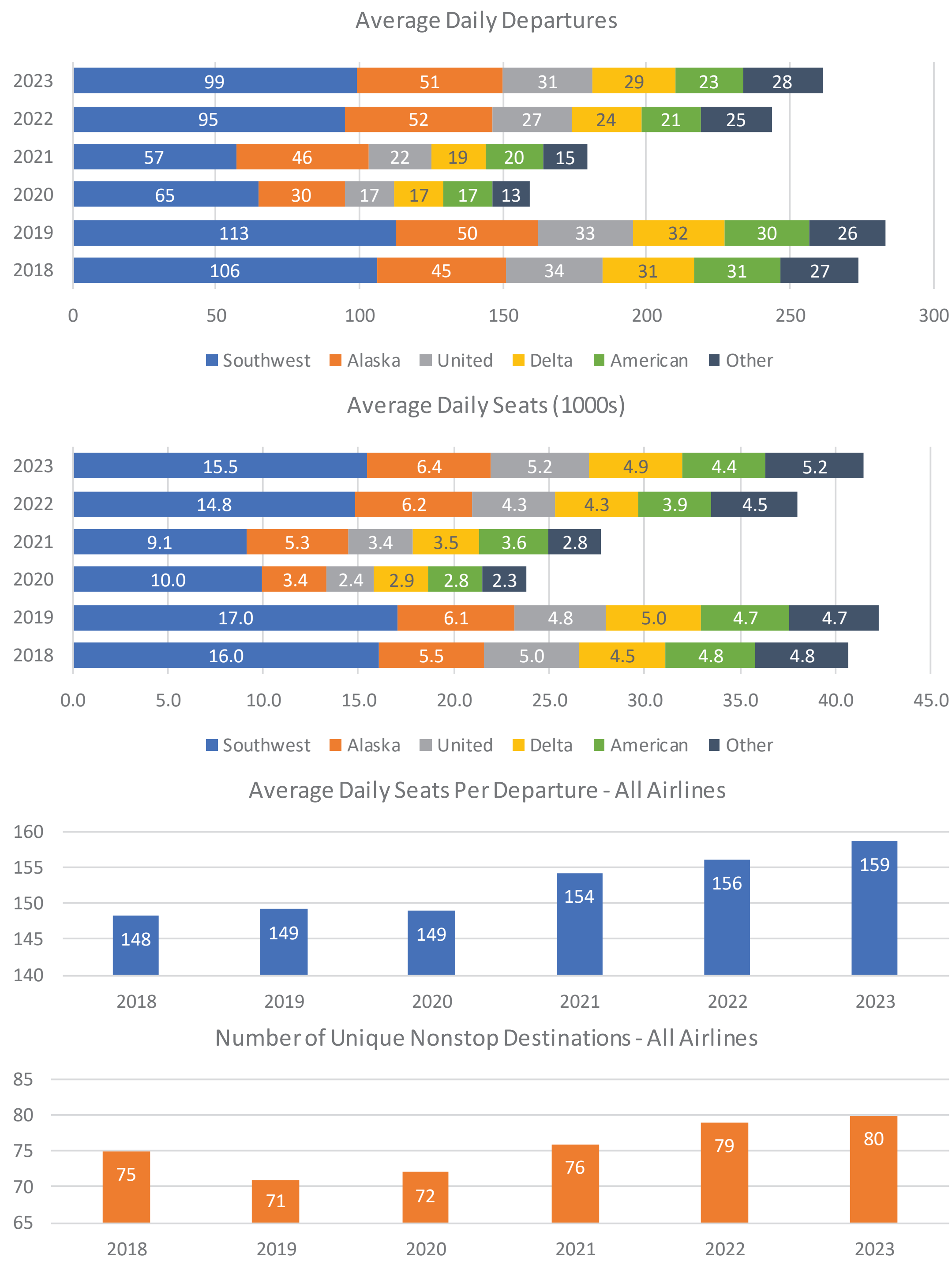
Overall, SAN has seen an increase in the average seat capacity on each flight, from 148 seats in 2018 to 159 seats in 2023, based on advance schedules. Airlines have been renewing their fleets with larger aircraft. American Airlines appears to be the largest contributor pulling up the Airport's average, having grown seat capacity per departure from 155 in 2018 to 188 in 2023.

Table 11 | Annual Scheduled Passenger Service at SAN, CY2018-CY2023

Scheduled Service at SAN, by Calendar Year						
Airline	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Southwest						
Number of Nonstop Destinations	34	36	33	32	32	30
Average Daily Departures	106	113	65	57	95	99
Average Daily Seats	16,045	17,045	9,962	9,106	14,799	15,460
Alaska						
Number of Nonstop Destinations	31	31	31	33	34	36
Average Daily Departures	45	50	30	46	52	51
Average Daily Seats	5,495	6,099	3,390	5,324	6,186	6,443
United						
Number of Nonstop Destinations	7	8	7	7	7	7
Average Daily Departures	34	33	17	22	27	31
Average Daily Seats	5,027	4,826	2,447	3,380	4,337	5,153
Delta						
Number of Nonstop Destinations	8	8	8	7	8	9
Average Daily Departures	31	32	17	19	24	29
Average Daily Seats	4,502	4,959	2,869	3,494	4,293	4,904
American						
Number of Nonstop Destinations	8	8	9	6	6	6
Average Daily Departures	31	30	17	20	21	23
Average Daily Seats	4,752	4,672	2,834	3,637	3,875	4,366
Other						
Number of Nonstop Destinations	19	14	13	13	17	17
Average Daily Departures	27	26	13	15	25	28
Average Daily Seats	4,834	4,662	2,258	2,757	4,534	5,153
All Airlines						
Number of Nonstop Destinations	75	71	72	76	79	80
Average Daily Departures	274	283	160	180	244	261
Average Daily Seats	40,655	42,263	23,760	27,698	38,024	41,480

Source: Cirium Diio Mi, provided by the Airport.

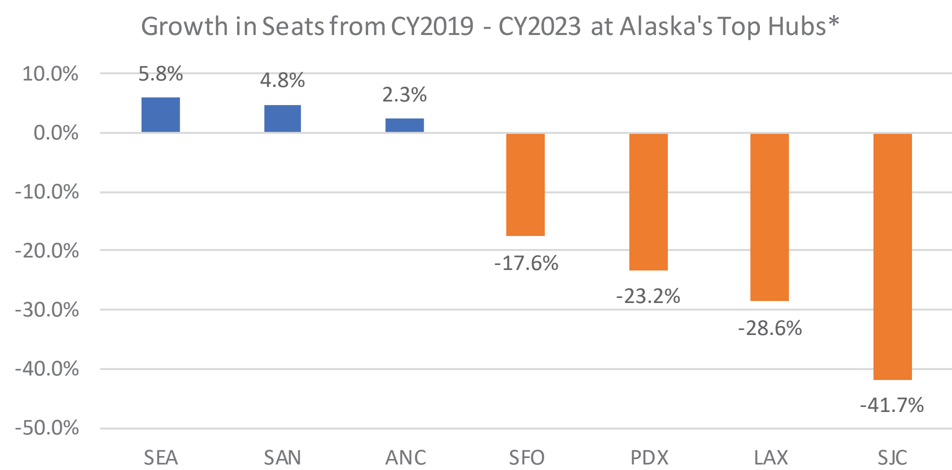
Figure 55 | SAN Annual Scheduled Passenger Service Trends, CY2018-CY2023



Source: Cirium Diio Mi, provided by the Airport.

Figure 56 focuses on scheduled seats for Alaska Airlines, and shows the total percent growth in seats from CY2019 through the advance schedules of CY2023 at seven of Alaska's largest stations. Among these airports, SAN shows the second highest percentage increase in seats since CY2019, with a 4.8 percent growth. SAN is second only to Seattle-Tacoma International Airport (SEA), which has a growth of 5.8 percent. Among Alaska's largest California hubs, SAN is the only with a net positive growth over the sampled period.

Figure 56 | Total Percent Growth in Alaska Airlines Seats from CY2019-CY2023 at Alaska's Top Hubs



Source: OAG Schedules Analyzer, last accessed August 8, 2023.
*Excludes LAS, due to Alaska Airlines not having been present at LAS in 2019.

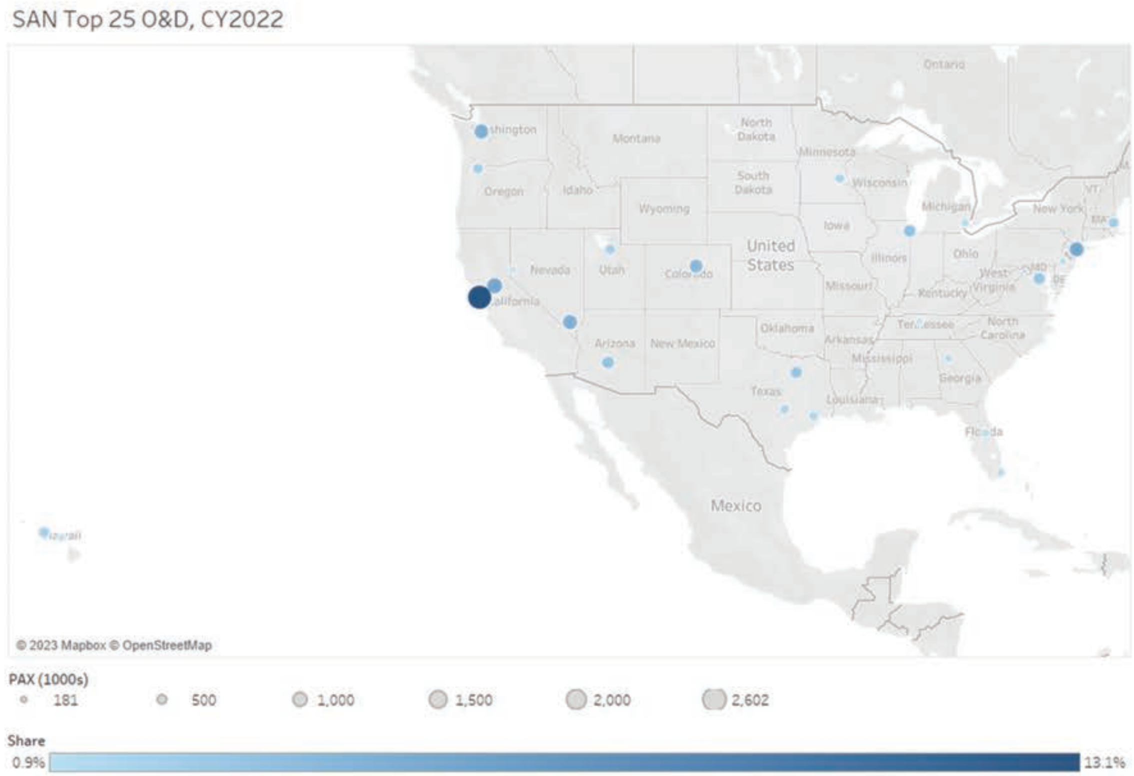
3.6 | Top Domestic O&D Markets

Figure 57 shows SAN's top 25 O&D metro markets in CY2022. Metro markets are ranked by share of SAN's total 2022 O&D passengers. Altogether, the top 25 O&D airport markets made up 67 percent of O&D passengers at SAN. San Francisco held the largest share with 13.1 percent, far above the rest of SAN's markets. Another California metropolitan area, Sacramento is second with a 5.6 percent share. New York City held the third largest share, with 5.4 percent. Seattle and Las Vegas were almost equal with a similar 4.9 percent share each, though Seattle is placed above at fourth while Las Vegas rounds out the top five.

With two of its top five O&D airport markets both in California, and San Francisco holding a share far larger than any other market, SAN's largest state market by a substantial margin is its home state with an 18.7 percent total share of the Airport's O&D passengers.

Figure 57 | SAN Top 25 O&D Metro Markets, CY2022

2022 SAN Top 25 O&D Metro Markets			
Rank	**Dest**	**State**	**Share**
1	San Francisco	CA	13.1%
2	Sacramento	CA	5.6%
3	New York City	NY	5.4%
4	Seattle	WA	4.9%
5	Las Vegas	NV	4.9%
6	Denver	CO	4.1%
7	Phoenix	AZ	3.4%
8	Chicago	IL	3.4%
9	Dallas/Fort Worth	TX	3.2%
10	Washington	DC	3.0%
11	Boston	MA	2.5%
12	Portland	OR	2.4%
13	Salt Lake City	UT	2.3%
14	Honolulu	HI	2.2%
15	Austin	TX	2.0%
16	Houston	TX	1.8%
17	Minneapolis/St. Paul	MN	1.8%
18	Atlanta	GA	1.5%
19	Miami	FL	1.4%
20	Orlando	FL	1.3%
21	Detroit	MI	1.2%
22	Philadelphia	PA	1.1%
23	Kahului	HI	1.1%
24	Nashville	TN	0.9%
25	Reno	NV	0.9%
	Top 25 Subtotal		75.6%
	Other		24.4%
	Total		**100.0%**



Source: DB1B.

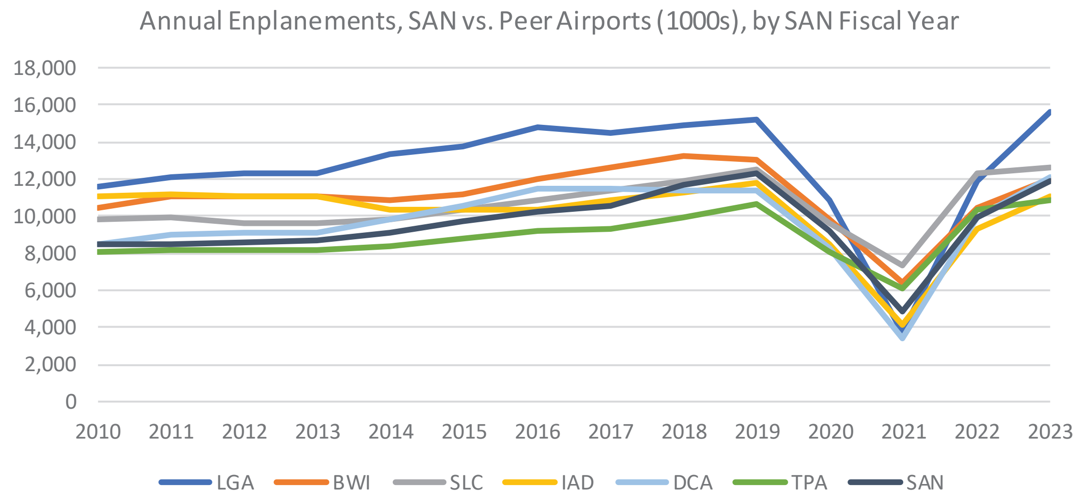
3.7 | Comparison with Other Airports

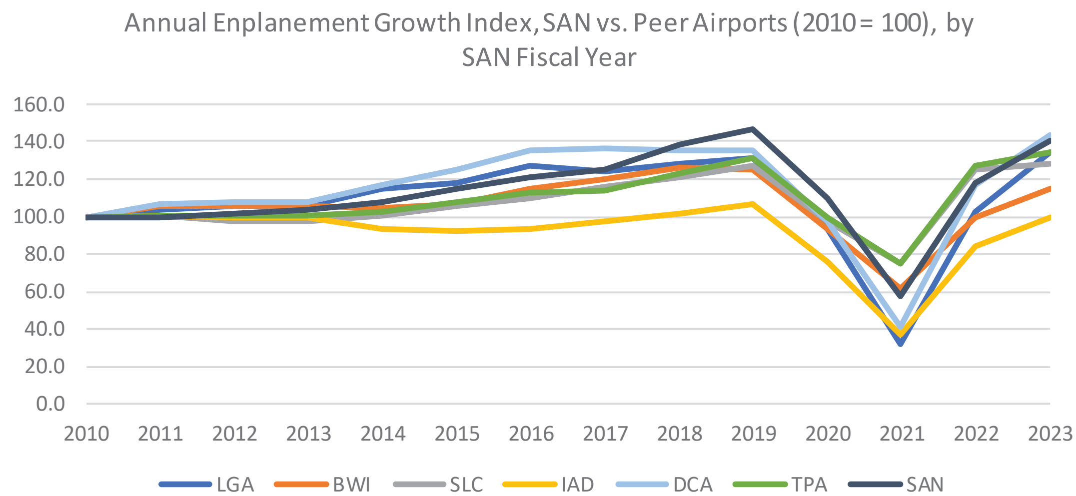
This subsection compares SAN's air traffic and market fare history with six peer airports having the closest ranking to SAN by enplanement count in 2019 before the pandemic. These airports include LaGuardia Airport (LGA), Baltimore/Washington International Airport (BWI), and Salt Lake City International Airport (SLC) as the three closest airports ranking above SAN, as well as Washington Dulles International Airport (IAD), Ronald Reagan Washington National Airport (DCA), and Tampa International Airport (TPA) as the three closest airports ranking below SAN.

3.7.1 | Comparison of Enplanement Trends

Figure 58 shows annual enplanements at SAN and its six peer airports from FY2010 to FY2023 and growth indexed to FY2010. SAN's relative rank among its sampled peers has slowly risen over the 2010s. SAN started with the second lowest enplanements just above TPA in FY2010. It eventually surpassed IAD and DCA to reach its middle position in FY2019, maintaining it through the FY2020 pandemic-induced decline. However, DCA's faster recovery pushed SAN's ranking down to the lower half of the sampled airports' enplanement counts as of FY2023.

Figure 58 | SAN vs. Peer Airport Enplanement Trends, by SAN Fiscal Year, FY2010-FY2023





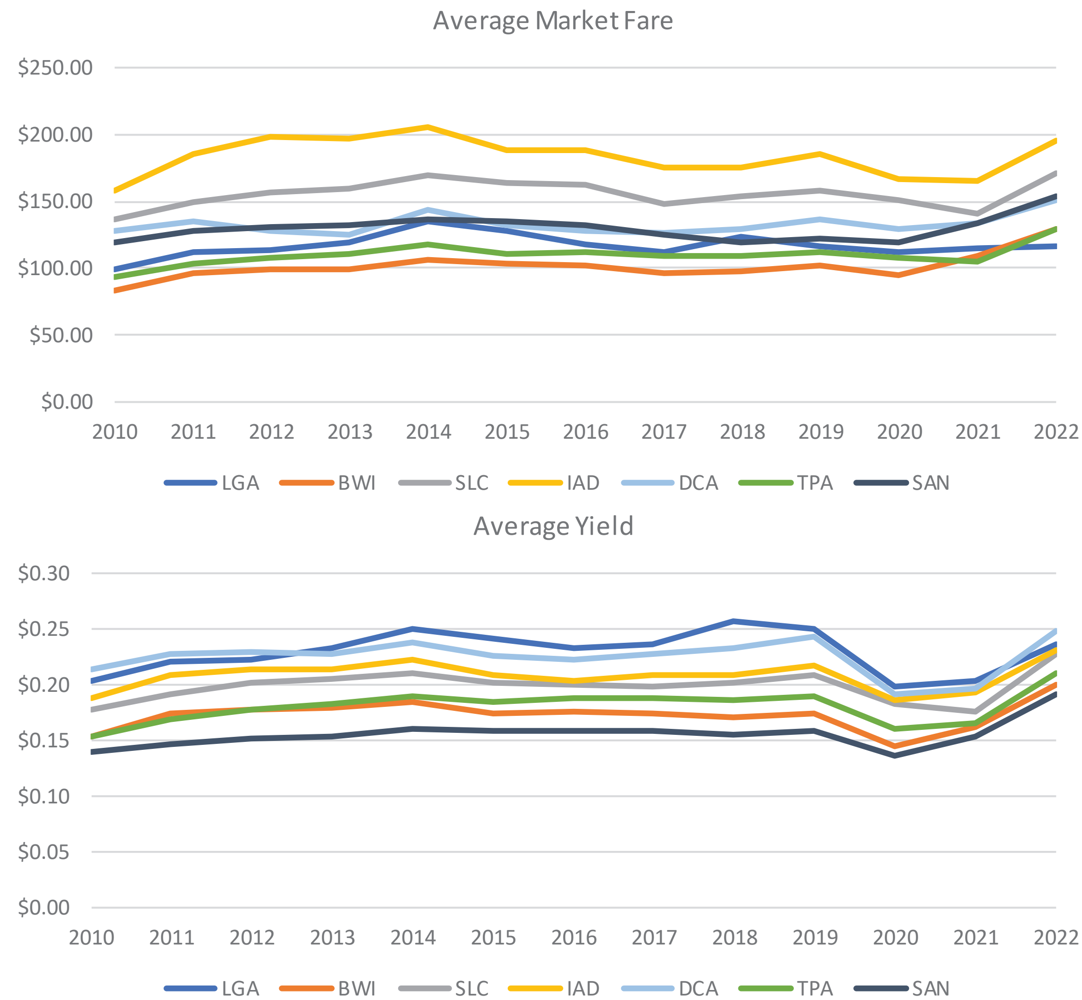
Sources: Airport records for SAN and Bureau of Transportation Statistics for other airports.
Note: Annual totals for other airports have been recalculated to align with SAN's fiscal year (July 1-June 30).

3.7.2 | Comparison of Market Fare and Yield Trends

Figure 59 shows annual average market fare and average yield trends in current dollars for SAN and its six peer airports, this time by calendar year from 2010 to 2022. SAN's annual average market fare has stayed mainly in the middle of its peers, with an average market fare of $119 in 2010 that slowly rose to $137 before trending slowly back down to $119 in 2020. After the onset of the pandemic, however, SAN's market fare began to rise above its previous history, much like most of its peers, and so far, has reached a new peak of $153 as of 2022. SAN continues to sit in the middle of the market fare range of its peers in 2022, with IAD continuing to maintain the highest fare by a noticeable margin with an annual average of $196, and LGA having recently moved to the lowest among the sample airports with an average of $116.

Unlike its market fare trend, SAN has consistently had the lowest average yield among the seven sampled airports throughout its available history, reflecting longer air travel distances. SAN's annual average yield hovered between $0.14 and $0.16 from 2010 to 2021, until it rose with all the other airports in 2022 and reached $0.19.

Figure 59 | SAN vs. Peer Airport Market Fare and Yield (in Current Dollars), by Calendar Year, CY2010-CY2022

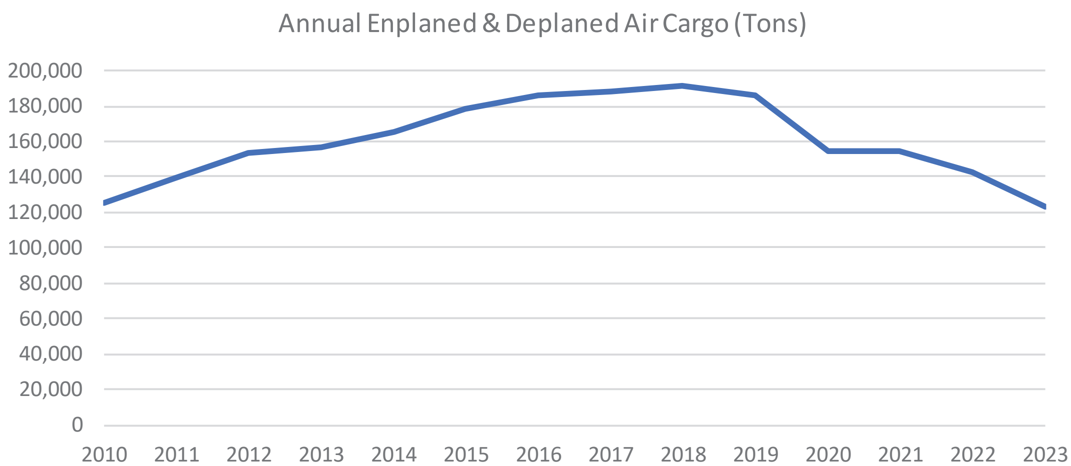


Source: DB1B.

3.8 | Air Cargo

Figure 60 charts SAN's annual air cargo trends, showing the annual total of enplaned and deplaned cargo at the Airport from FY2010 to FY2023. Overall, cargo activity experienced steady growth through the 2010s, from about 125,000 tons in FY2010 to a peak of roughly 191,000 tons in FY2018. SAN's cargo faced a minor decrease in FY2019, but the pandemic brought a substantial drop in FY2020, down to 154,000 tons. That level stayed essentially the same in FY2021, and further decreased to approximately 142,000 tons in FY2022. Cargo tonnage reduced another 13.2 percent as of FY2023, down to approximately 124,000 tons.

Figure 60 | SAN Annual Enplaned & Deplaned Cargo, FY2010-FY2023

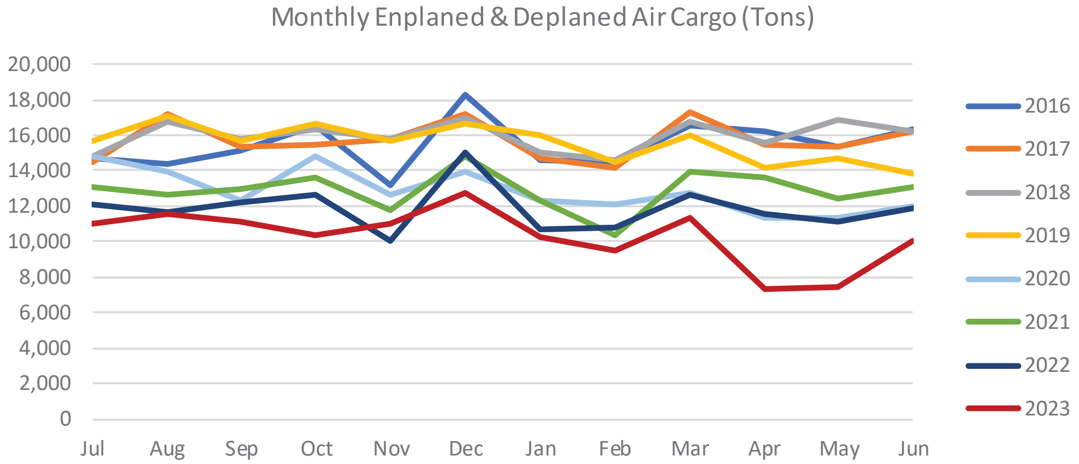


Source: Airport records.

Figure 61 details SAN's enplaned and deplaned cargo by month, from FY2016 through FY2023, and Table 12 breaks down each month's percent share of its respective fiscal year's total cargo. Monthly cargo patterns are somewhat erratic at SAN, with no significantly higher peaks or lower troughs, and almost every month holding at least a 7 percent share of its year's cargo. Three exceptions include February of FY2021 with a 6.7 percent (10,346 tons), April of FY2023 with a 5.9 percent share (7,315 tons), and May of FY2023 with a 6.0 percent share (7,434 tons).

However, one near-consistent peak month is December, which held the largest share of cargo every year except FY2019 and FY2020. Even then, however, SAN's peak months are not drastically higher than others, ranging from a share of 8.9 percent (in December FY2018 with 16,936 tons) to SAN's largest single monthly share of 10.5 percent (in December FY2022 with 15,006 tons).

Figure 61 | SAN Monthly Enplaned & Deplaned Cargo, FY2016-FY2023



Source: Airport records.

Table 12 | SAN Monthly Enplaned & Deplaned Cargo Shares, FY2016-FY2023

Monthly Enplaned & Deplaned Cargo Shares								
Month	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Jul	7.9%	7.7%	7.8%	8.4%	9.6%	8.5%	8.5%	8.9%
Aug	7.8%	9.1%	8.8%	9.2%	9.0%	8.2%	8.2%	9.3%
Sep	8.1%	8.2%	8.3%	8.4%	8.0%	8.4%	8.6%	9.0%
Oct	8.9%	8.2%	8.6%	8.9%	9.6%	8.8%	8.9%	8.4%
Nov	7.1%	8.3%	8.2%	8.4%	8.2%	7.6%	7.0%	8.9%
Dec	9.8%	9.1%	8.9%	8.9%	9.0%	9.6%	10.5%	10.3%
Jan	7.9%	7.8%	7.8%	8.6%	8.0%	8.0%	7.5%	8.3%
Feb	7.8%	7.5%	7.6%	7.8%	7.8%	6.7%	7.6%	7.7%
Mar	8.9%	9.1%	8.7%	8.6%	8.3%	9.0%	8.9%	9.2%
Apr	8.8%	8.2%	8.1%	7.6%	7.3%	8.8%	8.1%	5.9%
May	8.2%	8.1%	8.8%	7.9%	7.3%	8.0%	7.8%	6.0%
Jun	8.8%	8.6%	8.5%	7.4%	7.8%	8.4%	8.4%	8.1%
FY Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Third largest share percentage of annual total.
Second largest share percentage of annual total.
Largest share percentage of annual total.
Third smallest share percentage of annual total.
Second smallest share percentage of annual total.
Smallest share percentage of annual total.

Source: Airport records.

3.9 | Commercial Aircraft Landings and Landed Weight

Figure 62 shows the annual trends for landings and landed weight at SAN from FY2010 to FY2023. Table 13 breaks down SAN's annual landings by the Airport's top 5 airlines, and distinguishes all-cargo airlines. Table 14 does the same for SAN's annual landed weight, and Table 15 calculates the annual average landed weight per landing by airline.

From FY2012 to FY2019, SAN experienced slow but steady growth in both landings and landed weight, with landings growing 30.1 percent from 76,629 in FY2012 to 100,818 in FY2019, while landed weight rose 35.8 percent from 10.7 billion pounds in FY2012 to 14.5 billion in FY2019. The pandemic brought a decline in both measures through FY2020 and FY2021—landings went down 47.4 percent over two years from FY2019, and landed weight declined 46.3 percent over the same period. SAN began recovering over the next two years, and as of FY2023, the Airport operated 96,002 landings with a corresponding landed weight of 13.9 billion pounds.

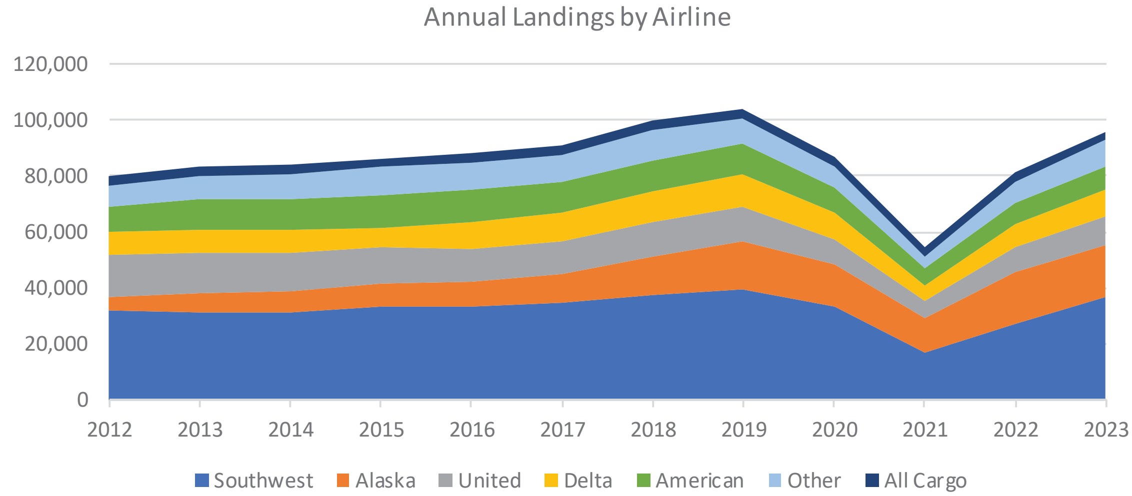
As the largest passenger carrier at SAN, Southwest holds a significant lead as the top carrier in both landings and landed weight, consistently holding a share of more than 30 percent in both respects. Prior to the pandemic, Southwest operated 39,175 landings and 5.2 billion pounds of landed weight in FY2019, which was well above SAN's next largest carrier, Alaska, with 17,381 landings and 2.0 billion pounds of landed weight. The gap closed briefly in FY2021, with Southwest decreasing to 16,695 landings (versus Alaska's 12,731) and 2.3 billion pounds of landed weight (versus Alaska's 1.3 billion). Over the next two years, Southwest rebuilt its gap ahead of the other airlines, and as of FY2023, Southwest holds 36,644 landings (versus Alaska's 18,316) and 5.0 billion pounds of landed weight (versus Alaska's 2.1 billion).

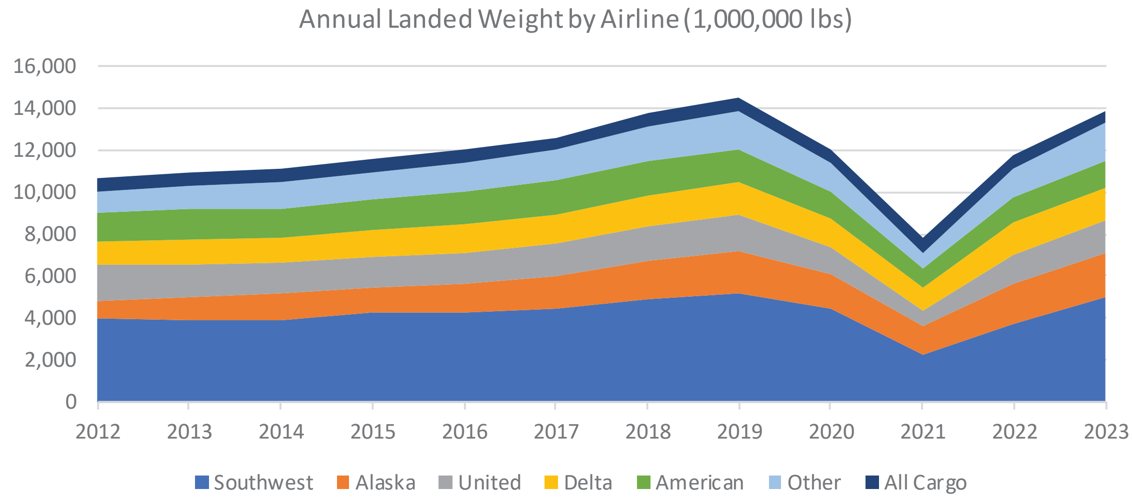
SAN's average landed weight per landing has remained at a largely similar level, with a very slow growth through the latter half of the 2010s. However, recent fleet renewal spurred the use of larger, higher-capacity aircraft. Overall, the average landed weight per landing at SAN started at roughly 133,000 pounds in FY2012 and, after a slight decline in FY2013, grew steadily to about 145,000 pounds by FY2022. Most recently, however, FY2023 has shown a very minor decrease to SAN's average landed weight per landing, with an average of about 144,000 pounds.

By airline, Delta showed the largest growth in average landed weight per landing, rising from an average of 138,000 pounds in FY2012 to 195,000 in FY2022, but that recently dropped back to 160,000 as of FY2023. Inversely, Alaska showed a significant reduction over the same period, starting with an average of about 177,000 in FY2012 and decreasing to 108,000 by FY2022, with an upturn to 114,000 in FY2023. These numbers infer that Delta has been using higher-capacity aircraft over the course of pandemic, while Alaska has been doing the opposite and utilizing smaller aircraft over time. Recent FY2023 numbers may indicate that their behavior could be changing now that traffic is returning to pre-pandemic level.

As of FY2023, the "Other" and all-cargo categories of airlines have the two highest averages for landed weight per landing at the Airport, with an approximate average of 185,000 pounds for the "Other" category and 181,000 pounds for all-cargo airlines.

Figure 62 | Annual Landings and Landed Weight Trends at SAN, FY2012-FY2023





Source: Airport records.

Table 13 | SAN Landings by Airline, FY2012-FY2023

Landings by Airline, by Fiscal Year												
Airline	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Southwest	32,100	31,266	31,092	33,421	33,328	34,399	37,355	39,175	33,477	16,695	26,993	36,644
Alaska	4,877	6,878	8,019	8,428	8,851	10,537	13,888	17,381	14,719	12,731	18,321	18,316
United	14,604	14,566	13,587	12,419	11,628	11,407	11,892	12,272	9,239	5,879	9,371	10,407
Delta	8,456	8,238	7,851	7,180	9,640	10,355	11,302	11,566	9,411	5,835	7,819	9,819
American	9,163	10,840	11,325	11,843	11,480	11,046	11,288	10,912	8,756	5,689	7,594	7,879
Other	7,429	8,126	9,085	9,830	9,879	9,907	10,657	9,512	7,487	4,379	7,451	9,820
Subtotal	**76,629**	**79,914**	**80,959**	**83,121**	**84,806**	**87,651**	**96,382**	**100,818**	**83,089**	**51,208**	**77,549**	**92,885**
All Cargo	3,305	3,164	3,254	3,320	3,499	3,385	3,378	3,322	3,431	3,580	3,487	3,117
Total	**79,934**	**83,078**	**84,213**	**86,441**	**88,305**	**91,036**	**99,760**	**104,140**	**86,520**	**54,788**	**81,036**	**96,002**
AGR		3.9%	1.4%	2.6%	2.2%	3.1%	9.6%	4.4%	-16.9%	-36.7%	47.9%	18.5%
Landing Shares by Airline, by Fiscal Year												
Airline	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Southwest	40.2%	37.6%	36.9%	38.7%	37.7%	37.8%	37.4%	37.6%	38.7%	30.5%	33.3%	38.2%
Alaska	6.1%	8.3%	9.5%	9.8%	10.0%	11.6%	13.9%	16.7%	17.0%	23.2%	22.6%	19.1%
United	18.3%	17.5%	16.1%	14.4%	13.2%	12.5%	11.9%	11.8%	10.7%	10.7%	11.6%	10.8%
Delta	10.6%	9.9%	9.3%	8.3%	10.9%	11.4%	11.3%	11.1%	10.9%	10.7%	9.6%	10.2%
American	11.5%	13.0%	13.4%	13.7%	13.0%	12.1%	11.3%	10.5%	10.1%	10.4%	9.4%	8.2%
Other	9.3%	9.8%	10.8%	11.4%	11.2%	10.9%	10.7%	9.1%	8.7%	8.0%	9.2%	10.2%
Subtotal	**95.9%**	**96.2%**	**96.1%**	**96.2%**	**96.0%**	**96.3%**	**96.6%**	**96.8%**	**96.0%**	**93.5%**	**95.7%**	**96.8%**
All Cargo	4.1%	3.8%	3.9%	3.8%	4.0%	3.7%	3.4%	3.2%	4.0%	6.5%	4.3%	3.2%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Airport records.

Table 14 | SAN Landed Weight by Airline, FY2012-FY2023

Landed Weight by Airline, by Fiscal Year (1,000,000 lbs)												
Airline	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Southwest	3,954	3,908	3,925	4,214	4,257	4,470	4,924	5,180	4,422	2,277	3,688	5,001
Alaska	863	1,072	1,223	1,265	1,361	1,545	1,829	1,995	1,672	1,343	1,981	2,092
United	1,686	1,590	1,500	1,394	1,461	1,516	1,611	1,702	1,285	771	1,321	1,514
Delta	1,163	1,163	1,146	1,305	1,362	1,417	1,484	1,617	1,374	1,049	1,528	1,569
American	1,351	1,426	1,447	1,499	1,621	1,576	1,627	1,566	1,299	918	1,239	1,318
Other	981	1,101	1,253	1,260	1,325	1,468	1,678	1,822	1,365	722	1,375	1,812
Subtotal	**9,998**	**10,261**	**10,493**	**10,937**	**11,386**	**11,993**	**13,153**	**13,882**	**11,417**	**7,080**	**11,133**	**13,305**
All Cargo	662	653	624	597	666	623	617	600	636	700	631	564
Total	**10,661**	**10,914**	**11,117**	**11,535**	**12,053**	**12,616**	**13,770**	**14,481**	**12,053**	**7,780**	**11,764**	**13,869**
AGR		2.4%	1.9%	3.8%	4.5%	4.7%	9.1%	5.2%	-16.8%	-35.5%	51.2%	17.9%

Landed Weight Shares by Airline, by Fiscal Year												
Airline	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Southwest	37.1%	35.8%	35.3%	36.5%	35.3%	35.4%	35.8%	35.8%	36.7%	29.3%	31.4%	36.1%
Alaska	8.1%	9.8%	11.0%	11.0%	11.3%	12.3%	13.3%	13.8%	13.9%	17.3%	16.8%	15.1%
United	15.8%	14.6%	13.5%	12.1%	12.1%	12.0%	11.7%	11.8%	10.7%	9.9%	11.2%	10.9%
Delta	10.9%	10.7%	10.3%	11.3%	11.3%	11.2%	10.8%	11.2%	11.4%	13.5%	13.0%	11.3%
American	12.7%	13.1%	13.0%	13.0%	13.4%	12.5%	11.8%	10.8%	10.8%	11.8%	10.5%	9.5%
Other	9.2%	10.1%	11.3%	10.9%	11.0%	11.6%	12.2%	12.6%	11.3%	9.3%	11.7%	13.1%
Subtotal	**93.8%**	**94.0%**	**94.4%**	**94.8%**	**94.5%**	**95.1%**	**95.5%**	**95.9%**	**94.7%**	**91.0%**	**94.6%**	**95.9%**
All Cargo	6.2%	6.0%	5.6%	5.2%	5.5%	4.9%	4.5%	4.1%	5.3%	9.0%	5.4%	4.1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Airport records.

