PORT OF SAN DIEGO, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

PORT of SAN DIEGO
Waterfront of Opportunity

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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.

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(UNAUDITED)

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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

We are an agile, global seaport supporting community, the environment, and commerce.

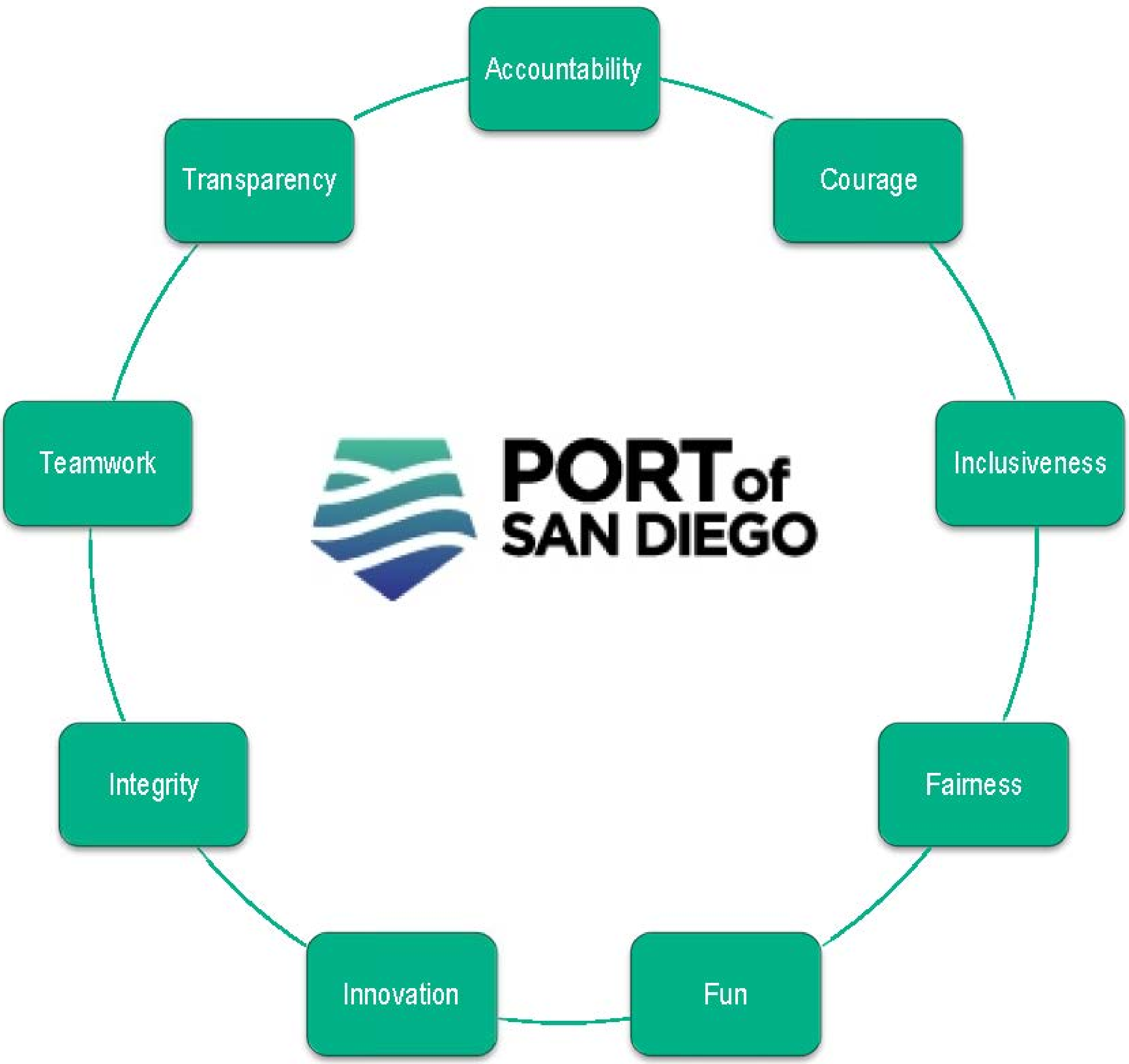
MISSION

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 act in trust for this and future generations.

