PORT OF SAN DIEGO, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

PORT of SAN DIEGO

Waterfront of Opportunity

PORT OF SAN DIEGO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

Robert DeAngelis
Chief Financial Officer/Treasurer
Vice President

Jeanette Sales, CPA
Director of Financial Services

Prepared By:
Financial Services Department

PORT of SAN DIEGO
Waterfront of Opportunity

The San Diego Unified Port District (District) was established on December 18, 1962 in accordance with laws of the State of California. The District operates under the Public Trust Doctrine, which specifies that the waterways and waterfronts are primarily reserved for water-dependent uses such as fishing, cargo activity, bay tours, and recreational access such as hotels and restaurants; as well as environmental and natural-habitat preservation.

TABLE OF CONTENTS

Page Left Intentionally Blank

INTRODUCTORY SECTION
(UNAUDITED)

District Overview

THE SAN DIEGO UNIFIED PORT DISTRICT

The San Diego Unified Port District (District) is a regional public agency established in 1962 by an act of the California State Legislature to consolidate management responsibilities for San Diego Bay (Port Act). This consolidation provides ongoing efficiencies and centralized planning for the tidelands along San Diego Bay.

- The District is an economic engine, creating jobs and dollars for the regional economy through the promotion of maritime trade, tourism, and other commercial activities.
- The District is an environmental steward, preserving and enhancing the natural resources of the San Diego Bay and surrounding tidelands.
- The District is a provider of community services, providing public access, public safety, recreation, and community activities along the waterfront for visitors and residents of the region.

A seven-member Board of Port Commissioners governs the District. Board members are appointed to four-year terms by the city councils of Chula Vista, Coronado, Imperial Beach, National City, and San Diego. The San Diego City Council appoints three commissioners, and each of the other member city councils appoints one commissioner. Port Commissioners establish policies that the District staff, under the direction of the President/Chief Executive Officer (CEO), uses to conduct daily operations.

The District's maritime, real estate, and parking operations generate billions of dollars for the region's economy and allow the District to operate without the benefit of tax dollars. The District has the authority to levy a tax but has not done so since 1970.

PUBLIC TRUST DOCTRINE

The District is also a trustee of state lands subject to the Public Trust Doctrine, which mandates how California's sovereign lands should be managed. Also known as public trust lands, they include areas that used to be or are still under the bay and other waters. These lands cannot be bought and sold because they are held in the public trust and belong to the people of the State of California. As the trustee of these lands, the District is responsible for carrying out the principles of the Public Trust Doctrine. This includes protecting the environment, promoting the public's enjoyment of these lands, and enhancing economic development for the public's benefit.

Vision, Mission, Guiding Principle, and Core Values

VISION

21st Century Port - We are an innovative, global seaport courageously supporting commerce, community and the environment.

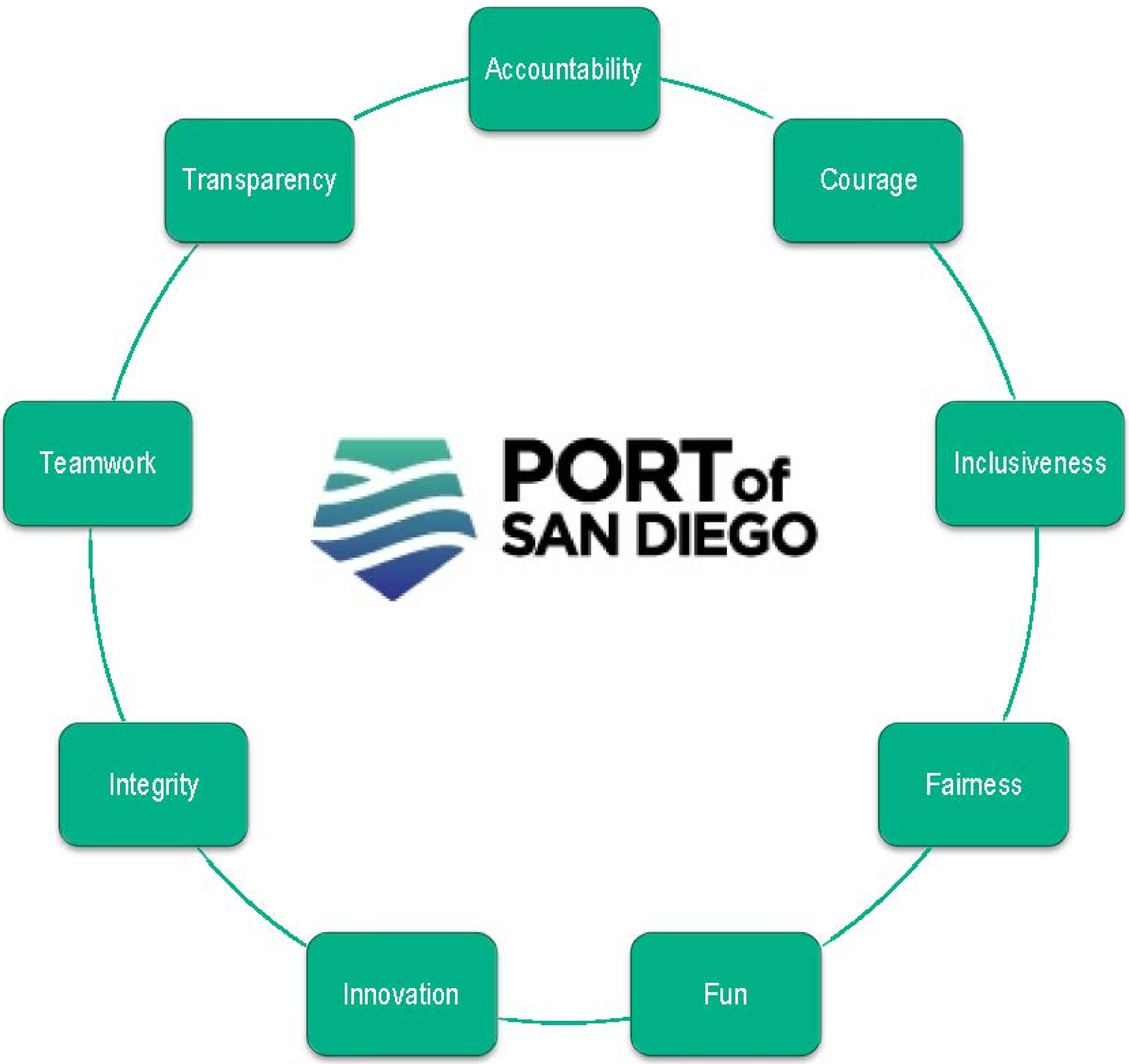
MISSION

The Port of San Diego will protect the Tidelands Trust resources by providing economic vitality and community benefit through a balanced approach to the maritime industry, tourism, water and land recreation, environmental stewardship and public safety.

GUIDING PRINCIPLE

We do the greatest good by doing remarkably well.

CORE VALUES



November 19, 2021

To the Board of Port Commissioners and all interested parties:

It is a pleasure to present the Annual Comprehensive Financial Report (ACFR) of the San Diego Unified Port District (District) for the fiscal years ended June 30, 2021 and 2020. The purpose of this report is to provide the Board of Port Commissioners (BPC), the California State Lands Commission, the public, and other interested parties with reliable information concerning the financial condition and results of operations for the District. The District's Financial Services department prepared this report following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA) and in accordance with U.S. generally accepted accounting principles (GAAP). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures in this report, rests with management of the District.

To the best of our knowledge and belief, this report fairly presents and fully discloses the District's financial position, changes in financial position, and cash flows in accordance with GAAP. On the basis that the cost of internal controls should not outweigh their benefits, the District has established a comprehensive framework of internal controls to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

GAAP requires that management provide a narrative overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Independent Auditor's Report.

The District requires that an independent, certified public accounting firm, selected by the BPC, audit the financial statements on an annual basis. Macias Gini & O'Connell LLP issued an unmodified (or clean) opinion on the District's financial statements for the fiscal years ended June 30, 2021 and 2020. The Independent Auditor's Report is presented as the first component of the Financial Section of the report.

PROFILE OF THE DISTRICT

The District is a self-funded public corporation and government agency established by the State of California Legislature on December 18, 1962, for the acquisition, construction, operation, maintenance, development, management, and regulation of harbor works and improvements, including rail, water, and air terminal facilities, and tidelands and submerged lands of San Diego Bay, and for the promotion of commerce, navigation, fisheries, and recreation.

Based on cargo tonnage, the District is considered the fourth largest of 11 California ports and the largest break-bulk (non-container) port in California. The District guides development of 34 miles of San Diego Bay's beautiful, natural waterfront with a diverse portfolio of world-class commercial real estate, maritime, and public uses, with a focus on being a 21st Century Port. Serving as the Navy's unofficial shipyard on the West Coast, the District consists of a traditional working waterfront of shipyards and boatyards, marinas and sport fishing landings, and marine cargo and cruise terminals, along with numerous hotels, marinas, restaurants, tours, and museum attractions. As a public access provider, the District also maintains 22 public parks, three public boat launch facilities, five public fishing piers, four public viewing piers, free mooring and docking, and numerous public art displays as amenities that attract visitors and enhance the value of our waterfront.

The District generates revenues from four major operations:

- Real Estate - Contributing to the continuous prosperity of the local economy, the District is home to approximately 800 diverse businesses. The District's portfolio derives a significant amount of revenue from tourism-industry businesses, including hotels, restaurants, retail, marinas, museums and other attractions, and regional economic drivers such as the San Diego Convention Center and the San Diego International Airport (SDIA), to name a few. From real estate to aquaculture and blue technology, the District invests in major redevelopment and community infrastructure, so businesses have the opportunity to stay competitive in the global marketplace. Through collaboration and access, the District's real estate team strategically works with companies to develop opportunities to grow their businesses, creating vibrant experiences to enjoy and prosper from the District's dynamic waterfront.

- Guest Experiences - Parking (previously Port as of Service) - With approximately 10,000 parking spaces around San Diego Bay, the District's publicly accessible parking is a key contributor in creating America's finest waterfront. Combining strategically located parking, parking rates at a fair value and current industry technologies, the District is able to promote access to the San Diego Bay, the District's 22 public parks, major Convention Center events, the new Rady Shell at Jacobs Park concert and event venue operated by the San Diego Symphony, the Padres and other Petco Park attractions, Port-sponsored events and many of the real estate tenant businesses.

- Maritime - The District's maritime operations are the region's gateway to the world, leading the working waterfront of San Diego Bay and facilitating the movement of goods and people internationally and domestically. With two cargo terminals and two cruise terminals, the District's capital assets lead the local maritime industry as an economic driver. District maritime businesses employ thousands of residents and generate billions of dollars per year for the regional economy. The District takes pride in being a good neighbor, and its maritime team collaborates with member cities and partners to ensure terminal and cargo projects create a prosperous global economic engine for all while respecting adjacent land uses.

- Harbor Police - Within the District, the Port of San Diego Harbor Police Department is responsible for security and service for the San Diego Bay waterfront - air, land, and sea. Harbor Police collaborates with local, state, and federal agencies, including the law enforcement agencies for its member cities, the U.S. Coast Guard, and Homeland Security. Harbor Police provides protection on the ground for the SDIA, including the use of explosive and narcotic-detecting K-9 officers. With dedicated vessels and police vehicles, Harbor Police officers patrol the coast, marine terminals, and tidelands to deter and prevent crimes like smuggling, terrorism, and human trafficking. A partnership with the U.S. Department of State allows for the sharing of this department's expertise with selected ports globally.

In its original form, the District included the SDIA within its portfolio, but that changed in 2001 with the creation of a separate agency to oversee airport operations and assets. In 2001, the California legislature enacted the San Diego County Regional Airport Authority Act (Airport Authority Act), which established the San Diego County Regional Airport Authority (SDCRAA). Effective January 1, 2003, the District transferred all airport operations and certain related assets and liabilities to the SDCRAA.

Board of Port Commissioners (BPC)

The District's governance is intended to reflect a regional approach to management of the land and water within its jurisdiction. The District is governed by a seven-member BPC appointed by the District's five-member cities (Chula Vista, Coronado, Imperial Beach, National City, and San Diego). The BPC appoints the President/Chief Executive Officer (CEO), who oversees daily operations for the organization; as well as the General Counsel and the Port Auditor. Through resolutions and directives, the BPC sets policies for the District, which are then implemented by the CEO and executive staff.

COVID-19 IMPACTS

When the COVID-19 pandemic began in late 2019, most infectious disease experts expressed hope and optimism that things would return to normal within weeks, or a few months at worst. Well over a year later, the persistent pandemic has had devastating impacts on public health and societal norms, and the resulting unprecedented economic impacts. Tourism sector revenues nearly hit bottom in fiscal year 2021, forcing the District to make tough decisions to weather the storm and stay on course.

Fortunately, the District has begun to chart a course to recovery. With vaccination rates increasing and hospitalization rates decreasing, we are seeing a return of convention and tourism business. The District's focus looking to fiscal year 2022 is on bringing visitors back to the waterfront – to the hotels, restaurants, numerous bayfront events and back on cruise ships.

Thanks to a long history of prudent financial decisions, which include no increase in debt, an operating reserve policy, accumulation of surplus, and an A+ credit rating reaffirmed by Fitch and S&P, the District is very well positioned for recovery.

ECONOMY AND OUTLOOK

The longest U.S. economic expansion since the end of the Second World War came to an abrupt halt as the COVID-19 pandemic essentially shut down the economy. However, there has been resiliency over the last several months as vaccine availability and the re-opening of previously restricted economic sectors have driven consumer spending habits closer to pre-pandemic levels. Continued recovery trends remain dependent on a number of current factors, particularly supply chain disruptions influencing inflation increases, government debates on infrastructure spending and debt ceiling extensions, and the COVID delta variant resurgence. To this end, on September 22, 2021, the Federal Open Market Committee (FOMC) decided to keep the federal funds target range between 0% and 0.25% and expects to maintain this range until labor markets have reached Committee assessments consistent with maximum employment and inflation levels to moderately exceed 2% "for some time". Economic forecast reports anticipate modest growth in Gross Domestic Product (GDP) of approximately 4.4%, and annualized calendar year 2022 increase of 4.0% GDP, an unemployment rate of 4.3%, and Consumer Price Index of 4.2% (Source: Wells Fargo Economic Outlook October 15, 2021).

The pandemic's impact on San Diego County's economy has continued to be a defining factor during fiscal year 2021. The tourism, travel and leisure, as well as the retail and education sectors, were among the hardest hit industries. But with the impacts of federal and state subsidies, improved vaccine distribution, and the re-opening of the local economy, the return to a more normalized business environments is occurring. The unemployment rate in San Diego County was 5.6% in September 2021, down from a revised 6.6% in August 2021, and below the year-ago estimate of 9.6%. This compares with an unadjusted unemployment rate of 6.4% for California and 4.6% for the nation during the same period (Source: EDD San Diego County data, October 2021).

FINANCIAL POLICIES AND LONG-TERM FINANCIAL PLANNING

The District believes that strategic financial discipline is essential for the economic sustainability of any organization to ensure effective operations and sound fiscal health. Performing regular financial reviews and developing timely financial strategies can provide valuable information for the District's management and the BPC decision-making process.

The District has adopted a comprehensive set of financial policies, including policies related to reserves, budget development, five-year financial forecast, investments, Capital Improvement Program (CIP), and Major Maintenance Program, among others.

Operating Reserves

The District continues to maintain a healthy level of operating reserves to weather significant economic downturns more effectively and manage the consequences of unexpected emergencies. Operating reserves generate investment income, provide a margin of safety and stability to protect the District from exposure to catastrophic events and economic impacts, and provide flexibility to pursue emergent opportunities. The District's BPC Policy No. 117 - Operating Reserve Policy, in general, calls for a cash reserve of 50.0% of budgeted operating and maintenance expenses reduced by certain revenue sources. The balance is established annually upon the adoption of the fiscal year budget. The current operating reserve required balance based on the fiscal year 2022 adopted budget is $62.8 million.

Given the uncertainty for recovery with the local, regional, state, and federal economies, staff continue to closely monitor the District's financial results and adjust to economic impacts caused by the COVID-19 pandemic. In October 2020, the BPC authorized staff to use operating reserves to partially fund the fiscal year 2021 COVID-19 related deficit, which was partially minimized by implementing strategies including continuation of vacancy management, deferral of non-critical equipment, other capital projects and major maintenance expenditures, reduction in non-essential and other expenditures, and continuation to pursue revenue generating opportunities. The operating reserve balance is $58.7 million as of June 30, 2021, which is approximately $4.1 million below the required reserve balance of $62.8 million. However, with a strong first quarter of net operating revenue, the District was able to increase its reserve balance to the required target level.

The operating reserve includes a $20 million minimum required balance established for the purpose of self-insurance against possible losses that could occur as the result of a catastrophic event. For more information, the Operating Reserve Policy can be found in its entirety at https://pantheonstorage.blob.core.windows.net/administration/BPC-Policy-No-117-Operating-Reserve-Policy.pdf.

Rent Deferral Program

In order to support the financial stability of District tenants during these times of economic uncertainty related to the COVID-19 pandemic, the BPC authorized a rent deferral program to provide immediate rent relief to the tenants by delaying a portion of rental payments for up to six months until fall of 2021, after the busier summer season with many businesses having fully reopened. This allows tenants to focus their capital today on compliance and reopening and provides a buffer before repayment would begin.

Five-Year Financial Forecast

Each year, the District updates a Five-Year Cash Flow Forecast (cash flow) which serves as the framework for the development of the annual operating budget.

The following outlines the long-range and financial policies that guide the preparation of the budget:

- Revenues and other sources exceed expenses before depreciation and amortization and before capital outlays
- The District expenditures authorized in the budget will help stimulate the economy in the San Diego region
- Manage growth at a disciplined cost structure
- Proactively maintain facilities and infrastructure
- Capital investment in the tidelands will provide significant, long-term economic benefits to the region and provide public improvements and infrastructure that will stimulate private investment in the tidelands, diversifying the District's revenue streams, and creating new jobs and opportunities for the region. Financial policies will enable the District to maintain its sound financial condition so that capital investment in the tidelands may continue.

Capital Improvement Program

The BPC has adopted Policy No. 120 - Capital Improvement Program (CIP). The CIP includes projects that enhance maritime terminal operations, public parks, and other District facilities or public amenities. Examples of CIP projects include improvements on the District's marine terminals, improved roadways, public boat ramps, security systems, new parks, electrification and environmental mitigation. CIP projects do not include major maintenance. The policy is intended to facilitate capital development projects and budgets, which are strategically cohesive, ensure clear and consistent treatment of all proposed capital projects on the tidelands, streamline the process, increase efficiency, reduce costs, and improve outcomes. For more information, the policy can be found in its entirety at https://pantheonstorage.blob.core.windows.net/administration/BPC-Policy-No-120-Capital-Improvement-Program-CIP.pdf.

Major Maintenance Program

The BPC has adopted Policy No. 130 - Major Maintenance Program (MMP). The MMP establishes a policy for the orderly maintenance of the District's capital assets. The District currently budgets for the MMP using a three-year outlook on projects that are generated utilizing a data-informed process under the Asset Management Program (AMP), which employs a scientifically based methodology to determine repairs or replacements of high risk assets before they fail. The MMP is part of the District's strategic initiative, and many of the projects span multiple years. Years two and three contain forecasted values that are subject to change prior to the following fiscal year's budget. For more information, the policy can be found in its entirety at https://pantheonstorage.blob.core.windows.net/administration/BPC-Policy-No-130-Major-Maintenance-Program.pdf.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Port Wide

Federal Stimulus

In fiscal year 2021, to mitigate the negative economic impacts resulting from the COVID-19 pandemic, California Governor Gavin Newsom designated $250 million for California ports as part of American Rescue Plan Act (ARPA) stimulus funds being distributed to the State of California by the federal government. In fiscal year 2022, the District is preparing an Economic Recovery Program (ERP) to apply for a portion of that funding, to allocate how it will be spent, and to track the spending. The District's ERP includes projects totaling just over $100 million grouped into eight general categories including but not limited to, major maintenance, electrification, environmental mitigation, technology, personnel, and budget stabilization. As a destination port, the District was uniquely impacted by the pandemic since much of the District's respective revenues are generated by tourism and convention business which experienced significant business decline over fiscal years 2020 and 2021.

IT Infrastructure

In fiscal year 2021, the District's information technology (IT) teams completed a number of public safety projects, including upgrades to the Harbor Police Department's 9-1-1 system and the addition of body-worn cameras for officers. Two major infrastructure migrations were accomplished, a secure cloud datacenter migration and a digital telephony implementation. Supported with grant funding, IT also outfitted multiple conference rooms in several District buildings to assist in the establishment of an Emergency Operations Center for use during regional emergency response efforts. Additionally, IT executed various process improvements, including an audit of the District's backup systems; improvement of multiple backup systems and databases; implementation of new security testing software; cloud computing training; continuation of strengthening the District's multi-factor authentication posture; and identifying and carrying out cost savings in software licensing.

Maritime

Cargo

The District celebrated completion of an approximately $24 million public works project to modernize its Tenth Avenue Marine Terminal (TAMT) in fiscal year 2021. The project supported the District's specialty cargo advantage by providing laydown space and flexibility for project cargo like windmill components as well as roll-on/roll-off and break-bulk cargo. Funded in part by a $10 million Transportation Investment Generating Economic Recovery (TIGER) grant from the U.S. Department of Transportation, the project included the demolition of two obsolete warehouses; improvements to on-dock rail, utilities, new lighting, and pavement; and development of an exemplary stormwater treatment system to maximize stormwater capture on the marine terminal. The project has also resulted in new maritime cargo business for the District and created more local jobs. Operations remained active during construction and have become more efficient due to the project's completion.

Also in fiscal year 2021, U.S. Customs and Border Protection and the City of San Diego authorized the District to activate a Foreign Trade Zone (FTZ) at TAMT. As an FTZ, the terminal is a secured, designated location where foreign and domestic merchandise is generally considered to be in international commerce and outside of United States customs territory. This allows the District to offer numerous benefits to businesses including duty reduction and deferral, logistical benefits, and cost savings.

At the District's National City Marine Terminal (NCMT), terminal operator Pasha Automotive Services processed 361,008 imported autos for fiscal year 2021, which was relatively resilient despite COVID and supply chain disruptions. Pasha also completed a project in partnership with Porsche Cars North America. The “Pasha Porsche Project” renovated approximately 27,500 square feet of an existing warehouse facility to make it better suited for receiving, processing, repairing, and holding automobiles. The improvements also include alterations to accommodate electrically powered vehicles and a new single-story office facility within the existing warehouse. The project was completed in summer 2020.

Cruise

In fiscal year 2021, the District’s cruise business was severely impacted by the global COVID-19 pandemic. All 137 calls scheduled for the 2020-2021 season, September through June, were cancelled. Anticipating some impacts due to COVID-19, the District had budgeted 82 calls at approximately $3.5 million. With cruises anticipated to return to San Diego in fall 2021, the District turned its attention to working with the cruise lines and various other local, state, and federal agencies to safely resume cruising. Operational support includes hosting crew vaccination events in coordination with Sharp Healthcare, Holland America Line, and Princess cruises, as well as supporting cruise ships as needed for supply needs, crew needs, ship maintenance, and more. More than 100 calls are anticipated for the 2021-2022 season.

Also in fiscal year 2021, the BPC approved $4.6 million in funding to purchase, construct and install additional shore power equipment that will allow two cruise vessels calling on San Diego to connect to shore power outlets at the same time, which means the ships will not have to run their diesel auxiliary engines while in port. The District’s goal is to complete the shore power expansion by September 2022, four months ahead of California Air Resources Board (CARB) regulations that require essentially all cruise ships calling on California ports to use shore power beginning January 1, 2023. Having two shore power outlets at the cruise ship terminals will result in at least a 90 percent overall reduction of harmful pollutants such as NOx and Diesel Particulate Matter as well as a reduction in greenhouse gas emissions. The District first installed shore power at the cruise terminals in 2010, making it among the first ports in California to have shore power available for cruise ships and beating a state regulation to reduce diesel particulate emissions from at least 50 percent of cruise calls by nearly four years.

Waterfront Development

Port Master Plan Update (PMPU)

Through an initiative referred to as Integrated Planning, the District is updating its Port Master Plan. A Port Master Plan is required by the San Diego Unified Port District Act and the California Coastal Act. The District’s existing plan was certified (as a whole) in 1981 by the California Coastal Commission and since then there have been many location-specific amendments, but never a comprehensive update. The District is now updating its Port Master Plan to reflect changes in the needs and priorities of Californians and the region’s growth since the first plan was approved in 1981 – 40 years ago. Spanning approximately 6,000 acres of land and water, the District’s master plan designates specific areas for maritime uses such as cargo and cruise; recreational uses such as marinas and parks; development of hotels, restaurants and other visitor-serving amenities; and for environmental purposes such as habitats for birds and turtles. Launched in 2013, the District’s objective is to create a holistic, thoughtful, and balanced approach to future water and land uses for generations to come. In fiscal year 2020, the District released a Discussion Draft of the Port Master Plan Update for public review and feedback, then released a Revised Draft for further public review and input in fiscal year 2021. In fiscal year 2022, the District anticipates releasing a Draft Environmental Impact Report (EIR) for public review, as required by the California Environmental Quality Act (CEQA). The Draft EIR will include analysis of impacts such as, but not limited to, traffic, climate change, air quality, noise, public services (e.g., fire and police protection), and natural resources. Completion of the CEQA process, anticipated for 2022, will be followed by processing with the California Coastal Commission as the final step for the PMPU. The goal for Coastal certification is 2023. The District has been recognized as an industry leader for its work on an Integrated Planning Initiative that will culminate in an update to the Port Master Plan.

Chula Vista Bayfront

The Chula Vista Bayfront (CVB) is a flagship District project that represents decades of public outreach, planning, and development. This monumental project has great momentum, representing one of the last truly significant, large-scale waterfront development opportunities in Southern California. This project is designed with a balance between commercial development, public access, and conservation while serving as an important asset for the San Diego region, the South Bay, Chula Vista residents, and coastal visitors. In fiscal year 2021, the first major developments were completed – the Sun Outdoors San Diego Bay RV resort by Sun Communities, Inc. opened, as did the Sweetwater Bicycle & Pedestrian Path. Additionally, the Board of Port Commissioners approved critical leasing, financing, and construction documents for the Gaylord Pacific resort, the adjacent convention center, associated public infrastructure, and two future parks. This major milestone moved the Port, the City of Chula Vista, and RIDA Chula Vista, LLC closer to financing, leasing, and starting construction, which is anticipated to begin in fiscal year 2022. With an anticipated investment of $1.2 billion for the RIDA project, the CVB project seeks to transform a largely vacant and underutilized industrial landscape of approximately 535 acres into a thriving recreational, residential, and resort destination. When the CVB project is complete, the public will enjoy more than 200 acres of public realm space including parks and open space, a shoreline promenade, walking trails, recreational vehicle camping, shopping, dining, and more.

National City Bayfront

The District has been working closely with the City of National City, as well as business and community stakeholders, to rebalance land uses for maritime, commercial recreation, and public access in the National City Marina District based on public priorities. The proposed National City Marina District Balanced Land Use Plan (Balanced Plan) is a result of this outreach and consists of expanding Pepper Park; realigning Marina Way to serve as a buffer between commercial recreation and maritime uses; east-west and north-south public access corridors with pedestrian, bicycle, and visual access; and better configured/more contiguous commercial recreation and maritime uses. The Balanced Plan as well as four proposed projects and programmatic components within the City of National City's jurisdiction are collectively referred to as the National City Bayfront Projects. The projects within the City's jurisdiction include a road closures and rail project for Pasha, the District's National City Marine Terminal operator, as well as permanent realignment of the Bayshore Bikeway, and a proposed RV park and hotel project.

In fiscal year 2021, the District held a public workshop to seek public input for the future expansion of Pepper Park. The workshop explored park features and recreation opportunities that will help transform Pepper Park into a resource that both visitors and residents will cherish for years to come. A Draft Environmental Impact Report is scheduled for public review in fiscal year 2022 for the National City Bayfront Projects & Plan Amendments. Next steps include seeking Board approval of the Final Environmental Impact Report and Port Master Plan Amendment, an important step toward project entitlement and future implementation.

San Diego Symphony – The Rady Shell at Jacobs Park

In fiscal year 2021, the District and the San Diego Symphony prepared to celebrate the opening of the Symphony's permanent outdoor performance and event venue, The Rady Shell at Jacobs Park (formerly known as Bayside Performance Park), in the District's Embarcadero Marina Park South. It's the West Coast's first bayside concert venue. Managed and programmed by the Symphony, and with more than 100 concerts and events year-round offering views of the bay, the marina, and downtown, The Rady Shell at Jacobs Park and the surrounding park represents a partnership of business, government leaders, and the arts in service of the community. From 2004 to 2019, the Symphony assembled and disassembled a temporary venue in the park for its Bayside Summer Nights series. The new, permanent performance venue will operate as a "park within a park" much like Chicago's Millennium Park. Approximately two-thirds of the park will be open to the public 100 percent of the time, year-round. The portion of the park where the Symphony's venue sits will be open for public use 85 percent of the year, and for larger gatherings the public can apply for special event permits just like other District parks on the San Diego Bayfront. In addition, the Symphony's project also included public improvements throughout the rest of the Embarcadero Marina Park South, including a widened public promenade around the venue that will remain open to the public during events, and refurbished and/or replaced seating benches, basketball courts. exercise equipment, gazebo, lighting, and restrooms.

Seaport Village / Central Embarcadero

Seaport Village is a popular waterfront shopping, dining, and entertainment center within the Central Embarcadero between downtown San Diego and San Diego Bay. The District took over ownership and operation of the center in fall 2018. Since then, the BPC has approved investment spending of approximately $7.8 million for sitewide enhancements, activations, deferred maintenance, and tenant improvements. The District has also inked 20 new leases, reaching 92 percent occupancy. Seaport Village features mostly locally owned-and-operated businesses with a mix of old and new favorites. New tenants now open or coming soon include Mike Hess Brewing, Mr. Moto Pizza, Samburgers, Chris Harvey Studio, Influencer Boutique, Louisiana Charlie's, Malibu Farm, Gladstone's, Shorebird, and more. The District's goals are to ensure Seaport Village remains a vibrant and prosperous waterfront destination for residents, visitors, and the businesses that operate within it as well as to create momentum and interest in the future redevelopment of the Central Embarcadero. In fiscal year 2022, the District will continue to work with its selected developer, 1HWY1 on its proposed large-scale, mixed-use project known as Seaport San Diego. 1HWY1's proposed program for approximately 70 acres of land and water includes approximately 2,000 hotel rooms of various service levels and price points; an event center; a "Blue Tech Innovation Center" block made up of an aquarium, blue-tech office space, an observation tower; fish processing plant; parks, restaurants, retail and more.

Portside Pier

The District and The Brigantine, Inc. celebrated the completion of The Brigantine's Portside Pier restaurant development on San Diego's North Embarcadero. Located on a prime restaurant site on an over-water platform, Portside Pier transformed one of Southern California's most iconic over-the-water restaurant complexes. Located on North Harbor Drive overlooking San Diego Bay along the North Embarcadero, Portside Pier offers a variety of dining options at different price points – fresh seafood at Brigantine on the Bay, authentic Mexican flavors at Miguel's Cocina, pub fare at Ketch Grill & Taps, and walk-up service at Portside Coffee & Gelato. In addition, the public can enjoy panoramic views of San Diego Bay with free access to a second level perimeter walkway and a viewing deck that has tables and seating for up to 108 visitors. There is also a dock-and-dine to accommodate up to four vessels.

East Harbor Island

As part of effort to enhance the beautiful San Diego Bay waterfront as a destination, the District is looking to redevelop 55 acres of land and water on the eastern portion of Harbor Island. Sunroad HIE Hotel Partners is proposing a 450-room, dual branded hotel on an approximately seven-acre parcel. In fiscal year 2021, the BPC approved the First Addendum to the Revised Final Environmental Impact Report (Revised FEIR) and an Option to Lease Agreement. Next steps are for the Board to consider granting concept approval and authorizing a Coastal Development Permit. The District is working through the PMPU process to determine the potential for an adjacent 48 acres of land and water where the District's Harbor Police Headquarters is located, and where rental car services currently have some operations and storage. The District is not actively seeking development proposals for this area at this time. Once the PMPU is completed, the District will consider options to seek development proposals. This coastal site offers an unbeatable combination of water access, stunning views, close proximity to SDIA - which served a record-breaking 25 million passengers in 2019 - and foot traffic from existing high-performing restaurants and hotels on Harbor Island.

Public Safety and Security

Harbor Police Department

The District's Harbor Police Department partnered with regional agencies to respond to large scale and prolonged events including response to the COVID-19 pandemic and civil disturbances in the region. Harbor Police conducted a mandatory Safety Standdown training day for all sworn personnel and invited community partners to participate in discussions and training on de-escalation and use of force best practices.

Harbor Police officers provided waterside support of the USS Bonhomme Richard fire, and worked local and military regional agencies to mitigate the impact of this vessel fire to the Port of San Diego and surrounding communities.

Experiences

Waterfront Activation, Arts, and Culture

For fiscal year 2021, the District continued working with several event producers to bring large-scale, high-impact events back to the waterfront as a key driver for generating direct revenue and promotional benefits to the District. Events like Fleet Week were held at Broadway Pier creating positive promotional and community impacts. The strategic planning work completed in fiscal year 2021 will be realized with significant financial impacts in fiscal year 2022 as larger regional special events return to the waterfront including Big Bay Boom, Comic-Con, and the Holiday Bowl Parade.

In Imperial Beach, the District made improvements to the Imperial Beach Pier to promote the pier as a quintessential Southern California destination and encourage people to explore the pier, experience its many ocean and air amenities, sights, and pleasures, and support the businesses on and near the pier. Improvements included repainting the pier's buildings in bright shades of blue and adding murals inspired by Imperial Beach's unique history and surf culture. In fiscal year 2022, the District anticipates adding distance markers that encourage visitors to explore the full length of the pier, installing fishing rod holders, and you'll see more colorful graphics to really celebrate everything there is to do on the pier.