Table 15 | SAN Average Landed Weight per Landing by Airline, FY2012-FY2023

Annual Average Landed Weight per Landing (1,000 lbs)												
Airline	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Southwest	123	125	126	126	128	130	132	132	132	136	137	136
Alaska	177	156	152	150	154	147	132	115	114	105	108	114
United	115	109	110	112	126	133	135	139	139	131	141	145
Delta	138	141	146	182	141	137	131	140	146	180	195	160
American	147	132	128	127	141	143	144	144	148	161	163	167
Other	132	135	138	128	134	148	157	192	182	165	185	185
Subtotal	**130**	**128**	**130**	**132**	**134**	**137**	**136**	**138**	**137**	**138**	**144**	**143**
All Cargo	200	206	192	180	190	184	183	180	185	195	181	181
Total	**133**	**131**	**132**	**133**	**136**	**139**	**138**	**139**	**139**	**142**	**145**	**144**
AGR		-1.5%	0.5%	1.1%	2.3%	1.5%	-0.4%	0.7%	0.2%	1.9%	2.2%	-0.5%

Source: Airport records.

3.10 | Forecast Commercial Aviation Activity

We present forecasts of enplanements, landings, and landed weight that serve as input to the financial feasibility analysis. Forecast development considers the pandemic impacts, changes in air service demand and supply, changes in the business environment, and the fundamental drivers of passenger traffic growth. We use a hybrid modeling framework that integrates multiple forecasting methods and data sources to project air traffic during different phases of recovery and growth.

Acknowledging the high uncertainty in the current outlook for the aviation industry and the overall economy, we present three scenarios: "Base," "Low," and "High." These scenarios differ by the pace of air traffic growth in FY2024 and underlying economic projections beyond FY2024. The Base scenario assumes that recent economic and air traffic growth trends will continue. The Low scenario presents a more cautious outlook, accounting for adverse short-term factors, including labor and fleet constraints on airline capacity, persistently high inflation, a recession, and rising unemployment. The High scenario provides a more optimistic outlook, assuming airline capacity constraints will ease, inflation will abate, unemployment will remain low, and the economy will avoid a recession and thrive.

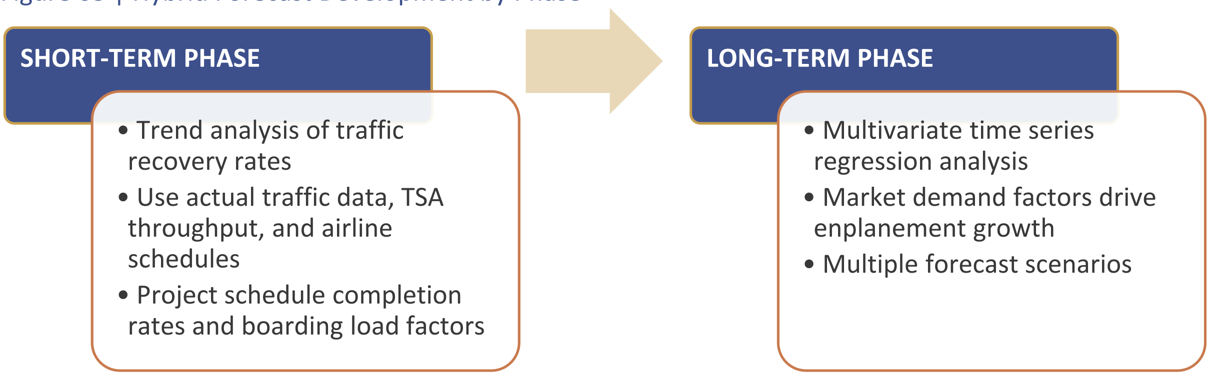
The three scenarios provide a reasonable range for financial planning and sensitivity analysis. However, forecasts are inherently uncertain, and several factors can cause actual performance to fall outside the forecast range. In addition, the airline industry and the broader economy face significant structural changes, which elevate various sources of risk and uncertainty. We discuss these in detail at the end of this section.

3.10.1 | Forecast Methodology

In the hybrid modeling framework (Figure 63), the forecast period is divided into two phases: short-term and long-term. We analyze short-term growth trends by projecting flights, seats, and enplanements monthly using a combination of published airline schedules, schedule completion rates, and boarding load factors (BLFs). We project the ramp-up of monthly enplanements until full recovery to pre-pandemic levels. Then the forecast period enters a long-term growth phase, in which we use multivariate regression analysis to quantify the relationship between passenger demand for air travel and key market drivers to project annual enplanement growth rates.

Forecast development by phase considers the factors expected to drive traffic trends in each phase. It tailors different methods, data, and assumptions to capture the effects of those factors on air traffic. For instance, in the short-term phase, we factor in the impact of the economy and airline capacity limitations when we make assumptions for forecast inputs like projected schedule completion rates and boarding load factors. We apply these forecast inputs to advance airline schedules to project monthly enplanement levels. In the long-term growth phase, market demand factors, such as income and price, again become the primary drivers of passenger traffic growth.

Figure 63 | Hybrid Forecast Development by Phase



Source: Unison Consulting, Inc.

3.10.2 | Short-Term Phase

In the short-term phase, we employ various data sources to project monthly flights, seats, and enplanements for FY2024. These data sources include airport activity statistics (enplanements, landings, and landed weight) available up to June 2023 and TSA screening throughput available up to July 2023. We also access advance airline schedules published in July 2023, which are supplemented with TSA screening throughput data to provide insight into near real-time passenger traffic patterns.

To project the number of passengers who will board flights, we first estimate the number of seats that will be available. Airlines periodically adjust their published schedules based on factors such as flight bookings and the availability of aircraft and crew. We account for airlines' anticipated schedule cuts by factoring in schedule completion rates. Because schedules for future months are subject to greater adjustments until the date of operation, only schedules through December 2023 are used in forecast development. Table 16 shows the schedule completion rate assumptions, which begin to fall in September. Despite the decreases, airlines are expected to complete at least 93 percent of their advance schedules through September.

Table 16 | Projected Schedule Completion Rates and Seats, July to December 2023

	Schedule Completion Rate			Projected Seats		
Month	Base	Low	High	Base	Low	High
Jul-23	100.0%	100.0%	100.0%	1,362,471	1,362,471	1,362,471
Aug-23	100.0%	100.0%	100.0%	1,358,468	1,358,468	1,358,468
Sep-23	99.6%	96.6%	100.0%	1,266,452	1,228,287	1,272,156
Oct-23	98.2%	95.2%	100.0%	1,306,724	1,266,809	1,330,524
Nov-23	97.4%	94.4%	99.4%	1,233,084	1,195,112	1,258,399
Dec-23	96.1%	93.1%	98.1%	1,251,790	1,212,720	1,277,837

Sources: OAG airline schedules and Unison Consulting, Inc.

The BLF assumptions, shown in Table 17, reflect seasonal patterns and the current trend at SAN. Since January 2022, SAN's monthly BLFs have shown a steady improvement, with levels nearing or exceeding those seen in 2019, despite some minor fluctuations. On average, the monthly BLFs in 2022 were 2 percentage points below 2019 levels, mostly due to severe winter conditions in January and December that caused significant flight disruptions. From January to June 2023, the average monthly BLFs were around 80 percent, compared to 81 percent and 80 percent over the same months in 2019 and 2022, respectively.

For the forecast scenarios, we assume that the monthly average BLFs will continue to follow the current trend and remain close to or above 2019 levels. For the second half of CY2023, the monthly average BLFs are expected to be 81 percent in the Base scenario, 78.5 percent in the Low scenario, and 83 percent in the High scenario. These projections are comparable to an average of 82.5 percent for July through December 2019.

Table 17| Projected Boarding Load Factors (BLF), July to December 2023

2019 and 2022 Boarding Load Factors				2023 Projected Boarding Load Factors		
Month	2019 BLF[1]	2022 BLF	Difference (pp)[2]	Base	Low	High
Jan	74.0%	65.2%	-8.8	72.2%	72.2%	72.2%
Feb	77.3%	76.1%	-1.1	78.4%	78.4%	78.4%
Mar	83.0%	87.0%	4.0	82.2%	82.2%	82.2%
Apr	84.0%	86.4%	2.4	82.4%	82.4%	82.4%
May	81.5%	84.8%	3.3	79.8%	79.8%	79.8%
Jun	85.4%	82.1%	-3.3	84.5%	84.5%	84.5%
Jul	84.9%	82.3%	-2.5	82.3%	79.8%	84.3%
Aug	83.3%	80.9%	-2.4	80.9%	78.4%	82.9%
Sep	81.0%	79.8%	-1.2	79.8%	77.3%	81.8%
Oct	80.4%	82.0%	1.6	82.0%	79.5%	84.0%
Nov	82.0%	79.9%	-2.1	79.9%	77.4%	81.9%
Dec	83.2%	71.9%	-11.3	80.9%	78.4%	82.9%

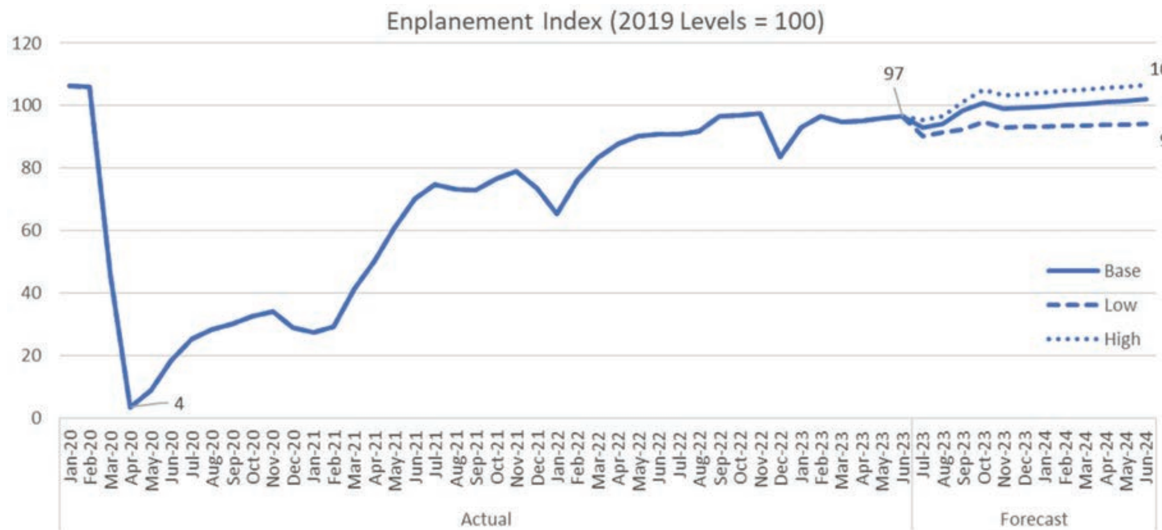
Source: Unison Consulting, Inc.
Notes: Gray shading indicates forecasted values.
[1] BLF = enplanements/seats.
[2] Percentage-point (pp) difference between the 2022 and 2019 monthly BLF. Negative values indicate lower 2022 BLF, compared to the 2019 levels.

Figure 64 shows the projected growth of monthly enplanements indexed to 2019 levels. Since dropping to 4 percent of 2019 levels in April 2020, SAN's enplanements have steadily recovered and reached 97 percent of 2019 levels in June 2023.

Monthly enplanements are expected to approach or surpass 2019 levels by the end of FY2024. The Base scenario predicts a rise to 102 percent of 2019 levels by June 2024, with an annual average of around 99 percent for FY2024. The Low scenario sees an increase to 94 percent of 2019 levels by June 2024, with an average of around 93 percent for FY2024. In the High scenario, monthly enplanements are predicted to increase to 107 percent of 2019 levels by June 2024, with an average of around 103 percent for FY2024.

In all three scenarios, the trends indicate that SAN's monthly enplanement growth will have stabilized by the end of FY2024, at which point annual enplanement growth is likely to be driven by market demand factors.

Figure 64 | Monthly Enplanements: Forecast Growth Indexed to 2019 Level



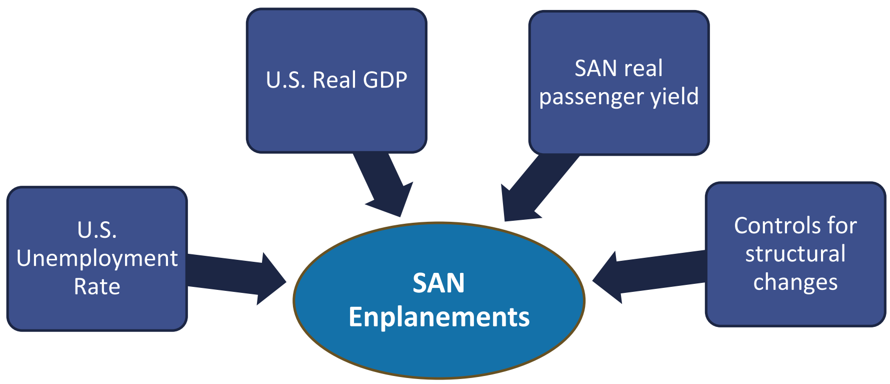
Source: Unison Consulting, Inc.

3.10.3 | Long-Term Growth Phase

Once monthly enplanement growth return to pre-pandemic patterns, the long-term growth phase begins—after FY2024 in all three scenarios. Passenger traffic will be "demand-driven," determined the economics of air transportation. We assume growth patterns would normalize, the historical relationship between air traffic and economic drivers would again prevail, and airlines would adjust seat capacity to meet increasing air travel demand.

Multivariate time series regression analysis links enplanement growth to key market demand drivers (Figure 65). Regression analysis provides a rigorous and quantitative framework for measuring the contributions of individual demand drivers to enplanement growth, while controlling for serial correlation often found in time series data.

Figure 65 | Key Drivers of Enplanement Growth



Source: Unison Consulting, Inc.

Forecasting using regression analysis is executed in two steps. First, we estimate a regression equation is using historical data from 2001 to 2019.[31] The regression equation includes coefficients that measure the contributions of each driver in predicting annual enplanement. The estimation method minimizes forecast errors. Next, we use the estimated regression equation and the model input projections to forecast enplanement growth.

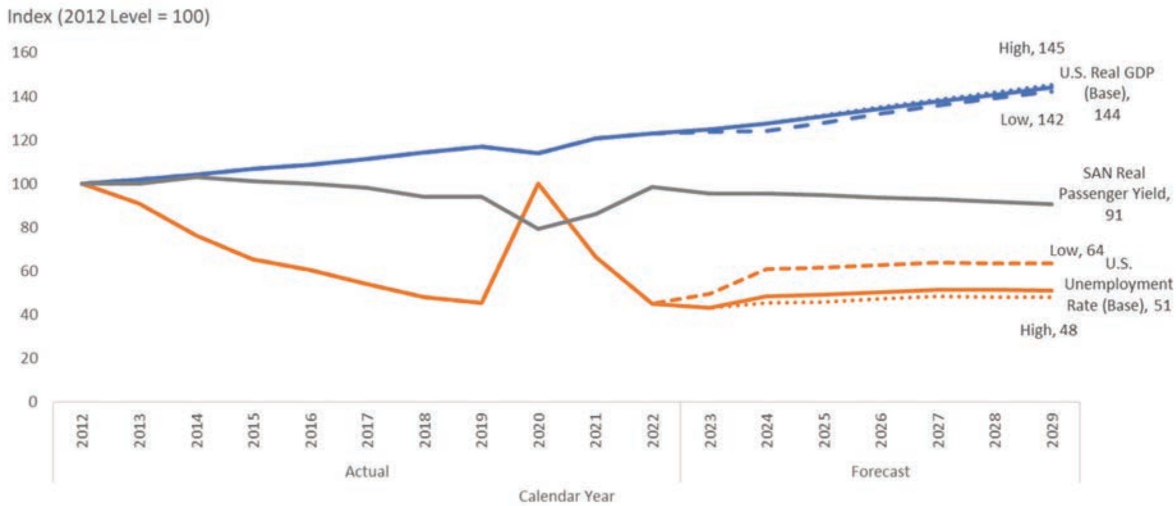
Consumer demand theory and observed changes in the Airport and aviation industry guide the specification of the regression model, which considers annual enplanements as the dependent variable. The model uses two economic indicators, the U.S. real GDP and unemployment rate, and a price indicator, SAN's real passenger yield, as key factors to explain the variation in passenger traffic. Figure 66 presents the historical and forecast trends in the economic and price variables. For readability, historical trends in the figure begin in 2012, even though the regression model employs historical data beginning in 2001.

Besides the economic and price indicators, we include autoregressive and moving average terms to control for serial correlation in the passenger traffic data.[32]

[31] Including pre-2001 data reduced goodness-of-fit measures. Regression analysis using data from 1993 to 2019 resulted in slightly lower enplanement growth rates by around 0.2 percentage points, on average.

[32] We include autoregressive terms of order 2 and moving average terms of order 1.

Figure 66 | Trends in Key Regression Model Explanatory Variables (2012 Level = 100)



Sources: Moody's Analytics, U.S. Department of Transportation, and Federal Aviation Administration.

U.S. Real Gross Domestic Product

The U.S. real GDP is a comprehensive indicator of national economic conditions. The growth rate of the real GDP corresponds to the pace of economic and income growth, which drives the demand for air travel. Growth in real GDP increase enplanements, while contractions in real GDP decrease enplanements, holding other factors constant. The positive and statistically significant regression coefficient on U.S. real GDP confirms the positive relationship between U.S. real GDP and enplanements.

Based on forecasts from Moody's Analytics, the U.S. real GDP in the Base scenario will grow at a compound annual growth rate of 2.3 percent from 2022 to 2029. This growth rate is higher than the post-Great Recession expansion, during which the U.S. real GDP grew at a compound annual growth rate of 1.6 percent from 2009 to 2019. The High scenario assumes around a 0.13 percentage point higher growth rate than the Base scenario, while the Low scenario assumes around a 0.16 percentage point lower growth rate.

U.S. Unemployment Rate

U.S. unemployment rate provides another key indicator for national economic conditions.[33] Falling unemployment rates indicate an expanding national economy, while rising unemployment rates indicate a slowing and contracting national economy. Passenger traffic trends track business cycles in the U.S. economy. A negative and statistically significant negative regression coefficient confirms the negative association between the unemployment rate and SAN's passenger traffic.

[33] We also tested a regression model using the MSA personal income per capita and U.S. real GDP per capita in lieu of U.S. real GDP. Ultimately, we choose to include U.S. real GDP because it provided the best based on adjusted R-squared (0.99).

Currently, the U.S. unemployment rate is at historic low level. It is expected to rise gradually, as forecast by Moody's Analytics. Specifically, the U.S. unemployment rate is projected to increase from 3.6 percent in 2022 to 4.1 percent in 2029 in the Base scenario. In the High scenario, the U.S. unemployment rate is around 0.2 percentage point lower than in the Base scenario. In the Low scenario, the U.S. unemployment rate rises to around 0.9 percentage points higher than in the Base scenario.

Real Passenger Yield at SAN

According to consumer demand theory, air travel demand (passenger traffic) decreases as the price of air travel increases, and vice versa, holding everything else constant. Our measure of price is the average real passenger yield, calculated as total airline passenger revenues divided by revenue passenger miles, adjusted for inflation. This measure controls trip distance and serves as a better indicator of the price of air travel than average airfare. Empirical data supports consumer demand theory: regression analysis confirms a negative and statistically significant relationship between the average real passenger yield and passenger traffic at SAN.

In the decade leading up to the pandemic, SAN's real passenger yield had been relatively stable, ranging between $0.14 and $0.16 (in constant 2012 dollars). The pandemic disrupted this stability, as airlines significantly reduced air fares to raise passenger traffic. In 2020 and 2021, SAN's real passenger yield fell to $0.12 and $0.13 (in constant 2012 dollars), respectively, yielding a 2019-2021 compound annual growth rate of -4.4 percent. Compared to this steep decline, the real passenger yield essentially remained constant between 2009 and 2019 (CAGR=0.2 percent).

Over the forecast horizon, the Airport's real passenger yield in the Base scenario is expected to increase in the near-term, before falling to and stabilizing at $0.14 (in constant 2012 dollars). Between 2022 and 2029, SAN's real passenger yield is expected to decrease by 1.2 percent annually on average.

3.10.4 | Forecast Results

Figure 67 presents the forecast results, compared with the 2022 FAA Terminal Area Forecasts (TAF) published in February 2023. Table 18 to

Table 29 present the forecast details.

- Scenario 1 (Base): Annual enplanements are expected to continue to recover and eventually exceed the FY2019 level by the end of FY2024, reaching 12.5 million. For the remainder of the forecast period, enplanement growth is expected to be robust and exceed at least 2.8 percent annually. In FY2029, annual enplanements are expected to reach 14.5 million and yield a FY2023-2029 CAGR of 3.4 percent.
- Scenario 2 (Low): In FY2024, the air travel demand at SAN is expected to be dampened by an economic downturn and other factors. As a result, enplanements are projected to show a decline of 1 percent. Beyond FY2024, enplanements are expected to recover and eventually

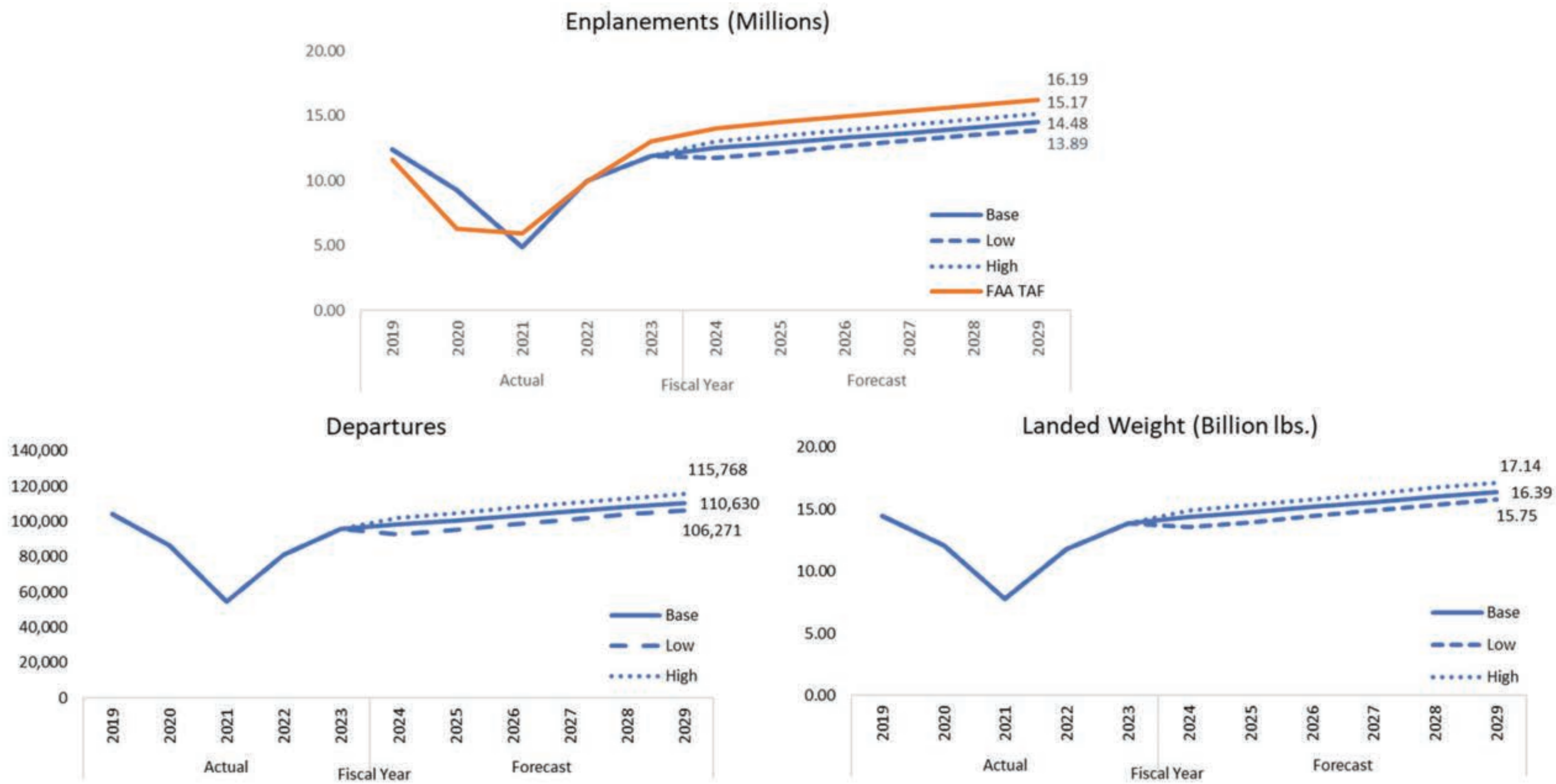
reach 12.7 million and exceed the 2019 level by the end of FY2026, two years later than the recovery in the Base scenario. In FY2029, SAN's annual enplanements are expected to be around 13.9 million (CAGR = 2.7 percent).

- Scenario 3 (High): Higher real GDP growth and lower unemployment rates are expected to boost passenger traffic at SAN. Annual enplanements are expected to reach 15.2 million by the end of the forecast horizon (CAGR = 4.2 percent).
- 2022 FAA TAF, February 2023 Publication – The TAF projections are on a federal fiscal year basis that ends on September 30. Compared to this study's forecasts, the TAF projections are higher, with projected annual enplanements reaching 16.2 million by the end of the forecast (CAGR = 3.7 percent).

The FY2024-2029 projections of seats and aircraft departures (landings) are derived from forecast annual enplanements, average seats per departure, and boarding load factors. Generally, flight departures are expected to grow slower than enplanements due to expected increases in average seats per departure and boarding load factors over time. By the end of the forecast period, annual aircraft departures are expected to reach 110,630 (CAGR = 2.4 percent) in the Base scenario, 106,271 in the Low scenario (CAGR = 1.7 percent), and 115,768 in the High scenario (3.2 percent).

The FY2024-2029 projections of landed weight are derived from forecast aircraft landings. Generally, landed weight increases faster than landings because of projected increases in average seats per landing, which raises the average weight per landing. By the end of the forecast period, landed weight will reach 16.39 billion pounds (CAGR = 2.8 percent) in the Base scenario, 15.75 billion pounds (CAGR = 2.1 percent) in the Low scenario, and 17.14 billion pounds (CAGR = 3.6 percent) in the High scenario.

Figure 67 | Forecast Commercial Aviation Activity at SAN



Source: Unison Consulting, Inc.

Table 18 | Forecast Enplanements - Scenario 1 (Base)

	Actual					Forecast						CAGR
Fiscal Year Ending in June	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2023-2029**
Enplanements (1,000s)												
Alaska	1,702	1,325	807	1,741	1,941	2,023	2,089	2,155	2,215	2,281	2,343	3.2%
American	1,468	1,128	768	1,238	1,282	1,428	1,475	1,521	1,564	1,610	1,654	4.3%
Delta	1,505	1,168	568	1,238	1,452	1,615	1,667	1,720	1,768	1,820	1,870	4.3%
Southwest	4,656	3,475	1,628	3,394	4,190	4,029	4,161	4,292	4,411	4,542	4,667	1.8%
United	1,593	1,106	600	1,307	1,459	1,765	1,822	1,880	1,932	1,989	2,044	5.8%
Other signatory	1,179	859	445	880	1,253	1,358	1,402	1,446	1,486	1,530	1,572	3.9%
Passenger - signatory	12,103	9,061	4,815	9,797	11,577	12,218	12,615	13,013	13,376	13,773	14,152	3.4%
Passenger - nonsignatory	254	174	46	156	290	280	289	298	306	316	324	1.9%
Total	**12,356**	**9,235**	**4,861**	**9,953**	**11,868**	**12,498**	**12,904**	**13,311**	**13,682**	**14,088**	**14,476**	**3.4%**
Annual percentage change		-25.3%	-47.4%	104.8%	19.2%	5.3%	3.3%	3.2%	2.8%	3.0%	2.8%	
Enplanement Shares												
Alaska	13.8%	14.3%	16.6%	17.5%	16.4%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	
American	11.9%	12.2%	15.8%	12.4%	10.8%	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%	
Delta	12.2%	12.7%	11.7%	12.4%	12.2%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	
Southwest	37.7%	37.6%	33.5%	34.1%	35.3%	32.2%	32.2%	32.2%	32.2%	32.2%	32.2%	
United	12.9%	12.0%	12.3%	13.1%	12.3%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	
Other signatory	9.5%	9.3%	9.2%	8.8%	10.6%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	
Passenger - signatory	97.9%	98.1%	99.1%	98.4%	97.6%	97.8%	97.8%	97.8%	97.8%	97.8%	97.8%	
Passenger - nonsignatory	2.1%	1.9%	0.9%	1.6%	2.4%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 19 | Forecast Seats and Aircraft Departures – Scenario 1 (Base)

	Actual					Forecast						CAGR
Fiscal Year Ending in June	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2023-2029
Seats (1,000s)												
Alaska	2,139	1,811	1,451	2,151	2,303	2,386	2,449	2,524	2,592	2,668	2,734	2.9%
American	1,712	1,463	1,020	1,420	1,501	1,672	1,717	1,771	1,820	1,874	1,926	4.2%
Delta	1,727	1,489	1,056	1,445	1,687	1,875	1,936	1,997	2,053	2,114	2,172	4.3%
Southwest	6,060	5,428	2,686	4,319	5,851	5,407	5,545	5,715	5,870	6,041	6,187	0.9%
United	1,836	1,434	845	1,495	1,693	2,048	2,115	2,182	2,243	2,309	2,373	5.8%
Other signatory	1,382	1,100	691	1,113	1,491	1,608	1,653	1,705	1,751	1,803	1,849	3.6%
Passenger - signatory	14,856	12,726	7,749	11,943	14,526	14,996	15,416	15,894	16,329	16,809	17,239	2.9%
Passenger - nonsignatory	319	246	86	207	349	332	342	352	362	372	382	1.5%
Total	**15,175**	**12,972**	**7,835**	**12,150**	**14,875**	**15,328**	**15,757**	**16,246**	**16,691**	**17,181**	**17,621**	**2.9%**
Annual percentage change		-14.5%	-39.6%	55.1%	22.4%	3.0%	2.8%	3.1%	2.7%	2.9%	2.6%	
Aircraft Departures (Landings)												
Alaska	17,381	14,719	12,731	18,321	18,316	18,896	19,326	19,848	20,311	20,826	21,259	2.5%
American	10,912	8,756	5,689	7,594	7,879	8,742	8,941	9,190	9,411	9,655	9,884	3.9%
Delta	11,566	9,411	5,835	7,819	9,819	10,873	11,186	11,497	11,774	12,078	12,365	3.9%
Southwest	39,175	33,477	16,695	26,993	36,644	33,734	34,474	35,400	36,223	37,140	37,897	0.6%
United	12,272	9,239	5,879	9,371	10,407	12,543	12,904	13,263	13,582	13,934	14,264	5.4%
Other signatory	8,010	6,425	3,882	6,422	8,258	8,926	9,146	9,395	9,616	9,862	10,075	3.4%
Passenger - signatory	99,316	82,027	50,711	76,520	91,323	93,714	95,978	98,592	100,917	103,494	105,744	2.5%
Passenger - nonsignatory	1,502	1,062	497	1,029	1,562	1,459	1,496	1,536	1,573	1,613	1,648	0.9%
Subtotal - passenger	**100,818**	**83,089**	**51,208**	**77,549**	**92,885**	**95,173**	**97,473**	**100,128**	**102,489**	**105,107**	**107,392**	**2.4%**
All-cargo - signatory	2,783	2,755	3,017	2,913	2,547	2,730	2,639	2,684	2,661	2,673	2,667	0.8%
All-cargo - nonsignatory	539	676	563	574	570	572	571	572	571	571	571	0.0%
Subtotal - all-cargo	**3,322**	**3,431**	**3,580**	**3,487**	**3,117**	**3,302**	**3,210**	**3,256**	**3,233**	**3,244**	**3,238**	**0.6%**
Total	**104,140**	**86,520**	**54,788**	**81,036**	**96,002**	**98,475**	**100,683**	**103,384**	**105,722**	**108,351**	**110,630**	**2.4%**

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 20 | Forecast Enplanement per Departure, Seats per Departure, and Boarding Load Factors - Scenario 1 (Base)

	Actual					Forecast					
Fiscal Year Ending in June	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Enplanements per Departure											
Alaska	98	90	63	95	106	107	108	109	109	110	110
American	135	129	135	163	163	163	165	166	166	167	167
Delta	130	124	97	158	148	148	149	150	150	151	151
Southwest	119	104	97	126	114	119	121	121	122	122	123
United	130	120	102	139	140	141	141	142	142	143	143
Other signatory	147	134	115	137	152	152	153	154	155	155	156
Passenger - signatory	122	110	95	128	127	130	131	132	133	133	134
Passenger - nonsignatory	169	164	92	152	186	192	193	194	195	196	197
Total	**123**	**111**	**95**	**128**	**128**	**131**	**132**	**133**	**133**	**134**	**135**
Seats per Departure											
Alaska	123	123	114	117	126	126	127	127	128	128	129
American	157	167	179	187	191	191	192	193	193	194	195
Delta	149	158	181	185	172	172	173	174	174	175	176
Southwest	155	162	161	160	160	160	161	161	162	163	163
United	150	155	144	160	163	163	164	165	165	166	166
Other signatory	173	171	178	173	181	180	181	181	182	183	183
Passenger - signatory	150	155	153	156	159	160	161	161	162	162	163
Passenger - nonsignatory	212	232	173	201	223	228	228	229	230	231	232
Total	**151**	**156**	**153**	**157**	**160**	**161**	**162**	**162**	**163**	**163**	**164**
Boarding Load Factors											
Alaska	79.6%	73.2%	55.6%	80.9%	84.3%	84.8%	85.3%	85.4%	85.4%	85.5%	85.7%
American	85.7%	77.1%	75.3%	87.2%	85.4%	85.4%	85.9%	85.9%	85.9%	85.9%	85.9%
Delta	87.1%	78.5%	53.8%	85.6%	86.1%	86.1%	86.1%	86.1%	86.1%	86.1%	86.1%
Southwest	76.8%	64.0%	60.6%	78.6%	71.6%	74.5%	75.0%	75.1%	75.2%	75.2%	75.4%
United	86.8%	77.1%	71.0%	87.5%	86.2%	86.2%	86.2%	86.2%	86.2%	86.2%	86.2%
Other signatory	85.3%	78.1%	64.4%	79.0%	84.0%	84.4%	84.8%	84.8%	84.9%	84.9%	85.1%
Passenger - signatory	81.5%	71.2%	62.1%	82.0%	79.7%	81.5%	81.8%	81.9%	81.9%	81.9%	82.1%
Passenger - nonsignatory	79.5%	70.8%	53.4%	75.3%	83.3%	84.2%	84.6%	84.7%	84.7%	84.7%	84.9%
Total	**81.4%**	**71.2%**	**62.0%**	**81.9%**	**79.8%**	**81.5%**	**81.9%**	**81.9%**	**82.0%**	**82.0%**	**82.2%**

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 21 | Forecast Landed Weight and Average Weight per Landing - Scenario 1 (Base)

Fiscal Year Ending in June	Actual					Forecast						CAGR
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2023-2029
Landed Weight (1,000,000 lbs.)												
Alaska	1,995	1,672	1,343	1,981	2,092	2,167	2,224	2,293	2,355	2,423	2,483	2.9%
American	1,566	1,299	918	1,239	1,318	1,468	1,507	1,554	1,598	1,645	1,690	4.2%
Delta	1,617	1,374	1,049	1,528	1,569	1,744	1,800	1,857	1,909	1,966	2,020	4.3%
Southwest	5,180	4,422	2,277	3,688	5,001	4,622	4,740	4,885	5,017	5,164	5,288	0.9%
United	1,702	1,285	771	1,321	1,514	1,832	1,891	1,951	2,005	2,065	2,121	5.8%
Other signatory	1,375	1,057	653	1,108	1,358	1,472	1,514	1,561	1,604	1,651	1,693	3.7%
Passenger - signatory	13,435	11,110	7,010	10,866	12,851	13,303	13,676	14,101	14,487	14,913	15,295	2.9%
Passenger - nonsignatory	447	307	70	231	416	406	417	430	442	455	466	1.9%
Subtotal - passenger	**13,882**	**11,417**	**7,080**	**11,097**	**13,268**	**13,709**	**14,093**	**14,531**	**14,929**	**15,367**	**15,761**	**2.9%**
All-cargo - signatory	593	587	613	621	560	594	577	586	582	584	583	0.7%
All-cargo - nonsignatory	7	49	87	45	41	43	42	42	42	42	42	0.5%
Subtotal - all-cargo	**600**	**636**	**700**	**667**	**601**	**637**	**619**	**628**	**624**	**626**	**625**	**0.6%**
Total	**14,481**	**12,053**	**7,780**	**11,764**	**13,869**	**14,346**	**14,713**	**15,159**	**15,553**	**15,993**	**16,386**	**2.8%**
Avg. Landed Weight (1,000 lbs.)												
Alaska	115	114	105	108	114	115	115	116	116	116	117	
American	144	148	161	163	167	168	169	169	170	170	171	
Delta	140	146	180	195	160	160	161	162	162	163	163	
Southwest	132	132	136	137	136	137	138	138	139	139	140	
United	139	139	131	141	145	146	147	147	148	148	149	
Other signatory	172	165	168	173	164	165	166	166	167	167	168	
Passenger - signatory	135	135	138	142	141	142	142	143	144	144	145	
Passenger - nonsignatory	298	289	140	225	267	278	279	280	281	282	283	
Subtotal - passenger	**138**	**137**	**138**	**143**	**143**	**144**	**145**	**145**	**146**	**146**	**147**	
All-cargo - signatory	213	213	203	213	220	218	219	218	219	218	218	
All-cargo - nonsignatory	12	73	154	79	72	75	73	74	74	74	74	
Subtotal - all-cargo	**180**	**185**	**195**	**191**	**193**	**193**	**193**	**193**	**193**	**193**	**193**	
Total	**139**	**139**	**142**	**145**	**144**	**146**	**146**	**147**	**147**	**148**	**148**	

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 22 | Forecast Enplanements - Scenario 2 (Low)

	Actual					Forecast						CAGR
Fiscal Year Ending in June	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2023-2029**
Enplanements (1,000s)												
Alaska	1,702	1,325	807	1,741	1,941	1,904	1,978	2,051	2,119	2,189	2,252	2.5%
American	1,468	1,128	768	1,238	1,282	1,346	1,398	1,450	1,498	1,547	1,591	3.7%
Delta	1,505	1,168	568	1,238	1,452	1,520	1,579	1,638	1,692	1,747	1,798	3.6%
Southwest	4,656	3,475	1,628	3,394	4,190	3,773	3,919	4,065	4,200	4,337	4,462	1.1%
United	1,593	1,106	600	1,307	1,459	1,662	1,726	1,790	1,849	1,910	1,965	5.1%
Other signatory	1,179	859	445	880	1,253	1,277	1,326	1,376	1,421	1,468	1,510	3.2%
Passenger - signatory	12,103	9,061	4,815	9,797	11,577	11,481	11,926	12,369	12,779	13,198	13,578	2.7%
Passenger - nonsignatory	254	174	46	156	290	264	275	285	294	304	313	1.3%
Total	**12,356**	**9,235**	**4,861**	**9,953**	**11,868**	**11,745**	**12,201**	**12,654**	**13,074**	**13,502**	**13,891**	**2.7%**
Annual percentage change		-25.3%	-47.4%	104.8%	19.2%	-1.0%	3.9%	3.7%	3.3%	3.3%	2.9%	
Enplanement Shares												
Alaska	13.8%	14.3%	16.6%	17.5%	16.4%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	
American	11.9%	12.2%	15.8%	12.4%	10.8%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	
Delta	12.2%	12.7%	11.7%	12.4%	12.2%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	
Southwest	37.7%	37.6%	33.5%	34.1%	35.3%	32.1%	32.1%	32.1%	32.1%	32.1%	32.1%	
United	12.9%	12.0%	12.3%	13.1%	12.3%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	
Other signatory	9.5%	9.3%	9.2%	8.8%	10.6%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	
Passenger - signatory	97.9%	98.1%	99.1%	98.4%	97.6%	97.7%	97.7%	97.7%	97.7%	97.7%	97.7%	
Passenger - nonsignatory	2.1%	1.9%	0.9%	1.6%	2.4%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 23 | Forecast Seats and Aircraft Departures – Scenario 2 (Low)