CORE VALUES



November 18, 2022

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, 2022 and 2021. 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. Moss Adams, LLP issued an unmodified (or clean) opinion on the District's financial statements for the fiscal year ended June 30, 2022. Macias, Gini & O'Connell, LLP issued an unmodified (clean) opinion on the District's financial statements for the fiscal year ended June 30, 2021. 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 the 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, focusing on being a 21st Century Port. Serving as the Navy's largest commercial ship repair and ship construction partner 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 a 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 the 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.

ECONOMY AND OUTLOOK

Despite continued high inflation, rising interest rates, and speculation of a potential recession, the economy has shown signs of resiliency in certain areas and personal consumption expenditures have maintained a steady pace. Travel and tourism, which were hit hardest by the global pandemic, have proved to be among the fastest to recover due to pent-up demand for leisure travel, shopping, dining out, and cruising. The Federal Open Market Committee (FOMC) has reaffirmed its commitment to bring inflation back toward its 2.0% target, and industry consensus anticipates further interest rate hikes into calendar year 2023. Economic forecast reports anticipate modest growth in 4th Quarter Gross Domestic Product (GDP) of approximately 1.0%, annualized calendar year 2023 flat at 0.0% GDP, an unemployment rate of 4.2%, and gradual declines in the Consumer Price Index to an annualized 4.4% (Source: Wells Fargo Economic Outlook October 14, 2022).

San Diego County's economy has continued to recover, particularly for many District activities and tenants. After zero cruise calls in fiscal year 2021, fiscal year 2022 saw 99 cruise ship calls with approximately 172,000 passengers. Concession revenues increased among tourism based industries including hotels, restaurants, marinas, sportfishing, and others. The unemployment rate in San Diego County was 3.4% in August 2022, up from a revised 3.1% in July 2022, and below the year-ago estimate of 6.5%. This compares with an unadjusted unemployment rate of 4.1% for California and 3.8% for the nation during the same period (Source: EDD San Diego County data, September 2022).

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 (MMP), among others.

<u>Operating Reserves</u>

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. In general, the District's BPC Policy No. 117 - Operating Reserve Policy 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 2023 adopted budget is $68.2 million and the operating reserve balance as of June 30, 2022 is $68.2 million.

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.

<u>Five-Year Financial Forecast</u>

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 expenditures before depreciation and amortization
- 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

Credit Ratings

On November 4, 2022, Fitch Ratings affirmed its A+ rating on the District's outstanding revenue bonds with a Stable outlook.

Stimulus Funding

Spread over the fiscal year 2022 and 2023 budgets, the District has received approximately $110 million to mitigate the negative economic impacts resulting from the COVID-19 pandemic. The federal government distributed funds to the State of California from which California Governor Gavin Newsom designated $250 million of state budget money for California ports. The District prepared an Economic Recovery Program to apply for a portion of the funding, allocate how it will be spent, and to track spending. The District has designated the funds for air quality improvement projects in support of our Maritime Clean Air Strategy including the purchase of two all-electric cranes in fiscal year 2022 for our Tenth Avenue Marine Terminal – they’ll be the first all-electric cranes in use in North America; major maintenance projects at Navy Pier and at our cargo and cruise terminals; advancement of our National City Balanced Plan, Chula Vista Bayfront project, Pond 20, and Imperial Beach Pier improvements; technology enhancements; environmental remediation; budget stabilization; and personnel support.