Environment

Maritime Clean Air Strategy

As an update to the District's 2007 Clean Air Program, the Port of San Diego's Maritime Clean Air Strategy (MCAS) is a transformational policy document that will help the District identify future projects and initiatives to improve health through cleaner air while also supporting efficient and modern maritime operations. The MCAS also complements emission reduction efforts that are being advanced as part of the Portside Environmental Justice Neighborhoods Assembly Bill 617 Community Emission Reduction Plan. Extensive community and stakeholder involvement is the cornerstone of the MCAS. The MCAS Discussion Draft was issued for public review and feedback in March 2021. The District sought to issue another draft for public review and finalize the document in fiscal year 2022. In addition to cleaner air, other benefits of reducing emissions are improved health, job creation, ambient noise reduction, ecosystem enhancement, knowledge and capacity building, education and training, and improved access to San Diego Bay.

Tijuana River Valley Pollution

In collaboration with local, regional, and state partners, the District in fiscal year 2021 continued to urge the federal government to take action to eliminate the ongoing discharge of sewage and other waste from the International Boundary and Water Commission (IBWC) – United States Section's facilities into the Tijuana River Valley and Estuary, which flows to the Pacific Ocean and impairs the District's public trust resources in Imperial Beach. The District, as part of a joint resolution signed in fiscal year 2020, is working with the State Lands Commission, the San Diego Regional Water Quality Control Board, the County of San Diego, the cities of Chula Vista, Coronado, Imperial Beach, National City, San Diego, and Surfrider San Diego in identifying the most urgent needs that regional leaders request from the federal level to address the underlying causes of the sewage, sediment, and trash that have contaminated San Diego land and waterways for decades. In fiscal year 2021, District staff met with the new administrator for the US Environmental Protection Agency (EPA) and regional stakeholders to discuss the crisis. The District's litigation against the IBWC is stayed pending the EPA's release of environmental impact documents for new infrastructure to address the transboundary pollution giving rise to the lawsuit. Additionally, federal legislation was advanced that would assist the IBWC in receiving United States Mexico Canada Agreement funds to go toward solving the problems.

Wetland Mitigation Bank at Pond 20

The District is proposing to construct 76.5 acres of coastal wetland habitat at Pond 20 to create a mitigation bank, the first of its kind for San Diego Bay. Pond 20, a former salt evaporation pond in south San Diego Bay, is currently vacant, isolated from tidal influence, and provides little habitat value due to its salt-encrusted surface and invasive plants. The Wetland Mitigation Bank at Pond 20 would be a future catalyst supporting valuable ecosystem services such as protection from storm surges and erosion, increased biodiversity, improved water quality, increased carbon sequestration capacity, and more, while also providing pathways for additional wetland mitigation banks. In fiscal year 2021, the BPC certified an Environmental Impact Report (EIR) for the proposed Wetland Mitigation Bank at Pond 20 and three adjacent parcels and approved an associated Port Master Plan Amendment (PMPA). The PMPA would add the wetland mitigation bank parcel into the District's coastal permitting jurisdiction. Additionally, the District continued to collaborate with the proposed project's Interagency Review Team, which provides regulatory review, approval, and oversight of the wetland mitigation bank. The District anticipates approval of the PMPA by the California Coastal Commission in fiscal year 2022.

Additionally in fiscal year 2021, the BPC approved a Memorandum of Understanding (MOU) between the District, the U.S. Fish & Wildlife Service San Diego National Wildlife Refuge Complex, and Poseidon Resources to share information, consult and coordinate on implementation, and collaborate on design, construction, and long-term monitoring of the District's proposed Wetland Mitigation Bank at Pond 20 and the Refuge and Poseidon's Otay River Estuary Restoration Project (ORERP). The parties to the MOU have a shared interest in restoration of the South Bay and will work cooperatively to provide maximum benefits to the area's natural resources, creating greater ecological function, and promoting biodiversity and sustainability.

Native Oyster Living Shoreline

The District's Native Oyster Living Shoreline Project, a partnership of the Port of San Diego and California Coastal Conservancy, was awarded a $960,533 grant from the U.S. Fish and Wildlife Service. The objectives of the living shoreline, to be installed adjacent to the Chula Vista Wildlife Reserve in San Diego Bay, are to demonstrate the ability of a native oyster reef to increase biodiversity and resiliency to future sea level rise impacts. The grant was one of eight Coastal Wetlands Conservation Projects selected as part of the Service's National Coastal Wetlands Conservation Grants Program for 2021. Also in fiscal year 2021, the California Coastal Commission certified a Port Master Plan Amendment (PMPA), which allows the District to add the project and project description to the current Port Master Plan. Installation of the native oyster living shoreline is anticipated in fiscal year 2022, dependent on the native oyster recruitment season. The project objective is to demonstrate the ability to attract and establish native oyster populations that create structurally complex "reef" habitat for fish, birds, invertebrates, and aquatic plants. The project is also expected to improve local water quality via oyster water filtration and settling of sediments, as well as increase wetland connectivity to intertidal and subtidal lands.

Harbor Drive 2.0

The BPC approved a framework Memorandum of Understanding with Caltrans and SANDAG to move forward the District's breakthrough vision to redesign the industrial area of Harbor Drive and smartly manage the truck traffic passing through Barrio Logan and National City. The concept, called Harbor Drive 2.0 – a Greener, Safer, Healthier Harbor Drive, proposes to create a better truck route that will also enhance pedestrian, bicycle and transit connections while making maritime cargo hauling more efficient and reducing greenhouse gas emissions. It includes a "haul road" and intelligent transportation systems to separate trucks from regular traffic, encourage them to stay out of Barrio Logan, and much more. Through smart planning, the District will reduce truck traffic impacts by redesigning the industrial section of Harbor Drive using intelligent transportation systems, while adding protected bike lanes, beautification, and other elements.

Blue Economy Incubator

As an emerging leader in the blue economy, the District is now formally partnering with Canada's Ocean Supercluster to support and expand the pursuit of innovative and sustainable projects that support the District's mission to enhance and protect the environment while also promoting fisheries and commerce. Since 2020, with support from the Consulate of Canada in San Diego, the District's Aquaculture and Blue Technology team has been exploring collaborative partnership opportunities with Canada's Ocean Supercluster (OSC). OSC is a pan-Canadian private sector-led network that brings together startups, scaleups, and mature organizations to increase sustainable innovation and modernization across ocean sectors. The BPC approved a Memorandum of Understanding that enables the District and OSC to formally work together to seek funding and investment opportunities to support blue economy and aquaculture projects, to exchange knowledge of challenges and opportunities in the blue economy sector, to align and raise awareness of District and OSC programs, and to seek new opportunities to support each other's goals.

Also in fiscal year 2021, highlights under the Blue Economy Incubator include:

- ECOncrete installed its COASTALOCK interlocking tide pools along Harbor Island. Made from an environmentally sensitive, low carbon concrete mixture tailored to the San Diego Bay marine environment, the tidepool system could potentially serve as a replacement for traditional riprap to provide ecological armoring and shoreline stabilization while also creating well-defined local ecosystems that mimic natural rock pools.
- ecoSPEARS deployed its technology to test a unique in-site cleanup solution to extract toxic contaminants from impacted marine sediment. The goal of the ecoSPEARS pilot is to evaluate the reduction in contaminants relative to the starting baseline concentration for a six-month deployment period. Results from the pilot will serve to demonstrate and scale this innovative approach to sediment and soil remediation in District environments.
- FREDsense partnered with the District to develop a portable five-in-one field-testing sensor device to provide real-time metals analysis during stormwater monitoring. FREDsense will create a prototype and test the sensor device during a rain event at the District. Results from the pilot will allow for case study development in preparation for full commercialization and regulatory approvals.
- Swell Advantage finalized the development of its smart marina app in partnership with a local marina in San Diego Bay, generated sales across North America, and established strategic technology partnerships. The District received a buyout payment of $150,000 to allow the startup company to scale up.

As a catalyst for the region's Blue Economy, the District established its Blue Economy Incubator in 2016 as a launching pad for sustainable aquaculture and District-related blue technology ventures. Through the incubator, the District is seeking innovative aquaculture and blue technology proposals to address environmental challenges and inform future blue economy opportunities. To date, the BPC has approved nine agreements with early-stage companies to launch innovative pilot projects.

Awards Received by the District

- 2021 Honor Award, Sweetwater Bicycle Path & Promenade project, American Public Works Association (APWA, San Diego-Imperial Counties Chapter
- 2021 Woman of Influence in Technology, Tracey Sandberg, San Diego Business Journal
- 2021 Women of Influence in Engineering, Perla Goco and Ani Mehra, San Diego Business Journal
- 2021 Women of Influence in Construction, Commercial Real Estate, & Design, Lucy Contreras, Noemi Aquino, and Joan Siao, San Diego Business Journal
- 2020 Achievement of Excellence in Financial Reporting, Annual Comprehensive Financial Report (ACFR), Government Finance Officers Association (GFOA) of the United States and Canada
- 2020 Honor Award, Shelter Island Boat Launch Facility Project, American Public Works Association (APWA) San Diego-Imperial Counties Chapter
- 2020 iCommute Diamond Award - Gold Tier, San Diego Association of Governments (SANDAG)
- 2020 Achievement of Excellence in Procurement Award, National Procurement Institute, Inc.

ACKNOWLEDGMENTS

This ACFR represents the District's dedication to provide full disclosure. As a self-funded organization dedicated to public service, the District endeavors to be as transparent as possible in order to provide the public with information about its operations and financial performance. For seven years in a row, the District has been honored to receive the prestigious Certificate of Achievement for Excellence in Financial Reporting for its ACFR, most recently for the fiscal year ended June 30, 2020. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. To be awarded a Certificate of Achievement, the District must publish a well-designed and easily understood ACFR that satisfies both GAAP and applicable legal requirements. The preparation of this report could not have been accomplished without support from leadership and the hard work and dedication of District staff.

As financial reporting is a continuing responsibility, the Certificate of Achievement awarded to an organization is valid for one year only. In our assessment, our current ACFR continues to meet the Certificate of Achievement Program's requirements. We respectfully submit this report to the GFOA to determine its eligibility for another certificate.

We thank the many internal staff members who assisted and contributed to the preparation of this report, including the core team within the Financial Services Department and all other departments. Through this report, our organization demonstrates its commitment to fiscal transparency and accountability, and to maintain the District's financial statements in conformance with the highest professional standards.

The success of this organization owes much to its excellent leadership at the Board level. We thank the members of the BPC for their continued policy direction and guidance in support of the District's strong financial position.

Respectfully Submitted,

Joe Stuyvesant
President/CEO

Robert DeAngelis
CFO/Treasurer

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the San Diego Unified Port District for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

San Diego Unified Port District
California

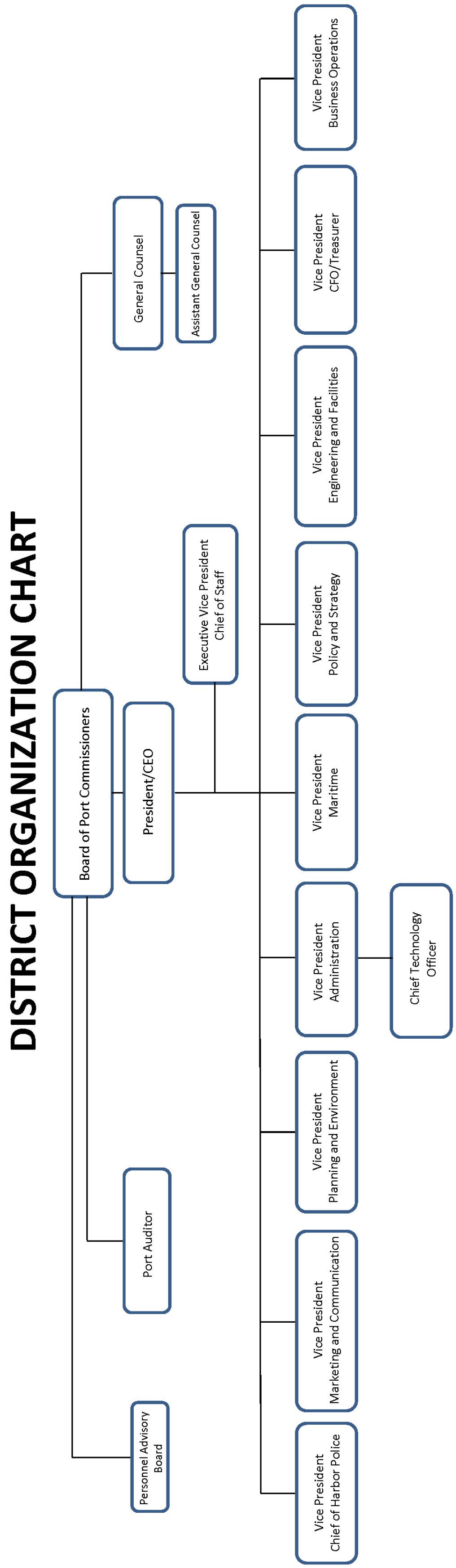
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

District Organization Chart



Board of Port Commissioners

CHAIR

Michael Zucchet
City of San Diego

VICE CHAIR

Dan Malcolm
City of Imperial Beach

SECRETARY

Rafael Castellanos
City of San Diego

COMMISSIONERS

Garry J. Bonelli
City of Coronado

Jennifer Lesar
City of San Diego

Ann Y. Moore
City of Chula Vista

Sandy Naranjo
City of National City

Executive Leadership Group

PRESIDENT/CEO
Joe Stuyvesant

GENERAL COUNSEL
Thomas A. Russell

PORT AUDITOR
Mark Yeilding

ASSISTANT GENERAL COUNSEL
Vacant

EXECUTIVE VICE PRESIDENT
CHIEF OF STAFF
Karen G. Porteous

SENIOR DEPUTY/GENERAL COUNSEL
Rebecca Harrington

CHIEF ADMINISTRATIVE OFFICER
VICE PRESIDENT
Vacant

CHIEF FINANCIAL OFFICER/TREASURER
VICE PRESIDENT
Robert DeAngelis

PUBLIC SAFETY/CHIEF OF HARBOR POLICE
VICE PRESIDENT
Mark Stainbrook

BUSINESS OPERATIONS
VICE PRESIDENT
Shaun D. Sumner

PLANNING AND ENVIRONMENT
VICE PRESIDENT
Jason H. Giffen

MARKETING AND COMMUNICATIONS
VICE PRESIDENT
Michael G. Brown

MARITIME
VICE PRESIDENT
Michael LaFleur

FACILITIES AND ENGINEERING
VICE PRESIDENT
Cid Tesoro

STRATEGY AND POLICY
Job Nelson

CHIEF TECHNOLOGY OFFICER
Tracey Sandberg

Page Left Intentionally Blank

FINANCIAL SECTION

PORT of SAN DIEGO
Waterfront of Opportunity

Page Left Intentionally Blank

Independent Auditor's Report

Page Left Intentionally Blank

MGO Certified Public Accountants

Independent Auditor's Report

To the Honorable Board of Port Commissioners
of the San Diego Unified Port District
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Diego Unified Port District (District) as of and for the fiscal years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

San Diego, California
November 19, 2021

Management's Discussion and Analysis (Unaudited)

Page Left Intentionally Blank

The financial management of the San Diego Unified Port District (District) offers readers of these basic financial statements this narrative overview and analysis of the financial activities of the District as of and for the fiscal years ended June 30, 2021 and June 30, 2020. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities, and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to the basic financial statements.

Financial Highlights – year ended June 30, 2021

- As of June 30, 2021, the assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $326.7 million.
- Operating revenues for the District were $143.6 million for fiscal year 2021 compared to $162.5 million for fiscal year 2020.
- Operating expenses, including depreciation and amortization, for the District were $182.7 million for fiscal year 2021 compared to $194.2 million for fiscal year 2020.
- Nonoperating revenues for the District were $4.5 million for fiscal year 2021 compared to $12.6 million for fiscal year 2020.
- Nonoperating expenses for the District were $3.1 million for fiscal year 2021 compared to $12.6 million for fiscal year 2020.
- Revenues from capital grants and contributions totaled $1.2 million for fiscal year 2021 compared to $9.7 million for fiscal year 2020.
- The District's total net position decreased by $36.4 million during fiscal year 2021 compared to a $22.0 million decrease in fiscal year 2020.

Financial Highlights – year ended June 30, 2020

- As of June 30, 2020, the assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $363.2 million.
- Operating revenues for the District were $162.5 million for fiscal year 2020 compared to $183.8 million for fiscal year 2019.
- Operating expenses, including depreciation and amortization, for the District were $194.2 million for fiscal year 2020 compared to $196.0 million for fiscal year 2019.
- Nonoperating revenues for the District were $12.6 million for fiscal year 2020 compared to $12.5 million for fiscal year 2019.
- Nonoperating expenses for the District were $12.6 million for fiscal year 2020 compared to $3.1 million for fiscal year 2019.
- Revenues from capital grants and contributions totaled $9.7 million for fiscal year 2020 compared to $28.2 million for fiscal year 2019.
- The District's total net position decreased by $22.0 million during fiscal year 2020 compared to a $25.4 million increase in fiscal year 2019.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the basic financial statements and the notes to the basic financial statements. The statements are organized so the reader can understand the District as a whole and then proceed to provide an increasingly detailed look at specific financial activities. These components are described on the next page.

Basic Financial Statements

The District is comprised of a single enterprise fund. The basic financial statements provide a broad view of the District's operations in a manner similar to a private sector business. The statements provide both short-term and long-term information about the District's financial position, which assist in assessing the District's economic condition at the end of the fiscal year. The basic financial statements are prepared using the flow of economic resources measurement focus and the full accrual basis of accounting, which means they follow methods similar to those used by most private sector companies. The basic financial statements take into account all revenues and expenses connected with the fiscal year even if the cash involved has not been received or paid.

The *Statements of Net Position* present all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Increases or decreases in the District's net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating over time.

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how the District's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., invoices for goods or services received but for which payment has not yet been made).

The final required financial statement is the *Statements of Cash Flows*. The statements report cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating, investing, noncapital financing, and financing activities. It also provides answers to such questions as, "Where did cash come from?" "What was cash used for?" and "What was the change in cash and cash equivalents during the reporting period?"

The basic financial statements can be found immediately following this discussion and analysis.

Notes to the Basic Financial Statements

The notes provide additional information and more detail that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found immediately following the basic financial statements.

Financial Analysis

One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of this year's activities?" Net position, which is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure financial health or financial position. Increases or decreases in net position are one indicator of whether the District's financial health is improving or deteriorating over time. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two Statements report the District's net position and changes in the District's net position.

Statements of Net Position

To begin our analysis, a summary of the District's Statements of Net Position is presented on the following page. The District's net position totaled $326.7 million at the end of fiscal year 2021, compared to $363.2 million at the end of fiscal year 2020 and $385.1 million at the end of fiscal year 2019.

The District's financial position at June 30, 2021, 2020, and 2019 is summarized as follows:

Condensed Statements of Net Position
(Expressed in thousands)

	2021	2020	2019
Current assets	$ 98,224	$ 129,170	$ 140,319
Noncurrent assets	32,769	29,258	33,930
Capital assets	575,911	591,337	585,534
Total Assets	706,904	749,765	759,783
Deferred outflows of resources	71,280	47,066	31,015
Current liabilities	32,581	46,644	42,152
Noncurrent liabilities	395,157	350,480	351,308
Total liabilities	427,738	397,124	393,460
Deferred inflows of resources	23,705	36,543	12,200
Net investment in capital assets	547,899	560,087	551,520
Restricted	7,269	8,506	13,865
Unrestricted	(228,428)	(205,429)	(180,247)
Total net position	$ 326,740	$ 363,164	$ 385,138

As of June 30, 2021, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $326.7 million compared to $363.2 million as of June 30, 2020 and $385.1 million as of June 30, 2019. The largest portion of the District's net position represents its net investment in capital assets. The District uses these capital assets to generate regional economic growth and to provide public safety services and recreational opportunities to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, the funds required to repay this debt are to be provided annually from operations. Refer to Note 11(a)(i) to the basic financial statements for additional information on the District's Capital Improvement Program (CIP) commitments.

The unrestricted net (deficit) position was $(228.4) million as of June 30, 2021, $(205.4) million as of June 30, 2020, and $(180.2) million as of June 30, 2019. The negative unrestricted balances reported are primarily due to the previous implementations of GASB Statement No. 75 and GASB Statement No. 68, which required the District to record total other post-employment benefit liability and net pension liability, respectively, in its financial statements.

Capital Assets

The District's net book value was $575.9 million as of June 30, 2021, $591.3 million as of June 30, 2020, and $585.5 million as of June 30, 2019. The funds used for capital improvements are derived from several sources, including the District's unrestricted funds, federal and state grants, capital contributions from external sources, long-term debt, and current revenue sources.

Capital Assets
(Expressed in thousands)

	2021	2020	2019
Nondepreciable assets:			
Land	$ 277,151	$ 252,803	$ 252,803
Construction-in-progress	44,818	65,612	48,250
Depreciable/amortizable assets:			
Land improvements	7,650	7,650	7,650
Buildings and structures	638,515	637,316	628,786
Machinery and equipment	84,018	83,504	102,995
Roads and parking lots	128,363	122,645	122,638
Intangible	17,433	16,617	5,635
Total assets	1,197,948	1,186,147	1,168,757
Accumulated depreciation/amortization	(622,037)	(594,810)	(583,223)
Capital assets, net	$ 575,911	$ 591,337	$ 585,534

Capital Assets – Fiscal year 2021 compared to 2020:

The District invested a total of $11.5 million in construction-in-progress during fiscal year 2021 (refer to Note 3 to the basic financial statements for the summary of capital assets activity). Some of these projects were completed and capitalized during the fiscal year.

Following are amounts expended during fiscal year 2021 for some of the major capital projects:

$2.3 million, U.S. Coast Guard Tenant Improvements
$2.0 million, Chula Vista Bayfront Site Preparation
$1.0 million, Seaport Village Tenant Improvement
$590 thousand, Computer Aided Dispatch
$566 thousand, Tenth Avenue Marine Terminal Microgrid Infrastructure
$440 thousand, Chula Vista Bayfront - South Campus Demolition
$382 thousand, Curtain Wall Repairs and Backfilling at B Street Pier
$365 thousand, Mesh Data Communications
$329 thousand, Retaining Wall at Centennial Park
$329 thousand, District Document Management System
$297 thousand, Cold Ironing Phase 2 at B Street and Broadway Piers
$2.9 million, all other capital projects

Capital Assets – Fiscal year 2020 compared to 2019:

The District invested a total of $32.3 million in construction-in-progress during fiscal year 2020 (refer to Note 3 to the basic financial statements for the summary of capital assets activity). Some of these projects were completed and capitalized during the fiscal year.

On January 1, 2020, the California State Lands Commission (CSLC) granted the District approximately 8,300 additional acres of submerged lands within San Diego Bay as authorized through the passage of Senate Bill 507 (SB 507). The District assumed all leases within these newly granted submerged lands on the date of conveyance and required the District to transfer to the CSLC the gross annual revenues generated from the existing leases on the lands granted. Due to the terms of SB 507 and the lack of an appraisal standard to develop a fair value on these submerged lands, a nominal value of $1 was recorded as Land assets.

Following are amounts expended during fiscal year 2020 for some of the major capital projects:

$9.0 million, Tenth Avenue Maritime Terminal (TAMT) Transit Shed Demolition and Site Improvements
$6.5 million, Chula Vista Bayfront Site Preparation
$3.0 million, Business Solution Platform Implementation
$2.1 million, Tuna Harbor Dock 2 & 3 Structure Repairs
$2.0 million, B Street Pier Structural Repairs
$1.2 million, Seaport Village Building Repairs
$862 thousand, San Diego Bay Regional Fiber Optic Infrastructure Phase 4A
$695 thousand, Tuna Harbor Dock 1 Structure Repairs
$541 thousand, B Street Pier Curtain Wall Repairs and Backfilling
$404 thousand, TAMT Microgrid Infrastructure Improvement
$382 thousand, HPD Headquarters Storage Modifications
$375 thousand, SAP Digital Transformation, Phase 1
$347 thousand, Computer Aided Dispatch
$343 thousand, National City Marina District Vision Plan Preliminary Planning
$342 thousand, Chula Vista Bayfront Goodrich South Campus Demolition
$272 thousand, Harbor Island & Imperial Beach Signage Replacement
$242 thousand, District Document Management System
$238 thousand, Concur Travel Management Implementation
$234 thousand, TAMT Stormwater Treatment System Design
$3.2 million, all other capital projects

Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position provide insight as to the nature and source of the change in financial position. The District's summarized results of operations for the fiscal years ended June 30, 2021, 2020, and 2019 are presented below:

Condensed Statements of
Revenues, Expenses, and Changes in Net Position
(Expressed in thousands)

	2021	2020	2019
Operating revenues:			
Real Estate	$ 78,171	$ 92,134	$ 107,234
Guest Experiences - Parking	7,947	13,338	17,058
Maritime	33,785	37,760	38,650
Harbor Police	19,898	16,159	17,069
Other operating revenues	3,809	3,106	3,820
Total operating revenues	143,610	162,497	183,831
Operating expenses:			
Direct expenses			
Real Estate	27,567	31,773	28,787
Guest Experiences - Parking	4,358	4,522	5,267
Maritime	15,366	17,829	17,401
Harbor Police	42,273	43,619	40,331
Other operating expenses	28,104	22,490	29,359
Depreciation and amortization	27,226	27,551	26,412
General and administrative expenses	37,759	46,397	48,469
Total operating expenses	182,653	194,181	196,026
Income/(loss) from operations	(39,043)	(31,684)	(12,195)
Nonoperating revenues	4,496	12,605	12,471
Nonoperating expenses	3,100	12,628	3,056
Nonoperating income/(loss)	1,396	(23)	9,415
Capital grants and contributions	1,223	9,733	28,168
Change in net position	(36,424)	(21,974)	25,388
Beginning net position	363,164	385,138	359,750
Ending net position	$ 326,740	$ 363,164	$ 385,138

The major components of the District's operating revenues include concession fees, land and building leases, Harbor Police and General and Administrative (G&A) cost reimbursements for services provided to the San Diego County Regional Airport Authority (SDCRAA), wharfage, parking fees, storage space rentals, cruise ship passenger and security fees, and dockage fees.

The District's operating expenses consist primarily of personnel expenses, contractual services, community and environmental support (including municipal services for fire, police, and medical emergency), and maintenance and repairs.

Nonoperating revenues include interest income, damages recovered, grant revenues, asset forfeiture proceeds, low carbon fuel standard revenue, car rental transaction fees, and miscellaneous other nonoperating revenues.

The major components of nonoperating expenses are legal settlement expense, interest expense, and financial assistance expense.

Capital grants and contributions include Transportation Investment Generating Economic Recovery (TIGER), State of California Natural Resources Agency, and Port Security capital grants.

Operating Revenues – Fiscal year 2021 compared to 2020:

(Expressed in thousands)	2021	2020	$ Change Increase (Decrease)	% Change
Real Estate	$ 78,171	$ 92,134	$ (13,963)	(15.2)%
Guest Experiences - Parking	7,947	13,338	(5,391)	(40.4)%
Maritime	33,785	37,760	(3,975)	(10.5)%
Harbor Police	19,898	16,159	3,739	23.1 %
Other operating revenues	3,809	3,106	703	22.6 %
Total operating revenues	$ 143,610	$ 162,497	$ (18,887)	(11.6)%

- Real Estate operating revenues of $78.2 million decreased $13.9 million from $92.1 million. The decrease was primarily due to the negative impact from the COVID-19 pandemic, particularly in the hospitality industry. Concession revenues were significantly affected as the COVID-19-related restrictions were in effect, resulting in cancellations of conventions, lack of business travel, and group events. Also heavily impacted were Parking (Seaport Village) and Park Usage Fees, both a result of limited visitation to tidelands areas due to state-imposed restrictions on public gatherings due to COVID-19.

- Guest Experiences - Parking operating revenues of $7.9 million decreased $5.4 million from $13.3 million. Parking revenue decreased due to significantly reduced visitation to the tidelands areas, and the associated need for parking, as a result of the COVID-19 pandemic. Additionally, reduced hotel occupancy and cancellations of convention center events for the entire fiscal year contributed to the revenue reductions.

- Maritime operating revenues of $33.8 million decreased $4.0 million from $37.8 million. The decrease was primarily due to storage space rental revenue and cruise operations cancelled in fiscal year 2021 as a result of COVID-19 pandemic. These decreases partially offset by higher revenues from automobile wharfage, fixed rent from new leases and retroactive rent increases at the National Distribution Center.

- Harbor Police operating revenues of $19.9 million increased $3.7 million from $16.2 million. The increase was primarily due to a prior year adjustment for airport police services and billing adjustments related to increased benefit and overhead costs.

- Other operating revenues of $3.8 million increased $703 thousand from $3.1 million. The increase was primarily due to the reimbursement of general and administrative costs related to airport police services and SDG&E for efficiency partnership program.

Operating Revenues – Fiscal year 2020 compared to 2019:

(Expressed in thousands)	2020	2019	$ Change Increase (Decrease)	% Change
Real Estate	$ 92,134	$ 107,234	$ (15,100)	(14.1)%
Guest Experiences - Parking	13,338	17,058	(3,720)	(21.8)%
Maritime	37,760	38,650	(890)	(2.3)%
Harbor Police	16,159	17,069	(910)	(5.3)%
Other operating revenues	3,106	3,820	(714)	(18.7)%
Total operating revenues	$ 162,497	$ 183,831	$ (21,334)	(11.6)%

- Real Estate operating revenues of $92.1 million decreased $15.1 million from $107.2 million. The decrease was primarily due to the negative impact from the COVID-19 pandemic, particularly in the hospitality industry. Concession revenues were significantly affected as the COVID-19-related restrictions were, in effect, resulting in cancellations of conventions, lack of business travel, and group events.

- Guest Experiences - Parking operating revenues of $13.3 million decreased $3.7 million from $17.1 million. Parking revenue decreased due to significantly reduced visitation to the tidelands areas and the associated need for parking as a result of the COVID-19 pandemic. Additionally, reduced hotel occupancy and cancellations of convention center events in the fourth quarter of the fiscal year contributed to the revenue reductions.

- Maritime operating revenues of $37.8 million decreased $890 thousand from $38.7 million. Cruise activity shut down abruptly in March due to COVID-19. This resulted in lost revenue, partially offset by unanticipated security fee revenue related to extended cruise ship terminal docking due to the CDC no sail order. Additionally, auto imports were impacted due to the shutdown and/or slowdown of manufacturing plants and dealerships also due to COVID-19, resulting in lower wharfage revenue.

- Harbor Police operating revenues of $16.2 million decreased $910 thousand from $17.1 million. The decrease was primarily due to a reduction in airport police services.

- Other operating revenues of $3.1 million decreased $714 thousand from $3.8 million. The decrease was primarily due to lower regional harbor monitoring program reimbursement.

Operating Expenses - Fiscal year 2021 compared to 2020:

(Expressed in thousands)	2021	2020	$ Change Increase (Decrease)	% Change
Direct expenses				
Real Estate	$ 27,567	$ 31,773	$ (4,206)	(13.2)%
Guest Experiences - Parking	4,358	4,522	(164)	(3.6)%
Maritime	15,366	17,829	(2,463)	(13.8)%
Harbor Police	42,273	43,619	(1,346)	(3.1)%
Other operating expenses	28,104	22,490	5,614	25.0 %
Depreciation and amortization	27,226	27,551	(325)	(1.2)%
General and administrative expenses	37,759	46,397	(8,638)	(18.6)%
Total operating expenses	$ 182,653	$ 194,181	$ (11,528)	(5.9)%

- Real Estate operating expenses of $27.6 million, before depreciation and G&A expense, decreased $4.2 million from $31.8 million. The decrease was mainly due to reduced spending on professional services, as well as delayed or cancelled tenant improvements at Seaport Village related to COVID-19 pandemic.

- Guest Experiences - Parking operating expenses of $4.4 million, before depreciation and G&A expenses, decreased $164 thousand from $4.5 million. The decrease was primarily due to facility management services, which covers the operation of staffed parking lots and is directly tied to revenue, as operator fees are based on a percentage of revenues. Revenue at all tidelands parking lots has been impacted by the COVID-19 pandemic.

- Maritime operating expenses of $15.4 million, before depreciation and G&A expenses, decreased $2.5 million from $17.8 million. The decrease was primarily due to cruise ship passenger security fees and maintenance expenses related to the cruise terminal as a result of the shut down of cruise operations.

- Harbor Police operating expenses of $42.3 million, before depreciation and G&A expenses, decreased $1.3 million from $43.6 million. The decrease was primarily from worker's compensation, group health insurance, and reduction in professional services expenditures due to the COVID-19 pandemic.

- Other operating expenses of $28.1 million, before depreciation and G&A expenses, increased $5.6 million from $22.5 million. The increase was primarily due to increase in pension expense per GASB Statement No. 68, partially offset by the reduction in Other Postemployment Benefit (OPEB) expenses per GASB Statement No. 75.

- Total depreciation and amortization expenses of $27.2 million decreased $325 thousand from $27.6 million.

- G&A expenses of $37.8 million decreased by $8.6 million from $46.4 million, primarily due to reduced personnel and non-personnel operating expenses due to the COVID-19 pandemic. Overall personnel-related expenses saw a year-over-year decrease of $3.2 million, and non-personnel expenses saw a year-over-year decrease of $4.8 million. Personnel expense reductions were driven by vacancies resulting from a mix of natural attrition, and suspension of hiring for all non-critical positions. Additionally, the District instituted a two percent salary reduction for unrepresented employees earning more than $75,000 per year effective July 1, 2020. Non-personnel expense reductions were driven mainly by Marketing/Outreach, Professional Services, Legal Services, and Equipment, Systems, and Maintenance - all reduced by COVID-related delays or cancellations.