	Actual					Forecast						CAGR
Fiscal Year Ending in June	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2023-2029**
Seats (1,000s)												
Alaska	2,139	1,811	1,451	2,151	2,303	2,245	2,318	2,403	2,481	2,561	2,627	2.2%
American	1,712	1,463	1,020	1,420	1,501	1,575	1,627	1,687	1,743	1,800	1,852	3.6%
Delta	1,727	1,489	1,056	1,445	1,687	1,765	1,834	1,902	1,965	2,029	2,088	3.6%
Southwest	6,060	5,428	2,686	4,319	5,851	5,063	5,224	5,414	5,588	5,768	5,915	0.2%
United	1,836	1,434	845	1,495	1,693	1,929	2,003	2,078	2,147	2,217	2,281	5.1%
Other signatory	1,382	1,100	691	1,113	1,491	1,512	1,565	1,622	1,675	1,729	1,775	2.9%
Passenger - signatory	14,856	12,726	7,749	11,943	14,526	14,089	14,571	15,105	15,598	16,105	16,538	2.2%
Passenger - nonsignatory	319	246	86	207	349	314	325	337	347	359	368	0.9%
Total	**15,175**	**12,972**	**7,835**	**12,150**	**14,875**	**14,403**	**14,895**	**15,442**	**15,946**	**16,463**	**16,906**	**2.2%**
Annual percentage change		-14.5%	-39.6%	55.1%	22.4%	-3.2%	3.4%	3.7%	3.3%	3.2%	2.7%	
Aircraft Departures (Landings)												
Alaska	17,381	14,719	12,731	18,321	18,316	17,784	18,298	18,895	19,435	19,988	20,429	1.8%
American	10,912	8,756	5,689	7,594	7,879	8,235	8,474	8,757	9,014	9,275	9,507	3.2%
Delta	11,566	9,411	5,835	7,819	9,819	10,235	10,593	10,947	11,268	11,595	11,884	3.2%
Southwest	39,175	33,477	16,695	26,993	36,644	31,587	32,474	33,531	34,485	35,464	36,232	-0.2%
United	12,272	9,239	5,879	9,371	10,407	11,810	12,223	12,631	13,002	13,379	13,713	4.7%
Other signatory	8,010	6,425	3,882	6,422	8,258	8,396	8,654	8,939	9,196	9,459	9,676	2.7%
Passenger - signatory	99,316	82,027	50,711	76,520	91,323	88,047	90,717	93,700	96,400	99,160	101,441	1.8%
Passenger - nonsignatory	1,502	1,062	497	1,029	1,562	1,380	1,423	1,469	1,512	1,555	1,591	0.3%
Subtotal - passenger carriers	**100,818**	**83,089**	**51,208**	**77,549**	**92,885**	**89,426**	**92,140**	**95,170**	**97,912**	**100,715**	**103,032**	**1.7%**
All-cargo - signatory	2,783	2,755	3,017	2,913	2,547	2,730	2,639	2,684	2,661	2,673	2,667	0.8%
All-cargo - nonsignatory	539	676	563	574	570	572	571	572	571	571	571	0.0%
Subtotal - all-cargo carriers	**3,322**	**3,431**	**3,580**	**3,487**	**3,117**	**3,302**	**3,210**	**3,256**	**3,233**	**3,244**	**3,238**	**0.6%**
Total	**104,140**	**86,520**	**54,788**	**81,036**	**96,002**	**92,728**	**95,349**	**98,425**	**101,145**	**103,959**	**106,271**	**1.7%**

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 24 | Forecast Enplanement per Departure, Seats per Departure, and Boarding Load Factors - Scenario 2 (Low)

	Actual					Forecast					
Fiscal Year Ending in June	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Enplanements per Departure											
Alaska	98	90	63	95	106	107	108	109	109	110	110
American	135	129	135	163	163	163	165	166	166	167	167
Delta	130	124	97	158	148	148	149	150	150	151	151
Southwest	119	104	97	126	114	119	121	121	122	122	123
United	130	120	102	139	140	141	141	142	142	143	143
Other signatory	147	134	115	137	152	152	153	154	155	155	156
Passenger - signatory	122	110	95	128	127	130	131	132	133	133	134
Passenger - nonsignatory	169	164	92	152	186	192	193	194	195	195	197
Total	**123**	**111**	**95**	**128**	**128**	**131**	**132**	**133**	**134**	**134**	**135**
Seats per Departure											
Alaska	123	123	114	117	126	126	127	127	128	128	129
American	157	167	179	187	191	191	192	193	193	194	195
Delta	149	158	181	185	172	172	173	174	174	175	176
Southwest	155	162	161	160	160	160	161	161	162	163	163
United	150	155	144	160	163	163	164	165	165	166	166
Other signatory	173	171	178	173	181	180	181	181	182	183	183
Passenger - signatory	150	155	153	156	159	160	161	161	162	162	163
Passenger - nonsignatory	212	232	173	201	223	227	228	229	230	231	231
Total	**151**	**156**	**153**	**157**	**160**	**161**	**162**	**162**	**163**	**163**	**164**
Boarding Load Factors											
Alaska	79.6%	73.2%	55.6%	80.9%	84.3%	84.8%	85.3%	85.4%	85.4%	85.5%	85.7%
American	85.7%	77.1%	75.3%	87.2%	85.4%	85.4%	85.9%	85.9%	85.9%	85.9%	85.9%
Delta	87.1%	78.5%	53.8%	85.6%	86.1%	86.1%	86.1%	86.1%	86.1%	86.1%	86.1%
Southwest	76.8%	64.0%	60.6%	78.6%	71.6%	74.5%	75.0%	75.1%	75.2%	75.2%	75.4%
United	86.8%	77.1%	71.0%	87.5%	86.2%	86.2%	86.2%	86.2%	86.2%	86.2%	86.2%
Other signatory	85.3%	78.1%	64.4%	79.0%	84.0%	84.4%	84.8%	84.8%	84.9%	84.9%	85.1%
Passenger - signatory	81.5%	71.2%	62.1%	82.0%	79.7%	81.5%	81.8%	81.9%	81.9%	82.0%	82.1%
Passenger - nonsignatory	79.5%	70.8%	53.4%	75.3%	83.3%	84.2%	84.6%	84.7%	84.7%	84.7%	84.9%
Total	**81.4%**	**71.2%**	**62.0%**	**81.9%**	**79.8%**	**81.5%**	**81.9%**	**81.9%**	**82.0%**	**82.0%**	**82.2%**

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 25 | Forecast Landed Weight and Average Weight per Landing - Scenario 2 (Low)

	Actual					Forecast						CAGR
Fiscal Year Ending in June	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2023-2029**
Landed Weight (1,000,000 lbs.)												
Alaska	1,995	1,672	1,343	1,981	2,092	2,039	2,106	2,183	2,253	2,326	2,386	2.2%
American	1,566	1,299	918	1,239	1,318	1,383	1,428	1,481	1,530	1,580	1,626	3.6%
Delta	1,617	1,374	1,049	1,528	1,569	1,641	1,705	1,768	1,827	1,887	1,941	3.6%
Southwest	5,180	4,422	2,277	3,688	5,001	4,328	4,465	4,627	4,777	4,931	5,056	0.2%
United	1,702	1,285	771	1,321	1,514	1,724	1,791	1,858	1,919	1,982	2,039	5.1%
Other signatory	1,375	1,057	653	1,108	1,358	1,384	1,432	1,485	1,533	1,583	1,626	3.0%
Passenger - signatory	13,435	11,110	7,010	10,866	12,851	12,499	12,928	13,402	13,840	14,289	14,674	2.2%
Passenger - nonsignatory	447	307	70	231	416	383	396	410	424	437	449	1.3%
Subtotal - passenger	**13,882**	**11,417**	**7,080**	**11,097**	**13,268**	**12,882**	**13,324**	**13,813**	**14,263**	**14,726**	**15,123**	**2.2%**
All-cargo - signatory	593	587	613	621	560	594	577	586	582	584	583	0.7%
All-cargo - nonsignatory	7	49	87	45	41	43	42	42	42	42	42	0.5%
Subtotal - all-cargo	**600**	**636**	**700**	**667**	**601**	**637**	**619**	**628**	**624**	**626**	**625**	**0.6%**
Total	**14,481**	**12,053**	**7,780**	**11,764**	**13,869**	**13,520**	**13,943**	**14,441**	**14,887**	**15,353**	**15,748**	**2.1%**
Avg. Landed Weight (1,000 lbs.)												
Alaska	115	114	105	108	114	115	115	116	116	116	117	
American	144	148	161	163	167	168	169	169	170	170	171	
Delta	140	146	180	195	160	160	161	162	162	163	163	
Southwest	132	132	136	137	136	137	138	138	139	139	140	
United	139	139	131	141	145	146	147	147	148	148	149	
Other signatory	172	165	168	173	164	165	166	166	167	167	168	
Passenger - signatory	135	135	138	142	141	142	143	143	144	144	145	
Passenger - nonsignatory	298	289	140	225	267	278	278	279	280	281	282	
Subtotal - passenger	**138**	**137**	**138**	**143**	**143**	**144**	**145**	**145**	**146**	**146**	**147**	
All-cargo - signatory	213	213	203	213	220	218	219	218	219	218	218	
All-cargo - nonsignatory	12	73	154	79	72	75	73	74	74	74	74	
Subtotal - all-cargo	**180**	**185**	**195**	**191**	**193**	**193**	**193**	**193**	**193**	**193**	**193**	
Total	**139**	**139**	**142**	**145**	**144**	**146**	**146**	**147**	**147**	**148**	**148**	

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 26 | Forecast Enplanements - Scenario 3 (High)

	Actual					Forecast						CAGR
Fiscal Year Ending in June	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2023-2029**
Enplanements (1,000s)												
Alaska	1,702	1,325	807	1,741	1,941	2,102	2,174	2,246	2,312	2,384	2,453	4.0%
American	1,468	1,128	768	1,238	1,282	1,483	1,534	1,584	1,631	1,681	1,730	5.1%
Delta	1,505	1,168	568	1,238	1,452	1,677	1,734	1,792	1,844	1,902	1,957	5.1%
Southwest	4,656	3,475	1,628	3,394	4,190	4,203	4,346	4,489	4,621	4,765	4,903	2.7%
United	1,593	1,106	600	1,307	1,459	1,833	1,895	1,958	2,015	2,078	2,138	6.6%
Other signatory	1,179	859	445	880	1,253	1,411	1,459	1,507	1,552	1,600	1,646	4.7%
Passenger - signatory	12,103	9,061	4,815	9,797	11,577	12,710	13,142	13,576	13,975	14,410	14,827	4.2%
Passenger - nonsignatory	254	174	46	156	290	290	300	310	319	329	339	2.6%
Total	**12,356**	**9,235**	**4,861**	**9,953**	**11,868**	**13,000**	**13,443**	**13,886**	**14,294**	**14,739**	**15,166**	**4.2%**
Annual percentage change		-25.3%	-47.4%	104.8%	19.2%	9.5%	3.4%	3.3%	2.9%	3.1%	2.9%	
Enplanement Shares												
Alaska	13.8%	14.3%	16.6%	17.5%	16.4%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	
American	11.9%	12.2%	15.8%	12.4%	10.8%	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%	
Delta	12.2%	12.7%	11.7%	12.4%	12.2%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	
Southwest	37.7%	37.6%	33.5%	34.1%	35.3%	32.3%	32.3%	32.3%	32.3%	32.3%	32.3%	
United	12.9%	12.0%	12.3%	13.1%	12.3%	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%	
Other signatory	9.5%	9.3%	9.2%	8.8%	10.6%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	
Passenger - signatory	97.9%	98.1%	99.1%	98.4%	97.6%	97.8%	97.8%	97.8%	97.8%	97.8%	97.8%	
Passenger - nonsignatory	2.1%	1.9%	0.9%	1.6%	2.4%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 27 | Forecast Seats and Aircraft Departures – Scenario 3 (High)

	Actual					Forecast						CAGR
Fiscal Year Ending in June	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2023-2029**
Seats (1,000s)												
Alaska	2,139	1,811	1,451	2,151	2,303	2,479	2,549	2,631	2,706	2,789	2,861	3.7%
American	1,712	1,463	1,020	1,420	1,501	1,736	1,785	1,844	1,898	1,957	2,014	5.0%
Delta	1,727	1,489	1,056	1,445	1,687	1,948	2,014	2,081	2,142	2,209	2,273	5.1%
Southwest	6,060	5,428	2,686	4,319	5,851	5,640	5,793	5,979	6,149	6,337	6,499	1.8%
United	1,836	1,434	845	1,495	1,693	2,127	2,200	2,272	2,339	2,412	2,482	6.6%
Other signatory	1,382	1,100	691	1,113	1,491	1,671	1,721	1,777	1,828	1,885	1,935	4.4%
Passenger - signatory	14,856	12,726	7,749	11,943	14,526	15,602	16,062	16,584	17,063	17,589	18,065	3.7%
Passenger - nonsignatory	319	246	86	207	349	345	355	366	377	388	399	2.3%
Total	**15,175**	**12,972**	**7,835**	**12,150**	**14,875**	**15,947**	**16,416**	**16,950**	**17,439**	**17,977**	**18,464**	**3.7%**
Annual percentage change		-14.5%	-39.6%	55.1%	22.4%	7.2%	2.9%	3.3%	2.9%	3.1%	2.7%	
Aircraft Departures (Landings)												
Alaska	17,381	14,719	12,731	18,321	18,316	19,638	20,114	20,687	21,200	21,769	22,253	3.3%
American	10,912	8,756	5,689	7,594	7,879	9,077	9,297	9,569	9,814	10,082	10,336	4.6%
Delta	11,566	9,411	5,835	7,819	9,819	11,295	11,637	11,978	12,284	12,620	12,938	4.7%
Southwest	39,175	33,477	16,695	26,993	36,644	35,186	36,010	37,031	37,947	38,962	39,813	1.4%
United	12,272	9,239	5,879	9,371	10,407	13,027	13,422	13,814	14,167	14,555	14,921	6.2%
Other signatory	8,010	6,425	3,882	6,422	8,258	9,279	9,520	9,794	10,039	10,310	10,548	4.2%
Passenger - signatory	99,316	82,027	50,711	76,520	91,323	97,502	100,001	102,872	105,451	108,298	110,809	3.3%
Passenger - nonsignatory	1,502	1,062	497	1,029	1,562	1,513	1,552	1,597	1,637	1,681	1,721	1.6%
Subtotal - passenger carriers	**100,818**	**83,089**	**51,208**	**77,549**	**92,885**	**99,015**	**101,553**	**104,469**	**107,088**	**109,980**	**112,529**	**3.2%**
All-cargo - signatory	2,783	2,755	3,017	2,913	2,547	2,730	2,639	2,684	2,661	2,673	2,667	0.8%
All-cargo - nonsignatory	539	676	563	574	570	572	571	572	571	571	571	0.0%
Subtotal - all-cargo carriers	**3,322**	**3,431**	**3,580**	**3,487**	**3,117**	**3,302**	**3,210**	**3,256**	**3,233**	**3,244**	**3,238**	**0.6%**
Total	**104,140**	**86,520**	**54,788**	**81,036**	**96,002**	**102,317**	**104,763**	**107,725**	**110,321**	**113,224**	**115,768**	**3.2%**

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 28 | Forecast Enplanement per Departure, Seats per Departure, and Boarding Load Factors - Scenario 3 (High)

	Actual					Forecast					
Fiscal Year Ending in June	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Enplanements per Departure											
Alaska	98	90	63	95	106	107	108	109	109	110	110
American	135	129	135	163	163	163	165	166	166	167	167
Delta	130	124	97	158	148	148	149	150	150	151	151
Southwest	119	104	97	126	114	119	121	121	122	122	123
United	130	120	102	139	140	141	141	142	142	143	143
Other signatory	147	134	115	137	152	152	153	154	155	155	156
Passenger - signatory	122	110	95	128	127	130	131	132	133	133	134
Passenger - nonsignatory	169	164	92	152	186	192	193	194	195	196	197
Total	**123**	**111**	**95**	**128**	**128**	**131**	**132**	**133**	**133**	**134**	**135**
Seats per Departure											
Alaska	123	123	114	117	126	126	127	127	128	128	129
American	157	167	179	187	191	191	192	193	193	194	195
Delta	149	158	181	185	172	172	173	174	174	175	176
Southwest	155	162	161	160	160	160	161	161	162	163	163
United	150	155	144	160	163	163	164	165	165	166	166
Other signatory	173	171	178	173	181	180	181	181	182	183	183
Passenger - signatory	150	155	153	156	159	160	161	161	162	162	163
Passenger - nonsignatory	212	232	173	201	223	228	229	229	230	231	232
Total	**151**	**156**	**153**	**157**	**160**	**161**	**162**	**162**	**163**	**163**	**164**
Boarding Load Factors											
Alaska	79.6%	73.2%	55.6%	80.9%	84.3%	84.8%	85.3%	85.4%	85.4%	85.5%	85.7%
American	85.7%	77.1%	75.3%	87.2%	85.4%	85.4%	85.9%	85.9%	85.9%	85.9%	85.9%
Delta	87.1%	78.5%	53.8%	85.6%	86.1%	86.1%	86.1%	86.1%	86.1%	86.1%	86.1%
Southwest	76.8%	64.0%	60.6%	78.6%	71.6%	74.5%	75.0%	75.1%	75.2%	75.2%	75.4%
United	86.8%	77.1%	71.0%	87.5%	86.2%	86.2%	86.2%	86.2%	86.2%	86.2%	86.2%
Other signatory	85.3%	78.1%	64.4%	79.0%	84.0%	84.4%	84.8%	84.8%	84.9%	84.9%	85.1%
Passenger - signatory	81.5%	71.2%	62.1%	82.0%	79.7%	81.5%	81.8%	81.9%	81.9%	81.9%	82.1%
Passenger - nonsignatory	79.5%	70.8%	53.4%	75.3%	83.3%	84.2%	84.6%	84.7%	84.7%	84.7%	84.9%
Total	**81.4%**	**71.2%**	**62.0%**	**81.9%**	**79.8%**	**81.5%**	**81.9%**	**81.9%**	**82.0%**	**82.0%**	**82.1%**

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

Table 29 | Forecast Landed Weight and Average Weight per Landing - Scenario 3 (High)

	Actual					Forecast						CAGR
Fiscal Year Ending in June	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2023-2029**
Landed Weight (1,000,000 lbs.)												
Alaska	1,995	1,672	1,343	1,981	2,092	2,252	2,315	2,390	2,458	2,533	2,599	3.7%
American	1,566	1,299	918	1,239	1,318	1,524	1,567	1,618	1,666	1,718	1,768	5.0%
Delta	1,617	1,374	1,049	1,528	1,569	1,811	1,873	1,935	1,992	2,054	2,113	5.1%
Southwest	5,180	4,422	2,277	3,688	5,001	4,821	4,951	5,111	5,256	5,417	5,556	1.8%
United	1,702	1,285	771	1,321	1,514	1,902	1,967	2,032	2,092	2,157	2,219	6.6%
Other signatory	1,375	1,057	653	1,108	1,358	1,530	1,576	1,627	1,674	1,726	1,773	4.5%
Passenger - signatory	13,435	11,110	7,010	10,866	12,851	13,840	14,249	14,712	15,137	15,604	16,027	3.7%
Passenger - nonsignatory	447	307	70	231	416	421	433	447	460	474	487	2.6%
Subtotal - passenger	**13,882**	**11,417**	**7,080**	**11,097**	**13,268**	**14,261**	**14,682**	**15,160**	**15,598**	**16,078**	**16,514**	**3.7%**
All-cargo - signatory	593	587	613	621	560	594	577	586	582	584	583	0.7%
All-cargo - nonsignatory	7	49	87	45	41	43	42	42	42	42	42	0.5%
Subtotal - all-cargo	**600**	**636**	**700**	**667**	**601**	**637**	**619**	**628**	**624**	**626**	**625**	**0.6%**
Total	**14,481**	**12,053**	**7,780**	**11,764**	**13,869**	**14,899**	**15,302**	**15,788**	**16,221**	**16,704**	**17,139**	**3.6%**
Avg. Landed Weight (1,000 lbs.)												
Alaska	115	114	105	108	114	115	115	116	116	116	117	
American	144	148	161	163	167	168	169	169	170	170	171	
Delta	140	146	180	195	160	160	161	162	162	163	163	
Southwest	132	132	136	137	136	137	138	138	139	139	140	
United	139	139	131	141	145	146	147	147	148	148	149	
Other signatory	172	165	168	173	164	165	166	166	167	167	168	
Passenger - signatory	135	135	138	142	141	142	142	143	144	144	145	
Passenger - nonsignatory	298	289	140	225	267	278	279	280	281	282	283	
Subtotal - passenger	**138**	**137**	**138**	**143**	**143**	**144**	**145**	**145**	**146**	**146**	**147**	
All-cargo - signatory	213	213	203	213	220	218	219	218	219	218	218	
All-cargo - nonsignatory	12	73	154	79	72	75	73	74	74	74	74	
Subtotal - all-cargo	**180**	**185**	**195**	**191**	**193**	**193**	**193**	**193**	**193**	**193**	**193**	
Total	**139**	**139**	**142**	**145**	**144**	**146**	**146**	**147**	**147**	**148**	**148**	

Source: Airport records, OAG airline seats, and forecasts by Unison Consulting, Inc.

3.11 | Sources of Forecast Risk and Uncertainty

The forecasts use available information during the study, measurable factors that drive air traffic, and assumptions about their future trends. Actual results could differ materially from the forecasts if any assumptions do not hold or unexpected events cause traffic to decrease or increase significantly. The Airport operates in a dynamic business environment where various 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.

3.11.1 | Disease Outbreaks

Passenger air travel demand is sensitive to disease outbreaks. Disease outbreaks pose an unpredictable danger in various ways, such as customer confidence, health and safety, international travel policies, and the well-being and availability of sufficient staffing and labor.

In 2020, the COVID-19 pandemic became a significant threat to the entire aviation industry and could remain a danger for some time. Widespread vaccination helped contain the spread of the disease, restoring people's confidence in the public health and safety of air travel, and increasing people's comfort level with crowded spaces. Current infection levels sit among its lowest numbers throughout its pandemic history, and the WHO ended COVID-19's global emergency status as of May 5, 2023. Soon after, on May 11, 2023, the United States declared an end to its federal public health emergency. That said, continuous awareness and proper health safety practices remain essential to minimize serious illness, hospitalizations, and fatalities while maintaining public confidence.

3.11.2 | Economic Conditions

The aviation industry is pro-cyclical: traffic grows during economic expansion as consumer and business incomes rise, increasing overall demand, including for air travel. Conversely, traffic declines during an economic recession as consumer and business incomes fall, causing demand to fall.

Various factors can cause an economic recession. In 2020, the pandemic and the extreme mitigation measures triggered a global economic downturn. The U.S. economy recovered to its pre-pandemic output level in the second quarter of 2021 and has continued to grow, though at a slower pace. While the pandemic has eased, the U.S. economy faces other economic risks. Inflationary pressures and supply constraints remain the most pressing concerns in the short term. Other economic risks stem from international trade tensions, continuing geopolitical tensions, weakness in portions of the global economy, financial market volatility, and the high level of U.S. government and private debt.

The growth of the U.S. economy faces several headwinds resulting from unfavorable, long-term demographic shifts, including population aging and declining population growth. An aging population will raise government expenditures on social programs and exert upward budgetary pressure on the U.S. government. This pressure will add to high U.S. government debt levels, which increased during the pandemic with federal programs aimed at alleviating the impacts of the pandemic on individuals and businesses. In addition, a dwindling population base could gradually reduce the overall demand for consumer goods, including the demand for air travel.

3.11.3 | U.S. Airline Industry Volatility

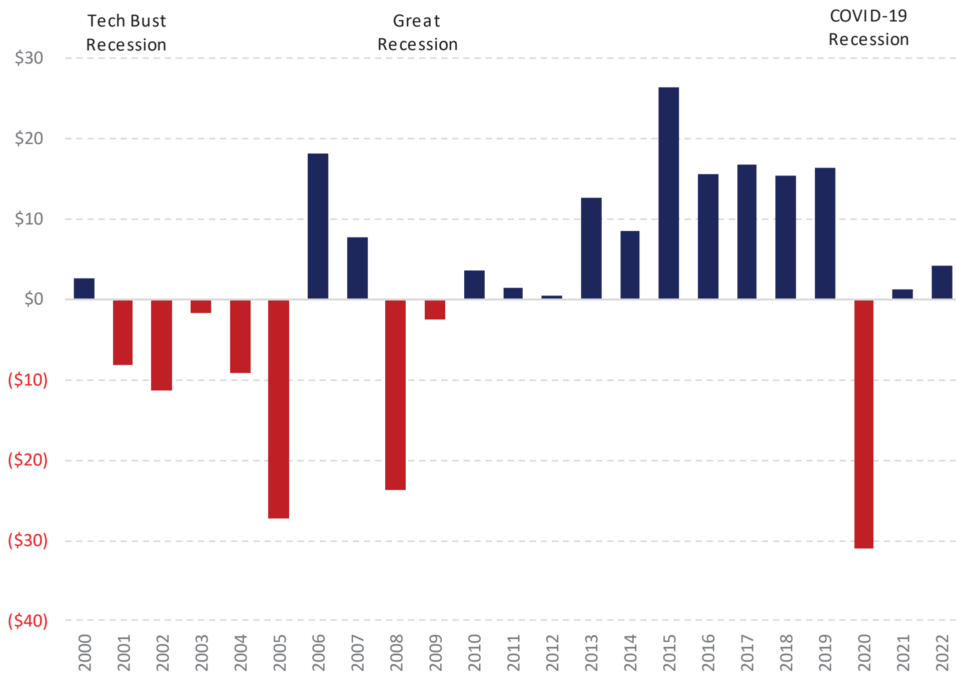
The U.S. airline industry is highly volatile. It is vulnerable to many exogenous factors, such as economic downturns, sharp increases in oil prices, adverse weather, disease outbreaks, travel restrictions, terrorism threats, and geopolitical tensions. Volatility shows in the U.S. airline industry's financial results.

Over the two decades before the pandemic, the U.S. scheduled passenger airline industry incurred annual net losses in 7 years, netting a profit of $61.2 billion over the 20 years from 2000 through 2019. Figure 68 illustrates the net income of U.S. scheduled airlines. After persistent losses during most of the 2000s, the U.S. scheduled passenger airline industry realized net profits almost yearly during the 2010s. The industry thrived amid the long economic expansion during the 2010s and the sharp decrease in fuel prices. The industry also reaped benefits from several business improvements made during the 2008-2009 Great Recession, including cost-cutting and productivity-enhancement measures. The improved financial performance enabled U.S. airlines to renew their fleets, increase scheduled flights and seats, and reduce capacity constraints.

In 2020, the U.S. scheduled passenger airline industry outlook took a dramatic downturn with the spread of COVID-19. Figure 69 shows the net income quarterly during the pandemic-induced economic downturn. As air travel slowed dramatically in the first half of 2020, U.S. scheduled passenger airlines incurred an annual net loss of more than $35 billion, the largest annual loss since 1977. However, in 2021, as air travel resumed, the industry began to recover some losses incurred in the previous year with a $1.2 billion profit. The industry endured additional smaller losses in the last quarter of 2021 and first quarter of 2022, which lined up with the pandemic's peak levels of infection due to the Omicron variant. Afterward, however, net income returned to positive numbers through the rest of the year.

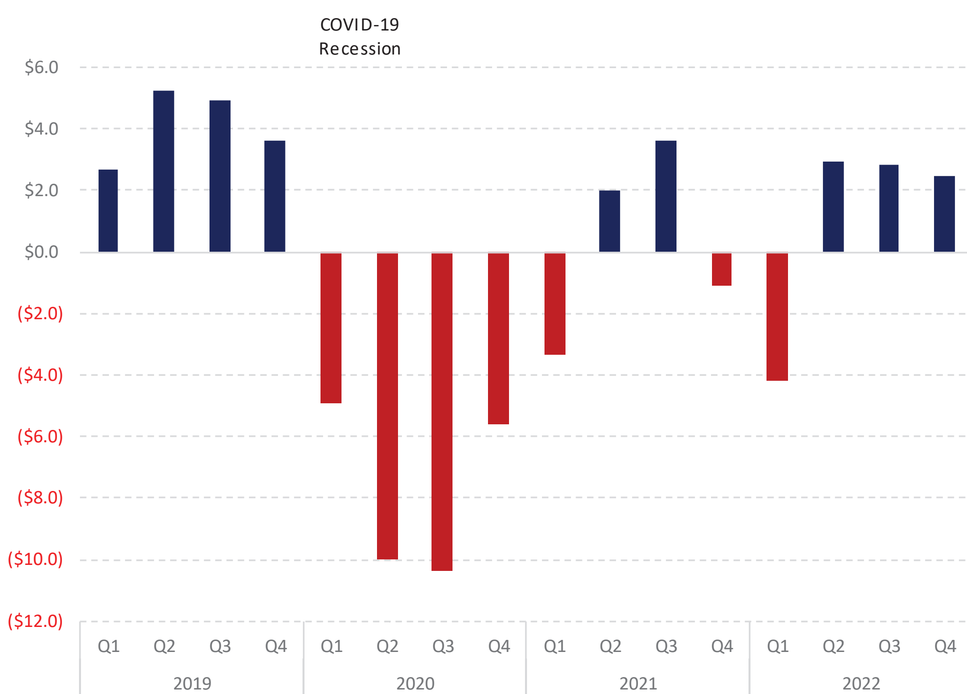
To alleviate the negative financial impact of the pandemic on U.S. airlines' finances, the U.S. federal government provided financial relief to the U.S. airlines in three federal aid packages: the Coronavirus Aid, Relief, and Economic Security Act (CARES Act); the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA); and the American Rescue Plan Act of 2021 (ARPA).

Figure 68 | Annual Net Income ($ Billions), U.S. Scheduled Airlines, 2000-2022



Sources: U.S. Bureau of Transportation Statistics (Form 41 Schedule P-1.2) and Unison Consulting, Inc.
Gray areas indicate economic recessions.

Figure 69 | Quarterly Net Income ($ Billions), U.S. Scheduled Airlines, Q1 2019-Q4 2022



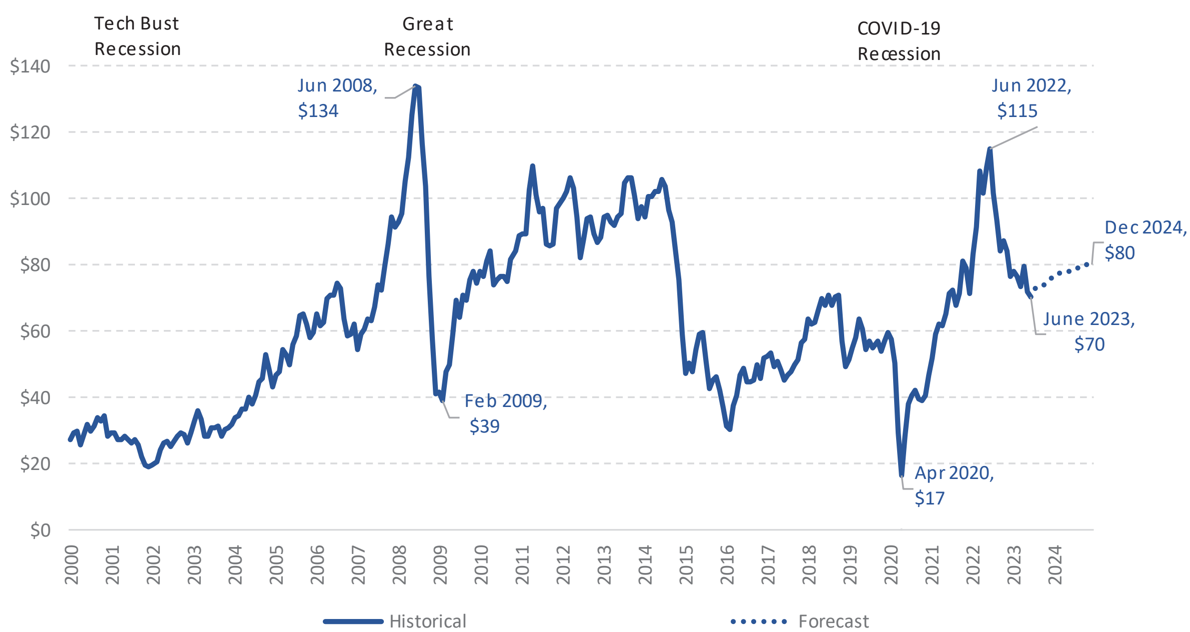
Sources: U.S. Bureau of Transportation Statistics (Form 41 Schedule P-1.2) and Unison Consulting, Inc.
Gray areas indicate economic recessions.

3.11.4 | Volatility Of Oil Prices and Implications for Aviation Fuel Cost

Volatility in oil prices directly affects aviation fuel costs, a significant component of airlines' operating costs (the correlation between prices is 0.95).[34] Increases in the price of oil, therefore, translate directly into higher airline fuel costs. Crude oil prices are presented in Figure 70, and the price of aviation fuel in Figure 71. In the 2000s, record oil price increases raised fuel costs, pressured airlines' finances, and contributed to extensive net losses industry-wide. However, oil prices fell steeply by 2015, contributing to sustained profitability in the U.S. airline industry in the 2010s.

In 2020, the global economic recession and the oil supply glut kept oil prices low. As a result, airlines enjoyed low fuel prices, providing some cost relief during the pandemic. In 2021, the global economic recovery began to push oil prices up. Oil prices rose to $115 per barrel in June 2022, exacerbated by the Russia-Ukraine conflict. That peak had since fallen, and as June 2023 prices had come down to $70 per barrel—however, they are currently forecast to increase back up to $80 per barrel through 2024. Nevertheless, oil prices will continue to respond to changing global economic conditions, geopolitical factors, and the unpredictability of actions taken by the Organization of the Petroleum Exporting Countries (OPEC).

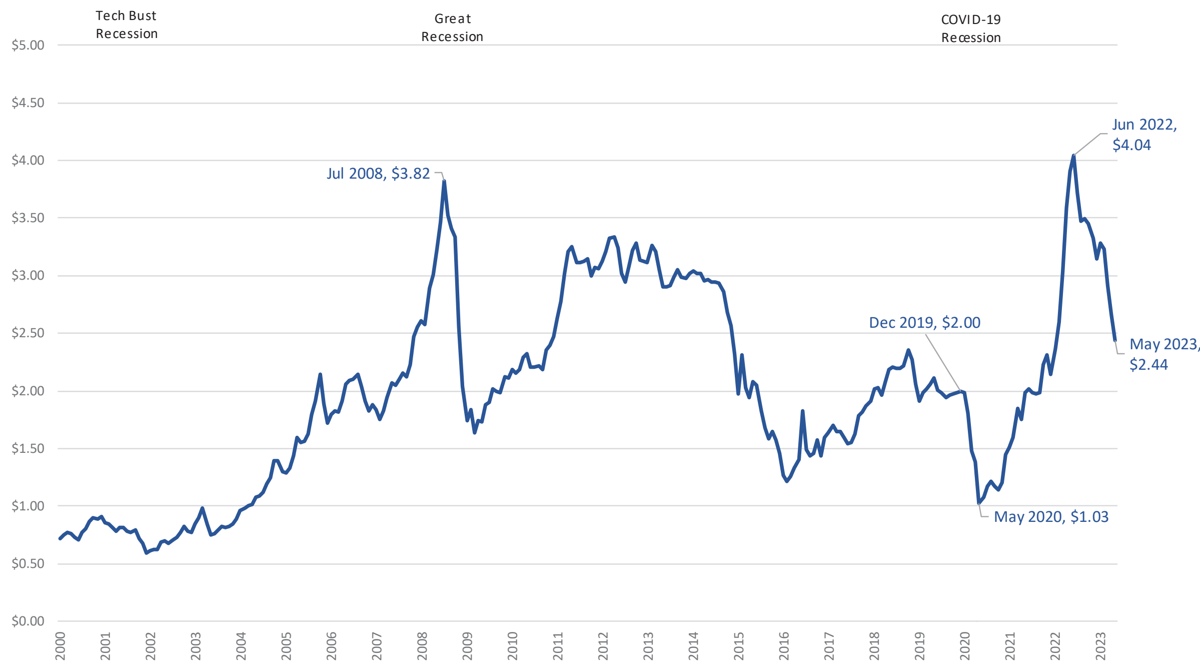
Figure 70 | Crude Oil Price, West Texas Intermediate, $/Barrel, January 2000-June 2023 (Forecast to December 2024)



Sources: U.S. Energy Administration and Unison Consulting, Inc.
Gray areas indicate economic recessions.

[34] Based on data from the U.S. Energy Administration and U.S. Bureau of Transportation Statistics and calculations by Unison Consulting, Inc.

Figure 71 | Aviation Fuel, Price per Gallon, Monthly, January 2000-May 2023



Sources: U.S. Bureau of Transportation Statistics; Unison Consulting, Inc.
Gray areas indicate economic recessions.

3.11.5 | Airline Market Concentration

Airline market concentration is a source of risk because it could lead to the abuse of market power or excessive price increases. Though Southwest Airlines is the largest carrier at SAN by a substantial margin, monopoly market power is currently not quite of a concern at the Airport with Southwest's market share staying below 40 percent. Additionally, Southwest's share saw a decrease in favor of Alaska Airlines' recent growth.

3.11.6 | Airline Economics, Competition, and Airfares

Airfares influence passenger demand, particularly for relatively short trips where the automobile (or occasional bus or train) is a viable alternative and for price-sensitive "discretionary" vacation travel. Airfares are affected by airline operating costs and debt burden, passenger demand, capacity and yield management, market presence, and competition.

The aviation activity forecasts for the Airport assume that, over the long term, annual increases in airfares do not exceed inflation. If they do, the increases in airfares will dampen forecast traffic growth.

3.11.7 | Airline Mergers

Over the long run, the airline industry has been consolidating in response to competition, cost, and regulatory pressure. Airline mergers affect service and traffic at airports when they consolidate facilities, optimize route networks, and route connecting traffic through other hubs. The impact on affected airports usually happens within a few years—sometimes immediately—following a merger. It can be significant or trivial, depending on whether the merging airlines have a large market share at an airport and whether they carry significant connecting traffic.

There is a potential merger on the horizon with JetBlue seeking to purchase Spirit for $3.8 billion, even terminating its alliance with American to protect the deal. If completed, JetBlue's merger deal with Spirit would be the biggest in the U.S. airline industry since American merged with U.S. Airways in 2013.[35] However, JetBlue and Spirit each have a very small presence at SAN, with only 2.4 and 2.6 percent of the Airport's FY2023 enplanements, respectively, and neither carries connecting traffic through SAN. Even combined, JetBlue and Spirit's total market share would not breach SAN's top five service providers.

3.11.8 | Structural Changes in Demand and Supply

Historically, major crises have prompted lasting structural changes on the aviation industry's demand and supply sides. For example, the 2001 terrorist attacks prompted more stringent airport security measures requiring passengers to arrive much earlier for departing flights, reducing the time advantage of air travel over ground transportation for short-haul flights. Likewise, the COVID-19 pandemic spurred changes in passenger travel and airline service, which could become permanent.

On the demand side, the pandemic has prompted changes in consumer behavior, social interactions, and business methods that would permanently alter travel propensities and preferences. Public health and safety concerns may influence customers to consider ground transportation for longer distances previously traveled by air. For vacation travel, consumers adapted to the pandemic environment by favoring less crowded and outdoor-oriented destinations. The accelerated adoption of technology for virtual meetings and conferences could result in a permanent downshift in business travel demand.

On the supply side, U.S. airlines have taken steps to become smaller—accelerating the retirement of old aircraft, deferring new aircraft orders, and cutting workforces during the worst period of the pandemic. However, the streamlined fleet and workforce have constrained U.S. airlines in restoring adequate capacity to accommodate the strong rebound in air travel demand. Moreover, U.S. airlines could take years to resolve these capacity constraints amid supply chain problems in aircraft manufacturing, a pilot shortage, and tight labor supply.

One favorable trend is the accelerated adoption of no-touch technologies by airlines, airports, and the TSA. These new technologies help allay public health and safety concerns and speed up

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[35] Reuters, "JetBlue says it will end alliance with American to save Spirit merger deal," *CNN Business*, July 5, 2023, https://www.cnn.com/2023/07/05/business/jetblue-alliance-american-airlines-spirit/index.html

passenger processing. By saving passengers time and reducing uncertainty, these technologies could help restore the competitiveness of air travel against ground transportation and stimulate traffic recovery and growth.

3.11.9 | Labor Supply Constraints

The COVID-19 pandemic and resulting recession led to employee layoffs across many airlines, and companies went into 2021 with a significantly smaller workforce than they had before the pandemic. In addition, the demand for leisure travel accelerated in the first half of 2021, requiring airlines to adjust their workforce to meet demand. However, inadequate staffing could limit airline capacity and slow air traffic growth. Competition between companies to attract and retain skilled personnel has intensified and threatens to impact industry growth.

Several factors contribute to the pilot shortage. First, approximately 5,000 experienced pilots accepted early retirement in response to airlines' efforts to cut staff during the pandemic. Second, many pilots historically gained their training via military service. However, the use of drones and reductions in military staff has limited that pathway. Third, the aviation industry is heavily gender-biased (women comprise only about 5 percent of the global pilot workforce). This failure to diversify severely reduces the size of the pilot labor force. Fourth, the working conditions and initial pay for new pilots are discouraging. The substantial investments in time, money, and experience required to become a pilot can be a disincentive to joining the industry.