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 2022, the District’s information technology (IT) teams completed a number of public safety projects, including the launch of a regulatory application that supports the Racial and Identity Profiling Act and two video surveillance projects, including one at Imperial Beach providing persistent full-resolution video of the coastal waters west of the Imperial Beach Pier, and the second at Tenth Avenue Marine Terminal, providing coverage of critical infrastructure. IT supported returning staff to administrative buildings after the COVID-19 pandemic, including adding Video Conference collaboration systems in a majority of conference rooms, and assisting with hardware peripheral re-installations. Additionally, IT rolled out new business applications to support digital transformation including a Learning Management System and a new Human Resources Information System, as well as assisting Finance in selecting Government Accounting Standards Board (GASB) 87 reporting system for the District's reporting of leasing activities.

Maritime

Cargo

The District received approximately 2.4 million metric tons of cargo in fiscal year 2022, including 335,350 metric tons of spot cargo secured when ports to the north experienced a backlog due to supply chain issues. New business included four vessel calls from Saga Welco with a mix of project cargo such as steel coils, pipe, h-beams, and 53-foot containers. The District also signed a five-year agreement with US Ocean for six vessel calls a year through June 2027 carrying heavy military equipment, steel for General Dynamics NASSCO, 53-foot containers, and mixed military-support cargo for the region. The new business is due in large part to increased laydown space and flexibility for project cargo gained as a result of the completion of a $24 million public works project to modernize the Tenth Avenue Marine Terminal (TAMT) in fiscal year 2021.

At the District’s National City Marine Terminal (NCMT), terminal operator Pasha Automotive Services processed 344,790 imported autos for fiscal year 2022, a decrease from the previous year as the auto industry continues to face worldwide supply chain challenges induced by the COVID-19 pandemic, economic uncertainties, and foreign conflict.

Coming in fiscal year 2023 are two all-electric, battery-supported Konecranes Gottwald Generation 6 Mobile Harbor Cranes. With a total lift capacity of 400 metric tons, the Port of San Diego will have the highest lift capacity on the U.S. West Coast with faster offloading speed, which means the U.S. West Coast will be able to handle cargo previously only handled by Gulf ports.

Cruise

Cruising resumed in the fall of 2021, after the 2020-2021 season was lost due to the cruise industry being shut down through the height of the global COVID-19 pandemic. The 2021-2022 season got off to a bit of a late start as the cruise lines worked to bring back staff and ensure precautions were in place to minimize the spread of COVID-19. By the end of the season in the spring of 2022, the District saw 99 calls and about 172,000 passengers. Due to the uncertainty of the pandemic, the District had only budgeted for 50 calls. Looking ahead to the 2022-2023 season, approximately 140 calls with 460,000+ passengers are expected, making it the District’s busiest cruise season since 2010.

In late fiscal year 2021, the District began the Curtain Wall Repairs and Stormwater Improvements at B Street Pier project. It consists of a structural rehabilitation and stormwater infrastructure upgrade for the District’s main cruise terminal. The first phase is the structural rehabilitation and is budgeted at approximately $14.3 million as part of the Economic Recovery Program.

Also in fiscal year 2021, the District moved forward with plans to install additional shore power equipment to 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 auxiliary diesel engines while in port. 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 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)

The District has been conducting a comprehensive and inclusive Integrated Planning initiative to update its Port Master Plan, a water and land use plan that designates specific areas of San Diego Bay and the surrounding waterfront for maritime, fishing, visitor-serving commercial, recreational, conservation, and institutional uses. The plan, similar to what is known as a General Plan in a city or county, determines where port activities should take place, where recreational amenities should be located, and where commercial uses like hotels, restaurants, and visitor-serving retail may be built. 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 – more than 40 years ago.

In fiscal year 2022, the District circulated a Draft Program Environmental Impact Report (EIR) for public review, as required by the California Environmental Quality Act (CEQA). The Draft EIR includes an 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 will be followed by processing with the California Coastal Commission (Coastal) 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

A partnership between the Port of San Diego and the City of Chula Vista, the Chula Vista Bayfront redevelopment envisions a unique place for people to live, work, and play in the South Bay. It is designed to create new public parks and recreational adventures, improve the natural habitat, offer new dining and shopping options, provide a world-class hotel and convention center, and more – all for residents and coastal visitors to enjoy.