Operating Expenses - Fiscal year 2020 compared to 2019:

(Expressed in thousands)	2020	2019	$ Change Increase (Decrease)	% Change
Direct expenses				
Real Estate	$ 31,773	$ 28,787	$ 2,986	10.4 %
Guest Experiences - Parking	4,522	5,267	(745)	(14.1)%
Maritime	17,829	17,401	428	2.5 %
Harbor Police	43,619	40,331	3,288	8.2 %
Other operating expenses	22,490	29,359	(6,869)	(23.4)%
Depreciation and amortization	27,551	26,412	1,139	4.3 %
General and administrative expenses	46,397	48,469	(2,072)	(4.3)%
Total operating expenses	$ 194,181	$ 196,026	$ (1,845)	(0.9)%

- Real Estate operating expenses of $31.8 million, before depreciation and G&A expenses, increased $3.0 million from $28.8 million. The increase was mainly due to the additional cost of operations associated with the ownership of Seaport Village, primarily upkeep and tenant improvements, partially offset by savings in marketing/outreach.

- Guest Experiences - Parking operating expenses of $4.5 million, before depreciation and G&A expenses, decreased $745 thousand from $5.3 million. The decrease was primarily due to facility management services, which covers the operation of staffed parking lots and is directly tied to revenue, as operator fees are based on a percentage of revenues. Revenue at all tidelands parking lots has been impacted by the COVID-19 pandemic.

- Maritime operating expenses of $17.8 million, before depreciation and G&A expenses, increased $428 thousand from $17.4 million. The increase was primarily due to unforeseen security expenses and shore power connection fees related to extended cruise ship docking at cruise ship terminal as a result of COVID-19 impacted no sail orders issued by the CDC. The shore power connection fees and security fees were reimbursed by cruise lines with a 15% markup on the security fees.

- Harbor Police operating expenses of $43.6 million, before depreciation and G&A expenses, increased $3.3 million from $40.3 million. The increase was primarily from the following: personnel related expenses, safety equipment & supplies, space rentals, and telephone and communications partially offset by decreases in overtime cost, grant funded expenditures, and professional services.

- Other operating expenses of $22.5 million, before depreciation and G&A expenses, decreased $6.9 million from $29.4 million. The decrease was primarily due to a reduction in pension expense per GASB Statement No. 68, and Other Postemployment Benefit (OPEB) expenses per GASB Statement No. 75. The decrease was also attributable to regional harbor monitoring program and worker's compensation expense classifications.

- Total depreciation and amortization expenses of $27.6 million increased $1.1 million from $26.4 million mainly due to depreciation for the Seaport Village facility.

- G&A expenses of $46.4 million decreased by $2.1 million from $48.5 million, primarily due to lower information technology and telecommunication and professional services expenses. Information technology and telecommunication expenses were significantly higher in fiscal year 2019 due to a cyber security incident.

Nonoperating Revenues, Expenses, and Capital Grants and Contributions - Fiscal year 2021 compared to 2020:

(Expressed in thousands)	2021	2020	$ Change Increase (Decrease)	% Change
Nonoperating revenues	$ 4,496	$ 12,605	$ (8,109)	(64.3)%
Nonoperating expenses	$ 3,100	$ 12,628	$ (9,528)	(75.5)%
Capital grants and contributions	$ 1,223	$ 9,733	$ (8,510)	(87.4)%

- The District's nonoperating revenues of $4.5 million, excluding capital grants and contributions, decreased $8.1 million from $12.6 million. The decrease was primarily due to car rental transaction fees, which were suspended at the end of fiscal year 2020, and investment income. There were also decreases in low carbon fuel standard (LCFS) revenue and reimbursed legal fees.

- Nonoperating expenses of $3.1 million decreased $9.5 million from $12.6 million. The decrease was mainly due to the recognition of a legal settlement liability in fiscal year 2020 related to car rental transaction fees.

- Capital grants and contributions of $1.2 million decreased $8.5 million from $9.7 million. The decrease was primarily due to delays of grant-funded Microgrid and Port Security grant capital projects, and the completion of TAMT Modernization project in FY 2020.

Nonoperating Revenues, Expenses, and Capital Grants and Contributions - Fiscal year 2020 compared to 2019:

(Expressed in thousands)	2020	2019	$ Change Increase (Decrease)	% Change
Nonoperating revenues	$ 12,605	$ 12,471	$ 134	1.1 %
Nonoperating expenses	$ 12,628	$ 3,056	$ 9,572	313.2 %
Capital grants and contributions	$ 9,733	$ 28,168	$ (18,435)	(65.4)%

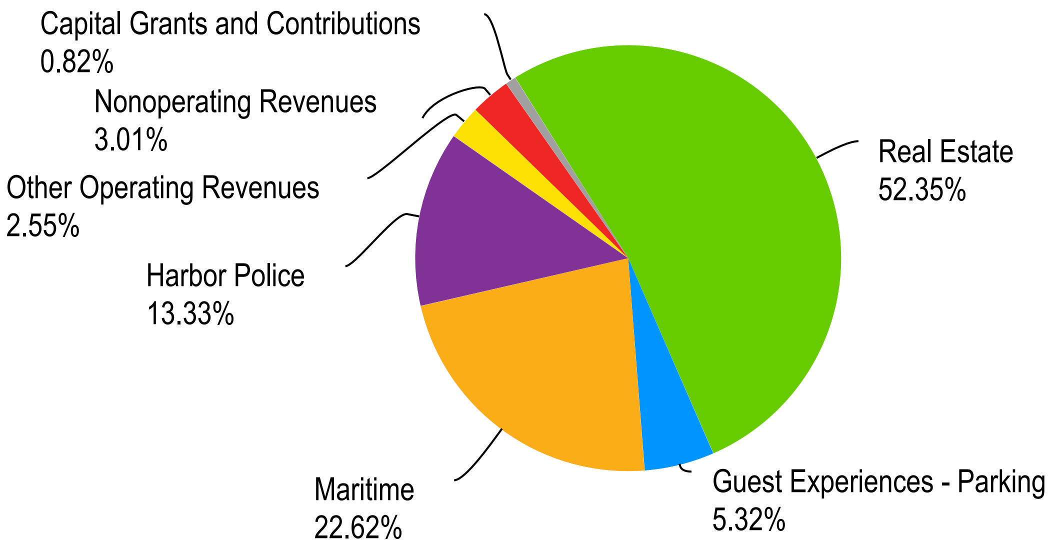
- The District's nonoperating revenues of $12.6 million, excluding capital grants and contributions, increased $134 thousand from $12.5 million. The increase was primarily due to insurance reimbursements received from the cyber security incident costs in fiscal year 2019 and revenues from the District's participation in the LCFS program, in which funds are received from the sale of LCFS credits generated through the use of shore power at marine terminals. These increases were partially offset by an unrealized loss on investments and the decrease of car rental transaction fees due to COVID-19 impacts.

- Nonoperating expenses of $12.6 million increased $9.6 million from $3.1 million. The increase was mainly due to the recognition of a legal settlement liability related to car rental transaction fees.

- Capital grants and contributions of $9.7 million decreased $18.4 million from $28.2 million. The decrease was primarily due to non-cash capital contributions of $19.3 million recognized in fiscal year 2019 for the District's assumption of ownership of Seaport Village.

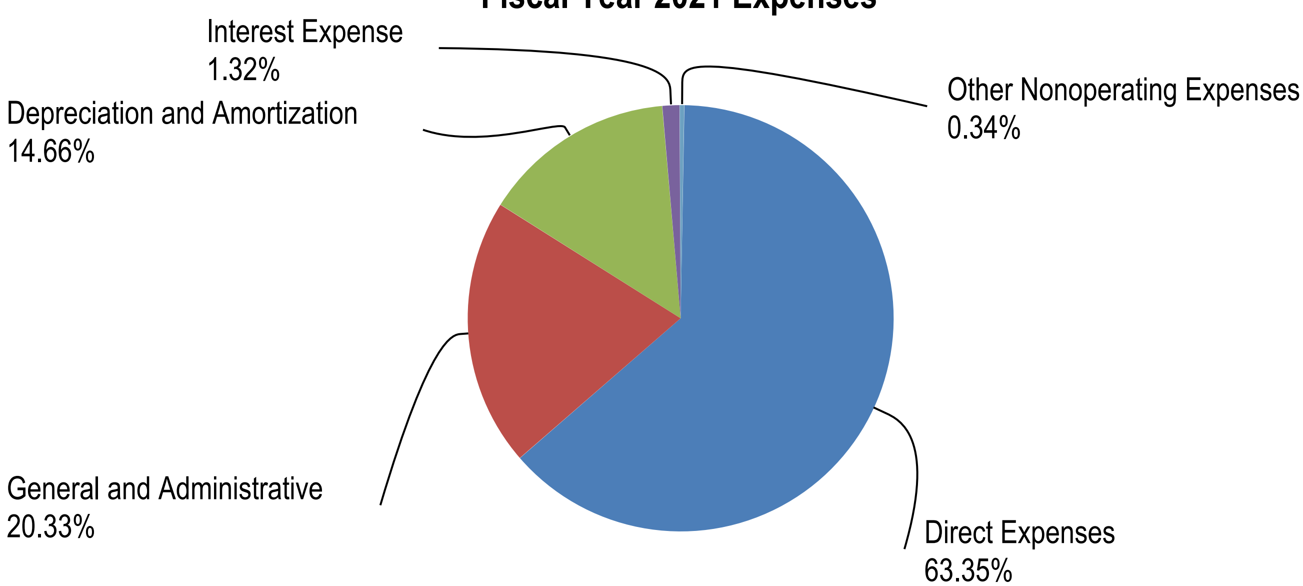
The following charts show the total District revenues and expenses as percentages by major categories for fiscal year 2021:

Fiscal Year 2021 Revenues



Total Revenues	**$149,329,495**

Fiscal Year 2021 Expenses



Total Expenses	**$185,752,990**

Debt Administration

The authority of the District to incur debt is described in Section 29 of the San Diego Unified Port District Act. The District is authorized, by its enabling legislation, to levy property taxes along with its five member cities (Chula Vista, Coronado, Imperial Beach, National City, and San Diego). From 1963 to 1970, the District required a small tax levy to pay debts incurred for improvements accomplished before the formation of the District. Since then, revenues from the principal operational areas have been sufficient to support District operations, service bonded indebtedness, and allow for capital improvements. As a result, no taxes have been levied since 1970.

As part of the airport transfer on January 1, 2003, as described in Note 1(a) to the basic financial statements, the District issued a $50.0 million promissory note to the SDCRAA and a $2.4 million note for the Pond 20 real estate. As of June 30, 2013, the Pond 20 Note was paid in full. Under the Airport Transfer Agreement, the $50.0 million promissory note was unsubordinated and fully negotiable, had an interest rate of the prime rate plus 1.0%, with monthly payments of interest only for seven years, with the principal due and payable beginning on December 31, 2009. The note was amended as a result of a settlement agreement, effective June 1, 2004, between the District and the SDCRAA. The note is now being amortized over a period of 25 years, which commenced January 1, 2006, with a fixed rate of 5.5% per annum; the note remains subordinated to all other bonded indebtedness of the District. See Note 12 for more information regarding a recent refunding of this note.

On October 28, 2004, the District issued $49.5 million aggregate principal amounts of revenue bonds. The issuance consisted of $23.0 million and $26.5 million principal amounts for the Series A 2004 Bonds and Series B 2004 Bonds, respectively. The bonds were sold at a premium of $2.5 million, which netted issuance proceeds of $52.0 million. The bonds, which are composed of serial and term, are due over 25 years and bear interest rates ranging from 2.0% to 5.25%. Approximately $47.0 million was used to reimburse the District for the prior payment of costs for certain projects in the completed fiscal year 2003-2007 CIP. The bonds are being repaid using the pledged revenues of the District, as defined in Article 1, Section 1.02 of the indenture related to these bonds. The final Series A 2004 principal payment was made in August 2019; therefore, these bonds have been fully satisfied as of fiscal year 2020.

On November 20, 2013, the District issued $25.5 million Series A 2013 revenue refunding bonds to advance refund the entire $26.6 million of the outstanding Series B 2004 Revenue Bonds. The District used the net proceeds to purchase U.S. Treasury State and Local Government Series securities that were deposited in an irrevocable trust to provide for all future debt service and for the Series B 2004 Revenue Bonds redemption on September 1, 2014. As a result, the full amount of the $26.6 million Series B 2004 Revenue Bonds is considered defeased and the District has removed the liability from its accounts. The advance refunding reduced total debt service payments over the next 16 years by approximately $2.5 million and resulted in an economic gain of $1.7 million (i.e. difference between the present value of the debt service payments on the old and new debt).

On April 9, 2007, the District, the City of San Diego and Centre City Development Corporation, now known as Civic San Diego (CSD) signed an agreement to design and fund the North Embarcadero Visionary Plan (NEVP) Phase I. Under the terms of the agreement and subsequent amendments, the District records its 50% share of costs as a loan advance from CSD. The District is required to pay the greater of $850 thousand or 50% of Lane Field revenue annually as repayment of the loan advance, and in fiscal year 2014, the District made the first payment of $850 thousand. The District and CSD also agreed to share the cost of future maintenance and security expenses upon completion of NEVP Phase I and Setback Park/Plaza. In fiscal years 2015 and 2016, under the terms of the agreements, the District and CSD agreed that CSD's 50% share of the estimated maintenance and security costs totaling $7.8 million be offset against the loan advance by $4.4 million and $3.5 million, respectively. The final repayment of the loan advance was made in July 2020.

Following is a summary of the District's outstanding notes and bonds payable as of June 30, 2021 and June 30, 2020:

	July 1, 2020	Increases	Decreases	June 30, 2021	Amounts Due Within One Year
Notes:					
SDCRAA promissory note	$ 29,332,709	$ —	$ (2,123,842)	$ 27,208,867	$ 2,243,644
Civic San Diego loan advance - NEVP	665,650	—	(665,650)	—	—
Revenue bonds:					
Series A 2013 bonds payable	25,205,000	—	(1,995,000)	23,210,000	2,095,000
Series A 2013 bonds premium	1,065,784	—	(263,705)	802,079	—
Total notes and bonds	$ 56,269,143	$ —	$ (5,048,197)	$ 51,220,946	$ 4,338,644

	July 1, 2019	Increases	Decreases	June 30, 2020	Amounts due within one year
Notes:					
SDCRAA promissory note	$ 31,338,762	$ —	$ (2,006,053)	$ 29,332,709	$ 2,123,842
Civic San Diego loan advance - NEVP	1,445,376	—	(779,724)	665,650	665,650
Revenue bonds:					
Series A 2004 bonds payable	2,040,000	—	(2,040,000)	—	—
Series A 2004 bonds premium	8,062	—	(8,062)	—	—
Series A 2013 bonds payable	25,205,000	—	—	25,205,000	1,995,000
Series A 2013 bonds premium	1,338,772	—	(272,988)	1,065,784	—
Total notes and bonds	$ 61,375,972	$ —	$ (5,106,827)	$ 56,269,143	$ 4,784,492

Refer to Note 4 to the basic financial statements for additional detailed information related to long term liability activity.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all California citizens, taxpayers, stakeholders, and the District's creditors. This financial report seeks to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the San Diego Unified Port District, Office of the District Clerk, P.O. Box 120488, San Diego, California 92112-0488. Or, you may contact the District by phone at (619) 686-6206 or by email at publicrecords@portofsandiego.org.

Basic Financial Statements

SAN DIEGO UNIFIED PORT DISTRICT
Statements of Net Position
June 30, 2021 and June 30, 2020

ASSETS	2021	2020
Current assets:		
Unrestricted:		
Cash and cash equivalents	$ 73,410,831	$ 71,699,434
Investments	—	22,108,394
Accounts receivable, net of allowance	23,625,721	25,561,927
Other current assets	1,187,466	1,409,186
Total unrestricted current assets	98,224,018	120,778,941
Restricted:		
Car rental transaction fees	—	8,390,980
Total current assets	98,224,018	129,169,921
Noncurrent assets:		
Restricted assets:		
Restricted cash and investments:		
Mitigation fees	6,563,500	6,563,500
Bayfront infrastructure improvements	—	3,000,000
Chula Vista Bayfront Development RIDA	5,312,109	3,599,065
Deposits and other miscellaneous	8,093,063	6,821,240
Escrow accounts:		
South Bay Power Plant remediation and other miscellaneous	1,399,210	1,402,311
Workers' compensation collateral	4,393,806	4,393,378
Series 2004 and 2013 Bonds:		
Debt service reserve funds held by trustee	2,579,328	2,579,170
Total restricted assets	28,341,016	28,358,664
Other noncurrent assets:		
Cash and investments designated for specific capital projects and commitments	4,399,101	871,291
Other noncurrent assets	28,422	28,422
Total other noncurrent assets	4,427,523	899,713
Capital assets:		
Nondepreciable assets:		
Land	277,150,584	252,802,917
Construction-in-progress	44,817,537	65,611,590
Depreciable assets:		
Land improvements	7,650,334	7,650,334
Building and structures	638,515,061	637,316,292
Machinery and equipment	84,017,648	83,503,550
Roads and parking lots	128,363,060	122,645,123
Intangible assets	17,432,508	16,617,234
Total capital assets	1,197,946,732	1,186,147,040
Less accumulated depreciation and amortization	(622,036,103)	(594,810,278)
Capital assets, net	575,910,629	591,336,762
Total noncurrent assets	608,679,168	620,595,139
Total assets	706,903,186	749,765,060
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on bond refunding	97,429	109,483
Pension contributions made subsequent to the measurement date	19,700,000	19,300,000
Difference between actual and expected experience, assumption changes, and net difference between projected and actual earnings on plan investments for pension	27,998,811	1,992,336
POB contributions made subsequent to the measurement date and impact from assumption changes	714,072	714,834
Changes in assumption - OPEB	22,769,448	24,948,868
Total deferred outflows of resources	71,279,760	47,065,521

Continued

See accompanying notes to the basic financial statements.

SAN DIEGO UNIFIED PORT DISTRICT

Statements of Net Position (Continued)

June 30, 2021 and June 30, 2020

	2021	2020
LIABILITIES		
Current liabilities:		
Accounts payable	$ 7,725,384	$ 17,187,061
Accrued liabilities	7,947,005	14,700,975
Current portion of accrued leave	5,875,544	5,380,776
Deposits and other short-term liabilities	6,315,463	4,178,640
Accrued interest payable, Series 2004 and 2013 Bonds	379,046	412,296
Notes payable, current portion	2,243,644	2,789,492
Bonds payable, current portion	2,095,000	1,995,000
Total current liabilities	32,581,086	46,644,240
Noncurrent liabilities:		
Liabilities - payable from restricted assets:		
Mitigation and remediation fees	7,662,710	7,665,811
Other long-term liabilities:		
Notes payable to SDCRAA, net of current portion	24,965,223	27,208,867
Bonds payable, net of current portion	21,917,079	24,275,784
Unearned revenue - other	163,740	165,593
Unearned revenue - NEVP credits	5,179,536	5,878,027
Deferred rent credits	118,854	537,814
Other long-term liabilities	4,780,299	4,611,484
Accrued leave, net of current portion	2,464,678	2,651,000
Net pension liability - GASB 68	177,686,249	130,486,786
Net POB liability - GASB 73	4,164,192	3,351,963
Total OPEB liability - GASB 75	146,054,168	143,646,954
Total other long-term liabilities	387,494,018	342,814,272
Total noncurrent liabilities	395,156,728	350,480,083
Total liabilities	427,737,814	397,124,323
DEFERRED INFLOWS OF RESOURCES		
Net difference between projected and actual earnings on plan investments and net difference between actual and expected experience - Pension	—	8,867,635
Differences between expected and actual experience and impact from assumption changes - OPEB	23,704,577	27,674,572
Total deferred inflows of resources	23,704,577	36,542,207
NET POSITION		
Net investment in capital assets	547,898,751	560,086,537
Restricted for other projects and grants	7,269,349	8,506,291
Unrestricted (Deficit)	(228,427,545)	(205,428,777)
Total net position	$ 326,740,555	$ 363,164,051

See accompanying notes to the basic financial statements.

SAN DIEGO UNIFIED PORT DISTRICT

Statements of Revenues, Expenses and Changes in Net Position

Fiscal Years Ended June 30, 2021 and June 30, 2020

	2021	2020
Operating revenues:		
Real Estate	$ 78,170,385	$ 92,134,149
Guest Experiences - Parking	7,947,255	13,337,510
Maritime	33,785,207	37,759,676
Harbor Police	19,898,025	16,159,422
Other operating revenues	3,808,954	3,106,325
Total operating revenues	143,609,826	162,497,082
Operating expenses:		
Direct expenses:		
Real Estate	27,566,700	31,773,432
Guest Experiences - Parking	4,357,645	4,522,287
Maritime	15,366,633	17,828,616
Harbor Police	42,273,008	43,619,058
Other operating expenses	28,104,193	22,489,887
Depreciation and amortization	27,225,825	27,551,296
General and administrative expenses	37,758,879	46,396,119
Total operating expenses	182,652,883	194,180,695
Loss from operations	(39,043,057)	(31,683,613)
Nonoperating revenues (expenses):		
Interest income	559,702	2,743,978
Settlement income (expenses)	(93,869)	(8,390,980)
Net change in the fair value of investments	(134,233)	(42,473)
Interest expense	(2,462,794)	(2,696,973)
Financial assistance	(420,785)	(772,195)
Other nonoperating expenses	(122,660)	(768,307)
Other nonoperating revenues	4,070,792	9,903,515
Nonoperating revenues (expenses), net	1,396,153	(23,435)
Loss before capital grants and contributions	(37,646,904)	(31,707,048)
Capital grants and contributions	1,223,408	9,733,095
Change in net position	(36,423,496)	(21,973,953)
Net position, beginning of year	363,164,051	385,138,004
Net position, end of year	$ 326,740,555	$ 363,164,051

See accompanying notes to the basic financial statements.

SAN DIEGO UNIFIED PORT DISTRICT
Statements of Cash Flow
Fiscal Years Ended June 30, 2021 and June 30, 2020

	2021	2020
Cash flows from operating activities:		
Payments from customers	$ 147,682,854	$ 159,330,903
Payments to suppliers	(59,890,321)	(69,854,036)
Payments to employees	(92,127,279)	(93,738,217)
Other receipts	3,276,392	4,318,251
Net cash provided (used) by operating activities	(1,058,354)	56,901
Cash flows from noncapital financing activities:		
Maintenance Fund	(1,854)	3,316
Mitigation fees	—	256,000
Financial assistance	(420,785)	(772,195)
Note payments	(2,789,492)	(2,785,778)
Net cash used in noncapital financing activities	(3,212,131)	(3,298,657)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(18,120,080)	(28,138,327)
Proceeds on sale of capital assets	116,235	131,277
Federal/state grants received	1,196,070	9,194,979
Contributions for capital assets	27,338	538,115
Car rental transaction fees	54,625	3,234,340
Payment of bond principal	(1,995,000)	(2,040,000)
Interest paid	(2,790,807)	(3,051,238)
Net cash used in capital and related financing activities	$ (21,511,619)	$ (20,130,854)
Cash flows from investing activities:		
Purchase of short-term investments	(1)	(62,490,699)
Maturity of short-term investments	22,108,395	119,507,461
Interest received from investment securities	506,804	3,525,215
Net cash provided by investing activities	22,615,198	60,541,977
Net increase (decrease) in cash and cash equivalents	(3,166,906)	37,169,367
Cash and cash equivalents, beginning of year	100,945,510	63,776,143
Cash and cash equivalents, end of year	$ 97,778,604	$ 100,945,510
Cash and cash equivalents components:		
Current cash and cash equivalents – unrestricted	$ 73,410,831	$ 71,699,434
Current car rental transaction fees – restricted	—	8,390,980
Noncurrent Chula Vista Bayfront Development RIDA – restricted	5,312,109	3,599,065
Noncurrent mitigation fees – restricted	6,563,500	6,563,500
Noncurrent bayfront infrastructure improvements – restricted	—	3,000,000
Noncurrent deposits and other miscellaneous – restricted	8,093,063	6,821,240
Noncurrent cash and investments designated for specific capital projects and commitments	4,399,101	871,291
Total cash and cash equivalents	$ 97,778,604	$ 100,945,510

Continued

See accompanying notes to the basic financial statements.

SAN DIEGO UNIFIED PORT DISTRICT
Statements of Cash Flow (Continued)
Fiscal Years Ended June 30, 2021 and June 30, 2020

	2021	2020
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Loss from operations	$ (39,043,057)	$ (31,683,613)
Adjustments to reconcile loss from operations to net cash provided (used) by operating activities:		
Depreciation and amortization expenses	27,225,825	27,551,296
Loss on disposal of assets	—	453,775
Settlement income	71,968	91,399
Other nonoperating activities	3,529,943	(2,712,787)
Changes in assets, deferred outflows, liabilities, and deferred inflows:		
Accounts receivable	1,936,206	(4,614,847)
Other current assets	221,720	823,305
Other restricted assets	(428)	(1,046,674)
Deferred outflows of resources	(24,214,241)	(16,050,551)
Accounts payable	(2,934,424)	(3,148,029)
Accrued liabilities	(6,228,143)	5,074,270
Other long-term liabilities	49,077,084	(471,571)
Deposits and other short-term liabilities	2,136,823	1,448,668
Deferred inflows of resources	(12,837,630)	24,342,260
Net cash provided (used) by operating activities	$ (1,058,354)	$ 56,901

Supplemental disclosure of noncash investing, capital, and financing activities:	2021	2020
Changes to capital assets included in accounts payable	$ (6,336,563)	$ (6,245,298)
Assumption of SB 507 land assets	—	1
Net change in the fair value of investments	(134,233)	(42,473)
Construction-in-progress write-offs - prior year costs	205	709,151
Bond issue premium 2013 Series A (amortization)	263,705	272,988
Bond issue premium 2004 Series A (amortization)	—	8,062

See accompanying notes to the basic financial statements.

Notes to the Basic Financial Statements

Page Left Intentionally Blank

(1) Nature of Organization and Summary of Significant Accounting Policies

(a) Organization

The San Diego Unified Port District (District), an autonomous public agency, was established on December 18, 1962, in accordance with laws of the State of California for the acquisition, construction, operation, maintenance, development, management, and regulation of harbor works and improvements, including rail, water, and air terminal facilities, and tidelands and submerged lands of the Harbor of San Diego and San Diego Bay, and for the promotion of commerce, navigation, fisheries, and recreation. The District is governed by a seven-member Board of Port Commissioners (BPC) appointed by the District's five member cities (Chula Vista, Coronado, Imperial Beach, National City, and San Diego).

In 2001, the California legislature established the San Diego County Regional Airport Authority (SDCRAA) by enacting the San Diego County Regional Airport Authority Act (Airport Authority Act), California Public Utilities Code Section 170000 et seq. The Airport Authority Act was amended in 2002 and proposed a phased transfer of all airport operations of the District to SDCRAA. Effective January 1, 2003, pursuant to the Airport Authority Act and the MOU dated as of December 31, 2002, the District transferred all airport operations and certain related assets and liabilities to SDCRAA.

(b) Basis of Accounting

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local government agencies and, as such, the District is accounted for as a proprietary fund. The accompanying basic financial statements have been prepared using the flow of economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues are generally recognized when earned and expenses are recognized when incurred, regardless of the timing of cash flows.

(c) Cash and Cash Equivalents

For purposes of the Statements of Cash Flow, cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less at the time of purchase. Also included are the non-current, Restricted Cash and Investments reported on the Statements of Net Position.

(d) Investments

Investments are reported at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools* and Statement No. 72, *Fair Measurement and Application*. Valuations are obtained by using quotations obtained from independent published sources. Note 2 contains additional information on permissible investments per the California Government Code and District Investment Policy.

(e) Accounts Receivable

Accounts receivable are carried at original or estimated invoice amounts for District tenants and customers, less an estimate made for doubtful receivables for customers based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions.

An allowance for uncollectible accounts receivable has been determined in the amount of $165 thousand as of June 30, 2021, and $99 thousand as of June 30, 2020. The amount is based upon management's estimate of accounts that will not be collected.

(f) Designated Assets

The BPC may designate funds, which they do not consider to be available for general operations. At June 30, 2021, the District has designated funds primarily for the unpaid contractual portion of some capital improvement projects (CIP) that are currently in progress totaling $4.40 million compared to $871 thousand as of June 30, 2020. This designation is classified in the accompanying statements of net position as cash and investments designated for specific capital projects and commitments.

Excluded from the above designation are additional commitments against existing cash reserves that have been authorized by the BPC as follows:

- Remaining costs to complete CIP projects funded from existing cash resources total $13.1 million excluding projects funded by grants, donations, and contributions (see Note 11 (a) i) compared to $11.9 million in fiscal year 2020.
- Commitments for other specific projects and activities (non-CIP) totaling $2.6 million compared to $4.9 million in fiscal year 2020.
- Operating reserves in alignment with BPC Policy No. 117. The policy requires that operating reserves at the end of each fiscal year are equal to six months of budgeted operating and maintenance expenses reduced by certain revenue sources. Based on the fiscal year 2022 adopted budget, the required operating reserve balance is $62.8 million, however, at the June 2021 board meeting, the BPC authorized staff to draw below the required balance to partially fund the deficit projected in fiscal year 2022.

(g) Restricted Assets

Funds are set aside as restricted assets and are not available for current spending, when constraints placed on their use are legally enforceable due to either:

1. Externally imposed requirements by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or;
2. Constitutional provisions or enabling legislation. The District reports no assets restricted due to enabling legislation as of June 30, 2021.

The District classifies assets as restricted when the resources that were received or earned contain an explicit understanding between the resource provider and the District that the funds would be used for a specific purpose. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as they are needed.

(h) Capital Assets

Capital assets are carried at cost (except for donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement, which are recorded at acquisition value rather than fair value) less an allowance for accumulated depreciation/amortization. Assets acquired under capital leases are amortized over the estimated useful life. Capital assets acquired as a result of the assumption of ownership due to an expiration of a lease are recorded at fair market value. Recurring normal maintenance and repair costs are charged to operations, whereas major repairs, improvements, and replacements that extend the asset's useful life or service utility are capitalized. The capitalization threshold is $5 thousand with an expected useful life of greater than one year and depreciation/amortization is computed by use of the straight-line method over the following estimated useful lives:

Land improvements	30 to 40 years
Roads and parking lots	10 to 30 years
Building, water borne structures, and other terminals	10 to 50 years
Automotive and field equipment, furniture, and fixtures	3 to 15 years
Intangible assets	3 to 20 years

(i) Compensated Absences

All employees of the District earn annual leave that is paid upon termination or retirement. Annual leave is accrued and paid at current rates of compensation. Employees earn annual leave at the following rates:

Years of Active Service	Annual Accrued Hours (days)	Maximum Accrued Hours (days)
0-5th	144 hours (18 days)	432 hours (54 days)
6-10th	184 hours (23 days)	552 hours (69 days)
11-15th	224 hours (28 days)	552 hours (69 days)
16th-up	254 hours (31.75 days)	632 hours (79 days)

(j) District Net Position

Net investment in capital assets consists of capital assets, which are net of accumulated depreciation/amortization and further reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, and deferred outflows of resources.

Restricted for other projects and grants consists of restricted assets (such as funding for Chula Vista Bayfront infrastructure improvements, Low Carbon Fuel Standard (LCFS), and funding for asset forfeiture expenditures) reduced by liabilities related to those assets. Restricted amounts represent limitations imposed on its use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, and laws or regulations of other governments.

Unrestricted net position (deficit) represents net position not included in other components of net position and may be used to meet the District's commitments and ongoing obligations.

(k) Revenue Classifications

The District classifies revenue as operating or nonoperating revenues, based on the following criteria:

Operating revenues are derived from the revenue sources that constitute the principal ongoing activities of the District's operations. The major components of the operating revenue sources are provided as follows:

- Real Estate operating revenues are generally derived from flat-fee ground rentals, concession (fees based on a fixed percentage of tenant revenues subject to certain minimum annual guarantee), common area maintenance reimbursement, and park usage fees.

- Guest Experiences - Parking operating revenues include parking, citations, and concession.

- Maritime operating revenues include charges for fixed rents, storage, other rental revenue, passenger fees, cruise ship security charges, dockage, wharfage, and other marine services subject to District tariffs filed with the Federal Maritime Commission. Wharfage revenue is the charge assessed to both inbound and outbound cargo when crossing over District property. Dockage fees are the charges assessed against a vessel for the right to berth at a wharf or pier of the District.

- Harbor Police operating revenues include reimbursements for police services provided to the SDCRAA and cost recovery for services provided to other agencies or events.

Nonoperating revenues are from sources related to financing activities and other activities that do not constitute the principal ongoing activities of the District's operations. The major components of the nonoperating revenue sources are damages recovered, investment income from cash and investments, grant revenue, and low carbon fuel standard credits.

(l) Expense Classifications

The District classifies expenses as operating or nonoperating based on the following criteria:

Operating expenses are from expense sources that constitute the principal ongoing activities of the District's operations. The major components of the District's operating expenses consist of personnel expenses, contractual services, community and environmental support (including municipal services for fire, police, and medical emergency), and maintenance and repairs. These operating expenses are assigned or identified with the respective operating revenue components for report presentation purposes.

Nonoperating expenses are from expense sources that are related to financing, investing, and other activities that do not constitute the principal ongoing activities of the District's operations. The major component of nonoperating expenses is interest expense and legal settlement expenses.

(m) Pension and OPEB

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's defined benefit pension plan (Plan) administered by San Diego City Employees' Retirement System (SDCERS) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by SDCERS.

For purposes of measuring the OPEB liability and deferred outflows/inflows of resources related to OPEB and expense, information about the fiduciary position of the District's plan and additions to/deductions from the plan's fiduciary position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

(n) Capital Grants and Contributions

The District recognizes capital related grant revenue as capital contributions when a capital grant agreement is approved, all eligibility requirements have been met, and qualifying expenses are incurred. The District also records capital contributions in the event of a donated asset or an assumption of ownership. Contributed capital assets are recorded at acquisition value when the donation is received. Capital assets acquired as a result of the assumption of ownership due to an expiration of a lease are recorded at estimated fair value.

(o) Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and management believes that the estimates are reasonable.