3.11.10 | Geopolitical Conflicts and the Threat of Terrorism

Geopolitical conflicts and acts of terrorism disrupt air transportation. The terrorist attacks of September 11, 2001, serve as a constant reminder of the serious threat to the aviation industry. Travel threats and warnings elevate airport security measures, resulting in more meticulous passenger screening, longer waits at security screening lines, and increased passenger anxiety—all discouraging air travel.

The Russian invasion of Ukraine is the latest example of a geopolitical conflict affecting air transportation. The United States, Canada, and the European Union have closed their airspace to Russian aircraft. In retaliation, Russia has limited its airspace to the airlines of many countries. These constraints have significantly impacted flight routes and flight times for global travel.

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"). 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 2023, the Signatory Airlines enplaned approximately 99.0% of the passengers at the Airport. 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 following two passenger airlines currently operate at SAN pursuant to the Non-Signatory Airline Operating Agreement (the Non-Signatory Airlines): Allegiant and Lufthansa. In addition, Ameriflight is an all-cargo airline that operates pursuant to the Non-Signatory Airline Operating Agreement[36].

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 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 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

[36] 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.

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[37]. These key provisions are described in the paragraphs below.

4.3.1 | 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, 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. In FY2021 and FY2022, the MMF deposit was $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.

4.3.2 | Coverage Charges

Coverage Charges are included in the calculation of airline rates and charges, if 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 (as defined below); 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. If the calculation of coverage charges results in a negative amount, no coverage charges shall be imposed.

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.

[37] All capitalized terms used in this section refer to defined terms in the AOLA.

4.3.3 | 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.

4.3.4 | 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 allocated $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, Series 2023AB Bonds and the future New T1-related bond issues. The Airport Authority will continue to collect PFCs each year during the forecast period. Currently, the Airport Authority plans to allocate approximately $310.0 million to debt service from FY2026 through FY2029.

4.4 | Rentals, Fees, and Charges

The Signatory Airlines pay 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 adjust the rentals, fees, and charges after consulting with the Signatory Airlines. 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 Rental 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 position; 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[38], 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.

4.4.4 | 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[39]. 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[40], minus rental payments received for Unenclosed Operations Premises[41]. 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

[38] 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.

[39] 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.

[40] 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.

[41] 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.

enplanements at the Airport. The second calculation takes 90 percent (90%) of the Joint Use Requirement, minus any Non-Signatory Airline Joint Use Charges, divided by the total Signatory enplanements.

4.4.5 | 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)[42] 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 Senior Series 2023 Bonds are being issued as Senior Bonds under and subject to the terms of 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 successor trustee (the Senior Trustee), and the Fifth Supplemental Trust Indenture, to be dated as of October 1, 2023 (the Fifth Supplemental Senior Indenture, and collectively with the Master Senior Indenture and all prior supplements, the "Senior Indenture"), by and between the Airport Authority and the Senior Trustee. Except as noted otherwise, all capitalized terms in this section have the meanings set forth in the Master Senior Indenture and the Master Subordinate Indenture (defined below).

The Senior Series 2023 Bonds are secured by a pledge of and first lien on the Airport Authority's Net Revenues on a parity with any additional bonds or obligations issued or incurred on a parity with the Senior Series 2023 Bonds under the terms and provisions of the Senior Indenture. The Senior Series 2023 Bonds are special obligations of the Airport Authority, payable solely from and secured by a pledge of and first lien on Net Revenues and certain funds and accounts held by the Senior Trustee under the Senior Indenture.

Prior to the issuance of the Senior Series 2023 Bonds, the Airport Authority had issued the following outstanding Subordinate Obligations pursuant to the Master Subordinate Trust Indenture, dated as of December 1, 2007, as amended (the Master Subordinate Indenture), by and between the Airport Authority and U.S. Bank Trust Company, National Associate, as successor

[42] Capitalized terms not otherwise defined are used in this section as they are defined in the bond indentures.

trustee (the Subordinate Trustee) and various supplemental subordinate trust indentures, that are secured by a pledge of Subordinate Net Revenues of the Airport Authority[43]:

- In December 2021, the Airport Authority issued $1,941.74 million of its Subordinate Airport Revenue Bonds Series 2021A (Governmental/Non-AMT) and Series 2021B (Private Activity/AMT) and Subordinate Airport Revenue Refunding Bonds Series 2021C Bonds (Federally Taxable) (the Subordinate Series 2021 Bonds).
- In April 2020, the Airport Authority issued $241.64 million of its Subordinate Airport Revenue Refunding Bonds Series 2020A (Governmental/Non-AMT), Series 2020B (Private Acitvity/Non-AMT), and Series 2020C (Private Activity/AMT) (the Subordinate Series 2020 Bonds).
- In December 2019, the Airport Authority issued $463.68 million of its Subordinate Airport Revenue and Revenue Refunding Bonds Series 2019A (Governmental/Non-AMT) and Subordinate Airport Revenue Refunding Bonds Series 2019B (Private Activity/AMT) (the Subordinate Series 2019 Bonds).
- In August 2017, the Airport Authority issued $291.2 million of its Subordinate Airport Revenue Bonds Series 2017A (Non-AMT) and Series 2017B (AMT) (the Subordinate Series 2017 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 (the Subordinate Revolving Obligations) pursuant to the Master Subordinate Indenture and a revolving credit agreement entered into with Bank of America, N.A. As of the date of this Report, $80.1 million of the Subordinate Revolving Obligations were outstanding.

The Subordinate Series 2021 Bonds, the Subordinate Series 2020 Bonds, the Subordinate Series 2019 Bonds, the Subordinate Series 2017 Bonds, and the Subordinate Revolving Obligations 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.

Simultaneously with publication of this Report, the Airport Authority, with the assistance of Jefferies LLC, as dealer manager, will release an "Invitation to Tender Made by San Diego County Regional Airport Authority" dated September 11, 2023, inviting owners of the Subordinate Series 2021C Bonds to tender such bonds for purchase by the Airport Authority. The purchase of tendered bonds will be funded by a portion of the proceeds of the Senior Series 2023 Bonds. The tender is expected to close concurrently with the issuance of the Senior Series 2023 Bonds. The financial

[43] 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.

analysis presented in this Section, including the projected debt service requirements, does not assume any purchase of the Subordinate Series 2021C 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 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.

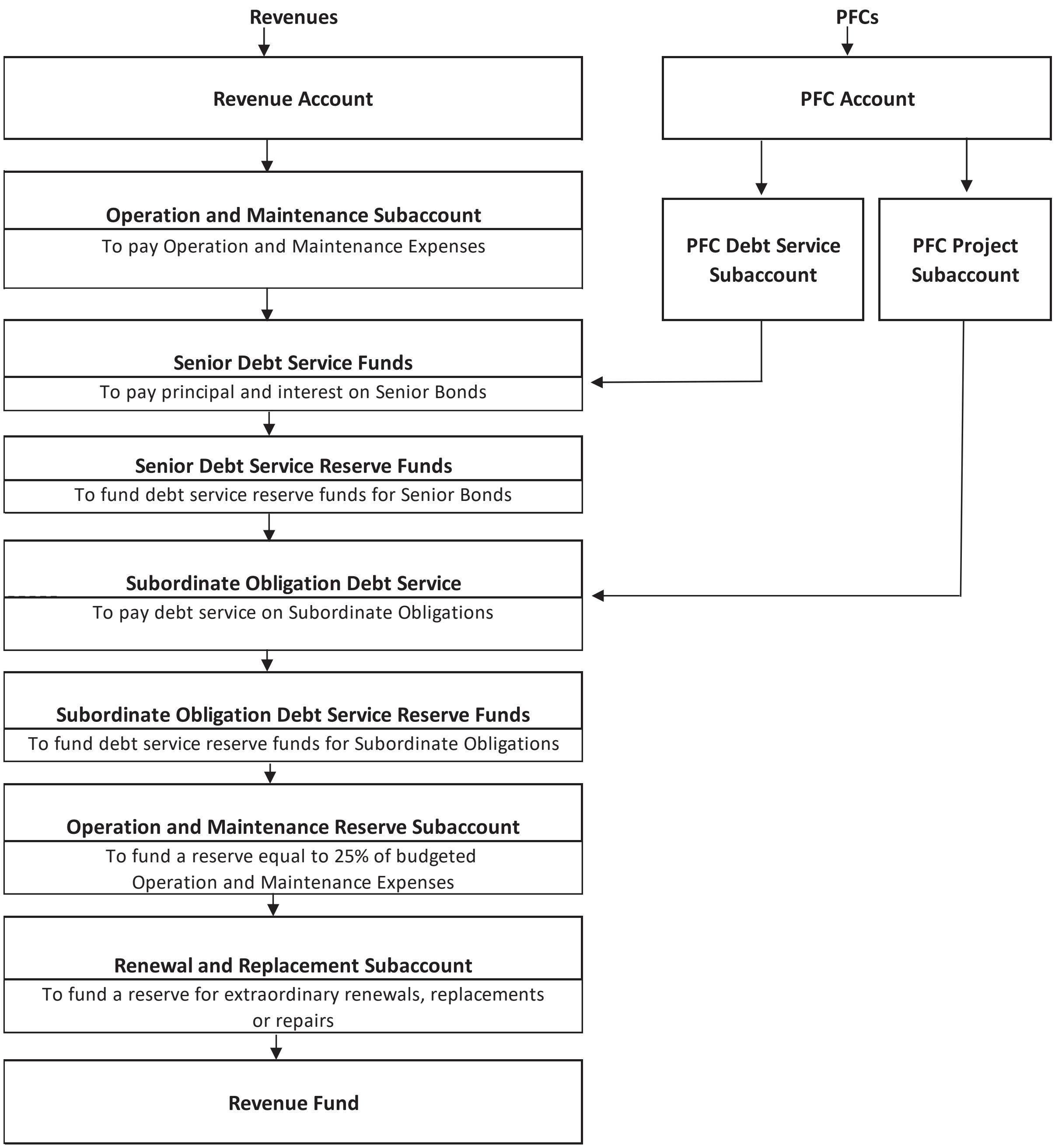
The Airport Authority has also covenanted in the Master Senior Indenture to establish and collect fees and charges in each Fiscal Year, which will generate Net Revenues at least equal to 125 percent of aggregate annual debt service on the Outstanding Senior Bonds. This provision is known as the "Senior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

Figure 72 illustrates the application and priority in the uses of Revenues and PFCs, as specified in the Master Senior Indenture and the Master Subordinate Indenture.

Figure 72 | Flow of Funds



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, 2022 (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 FY2022 audited financial statements show that as of June 30, 2022, the Airport Authority had total assets of approximately $5,377.1 million, total liabilities of $4,464.7 million, and total net assets of approximately $912.4 million.

Table 30 summarizes the Airport Authority's operating results for FY2018 through FY2022 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, 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 audited financial statements and the Net Revenues presented in this Report consist of depreciation and amortization expense[44], interest income (excluding interest earned on unspent PFCs and CFCs)[45], Federal relief funds[46], RCC busing expenses paid with CFCs[47], Governmental Accounting Standards Board (GASB) non-cash funded liability [48], the Joint Studies Program expenses[49], and GASB 87 Lease Adjustment[50].

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[44] 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.

[45] 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.

[46] This amount represents that amount of Federal relief funds related to COVID-19 that were applied to O&M Expenses in FY2020, FY2021 and FY2022.

[47] The definition of O&M Expenses in the Master Senior Indenture excludes expenses paid with CFCs (the definition of Revenues excludes CFC revenue).

[48] 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.

[49] 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.

[50] Effective July 1, 2020, GASB 87 requires the recognition of certain leases to be recorded as liabilities and right-of-use assets. This has resulted in non-cash entries to re-classify operating revenues and expenses to balance sheet assets and liabilities and modifies in the timing and the classification, operating vs non-operating, of the recognition of revenues and expenses.

Table 30 | Historical Financial Results

Category	2018	2019	2020	2021	2022
Audited Statement of Revenues and Expenses					
Operating Revenues	$266,079,130	$293,678,932	$263,035,972	$223,973,900	$319,253,894
Less: Operating Expenses	(274,652,093)	(301,547,639)	(293,837,620)	(277,808,147)	(291,233,232)
Operating Gain (Loss)	**($8,572,963)**	**($7,868,707)**	**($30,801,648)**	**($53,834,247)**	**$28,020,662**
Net Revenues per Master Senior Indenture					
Revenues	$276,983,726	$306,683,097	$280,572,988	$227,747,144	$324,096,640
Federal Relief Funds	0	0	16,080,061	51,218,785	60,790,418
Less: O&M Expenses	(157,246,523)	(165,925,555)	(152,377,707)	(139,258,325)	(156,925,116)
Net Revenue per Master Senior Indenture	**$119,737,203**	**$140,757,542**	**$144,275,342**	**$139,707,604**	**$227,961,942**
Reconciliation					
Operating Gain (Loss) per Financial Statements	($8,572,963)	($7,868,707)	($30,801,648)	($53,834,247)	$28,020,662
Depreciation and Amortization Expense	105,531,703	124,328,880	131,587,039	137,495,515	141,918,773
Interest excluding interest on PFCs and CFCs	11,445,451	13,454,311	17,838,099	12,311,902	13,754,961
Federal Relief Funds	0	0	16,080,061	51,218,785	60,790,418
RCC Expenses	7,909,104	10,407,134	8,497,367	6,793,029	7,617,800
Actuarial Liability Adjustments	3,537,583	435,910	1,074,421	4,120,467	(5,062,107)
GASB87 Lease Adjustment	0	0	0	(18,397,847)	(19,078,565)
Joint Studies Program	(114,387)	0	0	0	0
Rounding	713	14	2	0	0
Net Revenue per Master Senior Indenture	**$119,737,203**	**$140,757,542**	**$144,275,342**	**$139,707,604**	**$227,961,942**

Source: Airport Authority records and the San Diego County Regional Airport Authority's FY2022 Annual Comprehensive Financial Report.

5.3 | 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 31 presents recent audited historical O&M Expenses from FY2018 through FY2022 and unaudited historical O&M Expenses from FY2023. Total O&M Expenses increased from approximately $157.2 million in FY2018 to $165.9 million in FY2019. The increases in FY2019 were due in part 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. These measures included adopting an "essential spend" strategy 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. As activity at the Airport began to return to pre-pandemic levels, total O&M Expenses increased to $156.9 million in FY2022 and $178.3 million in FY2023. 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 FY2024 budget; 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 T1. O&M Expenses are budgeted to increase to $192.9 million in FY2024, based on the Airport Authority's budget. During the forecast period, total O&M Expenses are projected to increase to approximately $268.0 million in FY2029, as shown in Table 32. The projected changes in the various elements of O&M Expenses are explained in the sub-sections below.

Table 31 | Historical O&M Expenses

O&M Expense Categories	For Fiscal Years Ended June 30						Compound Annual Growth
	Actual					Unaudited	
	2018	2019	2020	2021	2022	2023	
Personnel	$44,328,131	$49,142,135	$50,592,427	$48,801,890	$51,435,175	$55,368,044	4.5%
Contractual Services	37,339,120	39,495,672	29,196,265	18,183,567	26,872,879	34,606,820	-1.5%
Safety and Security	30,733,076	31,397,061	29,456,871	35,085,809	34,190,686	34,110,677	2.1%
Utilities	12,509,607	13,194,012	12,747,898	11,729,710	14,193,387	17,803,081	7.3%
Maintenance	12,602,989	13,435,561	11,584,301	9,110,600	10,746,604	15,708,402	4.5%
Space Rent	10,189,836	10,190,910	10,207,066	10,266,658	11,330,487	10,504,633	0.6%
Business Development	3,245,988	2,630,035	2,033,123	208,640	1,781,323	1,898,033	-10.2%
Other Expenses	6,297,776	6,440,170	6,559,756	5,871,451	6,374,575	8,250,642	5.6%
Total O&M Expenses	**$157,246,523**	**$165,925,555**	**$152,377,707**	**$139,258,325**	**$156,925,116**	**$178,250,332**	2.5%

Source: Airport Authority records.

Table 32 | Projected O&M Expenses

O&M Expense Category	Fiscal Years Ending June 30						Compound Annual Growth
	Projected						
	2024	2025	2026	2027	2028	2029	2024-2029
Personnel	$58,214,708	$62,315,307	$65,655,478	$69,038,032	$72,582,513	$76,296,802	5.6%
Contractual Services	40,193,860	42,297,094	44,537,124	45,873,238	47,753,711	67,417,067	10.9%
Safety and Security	37,248,234	39,083,547	41,817,980	43,072,520	45,088,563	46,682,509	4.6%
Utilities	21,565,772	23,912,612	27,128,477	27,942,332	29,917,744	31,194,323	7.7%
Maintenance	12,766,554	13,500,958	15,966,664	16,445,664	17,894,045	18,749,203	8.0%
Space Rent	10,572,940	10,590,740	10,590,740	10,590,740	10,590,740	10,590,740	0.0%
Business Development	3,192,998	3,499,823	3,604,818	3,712,962	3,824,351	3,939,082	4.3%
Other Expenses	9,170,763	9,451,991	11,176,097	11,517,260	12,533,547	13,137,063	7.5%
Total O&M Expenses	$192,925,830	$204,652,073	$220,477,378	$228,192,747	$240,185,214	$268,006,789	6.8%

Source: Airport Authority and Unison Consulting, Inc.

5.3.1 | Personnel

Personnel expenses are the largest category of O&M Expenses. Personnel expenses increased from $44.3 million in FY2018 to $50.6 million in FY2020. This increase was driven by 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. Due to the cost-cutting measures mentioned above, personnel expenses decreased to $48.8 million in FY2021. Personnel expenses increased to $51.4 million and $55.4 million in FY2022 and FY2023, respectively, due to wage increases and the Airport Authority filling some of its vacancies as air traffic began to recover.

Personnel expenses are budgeted to continue to increase to $58.2 million in FY2024 due to budgeted position increases and wage increases. Personnel expenses are projected to increase to $76.3 million in FY2029 due to anticipated annual wage increases and increased benefit costs.

5.3.2 | 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 $37.3 million in FY2018 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, shuttle and parking costs, and various cost-cutting measures implemented by the Airport Authority during the air traffic downturn. Contractual Services increased to $26.9 million in FY2022 due to increased activity in the terminal buildings. Contractual Services increased to $34.6 million in FY2023.

Contractual Services are budgeted to continue to increase to $40.2 million in FY2024, mainly due to the reopening of valet parking, increased inter-terminal shuttle services, increased employee parking shuttle services, and San Diego Flyer shuttle services. Contractual Services are projected to increase to $67.4 million in FY2029 with the majority of the increase expected to occur when the new T1 is completed in FY2029.

5.3.3 | Safety and Security

Charges for police and fire services represent the majority of the expenses under the Safety and Security category (83.3 percent of Safety and Security expenses FY2022). 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 are provided by the City of San Diego. Total Safety and Security expenses fluctuated from a low of $29.5 million in FY2020 to a high of $35.1 million in FY2021. The increases have included increases in Harbor Police hourly rates, retirement benefits, and overhead. Safety and Security expenses remained relatively flat in FY2023.

Safety and Security expenses are estimated to increase to $37.2 million in FY2024. Safety and Security expenses are projected to increase to $46.7 million in FY2029 due to additional staff requirements related to the opening of the New T1 and general wage increases.

5.3.4 | Utilities

Utilities expenses include costs paid for the use electricity, natural gas, water, telephone and internet services. These expenses increased from approximately $12.5 million in FY2018 to $13.2 million in FY2019. Utility expenses decreased to $12.7 million in FY2020 and $11.7 million in FY2021, respectively, due to decreased utility usage during the downturn in air traffic. Utilities expenses increased to $14.2 million in FY2022 due to increased usage from increased activity at the Airport. In FY2023, Utilities expenses increased to $17.8 million because of higher utility rates.

Utilities expenses are budgeted to continue to increase to $21.6 million in FY2024. The increases are mostly driven by higher anticipated utility rates charged to the Airport Authority. Utilities expenses are projected to increase between FY2026 and FY2029 as the New T1 opens in phases, to $31.2 million in FY2029.

5.3.5 | Maintenance

During the pandemic, the Airport Authority limited all non-essential maintenance at the Airport. In addition, Airport staff completed all essential maintenance. As a result, Maintenance expenses decreased from $12.6 million in FY2018 to a low of $9.1 million in FY2021. In FY2022, Maintenance expenses increased to $10.7 million as a result of the Airport Authority completing more maintenance projects. Maintenance expenses increased to $15.7 million in FY2023 because the Airport Authority completed deferred maintenance projects.

In FY2024, Maintenance expenses are budgeted to decrease to $12.8 million. Maintenance expenses are estimated to increase to approximately $16.0 million in FY2026 due to the opening of the first phase of the New T1, and then increase to $18.7 million in FY2029 as a result of the additional space and equipment that will be added with the full completion of the New T1.

5.3.6 | 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 FY2018 to $11.3 million in FY2022, reflecting contractual lease adjustments. Space rental expenses were $10.5 million in FY2023. This line item is budgeted to be $10.6 million in FY2024 due to lease adjustments, and it is projected to remain at that level throughout the forecast period, reflecting the long-term nature of the Airport Authority's lease agreements.

5.3.7 | Business Development

Business Development expenses include costs for advertising, membership and dues, postage and shipping, promotional activities and materials, and travel. Business Development expenses decreased from $3.2 million in FY2018 to $0.2 million in FY2021. The initial decrease in FY2019 was the result of these expenses returning to normal levels after the Airport Authority incurred higher expenses in FY2018 related to the sponsorship and marketing activities for the AAAE annual conference that was held in San Diego. The decreases in FY2020 and FY2021 were the result of cost-cutting measures, which included a reduction to the concessions marketing program and advertising expenses and limited air service development incentives. Business Development expenses increased to $1.8 million and $1.9 million in FY2022 and FY2023, respectively, as the Airport Authority resumed marketing and advertising programs with the recovery of air traffic.

Business Development expenses are budgeted to increase to $3.2 million in FY2024 and are projected to increase to $3.5 million in FY2025. These increases are primarily due to the Airport Authority's plans to market the New T1, parking facilities and the concessions programs. Business Development expenses are projected to continue to increase by 3.0 percent per year to $3.9 million in FY2029.

5.3.8 | Other

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 FY2018 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. Other expenses increased to $6.4 million in FY2022. Other expenses increased to $8.3 million in FY2023.

Other expenses are budgeted to increase to $9.2 million in FY2024. The Airport Authority's FY2024 budget reflects the planned implementation of a new property management software. Other expenses are projected to increase to $13.1 million in FY2029 due to anticipated increases related to the New T1, including software systems, IT maintenance and support contracts, common use system maintenance, and insurance.

5.4 | Debt Service and Amortization Charges

As discussed in Section 1, the funding plan for the Airport Authority's Capital Program includes approximately $970.3 million in project funding from the proceeds of the Senior Series 2023 Bonds. The estimated sources and uses of the Senior Series 2023 Bonds are presented in Table 33.

Table 33 | Estimated Sources and Uses of the Senior Series 2023 Bonds

	Series 2023A	Series 2023B	Total Series 2023
Sources			
Par Amount	$171,170,000	$951,405,000	$1,122,575,000
Premium	9,239,028	16,105,392	25,344,420
Total Sources	**$180,409,028**	**$967,510,392**	**$1,147,919,420**
Uses			
Project Fund	$153,680,135	$816,581,536	$970,261,671
Capitalized Interest	14,535,102	83,245,816	97,780,918
Debt Service Reserve Fund	10,989,250	61,021,250	72,010,500
Underwriters Discount/COI/Rounding	1,204,541	6,661,789	7,866,331
Total Uses	**$180,409,028**	**$967,510,392**	**$1,147,919,419**

Source: Frasca & Associates, LLC. Does not assume any purchase of the Subordinate Series 2021C Bonds.

The estimated debt service for the Series 2023 Bonds assume an all-in True Interest Cost (TIC) of 4.88 percent, with capitalized interest assumed through about July 1, 2025.[51] All assumptions are preliminary and subject to change. The actual terms of the Series 2023 Bonds may differ from what is assumed for this financial analysis.

The funding plan for the Capital Program assumes additional debt will be issued during the forecast period to fund a portion of the costs of the New T1. The debt service projections assume one future senior bond issue in January 2025 (the Senior Series 2025 Bonds). For this analysis, it is assumed that the Senior Series 2025 Bonds will have a par amount of approximately $1.06 billion, with an all-in TIC of 6.0 percent and the majority of capitalized interest extending through December 2027. The Airport Authority will continue to evaluate the funding plan as the New T1 is developed, and the assumptions regarding a future bond issue may be revised in the future as more information becomes available.

The projected debt service is presented on Table 34. The projected debt service includes the estimated Senior Series 2023 debt service, the estimated debt service for a future series of bonds, and is shown net of estimated capitalized interest.

Total debt service is projected to increase from $93.7 million in FY2022 to $99.4 million in FY2023 due to an increase in debt service for the Series 2019A and B Bonds. Total debt service is projected to increase to $103.2 million in FY2024 due to an increase in the Series 2021A debt service. Debt service is projected to decrease to $97.8 million in FY2025 due to reductions in debt service for the Series 2020B/C Refunding Bonds and the Series 2019A Refunding Bonds, and to increase to $215.1 million in FY2026 as the capitalized interest ends for the Series 2021B Bonds and the Series 2023 Bonds. Debt service is projected to increase to $281.1 million in FY2028 and $307.1 million in FY2029 when the anticipated debt service for the assumed future Series 2025 Bonds debt service requirements begins.

5.5 | 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. 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.

[51] Capitalized interest is assumed to coincide with the estimated construction periods for the various projects assumed to be funded with the Series 2023 Bonds. The majority of the capitalized interest is anticipated to end by July 1, 2025.

Table 34 | Projected Debt Service

Bond Series	Actual	Projected						
	Fiscal Years Ending June 30							
	2022	2023	2024	2025	2026	2027	2028	2029
Senior Bonds:								
Series 2013 A	2,796,441	-	-	-	-	-	-	-
Series 2013 B	8,034,719	-	-	-	-	-	-	-
Total Series 2013	10,831,161	-	-	-	-	-	-	-
Planned Series 2023	-	-	9,333	435,062	56,128,750	56,128,750	71,993,750	71,990,500
Planned Series 2025	-	-	-	84,265	1,011,179	1,011,179	51,140,749	77,183,100
Total Senior Lien	$ 10,831,161	$ -	$ 9,333	$ 519,327	$ 57,139,929	$ 57,139,929	$ 123,134,499	$ 149,173,600
Subordinate Obligations:								
Series 2017 A	9,496,500	9,498,000	9,497,750	9,495,500	9,496,000	9,498,750	9,498,250	9,499,250
Series 2017 B	9,419,250	9,416,750	9,417,750	9,416,750	9,418,500	9,417,500	9,418,500	9,416,000
Total Series 2017	$18,915,750	$18,914,750	$18,915,500	$18,912,250	$18,914,500	$18,916,250	$18,916,750	$18,915,250
Series 2019 A Refunding	9,570,000	9,572,500	9,572,500	8,470,000	8,470,000	8,470,000	8,470,000	8,470,000
Series 2019 A	6,015,461	10,361,250	10,359,750	10,361,250	10,360,250	10,361,500	10,359,500	10,359,000
Series 2019 B	7,051,453	8,060,350	8,062,100	8,058,100	8,058,350	8,062,350	8,059,600	8,060,100
Total Series 2019	22,636,914	27,994,100	27,994,350	26,889,350	26,888,600	26,893,850	26,889,100	26,889,100
Series 2020 A Refunding	3,260,750	3,263,000	3,260,000	2,726,750	2,724,500	2,727,750	2,731,000	2,729,000
Series 2020 B/C Refunding	22,609,000	22,600,750	22,606,750	17,609,750	17,603,250	17,603,500	17,604,000	17,608,500
Total Series 2020	25,869,750	25,863,750	25,866,750	20,336,500	20,327,750	20,331,250	20,335,000	20,337,500
Series 2021 A	332,000	664,000	4,427,125	5,179,950	25,273,800	25,279,550	25,278,550	25,275,800
Series 2021 B	-	-	-	1,217	57,506,650	57,505,400	57,509,900	57,508,900
Series 2021 C Refunding	15,162,102	26,000,773	25,998,091	25,993,970	9,024,419	9,024,419	9,024,419	9,024,419
Total Series 2021	15,494,102	26,664,773	30,425,216	31,175,136	91,804,869	91,809,369	91,812,870	91,809,121
Total Subordinate	82,916,516	99,437,373	103,201,816	97,313,236	157,935,719	157,950,719	157,953,720	157,950,971
Total Debt Service	$93,747,677	$99,437,373	$103,211,149	$97,832,563	$215,075,648	$215,090,648	$281,088,220	$307,124,571

Source: Airport Authority records and Frasca & Associates, LLC. Does not assume the purchase of any Subordinate Series 2021C Bonds. The above table reflects assumptions regarding a future bond issue in 2025. As the New T1 is further developed, the Airport Authority will continue to evaluate the funding plan for the New T1, and the assumptions regarding a future bond issue may be revised in the future as more information becomes available.

Historical and projected Revenues are presented on Table 35 and Table 36, respectively. Revenues decreased from approximately $277.0 million in FY2018 to $227.7 million in FY2021 before increasing to $324.1 million in FY2022 and $411.2 million in FY2023, due to the factors described in the sub-sections below. Revenues are budgeted to increase to $447.6 million in FY2024, and they are projected to increase to $672.0 million in FY2029. The projections of the various categories of Revenues are explained in the sub-sections below.

5.5.1 | 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 by an average of 9.5 per year from $123.2 million in FY2018 to $194.3 million in FY2023. The increases are mostly driven by increased O&M Expenses allocated to the airline cost centers and increased debt service from the Series 2019 Bonds. Total Airline revenues are budgeted to continue to increase to $226.6 million in FY2024 because of additional increases in the O&M Expenses and debt service allocated to the airline cost centers. Airline revenues are projected to increase $387.8 million in FY2029 because of the additional O&M and debt service allocated to the Terminal in support of the new T1. The components of the airline revenues are discussed below.

5.5.2 | Landing Fees

Landing fees increased from $23.9 million in FY2018 to $33.2 million in FY2020 due to the $10 million portion of the annual MMF deposit that was allocated to the Airfield cost center. The AOLA allows the Airport Authority to include $15 million of the MMF deposit in the Airfield cost center; however, in response to the downturn in air traffic, the Airport Authority reduced the portion allocated to the Airfield to $10 million. Landing fees increased in FY2021 and FY2022 because of increased O&M Expenses and debt service allocated to the Airfield cost center. In addition, ground handling fees, which are a credit to the Airfield Area Requirement, decreased by $1.3 million in FY2021. The Airport Authority offset the increased Airfield Area Requirement in FY2021 and FY2022 by deferring the MMF deposit in those years. Landing fees increased to $44.6 million in FY2023, mainly due to increased O&M Expenses allocated to the Airfield cost center and the resumption of the annual deposit to the MMF, which increased to $20 million to recoup the deposits that had been deferred in FY2020 and FY2021. The increased annual deposit to the MMF will continue until FY2029.

The Airfield Area Requirement includes a $14.7 million credit in FY2023 and a $5.5 million credit in FY2024 from the use of federal relief funds to reduce airline costs. Landing fees are projected to increase to $76.8 million in FY2029 as a result of increased debt service and amortization allocated to the Airfield cost center, increased O&M Expenses allocated to the Airfield cost center, and the ending of the credit from the federal relief funds. The calculations of the projected Airfield Net Requirement and landing fee rate are shown on Table 37. Based on the

Table 35 | Historical Revenues

	For Fiscal Years Ended June 30						Compound
	Actual					Unaudited	Annual Growth
	2018	2019	2020	2021	2022	2023	2018 - 2023
Airline Revenue							
Landing Fees	$23,900,414	$24,816,308	$33,241,411	$34,046,302	$35,350,349	$44,595,662	13.3%
Aircraft Parking Fees	3,235,788	3,471,363	8,354,053	8,541,326	8,859,770	11,148,915	28.1%
Terminal Rentals	63,533,823	72,319,630	29,764,891	26,948,140	32,531,441	49,069,106	-5.0%
Common Use Fees	-	-	7,627,629	7,369,019	8,230,945	11,032,894	N/A
FIS Use Charge	-	-	3,261,820	984,860	2,201,290	3,219,300	N/A
Joint Use Fees	-	-	49,426,560	55,330,838	62,362,974	79,064,006	N/A
Security Surcharge	32,303,267	33,558,621	-	-	-	-	N/A
Other Aviation Revenue	183,910	188,211	161,162	884,586	235,174	267,877	7.8%
Incentive Program	-	-	-	(62,080)	(2,078,912)	(4,097,315)	N/A
Total Airline Revenue	$123,157,202	$134,354,133	$131,837,525	$134,042,991	$147,693,032	$194,300,445	9.5%
Non-Airline Revenue							
Building and Other Rents	2,035,733	2,163,147	2,460,888	2,589,064	2,647,034	2,729,414	6.0%
Concessions							
Rental Cars	31,464,479	34,304,635	26,070,018	16,973,062	38,647,373	43,500,703	6.7%
Food and Beverage	12,640,069	13,949,528	10,753,084	4,206,180	14,317,798	14,409,646	2.7%
Gifts and News	7,735,413	8,186,875	6,343,380	3,245,777	7,958,709	8,621,769	2.2%
License Fees	5,782,383	6,849,951	6,174,751	3,369,435	6,325,839	8,660,733	8.4%
Other Terminal Concessions	3,331,389	3,100,994	3,854,855	1,633,340	5,219,779	4,114,434	4.3%
Cost Recovery	4,656,124	4,864,309	4,047,234	1,669,075	4,495,512	4,703,824	0.2%
Total Concessions	$65,609,858	$71,256,292	$57,243,322	$31,096,869	$76,965,010	$84,011,109	5.1%
Parking and Ground Transportation	53,254,029	62,817,900	50,750,966	27,446,678	57,074,673	65,398,498	4.2%
Ground rentals	20,072,905	20,646,993	18,925,455	19,259,872	23,286,341	25,062,616	4.5%
Other Operating Revenue	1,408,548	1,990,322	1,516,733	1,338,471	2,675,590	3,442,823	19.6%
Interest Income	11,445,451	13,454,311	17,838,099	11,973,199	13,754,961	36,297,181	26.0%
Total Non-Airline Revenue	$153,826,525	$172,328,964	$148,735,463	$93,704,153	$176,403,608	$216,941,641	7.1%
Total Revenues	$276,983,726	$306,683,097	$280,572,988	$227,747,144	$324,096,640	$411,242,086	8.2%

Source: Airport Authority records.

Table 36 | Projected Revenues

	Fiscal Years Ending June 30						Compound Annual Growth
	2024	2025	2026	2027	2028	2029	2024 - 2029
Airline Revenue							
Landing Fees	$54,436,856	$60,128,564	$67,602,146	$69,917,117	$74,025,272	$76,704,611	7.1%
Aircraft Parking Fees	15,048,268	16,614,108	18,655,342	19,279,575	20,272,065	20,918,759	6.8%
Terminal Rentals	53,820,816	54,002,842	26,878,968	30,089,708	38,965,344	45,423,144	-3.3%
Common Use Fees	10,830,738	10,072,358	13,146,238	16,227,673	20,949,446	24,083,567	17.3%
FIS Use Charge	3,789,657	4,225,640	3,518,266	3,588,631	3,660,404	3,733,612	-0.3%
Joint Use Fees	91,032,594	92,843,579	138,038,175	150,549,524	189,851,485	216,628,491	18.9%
Other Aviation Revenue	283,068	289,909	297,805	304,828	312,614	319,408	2.4%
Incentive Program	(2,620,523)	(1,720,290)	-	-	-	-	N/A
Total Airline Revenue	$226,621,473	$236,456,711	$268,136,940	$289,957,056	$348,036,631	$387,811,591	11.3%
Non-Airline Revenues							
Building and Other Rents	2,588,527	2,598,812	2,609,305	2,620,007	2,630,922	2,642,056	0.4%
Concessions:							
Rental Cars	42,071,943	42,125,386	43,483,818	44,736,670	46,104,696	47,420,509	2.4%
Food and Beverage	14,717,244	15,545,777	16,404,637	17,249,584	18,170,308	19,099,435	5.4%
Gifts and News	8,702,370	9,192,285	9,700,133	10,199,754	10,744,182	11,293,579	5.4%
License Fees	8,299,410	8,550,970	9,135,720	9,456,540	9,697,075	9,944,622	3.7%
Other Terminal Concessions	4,479,161	4,731,323	4,992,715	5,249,873	5,530,094	5,812,871	5.4%
Cost Recovery	4,528,343	4,980,992	5,113,509	5,253,218	5,397,159	5,545,500	4.1%
Total Concessions	82,798,471	85,126,733	88,830,531	92,145,638	95,643,514	99,116,516	3.7%
Parking & Ground Transportation	70,710,636	88,363,519	91,917,592	94,622,639	97,451,942	100,311,529	7.2%
Ground rentals	22,988,090	23,229,980	23,451,559	23,677,941	23,909,243	24,145,586	1.0%
Other Operating Revenue	1,788,753	2,095,659	2,110,024	2,127,546	2,147,067	2,169,534	3.9%
Interest Income	40,105,949	69,478,883	66,200,569	60,515,476	59,483,800	55,834,081	6.8%
Total Non-Airline Revenues	$220,980,425	$270,893,586	$275,119,581	$275,709,246	$281,266,488	$284,219,303	5.2%
Total Revenues	$447,601,898	$507,350,297	$543,256,520	$565,666,302	$629,303,119	$672,030,894	8.5%

Source: Airport Authority records and Unison Consulting, Inc.

unaudited actual expenses and revenues, the landing fee rate was $3.20 in FY2023. Based on the financial projections described above, and the forecast aircraft landed weight, the Signatory Landing Fee Rate is projected to increase from $3.78 in FY2024 to $4.67 in FY2029.

5.5.3 | 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 $3.2 million in FY2018 to $8.9 million in FY2022. 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. In addition, the increase occurred because of increased O&M Expenses allocated to the Airfield cost center. In FY2023, Aircraft parking fees increased to $11.1 million because of increased O&M Expenses and debt service, and the reinstated MMF deposit allocated to the Airfield.

Aircraft parking fees are budgeted increase to increase to $15.0 million in FY2024 because of anticipated increases in O&M Expenses. Aircraft parking fees are projected to increase to $20.9 million in FY2029 because of increased O&M Expenses and debt service allocated to the Airfield.

5.5.4 | Terminal Rentals

Terminal rentals increased from $63.5 million in FY2018 to $72.3 million in FY2019. The increase was driven by increases in the O&M Expenses and debt service allocated to the Terminal cost center. Beginning in FY2020, Common Use Fees and Joint Use Fees were accounted for separately from Terminal Rentals. As a result of the separation of the accounts, Terminal rentals decreased to $29.8 million in FY2020. In FY2021, the Airport Authority deferred the Terminal's portion of the MMF deposit to reduce airline costs. As a result, Terminal rentals decreased to $26.9 million in FY2021. In FY2022, Terminal rentals increased to $32.5 million because of increased O&M Expenses allocated to the Terminal cost center. Terminal rentals increased to $49.1 million in FY2023 because of increased O&M Expenses and debt service allocated to the Terminal, and the Terminal's portion of the MMF deposit being reinstated and increased to $20 million.

Table 37 | Projected Landing Fees

Calculation Elements	Fiscal Years Ending June 30						
	Unaudited	Projected					
	2023	2024	2025	2026	2027	2028	2029
Airfield Costs							
O&M Expenses	$66,076,004	$66,523,560	$69,944,034	$71,788,197	$73,676,942	$75,640,063	$77,680,678
Debt Service	7,474,060	9,366,262	9,459,757	17,489,964	17,494,477	19,458,422	19,998,376
Amortization Charges	4,809,387	4,741,028	5,009,739	5,594,362	6,477,961	6,608,606	9,155,718
Reserve Deposits	1,780,094	2,080,443	1,497,616	822,197	1,178,622	2,497,715	956,902
Major Maintenance Fund	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Total Airfield Requirement	$100,139,546	$102,711,293	$105,911,147	$115,694,720	$118,828,002	$124,204,806	$127,791,673
Credits:							
Fuel Flowage	267,877	283,068	289,909	297,805	304,828	312,614	319,408
Finger Printing Revenue	201,738	162,299	142,090	124,408	108,916	94,431	81,871
Ground Handling Concession Revenue	6,302,592	5,268,544	5,440,025	5,611,507	5,767,875	5,939,145	6,102,482
Inflight Services Revenue (70%)	1,650,699	1,506,707	1,554,417	1,834,317	1,925,987	2,003,026	2,083,147
Quieter Home Program Grants	21,075,144	21,662,955	23,028,000	23,028,000	23,028,000	23,028,000	23,028,000
TSA Operating Grant Reimbursement	219,200	296,000	296,000	296,000	296,000	296,000	296,000
Federal Relief Funds	14,677,718	5,485,650	-	-	-	-	-
Total Credits	$44,394,967	$34,665,224	$30,750,442	$31,192,037	$31,431,607	$31,673,216	$31,910,909
Airfield Area Requirement	**$55,744,578**	**$68,046,070**	**$75,160,705**	**$84,502,683**	**$87,396,396**	**$92,531,590**	**$95,880,764**
Less: Non-Signatory Landing Fees	884,621	822,363	899,001	1,006,565	1,034,804	1,090,272	1,123,402
Less: Aircraft Parking Position Fees	11,148,916	13,609,214	15,032,141	16,900,537	17,479,279	18,506,318	19,176,153
Airfield Net Requirement	**$43,711,042**	**$53,614,493**	**$59,229,563**	**$66,595,581**	**$68,882,313**	**$72,935,000**	**$75,581,209**
Signatory Landed Weight (1,000 lb. units)	13,654,043	14,165,214	14,529,050	14,970,604	15,360,369	15,796,563	16,185,817
Signatory Landing Fee Rate	$3.20	$3.78	$4.08	$4.45	$4.48	$4.62	$4.67
Non-Signatory Landing Fee Rate	$3.84	$4.54	$4.89	$5.34	$5.38	$5.54	$5.60

Source: Airport Authority records and Unison Consulting, Inc.