In fiscal year 2022, the centerpiece and catalyst project of the Chula Vista Bayfront – the Gaylord Pacific Resort and Convention Center – broke ground shortly after the Chula Vista Bayfront Facilities Financing Authority (of which the District and the City of Chula Vista are the sole members) and Houston-based developer RIDA Chula Vista, LLC closed escrow. The total anticipated investment of $1.35 billion includes a public contribution of $369 million, $275 million of which was financed through bonds to fund a brand-new park, to be called Sweetwater Park, as well as a portion of the new convention center, site preparation, utility connections, and improvements to streets surrounding the site.

With a scheduled opening in spring 2025, Gaylord Pacific will include up to 1,600 hotel rooms, a convention center with four ballrooms, three levels of meeting space and two outdoor meeting and event lawns as well as multiple restaurants, a sports bar, resort-style pool, and an array of recreational facilities. To ensure connectivity to the wider bayfront, this project will also have many public amenities including pedestrian promenades, bicycle access, a variety of food and beverage offerings, game activities, a nature playground, and more. Gaylord Hotels is the large convention hotel brand of Marriott International. When constructed, this will be Gaylord Hotels' first West Coast location. With its nationally recognized brand, the Gaylord Pacific Resort and Convention Center is expected to spur other development on the 535-acre Chula Vista Bayfront.

National City Bayfront

The National City Bayfront is made up of 273 acres of waterfront land and 167 acres of water and includes the National City Marine Terminal, Pepper Park, Pier 32 Marina, the Aquatic Center, and many pieces of valuable public art. The National City Marina District refers to the approximately 60-acre area in and around Pier 32 Marina, including Pepper Park.

The District has been working closely with the City of National City, as well as business and community stakeholders, to rebalance land uses for the National City Marina District – referred to as the National City Balanced Plan – based on public priorities. As a part of that effort, the Port continued community outreach in fiscal year 2022 to redesign and improve Pepper Park. From March to May 2022, the Port and design consultant KTUA conducted community and stakeholder outreach to help inform what new park elements should be incorporated within the existing park footprint and a future 2.5-acre expansion. The District has designated $3.85 million of the stimulus funds received toward redesigning and improving Pepper Park. Initial improvements to the existing Pepper Park are scheduled to be complete in fiscal year 2024.

Additionally, the District released for public review and input a Draft Environmental Impact Report (Draft EIR) for the National City Bayfront Projects & Plan Amendments, which includes the proposed National City Balanced Land Use Plan, often referred to as the Balanced Plan. The proposed Balanced Plan, as well as four proposed projects and programmatic components located within the City of National City's jurisdiction, are collectively referred to as the National City Bayfront Projects. Staff plans to present the Final EIR and associated Port Master Plan Amendment (PMPA) to the Board for review and consideration in fiscal year 2023. If the Board approves the EIR and PMPA, the PMPA will go to the California Coastal Commission for consideration.

San Diego Symphony – The Rady Shell at Jacobs Park

In fiscal year 2022, the District and the San Diego Symphony celebrated the grand opening of the West Coast's first bayside concert venue – The Rady Shell at Jacobs Park – which has already been featured in an Apple iPhone release event and in Forbes magazine, which called it "the Country's coolest new 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. The new, permanent performance venue is a "park within a park" much like Chicago's Millennium Park. As part of the project, the Symphony improved the park with a wider public promenade around the performance area; refurbished and/or replaced benches, basketball courts, exercise equipment, gazebo, lighting, and restrooms; and created a new bay viewing deck at the back of the performance stage for public use during non-event hours. Additional public benefits include four free public events each year including two during the summer months Memorial Day weekend to Labor Day; free and open to the public rehearsals for Symphony concerts; free public educational events; some reduced ticket pricing at each concert; and a financial contribution by the Symphony toward a future expansion of Pepper Park in National City. The Symphony funded the entire project, including the public improvements, at an estimated minimum cost of $45 million with at least $25 million coming from donations.