(p) Upcoming Governmental Accounting Standards

The District early implemented GASB Statement No. 98, *The Annual Comprehensive Financial Report*, for the fiscal year ended June 30, 2021, which establishes the term Annual Comprehensive Financial Report and its acronym ACFR to replace Comprehensive Annual Financial Report and its acronym under GAAP. Implementation of this Standard resulted in the District renaming this document but did not have an impact on the District's financial statements for the fiscal year ended June 30, 2021.

The following GASB Statements have been issued but are not yet effective for the fiscal year ended June 30, 2021. The District is assessing what financial statement impact, if any, these Statements will have:

- GASB Statement No. 87, *Leases,* effective for the fiscal year ending June 30, 2022. The District anticipates reporting impacts after implementation and is actively preparing in advance of the effective date.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the fiscal year ending June 30, 2022.

- GASB Statement No. 92, *Omnibus 2020*, effective upon issuance for the requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments. The other requirements will be effective for the fiscal year ending June 30, 2022.

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the fiscal year ending June 30, 2023.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the fiscal year ending June 30, 2023.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the fiscal year ending June 30, 2022.

(2) Cash and Investments, Escrow Accounts, and Funds Held by Trustee

Summary of cash and investments:	2021	2020
Cash and cash equivalents	$ 73,410,831	$ 71,699,434
Investments	—	22,108,394
Restricted cash and investments:		
Car Rental Transaction Fund	—	8,390,980
Bayfront Infrastructure Improvement Fund	—	3,000,000
Mitigation Fund	6,563,500	6,563,500
North Embarcadero Visionary Plan Maintenance Fund	1,007,816	1,530,044
Refundable Security Deposits and Other Miscellaneous	6,625,916	4,734,278
Chula Vista Bayfront Development RIDA	5,312,109	3,599,065
Other	459,331	556,918
Total restricted cash and investments	19,968,672	28,374,785
Designated cash and investments:		
Designated for specific capital projects and commitments	4,399,101	871,291
Total cash and investments	$ 97,778,604	$ 123,053,904

Cash and investments consist of the following:	2021	2020
Cash on hand, current	$ 2,500	$ 2,500
Deposits with financial institutions	3,852,095	2,757,177
Investments	93,924,009	120,294,227
Total cash and investments	$ 97,778,604	$ 123,053,904

Investments Authorized by California Government Code and the District Investment Policy

California Government Code § 53600 et seq. and the BPC's Policy 115 (BPC 115), "Guidelines for Prudent Investments" regulate the investment of the District's temporary idle cash. The table on the following page identifies only those investments that are authorized by both California Government Code and BPC 115. The table also identifies restrictions as to investment terms to maturity and maximum allowable investment percentages. While the maximum allowable term to maturity for various investment classes may be five years, BPC 115 limits the portfolio's weighted average days to maturity to three years. At no time during fiscal year 2021 and fiscal year 2020 did the portfolio's weighted average days to maturity exceed three years. Other than the maximum allowable term to maturity, the District's BPC 115 is similar to the restrictions pursuant to California Government Code § 53600 et seq.

		Maximum Allowable Investment	
Investment Types Authorized by California Government Code and BPC 115	**Term to Maturity**	**Total (% of Portfolio)**	**Any One Issuer (% of Portfolio)**
U.S. Treasury Obligations	5 Years	No Restriction	No Restriction
U.S. Agency Obligations	5 Years	No Restriction	No Restriction
Bankers' Acceptances	180 Days	40% Fair Market Value (FMV)	10% FMV
Placement Service Certificates of Deposit	5 Years	30% FMV	FDIC Limit
Commercial Paper - "A-1" Rating[1]	270 Days	15% FMV	10% FMV
Negotiable Certificates of Deposit	1 Year	30% FMV	No Restriction
Medium-term notes - "A" Rating	2 Years	30% FMV	10% FMV
Medium-term notes - "AA" Rating	3 Years	30% FMV	10% FMV
Repurchase Agreements	1 Year	No Restriction	No Restriction
Reverse Repurchase Agreements	60 Days	10% FMV	No Restriction
Local Agency Investment Fund (LAIF)	n/a	No Restriction	n/a
Joint Powers Authority Pool (JPA)	2 Years	30% FMV	n/a
State Obligations - California and Others - "AAA" Rating	5 Years	No Restriction	No Restriction
Supranational Obligations - "AA" Rating[2]	5 Years	30% FMV	No Restriction

[1]BPC 115 allows up to 30% of A-1 or higher rated commercial paper if the dollar-weight average maturity does not exceed 31 days.

[2]Supranational Obligations include Inter-American Development Bank, International Bank for Reconstruction and Development, and the International Finance Corporation.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that fluctuations in market interest rates will adversely affect the fair value of an investment. In general, an investment with a longer term to maturity has a greater sensitivity to changes in market interest rates than does an investment with a shorter term to maturity.

One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by structuring the maturities to coincide with expected capital investment cash outflows. Investment purchases are further structured so as to mature at fairly regular intervals in order to provide liquidity sufficient for operations. The District uses remaining days to maturity, weighted average days to maturity and duration as methods by which to analyze the portfolio’s overall sensitivity to interest rate risk. The District intends to hold callable securities until maturity, however, for disclosure purposes; the District uses the call date as equivalent to maturity date.

The effects of COVID-19 have contributed to increased volatility in the marketplace and put pressure on increased liquidity management capabilities. Due to continued uncertainty with the local, regional, state, and national economies, and the adverse financial impacts resulting from COVID-19, the District has maintained its liquidity position in the LAIF pool during fiscal year 2021 as maturing securities were applied for operational needs.

The District’s investment portfolio is conservatively managed. Although the District is authorized by BPC policy to invest in securities whose fair value would be considered highly sensitive to interest rate risk, the District did not own any specific securities considered highly sensitive. The fair value of the District’s position in the external investment pools LAIF and CalTRUST (JPA) is the same as the value of the pool shares as of June 30, 2021 and 2020.

Information pertaining to the portfolio's overall sensitivity to interest rate risk as of June 30, 2021 and 2020, is provided in the following tables:

District Investments		**Remaining Days to Maturity**	
Investment Type	**Fair Value as of June 30, 2021**	**120 Days or Less**	**121 to 360**
Local Agency Investment Fund (LAIF)	$ 75,000,000	$ 75,000,000	$ —
Joint Powers Authority Pool (JPA)	18,924,009	18,924,009	—
Totals:	**$ 93,924,009**	**$ 93,924,009**	$ —

District Investments		**Remaining Days to Maturity**	
Investment Type	**Fair Value as of June 30, 2020**	**120 Days or Less**	**121 to 360**
U.S. Agency Obligations	$ 20,090,903	$ 12,038,387	$ 8,052,516
Local Agency Investment Fund (LAIF)	72,000,000	72,000,000	—
Supranational Obligations	2,017,496	—	2,017,496
Joint Powers Authority Pool (JPA)	26,185,828	26,185,828	—
Totals:	**$ 120,294,227**	**$ 110,224,215**	**$ 10,070,012**

Disclosures Relating to Credit Risk

Credit risk is the risk that the issuer of an investment will not repay its obligation as promised. Credit quality is measured using a rating assigned by a nationally recognized statistical rating organization.

The information presented below identifies the minimum credit rating required by California Government Code, the District's investment policy, and the actual rating as of June 30, 2021 and 2020, for each investment type.

			Actual Rating			
Investment Type	**Fair Value as of June 30, 2021**	**Minimum Rating**	**AAA**	**AA+**	**AAf /S1+**	**Not Rated**
Local Agency Investment Fund (LAIF)	$ 75,000,000	n/a	$ —	$ —	$ —	$75,000,000
Joint Powers Authority Pool (JPA)	18,924,009	n/a	—	—	18,924,009	—
Totals:	**$ 93,924,009**		**$ —**	**$ —**	**$18,924,009**	**$75,000,000**

			Actual Rating			
Investment Type	**Fair Value as of June 30, 2020**	**Minimum Rating**	**AAA**	**AA+**	**AAf /S1+**	**Not Rated**
U.S. Agency Obligations	$ 20,090,903	n/a	$ —	$20,090,903	$ —	$ —
Local Agency Investment Fund (LAIF)	72,000,000	n/a	—	—	—	72,000,000
Supranational Obligations	2,017,496	AA	2,017,496	—	—	—
Joint Powers Authority Pool (JPA)	26,185,828	n/a	—	—	26,185,828	—
Totals:	**$ 120,294,227**		**$ 2,017,496**	**$20,090,903**	**$26,185,828**	**$72,000,000**

On August 5, 2021, Standard & Poor's (S&P) affirmed the U.S. credit rating of AA+ with a Stable outlook. Moody's Investors Service affirmed their Aaa credit rating with a Stable outlook as of September 3, 2021, and Fitch Ratings affirmed their AAA ratings on July 13, 2021, with a Negative outlook. Funds held in trustee and fiscal agent accounts as of June 30, 2021 and 2020, met California Government Code minimum credit rating requirements.

Concentration of Credit Risk

The District's investment policy is consistent with the California Government Code with respect to the categorical limitations placed on the amount that may be invested in any one issuer. The District's investment holdings as of June 30, 2021 and 2020, grouped by issuer, are identified in the tables below.

Issuer	Investment Type	Fair Value as of June 30, 2021	Percentage of Portfolio
CalTRUST Short-Term Fund	Joint Powers Authority Pool (JPA)	$ 18,924,009	20.15 %
Local Agency Investment Fund	Local Agency Investment Fund (LAIF)	75,000,000	79.85 %
Totals:		**$ 93,924,009**	**100.00 %**

Issuer	Investment Type	Fair Value as of June 30, 2020	Percentage of Portfolio
Federal Home Loan Bank	U.S. Agency Obligations	$ 6,039,180	5.02 %
Federal Home Loan Mortgage Corporation	U.S. Agency Obligations	8,016,270	6.66 %
Federal National Mortgage Association	U.S. Agency Obligations	3,004,052	2.50 %
Federal Farm Credit Bank	U.S. Agency Obligations	3,031,401	2.52 %
CalTRUST Short-Term Fund	Joint Powers Authority Pool (JPA)	26,185,828	21.77 %
Local Agency Investment Fund	Local Agency Investment Fund (LAIF)	72,000,000	59.85 %
International Finance Corporation	Supranational Obligations	2,017,496	1.68 %
Totals:		**$ 120,294,227**	**100.00 %**

Custodial Credit Risk

Custodial credit risk is the risk that investments held by the transaction counterparty may not be recoverable in the event of the failure of the counterparty firm. The District's adopted investment policy states that, "To protect against potential losses by the collapse of individual securities dealers, all securities owned by the District shall be held in safekeeping by a third party bank trust department acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All securities will be received and delivered using standard delivery-versus-payment procedures." The District uses a custodial bank for the receipt and safekeeping of its securities and all securities purchased in fiscal year 2021 and fiscal year 2020 were received using delivery-versus-payment procedures.

California Government Code requires that financial institutions secure local government agency deposits by pledging securities in an undivided collateral pool; the depository holds the collateral. The market value of the securities held in the collateral pool must be greater than or equal to 110.0% of the total amount deposited by the public agencies. A financial institution may also, in accordance with California Government Code, secure the local public agency deposits using first trust deed mortgages; however, the market value of the first trust deed mortgages collateral must be at least 150.0% of the total amount deposited.

All individual securities as of June 30, 2021 and 2020 were held by a third party bank trust department acting as agent for the District under the terms of a custody agreement. Pooled accounts as of June 30, 2021 and 2020 were held by a third party bank trust department acting as agent for each fund under the terms of a custody agreement.

Investments in CalTRUST Investment Pool

The District is a voluntary participant in the Investment Trust of California (CalTRUST) through the issuance of shares of Beneficial Interest in investments purchased by CalTRUST. CalTRUST is a joint power authority authorized by California Government Code sections 53601 and 53635 created for the purpose of pooling local agency assets for investing. The District participates in the CalTRUST short-term account, which has a target duration of 0 to 2 years. Authorized securities under this account typically include U.S. treasuries, U.S agencies, collateralized mortgage obligations, mortgage-backed securities, asset-backed securities, bankers acceptances, commercial paper, certificates of deposit, repurchase agreements backed by 102% U.S. government agencies and treasuries, medium-term notes, and rated money-market mutual funds.

The investment objectives of CalTRUST seek to attain a high level of current income consistent with the preservation of capital. The program is subject to interest rate and credit risk. This is primarily due to interest rate movements and the potential decline of the District's share value in response to events affecting the issuer of any securities or its credit rating. CalTRUST is not registered as an investment company under the Investment Company Act of 1940 (Act) and, accordingly, is not subject to the provisions of that Act and the rules thereunder, including the protective rules relating to registered money market mutual funds and other types of mutual funds. Funds invested in the CalTRUST short-term fund may be withdrawn with a 24-hour notice.

Local Agency Investment Fund (LAIF)

The District is a voluntary participant in the LAIF, created in 1977, and regulated by the California Government Code Section 16429.1 under the oversight of the Treasury of the State of California. The Local Investment Advisory Board (LIAB) provides oversight and guidance to the LAIF. The fund provides local agencies a way to invest cash held in the treasury pool that may be withdrawn as needed on a same-day basis to meet an agency's cash flow needs, while realizing interest generated. The State's Investment Division places the goals of Safety, Liquidity, and Yield above all others, in this order, as stated in its Investment Policy. Major components of the pool's authorized investments include U.S. treasuries, U.S agencies, commercial paper, and certificates of deposit.

The LAIF account balances are capped at $75 million and there is no minimum account balance requirement. Each regular LAIF account is permitted 15 transactions per month. Funds invested in LAIF may be withdrawn daily up to $10.0

million and withdrawals over $10.0 million require a 24-hour notice. At June 30, 2021, LAIF had a total portfolio of approximately $193.5 billion. The average maturity of PMIA investments was 291 days as of June 30, 2021. The amounts invested in LAIF are recorded as cash and investments.

Escrow Accounts and Funds Held by Trustee

Pursuant to the April 27, 1999, Property Escrow Agreement between the District and Dynegy South Bay LLC (formerly Duke Energy South Bay LLC), the District had approximately $1.1 million as of June 30, 2021 and 2020, in a Property Escrow Account with US Bank for decommissioning, dismantling, and environmental remediation of the South Bay Power Plant Site. All of the escrow funds are invested in a Wells Fargo Government Money Market Fund rated by Moody's as Aaa-mf. The Property Escrow Funds may be used by Dynegy solely in connection with the End of Term Actions stated in the Lease Agreement and the Remediation Measures as stated in the Environmental Remediation Agreement.

The District has an amended escrow agreement dated July 27, 1994, with the City of Imperial Beach to provide an escrow fund of $300 thousand for certain claim costs attributable to District property which may arise from beach clean-up, pier maintenance, and lifeguard services. The escrow funds are invested in a US Bank money market account and had a balance of $300 thousand as of June 30, 2021 and 2020.

On July 1, 2004, the District established an escrow agreement for Payment Agreement Obligations with National Union Fire Insurance Company of Pittsburgh, PA, on behalf of itself and other member companies of American International Group, Inc., as beneficiary, and the Bank of New York Mellon as escrow agent. The escrow fund was created for the purpose of providing collateral for the District's obligations under any workers' compensation claim. The balance in the escrow account was approximately $4.4 million as of June 30, 2021 and 2020, and is invested in the Dreyfus Treasury Securities Cash Management Fund, a money market fund administered through the Bank of New York Mellon, an uncollateralized fund with 100% holdings in U.S. treasury obligations with daily access. The Fund ratings per Moody's are Aaa-mf and per S&P at AAAM as of June 30, 2021 and June 30, 2020.

Under provisions of the indenture for the District's Revenue Bonds 2004 Series A and B and the 2013 Refunding Revenue Bonds Series A, the District is required to maintain a Reserve Fund of $2.5 million with an independent trustee. The District's trustee is US Bank and the funds are invested in the First American Treasury Obligations Fund in accordance with the language in the District's bond documents. The Fund invests exclusively in short-term U.S. treasury obligations and repurchase agreements secured by U.S. treasury obligations. The Fund had a rating of AAAm from S&P, Aaa-mf from Moody's, and AAAmmf from Fitch as of June 30, 2021 and June 30, 2020.

Fair Value Measurement and Hierarchy

The District categorizes its fair value measurements for the investment portfolio within the fair value hierarchy established by GASB Statement No. 72. The hierarchy provides three levels of the fair value with the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurement); valuations based on inputs other than quoted prices included within Level 1 that are observable either directly or indirectly (Level 2 measurement); and, valuations that have significant unobservable inputs (Level 3 measurement). Fair value is defined as 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. The District does not value any of its investments using Level 3 measurements.

The District utilizes the Market approach as a valuation technique in the application of GASB Statement No. 72 for its investment portfolio. This method uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets. The investments in LAIF and CalTrust are not subject to fair value hierarchy.

The District has the following recurring fair value measurements as of June 30, 2021 and June 30, 2020:

Asset Type:

- The District had no U.S. Agency Obligations as of June 30, 2021, and held approximately $20.1 million as of June 30, 2020, and are classified as Level 2 of the fair value hierarchy. These investments are typically traded in the secondary market and are valued by a pricing service using available market information with processes such as matrix pricing and option adjusted spread pricing models and methodologies.

- The District had no Supranational Obligations as of June 30, 2021, and held approximately $2.0 million as of June 30, 2020, and are classified as Level 2 of the fair value hierarchy. These investments are typically traded in the secondary market and are valued by a pricing service using available market information with similar quality, maturity, or, use analytical models which may incorporate spreads, interest related data and market/sector views.

(3) Capital Assets

Following is a summary of the capital assets activity for the fiscal years ended June 30, 2021 and June 30, 2020:

Capital Assets
(Expressed in thousands)

	July 1, 2020	Increases	Decreases	Transfers	June 30, 2021
Nondepreciable assets:					
Land	$ 252,803	$ —	$ —	$ 24,348	$ 277,151
Construction-in-progress	65,612	11,492	—	(32,286)	44,818
Depreciable/amortizable assets:					
Land improvements	7,650	—	—	—	7,650
Buildings and structures	637,316	16	—	1,183	638,515
Machinery and equipment	83,504	293	—	221	84,018
Roads and parking lots	122,645	—	—	5,718	128,363
Intangible	16,617	—	—	816	17,433
Total assets	1,186,147	11,801	—	—	1,197,948
Accumulated depreciation/amortization:					
Land improvements	(7,293)	(56)	—	—	(7,349)
Buildings and structures	(424,328)	(18,868)	—	—	(443,196)
Machinery and equipment	(57,095)	(4,361)	—	—	(61,456)
Roads and parking lots	(94,688)	(2,520)	—	—	(97,208)
Intangible	(11,406)	(1,422)	—	—	(12,828)
Total accumulated depreciation/ amortization	(594,810)	(27,227)	—	—	(622,037)
Capital assets, net	$ 591,337	$ (15,426)	$ —	$ —	$ 575,911

Capital Assets
(Expressed in thousands)

	July 1, 2019	Increases	Decreases	Transfers	June 30, 2020
Nondepreciable assets:					
Land	$ 252,803	$ —	$ —	$ —	$ 252,803
Construction-in-progress	48,250	32,307	(719)	(14,226)	65,612
Depreciable/amortizable assets:					
Land improvements	7,650	—	—	—	7,650
Buildings and structures	628,786	—	(2,570)	11,100	637,316
Machinery and equipment	102,995	2,220	(13,691)	(8,020)	83,504
Roads and parking lots	122,638	—	(157)	164	122,645
Intangible	5,635	—	—	10,982	16,617
Total assets	1,168,757	34,527	(17,137)	—	1,186,147
Accumulated depreciation/amortization:					
Land improvements	(7,103)	(190)	—	—	(7,293)
Buildings and structures	(407,685)	(18,853)	2,210	—	(424,328)
Machinery and equipment	(73,748)	(5,312)	13,597	8,368	(57,095)
Roads and parking lots	(92,524)	(2,321)	157	—	(94,688)
Intangible	(2,163)	(875)	—	(8,368)	(11,406)
Total accumulated depreciation/ amortization	(583,223)	(27,551)	15,964	—	(594,810)
Capital assets, net	$ 585,534	$ 6,976	$ (1,173)	$ —	$ 591,337

The District recognized depreciation/amortization expenses of $27.2 million and $27.6 million for the years ended June 30, 2021 and 2020, respectively.

(4) Long-Term Debt

(a) Summary of Long-Term Liabilities

Below is a summary of long-term liabilities and their activity for the fiscal years ended June 30, 2021 and 2020:

	July 1, 2020	Increases	Decreases	June 30, 2021	Amounts Due Within One Year
Notes:					
SDCRAA promissory note	$ 29,332,709	$ —	$ (2,123,842)	$ 27,208,867	$ 2,243,644
Civic San Diego loan advance - NEVP	665,650	—	(665,650)	—	—
Revenue bonds:					
Series A 2013 bonds payable	25,205,000	—	(1,995,000)	23,210,000	2,095,000
Series A 2013 bonds premium	1,065,784	—	(263,705)	802,079	—
Total notes and bonds	56,269,143	—	(5,048,197)	51,220,946	4,338,644
Other noncurrent liabilities:					
Unearned revenue - Other	165,593	—	(1,853)	163,740	—
Unearned revenue - NEVP maintenance credits	5,878,027	—	(698,491)	5,179,536	—
Accrued leave	8,031,776	5,699,794	(5,391,348)	8,340,222	5,875,544
SBPP remediation	1,102,311	—	(3,101)	1,099,210	—
Mitigation fees	6,563,500	—	—	6,563,500	—
Deferred rent credits	537,814	—	(418,960)	118,854	—
Other long-term liabilities	4,611,484	206,866	(38,051)	4,780,299	—
Total other noncurrent liabilities	26,890,505	5,906,660	(6,551,804)	26,245,361	5,875,544
Total long-term liabilities	$ 83,159,648	$ 5,906,660	$ (11,600,001)	$ 77,466,307	$ 10,214,188

	July 1, 2019	Increases	Decreases	June 30, 2020	Amounts due within one year
Notes:					
SDCRAA promissory note	$ 31,338,762	$ —	$ (2,006,053)	$ 29,332,709	$ 2,123,842
Civic San Diego loan advance - NEVP	1,445,376	—	(779,724)	665,650	665,650
Revenue bonds:					
Series A 2004 bonds payable	2,040,000	—	(2,040,000)	—	—
Series A 2004 bonds premium	8,062	—	(8,062)	—	—
Series A 2013 bonds payable	25,205,000	—	—	25,205,000	1,995,000
Series A 2013 bonds premium	1,338,772	—	(272,988)	1,065,784	—
Total notes and bonds	61,375,972	—	(5,106,827)	56,269,143	4,784,492
Other noncurrent liabilities:					
Unearned revenue - Other	162,276	3,316	—	165,593	—
Unearned revenue - NEVP maintenance credits	6,224,854	98,776	(445,603)	5,878,027	—
Accrued leave	7,220,710	6,191,606	(5,380,540)	8,031,776	5,380,776
SBPP remediation	1,089,944	15,667	(3,300)	1,102,311	—
Mitigation fees	6,307,500	256,000	—	6,563,500	—
Deferred rent credits	942,480	—	(404,666)	537,814	—
Other long-term liabilities	211,272	4,437,219	(37,007)	4,611,484	—
Total other noncurrent liabilities	22,159,036	11,002,584	(6,271,116)	26,890,505	5,380,776
Total long-term liabilities	$ 83,535,008	$ 11,002,584	$ (11,377,943)	$ 83,159,648	$ 10,165,268

The District's required debt service payments for the notes and bonds as of June 30, 2021, excluding the bond premium, are as follows:

Years Ending June 30	Principal	Interest	Total Debt Service
2022	$ 4,338,644	$ 2,525,644	$ 6,864,288
2023	4,570,203	2,291,710	6,861,913
2024	4,815,653	2,048,384	6,864,037
2025	5,079,957	1,785,331	6,865,288
2026	5,354,153	1,511,260	6,865,413
2027-2031	26,260,257	3,039,460	29,299,717
Total	$ 50,418,867	$ 13,201,789	$ 63,620,656

(b) Notes Payable

SDCRAA Promissory Note

As part of the transfer of airport operations and the San Diego International Airport (SDIA) to the SDCRAA on January 1, 2003, and pursuant to the memorandum of understanding (MOU), the District issued a $50.0 million promissory note to the SDCRAA. The note is being amortized over a period of 25 years with a fixed rate of 5.5% per annum; the note remains subordinated to all other bonded indebtedness of the District and matures in December 2030. See Note 12 for more information on a recent refunding of this note.

Civic San Diego Advance – NEVP Phase I

On April 9, 2007, the District entered into a Joint Exercise of Powers Agreement (JPA) with the City of San Diego and the Centre City Development Corporation, now known as Civic San Diego (CSD), to design and fund phases of the North Embarcadero Visionary Plan (NEVP). The JPA provided that the District and CSD equally share the cost for the Phase I design, and that costs for subsequent phases shall be agreed upon in an amendment to be approved by the governing body of each party.

On February 28, 2011, a First Amendment to the JPA (First Amendment) was signed with the City of San Diego and the former Redevelopment Agency of the City of San Diego acting through CSD. The First Amendment revised the definition of Phase I and established an estimated total construction cost of $28.6 million, subject to certain credits to the District for previous work on Broadway Pier and offsets for future maintenance.

According to Section 2, Item 6.1.5.3 of the First Amendment, the District has begun to pay $850 thousand annually to CSD as repayment of their loan advances. Upon the completion of Lane Field, the District shall pay CSD the greater of $850 thousand or 50.0% of revenues received from Lane Field. The District may prepay advances anytime.

The NEVP Phase I improvements were completed on October 31, 2014, and in accordance with Section 6.1.3 of the First Amendment, the District has previously applied the NEVP Phase I maintenance credit of approximately $4.4 million against the loan advances from CSD in recognition of the District's assumption of the maintenance obligations. On April 14, 2016, the CSD notified the District that they agreed to the maintenance and security credits totaling approximately $3.5 million and accordingly, the District applied the $3.5 million credit during fiscal year 2016 against the loan advances from CSD. The District recorded the aforementioned maintenance and security credits totaling $7.9 million as unearned revenue under other noncurrent liabilities. See item (d) below for further details.

The final repayment of the loan advances for NEVP Phase I was made in July 2020.

(c) Revenue Bonds and Pledge of Revenues

Series A 2004 Bonds

On October 28, 2004, the District issued $23.0 million (par value) of Series A Revenue Bonds (Bonds) which are secured by a pledge and lien on net pledged revenues.

The Bonds were issued for a term of 25 years with interest rates ranging from 2.00% to 5.25%. The proceeds from the sale of the Bonds were used to reimburse the District for certain previous capital expenditures, fund the Bonds' reserve requirement, and finance the costs of issuance.

The Series A 2004 Bonds include serial and term bonds, with mandatory sinking fund requirements. The principal balance for term bonds outstanding on the Series A 2004 bonds have been fully satisfied as of June 30, 2020.

Series A 2013 Bonds

On November 20, 2013, the District issued $25.5 million Series A 2013 revenue refunding bonds to advance refund the entire $26.6 million of the outstanding Series B 2004 Revenue Bonds that is now defeased and is no longer in the District liability accounts. Series A 2013 Bonds were issued for a term of 16 years with interest rates ranging from 2.0% to 5.0%. Serial bonds range in maturity from $270 thousand to $3.1 million, with maturity dates ranging from September 1, 2014 to September 1, 2029. Principal payments remaining as of June 30, 2021, total approximately $23.2 million.

Pledged Revenues

Pledged revenues for the year ended June 30, 2021, totaled approximately $143.4 million. This represents approximately 96.0% of total District revenues and 500.4% of the remaining Series A 2013 Bonds' principal and interest requirements compared to approximately $165.8 million for the year ended June 30, 2020. Net pledged revenues for the year ended June 30, 2021, totaled approximately $13.4 million, which represents 420.7% of the 2013 Bonds' annual principal and interest requirements of $3.2 million. Net pledged revenues for the year ended June 30, 2020, totaled approximately $8.1 million, which represents 243.4% of the Series A 2004 and Series 2013 Bonds' annual principal and interest requirements of approximately $3.3 million.

Change in Long-Term Liabilities and Event of Default Provisions

Changes in long-term liabilities for the year ended June 30, 2021, are as follows:

	July 1, 2020	Increases	Decreases	June 30, 2021	Amounts Due Within One Year
Revenue bonds					
Series A 2013 bonds payable	$ 25,205,000	$ —	$ (1,995,000)	$ 23,210,000	$ 2,095,000
Series A 2013 bonds premium	1,065,784	—	(263,705)	802,079	—
Total revenue bonds	26,270,784	—	(2,258,705)	24,012,079	2,095,000
Notes from direct borrowings and direct placements					
SDCRAA promissory note	29,332,709	—	(2,123,842)	27,208,867	2,243,644
Civic San Diego loan advance - NEVP	665,650	—	(665,650)	—	—
Total notes from direct borrowings and direct placements	29,998,359	—	(2,789,492)	27,208,867	2,243,644
Total notes and bonds	$ 56,269,143	$ —	$ (5,048,197)	$ 51,220,946	$ 4,338,644

The District's outstanding note from SDCRAA of approximately $27.2 million contains a provision that in an event of default, outstanding amounts become immediately due and payable upon request by the holder of the note.

The District's outstanding note from CSD of approximately $666 thousand for NEVP Phase I was paid in full in July 2020.

The District's outstanding revenue bonds of approximately $24.0 million contain a provision that, in the event of default, the trustee may perform certain actions with financial consequences to the District in order to provide relief to the bondholders.

If an event of default shall occur, then, and in each and every such case during the continuance of such event of default, the trustee may, upon notice to the District, declare the principal of all the bonds then outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable.

In addition, if an event of default shall occur and be continuing, the trustee shall apply all net pledged revenues as follows and in the following order:

1) To the payment of any expenses necessary in the opinion of the trustee to protect the interest of the owners of the bonds and the owners of parity debt (PD).

2) To the payment of the whole amount of bond obligation then due on the bonds and PD with interest on such bond obligation, at the rate or rates of interest borne by the respective bonds and PD, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or redemption price of any bonds and PD which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue bond obligation and PD at the rate borne by the respective bonds and PD, and, if the amount available shall not be sufficient to pay in full all the bonds and PD due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or interest or accreted value due on such date to the persons entitled thereto, without any discrimination or preference.

(d) Unearned Revenue

Unearned Revenue includes NEVP maintenance and security credits as mentioned in item (b) Civic San Diego Advance – NEVP Phase I. The District accounts for recognized revenue on the 50.0% Civic San Diego share of maintenance and security costs as the costs are incurred over a 30-year period in accordance with the terms of the First Amendment. Unearned revenue - NEVP credits as of June 30, 2021, is approximately $5.2 million.

(e) Accrued Leave

All employees of the District earn annual leave that is paid upon termination or retirement. The accrued leave balance as of June 30, 2021, is approximately $8.3 million and is based on current compensation rates.

(f) South Bay Power Plant Site Demolition and Remediation

Pursuant to the Asset Sale Agreement between the District and SDG&E, the District acquired the South Bay Power Plant (Plant) in April 1999, and the Plant was subsequently leased to Duke Energy South Bay, LLC (Duke South Bay).

In May 2006, the BPC adopted a resolution granting consent to transfer ownership of Duke South Bay to LS Power Generation, LLC (LS Power), at the request of Duke Energy Americas, LLC, the parent company of Duke South Bay. One of the conditions included is that Duke Capital, LLC, the guarantor of Duke South Bay obligations to the District, has acknowledged and agreed the “Duke Guarantees” (the Lease Guaranty dated April 1, 1999, the Environmental Remediation Guaranty dated April 22, 1999, and the Guaranty of Contract and Permit Rights Assignment and Property Escrow Agreement dated April 22, 1999, each made by Duke Capital, LLC in favor of the District) shall remain in effect until such time as the District grants its consent for the release of said Duke Guarantees.

In November 2006, the BPC consented to LS Power’s merger with Dynegy Inc. (Dynegy). The merger included a transfer of control of the equity interests in LSP South Bay from LS Power to Dynegy. The Duke South Bay guarantees have remained in effect since the Dynegy transaction.

Also in fiscal year 1999, the California State Legislature appropriated $15.0 million to assist the District in mitigating environmental and community issues associated with the Plant, which the District deposited into a property escrow account, and together with their earnings are to be used for the “End of Term Actions” as described in the Lease, including decommissioning, demolition, and remediation of the Plant facility and site. The balance in the property escrow account after drawdown and income on investments as of June 30, 2021 and 2020, were approximately $1.1 million and $1.1 million, respectively. This amount is reported in the Statements of Net Position as restricted assets.

Costs associated with decommissioning and demolition of the Plant, in excess of amounts available in the escrow account, are the responsibility of Dynegy. Pursuant to the lease document and other agreements, Dynegy is required to decommission, dismantle, remove the facility and improvements, and return the Plant site free and clear of all structures and improvements.

On February 2, 2013, the above ground superstructure for the Plant was demolished. Dynegy completed the decommissioning of the Plant and removal of below ground foundations and improvements in 2016.

The California Department of Toxic Substances Control (DTSC) is the lead agency for the environmental investigation and remediation of the Plant site. SDG&E entered into a Consent Agreement with DTSC in 2006 for cleanup of Solid Waste Management Units (SWMUs) at the Plant site. Most of the SWMUs at the site have been investigated and remediated; however, there remain areas of the site that still require environmental work in order to obtain final closure from DTSC. As part of this process, DTSC may also require a site-wide human health and ecological risk assessment to ensure that the site is adequately remediated for the intended future use of the property by the District.

(g) Mitigation Fees

In fiscal year 2016, the District recorded a $3.0 million fee under a MOU with the California Coastal Commission and Lane Field Development. The fee is for the purposes of establishing lower cost overnight visitor accommodations at appropriate locations on tidelands with the City of San Diego. The Coastal Commission requires that the funds be used within five years of payment after which any remaining balance may be transferred to another entity that can provide low cost accommodations within the San Diego County Coastal Zone.

In fiscal years 2018 through 2020, the District recorded $3.6 million in additional fees for the purposes of establishing lower cost overnight visitor accommodations. Total fees collected to date are $6.6 million. If a program is not established within five years of the receipt of funds, the District may enter a MOU with the California Coastal Commission and transfer the fees to the California Coastal Commission's funds for lower cost over night visitor accommodations. In no event are the fees to be used for anything other than lower cost visitor serving accommodations.