Terminal rentals are budgeted to increase to $53.8 million in the FY2024 Budget. These increases are expected to occur because of further increases to O&M Expenses allocated to the Terminal cost center. Terminal rentals are projected to fluctuate from FY2025 to FY2029 based on the amount of expected airline leased square footage compared to common use and joint use space. Terminal rental revenue is projected to equal $45.4 million in FY2029.

Table 38 presents the terminal rental rate, which is projected to increase from $250.61 in FY2023 to $516.31 because of increased O&M Expenses allocated to the Terminal cost center, increased debt service allocated to the Terminal cost center, the elimination of the credit from federal relief funds after FY2024, and required reserve deposits.

5.5.5 | Common Use Fees

Common Use fees are charged to the airlines for the use of the common use systems. Common Use fees decreased from $7.6 million in FY2020 to $7.3 million in FY2021 because of the reduction in the Terminal rental rate that was driven by the deferral of the deposit to the MMF. In FY2022, Common Use fees increased to $8.2 million because of increased O&M Expenses and debt service allocated to the Terminal cost center. Common Use fees increased to $11.0 million in FY2023 because of the increases to the Terminal described above.

Table 38 | Projected Terminal Rental Rate

Calculation Elements	Fiscal Years Ending June 30						
	Unaudited	Projected					
	2023	2024	2025	2026	2027	2028	2029
Terminal Costs							
O&M Expenses	70,174,766	77,707,952	83,042,417	90,860,530	94,317,996	100,003,678	104,499,116
Revenue Bond Debt Service	59,160,884	63,043,833	58,143,336	63,057,518	81,059,689	136,075,251	179,151,243
Amortization Charges	9,556,712	8,815,129	8,427,043	9,142,143	9,605,033	8,715,138	9,683,805
Reserve Deposits	3,560,189	4,160,886	592,318	1,644,395	2,357,244	4,995,429	1,913,804
Total Terminal Requirement	**$142,452,551**	**$153,727,799**	**$150,205,114**	**$164,704,587**	**$187,339,963**	**$249,789,495**	**$295,247,967**
Credits:							
Operating Grant Revenue	-	-	-	-	-	-	-
FIS Use Charge	3,219,300	3,789,657	4,225,640	3,518,266	3,588,631	3,660,404	3,733,612
Federal Relief Funds	8,824,337	4,540,109	-	-	-	-	-
Total Credits	$12,043,637	$8,329,766	$4,225,640	$3,518,266	$3,588,631	$3,660,404	$3,733,612
Base Terminal Area Requirement	**$130,408,914**	**$145,398,034**	**$145,979,474**	**$161,186,321**	**$183,751,332**	**$246,129,092**	**$291,514,355**
Terminal Leasable Square Footage	587,683	587,683	587,683	618,293	618,293	618,293	618,293
Base Terminal Area Rental Rate	**$221.90**	**$247.41**	**$248.40**	**$260.70**	**$297.19**	**$398.08**	**$471.48**
Supplemental Terminal Area Requirement							
Major Maintenance Fund	$20,000,000	$20,000,000	$20,000,000	$20,000,000	$20,000,000	$20,000,000	$20,000,000
Airline Leased Square Footge	443,194	443,194	443,194	446,124	446,124	446,124	446,124
Supplemental Terminal Rate	**$45.13**	**$45.13**	**$45.13**	**$44.83**	**$44.83**	**$44.83**	**$44.83**
Terminal Rental Rate	**$267.03**	**$292.54**	**$293.53**	**$305.53**	**$342.02**	**$442.91**	**$516.31**
NonSignatory Terminal Rental Rate	**$320.44**	**$351.04**	**$352.23**	**$366.63**	**$410.43**	**$531.49**	**$619.58**

Source: Airport Authority records and Unison Consulting, Inc.

Common Use fees are projected to continue to increase to $24.1 million in FY2029 because of cost increases associated with the new T1, including debt service and O&M Expenses.

5.5.6 | FIS Use Charge

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 increased to $2.2 million in FY2022 and $3.2 million in FY2023. As international traffic continues to recover, FIS Use Charge revenues are projected to increase to $3.7 million in FY2029.

5.5.7 | 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 separately from the terminal rental revenues and the common use fee revenues. Joint Use fees increased from $49.4 million in FY2020 to $62.3 million in FY2022 because of increased O&M Expenses and debt service. Joint Use fees increased to $79.1 million in FY2023 because of the increased O&M Expenses and debt service allocated the Terminal and the increased deposit to the MMF. Joint Use fees are projected to increase to $216.6 million in FY2029. The significant increases are expected to occur because of increased O&M Expenses and debt service allocated to the Terminal and the Airline Terminal Support cost centers and an increase in Joint Use square footage in the New T1.

5.5.8 | 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 $32.3 million in FY2018 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, airside security costs are now included in the Airfield cost center and terminal security costs are now included in the Airline Terminal Support cost center.

5.5.9 | Other Aviation Revenue

Other Aviation Revenues consist primarily of fuel farm franchise fees. These revenues increased from approximately $184,000 in FY2018 to $188,000 in FY2019 before decreasing to $161,000 in FY2020 because of reduced activity. In FY2021, these revenues increased to $885,000 mainly due to minimum fees owed by some Signatory airlines while air traffic was still recovering. These revenues decreased to $235,000 in FY2022. Other Aviation revenues are estimated to increase from $278,000 in FY2023 to $319,000 in FY2029.

5.5.10 | Incentive Program

The Air Service Incentive Program (ASIP), which started on January 1, 2021, is intended to increase SAN's nonstop destinations, enable fair access for new entrants, promote competition, and restart air service that was impacted in recent years. 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 increased to $2.1 million in FY2022. ASIP credits increased to $4.1 million in FY2023. ASIP credits are budgeted to be $2.6 million in FY2024. ASIP credits are projected to decrease to $1.7 million in FY2025.

5.5.11 | 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 $153.8 million in FY2018 to $172.3 million in FY2019. These revenues decreased to $148.7 million in FY2020 and $93.7 million in FY2021 because of the pandemic related reduction in passenger activity. As passenger traffic began to recover, non-airline revenues increased to $176.4 million in FY2022 and $216.9 million in FY2023. Non-airline revenues are projected to increase from $221.0 million in FY2024 to $284.2 million in FY2029. The changes and projected changes are discussed below.

5.5.12 | 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 $2.0 million in FY2018 to $2.7

million in FY2023, 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.

5.5.13 | 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 downturn in air traffic and concession revenues starting in 2020.

Rental Car Revenues

The largest component of the concession revenue category, as shown on Table 36, is rental car concession revenue. Currently, the following 15 rental car brands operate at the Airport: Alamo, Avis, Budget, Dollar, Enterprise, Fox, Hertz, National, Payless, Sixt, Thrifty Zipcar, NuCar, U-Save, and Green Motion. 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 $31.5 million in FY2018 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. Rental car revenues increased to $38.6 million in FY2022 and $43.5 million in FY2023 as passenger recovery continued.

Rental car concession revenue at SAN, expressed on a per-originating enplanement basis, increased from $2.72 in FY2018 to $2.79 in FY2019 and $2.83 in FY2020, and then increased significantly to $3.59 in FY2021 and $3.90 in FY2022, reflecting nationwide industry trends, as the rental car companies reduced inventory and increased prices. Rental car concession revenue per originating enplanement declined to $3.65 in FY2023, which indicates that rental car companies may have reduced prices or passengers chose alternate modes of transportation. The ratio of rental car transaction days per originating enplanement remained relatively stable from FY2018 to FY2022, ranging from 0.54 to 0.59. In FY2023, this ratio reduced to 0.45 which indicates passengers were either renting cars for less days or choosing alternate modes of transportation.

Beginning in FY2022, rental car concession revenue, including the RCC cost recovery component exceeded pre-pandemic levels. For FY2024 and subsequent years, rental car concession revenue is projected based on an assumed return to FY2019 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 $47.4 million in FY2029.

Food and Beverage/Gifts and News Revenues

In March 2015, the Airport Authority completed its previous concession development program, which involved a complete revamp of the shopping and dining options in the passenger terminals.

As part of its concession development program, the Airport Authority entered into 18 leases with a variety of vendors for 63 food, beverage and retail units at the Airport. 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 expired 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 expired on a date 7 years after such date of available use. Nearly all existing concession leases executed as part of the transition from the master concessionaire model in 2011 through 2014 are either in holdover status or are due to expire in late 2023 or early 2024. Once these leases expire, the Airport Authority will be able to create a new concessions program tailored to the expectations of passengers as they have evolved over the last decade.

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.

In June 2023, the Airport Authority completed its solicitation of new concessions for the New T1. The new concessions will occupy approximately 32,000 square feet of food & beverage and 14,000 square feet of retail space. This represents more than a 250% increase in square footage as compared to the current Terminal 1. Due to the significant investment required by the vendors, the duration of the lease agreements with the new concessionaires will increase to 15 years for food & beverage and twelve years for retail. The selected concessionaires are expected to design and permit the Phase 1a concession units in FY2024 with construction expected to occur in FY2025. Similar to the expiring lease agreements, the new leases will provide for rental payments equal to the MAG or a percentage of gross income. The MAG will be set at 80% of the previous year's total rent paid after the first full year of operation. The percentage rent offers for these new concession agreements as compared to the previous generation are slightly lower Food and Beverage but slightly higher for News and Gifts. The Airport Authority expects to undertake the solicitation process for Terminal 2 concession in calendar year 2024.

Food and Beverage and Gift and News concession revenue fluctuated from FY2019 through FY2021 due to fluctuations in passenger activity during that period. Food and Beverage and Gift and News concession revenues are increased to total approximately $14.4 million and $8.6 million, respectively in FY2023.

The projections of concession revenues for Food and Beverage and Gift and News are based on recent ratios of revenue per enplanement for each category, with assumed increases to account for inflation and the phased opening of the New T1, and applied to forecast enplanements. Concession revenue is projected to increase to $19.1 million in FY2029 for Food and Beverage, and $11.3 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 $5.8 million in FY2018 to $6.8 million in FY2019. License Fees decreased to $6.2 million and $3.4 million in FY2020 and FY2021, respectively, due to decreased activity, net of license fee waivers of $0.6 million for in-flight food services in FY2021. As activity increased, License Fees increased to $6.3 million in FY2022 and $8.3 million in FY2023. Based on anticipated increases in future passenger activity, License Fees are projected to increase to approximately $9.9 million in FY2029.

Other Terminal Concessions

This category includes rents and fees received for advertising displays, luggage carts, ATMs, wifi service providers, security bin advertisements, and other miscellaneous sources. This revenue category increased from $3.3 million in FY2018 to $3.8 million in FY2020, before decreasing to $1.6 million in FY2021 because of the reduction in passenger activity. These revenues increased to $5.2 million in FY2022 as passenger activity continued to recover. Other Terminal Concession revenues decreased to $4.1 million in FY2023. These revenues are projected to increase at the rate of enplanement growth and inflation to $5.8 million in FY2029.

Cost Recovery

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. This revenue category increased from $4.7 million in FY2018 to $4.9 million in FY2019 before decreasing to $4.1 million in FY2020 and $1.7 million in FY2021. The decreases were driven by the reduction in traffic. In FY2022 and FY2023, these revenues increased to $4.5 million and $4.7 million, respectively, as activity began to return. These revenues are projected to increase to $5.5 million in FY2029.

5.5.14 | Parking and Ground Transportation Revenues

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 $53.3 million in FY2018 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. As passenger activity began to recover, Parking and Ground Transportation revenues increased to $57.1 million in FY2022 and $65.4 million in FY2023.

Parking revenue and TNC trip fees together constituted over 96 percent of total Parking and Ground Transportation revenue in FY2023. The following paragraphs discuss the trends in these two revenue sources:

Parking revenue, which accounted for 70.8 percent of total FY2023 Parking and Ground Transportation revenue, increased from $43.5 million in FY2018 to $46.6 million in FY2019, and then decreased to $36.4 million in FY2020 and $22.2 million in FY2021. Parking revenues increased to $44.2 million in FY2022 and $46.3 million in FY2023. The ratio of parking transactions per originating enplanement remained relatively consistent from FY2018 to FY2022, ranging between 0.10 and 0.11. In FY2023, the ratio declined to 0.08, most likely because of the reduced number of parking facilities and the construction at SAN.. Parking revenue per originating enplanement increased from $3.95 in FY2018 to $4.01 in FY2019. Parking revenue per originating enplanement continued to increase to $4.20 in FY 2020 and $4.87 in FY2021 before decreasing to $4.72 in FY2022 and $4.15 in FY2023. As mentioned above, the decrease is a result in the reduced amount of parking at SAN during the construction period. Parking revenue is budgeted to increase to $52.2 million in the FY2024 budget, reflecting the anticipated increase in passenger activity. Beginning in March 2023, the Airport Authority introduced dynamic parking prices based on demand. However, there is not yet sufficient historical data to determine the revenue impact of this pricing change. 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 parking structure associated with the New T1. Parking revenue is projected to increase to $77.0 million in FY2029.

TNC trip fees, which accounted for 25.4 percent of total FY2023 Parking and Ground Transportation revenue. At the beginning of FY2019, the Airport Authority set a $3.00 TNC pick-up fee and a $3.00 drop-off fee, and in FY2020, the pick-up and drop-off fees were each increased to $3.50. TNC transactions per originating enplanement increased from 0.16 in FY2018 to 0.39 in FY2019, and revenue per originating enplanement increased from $0.61 in FY2018 to $1.16 in FY2019. In FY2022, the ratios of transactions and revenue per originating enplanement were 0.33 and $1.15, respectively. In FY2023, TNC revenue per originating enplanement increased to $1.49 and TNC transactions per originating enplanement increased to 0.39. These increases were driven by changing passenger preferences that most likely were the response to increased rental car prices and reduced parking at SAN. TNC revenues increased from $4.4 million in FY2021 to $10.8 million in FY2022 as a result of increasing air traffic activity. TNC revenues increased to $16.6 million in FY2023, with an increase in the pick-up and drop-off fees to $3.75. 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 with assumed future modest increases in TNC per-trip fees assumed for the revenue projections. TNC revenues are projected to increase to $21.9 million in FY2029.

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 $100.3 million in FY2029.

5.5.15 | Ground Rental Revenues

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 $20.1 million in FY2018 to $20.6 million in FY2019 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. These revenues increased in FY2022 to $23.3 million and $25.1 million in FY2023 because of the Airport Authority began 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 $24.1 million in FY2029.

5.5.16 | Other Operating Revenues

This revenue category includes curfew violation revenue, reimbursement of utility expenses, service charges, equipment rentals, non-airline remote aircraft parking fees, fingerprint revenue, and other miscellaneous revenues. These revenues increased from $1.4 million in FY2018 to $2.0 million in FY2019 before decreasing to $1.5 million in FY2020 and $1.3 million in FY2021. These revenues increased to $2.7 million in FY2022 and $3.4 million in FY2023 Other Operating Revenues are projected to be $2.2 million in FY2029.

5.5.17 | 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 and the Subordinate Indenture. Interest Income increased from $11.4 million in FY2018 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. Interest income increased to $13.7 million due to higher cash balances in FY2022. Interest Income increased to $36.3 million in FY2023because of the deposit of bond proceeds into the Construction Fund. Interest income is projected to increase to a high of $69.5 million in FY2025 due to higher cash balances and higher rates, and then decrease each year thereafter to $55.8 million in FY2029, as monies in the Construction Fund are expended to construct the New T1.

5.6 | 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).

5.6.1 | Application of Revenues

The projected application of Revenues pursuant to the provisions of the Master Senior Indenture is shown on Table 39. Revenues are applied in the order shown on Figure 72.

5.6.2 | Rate Covenants

The calculations of the Senior Rate Covenant and the Subordinate Rate Covenant, presented in Table 40, reflect the projected debt service of the Senior Bonds and the Subordinate Obligations after the issuance of the Senior Series 2023 Bonds. As disclosed earlier in this Section, the estimated debt service schedules used in this analysis do not assume the purchase of the Subordinate Series 2021C 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).

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.

Table 39 | Application of Revenues

	Fiscal Years Ending June 30							
	Audited	Unaudited	Projected					
	2022	2023	2024	2025	2026	2027	2028	2029
Airport Revenues	$324,096,640	$411,242,086	$447,601,898	$507,350,297	$543,256,520	$565,666,302	$629,303,119	$672,030,894
Application of Airport Revenues								
Operation & Maintenance Subccount	$156,925,116	$178,250,332	$192,925,830	$204,652,073	$220,477,378	$228,192,747	$240,185,214	$268,006,789
Senior Debt Service net of PFCs	10,831,161	-	9,333	519,327	4,816,686	2,816,807	68,811,620	94,852,905
Debt Service Reserve Funds	-	-	-	-	-	-	-	-
Subordinate Debt Service, net of PFCs	52,911,183	99,437,373	103,201,816	97,313,236	119,258,962	139,273,841	139,276,599	139,271,666
Subordinate Debt Service Reserve Funds	-	-	-	-	-	-	-	-
O&M Reserve Subaccount	4,416,698	5,331,304	3,668,874	2,931,561	3,956,326	1,928,842	2,998,117	6,955,394
Renewal and Replacement Subaccount	-	-	-	-	-	-	-	-
Airport Revenue Fund	99,012,483	128,223,078	147,796,045	201,934,100	194,747,168	193,454,065	178,031,569	162,944,140
Total Airport Revenues Applied	$324,096,640	$411,242,086	$447,601,898	$507,350,297	$543,256,520	$565,666,302	$629,303,119	$672,030,894

Source: Airport Authority records and Unison Consulting, Inc.

Table 40 | Projected Debt Service Coverage

	Fiscal Years Ending June 30							
	Audited	Unaudited	Projected					
	2022	2023	2024	2025	2026	2027	2028	2029
Senior Bonds:								
Revenues	$324,096,640	$411,242,086	$447,601,898	$507,350,297	$543,256,520	$565,666,302	$629,303,119	$672,030,894
Minus O&M Expenses	(156,925,116)	(178,250,332)	(192,925,830)	(204,652,073)	(220,477,378)	(228,192,747)	(240,185,214)	(268,006,789)
Add: Federal Relief Funds	60,790,418	-	-	-	-	-	-	-
Net O&M Expenses	(96,134,698)	(178,250,332)	(192,925,830)	(204,652,073)	(220,477,378)	(228,192,747)	(240,185,214)	(268,006,789)
Net Revenues	$227,961,942	$232,991,754	$254,676,069	$302,698,223	$322,779,142	$337,473,555	$389,117,905	$404,024,105
Senior Bonds Debt Service	$10,831,161	$0	$9,333	$519,327	$57,139,929	$57,139,929	$123,134,499	$149,173,600
Minus PFCs	(4,691,941)	-	-	-	(52,323,243)	(54,323,122)	(54,322,879)	(54,320,695)
Minus Federal Relief Funds	(1,539,289)	-	-	-	-	-	-	-
Senior Bonds Debt Service, Net	$4,599,931	$0	$9,333	$519,327	$4,816,686	$2,816,807	$68,811,620	$94,852,905
Senior Bonds Debt Service Coverage [1]	**49.56**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**5.65**	**4.26**
Subordinate Bonds:								
Senior Lien Net Revenues	$227,961,942	$232,991,754	$254,676,069	$302,698,223	$322,779,142	$337,473,555	$389,117,905	$404,024,105
Minus Senior Bonds Debt Service, Net	($4,599,931)	$0	($9,333)	($519,327)	($4,816,686)	($2,816,807)	($68,811,620)	($94,852,905)
Subordinate Lien Net Revenues	$223,362,011	$232,991,754	$254,666,736	$302,178,897	$317,962,457	$334,656,748	$320,306,285	$309,171,199
Subordinate Debt Service	82,916,516	99,437,373	103,201,816	97,313,236	157,935,719	157,950,719	157,953,720	157,950,971
Minus PFCs	(25,313,393)	-	-	-	(38,676,757)	(18,676,878)	(18,677,121)	(18,679,305)
Minus Federal Relief Funds	(16,460,711)	-	-	-	-	-	-	-
Subordinate Debt Service, Net	41,142,413	99,437,373	103,201,816	97,313,236	119,258,962	139,273,841	139,276,599	139,271,666
Subordinate Debt Service Coverage	**5.43**	**2.34**	**2.47**	**3.11**	**2.67**	**2.40**	**2.30**	**2.22**
Total Debt Service, Net	$45,742,344	$99,437,373	$103,211,149	$97,832,563	$124,075,648	$142,090,648	$208,088,220	$234,124,571
Total Debt Service Coverage	**4.98**	**2.34**	**2.47**	**3.09**	**2.60**	**2.38**	**1.87**	**1.73**
Net Revenues plus PFCs and Federal Rel	$275,967,275	$232,991,754	$254,676,069	$302,698,223	$413,779,142	$410,473,555	$462,117,905	$477,024,105
Total Debt Service	93,747,677	99,437,373	103,211,149	97,832,563	215,075,648	215,090,648	281,088,220	307,124,571
Coverage - Revenue Method	**2.94**	**2.34**	**2.47**	**3.09**	**1.92**	**1.91**	**1.64**	**1.55**

Source: Airport Authority records and Unison Consulting, Inc.

[1] The calculation of Senior Bonds debt service coverage is not applicable (N/A) in FY2023-FY2027 because of the capitalized interest on the Senior Series 2023 Bonds, and the application of PFCs (FY2026-FY2027).

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 Senior Series 2023 Bonds, Subordinate Series 2021AB Bonds and the future New T1-related bond issues. Currently, the Airport Authority plans to allocate a total of $310 million in PFCs to debt service (Senior and Subordinate) in FY2026 through FY2029. 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.

In FY2022, the Airport Authority applied $18.0 million in Federal relief funds to debt service (Senior and Subordinate), which reduced the FY2022 debt service for purposes of the Rate Covenant calculations. The Airport Authority does not plan to apply any other Federal Relief funds to debt service for the remainder of the projection period.

The calculation of Senior Bonds debt service coverage is not applicable in FY2024-FY2027 because of the capitalized interest on the Senior Series 2023 Bonds, and the application of PFCs. Debt service coverage calculated according to the Senior Rate Covenant is projected to equal 5.65 and 4.26 times debt service in FY2028 and FY2029, respectively. Debt service coverage calculated according to the Subordinate Rate Covenant is projected to equal at least 1.99 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 1.73 times throughout the forecast period.

The Revenue Method Debt Service coverage is calculated by dividing the Net Revenues plus PFCs and Federal Relief funds applied to debt by the Total Debt Service (Total Debt Service, reflecting Senior Bonds and Subordinate Obligations). According to the Revenue Method, the debt service coverage is projected to remain at or above 1.55 times throughout the forecast period.

5.6.3 | PFC Cash Flow

The projected PFC cash flow is presented on Table 41. 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 $49.5 million in FY2024 to $57.4 million in FY2029.

As discussed above, 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 Senior Series 2023 Bonds, Subordinate Series 2021AB Bonds and the future New T1-related bond issues. Currently, the Airport Authority plans to allocate $91.0 million to debt service in FY2026 and $73.0 million per year to debt service from FY2027 through FY2029.

The Airport Authority plans to apply an annual amount to fund a portion of the Quieter Home Program, in the amount of $2.9 million in FY2024 and FY2025, $3.1 million in FY2026, and $2.9 million from FY2027 through FY2029.

The balance in the PFC Fund is projected to increase from $106.3 million at the beginning of FY2024 to a high of $207.4 million at the end of FY2025. The PFC Fund balance is projected to decrease to $118.0 million at the end of FY2029 as PFCs are applied to debt service, as described above.

Table 41 | Projected PFC Cash Flow

	Fiscal Years Ending June 30					
	2024	2025	2026	2027	2028	2029
PFC Collections						
Projected Enplanements	12,497,659	12,904,435	13,311,210	13,682,137	14,088,410	14,475,866
% Eligible	90.3%	90.3%	90.3%	90.3%	90.3%	90.3%
PFC Eligible Enplanements	11,280,000	11,647,100	12,014,300	12,349,100	12,715,800	13,065,500
Gross PFC Collections						
$4.50 Per Eligible EP	$50,760,000	$52,412,000	$54,064,400	$55,571,000	$57,221,100	$58,794,800
Less: Airline Collection Fee						
$0.11 Per Eligible EP	(1,240,800)	(1,281,200)	(1,321,600)	(1,358,400)	(1,398,700)	(1,437,200)
Net PFC Collections	$49,519,200	$51,130,800	$52,742,800	$54,212,600	$55,822,400	$57,357,600
PFC Fund						
Beginning Balance	$106,295,658	$155,533,146	$207,393,209	$169,782,438	$151,280,333	$134,030,509
Net PFC Collections	49,519,200	51,130,800	52,742,800	54,212,600	55,822,400	57,357,600
Amounts Applied to:						
Debt Service	-	-	(91,000,000)	(73,000,000)	(73,000,000)	(73,000,000)
PFC Pay-Go	-	-	-	-	-	-
Quieter Home Program	(2,900,000)	(2,900,000)	(3,125,328)	(2,925,333)	(2,925,333)	(2,925,333)
Interest Income	2,618,288	3,629,264	3,771,756	3,210,628	2,853,108	2,520,134
Ending Balance	$155,533,146	$207,393,209	$169,782,438	$151,280,333	$134,030,509	$117,982,910

Source: Airport Authority records and Unison Consulting, Inc.

5.6.4 | 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 CPE. The projected CPE through FY2029 is presented on Table 42. The Unaudited FY2023 CPE was $15.99. The CPE is projected to increase due to higher airline rates and charges that occur because of the additional O&M Expenses and debt service costs, as described above. The CPE is projected to increase to $25.96 in FY2029.

Several large hub airports reported a CPE in 2019 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. As of 2022, JFK, Newark, LaGuardia, Chicago O'Hare, LAX, and San Francisco all report a CPE over $20 and the average large hub CPE is $14.98.[52] Therefore, SAN's projected CPE reflecting the completion of the New T1 appears to be reasonable in light of industry trends.

Table 42 | Projected Airline Cost per Enplanement

	Fiscal Years Ending June 30						
	Unaudited	Projected					
	2023	2024	2025	2026	2027	2028	2029
Landing Fees	$42,634,158	$52,186,868	$57,774,813	$64,995,739	$67,308,769	$71,329,867	$73,983,571
Aircraft Parking Fees	$9,516,261	$12,524,151	$13,816,234	$15,207,794	$15,723,234	$16,519,808	$17,038,335
Terminal Rents	139,739,835	156,575,651	158,236,464	178,554,798	197,067,125	249,038,780	284,753,699
Incentive Fees	(2,078,912)	(2,620,523)	(1,720,290)	-	-	-	-
Total Airline Revenue	**$189,811,342**	**$218,666,147**	**$228,107,222**	**$258,758,331**	**$280,099,128**	**$336,888,455**	**$375,775,605**
Enplanements	11,867,569	12,497,659	12,904,435	13,311,210	13,682,137	14,088,410	14,475,866
Cost Per Enplanement	**$15.99**	**$17.50**	**$17.68**	**$19.44**	**$20.47**	**$23.91**	**$25.96**

Source: Unison Consulting, Inc.

5.6.5 | 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 43. Under the low enplanement forecast scenario, the senior debt service coverage and subordinate debt service coverage will be at least 4.22 times and 2.19 times debt service, respectively, throughout the forecast period. The landing fee rate is projected to rise to a high of $4.87 (in FY2029), and the airline cost per enplanement is projected to increase to a high of $27.06 (in FY2029). 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 $101.5 million in FY2029.

[52] According to the FAA's CATS Report 127. The report states that data from 29 large hub commercial service airports was included.

Table 43 | Key Financial Projections for Sensitivity Analysis

	For Fiscal Years Ended June 30					
	2024	2025	2026	2027	2028	2029
Base Forecast						
Net Revenues	$254,676,069	$302,698,223	$322,779,142	$337,473,555	$389,117,905	$404,024,105
Debt Service Coverage						
Senior	27,288.40	582.87	67.01	119.81	5.65	4.26
Subordinate	2.47	3.11	2.67	2.40	2.30	2.22
Total	2.47	3.09	2.60	2.38	1.87	1.73
Landing Fee Rate	$3.78	$4.08	$4.45	$4.48	$4.62	$4.67
Airline Cost per Enplanement	$17.50	$17.68	$19.44	$20.47	$23.91	$25.96
PFC Fund Balance	$155,533,146	$207,393,209	$169,782,438	$151,280,333	$134,030,509	$117,982,910
Low Forecast						
Net Revenues	$249,865,575	$298,141,737	$318,448,868	$333,428,118	$385,188,340	$400,069,306
Debt Service Coverage						
Senior	26,772.96	574.09	66.11	118.37	5.60	4.22
Subordinate	2.42	3.06	2.63	2.37	2.27	2.19
Total	2.42	3.05	2.57	2.35	1.85	1.71
Landing Fee Rate	$4.04	$4.32	$4.69	$4.70	$4.82	$4.87
Airline Cost per Enplanement	$18.64	$18.71	$20.46	$21.44	$24.96	$27.06
PFC Fund Balance	$152,521,832	$201,504,394	$161,145,971	$140,033,533	$120,209,834	$101,541,212

Source: Unison Consulting, Inc.

5.7 | 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 5.65 and 4.26 times debt service in FY2028 and FY2029, respectively.
- Debt service coverage calculated according to the Subordinate Rate Covenant equaled 2.34 times debt service in FY2023 and is projected to equal at least 2.22 times debt service during the remainder of the forecast period.
- The airline CPE is projected to remain reasonable, remaining under $26.00 during the forecast period.
- PFC revenues are projected to increase from $49.5 million in FY2024 to $57.4 million in FY2029. The PFC fund balance is projected to increase from $106.3 million at the beginning of FY2024 to a high of $207.4 million in FY2025. Beginning in FY2026, the Airport Authority plans to apply PFCs to offset a portion of the annual debt service.

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 airline cost per enplanement is projected to reach a high of $27.06, and the PFC fund balance is projected to equal $101.5 million in FY2029.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

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SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2022 AND 2021

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SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2022 AND 2021

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FORV/S

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of the San Diego County Regional Airport Authority (Airport Authority), as of and for the years ended June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority, as of June 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Airport Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in *Note 13* to the financial statements, in fiscal year 2022 the Airport Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Additionally, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Airport Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

FORVIS, LLP

Dallas, Texas
November 1, 2022

Management's Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2022 and 2021

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. SDIA's users 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 (2020-2022)

The Airport Authority continued to be impacted by the COVID-19 pandemic through the current fiscal year, although increased demand for air travel has resulted in improved major activities. This followed the trend seen at most commercial airports across the country.

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

	FY 2022	FY 2021	FY 2020
Enplaned passengers	**9,953,162**	4,860,931	9,235,459
% change from prior year	**104.8%**	-47.4%	-25.3%
Total passengers	**19,830,645**	9,701,311	18,450,599
% change from prior year	**104.4%**	-47.4%	-25.3%
Aircraft operations	**190,491**	130,017	190,746
% change from prior year	**46.5%**	-31.8%	-16.4%
Freight and mail (in tons)	**151,160**	151,327	154,380
% change from prior year	**-0.1%**	-2.0%	-17.2%
Landed weight (in millions pounds)	**11,764**	7,780	12,053
% change from prior year	**51.2%**	-35.5%	-16.8%

Enplaned passenger traffic has continued to improve each month from the low in fiscal year 2020 caused by the COVID-19 pandemic, resulting in fiscal year 2022 ending higher than fiscal year 2021 by 104.8 percent. Looking ahead, it is expected SDIA's major activities will continue to recover. This is due in part because SDIA is an origin and destination airport and is not a hub for any airlines. Further, there is a balanced mixture of leisure and business travelers at SDIA. These factors generally add to the stability of SDIA enplanements in comparison to most airports.

FINANCIAL HIGHLIGHTS

For the fiscal year ended June 30, 2022, the Airport Authority adopted GASB Statement No. 87, *Leases* (GASB 87). Fiscal year 2021 has been restated for the adoption of GASB 87. See Note 14 of the basic financial statements. Fiscal year 2020 has not been restated because it is not presented in the basic financial statements.

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 3.7 percent in fiscal year 2020. Despite the negative effects of the pandemic, the Airport Authority was able to manage a modest increase of 0.4 percent in fiscal year 2021, due to the significant dollars received from federal relief grants and implementation of GASB 87. As traffic recovery from the pandemic progressed, net position in fiscal year 2022 increased 2.6 percent. The following is a summary of the statements of revenues, expenses, and changes in net position (in thousands):

	FY 2022	FY 2021	FY 2020
Operating revenues	**$ 319,254**	$ 223,974	$ 263,036
Operating expenses	**(291,233)**	(277,808)	(293,837)
Nonoperating revenues (expenses), net	**(17,503)**	43,762	58,493
Capital contributions and grants	**12,958**	13,932	4,072
Increase in net position	**23,476**	3,859	31,764
Net position, beginning of year	**888,925**	885,066	853,302
Net position, end of year	**$ 912,401**	$ 888,925	$ 885,066

Note: Fiscal year 2021 amounts have been restated for GASB 87

Operating Revenues (in thousands)

			From 2021 to 2022	
	FY 2022	FY 2021	Increase (Decrease)	% Change
Airline revenue:				
Landing fees	**$ 35,354**	$ 34,046	$ 1,308	3.8%
Aircraft parking fees	**8,856**	8,542	314	3.7%
Building rentals	**97,047**	83,090	13,957	16.8%
Other aviation revenue	**6,518**	8,192	(1,674)	(20.4%)
Total airline revenue	**147,775**	133,870	13,905	10.4%
Concession revenue	**88,138**	41,801	46,337	110.9%
Parking and ground transportation revenue	**57,076**	27,447	29,629	107.9%
Ground rentals	**23,265**	19,177	4,088	21.3%
Other operating revenue	**2,999**	1,680	1,319	78.5%
Total operating revenue	**$ 319,253**	$ 223,975	$ 95,278	42.5%

Note: Fiscal year 2021 amounts have been restated for GASB 87

	FY 2021	FY 2020	From 2020 to 2021 Increase (Decrease)	% Change
Airline revenue:				
Landing fees	$ 34,046	$ 33,242	$ 804	2.4%
Aircraft parking fees	8,542	8,354	188	2.3%
Building rentals	83,090	82,453	637	0.8%
Other aviation revenue	8,192	7,789	403	5.2%
Total airline revenue	133,870	131,838	2,032	1.5%
Concession revenue	41,801	57,243	(15,442)	(27.0%)
Parking and ground transportation revenue	27,447	50,751	(23,304)	(45.9%)
Ground rentals	19,177	21,386	(2,209)	(10.3%)
Other operating revenue	1,680	1,818	(138)	(7.6%)
Total operating revenue	$ 223,975	$ 263,036	$ (39,061)	(14.9%)

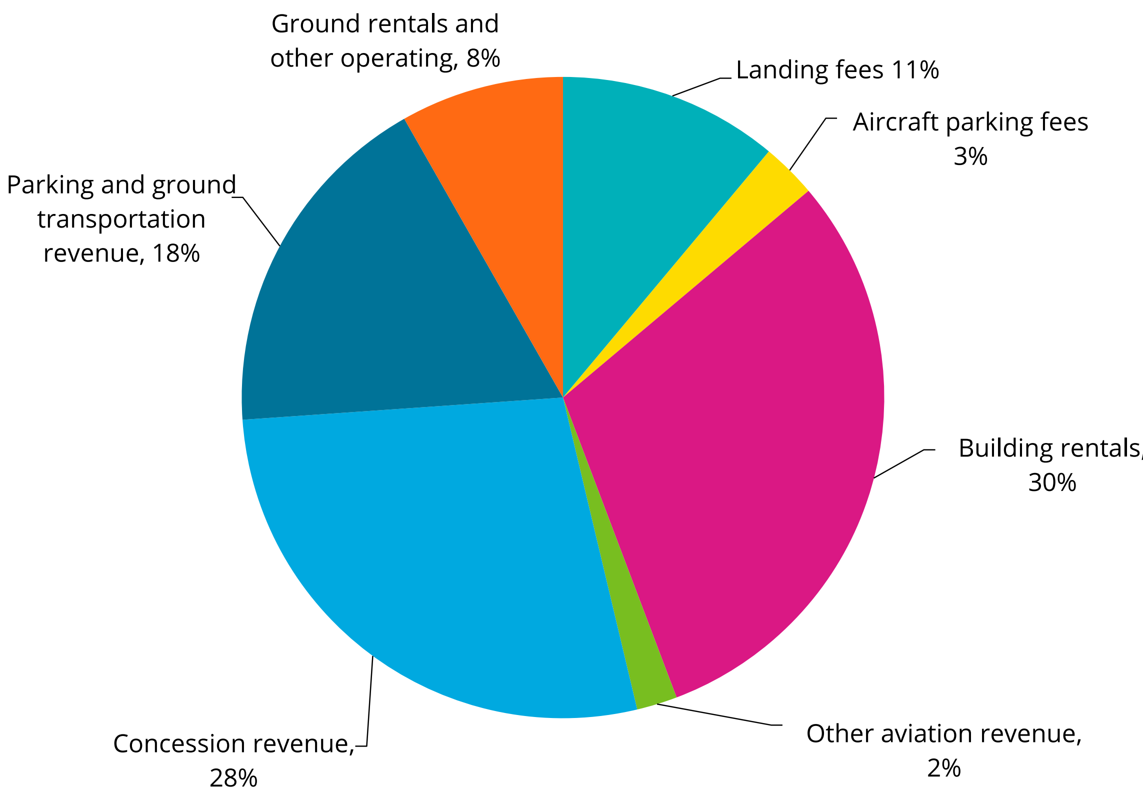
Note: Fiscal year 2021 amounts have been restated for GASB 87

Fiscal Year 2022 compared to 2021: Total airline revenues increased $13.9 million, or 10.4 percent, reflecting the cost recovery system for the airlines which was higher in fiscal year 2022, compared to 2021. Airline building rentals were the main driver, increasing $14.0 million, or 16.8 percent.

Concession revenue (terminal and rental car) increased by $46.3 million, or 110.9 percent, due to increased passenger flow throughout the terminals. Parking and ground transportation revenue increased $29.6 million, or 107.9 percent, due to the increased enplanements. Ground rentals revenue also saw an increase of $4.1 million, or 21.3 percent, driven by scheduled Consumer Price Index (CPI) rent increases, revenue recognized from reimbursements related to Hydrant Fueling projects under the fuel lease with SAN Fuel Company, LLC, and new cost recovery fees on the Airline Support Building (ASB) and Air Fuel Operations (AFO) facilities. Lastly, other operating revenue also increased $1.3 million, or 78.5 percent.

Fiscal Year 2021 compared to 2020: Total airline revenues increased by $2.0 million, or 1.5 percent, primarily due to increased cost recovery from the airlines in fiscal year 2021, which was a result of higher debt service and lower federal relief grants applied towards airlines cost centers, offset by a decrease in recoverable operating expenses. Landing fees increased $804 thousand or 2.4 percent. Aircraft parking fees increased $188 thousand or 2.3 percent. Building rentals increased by $637 thousand or 0.8 percent. Other aviation revenue increased by $403 thousand or 5.2 percent, primarily due to the Signatory air carriers paying the minimum guarantee required in the Airline Operating and Lease Agreement.

Concession revenue (terminal and rental car) decreased by $15.4 million or 27.0 percent. This is due to 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. This Board approved program primarily provided short-term abatement of monthly minimum annual guaranteed payments for tenants that satisfy the terms and conditions during the program. Decreases in concessions revenue were partially offset by the recognition of lease revenue as per GASB 87. Parking and ground transportation revenue decreased by $23.3 million or 45.9 percent, primarily due to lower enplanements. Ground rentals decreased by $2.2 million or 10.3 percent, primarily due to implementation of GASB 87. This was partially offset by scheduled CPI rent increases and revenue recognized from reimbursements related to Hydrant Fueling projects under the fuel lease with SAN Fuel Company, LLC.