Seaport Village Revitalization and Central Embarcadero Redevelopment

The District continues to successfully revitalize and transform Seaport Village. Since 2018, the Port has successfully filled 24 spaces with a variety of uses including specialty retail, full-service and fast-casual restaurants, walk-up cafés, and a specialty market, among other new and exciting offerings. Currently, the popular waterfront shopping, dining and entertainment center along the Central Embarcadero is approximately 92% occupied with 60 tenants and approximately four vacancies, most of which are concentrated in the Lighthouse District. The current tenant mix is comprised of 41 retail tenants and 19 food and beverage tenants. The Board has approved investment spending at Seaport Village of approximately $9.1 million to date. This includes approximately $2.5 million spent for site-wide enhancements, activations, and deferred maintenance, approximately $1.5 million to help new tenants renovate their spaces before opening for business, and approximately $5.1 million committed towards tenant improvements for new restaurant concepts.

Meanwhile, the District continues to work with 1HWY1, the developer selected to redevelop the Central Embarcadero. In fiscal year 2022, 1HWY1 submitted a proposed draft project description for its proposed Seaport San Diego project and other documents in response to the requirements under an Exclusive Negotiating Agreement between the District and 1HWY1. District staff and 1HWY1 presented the updated project description to the Board of Port Commissioners, receiving feedback from Commissioners, the public, and stakeholders. Staff continues to review 1HWY1's recent submittal and is working towards the next steps of the project. 1HWY1 is proposing a mixed-use development program that includes more than 70 percent of public realm space with parks, open spaces and plazas, piers, walkways, beaches, nature trails, shared streets, and public rooftop; hotels at various service levels and price points; an event center; a "Blue Tech Innovation Center" block made up of an aquarium, blue tech office space, and an observation tower; fish processing plant; parks, restaurants, retail, and more.

East Harbor Island

As part of the 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. This coastal site offers an unbeatable combination of water access, stunning views, foot traffic from existing high-performing restaurants and hotels on Harbor Island, and close proximity to the San Diego International Airport. In fiscal year 2022, the District granted concept approval for a hotel development by Sunroad HIE Hotel Partners, L.P. and authorized the issuance of a Coastal Development Permit for the project to be built on approximately 7.55 acres. Sunroad's development consists of a 450-room hotel with two yet-to-be-determined brands: a 12-level wing with extended stay rooms and a 15-level wing with limited-service rooms. Amenities open to the public will include a walk-up restaurant and bar area accessible via the sidewalk on Harbor Island Drive, designated public parking spaces, a 15-foot-wide waterfront promenade, and temporary and permanent mini destinations to draw people to and through the hotel and amenities by creating various activating uses, such as artwork, benches, mobile carts for retail/specialty items and/or food and game/exercise spots. Hotel guest amenities include an outdoor swimming pool with a jacuzzi spa and outdoor private function space, a fitness center, retail shops, and meeting rooms and ballrooms. The project is anticipated to break ground in 2024 and could open, based on the current estimated timeline, in 2026.

Also in fiscal year 2022, the District continued to negotiate with Topgolf, which is proposing to build one of its golf-themed restaurant, entertainment, and party venues on a portion of the 48 acres adjacent to the Sunroad project. Staff anticipates returning to the Board in fiscal year 2023 for preliminary project review and to request to commence environmental review. District staff has also begun preparing for a solicitation for the remaining development parcels on East Harbor Island and develop a funding program for the infrastructure and public realm components.

Navy Pier

In fiscal year 2022, the District and USS Midway Museum entered into a Memorandum of Understanding (MOU) that lays out a plan to convert Navy Pier into a new public park, proposed to be called "Freedom Park," on San Diego Bay's North Embarcadero. The MOU includes an $11.7 million commitment from the District and no less than $30 million from the Midway. The project plans call for the demolition of the headhouse on the pier, completion of pile improvements and pier reinforcements, as well as buildout of the park with amenities reflecting San Diego's military history, pedestrian walkways around and through the park, landscaping, benches, signage, restrooms, and parking. The full cost of the buildout of the park is to be determined as the park is further designed. The District anticipates construction to begin in 2024. The current timeline for park opening is early 2029.