(h) Deferred Rent Credits

In fiscal year 2019, the District, in keeping with the Chula Vista Bayfront Master Plan, exercised its option to terminate an existing lease with the Chula Vista Marina/RV Park (RV Park). The RV Park is located within a portion of the Chula Vista Bayfront on the future location of the Harbor District Park and Resort Hotel and Convention Center. In consideration for the termination of the lease and in accordance with the provisions of the Amended RV Park lease, the District compensated the RV Park $4.4 million, of which $3.3 million was funded from cumulative unrestricted resources, and $1.1 million through rental credits for the RV Park's adjacent Marina leasehold. As of June 30, 2021 and 2020, the District has a total of approximately $119 thousand and $538 thousand, respectively, in rental credits outstanding.

(i) Other Long-Term Liabilities

The District participates in a loss-sensitive workers' compensation program with a long-term liability obligation. Additional details are disclosed in Note 8 - Risk Management.

(5) Defined Benefit Pension Plan

Plan Descriptions

The District's defined benefit pension plan (Plan), administered by the San Diego City Employees' Retirement System (SDCERS), provides retirement, disability, and death benefits to Plan members and beneficiaries. SDCERS is a multiple-employer public employee retirement system that acts as a common investment and administrative agent for the City of San Diego, the District, and the San Diego County Regional Airport Authority (SDCRAA). The Group Trust is administered by a Board of Administration. The District’s Plan is a qualified governmental pension plan under Sections 401(a) and 414(d) of the Internal Revenue Code and is integrated with the federal Social Security program. The Board of Administration issues a publicly available financial report that includes financial statements and required supplementary information for SDCERS. The financial report may be obtained by writing to the San Diego City Employees' Retirement System, 401 West A Street, Suite 400, San Diego, California 92101, or by calling (619) 525-3600. The report is also available online at www.sdcers.org.

Benefits Provided

The Plan provides service retirement, disability, and death benefits to Plan members and beneficiaries. Retirement benefits for Members are based on years of service credit, final compensation, and a retirement factor. General Classic Members are eligible to retire at age 55 with 20 years or more service credit, or at age 62 with five years or more of service credit. Safety Classic Members are eligible to retire at age 50 with 20 years or more of service credit, or at age 55 with five years or more of service credit. Safety Members hired on or after January 1, 2010, and before December 31, 2012, are eligible to retire at age 55 with five years or more of service credit, or any age with 30 years or more of creditable service. Safety Members hired on or after January 1, 2013, are eligible to retire at age 50 with 30 years or more of creditable service, or age 55 with five or more years of creditable service. All members are eligible for non-industrial disability benefits after ten years of service credit. The death benefit for active employees is one of the following: non-industrial death before eligible to retire, non-industrial death after eligible to retire, and industrial death benefit. The cost of living adjustment is applied based on changes in Consumer Price Index, to a maximum of 2% per year.

Non-sworn employees hired on or after January 1, 2009, will be automatically enrolled in a defined benefit plan after five years of service. For employees hired prior to January 1, 2013, the Plan has a set benefit percentage for each year of service and increases by 0.25% every five years thereafter through the 16th year. The District pays 100% of this cost. For employees hired January 1, 2013, or later, the Plan has a set benefit percentage for each year of service and increases by 0.25% every five years thereafter through the 16th year.

All employees can contribute to a 457(b) plan. Non-sworn employees hired after January 1, 2009, or later have their contributions matched by the District up to 4% into a 401(a) plan. Employees determine how their contributions are invested based on a line-up of mutual funds and target date funds. The District match increases starting with the 16th year of service to an amount up to 6%.

Effective January 1, 2013, new District employees who are deemed to be “New Members” under the California Public Employees’ Pension Reform Act (PEPRA) will be subject to a number of plan provisions including a change in the contribution percentage.

(a) GASB Statement No. 68 Disclosures

Plan Benefits

The Plan’s provisions and benefits in effect at June 30, 2021, are summarized as follows:

	General		
Hire date	Prior to January 1, 2009 (General)	On or after January 1, 2009 (Miscellaneous)[1]	On or after January 1, 2013 (PEPRA)[2]
Benefit formula	3.0% @ 60	0.75% to 1.5% @ 55	0.75% to 1.5% @ 55
Benefit vesting schedule	5 years service	10 years service	10 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55 – 62	55 – 62	55 – 62
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%[3]	0.75% to 1.5%	0.75% to 1.5%
Required employee contribution rates	9.81%	0%[1]	6.60%
Required employer contribution rates	75.13%	10.85%	4.55%

[1]For employees hired on or after January 1, 2009, the Member is a participant for purposes of establishing reciprocity, but does not begin earning service credit until the first day of their sixth year of employment. Miscellaneous members are not required to contribute to the plan.
[2]For employees hired on or after January 1, 2013, the Member is a participant for purposes of establishing reciprocity, but does not begin earning service credit until the first day of their sixth year of employment.
[3]For employees hired prior to January 1, 2009, the monthly benefits as a percent of eligible compensation is only a factor, which is multiplied by the employee's final compensation and by the number of service credit years, so it will vary widely as a percent of compensation, but the benefit cannot exceed 90%.

	Safety		
Hire date	Prior to January 1, 2010	On or after January 1, 2010	On or after January 1, 2013
Benefit formula	3.0% @ 50	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 – 55	50 – 55	50 – 57
Monthly benefits, as a % of eligible compensation[1]	2.5% to 3.0%	2.5% to 3.0%	2.0% to 2.7%
Required employee contribution rates	12.70%	13.37%	14.83%
Required employer contribution rates	99.95%	30.78%	15.96%

[1]The monthly benefits as a percent of eligible compensation is only a factor, which is multiplied by the employee's final compensation and by the number of service credit years, so it will vary widely as a percent of compensation, but the benefit cannot exceed 90%.

Employees Covered

Based on the SDCERS actuarial valuation as of June 30, 2020, the following employees were covered by the benefit terms of the Plan:

	General	Safety
Inactive employees or beneficiaries currently receiving benefits	476	152
Inactive employees entitled to but not yet receiving benefits	213	45
Active employees	240	122
Total	929	319

Contributions

Section 0800, Division 8 of the Amended and Restated San Diego Unified Port District Retirement Plan and Trust requires the District to contribute to the Plan on behalf of the members, a percentage of compensation of all members. The Participation and Administration Agreement of the Group Trust requires member contributions to be actuarially determined to provide a specific level of benefit. Based upon the advice of the actuary, SDCERS will periodically determine and adopt by rule the required contributions separately for general members (including miscellaneous) and safety members. The member weighted contribution rates for fiscal years 2021 and 2020, determined by the June 30, 2019 and June 30, 2018 actuarial valuations, respectively, are as follows:

	2021	2020
General Members	7.98%	8.26%
Safety Members	13.56%	13.45%

Classic member contribution rates, as a percentage of compensation, vary according to age at entry, benefit tier level, and certain negotiated contracts that require the District to pay a portion of the employees' contributions, which is referred to as the "offset." All or part of the member contribution rate is subject to potential offset. For employees hired prior to October 1, 2006, the offset rates, expressed as a percentage of compensation, are 8.8% for safety employees, 10.3% for safety chief of police, 8.5% for management employees, and 7.0% for all other employees.

For general employees hired on or after October 1, 2006, the offset rates are 7.5% for management employees, 8.8% for safety employees, 10.3% for safety chief of police, and 6.0% for all others. For fiscal years 2021 and 2020, the District paid employee contribution offsets of $1.7 million and $1.9 million, respectively. Employees hired after January 1, 2009, other than safety, are not eligible to participate in the defined benefit plan until the completion of five years of service and do not have any offset.

Effective January 1, 2013, new members under PEPRA are required to pay at least 50% of the normal cost with no offset.

For fiscal years 2021 and 2020, the contributions made by the District to the Plan are as follows:

	2021	2020
Contributions - employer	$ 19,700,000	$ 19,300,000
Contributions - employee (paid by employer)	$ 1,742,459	$ 1,924,925

Based on the June 30, 2019 and June 30, 2018 actuarial valuations, the fiscal years 2021 and 2020 employer's actuarially determined weighted contribution rates expressed as a percentage of compensation are as follows:

	2021	2020
General Members	51.54%	51.57%
Safety Members	55.12%	56.36%

Net Pension Liability

The District's net pension liability as of June 30, 2021, is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability as of June 30, 2021 is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures.

Actuarial Assumptions - The total pension liability was determined using the following:

Description	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Actuarial cost method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial assumptions:		
Discount rate	6.50%	6.50%
Inflation	3.05%	3.05%
Cost-of-living adjustment	1.90%	1.90%
Projected salary increase	3.05%[1]	3.05%[1]
Investment rate of return	6.50%[2]	6.50%[2]
Mortality	0.02% to 13.54%[3]	0.02% to 13.54%[3]

[1] Plus merit component based on employee classification and years of service.
[2] Net of investment expenses.
[3] Mortality: All active member and healthy retired members follow mortality tables based on the CALPERS December 2017 Experience Study, projected 20 years from the 2009 base year using a variation of Scale MP-2015 from the Society of Actuaries. Further details of the mortality rate can found in the SDCERS' June 30, 2019 actuarial valuation report.

The SDCERS Board has the authority to select economic and demographic assumptions for the plan. The investment return, inflation, and cost-of-living adjustment assumptions reflect the results of an economic experience study performed by the actuarial consulting firm Cheiron and presented to the SDCERS Board in September 2017. All other assumptions reflect the results of a full experience study performed by Cheiron covering the period July 1, 2010, through June 30, 2015, and adopted by the SDCERS Board in September 2016. A full description of the assumptions used can be found in the SDCERS San Diego Unified Port District Actuarial Valuation Report as of June 30, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 6.50% for the June 30, 2020 and the June 30, 2019 measurement dates. The actuarial opinion used to determine the discount rate assumed that the employees will continue to contribute to SDCERS at the current rates and the District will continue its historical practice of contributing to SDCERS based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, an amount necessary to amortize the remaining unfunded actuarial liability, annual expected administrative expenses, and the amount needed to avoid negative amortization, if any. Based on those assumptions, the pension plans' net position was projected to be greater than or equal to the benefit payments projected for each future period. Therefore, the discount rate of 6.50% for fiscal year 2021 was applied to all periods of projected benefit payments to determine the total pension liability.

The table below reflects best estimates of geometric long-term real rates of return and nominal rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 and June 30, 2019. Expected returns are 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 where necessary, judgment-based modifications are made to these inputs. These rates of return are net of investment expenses.

Target Asset Allocation and Rates of Return
as of June 30, 2020

Asset Class	Target Allocation	Long-Term Expected Real Rates of Return	Long-Term Expected Nominal Rates of Return
Domestic Equity	17.2%	4.7%	6.9%
International Equity	14.2%	5.7%	7.9%
Global Equity	8.0%	5.3%	7.5%
Domestic Fixed Income	21.6%	-0.3%	1.8%
Emerging Market Debt	5.0%	2.5%	4.6%
Real Estate	11.0%	4.3%	6.5%
Private Equity & Infrastructure	13.0%	7.6%	9.9%
Opportunity Fund	10.0%	4.3%	6.5%
Total	100.0%		

Target Asset Allocation and Rates of Return as of June 30, 2019

Asset Class	Target Allocation	Long-Term Expected Real Rates of Return	Long-Term Expected Nominal Rates of Return
Domestic Equity	18.0%	4.3%	6.7%
International Equity	15.0%	5.5%	7.9%
Global Equity	8.0%	5.1%	7.5%
Domestic Fixed Income	22.0%	1.2%	3.5%
Emerging Market Debt	5.0%	3.7%	6.1%
Real Estate	11.0%	3.5%	5.9%
Private Equity & Infrastructure	13.0%	6.3%	8.8%
Opportunity Fund	8.0%	4.5%	6.9%
Total	100.0%		

Changes in the Net Pension Liability

Changes in the Net Pension Liability as of the measurement date June 30, 2020, were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2019	$ 595,859,845	$ 465,373,059	$ 130,486,786
Changes in the year:			
Service cost	9,331,143	—	9,331,143
Interest on the total pension liability	38,116,431	—	38,116,431
Differences between actual and expected experience	4,220,244	—	4,220,244
Changes in assumptions	19,123,501	—	19,123,501
Contribution - employer	—	19,439,646	(19,439,646)
Contribution - employee (paid by employer)	—	1,924,925	(1,924,925)
Contribution - employee	—	1,842,386	(1,842,386)
Net investment income	—	1,106,003	(1,106,003)
Benefit payments	(28,539,971)	(28,539,971)	—
Administrative expenses	—	(721,104)	721,104
Net changes	42,251,348	(4,948,115)	47,199,463
Balance at June 30, 2020	$ 638,111,193	$ 460,424,944	$ 177,686,249

Source: *SDCERS GASB 67/68 Report with a measurement date of June 30, 2020*

During the measurement year, the net pension liability (NPL) increased by approximately $47.2 million . The service cost and interest cost increased the NPL by approximately $47.4 million. There were changes in assumptions and actuarial liability experience losses of approximately and $19.1 million and $4.2 million, respectively, that also increased the NPL. These increases were offset by contributions and investment income, which decreased the NPL by approximately $24.2 million. The total pension liability (TPL) as of the measurement date reflects the SDCERS Board's July 2020 decision to change the demographic assumptions effective with the June 30, 2020 valuation. There were no changes in benefits during the year.

Changes in the Net Pension Liability as of measurement date June 30, 2019 were as follows:

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**
Balance at June 30, 2018	$ 574,102,557	$ 443,811,838	$ 130,290,719
Changes in the year:			
Service cost	9,211,708	—	9,211,708
Interest on the total pension liability	36,710,862	—	36,710,862
Differences between expected and actual experience	3,984,673	—	3,984,673
Changes in assumptions	—	—	—
Contribution - employer	—	18,037,643	(18,037,643)
Contribution - employee (paid by employer)		2,037,292	(2,037,292)
Contribution - employee	—	1,685,680	(1,685,680)
Net investment income	—	28,619,872	(28,619,872)
Benefit payments	(28,149,954)	(28,149,954)	—
Administrative expenses	—	(669,312)	—
Net changes	21,757,289	21,561,221	196,067
Balance at June 30, 2019	$ 595,859,845	$ 465,373,059	$ 130,486,786

Source: *SDCERS GASB 67/68 Report with a measurement date of June 30, 2019*

During the measurement year, the net pension liability (NPL) increased by approximately $196 thousand. The service cost and interest cost increased the NPL by approximately $45.9 million. There were actuarial liability experience losses of approximately $4.0 million. These increases were offset by contributions and investment income, which decreased the NPL by approximately $50.4 million. Additionally, the long-term discount rate was reduced from 6.75% to 6.50% effective with the July 1, 2018 actuarial valuation. There were no changes in benefits during the year.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the District, as of the measurement dates June 30, 2020 and June 30, 2019, calculated using the discount rate, as well as what the District's net pension liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

June 30, 2021	**1% Decrease 5.50%**	**Discount Rate 6.50%**	**1% Increase 7.50%**
Net Pension Liability	$260,047,148	$177,686,249	$110,301,902

June 30, 2020	**1% Decrease 5.50%**	**Discount Rate 6.50%**	**1% Increase 7.50%**
Net Pension Liability	$205,066,896	$130,486,785	$69,068,754

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the issued SDCERS financial reports.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the years ended June 30, 2021 and June 30, 2020, the District recognized pension expense of $31.8 million and $24.8 million, respectively. At June 30, 2021 and June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made subsequent to measurement date	$ 19,700,000	$ —	$ 19,300,000	$ —
Difference between expected and actual experience	2,110,120	—	1,992,336	—
Changes in assumptions	9,561,750	—	—	—
Net differences between projected and actual earnings on pension plan investments	16,326,941	—	—	8,867,635
Total	$ 47,698,811	$ —	$ 21,292,336	$ 8,867,635

Deferred outflows of resources related to contributions subsequent to the measurement date in the amount of $19.7 million at June 30, 2021 will be recognized as a reduction of the net pension liability during the fiscal year ending June 30, 2022. The deferred outflows and deferred inflows of resources related to pensions at June 30, 2021 will be recognized as pension expense as follows:

Measurement Year Ending June 30	Pension Expense
2021	$ 11,408,331
2022	4,637,195
2023	6,035,945
2024	5,917,340

Payable to the Pension Plan

The District had no outstanding annually determined contributions payable to the pension plan for the year ended June 30, 2021.

(b) Preservation of Benefits Plan (POB Plan)

The POB Plan is a single-employer qualified governmental excess benefit arrangement (QEBA) under Code Section 415(m)(3), which was created by Congress to allow the payment of promised pension benefits that exceed the Code Section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). As required by federal tax law, the POB Plan is unfunded within the meaning of the federal tax laws. The District may not pre-fund the POB Plan to cover future liabilities beyond the current year as it can with an IRC Section 401(a) pension plan. SDCERS has established procedures to pay for these benefits on a pay-as-you-go basis, which is funded by the District. For purposes of disclosure requirements under GASB Statement No. 67, the District considers the POB Plan to be an arrangement that allows payment of benefits earned under the pension plan and does not consider the POB Plan to be a separate defined benefit plan.

For fiscal years 2021 and 2020, the District paid $261 thousand in benefits above 415(b) limits for the POB Plan. The number of participants in any given year for the POB Plan is determined by the number of pension plan participants who exceed the current year's section 415(b) limitations as calculated by SDCERS' actuary. The maximum annual participant payment from a defined benefit plan for calendar year 2021 was $230 thousand, unchanged from calendar year 2020. For non-safety members, the limit is adjusted downward depending on the age of the participant when benefits began.

Pension Liability

The District's Preservation of Benefits (POB) pension liability as of June 30, 2021, is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020, using standard update procedures, which include the addition of service cost and interest cost offset by actual benefit payments, plus an adjustment due to the change in discount rate as of the measurement date.

Actuarial Cost Method and Assumptions - The total pension liability (TPL) was determined using the following actuarial assumptions:

	As of June 30, 2020	**As of June 30, 2019**
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019
Actuarial cost method	Entry-Age Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial assumptions:		
Discount rate	2.21%	3.50%
Cost-of-living adjustment	1.9-2.0%	1.9-2.0%
Projected salary increase	3.05%[1]	3.05%[1]
Mortality - Healthy	0.09% to 13.54%[2]	0.09% to 13.54%[2]
Mortality - Disabled	0.17% to 13.54%[3]	0.17% to 13.54%[3]

[1] Plus merit component based on employee classification and years of service.
[2] Retired healthy members use the CalPERS Post-Retirement Healthy Mortality Table base rates from the CalPERS December 2017 Experience Study, with a 10% increase to female rates, projected 20 years from the 2009 base year using a variation of scale MP-2019 from the Society of Actuaries. Further details of the mortality rate can found in the SDCERS' GASB 73 actuarial valuation report as of June 30, 2020.
[3] Disabled members use the CALPERS Work-Related Disability Mortality Table base rates from the CalPERS December 2017 Experience Study, projected 20 years from the 2009 base year using a variation of scale MP-2019 from the Society of Actuaries. Further details of the mortality rate can be found in the SDCERS' GASB 73 actuarial valuation report as of June 30, 2020.

Change in Total Pension Liability

Changes in the TPL as of the measurement date June 30, 2020 were as follows:

POB Plan	**Increase (Decrease)** **Total Pension Liability**
Balance at June 30, 2019	$ 3,351,963
Changes in the year:	
Service cost	48,055
Interest on the total pension liability	113,716
Differences between expected and actual experience	232,449
Changes in assumptions	673,697
Benefit payments	(255,688)
Net changes	812,229
Balance at June 30, 2020	$ 4,164,192

Changes in the TPL as of the measurement date June 30, 2019 were as follows:

POB Plan	**Increase (Decrease)** **Total Pension Liability**
Balance at June 30, 2018	$ 2,547,399
Changes in the year:	
Service cost	43,749
Interest on the total pension liability	94,791
Differences between expected and actual experience	786,756
Changes in assumptions	120,913
Benefit payments	(241,645)
Net changes	804,564
Balance at June 30, 2019	$ 3,351,963

During the measurement year ending June 30, 2020, the TPL increased by $812 thousand, primarily due to changes in assumptions of $674 thousand, of which $337 thousand was recognized as an increase to pension expense in the current year, resulting in a deferred outflow of resources as of June 30, 2020 of $337 thousand. There was also an experience loss that increased the TPL by $232 thousand, of which $116 thousand was recognized as an increase to pension expense in the current year, resulting in a deferred outflow of resources as of June 30, 2020 of $116 thousand.

The TPL as of June 30, 2020, is based upon the same membership data, actuarial methods, and plan provisions as were used in the actuarial valuation as of June 30, 2019, and which are summarized in the Actuarial Valuation Report for SDCERS - San Diego Unified Port District as of June 30, 2019. The TPL reflects the SDCERS Board's July 2020 decision to change the demographic assumptions effective with the June 30, 2020 valuation. Furthermore, the TPL as of June 30, 2020 is based on a roll-forward of the TPL as of June 30, 2019 and incorporates a discount rate based on the June 25, 2020 Bond Buyer GO 20-Year Municipal Bond Index.

Sensitivity of the Pension Liability to Changes in the Discount Rate - The following presents the pension liability of the District, as of the June 30, 2020 and June 30, 2019 measurement dates, calculated using the discount rate, as well as what the District's pension liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

June 30, 2021	**1% Decrease 1.21%**	**Discount Rate 2.21%**	**1% Increase 3.21%**
Total Pension Liability	$4,798,701	$4,164,192	$3,676,953

June 30, 2020	**1% Decrease 2.50%**	**Discount Rate 3.50%**	**1% Increase 4.50%**
Total Pension Liability	$3,736,001	$3,351,963	$3,046,714

For the fiscal years ended June 30, 2021 and 2019, the District recognized POB Plan pension expense of $1 million and $537 thousand, respectively, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021 POB Plan		**2020 POB Plan**	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Pension contributions made subsequent to measurement date	$ 261,000	$ —	$ 261,000	$ —
Difference between expected and actual experience	116,224	—	393,378	—
Changes in assumptions	336,848	—	60,456	—
Total	$ 714,072	$ —	$ 714,834	$ —

Deferred outflows of resources related to contributions subsequent to measurement date in the amount of $261 thousand at June 30, 2021 will be recognized as a decrease to the pension liability during the fiscal year ending June 30, 2022. The deferred outflows and deferred inflows of resources related to pensions at June 30, 2021 will be recognized as pension expense as follows:

Measurement Year Ending June 30	**Pension Expense**
2021	$453,072

(c) Summary of Pension Amounts

A summary of the pension amounts for the District pension plans at June 30, 2021 is presented below:

	SDCERS	POB	Total
Net pension liability	$ 177,686,249	$ 4,164,192	$ 181,850,441
Deferred outflows - pensions	47,698,811	714,072	48,412,883
Deferred inflows - pensions	--	--	--
Pension expenses	31,764,996	1,068,679	32,833,675

A summary of the pension amounts for the District pension plans at June 30, 2020 is presented below:

	SDCERS	POB	Total
Net pension liability	$ 130,486,786	$ 3,351,963	$ 133,838,749
Deferred outflows - pensions	21,292,336	714,834	22,007,170
Deferred inflows - pensions	8,867,635	--	8,867,635
Pension expenses	24,769,500	536,696	25,306,196

(6) Employees' Deferred Compensation Plan (Plan)

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457(b). The Plan, available to the District's employees who are eligible for benefits, permits them to defer, pre-tax, a portion of their salary until future years. The District, at its discretion, can make employer contributions to the Plan.

The deferred compensation is not available to employees until termination, retirement, total disability, death, or unforeseeable emergency. Employees may borrow from their account but must repay the borrowed amount with interest.

The Plan is administered by the District 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.

As such, employee assets held in IRC Section 457 plans are not the property of the District and are not subject to the claims of the District's general creditors. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, employee assets are not reflected in the District's basic financial statements.

(7) Other Postemployment Benefits (OPEB)

<u>Plan Description and Benefits Provided</u>

In addition to pension benefits described in Note 5, the District provides medical, dental, and life insurance coverage to all eligible current and retired employees. The OPEB Plan is considered a single-employer plan, as it is used to provide OPEB to the employees of only one employer. Separate financial statements are not issued for the District's OPEB plan.

General (Non-Sworn) employees and Sworn Harbor Police employees hired prior to January 1, 2010, are eligible to receive medical, dental, and life insurance coverage. General (Non-Sworn) employees and Sworn Harbor Police employees hired on or after January 1, 2010, are eligible to receive an employer-funded Health Reimbursement Account (HRA) to pay for health-care-related expenses. The HRA will be managed by a third-party administrator and funded through a trust. The trust will not be activated until the actuarially determined annual required contribution reaches $100,000. As of June 30, 2021, the District has not met the threshold to activate the trust.

<u>Eligibility for Benefits</u>

All full-time employees are eligible for these benefits as retirees if they retire or become disabled from active employment with the District. This means that they must meet the eligibility requirements of the defined benefit pension plan while actively employed at the District, summarized in the table below. In addition, all employees hired on or after October 1, 2006, must have at least 10 years of District service to be eligible for retiree health benefits.

<table>
<tr><th>Employee Group</th><th>Date of Hire</th><th>Eligibility at the Earlier of</th></tr>
<tr><td rowspan="4">Safety (Sworn)</td><td>Hired prior to October 1, 2006 (Medical, dental, basic life benefits)</td><td>• Age 50 and 20 years of service credit
• Age 55 and five years of service credit</td></tr>
<tr><td>Hired on or after October 1, 2006 and prior to January 1, 2010 (Medical, dental, basic life benefits)</td><td>• Age 50 and 20 years of service credit
• Age 55 and five years of service credit
• 10 years of District service required for retiree health benefits</td></tr>
<tr><td>Hired on or after January 1, 2010 (HRA benefit)</td><td>• Age 55 and five years of service credit
• 30 years of District service credit (any age)
• 10 years of District service required for retiree health benefits</td></tr>
<tr><td>Hired on or after January 1, 2013 (HRA benefit)</td><td>• Age 50 with 30 years of service credit
• Age 55 with five years of service credit
• 10 years of District service required for retiree health benefits</td></tr>
<tr><td rowspan="4">All others (Non-Sworn)</td><td>Hired prior to October 1, 2006 (Medical, dental, basic life benefits)</td><td>• Age 50 and 20 years of service credit
• Age 55 and five years of service credit</td></tr>
<tr><td>Hired on or after October 1, 2006 and prior to January 1, 2009 (Medical, dental, basic life benefits)</td><td>• Age 55 and 20 years of service credit
• Age 62 and five years of service credit
• 10 years of District service required for retiree health benefits</td></tr>
<tr><td>Hired on or after January 1, 2009 and before January 1, 2010 (Medical, dental, basic life benefits)</td><td>• Age 55 and 20 years of service credit (25 years of employment)
• Age 62 and five years of service credit (10 years of employment)
• 10 years of District service required for retiree health benefits</td></tr>
<tr><td>Hired on or after January 1, 2010 (HRA benefit)</td><td>• Age 55 and 20 years of service credit (25 years of employment)
• Age 62 and five years of service credit (10 years of employment)
• 10 years of District service required for retiree health benefits</td></tr>
</table>

Employees Covered

Per the Actuarial Valuation, as of July 1, 2019, the following active and inactive employees were covered by the benefit terms under the OPEB Plan:

Employee Group	Date of Hire Criteria/Plan	Active Employees	Inactive Employees (Retirees) Currently Receiving Healthcare Benefit Payments
General	Prior to January 1, 2009 - Regular	195	250
	On or after January 1, 2009 - HRA	249	—
Safety	Prior to January 1, 2010 - Regular	65	89
	On or after January 1, 2010 - HRA	67	—
Total		**576**	**339**

Total OPEB Liability and OPEB Expense

To determine the total OPEB liability and OPEB expense, the District retained Sunlin Consulting, LLP, to prepare the biennial actuarial valuation, in accordance with the parameters of GASB Statement No. 75. Based on the latest Actuarial Valuation as of July 1, 2019, total OPEB liability as of the measurement dates of June 30, 2021 and June 30, 2020 were $146.0 million and $143.6 million, respectively. The District recognized the following OPEB expense and contributions for fiscal year 2021 and fiscal year 2020:

	2021	2020
OPEB Expense	$ 4,055,135	$ 5,726,469
Contributions - employee (paid by employer)	$ 3,438,496	$ 3,636,110

The contribution requirements of the District and Plan members (if any) are established by the District's Board. For the years ended June 30, 2021 and 2020, the District funded benefits on a "pay-as-you-go" basis and elected not to pre-fund its OPEB obligation.

The District's total OPEB liability for the OPEB Plan is measured as of June 30, 2021, using an annual valuation date of July 1, 2019, based on GASB Statement No. 75, rolled forward to June 30, 2021 using standard update procedures.

Changes in the total OPEB liability as of the measurement date of June 30, 2021 were as follows:

	Total OPEB Liability
Balance at June 30, 2020	$ 143,646,954
Changes recognized for measurement period:	
Service cost	1,234,058
Interest	3,187,382
Differences between expected and actual experience	(1,037,839)
Changes in assumptions	2,462,109
Benefit payments	(3,438,496)
Net Changes	2,407,214
Balance at June 30, 2021	$ 146,054,168

For the prior fiscal year, the District's total OPEB liability for the OPEB Plan is measured as of June 30, 2020, using an annual valuation date of July 1, 2019, based on GASB Statement No. 75, rolled forward to June 30, 2020 using standard update procedures.

Changes in the total OPEB liability as of the measurement date of June 30, 2020 were as follows:

	Total OPEB Liability
Balance at June 30, 2019	$ 145,227,974
Changes recognized for measurement period:	
Service cost	1,172,234
Interest	5,124,007
Differences between expected and actual experience	(28,740,267)
Changes in assumptions	24,499,116
Benefit payments	(3,636,110)
Net Changes	(1,581,020)
Balance at June 30, 2020	$ 143,646,954

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation, and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with a long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The July 1, 2019 valuation was rolled forward to determine the June 30, 2021 and June 30, 2020 total OPEB liability, based on the following actuarial cost method and assumptions:

	June 30, 2021	June 30, 2020
Actuarial Cost Method:	Entry Age	Entry Age
Actuarial Assumptions:		
Discount Rate	2.10%*	2.20%*
Salary Increases	3.50%	3.50%
Mortality Rate	Society of Actuaries RP 2014 Mortality Table projected to 2021 with Scale BB	Society of Actuaries RP 2014 Mortality Table projected to 2021 with Scale BB
Healthcare Cost Trend Rate	Initial rate of 7.0% reduced to 5.0% in four years reflecting medical price inflation	Initial rate of 7.0% reduced to 5.0% in four years reflecting medical price inflation

*Discount rate is based on the Bond Buyer 20-Bond General Obligation Index

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The following presents the total OPEB liability if it were calculated using discount rates that are one percentage point lower or one percentage point higher than the current rate for the measurement periods ending June 30, 2021 and June 30, 2020:

	June 30, 2021			June 30, 2020		
	1% Decrease (1.10%)	**Current Discount Rate (2.10%)**	**1% Increase (3.10%)**	**1% Decrease (1.20%)**	**Current Discount Rate (2.20%)**	**1% Increase (3.20%)**
Total OPEB Liability	$ 171,087,852	$ 146,054,168	$ 126,146,985	$ 168,268,042	$ 143,646,954	$ 124,067,874

The following presents the total OPEB liability if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate for the measurement periods ending June 30, 2021 and June 30, 2020:

Health Care Cost Trend Rates	**Total OPEB Liability**	
	June 30, 2021	**June 30, 2020**
1% Decrease (6.0% decreasing to 4.0%)	$ 123,956,172	$ 121,913,170
Current Healthcare Cost Trend Rates (7.0% decreasing to 5.0%)	146,054,168	143,646,954
1% Increase (8.0% decreasing to 6.0%)	173,935,909	171,069,158

Amortization of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The District reported deferred inflows of resources of $23.7 million for the fiscal year ended June 30, 2021 and $27.7 million for the fiscal year ended June 30, 2020. The District reported deferred outflows of resources of $22.8 million for the fiscal year ended June 30, 2021 and $24.9 million for the fiscal year ended June 30, 2020. Both deferred inflows and deferred outflows are the result of differences between expected and actual experience and impact from assumption changes. The amortization treatment for deferred outflows and inflows of resources will be straight-lined over the expected average remaining service lifetime of all members that are provided with benefits (active and retired) as of the valuation date.

At June 30, 2021, the District reported deferred inflows and deferred outflows of resources related to OPEB as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Balance at June 30, 2020	$ 27,674,572	$ 24,948,868
Differences between expected and actual experience	(3,406,477)	—
Changes in assumptions	(563,518)	(2,179,420)
Balance at June 30, 2021	$ 23,704,577	$ 22,769,448

At June 30, 2020, the District reported deferred inflows and deferred outflows of resources related to OPEB as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Balance at June 30, 2019	$ 3,793,876	$ 4,739,551
Differences between expected and actual experience	24,444,214	—
Changes in assumptions	(563,518)	20,209,317
Balance at June 30, 2020	$ 27,674,572	$ 24,948,868

Amounts reported as deferred outflows and deferred inflows of resources will be recognized as OPEB expense as follows:

Year Ending June 30:	OPEB Expense
2022	$ (366,305)
2023	(366,305)
2024	(366,303)
2025	362,732
2026	(402,416)
2027	203,468

(8) Risk Management

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of, assets; errors and omissions; injuries to, and illnesses of, employees; and natural disasters. The District maintains a comprehensive Risk Management Program, which includes risk transfer, loss prevention, loss control, and claims administration. The District purchases excess liability, police professional liability, public officials liability, workers' compensation liability, employment practices liability, property insurance, fiduciary liability, crime/public employee dishonesty, marine protection and indemnity, and automobile liability, as well as other miscellaneous insurance coverage. The District's coverage includes a variety of self-insured retentions or deductibles. The District's self-insured retentions or deductibles as of June 30, 2021, were as follows:

Self-Insured Retentions/Deductibles

June 30, 2021

Coverage	
Excess liability	$ 1,000,000
Workers' compensation	500,000
Employment practices liability	250,000
Police professional liability	250,000
Public officials liability	250,000
Property insurance	100,000
Automobile liability (hired auto physical damage)	100,000
Pollution liability*	50,000
Cyber Liability	50,000
Fiduciary liability	25,000
Terrorism liability	25,000
Crime/public employee dishonesty	5,000
Seaport Village general liability	2,500
Marine protection and indemnity/hull & machinery	1,000
Foreign property & liability	1,000

*Pollution liability was specifically purchased for the Pacifica Land Exchange transaction.