Operating Expenses (in thousands)

	FY 2022	FY 2021	From 2021 to 2022 Increase (Decrease)	From 2021 to 2022 % Change
Salaries and benefits	**$ 46,373**	$ 52,922	$ (6,549)	(12.4%)
Contractual services	**34,491**	24,977	9,514	38.1%
Safety and security	**34,191**	35,086	(895)	(2.6%)
Space rental	**839**	64	775	1,210.9%
Utilities	**14,193**	11,730	2,463	21.0%
Maintenance	**10,747**	9,111	1,636	18.0%
Equipment and systems	**340**	425	(85)	(20.0%)
Materials and supplies	**496**	450	46	10.2%
Insurance	**1,741**	1,519	222	14.6%
Employee development and support	**537**	442	95	21.5%
Business development	**1,781**	209	1,572	752.2%
Equipment rentals and repairs	**3,585**	3,380	205	6.1%
Total operating expenses before depreciation and amortization	**149,314**	140,315	8,999	6.4%
Depreciation and amortization	**141,919**	137,496	4,423	3.2%
Total operating expense	**$ 291,233**	**$ 277,811**	$ 13,422	4.8%

Note: Fiscal year 2021 amounts have been restated for GASB 87

	FY 2021	FY 2020	From 2020 to 2021 Increase (Decrease)	From 2020 to 2021 % Change
Salaries and benefits	$ 52,922	$ 51,667	$ 1,255	2.4%
Contractual services	24,977	37,694	(12,717)	(33.7%)
Safety and security	35,086	29,457	5,629	19.1%
Space rental	64	10,207	(10,143)	(99.4%)
Utilities	11,730	12,748	(1,018)	(8.0%)
Maintenance	9,111	11,584	(2,473)	(21.3%)
Equipment and systems	425	336	89	26.5%
Materials and supplies	450	651	(201)	(30.9%)
Insurance	1,519	1,308	211	16.1%
Employee development and support	442	967	(525)	(54.3%)
Business development	209	2,033	(1,824)	(89.7%)
Equipment rentals and repairs	3,380	3,598	(218)	(6.1%)
Total operating expenses before depreciation and amortization	140,315	162,250	(21,935)	(13.5%)
Depreciation and amortization	137,496	131,587	5,909	4.5%
Total operating expense	$ 277,811	$ 293,837	$ (16,026)	(5.5%)

Note: Fiscal year 2021 amounts have been restated for GASB 87

Fiscal Year 2022 compared to 2021: Total fiscal year 2022 operating expenses increased by $13.4 million or 4.8 percent.

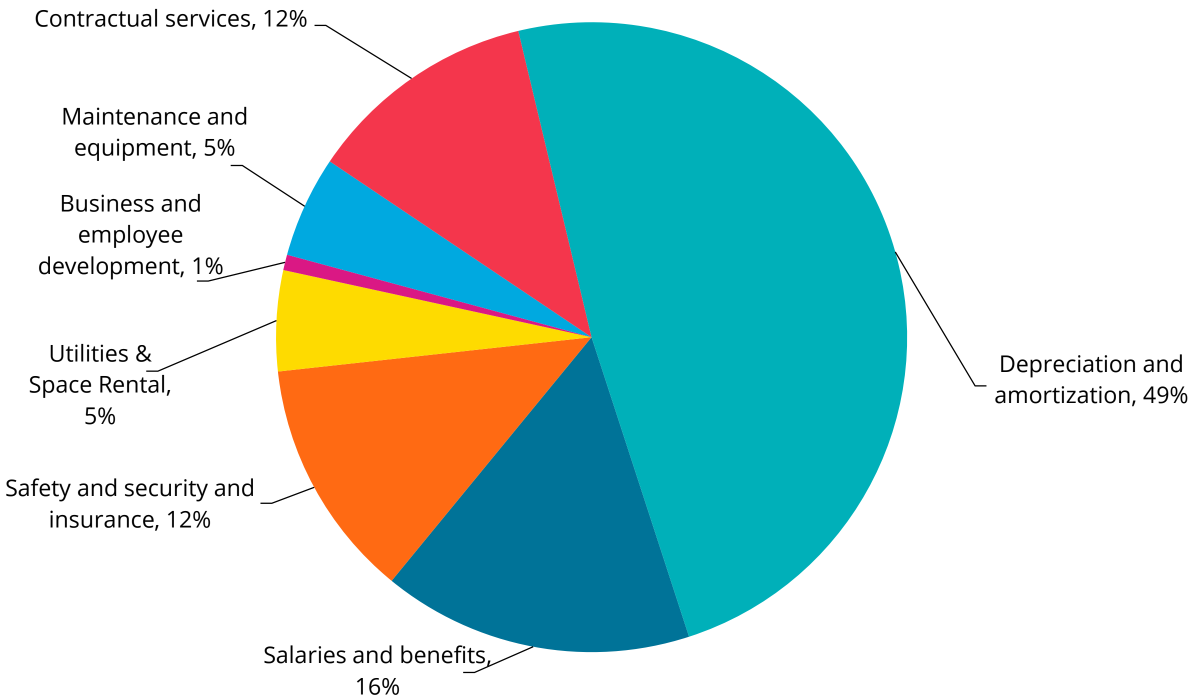
Contractual services increased by $9.5 million or 38.1 percent, primarily due to an increase in parking and shuttle operations and Rental Car Center (RCC) buses expenses due to increase in enplanements. Utilities increased by $2.4 million or 21 percent due to increased gas & electric usage and rates. Maintenance expenses increased by $1.6 million, or 18 percent, due to an increase in annual and major maintenance. Business Development increased by $1.5 million or 752.2 percent due to an increase in marketing and advertising costs.

Partially offsetting the increase in operating expenses described above, salaries and benefits, decreased by $6.5 million or 12.4 percent, primarily due to a $5.1 million decrease in retirement expense caused by investment gains on the pension and OPEB plan assets.

Fiscal Year 2021 compared to 2020: Total fiscal year 2021 operating expenses decreased by $16.0 million or 5.5 percent. The Airport Authority continued to operate under its Financial Resilience Plan that was activated in March 2020 and eliminated, delayed, or reduced non-essential operating expenditures.

Contractual services decreased by $12.7 million or 33.7 percent, mainly due to lower expenses in shuttle services, planning & environmental services, terminal operation services, legal services and IT services. Space Rental decreased by $10.1 million or 99.4 percent due to implementation of GASB 87. Utilities decreased by $1.0 million or 8.0 percent due to decreased gas & electric usage. Maintenance expenses decreased by $2.5 million, or 21.3 percent, due to a decrease in annual and major maintenance. Business Development decreased by $1.8 million or 89.7 percent due to a decrease in Airport Authority marketing and promotional activity expenses.

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



Nonoperating Revenues (Expenses) (in thousands)

			From 2021 to 2022	
	FY 2022	FY 2021	Increase (Decrease)	% Change
Passenger facility charges	**$ 40,394**	$ 22,110	$ 18,284	82.7%
Customer facility charges	**30,333**	15,755	14,578	92.5%
Federal Relief Grants	**78,922**	77,219	1,703	2.2%
Quieter Home Program, net	**(2,541)**	(3,233)	692	21.4%
Other interest income	**7,263**	6,748	515	7.6%
Investment income (loss)	**(48,884)**	2,495	(51,379)	(2,059.3%)
Interest expense, net	**(109,675)**	(76,628)	(33,047)	(43.1%)
Other nonoperating income (expenses)	**(13,316)**	(705)	(12,611)	(1,788.8%)
Nonoperating revenues (expenses), net	**$ (17,504)**	$ 43,761	$ (61,265)	(140.0%)

Note: Fiscal year 2021 amounts have been restated for GASB 87

	FY 2021	FY 2020	From 2020 to 2021 Increase (Decrease)	% Change
Passenger facility charges	$ 22,110	$ 34,393	$ (12,283)	(35.7%)
Customer facility charges	15,755	30,240	(14,485)	(47.9%)
Federal Relief Grants	77,219	36,895	40,324	109.3%
Quieter Home Program, net	(3,233)	(3,295)	62	1.9%
Other interest income	6,748	1,675	5,073	302.9%
Investment income (loss)	2,495	30,755	(28,260)	(91.9%)
Interest expense, net	(76,628)	(73,612)	(3,016)	(4.1%)
Other nonoperating income (expenses)	$ (705)	$ 1,442	(2,147)	(148.9%)
Nonoperating revenues (expenses), net	$ 43,761	$ 58,493	$ (14,732)	(25.2%)

Note: Fiscal year 2021 amounts have been restated for GASB 87

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

Federal Relief Grants include *Coronavirus Aid, Relief and Economic Security Act* (CARES Act) grants, *Coronavirus Response and Relief Supplemental Appropriation Act (*CRRSAA) and *American Rescue Plan Act* (ARPA) funds received from the federal government.

> CARES Act was approved by the United States Congress and signed into law on March 27, 2020, to address the crisis created by the COVID-19 pandemic and included direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Airport Authority was awarded $91.2 million in CARES Act grant funds and drew $54.3 million in fiscal year 2021 and $36.9 million in fiscal year 2020.
>
> CRRSAA was signed into law on December 27, 2020, and included nearly $2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease pandemic. The Airport Authority was awarded $22.9 million on March 26, 2021, and drew $2.7 million in fiscal year 2022 and $20.2 million in fiscal year 2021.

ARPA was signed into law on March 11, 2021, and included $8 billion in funds to be awarded as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the coronavirus disease pandemic. On August 10, 2021, the Airport Authority was awarded a $78.8 million ARPA grant, which was fully utilized in fiscal year 2022.

Quieter Home Program includes sound attenuation construction improvements at all eligible single-family and multi-family dwellings located in the Year 2020 65 dB Community Noise Equivalent Level contour. The project is eligible for the FAA's Airport Improvement Program (AIP) which awards grants for certain eligible Airport Authority expenditures. The $2.5 million of expenses represents the authority's cost, net of the grant funds utilized in FY22. From inception through the end of fiscal year 2022, the Airport Authority has spent $261.5 million and received reimbursement for $209.8 million.

Other Interest Income includes interest earned on lease receivables and notes receivable. For June 30, 2022 and 2021 other interest income was $7.3 million and $6.7 million, respectively.

Investment income (loss) is derived from interest earned by the Airport Authority on investments and includes unrealized gain (loss) on investments. For June 30, 2022 and 2021 Investment income (loss) was ($48.9) million and $2.5 million, respectively.

Interest expense includes interest paid and accrued on bonds, variable debt, and leases. For June 30, 2022 and 2021 interest expense was $109.7 million and $76.6 million, respectively. The increase is due to 2021 bonds that were issued in December 2021 to fund construction of the New Terminal 1.

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 2022 compared to 2021: Nonoperating revenues (net) decreased by $61.3 million or 140.0 percent. The increases in PFCs and CFCs are due to an increase in enplaned passengers. PFCs increased by $18.3 million or 82.7 percent, and CFCs increased by $14.6 million or 92.5 percent. Investment income (loss) decreased by $51.4 million or 2,059.3 percent. The decrease is due to unrealized loss on investments of $61.3 million as market yields increased significantly decreasing the market value of fixed rate securities held by the Authority. The unrealized loss was offset partially by increased interest earnings due to higher yields and larger investment balances. Other nonoperating income (expenses) decreased by $12.6 million or 1,788.8 percent, due to the loss on fixed asset disposals, caused by the demolition of various fixed asset necessary for the construction of the New Terminal 1.

Fiscal year 2021 compared to 2020: Nonoperating revenues (net) decreased by $14.7 million or 25.2 percent. The increase in Federal Relief Grant in fiscal year 2021 was $40.3 million or 109.3 percent. The increase in federal relief grant income was partially offset by decreases in PFCs and CFCs due to reduced enplaned passengers caused by the pandemic. PFCs decreased by $12.3 million or 35.7 percent, and CFCs decreased by $14.5 million or 47.9 percent. Other interest income increased by $5,073 or 302.9 percent due to the adoption of GASB 87 which requires lessors to recognize interest income. Investment income decreased by $28.3 million or 91.5 percent, this was caused by a combination of lower yields on investments that resulted in a $6.2 million decrease in interest income and $22.1 million reversal of prior years' unrealized gains due to market fluctuations. Other nonoperating income (expenses) decreased by $2.1 million or 148.9 percent, primarily due to legal settlement income received in fiscal year 2020.

Federal Grant Contributions (in thousands)

			From 2021 to 2022	
	FY 2022	FY 2021	Increase (Decrease)	% Change
Federal grants	**$ 12,958**	$ 13,932	$ (974)	(7.0%)

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

Federal Grant Contributions are comprised of Airport Improvement Project (AIP) entitlement and discretionary grants through the Federal Aviation Administration (FAA) and other Federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. In fiscal year 2021, federal grant contributions increased by $9.9 million, or 242.1 percent compared to fiscal year 2020, due to an increase in federally funded project costs.

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 and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2020, 2021 and 2022, is as follows:

	FY 2022	FY 2021	FY 2020
Assets and Deferred Outflows of Resources			
Current assets	**$ 477,126**	$ 423,942	$ 349,617
Capital and lease assets, net	**2,283,739**	2,063,223	1,788,601
Noncurrent assets	**2,593,804**	782,615	773,751
Total assets	**5,354,669**	3,269,780	2,911,969
Deferred outflows of resources	**22,390**	33,471	22,761
Total assets and deferred outflows of resources	**5,377,059**	3,303,251	2,934,730
Liabilities and Deferred Inflows of Resources			
Current liabilities	**252,815**	157,363	162,269
Long-term liabilities	**4,001,676**	2,080,490	1,875,514
Total liabilities	**4,254,491**	2,237,853	2,037,783
Deferred inflows of resources	**210,167**	176,474	11,881
Total liabilities and deferred inflows of resources	**4,464,658**	2,414,327	2,049,665
Net Position			
Net investment in capital assets	**418,349**	324,926	266,213
Restricted	**176,638**	192,484	211,329
Unrestricted	**317,414**	371,514	407,524
Total net position	**$ 912,401**	$ 888,924	$ 885,066

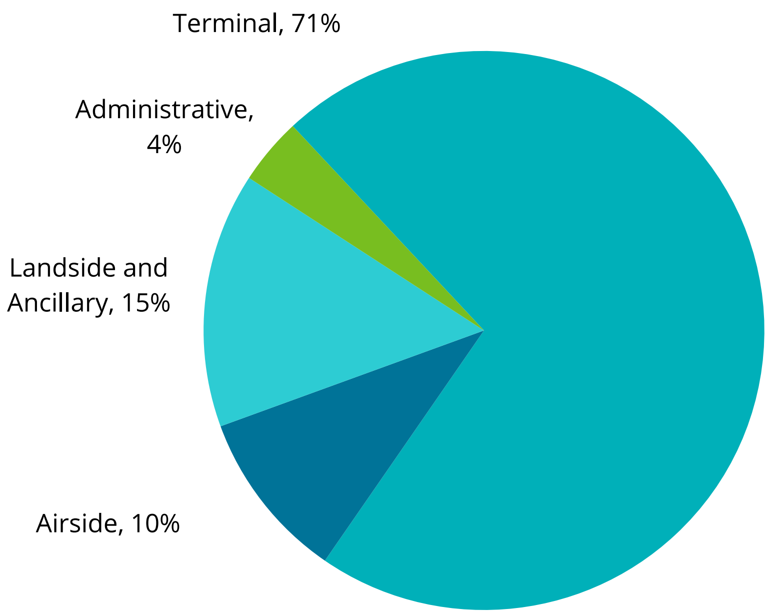
Note: Fiscal year 2021 amounts have been restated for GASB 87

As of June 30, 2022, the Airport Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $912.4 million. This reflects a $23.5 million or 2.6 percent increase in net position from June 30, 2021. The Airport Authority uses capital and lease 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 and lease 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 $317.4 million as of June 30, 2022, may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2022, 2021 and 2020, management has designated unrestricted funds in the amount of $16.2 million, $22.5 million, and $43.4 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake self-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 2027, consists of $382 million for airside projects, $558 million for landside and ancillary projects, $2.8 billion for terminal projects, which includes the replacement of Terminal 1, and $150 million for administrative projects.

Capital Program Projects by Type



Additional information of the Airport Authority's capital and lease assets can be found in Note 5 of the financial statements.

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

The Senior Series 2013 Bonds were refunded and defeased on December 8, 2021, upon the issuance of the Subordinate Series C 2021 bonds. As of June 30, 2022, the Airport Authority does not have any outstanding Series 2013 Bonds.

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, 2022, amounted to $15.6 million, including accrued interest of $7.8 million. As of June 30, 2022, the principal balance on the Series 2014 Bonds was $282.0 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, 2022, amounted to $13.6 million, including accrued interest of $6.8 million. As of June 30, 2022, the principal balance on the Series 2017 was $271.9 million.

On December 11, 2019, the Airport Authority issued $338.8 million of Series A Subordinate Airport Revenue and Revenue Refunding Bonds and $124.9 million of Series B Subordinate Airport Revenue Bonds (Series 2019 Bonds). The Subordinate Series 2019 Bonds were issued to finance certain capital improvements at SDIA including a new facilities maintenance building and storm water capture and reuse projects, fund a portion of the interest accruing on the subordinate Series 2019 Bonds, refund $34.3 million of the Airport Authority's outstanding variable rate debt, fund the Series 2010C Escrow account to refund the 2010C bonds, fund the subordinate reserve fund, and pay the costs of issuance of the subordinate Series 2017 Bonds. The Series 2019 Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.00 percent to 5.00 percent and mature in fiscal years 2021 to 2050. The bonds were issued at a premium of $96.9 million, which is being amortized over the life of the bonds. Interest on the Series 2019 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal year ended June 30, 2022, amounted to $22.1 million, including accrued interest of $11.1 million. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2022, was $459 million.

The Airport Authority issued $241.6 million of Series A, B and C Subordinate Airport Revenue Refunding Bonds (Series 2020 Bonds). The Authority entered into a Forward Delivery Purchase Contract on December 11, 2019, and delivered the 2020 Bonds Proceeds on April 8, 2020. Proceeds from the sale of the 2020 Bonds were used to fund the Series 2010 A and B Bonds escrow accounts to refund the 2010 A/B bonds and pay the costs of issuance of the subordinate Series 2020 Bonds. The Series 2020 Bonds are structured as serial bonds that bear interest rates of 5.00 percent and mature in fiscal years 2021 to 2041. The bonds were issued at a premium of $49.4 million, which is being amortized over the life of the bonds. Interest on the Series 2020 Bonds is payable semiannually on January 1 and July 1 of each year. Interest for the fiscal year ended June 30, 2022, amounted to $11.5 million, including accrued interest of $5.8 million. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2022, was $227 million.

On December 8, 2021, the Airport Authority issued $1,941.7M of Series A, B and C Subordinate Airport Revenue Bonds (Series 2021 Bonds). The Subordinate Series 2021 Bonds were issued to finance The New Terminal 1 development at SDIA, fund a portion of the interest accruing on the subordinate Series 2021 Bonds, fund the subordinate reserve fund, pay the costs of issuance of the subordinate Series 2021 Bonds and to refund the 2013 Series A and B bonds. The Series 2021 A and B Bonds are structured as serial and term bonds that bear interest at rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2027 to 2057 and were issued at a premium of $332.4 million, which is being amortized over the life of the bonds. The Series 2021 C Bonds are federally Taxable Bonds and are structured as serial and term bonds that bear interest at rates ranging from .45 percent to 3.1percent and mature in fiscal years 2023 to 2037. Interest on the Subordinate Series 2021 Bonds is payable semiannually on January 1 and July 1, of each year. Interest for the fiscal year ended June 30, 2022, amounted to $46.3 million, including accrued interest of $46.3 million. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2022, was $1,941.7 million.

Interest expense on the Series 2013, 2014, 2017, 2019, 2020 and 2021 Bonds for fiscal years ended June 30, 2022, and June 30, 2021, of $116.3 million and $81.7 million, respectively, was offset by bond premium amortization of $21.6 million in fiscal year 2022 and $14.1 million in fiscal year 2021.

The Airport Authority leases properties from various third parties and use that space to conduct its operations, the terms of which expire 2022 through 2072. The measurement of the lease payable is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee. Incremental Borrowing Rates of 1.068 percent to 3.826 percent were used by The Airport Authority to measure lease payables. Liabilities recorded under lease contracts during the years ended June 30, 2022, and 2021, were $232.4 million and $235.8 million, respectively, which includes both principal and interest.

On July 19, 2021, The Airport Authority and Bank of America agreed to a Revolving Credit Agreement. The Airport Authority is authorized to issue up to $200.0 million in Subordinate Revolving Obligations. The revolving credit agreement is for a term of three (3) years. At the end of FY 2022, the Airport Authority had $80.1 million in aggregate principal of Subordinate Revolving Obligations outstanding. These obligations were used to finance the New T1. Obligations incurred under the Revolving Credit Agreement 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

Additional information of the Airport Authority’s long-term debt can be found in Note 6 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 $83.4 million in grant awards for the federal fiscal year ended September 30, 2022, as compared to $131.6 million for 2021. 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) 400-2806. A copy of the financial report is available at www.san.org

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Financial Statements

Statements of Net Position

June 30, 2022 and 2021

Assets and Deferred Outflows of Resources	2022	2021 as restated
Current Assets		
Unrestricted:		
Cash and cash equivalents (Note 2)	$ 10,560,677	$ 40,910,033
Investments (Note 2)	238,734,707	241,485,681
Tenant receivables, net	12,087,092	23,041,393
Grants receivable	25,461,356	7,665,691
Lease receivables, current portion (Note 3)	25,256,727	6,285,853
Note receivable, current portion (Note 4)	4,766,887	2,243,644
Other current assets	9,909,877	9,119,154
Total unrestricted current assets	**326,777,323**	330,751,449
Restricted cash, cash equivalents and investments with trustees (Notes 2 and 6)	150,348,859	93,190,368
Total current assets	**477,126,182**	423,941,817
Noncurrent Assets		
Restricted assets (Notes 2 and 6):		
Restricted cash, cash equivalents and investments not with trustees	154,568,287	142,401,039
Restricted cash, cash equivalents and investments with trustees (Note 2)	2,025,521,963	338,135,700
Passenger facility charges receivable (Note 1)	4,185,454	5,762,062
Customer facility charges receivable (Note 1)	2,884,858	2,384,282
Other restricted assets	3,999,762	5,075,108
Total restricted assets	**2,191,160,324**	493,758,191
Other noncurrent assets:		
Investments, noncurrent (Note 2)	141,423,628	39,904,555
Lease receivables, long-term portion (Note 3)	168,039,778	175,421,407
Note receivable, long-term portion (Note 4)	29,378,094	24,965,223
Cash and cash equivalents designated for specific capital projects and other commitments (Note 2)	50,449,426	46,916,337
Net pension asset (Note 7)	8,995,046	-
Net OPEB asset (Note 10)	4,357,476	1,649,215
Total other noncurrent assets	**402,643,448**	288,856,737
Capital and lease assets (Note 5):		
Land, land improvements and nondepreciable assets/leases	182,279,198	185,938,344
Buildings and structures	1,823,469,725	1,886,207,510
Lease assets	238,303,897	238,303,897
Machinery and equipment	124,708,399	122,982,559
Runways, roads and parking lots	637,019,738	719,974,821
Construction in progress	578,124,720	248,538,868
	3,583,905,677	3,401,945,999
Less accumulated depreciation and amortization	(1,300,166,545)	(1,338,722,967)
Capital and lease assets, net	2,283,739,132	2,063,223,032
Total noncurrent assets	**4,877,542,904**	2,845,837,960
Total assets	**5,354,669,086**	3,269,779,777
Deferred outflows of resources:		
Pensions (Note 7 and 8)	18,137,274	31,657,453
OPEB (Note 10)	4,252,768	1,813,895
Total deferred outflows of resources	**22,390,042**	33,471,348
Total assets and deferred outflows of resources	**5,377,059,128**	3,303,251,125

See Notes to Financial Statements. (Continued)

Statements of Net Position (continued)
June 30, 2022 and 2021

Liabilities, Deferred Inflows of Resources and Net Position	2022	2021 as restated
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	**7,326,129**	6,671,722
Accrued liabilities	**45,972,090**	44,766,956
Compensated absences, current portion (Note 6)	**3,264,966**	2,538,532
Other current liabilities	**17,029,533**	6,487,256
Lease liabilities, current portion (Note 6)	**3,471,838**	3,384,956
Long-term debt, current portion (Note 6)	**354,139**	323,293
Total payable from unrestricted assets	**77,418,695**	64,172,715
Payable from restricted assets:		
Accounts payable	**17,466,214**	11,726,364
Accrued liabilities	**39,743,912**	4,096,308
Long-term debt, current portion (Note 6)	**40,360,000**	36,720,000
Accrued interest on variable rate debt and bonds (Note 6)	**77,826,260**	40,847,696
Total payable from restricted assets	**175,396,386**	93,390,368
Total current liabilities	**252,815,081**	157,563,083
Long-Term Liabilities		
Compensated absences, net of current portion (Note 6)	**1,789,112**	2,223,411
Other noncurrent liabilities	**55,458,074**	4,426,245
Lease liabilities, long-term portion (Note 6)	**228,947,243**	232,419,082
Long-term debt, net of current portion (Note 6)	**3,713,108,235**	1,804,756,565
Net pension liability (Note 7 and 8)	**2,373,440**	36,464,210
Total long-term liabilities	**4,001,676,104**	2,080,289,513
Total liabilities	**4,254,491,185**	2,237,852,596
Deferred inflows of resources		
Pensions (Note 7 and 8)	**27,258,294**	2,266,382
OPEB (Note 10)	**4,901,161**	890,973
Gain on refunding	**9,943,477**	3,868,146
Leases (Note 3)	**168,064,374**	169,448,031
Total deferred inflows of resources	**210,167,306**	176,473,532
Total liabilities and deferred inflows of resources	**4,464,658,491**	2,414,326,128
Net Position		
Net investment in capital assets	**418,348,504**	324,926,477
Restricted:		
Debt Service	**48,292,097**	83,213,762
Construction	**93,634,418**	86,078,848
Pension	**8,995,046**	-
OPEB	**4,357,476**	1,649,215
Operation and maintenance expenses	**15,136,888**	14,245,003
Small business bond guarantee	**2,222,300**	2,222,300
OCIP loss reserve	**3,999,762**	5,075,108
Total restricted net position	**176,637,987**	192,484,236
Unrestricted net position	**317,414,146**	371,514,284
Total net position	**$ 912,400,637**	$ 888,924,997

See Notes to Financial Statements.

Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2022 and 2021

	2022	2021 as restated
Operating revenues:		
Airline revenue:		
Landing fees	$ 35,354,215	$ 34,046,302
Aircraft parking fees	8,855,947	8,541,663
Building rentals	97,046,860	83,090,211
Other aviation revenue	6,518,253	8,191,525
Concession revenue	88,138,271	41,801,386
Parking and ground transportation revenue	57,075,628	27,446,678
Ground and non-airline terminal rentals	23,265,430	19,176,623
Other operating revenue	2,999,290	1,679,512
Total operating revenues	319,253,894	223,973,900
Operating expenses before depreciation and amortization:		
Salaries and benefits (Notes 6, 7, 8 and 9)	46,373,068	52,922,357
Contractual services (Note 13)	34,490,679	24,976,596
Safety and security	34,190,686	35,085,809
Space rental	839,337	63,790
Utilities	14,193,387	11,729,710
Maintenance	10,746,604	9,110,600
Equipment and systems	339,942	424,501
Materials and supplies	496,452	449,999
Insurance	1,740,603	1,518,538
Employee development and support	537,388	441,883
Business development	1,781,323	208,729
Equipment rentals and repairs	3,584,990	3,380,120
Total operating expenses before depreciation and amortization	149,314,459	140,312,632
Income from operations before depreciation and amortization	169,939,435	83,661,268
Depreciation and amortization expense	141,918,773	137,495,515
Operating income (loss)	$ 28,020,662	$ (53,834,247)

See Notes to Financial Statements. (Continued)

Statements of Revenues, Expenses and Changes in Net Position (Continued)
For the Fiscal Years Ended June 30, 2022 and 2021

	2022	2021 as restated
Nonoperating revenues (expenses):		
Passenger facility charges	**$ 40,394,092**	$ 22,109,906
Customer facility charges	**30,333,350**	15,755,254
Federal relief grants	**78,922,308**	77,218,785
Quieter Home Program grant revenue (Note 1)	**14,392,766**	12,292,767
Quieter Home Program expenses (Note 1)	**(16,934,242)**	(15,525,647)
Other Interest Income	**7,263,175**	6,748,239
Investment income (loss)	**(48,883,996)**	2,494,962
Interest expense (Note 6)	**(109,675,241)**	(76,627,532)
Other revenues (expenses), net	**(13,315,574)**	(704,896)
Nonoperating revenues (expenses), net	**(17,503,362)**	43,761,838
Income (loss) before federal grants	**10,517,300**	(10,072,409)
Federal grants (Note 1)	**12,958,340**	13,931,737
Change in net position	**23,475,640**	3,859,328
Net position, beginning of year	**888,924,997**	885,065,669
Net position, end of year	**$ 912,400,637**	$ 888,924,997

See Notes to Financial Statements.

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2022 and 2021

	2022	2021 as restated
Cash Flows From Operating Activities		
Receipts from customers	**$ 324,778,280**	$ 207,566,897
Payments to suppliers	**(107,183,225)**	(77,488,153)
Payments to employees	**(48,787,730)**	(48,665,422)
Other receipts (payments)	**2,996,459**	1,681,213
Net cash provided by operating activities	**171,803,785**	83,094,535
Cash Flows From Noncapital Financing Activities		
Misc nonoperating receipts (payments)	**163,686**	(704,896)
Quieter Home Program grant receipts	**11,723,416**	16,387,129
Quieter Home Program payments	**(16,934,242)**	(15,525,647)
Net cash provided by (used in) noncapital financing activities	**(5,047,139)**	156,586
Cash Flows From Capital and Related Financing Activities		
Capital outlay	**(283,494,854)**	(193,518,799)
Proceeds from variable debt	**80,100,000**	-
Other interest income	**7,263,176**	6,748,240
Federal grants received (excluding Quieter Home Program)	**76,754,333**	104,857,732
Proceeds from passenger facility charges	**41,970,700**	16,776,532
Proceeds from customer facility charges	**29,832,774**	14,506,299
Payment of principal on bonds and commercial paper	**(389,230,000)**	(31,560,000)
Proceeds from issuance of Series 2020 Bonds	**2,274,125,831**	-
Payment on note payable	**(323,293)**	(295,134)
Interest and debt fees paid	**(119,271,369)**	(89,746,146)
Net cash provided by (used in) capital and related financing activities	**1,717,727,297**	(172,231,276)
Cash Flows From Investing Activities		
Sales and maturities of investments	**2,703,087,078**	359,672,049
Purchases of investments	**(4,619,871,044)**	(297,741,464)
Interest received on investments and note receivable	**12,419,871**	11,790,929
Principal payments received on notes receivable	**(6,936,114)**	2,123,843
Net cash provided by (used in) investing activities	**(1,911,300,209)**	75,845,357
Net decrease in cash and cash equivalents	**(26,816,267)**	(13,134,799)
Cash and cash equivalents, beginning of year	**87,826,370**	100,961,169
Cash and cash equivalents, end of year	**$ 61,010,103**	$ 87,826,370

See Notes to Financial Statements. (Continued)

Statements of Cash Flows (Continued)
For the Fiscal Years Ended June 30, 2022 and 2021

	2022	2021 as restated
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Unrestricted cash and cash equivalents	$ 10,560,677	$ 40,910,033
Cash and cash equivalents designated for specific capital projects and other commitments	50,449,426	46,916,337
Total cash and cash equivalents	$ 61,010,103	$ 87,826,370
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	$ 28,020,662	$ (53,834,247)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	141,918,773	137,495,515
Change in pensions/OPEB liability/asset	(45,794,077)	19,222,755
Change in deferred outflows related to pensions/OPEB	11,081,306	(10,710,028)
Change in deferred inflows related to pensions/OPEB	29,002,100	(4,652,326)
Changes in assets and liabilities:		
Receivables, net	10,954,300	(215,182)
Other assets	284,624	541,863
Accounts payable	654,407	(4,472,588)
Accrued liabilities	1,205,133	13,557,722
Compensated absences	292,136	673,359
Lease receivables	(11,589,245)	4,067,252
Other liabilities	5,773,665	(18,579,561)
Net cash provided by operating activities	$ 171,803,785	$ 83,094,534
Noncash investing, Capital and Financing Activities		
Additions to capital assets included in accounts payable	$ 17,466,214	$ 11,726,364
Unrealized gain (loss) on investments	(61,303,866)	9,295,969

See Notes to Financial Statements.

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Notes to Financial Statements

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

Tenant receivables: Tenant 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 receivables are written off when deemed uncollectible. Recoveries of tenant receivables previously written off are recorded when received.

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

Airport Improvement Program (AIP) 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, 2022 and 2021, the Airport Authority recovered $13.0 million and $14.0 million, respectively, for approved capital projects; and $14.4 million and $12.3 million, respectively, for the Quieter Home Program.

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

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

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

ARPA: The *American Rescue Plan Act of 2021* (ARPA) was signed into law on March 11, 2021 and includes $8 billion in funds to be awarded as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the coronavirus disease pandemic. To distribute these funds, the FAA has established the *Airport Rescue Grants* to make grants to all airports that are part of the national airport system, including all commercial service airports, all reliever airports, and some public-owned general aviation airports. The Airport Authority was awarded $78.8 million on August 10, 2021. For the fiscal year ended June 30, 2022, the Airport Authority drew $78.8 million.

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

In accordance with the program, PFC revenue must be used to pay allowable costs for approved capital projects, contribute to the Airport Authority's noise mitigation (Quieter Home Program), or to repay debt service issued to build eligible capital projects. As of June 30, 2022 and 2021, accrued PFC receivables totaled $4.2 million and $5.8 million respectively, and there were $61.4 million and $51.2 million PFC amounts collected but not yet applied for approved capital projects as of June 30, 2022 and 2021, respectively.

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

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

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

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

The current CFC rate, which has been in effect since January 1, 2017, is $9.00 per day for a maximum of five days. As of June 30, 2022 and 2021, accrued CFC receivables totaled $2.9 million and $2.4 million, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2022 and 2021, were $25.2 million, and $26.3 million, 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. Deferred outflows of resources represent a consumption of net assets that applies to future periods and deferred inflows of resources represent an acquisition of net assets that applies to future periods, and as such will not be recognized as flows of resources (expenses/revenues) until then.

- Employer Contributions – Pensions and OPEB– These contributions are those made after the measurement date through the fiscal year end (July 1st – June 30th) resulting in a cash outlay not yet recognized under GASB 68 or GASB 75. This amount is deferred and recognized in the following fiscal year. This item is presented as a deferred outflow of resources.
- Investment difference – Pensions and OPEB – These amounts represent the difference in projected and actual earnings on pension/OPEB plan assets. These differences are deferred and amortized over a closed five-year period. This item can be presented as both a deferred outflow and deferred inflow of resources and is combined annually as a single net unamortized balance.
- Experience difference – Pensions and OPEB – These amounts represent the difference in expected and actual pension/OPEB experience. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.
- Assumption changes – Pensions and OPEB – These amounts represent the difference resulting from a change in assumptions used to measure the underlying net pension/OPEB liability/asset. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.
- Debt Refunding - These amounts represent the gain or loss from the refunding of debt. These differences are deferred and recognized as interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. This item can be presented as both a deferred outflow and deferred inflow of resources but may not be shown net if there are unamortized balances for categories.
- Leases – Represents the initial value of lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease.

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

The Airport Authority capitalizes incremental overhead costs 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.

Lease assets are initially recorded as the sum of 1) the amount of the initial measurement of the lease liability, 2) lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, 3) initial direct costs that are ancillary charges necessary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying asset.

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

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

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

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

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

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.

Other noncurrent liabilities: The Airport Authority's other noncurrent liabilities consists primarily of unearned revenue. In June 2020, the Airport Authority entered into an agreement with San Fuel Company, LLC, whereby SAN Fuel would pay the Airport Authority for the construction of portions of the new hydrant fueling system. These payments have been determined to represent advanced lease payments (deferred revenue) that will be recognized over the 30-year term of the lease agreement.

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 and lease assets, net of accumulated depreciation and amortization, 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.

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

The Airport Authority's net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Airport Authority or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Unrestricted net position as of June 30, 2022 and 2021 includes designations of net position that represent tentative management plans that are subject to change, consisting of:

	2022	2021
Operating contingency	**$ 2,000,000**	$ 2,000,000
Insurance contingency	**13,121,946**	12,403,950
Capital projects and other commitments	**1,068,502**	8,090,304
Total designated net position	**$ 16,190,448**	$ 22,494,254

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:

	2022	2021
Southwest Airlines	**34.1%**	33.5%
Alaska Airlines	**17.5%**	16.6%
United Airlines	**13.1%**	12.3%
American Airlines	**12.4%**	15.8%
Delta Airlines	**12.4%**	11.7%

Defined Benefit Pension Plan: The Airport Authority has a single-employer defined benefit pension plan (Plan) administered through 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)

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

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

Accounting pronouncements adopted: The Airport Authority has adopted and implemented the following GASB statements during the year ended June 30, 2022:

GASB Statement No. 87, *Leases*, effective for the Airport Authority's year ended June 30, 2022.

GASB Statement No. 92, *Omnibus 2020*, effective for the Airport Authority's year ended June 30, 2022.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the Airport Authority's year ended June 30, 2022.

Implementation of Statement No. 87 resulted in a restatement of the financial statements for the fiscal year ended June 30, 2021. Details of the restated balances are provided in Note 13.

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. 91, *Conduit Debt Obligations*, effective for the Airport Authority's year ending June 30, 2023.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Arrangements*, effective for the Airport Authority's year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the Airport Authority's year ending June 30, 2023.

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

GASB Statement No. 99, *Omnibus* 2022, effective for the Airport Authority's years ending June 30, 2023, and June 30, 2024.

GASB Statement No. 100, *Accounting Changes and Error Corrections,* effective for the Airport Authority's year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*, effective for the Airport Authority's year ending June 30, 2025.

Reclassifications: Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation. The reclassifications had no effect on the changes in net position.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

	2022	2021
Unrestricted and Undesignated:		
Cash and cash equivalents	**$ 10,560,677**	$ 40,910,032
Current investments	**238,734,707**	241,485,681
Noncurrent investments	**141,423,628**	39,904,555
Total unrestricted and undesignated	**390,719,012**	322,300,268
Designated for specific capital projects and other commitments: cash and cash equivalents	**50,449,426**	46,916,337
Restricted:		
Current cash, cash equivalents and investments, with trustees	**150,348,859**	93,190,368
Noncurrent cash, cash equivalents and investments, not with trustees	**154,568,287**	142,401,039
Noncurrent cash, cash equivalents and investments, with trustees	**2,025,521,963**	338,135,700
Total restricted cash, cash equivalents and investments	**2,330,439,108**	573,727,107
Total cash, cash equivalents and investments	**$ 2,771,607,546**	$ 942,943,712

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

	2022	2021
Restricted cash, cash equivalents and investments:		
Bond reserves:		
Operation and maintenance reserve subaccount	**$ 45,410,666**	$ 42,735,010
Operation and maintenance subaccount	**15,136,888**	14,245,003
Renewal and replacement account	**5,400,000**	5,400,000
Total bonds reserves	**65,947,554**	62,380,013
Passenger facility charges unapplied	**61,379,099**	51,233,055
Customer facility charges unapplied	**25,185,007**	26,699,449
Small business development bond guarantee	**2,222,300**	2,222,300
2010 Series debt service reserve fund	**-**	3
2013 Series construction fund	**-**	88
2013 Series debt service account	**163**	17,157,962
2013 Series debt service reserve fund	**38,018**	34,307,365
2014 Renew and Replace	**11,674,803**	9,428,461
2014 Rolling coverage fund	**7,217,003**	7,170,595
2014 Series construction fund	**-**	2,849
2014 Series debt service account	**14,065,605**	14,156,186
2014 Series debt service reserve fund	**22,143,752**	22,305,313
2017 Series construction fund	**-**	478,586
2017 Series debt service account	**12,125,293**	12,241,130
2017 Series debt service reserve fund	**14,759,099**	14,897,086
2019 Series CAP Interest Fund	**2,164,375**	6,797,250
2019 Series Construction Fund	**87,809,097**	199,855,484
2019 Series Debt Services Account	**13,318,441**	12,275,954
2019 Series Debt Services Reserve Fund	**29,230,025**	29,607,536
2020 Series Debt Services	**20,206,542**	20,095,216
2020 Series Debt Services Reserve Fund	**30,032,139**	30,415,228
2021 Series CAP Interest Fund	**241,585,184**	-
2021 Series Construction Fund	**1,544,293,820**	-
2021 Series Cost of Issuance	**21,961**	-
2021 Series Debt Services Reserve Fund	**108,528,789**	-
2021 Series Revolving Construction Fund	**993,764**	-
2021Series Debt Services Account	**15,497,275**	-
Total restricted cash, cash equivalents and investments	**$ 2,330,439,108**	$ 573,727,107

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

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

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

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
Non-U.S. Securities	5 years	AA	30 percent	10 percent
Bankers' acceptances	180 days	AAA/Aaa	40 percent	5 percent
Commercial paper	270 days	A-1; P-1; F-1	25 percent	5 percent
Negotiable certificates of deposit	5 years	A	30 percent	5 percent
Medium-term notes	5 years	A	20 percent	5 percent
Money market mutual funds	N/A	AAA/Aaa	20 percent	5 percent
Repurchase agreements	1 year	A	None	None
Local Agency Investment Fund	N/A	N/A	None	$75 million
San Diego County Investment Pool	N/A	N/A	None	$75 million
Local Government Investment Pool	N/A	N/A	None	$75 million
U.S. State and California agency indebtedness	5 years	A	20 percent	5 percent
Placement service certificates of deposits	3 years	N/A	30 percent	5 percent
Time certificates of deposit	3 years	*	20 percent	5 percent
Bank deposits	N/A	*	None	None
Asset-Backed Securities	5 years	AA	10 Percent	5 percent
Mortgage Backed Securities	5 years	AA	10 Percent	5 percent
Mortgage Pass-through Securities	5 years	AA	10 Percent	5 percent
Collaterallized Mortgage Obligation	5 years	AA	10 Percent	5 percent

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

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

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

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.