Since July 1, 2004, the District has participated in a loss-sensitive workers' compensation program with a $500 thousand per claim deductible. The District is required to fund an escrow account that is held as security in the unlikely event the District fails to meet its required obligations. As of June 30, 2021 and 2020, the escrow account amount was $4.4 million. The escrow account is not drawn upon for the deductible payments. There have not been any significant reductions in insurance coverage from the prior year and settled claims have not exceeded coverage for each of the last three years.

As of June 30, 2021 and 2020, the District recorded accrued liabilities of $5.7 million and $5.6 million, respectively, for workers' compensation claims, which include anticipated future expenses on workers' compensation claims based on estimates provided by the District's workers' compensation carrier. The insurance carrier determines the reserves required to pay for future liabilities by estimating the probable ultimate cost for the life of each claim, including consideration of any incremental claim adjustment expenses. This is done by estimating the three categories of exposure on each claim: temporary or permanent disability, medical expenses, and legal and other associated claims expenses; however, the District's ultimate exposure is limited to the amount of the deductible for each claim as identified in the above table. These reserves are adjusted as the claim develops over time. While the ultimate losses incurred are dependent on future developments, District management believes that the accrued liability is adequate to cover such losses. Changes in the District's claims liabilities for the years ended June 30, 2021 and 2020 were as follows:

Year Ended June 30	Claims Liability at Beginning of Period	Claims Incurred During the Period, and Changes in Estimate	Claims Payment	Claims Liability at End of Period
2020	$ 5,230,425	$ 1,370,875	$ (1,029,656)	$ 5,571,644
2021	$ 5,571,644	$ 1,057,890	$ (894,844)	$ 5,734,690

(9) Lease Revenues

A substantial portion of the District's land and water, and some of its facilities, including marine terminal facilities and office and commercial space, are leased to tenants. The Port Act prohibits transfer of land ownership to the lessee and the leases are accounted for as operating leases. The majority of lease agreements are not cancelable and permit the District to periodically adjust rents. In addition, many of these leases are secured by letters of credit, which totaled approximately $6.4 million and $6.2 million at June 30, 2021 and 2020, respectively. In the normal course of operations, it is expected that all significant expiring leases will be renewed or replaced by similar agreements.

The District leases its land and facilities on both fixed and concession basis. Concession rents are received on the basis of percentages of sales and are protected by stipulated minimum annual guarantees. Such concession rents totaled approximately $56.4 million in 2021 and $71.7 million in 2020. Both numbers exclude the minimum annual guarantees for the marine terminal facilities which are accounted for in wharfage revenue. Rentals received under fixed rent leases, including marine terminal facilities, totaled approximately $37.8 million in 2021 and $36.3 million in 2020.

Stipulated minimum rents under non-cancelable operating leases having initial or remaining terms of more than one year are as follows:

Year Ending June 30	
2022	$ 112,604,884
2023	108,972,261
2024	106,328,528
2025	102,860,744
2026	100,702,387
Thereafter	2,562,977,789
Total	$ 3,094,446,593

Future rents were determined based on minimum rents stipulated under the leases up to the lease expiration date (table above reflects terms through fiscal year 2082) assuming that options to extend, for some marine terminal tenants, will be exercised. However, these rents may increase or decrease based on the periodic lease rental reviews, at which time new rents may be established.

The estimated book value of capital assets leased to others at June 30, 2021 and 2020 consist of the following:

Book Value of Leased Capital Assets and Accumulated Depreciation

	2021	2020
Land	$ 151,575,449	$ 127,861,287
Land Improvements	4,904,431	4,904,431
Building and Structures	368,992,129	372,215,500
Equipment	18,322,073	19,167,808
Roads and Parking Lots	52,234,237	52,463,442
Total book value of leased capital assets	596,028,319	576,612,468
Less accumulated depreciation	(336,307,712)	(328,298,781)
Net book value of leased capital assets	$ 259,720,607	$ 248,313,687

(10) Lease Commitments

(a) Administration Building Parking Lot

The District leases the northeast portion of the property used for its administration building parking lot from the California Department of Transportation (Caltrans), the property owner since 1984. The lease term is for ten years and commenced on July 1, 2013. The monthly rent would be $1,780 or $21,360 annually, and are subject to adjustment every five years by negotiating a fair market lease rate agreed upon by both parties. If a fair market lease rate cannot be agreed upon, the adjustment will be determined by using the Consumer Price Index (CPI). In fiscal year 2021, the revised rent after adjusting for CPI is $1,869 monthly or $22,428 annually.

(b) San Diego County Regional Airport Authority Employee Parking and Visitor Lot

The SDCRAA is sub-leasing a portion of the former General Dynamics (GD) leasehold to the District for use as an employee and visitor parking lot. The lease is for 66 years and commenced on January 1, 2003. The rent is based on the same square foot rental rate determined for the entire former GD property leased from the District to the SDCRAA. Rental increases are determined by appraisal, review, and negotiation. The District and SDCRAA agreed that the monthly rent would be $12,074 plus a $381 cost recovery for electricity for a total monthly rent of $12,455 or $149,460 annually.

(c) Westerly Corner of Sassafras Street and Pacific Highway known as 3045 Pacific Highway

The District leases approximately 20,100 square feet of land located at the westerly corner of Sassafras Street and Pacific Highway from Caltrans for the purpose of operating attended parking lots for tideland activities by a current District tenant. The lease term is for eight years and commenced on September 1, 2015. The rental rates are subject to a 3% increase every other year. The rental rate is subject to adjustment review every five years by negotiating a fair market lease rate agreed upon by both parties. The District and Caltrans agreed that the monthly rent would be $2,098 or $25,176 annually in the first year, with a 3% increase every other year. In fiscal year 2021, the revised rent after adjusting for CPI was $2,226 monthly or $26,712 annually.

(d) Corner of Sassafras Street and Pacific Highway known as 3275 Pacific Highway

The District leases approximately 56,100 square feet of land located at the corner of Sassafras Street and Pacific Highway from Caltrans for the purpose of operating attended parking lots for tideland activities by a current District tenant. The lease term is for eight years and commenced on September 1, 2015. The rental rates are subject to a 3% increase every other year. The rental rate is subject to adjustment review every five years by negotiating a fair market lease rate agreed upon by both parties. The District and Caltrans agreed that the monthly rent would be $9,032 or $108,384 annually in the first year, with a 3% increase every other year. In fiscal year 2021, the revised rent after adjusting for CPI was $9,581 monthly or $114,972 annually.

Future rent payments under the above operating lease agreements as of June 30, 2021, are as follows:

Years Ending June 30	
2022	$317,833
2023	321,481
2024	174,514
2025	149,460
2026	149,460
2026-2030	747,300
2031-2035	747,300
2036-2040	747,300
2041-2045	747,300
2046-2050	747,300
2051-2055	747,300
2056-2060	747,300
2061-2065	747,300
2066-2070	373,650
Total	$ 7,464,798

Total rental expenses for the above-mentioned operating leases for the fiscal years ended June 30, 2021 and 2020, were approximately $314 thousand and $332 thousand, respectively.

(11) Commitments and Contingencies

(a) Commitments

As of June 30, 2021, the District had significant commitments for capital expenditures and other matters as described below:

i. Capital Improvement Program (CIP): Beginning in fiscal year 1992, the BPC approved a five-year CIP for the development of certain capital outlay projects. Each project in the plan is reviewed and authorized by the BPC in accordance with Board Policy No. 120, Capital Improvement Program. The CIP is renewed every five years, and annually the program is reviewed and revised as appropriate. On August 8, 2017, a resolution was approved establishing a new five-year CIP for fiscal years 2019-2023 which includes the remaining projects and funds from the fiscal years 2014-2018 CIP. As of June 30, 2021, the remaining cost to complete CIP projects which were approved to be funded from existing cash resources, excluding projects funded by grants, donations, and contributions, was $13.1 million compared to $11.9 million as of June 30, 2020.

   Funds have been designated for the unpaid contractual portion of CIP projects that are not funded by grants, donations, or contributions. The designated funds are classified in the accompanying statements of net position as cash and investments designated for specific capital projects and commitments with a total balance of $4.4 million.

ii. Fire, Police, Emergency Medical, Lifeguard Services, and Tidelands Maintenance: The District entered into contracts with the five member cities for annual fire, police, and emergency medical services on the non-taxpaying tidelands that cover services from July 1, 2012 through June 30, 2021. These agreements have an annual escalation based on San Diego County Consumer Price Index (CPI), except for years when the District's actual percentage increase in operating revenues are less than the CPI, which will be based on the index change from the prior calendar year. Additionally, the District contracts with the City of Imperial Beach for lifeguard services and tidelands maintenance on the non-taxpaying tidelands. The combined cost for these services was $8.4 million for fiscal year 2021 compared to $8.3 million for fiscal year 2020. In addition, the District has a contract with the City of Imperial Beach for tidelands maintenance services at a cost of $1.0 million for fiscal year 2021 and $1.0 million for fiscal year 2020.

Effective July 1, 2021, contracts were re-negotiated with each of the five member cities, establishing baseline rates and setting the annual escalation for each at a static 3% versus a factor of the CPI. The fiscal year 2022 aggregate baseline amounts are approximately $10.5 million.

(b) Contingencies

As of June 30, 2021, the District was subject to contingencies arising from legal and environmental matters as described below:

i. Environmental Matters: The District owns, in public trust, tidelands and submerged lands in and around San Diego Bay. Much of that land is leased to private and public operators through various rental agreements for uses that are consistent with the Port Act. The operations of some of those tenants have resulted in discharges to the environment requiring regulatory action. Administrative agencies such as the San Diego County Department of Environmental Health Services (DEH) and the California Regional Water Quality Control Board, San Diego Region (RWQCB) issue enforcement orders to regulate activities and to assess and remediate contamination. These enforcement efforts sometimes include discussions with the District and consideration of adding the District to regulatory orders regulating cleanup obligations irrespective of whether the District caused the discharge at issue. The District also pursues polluters to remediate contamination impacting District property and recover costs and damages as appropriate.

In addition, the District's leases and operating agreements with its tenants typically include provisions requiring the tenant/operators to comply with all laws, including laws strictly prohibiting discharge to the environment and related contamination, and indemnify the District for any damage to property or losses to the District as a result of the tenant's operations. The leases and operating agreements typically require the District to be named as an additional insured under certain insurance policies of the tenant/operators. When environmental claims are asserted against the District, the District vigorously defends itself from those claims and typically pursues contribution and/or indemnity from the responsible parties, including the tenant/operators and applicable insurers. The District can neither predict the net exposure with respect to these matters nor the probability or remoteness of any outcome. However, the District believes that the recoveries discussed above will be sufficient to reduce the District's financial responsibility for any pollution remediation known as of the date of the financial statements to amounts not considered to be material to the financial statements of the District.

(a) Former Campbell Shipyard: This matter involves industrial contamination from shipyard activities, which impacted the land, groundwater, and sediments at the site. In 1995, the RWQCB issued a Cleanup and Abatement Order (CAO) that named Campbell Industries, a former District tenant, and its parent, Marine Construction and Design Company. The cleanup has been completed and the District is implementing the long-term Monitoring and Reporting Program.

(b) Pepper Oil: The District is involved in litigation over environmental contamination at and around 2300 Tidelands Avenue, National City, which the District leases to the Pepper Oil Company and its affiliate, Southern California Truck Stop. The California Department of Toxic Substance Control (DTSC) found that soils at the property contain contaminants of concern, including volatile organic compounds and metals. Free product is also present. The District, Pepper Oil, and Southern California Truck Stop are working with DTSC to address this contamination. Site investigations are ongoing.

The District filed its complaint against Pepper Oil, Southern California Truck Stop, and several affiliated entities in January 2013, alleging claims for nuisance, trespass, contribution, indemnity, and breach of contract, among others. Defendants have asserted counterclaims against the District, alleging that the District is liable for contamination existing in and around the property. The parties are currently engaged in discovery.

On March 30, 2017, Pepper Oil and Southern California Truck Stop amended their cross-complaint to name San Diego Wood Preserving as a defendant based on its former operation of an adjacent wood treatment facility. San Diego Wood Preserving answered and filed cross complaints against all parties. Discovery is ongoing.

The District's share of liability cannot be reasonably estimated at the present time. The District will likely seek insurance reimbursement for any liability imposed upon the District.

(c) Sunroad Marina: In 2012, the District received an Investigative Order from the RWQCB to investigate possible impairment of sediment in the Sunroad Marina located in the East Basin of Harbor Island, which the District completed in 2013. The report showed sediment in some areas of the Sunroad Marina site was potentially impaired. In 2015, the RWQCB responded to the investigation report and requested the District either complete a risk assessment, remedial action plan or stressor identification study to resolve the potential impairment. The District presented a proposed study work plan to the RWQCB in 2015. The estimated study cost was $52,000. The District is waiting on a response from RWQCB before proceeding with the proposed plan. The District's potential liability cannot be reasonably estimated at the present time. The District will likely seek insurance reimbursement for any liability imposed upon the District.

(d) Naval Training Center (NTC) Boat Channel: The Navy Boat Channel was formerly part of the larger NTC which underwent Base Realignment and Closure (BRAC) beginning in the early 1990s. At that time, the NTC was transferred to the City of San Diego, except for Navy Boat Channel which had unresolved sediment contamination issues. In 2015, the Navy contacted the District and indicated that it may seek a portion of its sediment investigation and remediation costs from the District due to the District's prior operation of the airport, which is adjacent to the Navy Boat Channel, as well as the SDCRAA and City of San Diego. The District's share of liability cannot be reasonably estimated at the present time. The District will likely seek insurance reimbursement for any liability imposed upon the District.

(e) Tenth Avenue Marine Terminal Sediment Investigative Order: The RWQCB issued a sediment Investigative Order to the District and the City of San Diego to assess potential impacted sediments and sources of sediment contamination in the vicinity of the Tenth Avenue Marine Terminal on August 4, 2017. The District is meeting Investigative Order requirements. The District's potential liability for this matter cannot be reasonably estimated at the present time. The District will likely seek insurance reimbursement for any liability imposed upon the District.

(f) South Bay Power Plant: The District purchased the South Bay Power Plant from SDG&E through an Asset Sale Agreement in 1999. The South Bay Power Plant was then operated by Duke South Bay and subsequently by Dynegy from 2000 to 2014. Pursuant to the Asset Sale Agreement, SDG&E agreed to remediate contamination except for areas underlying the assets that continued to be operated by Duke South Bay and Dynegy. Duke South Bay and Dynegy were responsible for demolition and decommissioning of the remaining power plant assets (which has been completed) and are also responsible for remediating certain contamination in those areas. Duke South Bay and Dynegy also entered into several guarantee agreements with the District related to, among other things, their environmental obligations.

In 2006, the California Department of Toxic Substances Control entered into a Consent Agreement with SDG&E to cleanup waste management units at the site. The California Department of Toxic Substances

Control has indicated that it will require additional investigation and potentially additional remediation at certain portions of the site.

The District and SDG&E have finalized a cost sharing agreement. The District, Duke and Dynegy have also engaged in discussions regarding remaining contamination issues. The District's total potential liability for this matter cannot be reasonably estimated at the present time.

ii. The District has been named as a defendant in a lawsuit filed by property owner SLPR, LLC in February 2006. The complaint alleges that dredging in the San Diego Bay performed by the District and the Army Corps of Engineers compromised the integrity of the "rip-rap" barrier and rear yard patio and pool improvement located on the plaintiff's Coronado bay front property. One neighboring property owner joined the lawsuit in late 2007, making similar claims, and the subsequent purchasers of that same neighboring property also joined the action in 2015. The District denies liability and intends to vigorously contest any liability or claims, and plans to file a motion seeking summary judgment. The District was successful in the first phase of the trial which confirmed the location of the mean high tide line property boundary is permanently fixed at the location used by the District and the City of Coronado since the judgement in the case of *The City of Coronado v. Spreckels (1931)*. The likelihood of an unfavorable outcome is presently unknown as expert discovery for the second phase of the trial has not been completed. However, a finding of significant liability against the District should be low. If liability is determined against the District, potential exposure could range in the millions of dollars, but should be covered by available insurance, except any attorney's fees awarded relative to an inverse condemnation cause of action. Attorney fees to be awarded by the court upon a successful inverse claim could be substantial but cannot be estimated.

iii. The District has certified claims against it and is named as a defendant in certain other legal actions arising from occurrences and transactions conducted in the ordinary course of business, including without limitation, contract disputes, personal injury matters, and employment claims. The District's legal counsel has indicated that it is not currently possible to estimate the amount or range of potential loss to the District related to each of these matters. Therefore, to the extent possible, a reasonable estimate of the potential aggregate liability has been recorded in the District's basic financial statements as of June 30, 2021 and June 30, 2020 for these claims and lawsuits.

(12) Subsequent Events

On November 9, 2021 the BPC authorized an amendment to the promissory note between the District and the SDCRAA which modified the fixed annual interest rate from 5.5% to 3.63%, effective November 1, 2021. Interest savings of approximately $2.6 million are anticipated over the remaining approximate 9-year life of the note. All other terms of the note will remain the same.

Page Left Intentionally Blank

Required Supplementary Information (Unaudited)

Page Left Intentionally Blank

Schedule of Changes in Net Pension Liability and Related Ratios Last Ten Fiscal Years*

	Measurement Date						
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability							
Service cost	$ 9,331,143	$ 9,211,708	$ 8,550,865	$ 8,112,462	$ 7,647,969	$ 7,968,724	$ 8,387,418
Interest (includes interest on service cost)	38,116,431	36,710,862	35,865,866	34,526,302	32,102,235	30,611,374	29,357,390
Changes of benefit terms	—	—	—	—	—	—	—
Differences between actual and expected experience	4,220,244	3,984,673	(589,867)	4,459,946	(2,243,475)	4,572,336	—
Changes in assumptions	19,123,501	—	16,021,766	15,009,560	35,813,469	—	—
Benefit payments, including refunds of member contributions	(28,539,971)	(28,149,954)	(25,359,143)	(23,090,401)	(23,110,395)	(21,775,473)	(18,762,842)
Net change in total pension liability	$42,251,348	$21,757,289	$34,489,487	$39,017,869	$50,209,803	$21,376,961	$18,981,966
Total pension liability - beginning	595,859,845	574,102,557	539,613,070	500,595,201	450,385,398	429,008,437	410,026,471
Total pension liability - ending	$638,111,193	$595,859,845	$574,102,557	$539,613,070	$500,595,201	$450,385,398	$429,008,437
Plan Fiduciary Net Position							
Contributions - employer	$19,439,646	$18,037,643	$17,857,797	$14,747,532	$14,400,000	$16,886,481	$16,595,566
Contributions - member (paid by employer)	1,924,925	2,037,292	2,104,470	2,287,740	2,422,241	—	—
Contributions - member	1,842,386	1,685,680	1,408,929	1,296,999	1,277,360	1,309,360	1,541,907
Net investment income	1,106,003	28,619,872	35,332,619	50,593,626	3,859,875	12,063,813	53,655,565
Benefit payments, including refunds of member contributions	(28,539,971)	(28,149,954)	(25,359,143)	(23,090,401)	(23,110,395)	(21,775,473)	(18,762,842)
Administrative expenses	(721,104)	(669,312)	(658,939)	(665,330)	(686,932)	(691,003)	(728,497)
Net change in plan fiduciary net position	$ (4,948,115)	$21,561,221	$30,685,733	$45,170,166	$ (1,837,851)	$ 7,793,178	$52,301,699
Plan fiduciary net position - beginning	465,373,059	443,811,838	413,126,105	367,955,939	369,793,790	362,000,612	309,698,913
Plan fiduciary net position - ending	$460,424,944	$465,373,059	$443,811,838	$413,126,105	$367,955,939	$369,793,790	$362,000,612
Net pension liability - ending	$177,686,249	$130,486,786	$130,290,719	$126,486,965	$132,639,262	$80,591,608	$67,007,825
Plan fiduciary net position as a percentage of the total pension liability	72.15 %	78.10 %	77.31 %	76.56 %	73.50 %	82.11 %	84.38 %
Covered payroll	$36,810,149	$35,732,609	$34,388,005	$33,684,615	$33,512,411	$33,272,693	$34,528,283
Net pension liability as a percentage of covered payroll	482.71 %	365.18 %	378.88 %	375.50 %	395.79 %	242.22 %	194.07 %

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms specific to the plan.
Change in Assumptions: In 2016, the $35.8 million increase was driven by the changes in demographic and economic assumptions with the largest increase coming from changes in the discount rate and mortality assumption (members living longer than expected). The discount rate was reduced from 6.75% to 6.50% in the 2018 valuation.

*Required supplementary information is intended to show information for ten years; additional information will be displayed as it becomes available.

Source: SDCERS GASB 67/68 Report with measurement dates of June 30, 2014 through June 2020.

Schedule of Changes in Preservation of Benefits (POB) Liability and Related Ratios
Last Ten Fiscal Years*

	Measurement Date				
	June 30, 2020	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**
Total Pension Liability - POB					
Service cost	$ 48,055	$ 43,749	$ 30,958	$ 77,315	$ 9,503
Interest (includes interest on service cost)	113,716	94,791	95,628	58,000	72,730
Differences between actual and expected experience	232,449	786,756	(39,843)	1,031,798	—
Changes in assumptions	673,697	120,913	(71,515)	(256,209)	296,607
Benefit payments, including refunds of member contributions	(255,688)	(241,645)	(245,183)	(258,709)	(273,568)
Net change in total pension liability	812,229	804,564	(229,955)	652,195	105,272
Total pension liability - beginning	3,351,963	2,547,399	2,777,354	2,125,159	2,019,887
Total pension liability - ending	$ 4,164,192	$ 3,351,963	$ 2,547,399	$ 2,777,354	$ 2,125,159
Covered-Employee payroll**	$ 36,810,149	$ 35,732,609	$ 34,388,005	$ 33,684,615	$ 33,512,411
Total pension liability as a percentage of covered payroll	11.31 %	9.38 %	7.41 %	8.25 %	6.34 %

Notes to Schedule:

Unlike the Defined Benefit Pension Plan, a qualified IRC Section 401(a) pension plan, the District may not accumulate assets in trust to offset Preservation of Benefits plan liabilities. Therefore, the balances shown above represent total pension liability rather than net pension liability as it is shown with Defined Benefit Pension Plan.

Benefit Changes: There were no changes to benefit terms specific to the plan.

Changes in Assumptions: The discount rate was reduced from 3.87% to 3.50% in the 2018 valuation.. The discount rate is based on the June 27, 2019 and June 25, 2020 Bond Buyer GO 20-year Municipal Bond Index.

*Required supplementary information is intended to show information for ten years; additional information will be displayed as it becomes available.

** This plan is not administered through a trust or equivalent arrangement, thus covered-employee payroll is used. Covered-employee payroll represents total payroll of employees that are provided benefits through the pension plan for the fiscal year ended June 30.

Source: Preservation of Benefits Plan - San Diego Unified Port District GASB 73 Reports with measurement dates of June 30, 2016 through June 30, 2020

Schedule of Employer Pension Contributions

Last Ten Fiscal Years

(Expressed in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially Determined Contribution (ADC)	$19,700	$ 19,300	$17,900	$17,700	$14,600	$14,400	$14,300	$13,900	$13,200	$12,600
Contributions in relation to the actuarially determined contribution	19,700	19,300	17,900	17,700	14,600	14,400	14,300	13,900	13,200	12,600
Contribution deficiency/ (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$37,311	$ 36,810	$35,733	$34,388	$33,685	$33,512	$33,273	$34,528	$35,873	$34,632
Contributions as a percentage of covered payroll	52.8 %	52.43%	50.09%	51.47%	43.34%	42.97%	42.98%	40.26%	36.80%	36.38%

Notes to Schedule:

Valuation date (ADC):	June 30, 2019
Valuation date (Covered Payroll):	June 30, 2020
Timing:	Actuarially determined contributions for a given fiscal year are calculated based on the actuarial valuation performed at the beginning of the prior fiscal year.
Sources:	San Diego City Employees' Retirement System (SDCERS) Actuarial Valuation Report as of June 30, 2018 and as of June 30, 2019

Key Methods and Assumptions Used to Determine Contributions (for the most recent fiscal year):

Actuarial cost method:	Entry-Age Normal Cost Method
Asset valuation method:	Expected Value Method
Amortization method:	Closed periods with payments as a level percentage of payroll
Discount rate:	6.50%
Amortization growth rate:	3.05%
Salary increases:	3.05% plus merit component based on employee classification and years of service
Cost-of-living adjustments:	1.9%, compounded annually
Mortality:	Retired healthy members use the CalPERS Post-Retirement Healthy Mortality Table base rates from the CalPERS January 2014 Experience Study, with a 10% increase to female rates, with projection for improvement.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2021, can be found in the SDCERS Actuarial Valuation Report as of June 30, 2019.

Source: SDCERS Actuarial Valuation Report as of June 30, 2019

Schedule of Changes in Other Postemployment Benefits (OPEB) Liability and Related Ratios
Last Ten Fiscal Years*

	Measurement Date			
	June 30, 2021	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Total OPEB Liability				
Service cost	$ 1,234,058	$ 1,172,234	$ 1,949,107	$ 1,882,229
Interest	3,187,382	5,124,007	5,247,236	4,951,528
Differences between actual and expected experience	(1,037,839)	(27,870,600)	(173,499)	(1,158,603)
Changes in assumptions	2,462,109	—	5,529,476	(3,944,626)
Benefit payments	(3,438,496)	(4,505,777)	(3,616,196)	(3,356,377)
Net change in total OPEB liability	2,407,214	(26,080,136)	8,936,124	(1,625,849)
Total OPEB liability - beginning	143,646,954	145,227,974	136,291,850	137,917,699
Total OPEB liability - ending	$ 146,054,168	$ 119,147,838	$ 145,227,974	$ 136,291,850
Covered-Employee payroll **	$ 56,852,785	$ 54,930,227	$ 50,200,904	$ 50,200,904
Total OPEB liability as a percentage of covered payroll	256.90 %	216.91 %	289.29 %	271.49 %

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms specific to the plan.

Change of Assumptions: The $24.5 million change presented in the most recent fiscal year was driven by a change in discount rate assumption from 3.50% to 2.20%

*Required supplementary information is intended to show information for ten years; additional information will be displayed as it becomes available.

** This plan is not administered through a trust or equivalent arrangement, thus covered-employee payroll is used. Covered-employee payroll represents total payroll of employees that are provided benefits through the OPEB plan for the fiscal year ended June 30.

Source: Sunlin Consulting Actuarial Valuation with a measurement date of June 30, 2021.

The District has established procedures to pay these benefits on a pay-as-you-go basis and does not accumulate assets in trust to offset OPEB liabilities. Therefore, the balances shown above represent total OPEB liability rather than net OPEB liability.

There are no assets in the OPEB Plan, therefore the following information is not available:

- The OPEB Plan's fiduciary net position
- The net OPEB liability
- The OPEB Plan's fiduciary net position as a percentage of the total OPEB liability
- The OPEB Plan's fiduciary net position as a percentage of covered payroll

STATISTICAL SECTION
(UNAUDITED)

Page Left Intentionally Blank

Contents

This section of the District's annual comprehensive financial report presents detailed information as a context for understanding what the information in the basic financial statements and notes to the basic financial statements shows about the District's overall financial health.

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports and underlying records for the relevant year.

Net Position – Last Ten Fiscal Years

(Expressed in thousands)

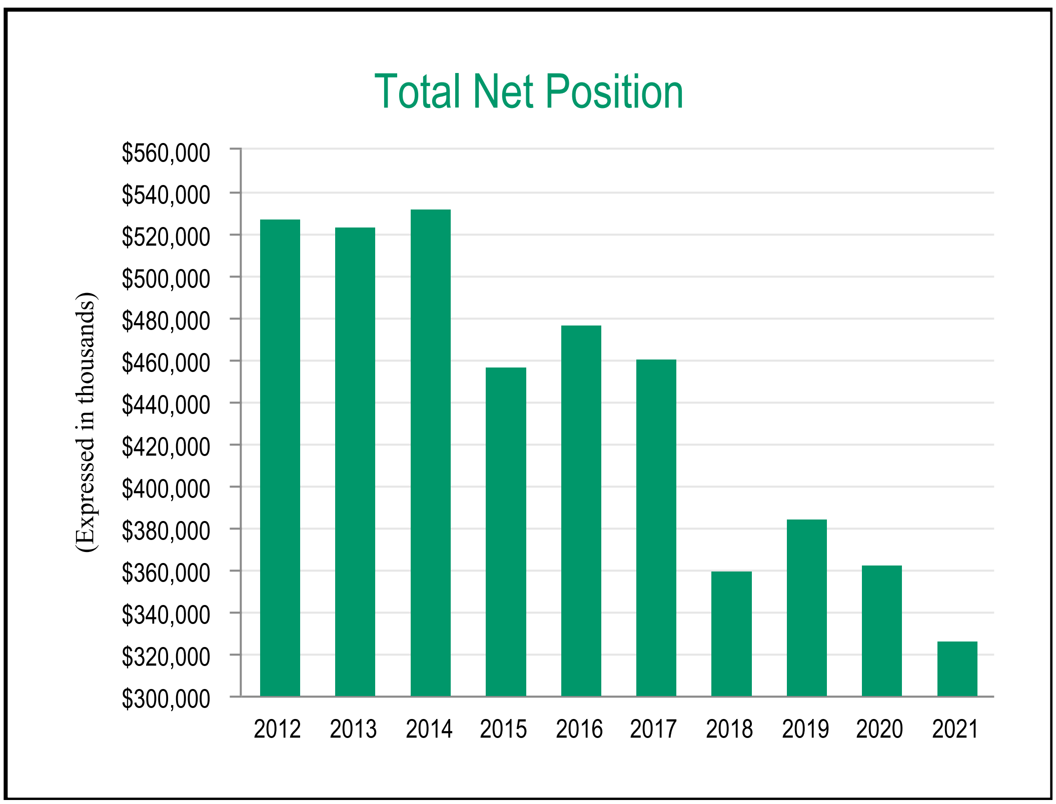
Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted (Deficit)	Total Net Position
2012[1]	$ 460,701	$ 12,872	$ 54,211	$ 527,784
2013[1]	474,797	3,436	45,494	523,727
2014	490,021	4,122	37,870	532,013
2015[2]	507,624	4,787	(55,020)	457,391
2016	504,229	7,357	(34,217)	477,369
2017[3]	502,478	8,326	(49,488)	461,316
2018[4]	515,619	8,866	(164,735)	359,750
2019	551,520	13,865	(180,247)	385,138
2020	560,087	8,506	(205,429)	363,164
2021	547,899	7,269	(228,428)	326,740

[1]In 2014, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* by restating the financial statements for 2012 and 2013. The restatement reflects the District's expensing of unamortized bond issue costs.

[2]In 2015, the District's unrestricted net position was ($55.0) million which includes a restatement of net position of $83.7 million due to the implementation of GASB Statement No. 68.

[3]In 2017, the District's unrestricted net position was ($49.5) million including a $24.7 million increase from an accounting adjustment for pension expense in accordance with GASB Statement No. 68 and a restatement of $1.7 million for GASB Statement No. 73.

[4]In 2018, the District's unrestricted net position was ($164.7) million which includes a restatement of net position of $92.4 million due to the implementation of GASB Statement No. 75.



Changes in Net Position – Last Ten Fiscal Years

(Expressed in thousands)

	2012[1]	2013[1]	2014	2015[2]	2016	2017[3]	2018[4]	2019	2020	2021
Operating revenues:										
Real Estate	$ 79,782	$ 82,604	$ 89,282	$ 95,940	$ 102,747	$ 96,430	$ 97,720	$ 107,234	$ 92,134	$ 78,171
Guest Experiences - Parking	—	—	—	—	—	15,227	16,583	17,058	13,338	7,947
Maritime	33,090	33,469	34,480	35,265	37,365	39,214	39,304	38,650	37,760	33,785
Harbor Police	15,639	15,313	17,203	14,729	16,835	16,085	16,192	17,069	16,159	19,898
Other operating revenues	2,225	3,884	4,807	3,631	3,340	3,409	3,094	3,820	3,106	3,809
Total operating revenues	130,736	135,270	145,772	149,565	160,287	170,365	172,893	183,831	162,497	143,610
Operating expenses:										
Direct expenses:										
Real Estate	34,656	33,186	31,280	27,782	27,623	26,400	28,609	28,787	31,773	27,567
Guest Experiences - Parking	—	—	—	—	—	6,184	6,193	5,267	4,522	4,358
Maritime	20,612	20,448	21,573	18,002	18,334	17,208	17,557	17,401	17,829	15,366
Harbor Police	31,458	33,756	32,623	31,081	35,007	39,201	40,128	40,331	43,619	42,273
Other operating expenses	75	1,123	5,151	9,685	8,267	35,858	37,743	29,359	22,490	28,104
Depreciation and amortization	19,096	18,935	19,597	21,218	22,721	23,447	23,686	26,412	27,551	27,226
General and administrative expenses	34,600	35,951	30,729	31,561	33,949	40,040	44,118	48,469	46,396	37,759
Total operating expenses	140,497	143,399	140,953	139,329	145,901	188,338	198,034	196,026	194,181	182,653
Income/(loss) from operations	(9,761)	(8,129)	4,819	10,236	14,386	(17,973)	(25,141)	(12,195)	(31,684)	(39,043)
Nonoperating revenues/(expenses):										
Interest income	1,127	627	694	700	759	1,346	1,875	2,932	2,744	560
Settlement income (expense)	5	6	356	593	1,425	1,925	5,928	602	(8,391)	(94)
Net inc/(dec) in the fair value of invest.	(349)	(206)	166	(37)	92	(389)	(136)	761	(42)	(134)
Interest expense	(4,396)	(4,206)	(3,998)	(3,816)	(3,518)	(3,398)	(3,162)	(2,911)	(2,697)	(2,463)
Financial assistance other	(3,330)	—	—	—	(10)	(579)	(122)	(50)	(772)	(421)
Convention Center expansion support	(4,500)	(4,500)	(4,500)	—	—	—	—	—	—	—
Other nonoperating expenses	(80)	(78)	(96)	(11,706)	(433)	(782)	(56)	(95)	(768)	(123)
Other nonoperating revenues	4,007	986	1,281	8,359	5,615	3,085	2,947	8,176	9,904	4,071
Nonoperating income/(loss)	(7,516)	(7,371)	(6,097)	(5,907)	3,930	1,208	7,274	9,415	(23)	1,396
Capital grants and contributions	8,339	11,443	9,564	4,781	1,662	2,458	8,685	28,168	9,733	1,223
Change in net position	(8,938)	(4,057)	8,286	9,110	19,978	(14,307)	(9,182)	25,388	(21,974)	(36,424)
Beginning net position	537,333	527,784	523,727	532,013	457,391	477,369	461,316	359,750	385,138	363,164
Restatement[1 - 4]	(611)	—	—	(83,732)	—	(1,746)	(92,384)	—	—	—
Ending net position	$ 527,784	$ 523,727	$ 532,013	$ 457,391	$ 477,369	$ 461,316	$ 359,750	$ 385,138	$ 363,164	$ 326,740

[1]In 2014, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* by restating the financial statements for 2012 and 2013. The restatement reflects the District's expensing of unamortized bond issue costs.

[2]In 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27,* with new pension reporting requirements for employers. The implementation of GASB 68 restates the net position to give retroactive effect.

[3]In 2017, the District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The implementation of GASB 73 restates the net position to give retroactive effect. Other operating expenses includes a $24.7 million increase from an accounting adjustment for pension expense in accordance with GASB Statement No. 68.

[4]In 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions,* which replaces the requirements under GASB Statement No. 45 and improves accounting and financial reporting for Other Postemployment Benefits (OPEB). The implementation of GASB 75 restates the net position to give retroactive effect.

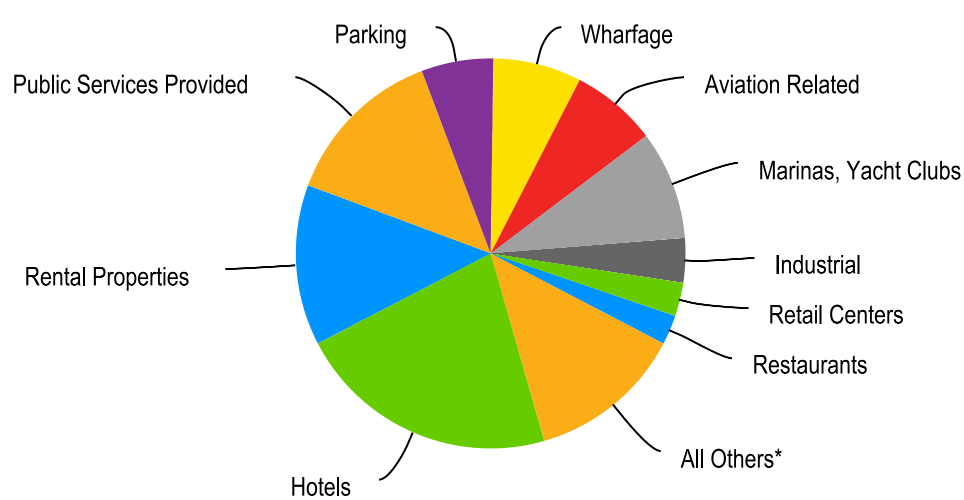
Operating Revenues by Segment – Last Ten Fiscal Years

(Expressed in thousands)

Segment	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Hotels[1]	$ 32,824	$ 33,667	$ 37,700	$ 40,739	$ 45,198	$ 53,818	$ 54,505	$ 57,154	$ 44,085	$ 31,325
Rental Properties	15,439	16,191	17,101	16,900	18,321	20,961	19,646	19,282	19,526	19,121
Public Services Provided[2]	14,200	13,922	15,309	13,427	15,610	15,534	15,712	16,515	15,635	19,473
Parking	7,532	8,598	10,082	12,151	13,431	13,806	14,937	17,394	13,907	8,599
Wharfage	10,867	11,270	11,535	12,078	12,223	11,564	11,856	10,930	9,692	10,520
Aviation Related	11,564	11,053	10,575	10,469	10,420	10,184	10,182	10,181	10,178	10,285
Marinas, Yacht Clubs[3]	8,736	9,216	8,529	9,482	10,245	11,229	11,701	12,555	11,968	12,950
Industrial	6,008	6,023	5,919	5,579	4,452	4,541	4,776	4,979	5,122	5,286
Retail Centers	3,491	3,604	3,815	3,928	4,009	4,114	4,170	5,854	5,111	4,008
Restaurants[4]	2,316	2,326	2,888	3,097	3,332	3,568	3,647	3,864	3,888	3,512
Dockage	1,967	1,938	1,920	2,083	2,393	2,152	2,460	2,660	2,861	2,123
Passenger Fees	1,554	1,289	1,133	1,167	1,264	1,390	1,702	2,205	1,580	—
Citations	373	395	794	1,144	1,009	1,027	1,029	990	856	763
Passenger Security Charges	1,174	989	999	1,006	804	997	999	1,151	1,573	63
Piers & Floats	128	89	97	111	150	187	214	225	220	269
Grant Revenue[5]	873	846	959	—	—	—	—	—	—	—
Other	11,690	13,854	16,417	16,204	17,426	15,293	15,357	17,892	16,295	15,313
Total	$130,736	$135,270	$145,772	$149,565	$160,287	$170,365	$172,893	$183,831	$162,497	$143,610

[1]All hotel leases include restaurants and six hotel leases include marinas.
[2]Includes police services to San Diego County Regional Airport Authority (SDCRAA).
[3]Not included are marinas under hotel operations or under a restaurant lease.
[4]The District has nine direct restaurant agreements, not included are restaurants in hotels, marinas, and retail centers.
[5]Grant revenue was reclassified to nonoperating revenue in fiscal year 2015.

Operating Revenues by Segment - Current Fiscal Year



*All Others segment includes Dockage, Passenger Fees, Citations, Passenger Security Charges, Piers & Floats, Miscellaneous Operating Revenue, and Other Operating Revenues from Real Estate, Maritime, Harbor Police, and Guest Experiences - Parking.

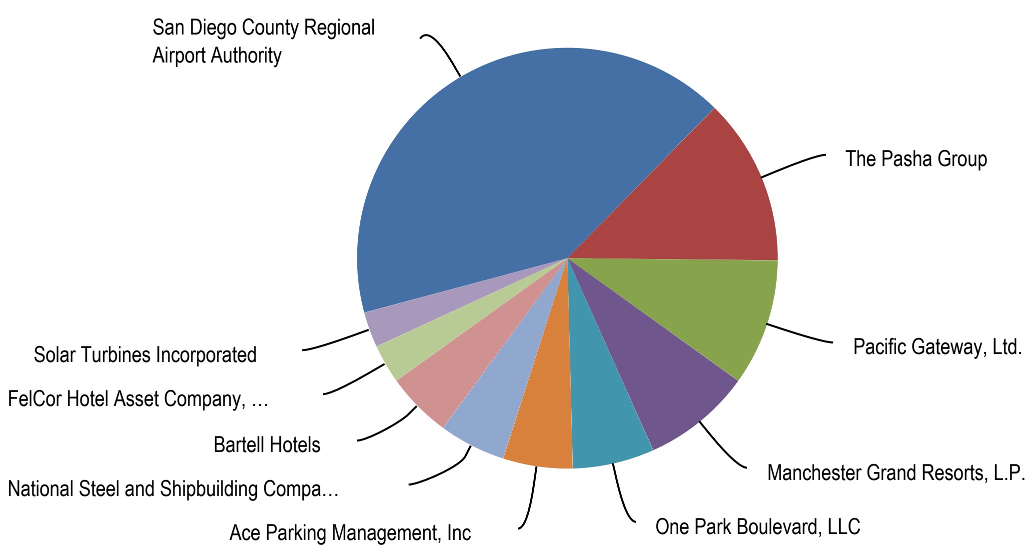
Ten Largest Customers – Current Fiscal Year and Nine Years Ago

(Expressed in thousands)

Customer	2012	%	Customer	2021	%
San Diego County Regional Airport Authority[1]	$ 29,018	22.2 %	San Diego County Regional Airport Authority[1]	$ 32,715	22.8 %
Manchester Grand Resorts, L.P.	9,289	7.1 %	The Pasha Group	10,114	7.0 %
The Pasha Group	9,205	7.0 %	Pacific Gateway, Ltd.	7,683	5.3 %
Host San Diego Hotel, LLC	6,366	4.9 %	Manchester Grand Resorts, L.P.	6,614	4.6 %
Pacific Gateway, Ltd.	6,300	4.8 %	One Park Boulevard, LLC	4,952	3.4 %
Ace Parking Management, Inc	6,078	4.6 %	Ace Parking Management, Inc	4,220	2.9 %
National Steel and Shipbuilding Company	3,129	2.4 %	National Steel and Shipbuilding Company	4,035	2.8 %
Bartell Hotels	3,036	2.3 %	Bartell Hotels	3,987	2.8 %
One Park Boulevard, LLC	2,596	2.0 %	FelCor Hotel Asset Company, LLC	2,349	1.6 %
FelCor Hotel Asset Company, LLC	2,200	1.7 %	Solar Turbines Incorporated	2,149	1.5 %
Total Ten Largest Customers	77,217	59.1 %	Total Ten Largest Customers	78,818	54.9 %
Other	53,519	40.9 %	Other	64,792	45.1 %
Total Operating Revenues	$ 130,736	100.0 %	Total Operating Revenues	$ 143,610	100.0 %

[1]Includes reimbursements for airport police services.

Ten Largest Customers - Current Fiscal Year

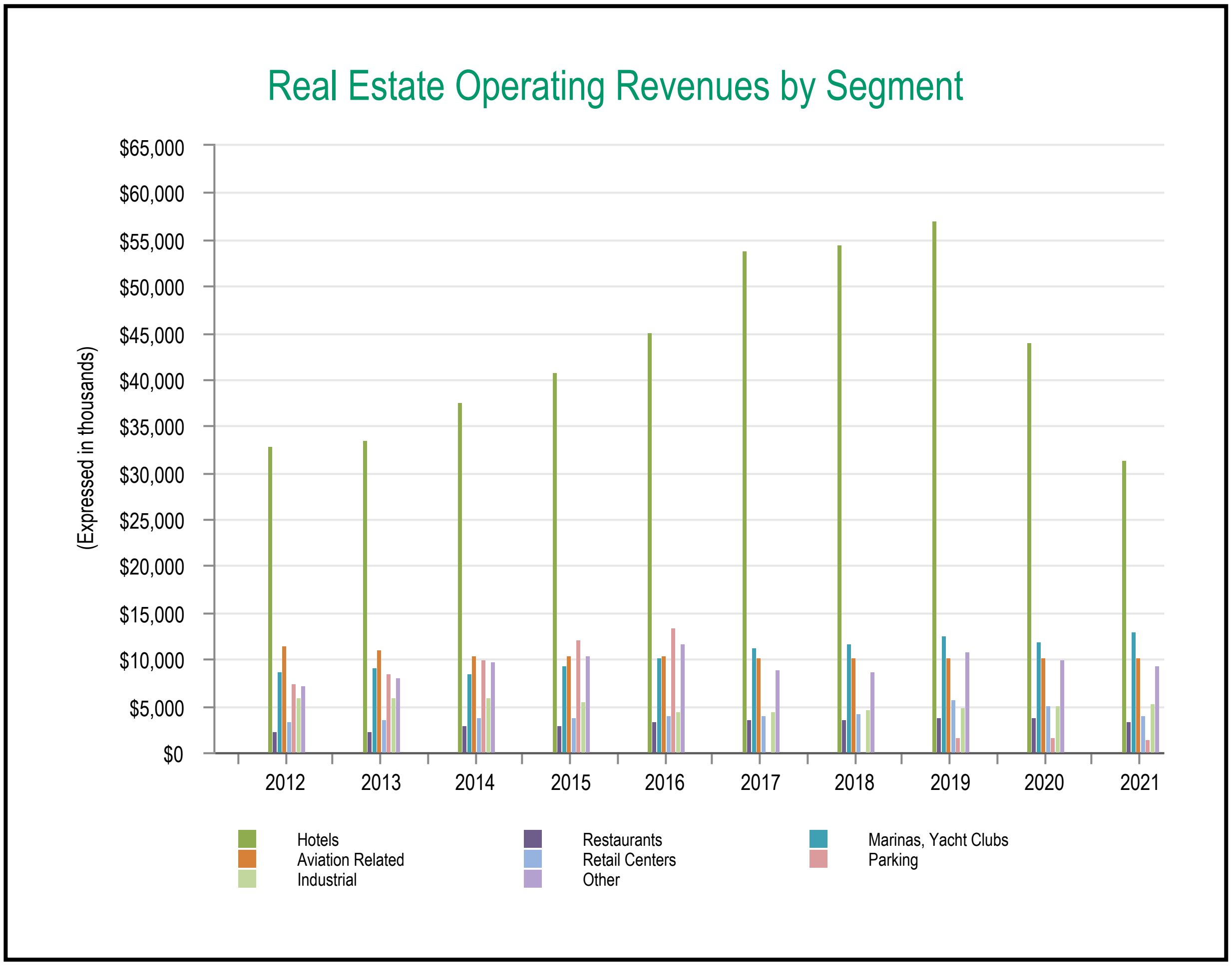


Real Estate Operating Revenues by Segment – Last Ten Fiscal Years

(Expressed in thousands)

Segment	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Hotels[1]	$ 32,824	$ 33,667	$ 37,700	$ 40,739	$ 45,198	$ 53,818	$ 54,505	$ 57,154	$ 44,085	$ 31,325
Restaurants[2]	2,316	2,326	2,888	3,097	3,332	3,568	3,647	3,864	3,888	3,512
Marinas, Yacht Clubs[3]	8,736	9,216	8,529	9,482	10,245	11,229	11,701	12,555	11,968	12,950
Aviation Related	11,564	11,053	10,575	10,469	10,420	10,184	10,182	10,181	10,178	10,285
Retail Centers	3,491	3,604	3,815	3,928	4,009	4,114	4,170	5,854	5,111	4,008
Parking[4]	7,532	8,598	10,082	12,151	13,431	—	—	1,640	1,742	1,401
Industrial	6,008	6,023	5,919	5,579	4,452	4,541	4,776	4,979	5,122	5,286
Other	7,311	8,117	9,774	10,495	11,660	8,976	8,739	11,007	10,040	9,404
Total	$ 79,782	$ 82,604	$ 89,282	$ 95,940	$102,747	$ 96,430	$ 97,720	$107,234	$ 92,134	$ 78,171

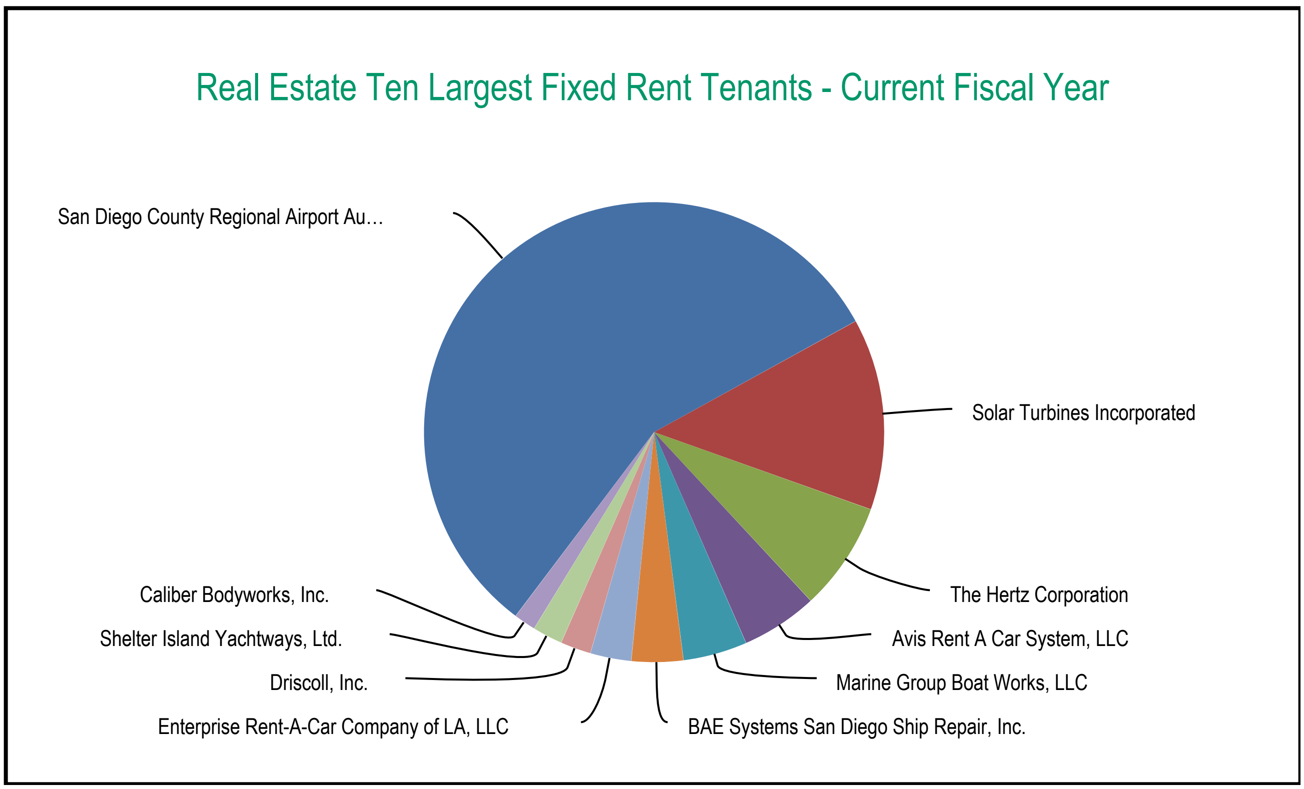
[1]All hotel leases include restaurants and six hotel leases include marinas.
[2]The District has eleven direct restaurant agreements; not included are restaurants in hotels, marinas, and retail centers.
[3]One hotel was combined under a marina operation lease during FY 2021 Not included are marinas under hotel operations or under a restaurant lease..
[4]Parking Operations were transferred out of Real Estate and into Guest Experiences - Parking in fiscal year 2017, and in fiscal year 2019 Real Estate assumed ownership of Seaport Village, which includes a parking component.



Real Estate Ten Largest Fixed Rent Tenants –
Current Fiscal Year and Nine Years Ago

(Expressed in thousands)

Tenant	2012	%	Tenant	2021	%
San Diego County Regional Airport Authority	$ 11,401	50.2 %	San Diego County Regional Airport Authority	$ 10,283	50.9 %
Dynegy South Bay, LLC	2,000	8.8 %	Solar Turbines Incorporated	2,441	12.1 %
Solar Turbines Incorporated	1,979	8.7 %	The Hertz Corporation	1,387	6.9 %
The Hertz Corporation	1,176	5.2 %	Avis Rent A Car System, LLC	971	4.8 %
Enterprise Rent-A-Car Company of LA, LLC	871	3.8 %	Marine Group Boat Works, LLC	816	4.0 %
Avis Rent A Car System, LLC	762	3.4 %	BAE Systems San Diego Ship Repair, Inc.	658	3.3 %
Marine Group Boat Works, LLC	659	2.9 %	Enterprise Rent-A-Car Company of LA, LLC	525	2.6 %
Newport Beach Sales & Leasing, Inc.	456	2.0 %	Driscoll, Inc.	389	1.9 %
Shelter Island Yachtways, Ltd.	275	1.2 %	Shelter Island Yachtways, Ltd.	382	1.9 %
Park & Go, Inc.	274	1.2 %	Caliber Bodyworks, Inc.	280	1.4 %
Total Ten Largest Fixed Rent Tenants	19,854	87.4 %	Total Ten Largest Fixed Rent Tenants	18,133	89.8 %
Other Fixed Rent	2,851	12.6 %	Other Fixed Rent	2,065	10.2 %
Total Real Estate Fixed Rent	$ 22,705	100.0 %	Total Real Estate Fixed Rent	$ 20,198	100.0 %

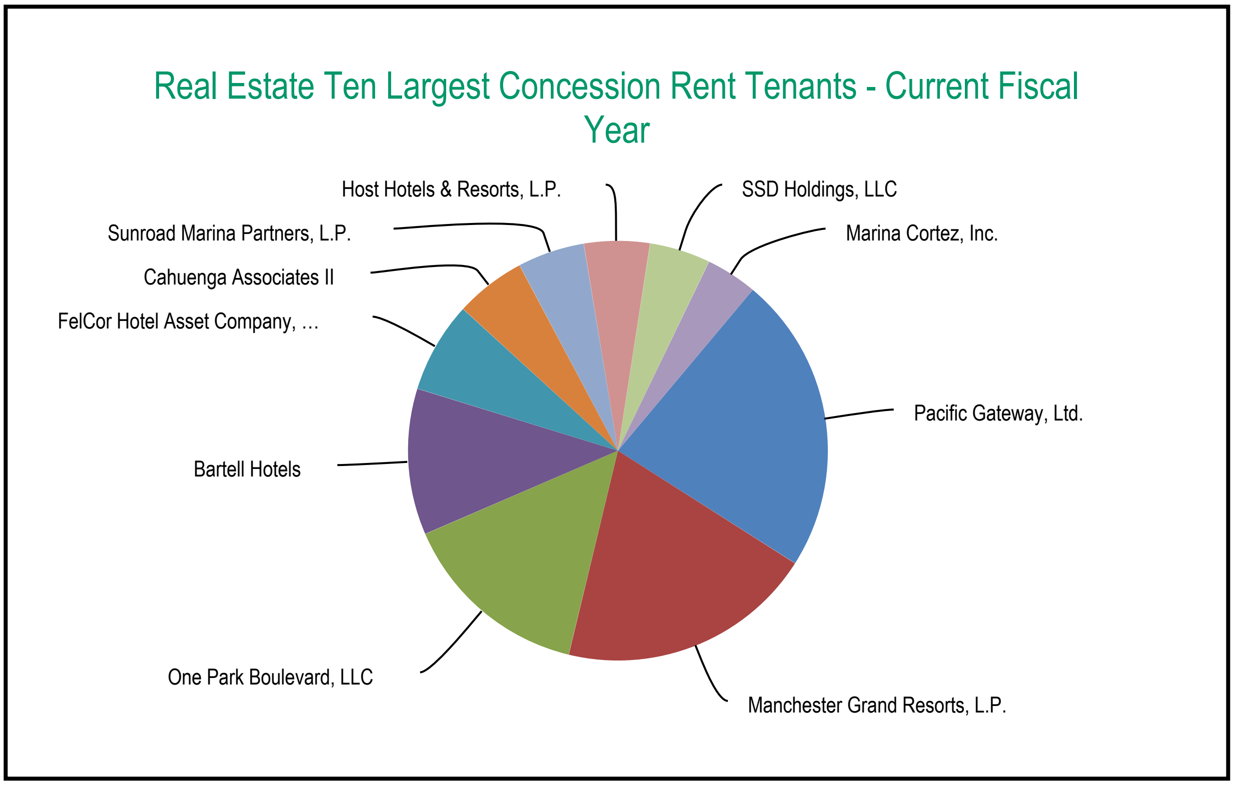


Real Estate Ten Largest Concession Rent Tenants -
Current Fiscal Year and Nine Years Ago

(Expressed in thousands)

Tenant	2012	%
Manchester Grand Resorts, L.P.	$ 9,289	18.8 %
Pacific Gateway, Ltd.	8,391	17.0 %
Host San Diego Hotel, LLC	4,769	9.7 %
One Park Boulevard, LLC	3,416	6.9 %
FelCor Hotel Asset Company, LLC	2,193	4.5 %
Seaport Village Operating Co., LLC	2,156	4.4 %
Host Hotels & Resorts, L.P.	1,597	3.2 %
Bartell Hotels	1,262	2.6 %
Cahuenga Associates II	1,200	2.4 %
Sunroad Marina Partners, L.P.	1,062	2.2 %
Total Ten Largest Concession Rent Tenants	35,335	71.7 %
Other Concession Rent	13,942	28.3 %
Total Real Estate Concession Rent	$ 49,277	100.0 %

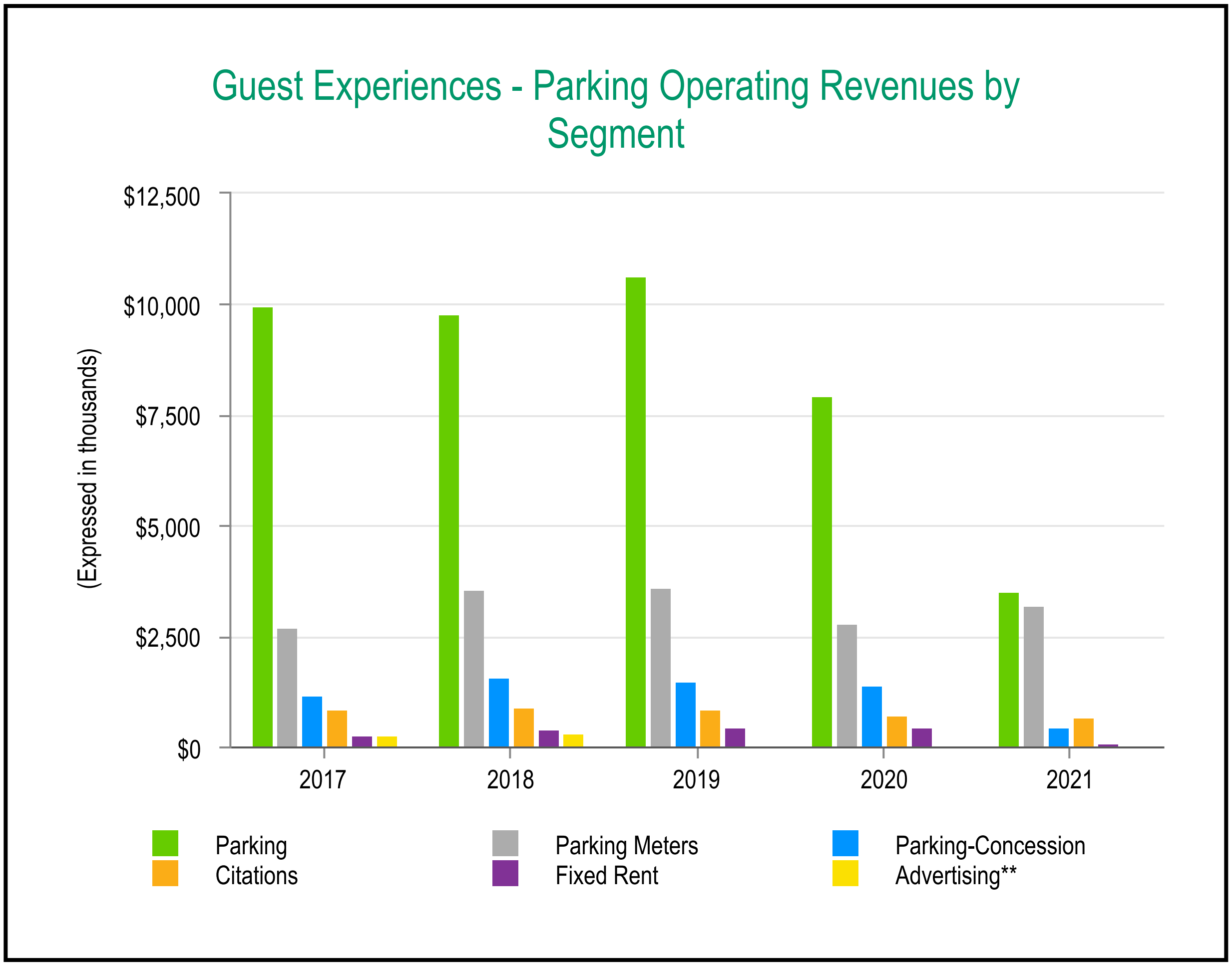
Tenant	2021	%
Pacific Gateway, Ltd.	$ 7,671	14.0 %
Manchester Grand Resorts, L.P.	6,614	12.0 %
One Park Boulevard, LLC	4,933	9.0 %
Bartell Hotels	3,776	6.9 %
FelCor Hotel Asset Company, LLC	2,349	4.3 %
Cahuenga Associates II	1,821	3.3 %
Sunroad Marina Partners, L.P.	1,729	3.1 %
Host Hotels & Resorts, L.P.	1,694	3.1 %
SSD Holdings, LLC	1,571	2.9 %
Marina Cortez, Inc.	1,324	2.4 %
Total Ten Largest Concession Rent Tenants	33,483	60.9 %
Other Concession Rent	21,490	39.1 %
Total Real Estate Concession Rent	$ 54,973	100.0 %



Guest Experiences - Parking Operating Revenues by Segment –
Last Ten Fiscal Years*

(Expressed in thousands)

Segment	2017	2018	2019	2020	2021
Parking	$ 9,960	$ 9,796	$ 10,648	$ 7,940	$ 3,513
Parking Meters	2,692	3,556	3,598	2,815	3,216
Parking-Concession	1,154	1,585	1,508	1,410	469
Citations	852	892	849	721	660
Fixed Rent	284	419	455	452	89
Advertising**	286	334	—	—	—
Total	$ 15,228	$ 16,582	$ 17,058	$ 13,338	$ 7,947



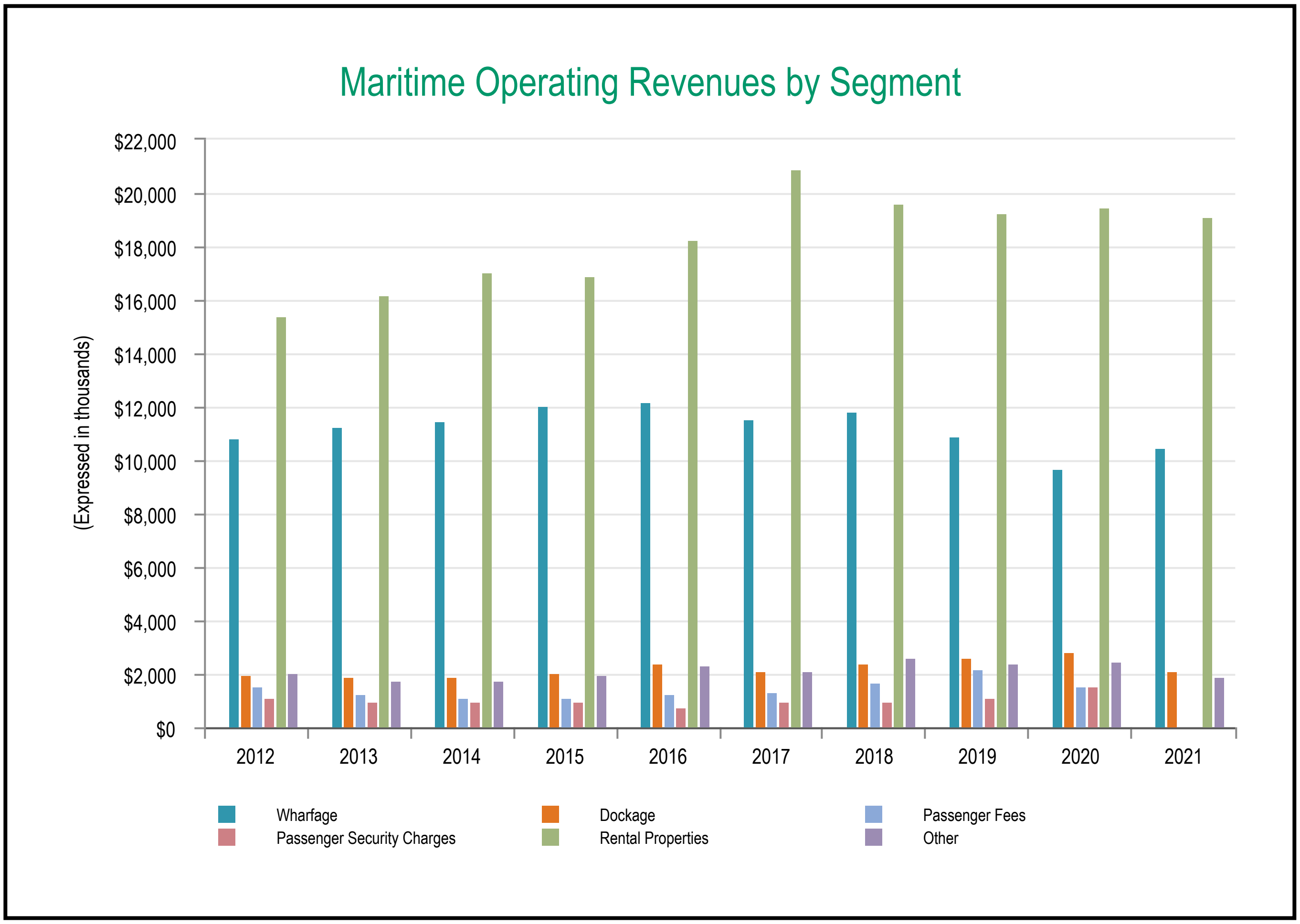
*Fiscal year 2017 was the first year of Guest Experiences - Parking; therefore only actual years are shown

**Advertising budget moved to Real Estate in fiscal year 2019

Maritime Operating Revenues by Segment – Last Ten Fiscal Years

(Expressed in thousands)

Segment	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Wharfage	$10,867	$11,270	$11,535	$12,078	$12,223	$11,564	$11,856	$10,930	$9,692	$10,520
Dockage	1,967	1,938	1,920	2,083	2,393	2,152	2,460	2,660	2,861	2,123
Passenger Fees	1,554	1,289	1,133	1,167	1,264	1,390	1,702	2,205	1,580	—
Passenger Security Charges	1,174	989	999	1,006	804	997	999	1,151	1,573	63
Rental Properties	15,439	16,191	17,101	16,900	18,321	20,961	19,646	19,282	19,526	19,121
Other	2,089	1,792	1,792	2,031	2,361	2,151	2,641	2,422	2,528	1,958
Total	$33,090	$33,469	$34,480	$35,265	$37,366	$39,215	$39,304	$38,650	$37,760	$33,785