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

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

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

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

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

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

NOTE 2. CASH, CASH EQUIVALENTS 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:

	2022				
		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	$ 231,211,065	57,730,410	27,133,119	146,347,536	AA+
U.S. Agency securities	97,162,627	27,422,110	51,463,229	18,277,289	AA+
Non-U.S. Securities	5,197,610	-	-	5,197,610	AAA
Non-U.S. Securities	9,139,850	-	-	9,139,850	A
Medium-term notes	11,629,780	3,894,940	4,754,000	2,980,840	AA
Medium-term notes	17,067,595	4,982,730	3,997,440	8,087,425	A+
Medium-term notes	30,961,940	5,498,750	10,962,010	14,501,180	A
Medium-term notes	1,878,420	-	-	1,878,420	A-
Medium-term notes	5,988,440	1,988,440	-	4,000,000	AA+
Medium-term notes	5,682,140	-	-	5,682,140	AA-
Municipal Bonds	4,908,300	-	4,908,300	-	AA+
Negotiable Certificates of deposit	2,222,300	2,222,300	-	-	Not rated
Money market mutual funds	150,481,793	150,481,793	-	-	Not rated
Local Agency Investment Fund	349,923,926	349,923,926	-	-	Not rated
San Diego County Investment Pool	423,896,690	423,896,690	-	-	AAA
San Diego County Investment Pool-Treasury	1,373,116,904	1,373,116,904			AAA
CalTrust Fund	16,298,735	16,298,735	-	-	AA
CalTrust Fund	16,090,945	16,090,945			A+
Total investments subject to credit and interest rate risk:	2,752,859,060	2,433,548,673	103,218,097	216,092,290	
Total Investments	$ 2,752,859,060				

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

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

Ratings per Standard and Poor's

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

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, 2022 and 2021.

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

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

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

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

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

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at the fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021:

June 30, 2022	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	$ 231,211,065	$ 231,211,065	$ -	$ -
U.S. agency securities	97,162,627	-	97,162,627	-
Non-U.S Securities	14,337,460	14,337,460	-	-
Negotiable certificates of deposit	2,222,300	-	2,222,300	-
Municipal Bonds	4,908,300	-	4,908,300	-
Medium-term notes	73,208,315	-	73,208,315	-
Total investments by fair value level	423,050,067	$ 245,548,525	$ 177,501,542	$ -
Investments measured at amortized cost				
Money Market Mutual funds	150,481,793			
Investments measured at net asset value				
Caltrust	32,389,680			
Local Agency Investment Fund	349,923,926			
San Diego County Investment Pool	423,896,690			
San Diego County Investment Pool Treasury	1,373,116,904			
Total investments	$ 2,752,859,060			

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

June 30, 2021	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	$ 111,584,806	$ 111,584,806	$ -	$ -
U.S. agency securities	129,121,554	-	129,121,554	-
Non-U.S Securities	7,562,695	7,562,695	-	-
Negotiable certificates of deposit	2,222,300	-	2,222,300	-
Municipal Bonds	5,194,250	-	5,194,250	-
Medium-term notes	49,085,135	-	49,085,135	-
Total investments by fair value level	304,770,740	$ 119,147,501	$ 185,623,239	$ -
Investments measured at amortized cost				
Money Market Mutual funds	117,578,335			
Non-negotiable certificate of deposit	16,615,890			
Investments measured at net asset value				
Caltrust	16,410,450			
Local Agency Investment Fund	192,705,889			
San Diego County Investment Pool	270,367,612			
Total investments	$ 918,448,916			

NOTE 3. LEASES

Lease Receivable

The Airport Authority leases a portion of its property to various third parties who use the space to conduct their operations on the Airport grounds, the terms of which expire 2022 through 2046. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee. A number or leases have a maximum possible term of 12 months (or less), including options to extend, regardless of their probability of being exercised. Those payments are recognized as inflows of resources based on the payment provisions of the lease contracts and are therefore excluded from the schedule in this section.

Concession lease receivables for space within the terminals are typically based on the minimum annual guarantee plus a minimum 3 percent annual escalation, less rent holidays. Prior to the start of the economic downturn brought on by the COVID-19 pandemic, the Airport Authority had 85 retail and dining concessions open, all designed to provide a world class shopping and dining experience for the millions of passengers who use SDIA. Many locations closed temporarily because of the pandemic. Enplanements have continued to increase and many of the shops and restaurants that temporarily closed have since reopened. As of June 30, 2022, there are 62 terminal food services and retail concession locations open. The Board approved a Rent Forbearance and Abatement Program, which has provided abatement of certain rents and fees to qualifying concessionaires from April 1, 2020, through June 30, 2022.

NOTE 3. LEASES (CONTINUED)

The RCC facility sits on 24.85 acres of land and houses all the major and many small operator rental car tenants. The land rent leases for the RCC commenced on the opening date of the facility and are non-cancellable. Once the Bonds are repaid or defeased, in addition to Land Rent, the rental car operators will also pay Facility Rent.

Various other leasing arrangements are in place for Airport Authority owned buildings, ground, and support spaces. Payments for these leases are generally based on total square footage being leased and an established rate, with periodic increases based on the Consumer Price Index.

Short-term lease payments are recognized as inflows of resources based on the payment provisions of the lease contract and are therefore not included in the lease receivable balances below

The Airport Authority is party to a lease-leaseback transaction with the Port of San Diego. The lessor and lessee transactions have been netted in accordance with GASB 87, therefore the resulting balance is not included in the lease receivable figure below.

The Airport Authority reports leases receivable with a carrying amount of $193,296,505 and $181,707,260 as of June 30, 2022 and 2021, respectively, and a deferred inflow of resources in the amount of $168,064,374 and $169,448,031 as of June 30, 2022 and 2021, respectively, related to this agreement. The deferred inflow of resources will be recognized as revenue over the term of the agreement.

Revenue recognized under lease contracts during the years ended June 30, 2022 and 2021, was $23,742,030 and $22,725,501, respectively, which includes both lease revenue and interest. The Airport recognized lease revenue of $13,410,253 and $7,802,199, for the years ended June 30, 2022 and 2021, respectively, for variable payments not previously included in the measurement of the lease receivable.

The following is a schedule by year of minimum payments to be received under the Airport Authority's leases that are included in the measurement of the lease receivable as of June 30, 2022:

Years Ending June 30,	Principal	Interest	Total
2023	$ 25,256,727	$ 5,644,037	$ 30,900,764
2024	21,579,230	4,940,854	26,520,084
2025	12,684,623	4,406,985	17,091,608
2026	11,804,674	4,167,455	15,972,129
2027	10,934,570	3,931,931	14,866,501
2028 - 2032	31,637,510	17,105,062	48,742,572
2033 - 2037	25,303,904	12,675,346	37,979,250
2038 - 2042	27,747,935	7,822,981	35,570,916
2043 - 2046	26,347,332	2,109,400	28,456,732
Total	$ 193,296,505	$ 62,804,051	$ 256,100,556

NOTE 3. LEASES (CONTINUED)

Regulated Leases

The Airport Authority leases a portion of its property to air carriers and other aeronautical users, whose leases meet the definition of a regulated lease as defined in GASB 87, and therefore are only subject to the disclosure requirements. The terms of the regulated leases expire 2022 through 2050.

Certain capital assets, such as loading bridges, airfield, and building space are leased to airlines as part of the Airport Authority's Airline Operating Lease Agreement (AOLA). On July 1, 2019, the Airport Authority entered into the current ten-year AOLA with passenger airlines and cargo carriers operating at SDIA. The AOLAs cover the use of and rate-setting mechanisms for the airfield and terminal facilities at SDIA. Under the terms of the AOLA, landing fees and aircraft parking fees are calculated based on a residual rate-setting methodology, in which all costs of the facility and services are recovered from the airlines, and the airlines assume the financial risk. Terminal rental rates are based on a compensatory rate-setting methodology, in which the airlines each pay for only the actual cost of facilities and services they use; financial risk and control is assumed by the airport. The AOLA also includes signatory and non-signatory rate structures. Air Carriers that signed a non-signatory agreement are charged a 120 percent premium on all signatory rates, fees, and charges, except for the Federal Inspection Services fee, which all airlines pay the same rate for use of the immigration and customs facilities. Signatory carriers are required to pay a minimum amount each year ($500,000 for passenger carriers, and $250,000 for cargo carriers). The agreement has no provisions that grant the airlines direct approval rights over capital projects, with the limited exception of certain transportation projects that exceed a $350 million threshold, as defined in the AOLA. It also allows flexibility to meet the demands of changing airline activity and to accommodate new entrant carriers. Terms of the new agreement financially support execution of the New Terminal 1, formerly referred to as the Airport Development Program. The Airport Authority does provide for preferential or exclusive use of certain assets to air carriers. As of June 30, 2022, 45 of the 60 terminal and cargo aircraft parking positions were subject to preferential use and 97,350 square feet of the 443,071 square feet of airline designated space was subject to exclusive use. As of June 30, 2021, 45 of the 60 terminal and cargo aircraft parking positions were subject to preferential use and 97,004 square feet of the 437,725 square feet of airline designated space was subject to exclusive use.

Signature Flight Support is the exclusive lessee of the Fixed Base Operator (FBO) leasehold at SDIA, with their lease expiring April 30, 2049. Ground rent at the FBO increases annually based on the Consumer Price Index (CPI) but cannot drop below the base rent escalation. Substantially all buildings and improvements in this lease are for exclusive use of this tenant.

The Airline Support Building (ASB) is an Airport Authority facility leased by carriers to process belly cargo. A portion of the lease payments increase annually based on CPI. Substantially all buildings and improvements in these leases are for the exclusive use of the four airline tenants.

NOTE 3. LEASES (CONTINUED)

The Airport Authority leases out the fuel farm to SAN Fuel Company, LLC to maintain and operate fuel operations at SDIA. Payments for this lease increase every five years, starting in 2025, based on CPI. Substantially all buildings and improvements in this lease are for the exclusive use of this tenant.

Variable lease revenue not previously included in the future minimum payments under its regulated leases were $141,033,844 and $124,443,763, for the years ended June 30, 2022 and 2021, respectively.

The following is a schedule by year of expected future minimum payments to be received under the Airports regulated leases as of June 30, 2022:

Years Ending June 30,	Total Future
2023	$ 18,377,776
2024	18,373,055
2025	18,368,144
2026	18,363,035
2027	18,357,719
2028 - 2032	66,141,596
2033 - 2037	39,413,626
2038 - 2042	39,413,626
2043 - 2047	39,413,626
2048 - 2050	16,325,333
Total	$ 292,547,536

NOTE 4. 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 carried a rate of 5.5 percent per annum through October 31, 2021. An amendment to that agreement reduced the rate to 3.63 percent per annum, effective November 1, 2021, reducing the monthly payment. At June 30, 2022 and 2021, the balance of the note receivable was $24,836,615 and $27,208,867, respectively.

As part of the contracts to lease space in the Airline Support Building (ASB), tenants were given the option to issue a note receivable to the Airport Authority in order to fund tenant improvements to their space. Four airlines and one non-airline tenant exercised this option and issued notes for a combined total of $13,366,889 commencing July 1, 2021, for a period of 5 years carrying the estimated thirty-year revenue bond index rate of 2.5 percent per annum through June 30, 2026. At June 30, 2022, the balance of the notes receivable was $9,308,366.

NOTE 4. NOTE RECEIVABLE (CONTINUED)

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

Years Ending June 30,	ASB	District	Total
2023	$ 2,226,196	$ 2,540,692	$ 4,766,888
2024	2,292,350	2,634,469	4,926,819
2025	2,360,158	2,731,707	5,091,865
2026	2,429,662	2,832,535	5,262,197
2027		2,937,084	2,937,084
2028-2031		11,160,128	11,160,128
	$ 9,308,366	$ 24,836,615	$ 34,144,981

NOTE 5. CAPITAL ASSETS AND LEASES

	Balance at July 1, 2021	Increases	Decreases	**Balance at June 30, 2022**
Nondepreciable assets and leases:				
Land	$ 22,167,594	$ -	$ -	**$ 22,167,594**
Land - right-to-use lease asset	224,989,986	-	-	**224,989,986**
Construction in progress	248,538,868	377,043,444	(47,457,592)	**578,124,720**
Intangible asset	440,000	-	-	**440,000**
Total nondepreciable assets and leases	496,136,448	377,043,444	(47,457,592)	**825,722,300**
Depreciable assets and leases:				
Land improvements	163,770,750	-	(3,659,146)	**160,111,604**
Land improvements - right-to-use lease assets	13,313,911	-	-	**13,313,911**
Buildings and structures	1,885,767,510	19,693,720	(82,431,505)	**1,823,029,725**
Machinery and equipment	122,982,559	6,130,853	(4,405,013)	**124,708,399**
Runways, roads and parking lots	719,974,821	18,769,256	(101,724,339)	**637,019,738**
Total capital and lease assets being depreciated/amortized	2,905,809,551	44,593,829	(192,220,003)	**2,758,183,377**
Less accumulated depreciation and amortization for:				
Land improvements	(45,475,582)	(10,384,845)	5,152,634	**(50,707,793)**
Building and structures	(824,007,618)	(83,738,691)	75,628,246	**(832,118,063)**
Right-to-use lease assets	(4,792,663)	(6,483,298)	-	**(11,275,961)**
Machinery and equipment	(80,936,062)	(11,309,899)	4,347,581	**(87,898,380)**
Runways, roads and parking lots	(383,511,041)	(31,577,753)	96,922,445	**(318,166,349)**
Total accumulated depreciation and amortization	(1,338,722,966)	(143,494,486)	182,050,906	**(1,300,166,546)**
Total capital and lease assets being depreciated/amortized, net	1,567,086,585	(98,900,657)	(10,169,097)	**1,458,016,831**
Capital and lease assets, net	$ 2,063,223,033	$ 278,142,787	$ (57,626,689)	**$ 2,283,739,131**

NOTE 5. CAPITAL ASSETS AND LEASES (CONTINUED)

	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021
Nondepreciable assets and leases:				
Land	$ 22,167,594	$ -	$ -	$ 22,167,594
Land - right-to-use lease asset	224,989,986	-	-	224,989,986
Construction in progress	288,353,299	173,462,464	(213,276,895)	248,538,868
Intangible asset	440,000	-	-	440,000
Total nondepreciable assets and leases	535,950,879	173,462,464	(213,276,895)	496,136,448
Depreciable assets and leases:				
Land improvements	114,589,520	49,181,230	-	163,770,750
Land improvements - right-to-use lease assets	-	13,313,911	-	13,313,911
Buildings and structures	1,747,407,784	148,946,010	(10,586,284)	1,885,767,510
Machinery and equipment	135,435,875	3,324,571	(15,777,887)	122,982,559
Runways, roads and parking lots	708,999,286	12,709,855	(1,734,320)	719,974,821
Total capital and lease assets being depreciated/amortized	2,706,432,465	227,475,577	(28,098,491)	2,905,809,551
Less accumulated depreciation and amortization for:				
Land improvements	(35,941,711)	(9,533,871)	-	(45,475,582)
Building and structures	(752,724,619)	(81,869,286)	10,586,287	(824,007,618)
Right-to-use lease assets	-	(4,792,663)	-	(4,792,663)
Machinery and equipment	(84,805,802)	(11,671,187)	15,540,927	(80,936,062)
Runways, roads and parking lots	(355,320,220)	(29,759,445)	1,568,624	(383,511,041)
Total accumulated depreciation and amortization	(1,228,792,352)	(137,626,453)	27,695,839	(1,338,722,966)
Total capital and lease assets being depreciated/amortized, net	1,477,640,113	89,849,125	(402,653)	1,567,086,585
Capital and lease assets, net	$ 2,013,590,992	$ 263,311,589	$ (213,679,548)	$ 2,063,223,033

Note: Fiscal year 2021 amounts have been restated for GASB 87

NOTE 6. LONG-TERM LIABILITIES

The following is a summary of changes in the long-term liability activity for the years ended June 30, 2022 and 2021:

	Principal Balance at July 1, 2021	Additions /New Issuances	Reductions/ Repayments	**Principal Balance at June 30, 2022**	Due Within One Year
Variable Rate Debt					
Revolving LOC	$ -	$ 80,100,000	$ -	**$ 80,100,000**	$ -
Total variable rate debt	-	80,100,000	-	**80,100,000**	-
Bonds payable:					
Series 2013 Bonds	360,825,000	-	(360,825,000)	**-**	-
Series 2014 Bonds	288,095,000	-	(6,090,000)	**282,005,000**	6,320,000
Series 2017 Bonds	276,985,000	-	(5,070,000)	**271,915,000**	5,320,000
Series 2019 Bonds	462,445,000	-	(3,420,000)	**459,025,000**	4,440,000
Series 2020 Bonds	240,820,000	-	(13,825,000)	**226,995,000**	14,520,000
Series 2021 Bonds	-	1,941,745,000	-	**1,941,745,000**	9,760,000
Bond premiums	206,427,883	332,380,831	(52,650,023)	**486,158,691**	-
Total bonds payable	1,835,597,883	2,274,125,831	(441,880,023)	**3,667,843,691**	40,360,000
Lease Liabilities	235,804,038	-	(3,384,956)	**232,419,082**	3,471,838
Note Payable - CRDC	6,201,974	-	(323,293)	**5,878,682**	354,139
Total debt obligations	1,841,799,857	2,354,225,831	(442,203,316)	**3,753,822,373**	40,714,139
Compensated absences	4,761,943	292,135	-	**5,054,078**	3,264,966
Total long-term liabilities	$ 1,846,561,800	$ 2,354,517,966	$ (442,203,316)	**$ 3,758,876,451**	$ 43,979,105

	Principal Balance at July 1, 2020	Additions /New Issuances	Reductions/ Repayments	Principal Balance at June 30, 2021	Due Within One Year
Variable Rate Debt					
Revolving LOC	$ -	$ -	$ -	$ -	$ -
Total variable rate debt	-	-	-	-	-
Bonds payable:					
Series 2010 Bonds	10,865,000	-	(10,865,000)	-	-
Series 2013 Bonds	368,750,000	-	(7,925,000)	360,825,000	8,315,000
Series 2014 Bonds	293,985,000	-	(5,890,000)	288,095,000	6,090,000
Series 2017 Bonds	281,810,000	-	(4,825,000)	276,985,000	5,070,000
Series 2019 Bonds	463,680,000	-	(1,235,000)	462,445,000	3,420,000
Series 2020 Bonds	241,640,000	-	(820,000)	240,820,000	13,825,000
Bond premiums	220,478,470	-	(14,050,587)	206,427,883	-
Total bonds payable	1,881,208,470	-	(45,610,587)	1,835,597,883	36,720,000
Lease Liabilities	241,688,854		(5,884,816)	235,804,038	3,384,956
Note Payable - CRDC	6,497,108	-	(295,134)	6,201,974	323,293
Compensated absences	4,088,584	3,211,891	(2,538,532)	4,761,943	2,538,532
Total long-term liabilities	$ 1,891,794,162	$ 3,211,891	$ (48,444,253)	$ 1,846,561,800	$ 39,581,825

Note: Fiscal year 2021 amounts have been restated for GASB 87

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.

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

The amounts on deposit in the escrow fund will be used to pay the principal of and interest on the Series 2013 Bonds until their call date of July 1, 2023. As of June 30, 2022, the amount held in escrow by the trustee was $367.8 million, and the amount of the defeased Series 2013 Bonds still outstanding was $352.5 million. Interest for the fiscal years ended June 30, 2022 (interest before the refunding and defeasement) and 2021, was $7,195,563 and $17,685,100, respectively, including accrued interest of $0 and $8,842,550 for fiscal years ending June 30, 2022 and 2021, respectively.

As a result of the refunding, the Airport Authority reduced its total debt service requirements by $84.4 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 $52.7 million.

Subordinate Lien Series 2017, 2019, 2020 and 2021 Bonds: 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 4.0 percent to 5.0 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, 2022 and 2021, amounted to $13,595,750 and $13,849,250, respectively, including accrued interest of $6,797,875 and $6,924,625, respectively. The principal balance on the subordinate Series 2017 Bonds as of June 30, 2022 and 2021, was $271,915,000 and $276,985,000, respectively.

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

Years Ending June 30,	Principal	Interest	Total
2023	5,320,000	13,462,750	18,782,750
2024	5,585,000	13,190,125	18,775,125
2025	5,865,000	12,903,875	18,768,875
2026	6,155,000	12,603,375	18,758,375
2027	6,465,000	12,287,875	18,752,875
2028-2032	37,520,000	56,124,250	93,644,250
2033-2037	47,880,000	45,499,750	93,379,750
2038-2042	61,110,000	31,940,750	93,050,750
2043-2047	78,000,000	14,633,250	92,633,250
2048	18,015,000	450,375	18,465,375
	$ 271,915,000	$ 213,096,375	$ 485,011,375

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

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, 2022 and 2021, amounted to $22,121,100 and $22,292,100, respectively, including accrued interest of $11,060,550 and $11,146,051, respectively. The principal balance on the subordinate Series 2019 Bonds as of June 30, 2022 and 2021, was $459,025,000 and $462,445,000, respectively.

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

Years Ending June 30,	Principal	Interest	Total
2023	$ 4,440,000	$ 22,121,100	$ 26,561,100
2024	6,095,000	21,899,100	27,994,100
2025	6,400,000	21,594,350	27,994,350
2026	5,615,000	21,274,350	26,889,350
2027	5,895,000	20,993,600	26,888,600
2028-2032	44,040,000	100,239,500	144,279,500
2033-2037	121,345,000	81,805,500	203,150,500
2038-2042	145,830,000	47,748,700	193,578,700
2043-2047	69,210,000	22,879,700	92,089,700
2048-2051	50,155,000	5,097,000	55,252,000
	$ 459,025,000	$ 365,652,900	$ 824,677,900

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.

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

Interest for the fiscal years ended June 30, 2022 and 2021, amounted to $11,480,563 and $12,041,000, respectively, including accrued interest of $5,805,688 and $6,020,500, respectively. The principal balance on the subordinate Series 2020 Bonds as of June 30, 2022 and 2021, was $226,995,000 and $240,820,000, respectively.

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

Years Ending June 30,	Principal	Interest	Total
2023	$ 14,520,000	$ 11,349,750	$ 25,869,750
2024	15,240,000	10,623,750	25,863,750
2025	16,005,000	9,861,750	25,866,750
2026	11,275,000	9,061,500	20,336,500
2027	11,830,000	8,497,750	20,327,750
2028-2032	66,345,000	32,999,000	99,344,000
2033-2037	53,440,000	16,993,500	70,433,500
2038-2041	38,340,000	4,910,000	43,250,000
	$ 226,995,000	$ 104,297,000	$ 331,292,000

The Airport Authority issued $1,941,745,000 of Series A, B and C Subordinate Airport Revenue and Revenue Refunding Bonds (Series 2021 Bonds). The Subordinate Series 2021 Bonds were issued to finance certain capital improvements at SDIA including construction of the New T1, fund a portion of the interest accruing on the subordinate Series 2021 Bonds, fund the Series 2013 Escrow account, fund the subordinate reserve fund, and pay the costs of issuance of the subordinate Series 2021 Bonds. The Series 2021A and B Bonds are structured as serial bonds that bear interest rates ranging from 4.0 percent to 5.0 percent and mature in fiscal years 2027 to 2057. The Series A and B bonds were issued at a premium of $332,380,831, which is being amortized over the life of the bonds. The Series 2021 C Bonds are federally Taxable Bonds and are structured as serial and term bonds that bear interest at rates ranging from 0.5 percent to 3.1 percent and mature in fiscal years 2023 to 2037. Interest on the Series 2021ABC Bonds is payable semiannually on January 1 and July 1 of each year.

Interest for the fiscal year ended June 30, 2022, amounted to $46,267,384 including accrued interest of $46,267,384. The principal balance on the subordinate Series 2021 Bonds as of June 30, 2022, was $1,941,745,000.

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

Years Ending June 30,	Principal	Interest	Total
2023	$ 9,760,000	$ 82,006,223	$ 91,766,223
2024	16,465,000	81,898,541	98,363,541
2025	16,570,000	81,719,420	98,289,420
2026	16,745,000	81,494,869	98,239,869
2027	10,310,000	80,979,369	91,289,369
2028-2032	72,310,000	395,793,327	468,103,327
2033-2037	160,030,000	369,134,652	529,164,652
2038-2042	247,635,000	329,258,528	576,893,528
2043-2047	358,790,000	264,949,677	623,739,677
2048-2052	385,205,000	186,627,500	571,832,500
2053-2057	647,925,000	62,706,500	710,631,500
	$ 1,941,745,000	$ 2,016,568,607	$ 3,958,313,607

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

As subordinate lien bonds, the Series 2017, 2019, 2020 and 2021 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, 2022 and 2021, the amount held by the trustee was $2,120,565,804 and $326,663,469, 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 Bonds as of June 30, 2022, are A/A2/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings.

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

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

The Series 2014 B Bonds were structured as federally taxable bonds that bear interest at rates ranging from 2.5 percent to 5.6 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, 2022 and 2021, was $15,600,783 and $15,827,940, respectively, including accrued interest of $7,800,392 and $7,913,970, respectively. The principal balance on the Series 2014 Bonds for fiscal years ended June 30, 2022 and 2021 was $282,005,000 and $288,095,000, 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, 2022 and 2021, the amount held by the trustee was $55,101,163 and $53,063,404, respectively, which included the July 1 payment, the debt service reserve fund, the renewal and replace fund, and the rolling coverage fund.

The public ratings of the Senior Series Special Facility 2014 Bonds as of June 30, 2022, are BBB+/A3 by Standard & Poor's and Moody's Investors Service.

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

Years Ending June 30,	Principal	Interest	Total
2023	$ 6,320,000	$ 15,424,013	$ 21,744,013
2024	6,670,000	15,060,682	21,730,682
2025	7,045,000	14,677,074	21,722,074
2026	7,440,000	14,271,928	21,711,928
2027	7,855,000	13,844,127	21,699,127
2028-2032	46,385,000	61,917,390	108,302,390
2033-2037	60,890,000	47,003,086	107,893,086
2038-2042	79,935,000	27,424,786	107,359,786
2043-2045	59,465,000	4,721,599	64,186,599
	$ 282,005,000	$ 214,344,685	$ 496,349,685

Interest expense on the Series 2010, 2013, 2014 2017, 2019 and 2020 Bonds for fiscal years ended June 30, 2022, and June 30, 2021, of $81.7 million and $116.3 million, respectively, was offset by bond premium amortization of $21.6 million in fiscal year 2022 and $14.1 million in fiscal year 2021.

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

Subordinate Short-Term Debt Program: On July 19, 2021, The Airport Authority and Bank of America entered into a Revolving Credit Agreement. The Airport Authority is authorized to issue up to $200.0 million in Subordinate Revolving Obligations. The revolving credit agreement is for a term of three years. At the end of fiscal year 2022, the Airport Authority had $80.1 million in aggregate principal of Subordinate Revolving Obligations outstanding. These obligations were used to finance the New Terminal 1. Obligations incurred under the Revolving Credit Agreement 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.

Line of credit: In fiscal year 2022, the Airport Authority maintained a $2,000,000 line of credit held with US Bank, which is collateralized with a Treasury bond. This line is utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. As of June 30, 2022, 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, 2022 and 2021:

	June 30, 2022		June 30, 2021	
	Used	Unused	Used	Unused
Revolving line of credit	$80,100,000	$119,900,000	$ -	$ -
Line of credit	$ -	2,000,000	$ -	2,000,000
	$ 80,100,000	$ 121,900,000	$ -	$ 2,000,000

Event of Default: In the event of default of all general airport revenue bonds issued by the Airport Authority, acceleration is not a remedy. For the Letter of Credit and Reimbursement Agreement, an event of default could result in either an acceleration or an interest rate increase of 3.0 to 7.0 percent in addition to the base rate. Other than this, there are no significant finance-related consequences in the event of default on other debt instruments. The Airport Authority's Letter of Credit and Reimbursement Agreement is collateralized with a $2,222,000 Treasury bond. Excluding general airport revenue bonds, special facility bonds, and capital leases, no other assets have been pledged or collateralized for any other debt instruments. General Airport revenue bonds are secured by a pledge of Net Revenues which are generally defined as all revenues and other cash receipts of the Airport Authority's operations less amounts required to pay for operations and maintenance expenses of the airport (net revenues do not include cash received from PFCs, CFCs or Federal Grants). The special facility bonds are secured by a pledge of the Trust Estate.

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

NOTE PAYABLE

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 note payable 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, and the net present value of the future lease payments on June 30, 2022:

Years Ending June 30,	Amount
2023	$ 877,298
2024	877,298
2025	877,298
2026	877,298
2027-2031	4,386,489
2032-2033	1,242,839
Total Lease Payments	9,138,519
Less amount representing interest	(3,259,838)
Present value of future lease payments	$ 5,878,682

LEASE LIABILITIES

The Airport Authority leases properties from the District and smaller third parties and uses that space to conduct its operations, the terms of which expire 2022 through 2072. The measurement of the lease payable is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

Incremental borrowing rates of 1.1 percent to 3.8 percent were used to measure lease payables. Lease liabilities recorded under lease contracts as of June 30, 2022 and 2021, were $232,419,082 and $235,804,038, respectively.

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

The future principal and interest payments for lease liabilities as of June 30, 2022, are as follows:

Years Ending June 30,	Principal	Interest	Total
2023	3,471,838	8,632,139	12,103,977
2024	3,561,593	8,542,384	12,103,977
2025	3,654,325	8,449,652	12,103,977
2026	2,843,071	8,357,785	11,200,856
2027	2,659,160	8,270,002	10,929,162
2028-2032	13,061,598	39,964,439	53,026,037
2033-2037	15,484,141	37,346,219	52,830,360
2038-2042	18,353,562	34,169,201	52,522,763
2043-2047	20,341,903	30,541,397	50,883,300
2048-2052	24,622,943	26,260,357	50,883,300
2053-2057	29,804,945	21,078,355	50,883,300
2058-2062	36,077,522	14,805,778	50,883,300
2063-2067	43,670,189	7,213,111	50,883,300
2068-2072	14,812,292	452,698	15,264,990
	$ 232,419,082	$ 254,083,517	$ 486,502,599

NOTE 7. DEFINED BENEFIT PLAN

Introduction: The Airport Authority has two defined benefit pension plans which cumulatively represent the net pension liability or asset, 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 and for the years ended June 30, 2022 and 2021:

	Defined Benefit Plan (GASB No. 68)	Preservation of Benefits Trust Plan (GASB No. 73)	Total
Balances as of and for the year ended 6/30/2022			
Pension expense	$ 4,323,882	$ 329,788	$ 4,653,670
Net pension liability (asset)	(8,995,046)	2,373,440	(6,621,606)
Deferred outflows of resources	17,497,620	639,654	18,137,274
Deferred inflows of resources	26,976,052	282,242	27,258,294
Balances as of and for the year ended 6/30/2021			
Pension expense	$ 12,879,899	$ 338,696	$ 13,218,595
Net pension liability	34,018,795	2,445,415	36,464,210
Deferred outflows of resources	30,748,781	908,672	31,657,453
Deferred inflows of resources	2,065,506	200,876	2,266,382

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

NOTE 7. DEFINED BENEFIT PLAN (CONTINUED)

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

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

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

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

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

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

NOTE 7. DEFINED BENEFIT PLAN (CONTINUED)

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

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

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

As of the measurement dates June 30, 2021, and June 30, 2020, Plan membership was as follows:

	2021	2020
Active employees	385	414
Inactive employees entitled to but not yet receiving benefits	163	149
Inactive employees or beneficiaries currently receiving benefits	145	132
Total	693	695

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

The actuarial valuation is completed as of June 30, of each year. Once accepted by the SDCERS Board, the approved rates for the Airport Authority apply to the fiscal year beginning 12 months after the valuation date. For June 30, 2022, the actuarially determined contribution rates for plan sponsors and members were developed in the June 30, 2021, 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.

NOTE 7. DEFINED BENEFIT PLAN (CONTINUED)

For the years ended June 30, 2022 and 2021, employees contributed $2,980,889 and $3,123,119, respectively, and the Airport Authority contributed $9,102,165 and $8,522,311, 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 offset is equal to 7.0 percent or 8.5 percent of the general classic members' base compensation and 9.6 percent of the executive classic members' base compensation. These contributions are included in the employee contribution. There is no offset for PEPRA participants.

Net Pension Liability (Asset): The Airport Authority's net pension liability (asset) as of June 30, 2022, is measured as the total pension liability, less the pension plan's fiduciary net position. The total pension liability as of June 30, 2022, is measured as of June 30, 2021. The annual valuation used is as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability (asset) follow.

Actuarial Assumptions: The total pension liability in the June 30, 2021, and June 30, 2020, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2021	June 30, 2020
Valuation date	June 30, 2020	June 30, 2019
Measurement date	June 30, 2021	June 30, 2020
Actarial cost method	Entry-age normal funding method	Entry-age normal funding method
Asset valuation method	Expected value with smoothing	Expected value with smoothing
Actuarial assumptions:		
Investment rate of return [1]	6.50%	6.50%
Inflation Rate	3.05%	3.05%
Interest Credited to Member Contributions	6.50%	6.50%
Projected salary increase [2]	3.05%	3.05%
Cost-of-living adjustment	1.9% per annum, compounded	1.9% per annum, compounded
Termination rate [3]	2.0% - 16.0%	2.0% - 16.0%
Disability rate [4]	0.01% - 0.20%	0.01% - 0.20%
Mortality [5]	0.02% - 13.54%	0.02% - 13.54%

(1) Net of investment expense
(2) Net plus merit component based on employee classification and years of service
(3) Based on years of service
(4) Based on age
(5) All active and retired healthy members: CalPERS Mortality Tables from the CalPERS January 2014 Experience Study Further details about the actuarial assumptions can be found in the SDCERS June 30, 2020 and June 30, 2019 actuarial reports.

Discount Rate: For the June 30, 2021, and June 30, 2020, actuarial valuations, the discount rates used to measure the total pension liability was 6.50 percent. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability (asset).

NOTE 7. DEFINED BENEFIT PLAN (CONTINUED)

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

Asset Class	Target Allocation	Long-term Expected Real Rates of Return	Long-term Expected Nominal Rates of Return
Domestic equity	17.2%	4.4%	6.6%
International equity	14.2%	5.3%	7.5%
Global equity	8.0%	4.9%	7.1%
Domestic fixed income	21.6%	0.5%	2.7%
Emerging market debt	5.0%	2.4%	4.5%
Real estate	11.0%	3.5%	5.7%
Private equity and infrastructure	13.0%	6.7%	8.9%
Opportunity fund	10.0%	4.2%	6.4%
	100.0%		

Changes in the Net Pension Liability (Asset): Changes in the total pension liability (asset), plan fiduciary net position and the net pension liability through the year ended June 30, 2022, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of June 30, 2021	$ 241,862,071	$ 207,843,276	$ 34,018,795
Changes for the year:			
Service cost	7,970,646	-	7,970,646
Interest on total pension liability	15,693,834	-	15,693,834
Difference between expected and actual experience	(2,239,695)	-	(2,239,695)
Changes in assumptions	-	-	-
Employer contributions	-	8,596,163	(8,596,163)
Member contributions	-	3,125,138	(3,125,138)
Net investment income	-	53,140,343	(53,140,343)
Benefit payments	(8,820,959)	(8,820,959)	-
Administrative expense	-	(423,018)	423,018
Net changes	12,603,826	55,617,667	(43,013,841)
Balances as of June 30, 2022	$ 254,465,897	$ 263,460,943	$ (8,995,046)

NOTE 7. 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, 2021, were as follows:

	Increase (Decrease)		
	Total Pension	Fiduciary Net	Net Pension
Balances as of June 30, 2020	$ 218,788,911	$ 202,827,408	$ 15,961,503
Changes for the year:			
Service cost	7,857,035	-	7,857,035
Interest on total pension liability	14,257,205	-	14,257,205
Difference between expected and actual experience	925,862	-	925,862
Changes in assumptions	6,767,000	-	6,767,001
Employer contributions	-	8,424,834	(8,424,834)
Member contributions	-	3,321,661	(3,321,661)
Net investment income	-	390,013	(390,013)
Benefit payments	(6,733,942)	(6,733,942)	-
Administrative expense	-	(386,697)	386,697
Net changes	23,073,160	5,015,868	18,057,292
Balances as of June 30, 2021	$ 241,862,071	$ 207,843,276	$ 34,018,795

Sensitivity of the Net Pension Liability (Asset) to Discount Rate Changes: The following presents the resulting net pension liability (asset) calculated using the discount rate of 6.5 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, 2022:

	1% Decrease 5.50%	Current 6.50%	1% Increase 7.50%
Total pension liability	$ 290,166,545	$ 254,465,897	$ 225,251,173
Plan fiduciary net position	263,460,943	263,460,943	263,460,943
Net pension liability (asset)	$ 26,705,602	$ (8,995,046)	$ (38,209,770)
Plan fiduciary net position as a percentage of the total pension liability	90.8%	103.5%	117.0%

NOTE 7. 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, 2022 and June 30, 2021, the Airport Authority recognized pension expense, as measured in accordance with GASB 68, of $4,323,882 and $12,879,899, respectively. At June 30, 2022 and June 30, 2021, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

For June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,218,022	$ 2,926,703
Net difference between projected and actual earnings	-	24,049,349
Changes in assumptions	7,177,433	-
Employer contributions made subsequent to June 30, 2021 measurement date	9,102,165	-
Total	$ 17,497,620	$ 26,976,052

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

The deferred outflows of resources, at June 30, 2022, and June 30, 2021, resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end will be recognized as a reduction of the net pension liability (asset) at June 30, 2023 and 2022, respectively.

Other amounts reported as deferred outflows/inflows of resources related to the plan at June 30, 2022, will be recognized in pension expense as follows:

Years ended June 30,	
2022	$ (2,463,403)
2023	(3,611,508)
2024	(4,172,590)
2025	(8,333,096)
	$ (18,580,597)

NOTE 8. PRESERVATION OF BENEFITS TRUST PLAN

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

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

Benefits provided: Retirement benefits are provided to POB members with retirement benefits in excess of Code Section 415(b) who have participated in 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, 2022, and June 30, 2021, were $52,398 and $42,682, respectively. The POB is unfunded and provides benefits on an annual basis as determined by SDCERS.

As of the measurement dates of June 30, 2021, and 2020, Plan membership was as follows:

	2021	2020
Active employees	2	2
Inactive employees or beneficiaries currently receiving benefits	1	2
Total	3	4

Total Pension Liability: The Airport Authority's total pension liability as of June 30, 2022, and June 30, 2021, was $2,373,440 and $2,445,415, respectively. The pension liability as of June 30, 2022, is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. A summary of the principal assumptions and methods used to determine the net pension liability follow.

NOTE 8. PRESERVATION OF BENEFITS TRUST PLAN (CONTINUED)

Actuarial Assumptions: The total pension liability in the June 30, 2021, and June 30, 2020, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2021	June 30, 2020
Valuation date	June 30, 2020	June 30, 2019
Measurement date	June 30, 2021	June 30, 2020
Actuarial cost method	Entry-age normal	Entry-age normal
Actuarial assumptions:		
Discount rate	2.16%	2.21%
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, 2022, was as follows:

	Total Pension
Balances as of June 30, 2021	$ 2,445,415
Changes for the year:	
Service cost	88,557
Interest on total pension liability	54,559
Difference between expected and actual exper	(195,545)
Changes in assumptions	22,116
Benefit payments	(41,662)
Net changes	(71,975)
Balances as of June 30, 2022	$ 2,373,440

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

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

NOTE 8. PRESERVATION OF BENEFITS TRUST PLAN (CONTINUED)

Sensitivity of the Total Pension Liability to Discount Rate Changes: The following presents the resulting total pension liability calculated using the discount rate of 2.16 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, 2022:

	1% Decrease 1.16%	Current Rate 2.16%	1% Increase 3.16%
Total pension liability	$ 2,880,830	$ 2,373,440	$ 1,979,491

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the POB: For the year ended June 30, 2022 and 2021, the Airport Authority recognized pension expense, as measured in accordance with GASB 73, of $329,788 and $338,696. At June 30, 2022 and June 30, 2021, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

For June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 129,056	$ 216,544
Changes in assumptions	458,200	65,698
Employer contributions subsequent to June 30, 2020 measurement date	52,398	-
Total	$ 639,654	$ 282,242

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

The deferred outflows of resources, at June 30, 2022, resulting from Airport Authority contributions subsequent to the measurement date and prior to year-end will be recognized as a reduction of the net pension liability at June 30, 2023.