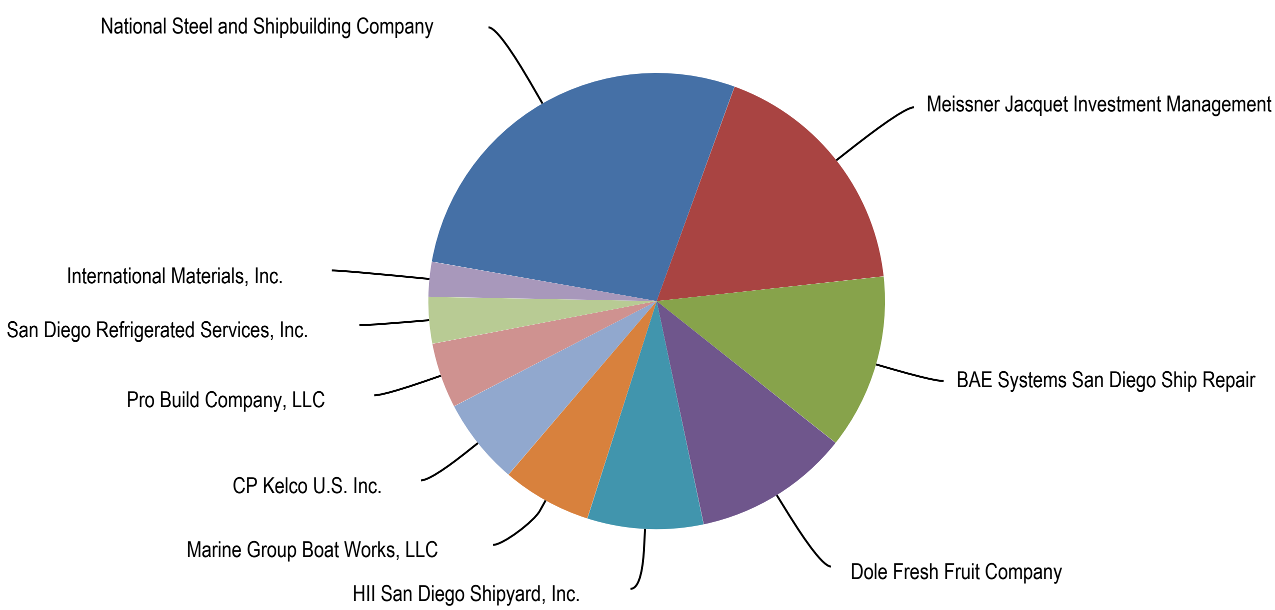
Maritime Ten Largest Fixed Rent Tenants – Current Fiscal Year and Nine Years Ago

(Expressed in thousands)

Tenant	2012	%
National Steel and Shipbuilding Company	$ 3,121	21.7 %
Meissner Jacquet Investment Management	2,504	17.4 %
Dole Fresh Fruit Company	1,658	11.5 %
Continental Maritime of San Diego	988	6.9 %
BAE Systems San Diego Ship Repair	868	6.0 %
CP Kelco U.S. Inc.	774	5.4 %
Knight & Carver Yachtcenter, Inc.	688	4.8 %
Pro Build Company, LLC	641	4.5 %
Cemex Construction Materials Pacific	465	3.2 %
Weyerhaeuser Company	334	2.3 %
Total Ten Largest Fixed Rent Tenants	12,042	83.7 %
Other Fixed Rent	2,323	16.3 %
Total Maritime Fixed Rent	$ 14,365	100.0 %

Tenant	2021	%
National Steel and Shipbuilding Company	$ 4,297	24.6 %
Meissner Jacquet Investment Management	2,743	15.7 %
BAE Systems San Diego Ship Repair	1,917	10.9 %
Dole Fresh Fruit Company	1,707	9.8 %
HII San Diego Shipyard, Inc.	1,272	7.3 %
Marine Group Boat Works, LLC	979	5.6 %
CP Kelco U.S. Inc.	948	5.4 %
Pro Build Company, LLC	719	4.1 %
San Diego Refrigerated Services, Inc.	510	2.9 %
International Materials, Inc.	381	2.2 %
Total Ten Largest Fixed Rent Tenants	15,471	88.5 %
Other Fixed Rent	2,011	11.5 %
Total Maritime Fixed Rent	$ 17,482	100.0 %

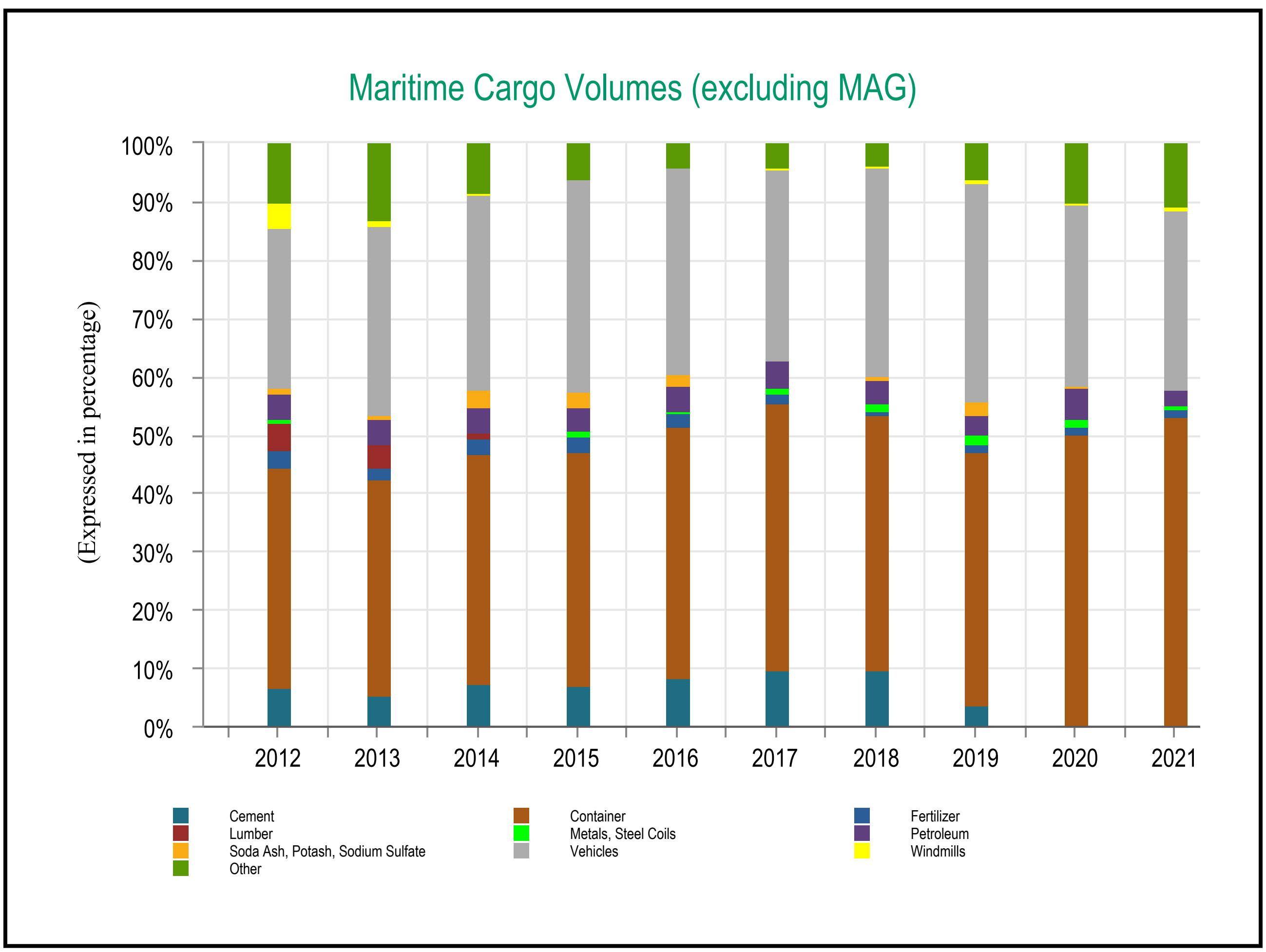
Maritime Ten Largest Fixed Rent Tenants - Current Fiscal Year



Maritime Cargo Volumes – Last Ten Fiscal Years

(Expressed in metric tons)

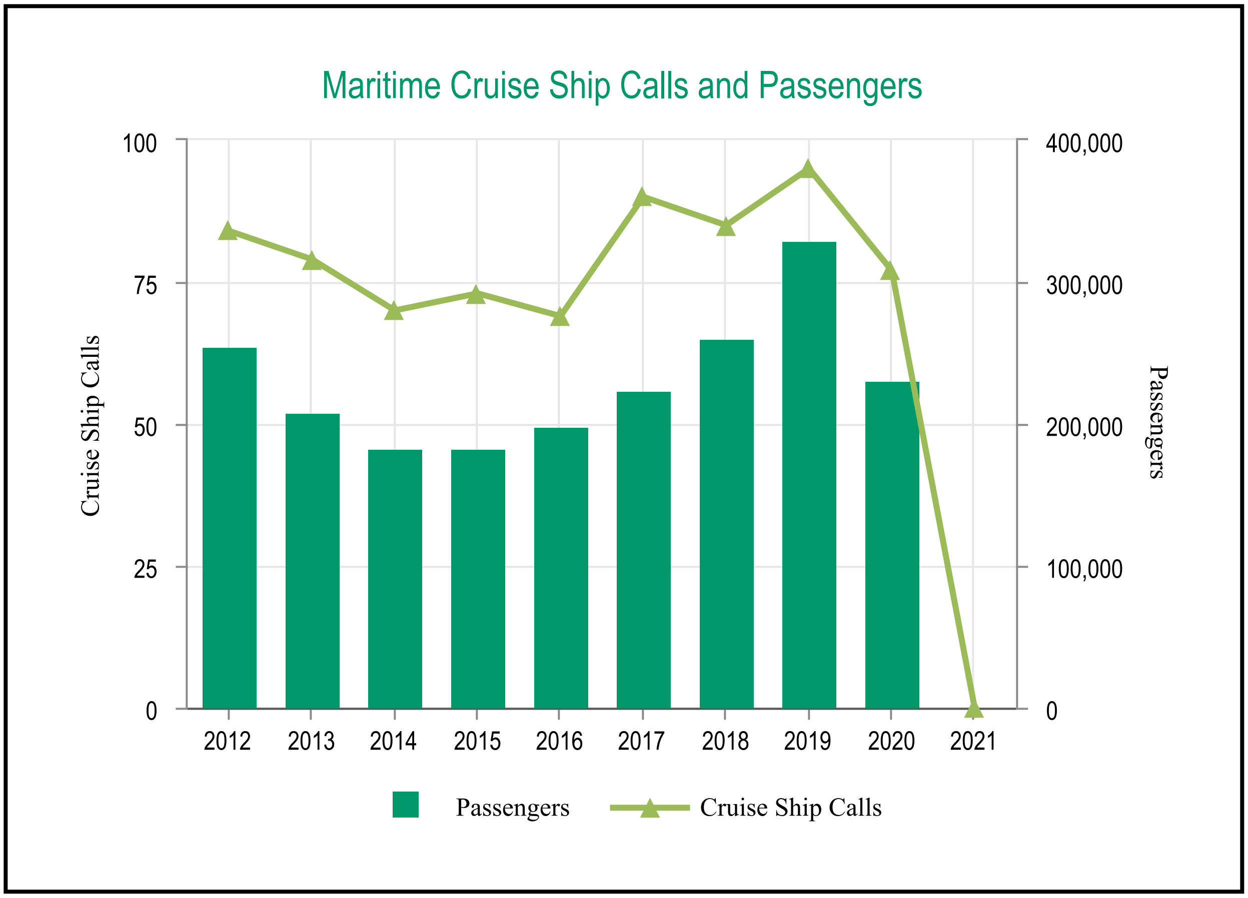
Cargo	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cement	115,962	88,618	121,218	123,646	158,709	176,772	181,708	73,096	—	—
Container	640,586	621,921	660,586	717,085	823,560	847,906	828,603	868,228	918,060	943,914
Fertilizer	50,917	36,503	41,304	50,279	42,244	29,175	18,333	28,519	21,736	22,899
Lumber	77,188	65,344	17,701	—	—	—	—	—	—	—
Metals, Steel Coils	9,849	43	—	13,253	6,811	19,604	23,217	36,911	26,049	11,815
Petroleum	75,806	71,822	74,003	71,582	84,044	86,919	75,990	66,418	100,000	44,994
Soda Ash, Potash, Sodium Sulfate	14,928	10,897	51,570	49,589	36,359	—	9,257	42,732	5,000	—
Vehicles	468,786	545,001	556,954	649,725	670,847	601,246	680,598	750,683	570,728	548,213
Windmills	68,541	15,360	3,942	627	37	8,235	7,201	13,688	3,840	11,309
Other	172,800	219,577	140,966	106,759	79,333	72,244	68,917	122,497	182,961	189,208
Total Cargo	1,695,363	1,675,086	1,668,244	1,782,545	1,901,944	1,842,101	1,893,824	2,002,772	1,828,374	1,772,352
Minimum Annual Guarantee (MAG)	1,224,974	1,007,575	996,412	953,280	971,669	947,903	1,116,645	624,811	420,466	425,466
Total Cargo with MAG	2,920,337	2,682,661	2,664,656	2,735,825	2,873,613	2,790,004	3,010,469	2,627,583	2,248,840	2,197,818



Maritime Cruise Ship Calls and Passengers – Last Ten Fiscal Years

Fiscal Year	Cruise Ship Calls	Passengers
2012	84	254,774
2013	79	208,812
2014	70	182,693
2015	73	183,136
2016	69	198,399
2017	90	224,453
2018	85	259,937
2019	95	330,073
2020	77	230,941
2021 [1]	—	—

[1]No Cruise Ship Calls or Passengers in fiscal year 2021 due to the COVID-19 pandemic.

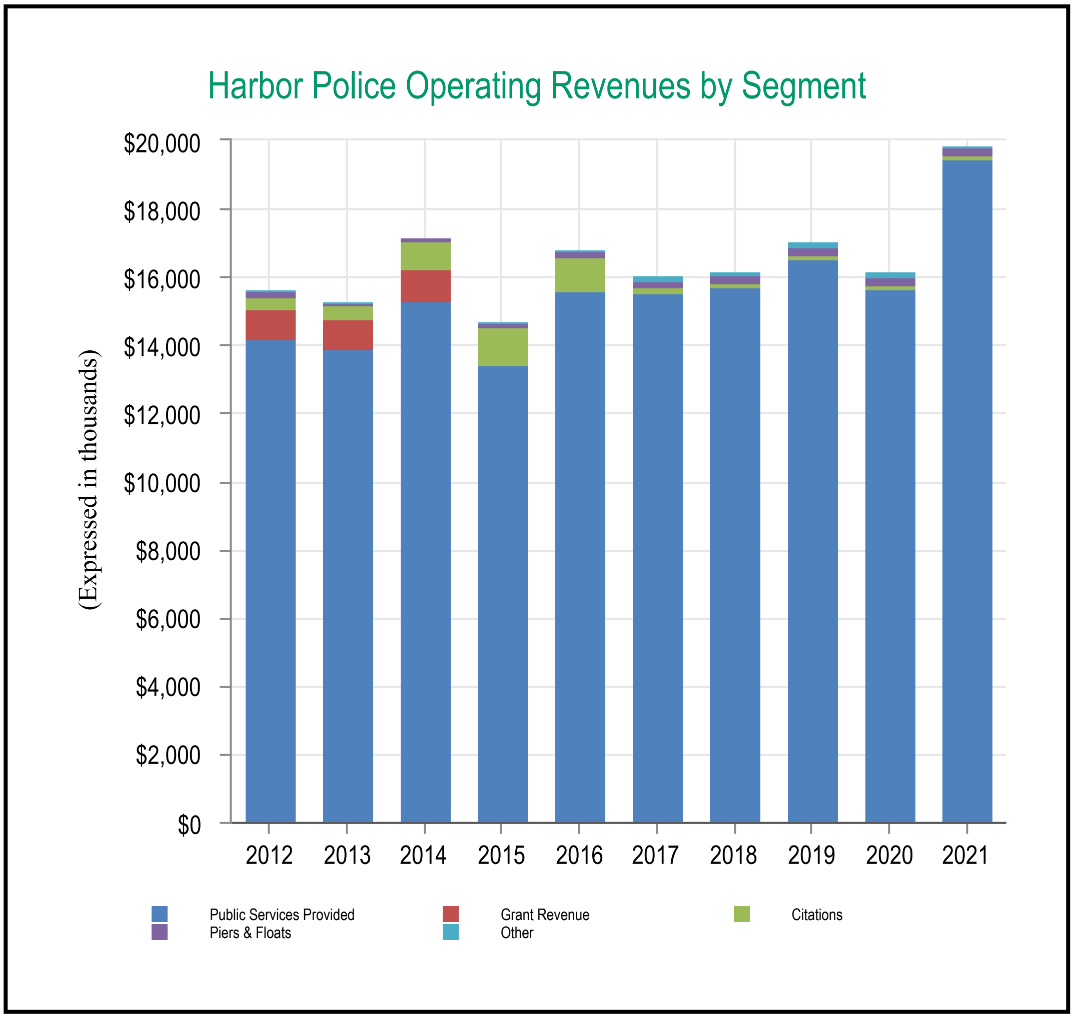


Harbor Police Operating Revenues by Segment - Last Ten Fiscal Years

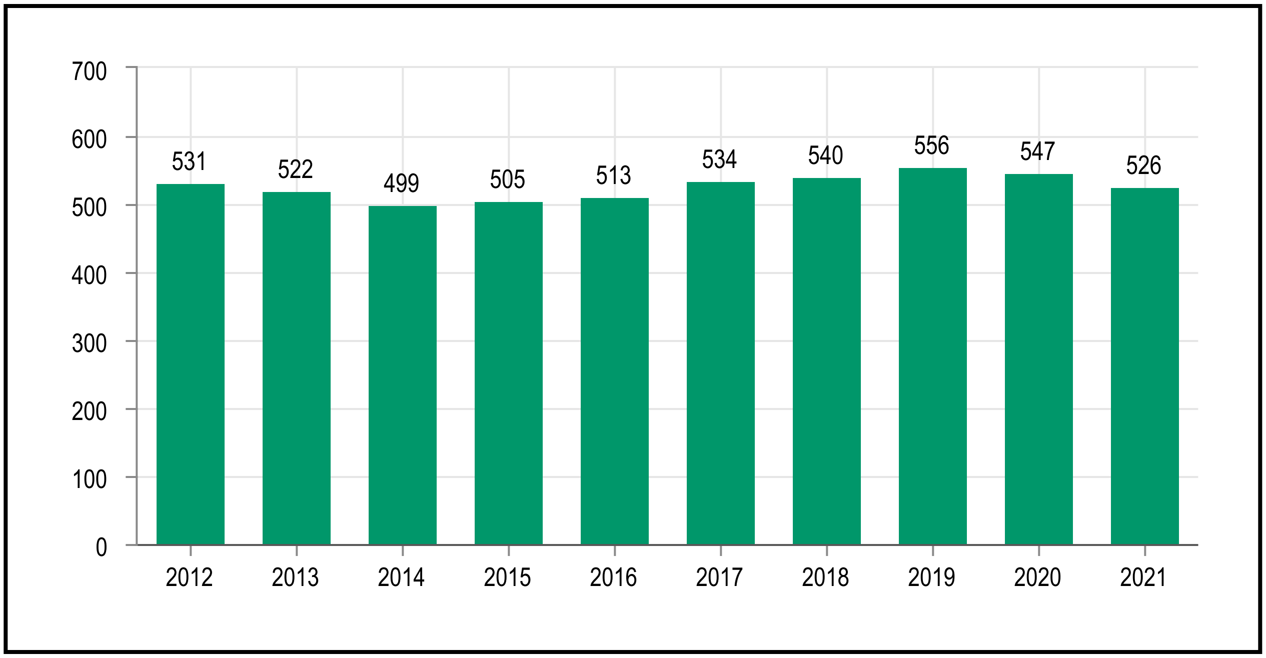
(Expressed in thousands)

Segment	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public Services Provided[1]	$ 14,200	$ 13,922	$ 15,309	$ 13,427	$ 15,610	$ 15,534	$ 15,712	$ 16,515	$ 15,635	$ 19,473
Grant Revenue[2]	873	846	959	—	—	—	—	—	—	—
Citations[3]	373	395	794	1,144	1,009	175	137	141	135	103
Piers & Floats	128	89	97	111	150	187	214	225	220	269
Other	65	61	44	47	66	189	129	188	169	53
Total	$ 15,639	$ 15,313	$ 17,203	$ 14,729	$ 16,835	$ 16,085	$ 16,192	$ 17,069	$ 16,159	$ 19,898

[1]Police services provided to SDCRAA (excluding G&A cost reimbursements).
[2]Grant revenue was reclassified to nonoperating revenues in fiscal year 2015.
[3]Parking Citations were moved to Guest Experiences - Parking in fiscal year 2017.



District Employee Headcount – Last Ten Fiscal Years



This chart reflects the number of regular full-time employees at June 30th of each fiscal year.

Capital Assets – Current Fiscal Year

Total Land and Water	
District's Jurisdiction:	
Land - Estimated (in acres)	2,616
Water - Estimated (in acres)	11,516
Leased Area:	
Leased Land - Estimated (in square feet)	74,834,440
Leased Water- Estimated (in square feet)	31,911,294
Leased Buildings - Estimated (in square feet)	5,665,115
Leased Piers - Estimated (in square feet)	125,717
Public Safety	
Stations	1
Sub-stations	3
Parks	
Number of Parks	22
Total Acreage	148
Parking (number of short-term and long-term spaces)	
Navy Pier	388
B Street Pier	232
Hilton Garage	1,834
Convention Center Garage	1,859
Imperial Beach	71
Metered (throughout District)	861
Pay Stations (Spanish Landing)	409
Unmetered (throughout District)	2,615
Tenant Operated (TUOPs) (long-term spaces):	
Pacific Highway Corridor Lots	581
Cargo Terminals	
Number of Cargo Terminals	2
National City Marine Terminal:	
Size (in acres)	125
Number of Berths	7
Wharf (in linear feet)	4,925
Warehouse Capacity (in square feet)	325,761
Tenth Avenue Marine Terminal:	
Size (in acres)	96
Number of Berths	8
Wharf (in linear feet)	4,347
Storage Facilities:	
Cold Storage (in million cubic feet)	6
Warehouse Capacity (in square feet)	400,000
Cruise Terminals	
Number of Cruise Terminals	2
B Street Cruise Ship Terminal:	
Size (in acres)	9.1
Wharf (in linear feet)	2,400
Number of Berths	5
Broadway Pier Cruise Ship Terminal:	
Size (in acres)	3.1
Wharf (in linear feet)	2,135
Number of Berths	5

Debt Service Coverage – Last Ten Fiscal Years

(Expressed in thousands)

Description	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Pledged Revenues[1]	$ 133,385	$ 132,702	$ 145,141	$ 152,377	$ 163,551	$ 174,623	$ 181,457	$ 189,659	$ 165,809	$ 143,377
Operating and Maintenance Expenses[2]	(114,155)	(115,988)	(114,368)	(120,774)	(124,741)	(141,377)	(149,860)	(156,972)	(157,701)	(129.989)
Net Pledged Revenues - Senior Debt	$ 19,230	$ 16,714	$ 30,773	$ 31,603	$ 38,810	$ 33,246	$ 31,597	$ 32,687	$ 8,108	$ 13,388
Senior Debt Service[3]										
Principal	$ 1,420	$ 1,490	$ 1,840	$ 1,650	$ 1,725	$ 1,795	$ 1,880	$ 1,980	$ 2,040	$ 1.995
Interest	2,010	1,949	1,822	1,729	1,630	1,559	1,464	1,396	1,290	1.187
Total Senior Debt Service	$ 3,430	$ 3,439	$ 3,662	$ 3,379	$ 3,355	$ 3,354	$ 3,344	$ 3,376	$ 3,330	$ 3,182
Senior Debt Coverage Ratio	**5.61**	**4.86**	**8.40**	**9.35**	**11.57**	**9.91**	**9.45**	**9.68**	**2.43**	**4.21**

[1] Pledged Revenues are calculated pursuant to the first and second supplemental indentures for Series 2004 and Series 2013 Revenue Bonds.
[2] Operating and Maintenance Expenses are calculated pursuant to the first and second supplemental indentures for Series 2004 and Series 2013 Revenue Bonds.
[3] Senior Debt Service is calculated pursuant to the first and second supplemental indentures for Series 2004 and Series 2013 Revenue Bonds.

Ratios of Outstanding Debt by Type – Last Ten Fiscal Years

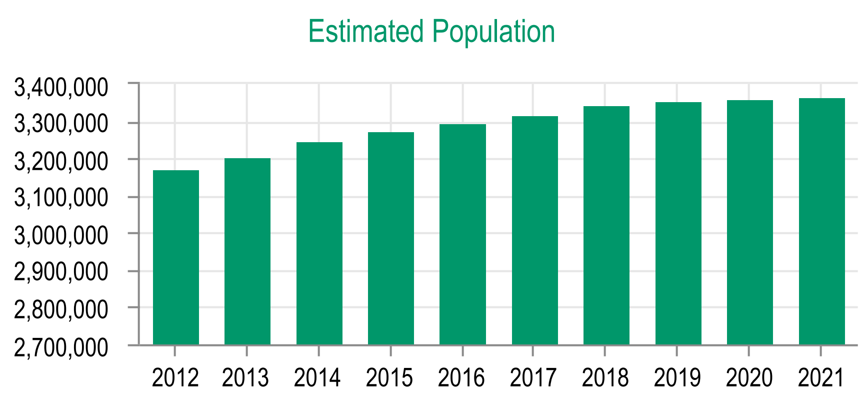
(Expressed in thousands)

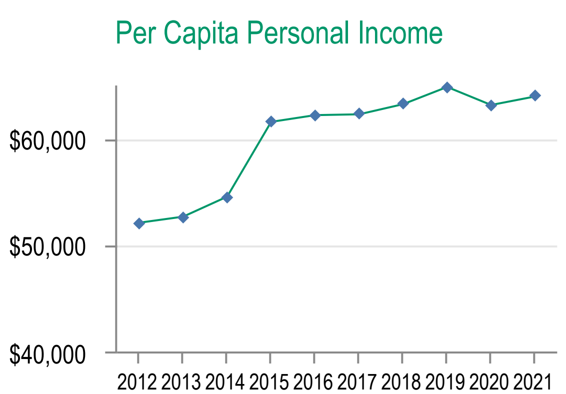
Year	Revenue Bonds	Notes[1]	Capital Leases	Total Debt	Percent of Personal Income[2]	Per Capita[2]
2012	$ 41,909	$ 42,914	$ 1,273	$ 86,096	0.05%	$ 27
2013	40,293	45,474	646	86,413	0.05%	27
2014	39,061	48,243	—	87,304	0.05%	27
2015	37,156	46,033	—	83,189	0.04%	26
2016	35,153	40,344	—	75,497	0.04%	23
2017	33,067	37,953	—	71,020	0.04%	22
2018	30,884	35,603	—	66,487	0.03%	20
2019	28,592	32,784	—	61,376	0.03%	18
2020	26.271	29,998	—	56,269	0.03%	17
2021	24,012	27,209		51,221	0.02%	15

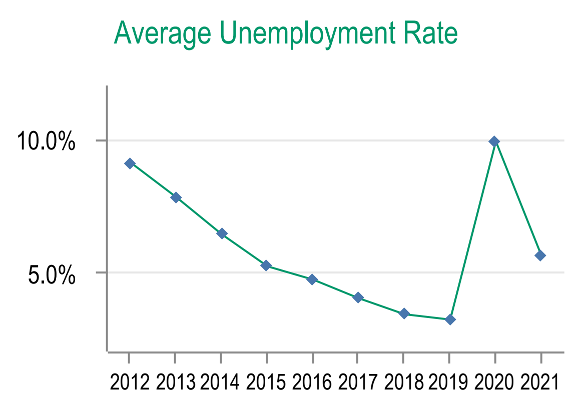
[1]Includes the San Diego County Regional Airport Authority (SDCRAA) and Civic San Diego (CSD) notes.
[2]Refer to the Demographic and Economic Statistics table for further detail on population and per capita information.

San Diego County Demographic and Economic Statistics – Last Ten Fiscal Years

Calendar Year	Estimated Population[1]	Personal Income (Billions)[1]	Per Capita Personal Income[1]	Average Unemployment Rate[2,3]
2012	3,173,442	152.7	52,103	9.1 %
2013	3,207,852	157.8	52,674	7.8 %
2014	3,247,475	167.6	54,554	6.4 %
2015	3,274,586	180.0	61,583	5.2 %
2016	3,295,583	186.4	62,215	4.7 %
2017	3,318,132	193.2	62,293	4.0 %
2018	3,344,438	205.2	63,247	3.4 %
2019	3,357,442	217.8	64,862	3.2 %
2020	3,362,150	213.8	63,169	9.9 %
2021	3,366,072	221.3	63,971	5.6 %







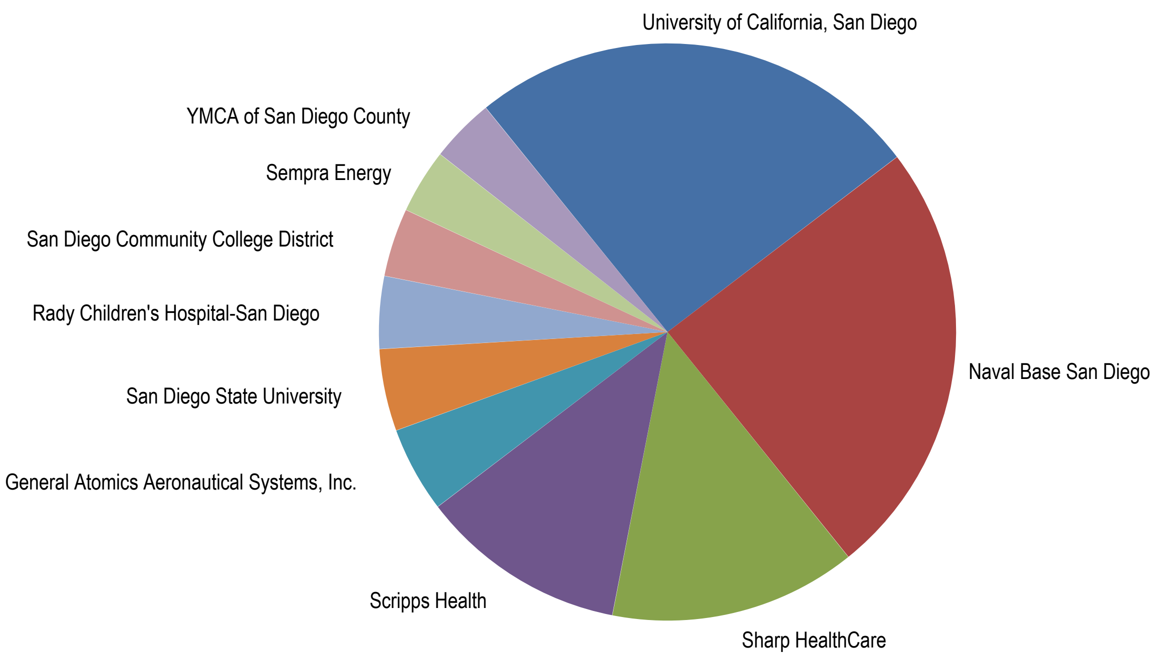
Sources:
[1]California Department of Transportation San Diego County
The 2020 and 2021 population, per capita personal income, and total personal income are estimates by the California Department of Transportation.
[2]2012-2019 California Employment Development Department (March Benchmarks).
[3]2020-2021 California Employment Development Department (San Diego-Carlsbad Metropolitan Statistical Area).

San Diego County Top Ten Principal Employers –
Current Fiscal Year and Nine Years Ago

2012 Employer	Local Employees	Rank	%
Federal Government	45,500	1	3.23%
State of California	42,900	2	3.04%
University of California, San Diego	27,391	3	1.94%
County of San Diego	15,687	4	1.11%
Sharp HealthCare	15,231	5	1.08%
San Diego Unified School District	14,603	6	1.04%
Scripps Health	14,097	7	1.00%
Qualcomm Inc.	11,400	8	0.81%
City of San Diego	10,057	9	0.71%
Kaiser Permanente San Diego	7,731	10	0.55%
Total Industry Employment in San Diego County (Year 2012): 1,409,100			

2021 Employer	Local Employees	Rank	%
University of California, San Diego	35,802	1	2.50%
Naval Base San Diego	34,534	2	2.41%
Sharp HealthCare	19,468	3	1.36%
Scripps Health	16,295	4	1.14%
General Atomics Aeronautical Systems, Inc.	6,745	5	0.47%
San Diego State University	6,454	6	0.45%
Rady Children's Hospital-San Diego	5,711	7	0.40%
San Diego Community College District	5,400	8	0.38%
Sempra Energy	5,063	9	0.35%
YMCA of San Diego County	5,057	10	0.35%
Total Industry Employment in San Diego County (Year 2021): 1,431,800			

San Diego County Top Ten Principal Employers – Current Fiscal Year



Sources:
San Diego Business Journal Book of Lists (Year 2012 – as of Aug 1, 2012 and Year 2021 – as of July 1, 2020)
Total Industry Employment - California Employment Development, Labor Market Information, March 2020 Benchmark – Years 2012 and 2021

Page Left Intentionally Blank

PORT of SAN DIEGO
Waterfront of Opportunity

Financial Services Department
P.O. Box 120488, San Diego, CA. 92112-0488
3165 Pacific Highway, San Diego, CA. 92101
(619) 686-6200