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

Years ended June 30,	
2022	$ 141,239
2023	112,314
2024	86145
2025	(34,685)
	$ 305,013

NOTE 9. 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 10. OTHER POSTEMPLOYMENT BENEFITS

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

Plan description: As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. This is managed by California Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for over two million California public employees, retirees, and their families. CalPERS was founded in 1932 and is the largest public pension fund in the United States. As of June 30, 2022, CalPERS managed $440 billion in assets for more than 2,890 California employers. In 1988 and 2007, enabling statutes and regulations were enacted which permitted CalPERS to form the CERBT fund, an irrevocable Section 115 Trust, for the purpose of receiving employer contributions that will prefund health and other postemployment benefit costs for retirees and their beneficiaries. Financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding policy: CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the actuarially determined contributions (ADCs). As of May 9, 2009, the agreement with CERBT was approved. The retirees' contribution rate was raised from 5 percent to 10 percent of plan costs for single coverage and the entire cost of vision benefits, lowering the OPEB liabilities of the Airport Authority. Annually, the Airport Authority's goal is to fund 100 percent of the actuarially calculated ADC for its OPEB. In previous years, the Airport Authority has made contributions above the annual ADC which has resulted in a net OPEB asset. During the fiscal years ended June 30, 2022 and 2021, the Airport Authority's contributions were $951,488 and $919,462, respectively.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A measurement date of June 30, 2021, and 2020, was used for the June 30, 2022, and June 30, 2021 OPEB assets and expenses. The information that follows was determined as of a valuation date of June 30, 2021, and June 30, 2020, respectively.

Membership in the OPEB by membership class at June 30, 2021, and 2020, is as follows:

	2021	2020
Active employees	132	141
Inactive employees entitled to but not receiving benefits	-	1
Inactive employees or beneficiaries currently receiving benefits	97	86
Total	229	228

Actuarial Assumptions: The total OPEB liability in the June 30, 2021, and 2020 actuarial valuations was determined using the following actuarial assumptions, applied to all period included in the measurement:

Actuarial Valuation Date	June 30, 2021
Contribution Policy	Authority contributes at least the full ADC
Inflation	2.50%
Projected salary increase	2.75%
Investment rate of return	5.25%; Expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust
Actuarial cost method	Entry Age Normal Level Percent of Pay
Asset valuation method	5 year asset smoothing
Retirement age	SDCERS 2015-2019 Experience Study
Mortality	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Medical Trend	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076; Medicare - 5.65% for 2023, decreasing to an ultimate rate of 3.75% 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 - 50% cover spouses at retirement

NOTE 10. 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	23%	4.56%
Long US Treasuries	11%	0.29%
Mortgage-Backed Securities	11%	0.49%
Investment Grade Corporate	9%	1.56%
High Yeild	9%	3.00%
Sovereigns	11%	2.76%
TIPS	9%	-0.08%
Comodities	3%	1.22%
REITs	14%	4.06%
	100%	
Assumed Long-Term Rate of Inflation		2.50%
Expected Long-Term Net Rate of Return		5.25%

Discount Rate: The discount rate used to measure the net OPEB liability (asset) at June 30, 2022, and June 30, 2021, was 5.25 percent and 6.75 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 net OPEB liability.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability (Asset): Changes in the total OPEB liability, plan fiduciary net position, and the net OPEB asset through the year ended June 30, 2022, were as follows:

	Increase (Decrease)		
	Liability	Position	(Asset)
Balances as of June 30, 2021	$ 27,116,806	$ 28,766,021	$ (1,649,215)
Changes for the year:			
Service cost	446,233	-	446,233
Interest on total OPEB liability	1,829,473	-	1,829,473
Difference between expected and actual experience	(3,669,756)	-	(3,669,756)
Changes in assumptions	4,568,725	-	4,568,725
Employer contributions	-	919,462	(919,462)
Member contributions	-	-	-
Net investment income	-	4,973,926	(4,973,926)
Benefit payments	(919,462)	(919,462)	-
Administrative expense	-	(10,452)	10,452
Net changes	2,255,213	4,963,474	(2,708,261)
Balances as of June 30, 2022	$ 29,372,019	$ 33,729,495	$ (4,357,476)

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

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

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Health Care Cost Trend Rates: The net OPEB liability (asset) of the Authority has been calculated using a discount rate of 5.25 percent. The following presents the net OPEB liability (asset) using a discount rate 1 percent higher and 1 percent lower than the current discount rate.

	1% Decrease 4.25%	Current Rate 5.25%	1% Increase 6.25%
Net OPEB liability (asset)	$ 67,366	$ (4,357,476)	$ (7,976,238)

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

	1% Decrease	Trend Rate	1% Increase
Net OPEB liability (asset)	$ (8,129,762)	$ (4,357,476)	$ 236,754

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB: For the years ended June 30, 2022 and 2021, the Airport Authority recognized OPEB expense (income), as measured in accordance with GASB 75, of ($185,458) and $197,770, respectively, and reported deferred inflows of resources and deferred outflows of resources related to the OPEB from the following sources:

For June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	$ -	$ 1,793,923
Net difference between expected and actual experience	-	2,669,705
Changes in assumptions	3,301,280	437,533
Employer contributions made subsequent to June 30, 2021 measurement date	951,488	-
Total	$ 4,252,768	$ 4,901,161

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

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The deferred outflows of resources at June 30, 2022, 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, 2023.

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2022, related to the OPEB will be recognized in OPEB expense as follows:

Years ended June 30,		
2023	$	(502,723)
2024		(191,306)
2025		(299,339)
2026		(606,513)
	$	(1,599,881)

NOTE 11. 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, 2022 and 2021, the Airport Authority has designated $13,121,946 and $12,403,950, 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.

NOTE 11. RISK MANAGEMENT (CONTINUED)

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 2022, 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 12. COMMITMENTS AND CONTINGENCIES

Commitments: As of June 30, 2022 and 2021, the Airport Authority had significant commitments for capital expenditures and other matters as described below:

The Airport Authority has funds which have been classified as noncurrent assets, primarily for the unpaid contractual portion of capital projects that are currently in progress and will not be funded by grants or additional debt but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. June 30, 2022 and 2021, these funds totaled $1.1 million and $8.1 million, respectively, and are classified on the accompanying statements of net position as cash and investments designated for specific capital projects and other commitments.

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, 2022 and 2021, the Airport Authority expensed $21.9 million and $22.2 million respectively for these services.

In fiscal year 2019, the Board approved $38 million contract with Ace Parking Management Inc., for parking management services. As of June 30, 2022, $18.4 million has been spent and the contract is scheduled for completion in fiscal year 2023. A new contract will be rebid and issued in fiscal year 2023.

In fiscal year 2019, the Board approved $45 million contract with Ace Parking Management Inc., for airport shuttle services. As of June 30, 2022, $19.5 million has been spent for shuttle services and the contract is scheduled for completion in fiscal year 2023. A new contract will be rebid and issued in fiscal year 2023

NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

In fiscal year 2015, the Board approved a $29.2 million contract with SP Plus Corporation to transport rental car companies' customers between the Rental Car Center facility and the terminals. The contract scope also includes the operation, management, and maintenance of the shuttle vehicles. In fiscal years 2016- 2022, the Board approved an additional $27.8 million. As of June 30, 2022, $51 million had been spent and the contract is scheduled for completion in fiscal year 2023. A new contract will be rebid at that time.

In fiscal year 2019, the Board approved a $19.5 million contract with AECOM Technical Services, Inc. for on call program management, staffing support and consulting services. In fiscal year 2020, the board approved additional $134.8 million. As of June 30, 2022, $51 million has been spent and the contract is scheduled for completion in fiscal year 2024.

In fiscal year 2021, the Board approved a $16.2 million contract with Granite Construction Company to provide a Construction of the West Refueler Loading Facility and the West Solid Waste Facility. In fiscal year 2022, the board approved additional $1 million. As of June 30, 2022, $13.8 million had been spent and the contract is scheduled for completion in early fiscal year 2023.

In fiscal year 2021, the Board approved an $80 million contract with Turner-Flatiron, A Joint Venture for the design-build of terminal and roadways. In fiscal year 2022, the Board approved additional $2.5 billion. As of June 30, 2022, $211 million had been spent and the contract is scheduled for completion in early fiscal year 2028.

In fiscal year 2019, the Board approved an $11.7 million contract with Pacific Rim Mechanical for HVAC repair and maintenance services. As of June 30, 2022, $8.2 million had been spent and the contract was completed in late fiscal year 2022. A new contract will be rebid and issued in fiscal year 2023.

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, 2022, $23.7 million had been spent and the contract is scheduled for completion in fiscal year 2025.

In fiscal year 2022, the Board approved a $19.4 million contract with SOLPAC Construction Inc. dba Soltek Pacific Construction to construct Solid and Liquid waste facilities. As of June 30, 2022, $2.3 million had been spent and the contract is scheduled for completion in early fiscal year 2024.

Contingencies: As of June 30, 2022, the Airport Authority is subject to contingencies arising from matters as described below:

NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)
The Airport Authority has leases and operating agreements with various tenants. These agreements typically include provisions requiring the tenants/operators to indemnify the Airport Authority for any damage to property or losses to the Airport Authority as a result of the tenant's operations. Also, the leases and operating agreements typically require the Airport Authority to be named as an additional insured under certain insurance policies of the tenants/operators. The Airport Authority also tenders these claims to its own insurers once they become asserted claims. When these types of claims are asserted against the Airport Authority, the Airport Authority not only vigorously opposes them but also vigorously seeks contribution and/or indemnity from all tenants/operators involved, from the tenants'/operators' insurers and from its own insurers. The Airport Authority's legal counsel cannot predict the net exposure to the Airport Authority with respect to these matters, or the probability or remoteness of any outcome.

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

NOTE 13. CHANGE IN ACCOUNTING PRINCIPLE AND CORRECTION OF STATEMENT OF CASH FLOWS
For the fiscal year ended June 30, 2022, the Airport Authority implemented GASB 87, Leases. As required when presenting prior period comparative statements, the financial statements of the fiscal year ended June 30, 2021, have been retrospectively restated. Additionally, the beginning of year cash included within the accompanying statement of cash flows has been corrected due to an understatement reported in the previous year. The effects of the restatement are as follows:

	As Previously Reported	2021 as restated	Effect of Change
Statement of Net Position:			
Lease receivables, current portion	$ -	$ 6,285,853	$ 6,285,853
Other current assets	8,280,970	9,119,154	838,184
Lease assets	-	238,303,897	238,303,897
Construction in progress	248,535,465	248,538,868	3,403
Accumulated depreciation and amortization	(1,333,930,303)	(1,338,722,967)	(4,792,664)
Lease receivables, long-term portion	-	175,421,407	175,421,407
Unrestricted other current liabilities	5,757,420	6,487,256	(729,836)
Lease liabilities, current portion	-	3,384,956	(3,384,956)
Lease liabilities, long-term portion	-	232,419,082	(232,419,082)
Deferred lease inflows	-	169,448,031	(169,448,031)
Net investment in capital assets	327,215,879	324,926,477	2,289,402
Unrestricted net position	359,146,706	371,514,284	(12,367,578)

(continued)

NOTE 13. CHANGE IN ACCOUNTING PRINCIPLE AND CORRECTION OF STATEMENT OF CASH FLOWS (CONTINUED)

	As Previously Reported	2021 as restated	Effect of Change
Statement of Revenues, Expenses and Changes in Net Position:			
Ground and non-airline terminal rentals	21,848,936	19,176,623	(2,672,313)
Concession revenue	31,096,870	41,801,386	10,704,516
Other operating revenue	1,682,151	1,679,512	(2,639)
Space rental	10,266,657	63,790	10,202,867
Depreciation and amortization expense	132,833,789	137,495,515	(4,661,726)
Other Interest income	-	6,748,239	6,748,239
Investment income	4,175,353	2,494,962	(1,680,391)
Interest expense	68,067,154	76,627,532	(8,560,378)
Change in net position	(6,218,846)	3,859,328	10,078,174

	As Previously Reported	2021 as restated	Effect of Change
Statement of Cash Flows:			
Receipts from customers	$ 200,250,036	$ 207,566,897	$ 7,316,861
Payments to suppliers	(86,798,975)	(77,488,153)	9,310,822
Other receipts (payments)	1,683,852	1,681,213	(2,639)
Net cash provided by operating activities	66,469,492	83,094,535	16,625,043
Capital outlay	(180,332,423)	(193,518,799)	(13,186,376)
Other interest income	-	6,748,240	6,748,240
Interest and debt fees paid	(81,239,634)	(89,746,146)	(8,506,512)
Net cash used in financing activities	(157,286,629)	(172,231,276)	(14,944,648)
Purchases of investments	(312,867,581)	(297,741,464)	15,126,117
Interest received on investments and note receivable	4,175,353	11,790,929	7,615,576
Net cash provided by (used in) investing activities	53,103,664	75,845,357	22,741,693
Net increase (decrease) in cash and cash equivalents	(37,556,884)	(13,134,799)	24,422,088
Cash and cash equivalents, end of year	63,404,285	87,826,370	24,422,085
Cash and cash equivalents designated for specific capital projects and other commitments	22,494,254	46,916,337	24,422,083
Total cash and cash equivalents	63,404,286	87,826,370	24,422,084
Operating loss	(67,404,954)	(53,834,247)	13,570,707
Depreciation and amortization expense	132,833,789	137,495,515	4,661,726
Other assets	1,380,047	541,863	(838,184)
Lease receivables	-	4,067,252	4,067,252
Other liabilities	(13,743,101)	(18,579,561)	(4,836,460)
Net cash provided by operating activities	66,469,492	83,094,534	16,625,041

Required Supplementary Information (Unaudited)

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

Last 10 fiscal years (plan year reported in subsequent fiscal year)

Defined Benefit Plan

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability:								
Service cost	**$ 7,970,646**	$ 7,857,035	$ 7,632,696	$ 7,390,428	$ 6,996,180	$ 6,205,263	$ 6,154,579	$ 6,099,481
Interest (includes interest on service cost)	**15,693,834**	14,257,205	13,355,418	12,621,226	11,416,679	10,277,610	9,327,538	8,465,485
Differences between expected and actual experience	**(2,239,695)**	925,862	(645,462)	(2,630,285)	3,975,029	(2,178,527)	345,661	-
Effect of changes of assumptions	**-**	6,767,000	-	6,416,088	5,871,218	10,473,890	-	-
Benefit payments, including refunds of member contributions	**(8,820,959)**	(6,733,942)	(6,429,659)	(4,462,751)	(4,669,787)	(3,023,391)	(2,482,523)	(2,913,221)
Net change in total pension liability	**12,603,826**	23,073,160	13,912,993	19,334,706	23,589,319	21,754,845	13,345,255	11,651,745
Total pension liability - beginning	**241,862,071**	218,788,911	204,875,918	185,541,212	161,951,893	140,197,048	126,851,793	115,200,048
Total pension liability - ending	**$ 254,465,897**	$241,862,071	$218,788,911	$204,875,918	$185,541,212	$161,951,893	$140,197,048	$126,851,793
Plan Fiduciary Net Position:								
Contributions - employer	**$ 8,596,163**	$ 8,424,834	$ 7,848,712	$ 7,318,546	$ 5,480,984	$ 4,047,780	$ 3,897,545	$ 3,924,988
Contributions - employee	**3,125,138**	3,321,661	3,178,464	3,162,781	2,990,317	2,967,269	2,840,236	2,765,079
Net investment income	**53,140,343**	390,013	12,086,349	14,036,710	19,480,875	1,651,283	4,390,185	18,302,683
Benefit payments, including refunds of member contributions	**(8,820,959)**	(6,733,942)	(6,429,659)	(4,462,751)	(4,669,786)	(3,023,391)	(2,482,523)	(2,913,221)
Administrative expense	**(423,018)**	(386,698)	(359,095)	(350,408)	(325,042)	(318,817)	(332,290)	(332,645)
Net change in plan fiduciary net position	**55,617,667**	5,015,868	16,324,771	19,704,878	22,957,348	5,324,124	8,313,153	21,746,884
Plan fiduciary net position - beginning	**207,843,276**	202,827,408	186,502,637	166,797,759	143,840,411	138,516,287	130,203,134	108,456,250
Plan fiduciary net position - ending	**$ 263,460,943**	$207,843,276	$202,827,408	$186,502,637	$166,797,759	$143,840,411	$138,516,287	$130,203,134
Net pension liability (asset) - ending	**$ (8,995,046)**	$ 34,018,795	$ 15,961,503	$ 18,373,281	$ 18,743,453	$ 18,111,482	$ 1,680,761	$ (3,351,341)
Plan fiduciary net position as a percentage of the total pension liability	**103.53%**	85.93%	92.70%	91.03%	89.90%	88.82%	98.80%	102.64%
Covered payroll	**$ 33,328,788**	$ 32,828,449	$ 31,584,841	$ 31,628,301	$ 31,131,795	$ 29,189,357	$ 27,955,455	$ 26,380,323
Net pension liability as a percentage of covered payroll	**(26.99%)**	103.63%	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.

Schedule of Contributions (Pensions)

Last 10 fiscal years (dollars in thousands)

Defined Benefit Plan

	2022	2021	2020	2019	2018
Actuarially determined contribution	**$ 6,570**	$ 6,125	$ 6,159	$ 5,740	$ 5,416
Contributions in relation to the actuarially determined contribution	**9,102**	8,522	8,356	7,783	7,247
Contribution deficiency (excess)	**$ (2,533)**	$ (2,397)	$ (2,197)	$ (2,043)	$ (1,831)
Covered payroll	**$ 29,987**	$ 33,329	$ 32,828	$ 31,585	$ 31,628
Contributions as a percentage of covered payroll	**30.35%**	25.57%	25.45%	24.64%	22.91%

	2017	2016	2015	2014	2013
Actuarially determined contribution	$ 3,765	$ 3,666	$ 3,823	$ 2,900	$ 2,600
Contributions in relation to the actuarially determined contribution	5,421	3,948	3,823	3,728	2,600
Contribution deficiency (excess)	$ (1,656)	$ (282)	$ -	$ (828)	$ -
Covered payroll	$ 31,506	$ 29,189	$ 27,955	$ 26,380	$ 24,840
Contributions as a percentage of covered payroll	17.21%	13.53%	13.68%	14.13%	10.47%

* This schedule is presented for the fiscal year.

Schedule of Changes in the Net Pension Liability and Related Ratios

Last 10 fiscal years (plan year reported in subsequent fiscal year)

Preservation of Benefits Trust Plan

	2022	2021	2020	2019	2018	2017
Total Pension Liability						
Service cost	$ 88,557	$ 55,276	$ 49,343	$ 51,774	$ 60,994	$ 29,270
Interest cost	54,559	62,061	64,133	53,311	35,323	34,173
Differences between expected and actual experience	(195,545)	(57,318)	(64,295)	193,013	388,329	-
Changes of assumptions	22,116	661,465	109,070	(89,712)	(214,765)	272,579
Benefit Payments	(41,662)	(43,301)	(47,081)	(31,329)	-	
Net Change in Total Pension Liability	(71,975)	678,183	111,170	177,057	269,881	336,022
Total pension liability -beginning	2,445,415	1,767,232	1,656,062	1,479,005	1,209,124	873,102
Total pension liability - ending	$ 2,373,440	$ 2,445,415	$ 1,767,232	$ 1,656,062	$ 1,479,005	$ 1,209,124
Covered payroll	$ 33,328,788	$ 32,828,449	$ 31,584,841	$ 31,628,301	$ 31,131,795	$ 29,189,357
Net Pension Liability as a percentage of payroll	7.12%	7.45%	5.60%	5.24%	4.75%	4.14%

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

Schedule of Contributions (Pensions)

Last 10 fiscal years

Preservation of Benefits Trust Plan

	2022	2021	2020	2019	2018
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	52,398	42,682	41,249	45,353	56,513
Contribution deficiency (excess)	$ (52,398)	$ (42,682)	$ (41,249)	$ (45,353)	$ (56,513)
Covered payroll	$ 29,986,825	$ 33,328,788	$ 32,828,449	$ 31,584,841	$ 31,628,301
Contributions as a percentage of covered payroll	0.17%	0.13%	0.13%	0.14%	0.18%

***** This schedule is presented for the fiscal year.

Note to schedule: This schedule is intended to display the most recent 10 years of data for the annual pension contributions. Until such time has elapsed after implementing GASB Statement No. 73, this schedule will only present information from the years that are available.

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

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service Cost	**$ 446,233**	$ 501,198	$ 449,596	$ 436,501	$ 411,052
Interest Cost	**1,829,473**	1,739,459	1,883,080	1,772,578	1,606,959
Difference between expected and actual experience	**(3,669,756)**	-	(169,582)	-	-
Changes of Assumptions	**4,568,725**	-	(1,531,369)	-	766,830
Benefit Payments	**(919,462)**	(784,845)	(775,225)	(622,425)	(451,189)
Net Change in Total OPEB Liability	**2,255,213**	1,455,812	(143,500)	1,586,654	2,333,652
Total OPEB Liability (Beginning)	**27,116,806**	25,660,994	25,804,494	24,217,840	21,884,188
Total OPEB Liability (Ending)	**$ 29,372,019**	$ 27,116,806	$ 25,660,994	$ 25,804,494	$ 24,217,840
Plan Fiduciary Net Position					
Contributions—Employer	**$ 919,462**	$ 784,845	$ 775,225	$ 622,425	$ 2,012,419
Net Investment Income	**4,973,926**	982,113	1,604,058	1,896,351	2,175,582
Benefit Payments	**(919,462)**	(784,845)	(775,225)	(622,425)	(451,189)
Administrative Expense	**(10,452)**	(13,580)	(5,611)	(12,568)	(10,578)
Net Change in Plan Fiduciary Net Position	**4,963,474**	968,533	1,598,447	1,883,783	3,726,234
Plan Fiduciary Net Position (Beginning)	**28,766,021**	27,797,488	26,199,041	24,315,258	20,589,024
Plan Fiduciary Net Position (Ending)	**$ 33,729,495**	$ 28,766,021	$ 27,797,488	$ 26,199,041	$ 24,315,258
Net OPEB Asset	**$ (4,357,476)**	$ (1,649,215)	$ (2,136,494)	$ (394,547)	$ (97,418)
Net Position as a Percentage of OPEB Liability	**114.84%**	106.08%	108.33%	101.53%	100.40%
Covered Payroll	**$ 12,786,000**	$ 14,608,940	$ 13,869,000	$ 16,625,857	$ 16,141,609
Net OPEB Asset as a Percentage of Payroll	**(34.08%)**	(11.29%)	(15.40%)	(2.37%)	(0.60%)

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

Schedule of Contributions (OPEB)
Last 10 fiscal years (dollars in thousands)

Other Postemployment Benefits

	2022	2021	2020	2019	2018
Actuarially determined contribution	**$ 326**	$ 365	$ 427	$ 486	$ 472
Contributions in relation to the actuarially determined contribution	**951**	919	785	339	462
Contribution deficiency (excess)	**$ (625)**	$ (554)	$ (358)	$ 147	$ 10
Covered payroll	**$ 10,493**	$ 12,786	$ 14,609	$ 13,869	$ 15,674
Contributions as a percentage of covered payroll	**9.06%**	7.19%	5.37%	2.44%	2.95%

* This schedule is presented for the fiscal year.

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

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 Fifth Supplemental Senior Indenture and the Master 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 Senior Series 2023 Bonds, including, but not limited to, costs and expenses of printing and copying documents, the preliminary and final official statements and the Senior Series 2023 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.

"*Fifth Supplemental Senior Indenture*" means the Fifth Supplemental Trust Indenture, to be dated as of October 1, 2023, by and between the Airport Authority and the Senior Trustee and which, among other things, sets forth the terms of the Senior Series 2023 Bonds.

"*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, under which the Senior Series 2023 Bonds are authorized and secured.

"*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.

"*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.

"*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 Fifth Supplemental Senior 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 SENIOR SERIES 2023 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 SENIOR SERIES 2023 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. The Senior Series 2023 Bonds are Senior 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. The Senior Reserve Fund is a Senior Debt Service Reserve Fund.

"*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 (a) for purposes of the Master Senior Indenture and 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, and (b) for purposes of the Fifth Supplemental Senior Indenture and the Senior Series 2023 Bonds, the Senior Trustee, or any other institution appointed by the Airport Authority.

"*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, (a) for purposes of the Master Senior Indenture and 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, and (b) for purposes of the Fifth Supplemental Senior Indenture and the Senior Series 2023 Bonds, the Senior Trustee.

"*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 Master Senior Indenture and the Fifth 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, with respect to the Senior Reserve Fund, 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 2023A Bonds*" means $74,675,000 aggregate principal amount of Senior Bonds issued under the Master Senior Indenture and the Fifth Supplemental Senior Indenture and designated as "San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2023A (Governmental/Non-AMT)."

"*Senior Series 2023B Bonds*" means $987,305,000 aggregate principal amount of Senior Bonds issued under the Master Senior Indenture and the Fifth Supplemental Senior Indenture and designated as "San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2023B (Private Activity/AMT)."

"*Senior Series 2023 Bonds*" means, collectively, the Senior Series 2023A Bonds and the Senior Series 2023B Bonds.

"*Senior Series 2023 Projects*" means, the capital projects to be financed with a portion of the proceeds of the Senior Series 2023 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" and "DEVELOPMENT OF SAN DIEGO INTERNATIONAL AIRPORT" in the forepart of this Official Statement.

"*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.

"*Subordinate Event of Default*" means any occurrence or event specified as an "Event of Default" in the Master Subordinate Indenture. See "APPENDIX C-4—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 SENIOR SERIES 2023 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, 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. As of the date of this Official Statement, the Subordinate Trustee acts as the Subordinate Paying Agent with respect to all Outstanding Subordinate Obligations.

"*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, 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. As of the date of this Official Statement, the Subordinate Trustee acts as Subordinate Registrar with respect to all Outstanding Subordinate Obligations.

"*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 original principal amount of Subordinate Obligations designated as "San Diego County Regional Airport Authority Subordinate Airport Revenue Bonds, Series 2021A (Governmental/Non-AMT)."

"*Subordinate Series 2021B Bonds*" means $1,089,260,000 original principal amount of Subordinate Obligations 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 original principal amount of Subordinate Obligations 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 Trust Company, National Association, successor in interest to U.S. Bank National Association, and any successor thereto.

"*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.

"*Underwriters*" means, collectively, Jefferies LLC, Samuel A. Ramirez & Co., Inc., Academy Securities, Inc., BofA Securities, Inc., Morgan Stanley & Co. LLC, RBC Capital Markets, LLC, Siebert Williams Shank & Co., LLC, and Stern Brothers & Co., as the underwriters of the Senior Series 2023 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 "DESCRIPTION OF THE SENIOR SERIES 2023 BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2023 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 FIFTH SUPPLEMENTAL SENIOR INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SENIOR SERIES 2023 BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2023 BONDS" in this Official Statement, the following is a summary of certain provisions of the Fifth Supplemental Senior 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 Fifth Supplemental Senior Indenture.

Terms of the Senior Series 2023 Bonds

The Fifth Supplemental Senior Indenture sets forth the terms of the Senior Series 2023 Bonds, most of which terms are described earlier in this Official Statement under "DESCRIPTION OF THE SENIOR SERIES 2023 BONDS."

Establishment of Funds and Accounts

Pursuant to the Fifth Supplemental Senior Indenture, the Senior Trustee will establish and maintain the following funds and accounts: the Senior Series 2023A Debt Service Fund and the Senior Series 2023B Debt Service Fund (collectively, the "Senior Series 2023 Debt Service Funds"), and within each Senior Series 2023 Debt Service Fund an Interest Account, a Capitalized Interest Account, a Principal Account and a Redemption Account; the Senior Series 2023A Construction Fund and the Senior Series 2023B Construction Fund (collectively, the "Senior Series 2023 Construction Funds"); the Senior Series 2023 Costs of Issuance Fund, and therein a Senior Series 2023A Costs of Issuance Account and a Senior Series 2023B Costs of Issuance Account; the Senior Reserve Fund and the Senior Series 2023 Reserve Account in the Senior Reserve Fund; and the Senior Series 2023 Rebate Fund.

The funds and accounts will be initially funded by the proceeds of the sale of the Senior Series 2023 Bonds as described earlier in this Official Statement under "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS."

Senior Series 2023 Debt Service Funds. The Senior Trustee will deposit into the respective Interest Accounts of the Senior Series 2023 Debt Service Funds amounts received from the Airport Authority and amounts to be transferred from the respective Capitalized Interest Accounts of the Senior Series 2023 Debt Service Funds, as provided in the Master Senior Indenture and the Fifth Supplemental Senior Indenture, to be used to pay interest on the Senior Series 2023 Bonds. The Senior Trustee will also deposit into the respective Interest Accounts any other amounts deposited with the Senior 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 Senior Series 2023 Projects are completed. On the completion date of the Senior Series 2023 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 Senior Series 2023 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 Senior Trustee will deposit into the respective Principal Accounts of the Senior Series 2023 Debt Service Funds amounts received from the Airport Authority to be used to pay principal of the Senior

Series 2023 Bonds whether at maturity or by mandatory sinking fund redemption as provided in the Fifth Supplemental Senior Indenture. On or about July 15 of each Fiscal Year, earnings on the respective Principal Accounts will be withdrawn by the Senior Trustee and paid to the Airport Authority for deposit into the Revenue Account unless a Senior Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such Principal Accounts.

The Senior Trustee will deposit into the respective Redemption Accounts of the Senior Series 2023 Debt Service Funds amounts received from the Airport Authority or from other sources to be used to pay the redemption price of Senior Series 2023 Bonds being redeemed in advance of their maturity as provided in the Master Senior 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 Senior Trustee by an Authorized Authority Representative at the time of such deposit.

The Senior Series 2023 Debt Service Funds will be invested and reinvested in Senior Permitted Investments as directed by the Airport Authority.

Senior Series 2023 Construction Funds. Amounts in the respective Senior Series 2023 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 Senior Series 2023 Projects for which the Senior Series 2023 Bonds were issued. Moneys held in the respective Senior Series 2023 Construction Funds will be invested and reinvested as directed by an Authorized Authority Representative in Senior Permitted Investments. Earnings on the respective Senior Series 2023 Construction Funds will be retained in the respective Senior Series 2023 Construction Funds.

Senior Series 2023 Costs of Issuance Fund. The proceeds of the Senior Series 2023 Bonds deposited into the Senior Series 2023 Costs of Issuance Fund will be disbursed by the Senior Trustee, from time to time, to pay Costs of Issuance of the Senior Series 2023 Bonds. Amounts in the Senior Series 2023 Costs of Issuance Fund will be invested and reinvested in Senior Permitted Investments as directed by the Airport Authority and the earnings upon such accounts will be credited to such fund.

Senior Series 2023 Reserve Account. For a description of the Senior Reserve Fund and the Senior Series 2023 Reserve Account, reference is made to the forepart of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2023 BONDS—Senior Reserve Fund."

Senior Series 2023 Rebate Fund. The Fifth Supplemental Senior Indenture creates the Senior Series 2023 Rebate Fund for the Senior Series 2023 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 Senior Trustee with respect to the Senior Series 2023 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 Senior Series 2023 Bonds. Such excess is to be deposited into the Senior Series 2023 Rebate Fund and periodically paid to the United States of America. The Senior Series 2023 Rebate Fund while held by the Senior 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 Senior Series 2023 Bonds.

APPENDIX C-4

SUMMARY OF MASTER SUBORDINATE INDENTURE

In addition to certain information contained under the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR SERIES 2023 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 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 Utilizatio*n" 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.

<u>Premises Notice</u>. 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.

<u>Exclusive Use Premises</u>. 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.

<u>Shared Use Premises</u>. 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.

Establishment of Major Maintenance Fund. 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.

<u>Aircraft Parking Position Rentals</u>. 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.

<u>Aircraft Parking Position Turn Fees</u>. 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.

<u>Aircraft Parking Position Overnight Fees</u>. 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.

<u>Exclusive Use and Shared Use Premises</u>. 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.

<u>Joint Use Premises – 10% Share</u>.

(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

$74,675,000 San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2023A (Governmental/Non-AMT)	$987,305,000 San Diego County Regional Airport Authority Senior Airport Revenue Bonds Series 2023B (Private Activity/AMT)

Ladies and Gentlemen:

We have acted as Bond Counsel to the San Diego County Regional Airport Authority (the "Airport Authority"), in connection with the Authority's issuance and sale of (a) $74,675,000 aggregate principal amount of its San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2023A (Governmental/Non-AMT) (the "Senior Series 2023A Bonds"), and (b) $987,305,000 aggregate principal amount of its San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2023B (Private Activity/AMT) (the "Senior Series 2023B Bonds," and together with the Senior Series 2023A Bonds, the "Senior Series 2023 Bonds"). The Senior Series 2023 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 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., formerly known as The Bank of New York Trust Company, N.A., as trustee (the "Senior Trustee"); and the Fifth Supplemental Trust Indenture, dated as of October 1, 2023 (the "Fifth 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. Issuance of the Senior Series 2023 Bonds has been authorized by Resolution No. 2023-0080 adopted by the board of directors of the Airport Authority on September 7, 2023 (the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Senior.

In connection with the issuance of the Senior Series 2023 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 Senior Indenture and the Fifth Supplemental Senior Indenture; (d) an executed copy of the Tax Compliance Certificate, dated October 25, 2023, relating to the Senior Series 2023 Bonds and other matters (the "Tax Certificate"); (e) certifications of the Airport Authority, the Senior Trustee, Jefferies LLC, as representative of the underwriters of the Senior Series 2023 Bonds (the "Underwriters"), and others; (f) opinions of the Airport Authority's General Counsel, counsel to the Senior Trustee and counsel to the Underwriters; and (g) 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 Airport 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 Airport Authority, the security provided therefor, as contained in the Senior Series 2023 Bonds and the Senior 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 Airport 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 Senior Series 2023 Bonds or the Senior Indenture. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated October 3, 2023, or any other offering material relating to the Senior Series 2023 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 Senior Series 2023 Bonds have been duly authorized and all legal conditions precedent to the issuance and delivery of the Senior Series 2023 Bonds have been fulfilled.

2. The Senior Series 2023 Bonds constitute the valid and binding special obligations of the Airport Authority secured by a pledge of and lien upon and are a charge upon and are payable from the Net Revenues and certain funds and accounts held by the Senior Trustee under the Senior Indenture.

3. The Master Senior Indenture and the Fifth Supplemental Senior Indenture have been duly authorized, executed and delivered by the Airport Authority and, assuming the due authorization, execution and delivery by the Senior Trustee, constitute the valid and binding obligations of the Airport Authority, enforceable against the Airport Authority in accordance with their terms. The Senior Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Senior Series 2023 Bonds, of the Net Revenues and certain funds and accounts held by the Senior Trustee under the Senior Indenture, subject to the provisions of the Senior Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

4. The Senior Series 2023 Bonds are not general obligations of the Airport Authority. 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 and interest on the Senior Series 2023 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 Senior Series 2023 Bonds.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Senior Series 2023A Bonds is excluded from gross income for federal income tax purposes. Interest on the Senior Series 2023A Bonds is not a specific preference item for purposes of the federal alternative minimum tax

imposed on individuals. For tax years beginning after December 31, 2022, interest on the Senior Series 2023A Bonds may affect the federal alternative minimum tax imposed on certain corporations.

6. Under existing laws, regulations, rulings and judicial decisions, interest on the Senior Series 2023B Bonds is excluded from gross income for federal income tax purposes, except that such exclusion does not apply with respect to interest on any Senior Series 2023B Bond for any period during which such Senior Series 2023B Bond is held by a person who is a "substantial user" of the facilities financed or refinanced by the Senior Series 2023B 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 (the "Code"). Interest on the Senior Series 2023B Bonds is a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. For tax years beginning after December 31, 2022, interest on the Senior Series 2023B Bonds may affect the federal alternative minimum tax imposed on certain corporations.

7. Under existing laws, interest on the Senior Series 2023 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 Airport Authority with covenants regarding federal tax law contained in the Senior Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the Senior Series 2023 Bonds to be included in gross income retroactive to the date of issue of the Senior Series 2023 Bonds. Although we are of the opinion that interest on the Senior Series 2023 Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Senior Series 2023 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.

Our engagement with respect to the Senior Series 2023 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 Senior Airport Revenue Bonds, Series 2023A (Governmental/Non-AMT) (the "***Senior Series 2023A Bonds***"), and (b) San Diego County Regional Airport Authority Senior Airport Revenue Bonds, Series 2023B (Private Activity/AMT) (the "***Senior Series 2023B Bonds***," and together with the Senior Series 2023A Bonds, the "***Senior Series 2023 Bonds***"). The Senior Series 2023 Bonds are being issued 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., formerly known as The Bank of New York Trust Company, N.A., as trustee (the "***Senior Trustee***"), and the Fifth Supplemental Trust Indenture, dated as of October 1, 2023 (the "***Fifth 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. Additionally, the Senior Series 2023 Bonds have been authorized by Resolution No. 2023-0080 adopted by the board of directors of the Airport Authority on September 7, 2023 (the "***Resolution***"). The Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 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 Senior 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 Senior Series 2023 Bonds (including persons holding Senior Series 2023 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Senior Series 2023 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 Senior Series 2023 Bonds, or if the Senior Series 2023 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 Senior Series 2023 Bonds, the Airport Authority is the only Obligated Person.

"*Official Statement*" means the Official Statement, dated October 3, 2023, prepared and distributed in connection with the initial sale of the Senior Series 2023 Bonds.

"*Participating Underwriter*" means any of the original underwriters of the Senior Series 2023 Bonds required to comply with the Rule in connection with the offering of the Senior Series 2023 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 28, 2023. 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 Senior Series 2023 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 (including the Senior Series 2023 Bonds) and the Subordinate Obligations (including the Subordinate Series 2017 Bonds, the Subordinate Series 2019 Bonds, the Subordinate Series 2020 Bonds, the Senior 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 Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023A Bonds and/or the Senior Series 2023B 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 Senior Series 2023 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 Senior Series 2023 Bonds or other material events affecting the tax status of the Senior Series 2023 Bonds;

2. Modifications to rights of the Beneficial Owners or Holders of the Senior Series 2023 Bonds;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution or sale of property securing repayment of the Senior Series 2023 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 Senior Series 2023 Bonds pursuant to the Senior 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 Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 Bonds in the same manner as provided in the Senior Indenture for amendments to the Senior 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 Senior Series 2023 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 Senior Series 2023 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 Senior 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 Senior Indenture. The obligations of the Airport Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Senior Series 2023 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 Senior Series 2023 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 25th day of October, 2023.

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:	Senior Airport Revenue Bonds, Series 2023A (Governmental/Non-AMT)
	Senior Airport Revenue Bonds, Series 2023B (Private Activity/AMT)
Date of Issuance:	October 25, 2023
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 October 25, 2023, 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

Introduction

Unless otherwise noted, the information contained under the caption "—General" below has been provided by DTC. The Airport Authority makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Senior Series 2023 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE AIRPORT AUTHORITY NOR THE SENIOR 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 SENIOR SERIES 2023 BONDS UNDER THE SENIOR 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 SENIOR SERIES 2023 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 SENIOR SERIES 2023 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SENIOR SERIES 2023 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Senior Series 2023 Bonds. The Senior Series 2023 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 Senior Series 2023 Bond certificate will be issued for each maturity of the Senior Series 2023 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 Senior Series 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Senior Series 2023 Bonds on DTC's records. The ownership interest of each actual purchaser of each Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 Bonds, except in the event that use of the book-entry system for the Senior Series 2023 Bonds is discontinued.

To facilitate subsequent transfers, all Senior Series 2023 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 Senior Series 2023 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Senior Series 2023 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Senior Series 2023 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 Senior Series 2023 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Senior Series 2023 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Senior Series 2023 Bond documents. For example, Beneficial Owners of Senior Series 2023 Bonds may wish to ascertain that the nominee holding the Senior Series 2023 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 Senior Series 2023 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Senior Series 2023 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 Senior Series 2023 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 Senior Series 2023 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Senior Series 2023 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 Senior 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 Senior 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 Senior 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 Senior Series 2023 Bonds at any time by giving reasonable notice to the Airport Authority or the Senior Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Senior Series 2023 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 Senior Series 2023 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 SENIOR SERIES 2023 BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

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SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Senior Airport Revenue Bonds, Series 2023A (Governmental/Non-AMT) and Series 2023B (Private Activity/AMT)

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