The District's most visible and popular public waterfront is the North Embarcadero, considered San Diego's "front porch." Converting Navy Pier to a park will add to the various public amenities and development the District has delivered in the North Embarcadero in recent years.

Public Safety and Security

Harbor Police Department

District President and CEO Joe Stuyvesant appointed Magda Fernandez as the new Harbor Police Chief/Vice President of Public Safety, and she promoted Jeffrey Geary to Assistant Chief. Cross-trained to prevent crime on the waterfront and fight fire on the water, the Harbor Police Department provides for the safety of communities and resources along San Diego Bay and at the San Diego International Airport. Chief Fernandez joined the department in 2001 and is the first Latina to serve as Chief of Harbor Police. Chief Fernandez is dedicated to focusing on her priorities of recruiting and retention, community engagement, and officer wellness.

Experiences

Parks, Recreation, Arts, and Culture

The District welcomed the return of several large-scale waterfront events that draw people to the bay and drive revenue to our tenants: the Big Bay Boom, our annual Independence Day fireworks extravaganza; the San Diego Bay Parade of Lights featuring dozens of boats adorned with holiday lights and decorations; and the Holiday Bowl Parade, the largest balloon parade in North America.

In fiscal year 2023, the District anticipates the start of infrastructure improvements for the iconic Imperial Beach Pier, including a mid-pier shade canopy structure and a historical viewing area near the end of the pier. In a future phase, a shade canopy and 40-foot-long deck extensions on each side of the pier over the beach area are proposed to be built. The total estimated project cost is approximately $4.2 million. Currently, there is approximately $1.64 million in Capital Improvement Project funding available and $850,000 in stimulus funding available. These proposed improvements are in addition to a series of aesthetic enhancements recently completed including freshly painted structures and railings, the installation of custom-designed fishing rod holders, and the addition of graphic murals in bright colors that reflect the city's unique Southern California beach vibe. In addition, sixty colorful graphic activity placards with slogans evoking the beach, fishing, surfing, and recreational aspects of the pier have been fabricated and are slated for installation this year, along with new distance marker signs to encourage visitors to walk and enjoy the full length of the pier.

Also in fiscal year 2023, the District anticipates breaking ground on a new park as part of the Chula Vista Bayfront redevelopment project. Sweetwater Park is envisioned as a meadow-type open space that would showcase the unique natural resources of San Diego Bay, encouraging passive recreation to complement the adjacent San Diego Bay National Wildlife Refuge. In fiscal year 2021, the District selected distinguished artist Roberto Salas to create public art to be included in the park.

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 public health through cleaner air while also supporting efficient and modern maritime operations. The MCAS, the most ambitious document of its kind in the state, and likely in the entire country, also complements emission reduction efforts that are being advanced as part of the Portside Environmental Justice Neighborhoods Assembly Bill 617 Community Emission Reduction Plan. In fiscal year 2022, the Board of Port Commissioners adopted the MCAS and its vision – Health Equity for All – representing the District's commitment to environmental justice, specifically cleaner air for everyone who lives, works, and plays on and around San Diego Bay. The MCAS includes goals and objectives for seven emissions sources – cargo handling, commercial harbor craft, shipyards, heavy-duty trucks, the District's own fleet, oceangoing vessels, and rail. It also identifies three stakeholder-driven priorities: community enrichment, public health, and enabling strategies to support the transition to cleaner technologies. 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. The District is now working on timely and cost-effective implementation of the various projects and initiatives identified in the MCAS. District staff will regularly report back to the Board, including comprehensive updates every two years.

Electrification

As part of the MCAS, the District made major advancements in its electrification efforts in fiscal year 2022:

- Electric Cranes: The BPC authorized a purchase agreement with Germany-based Konecranes for two all-electric, battery-supported Gottwald Generation 6 Mobile Harbor Cranes to replace the diesel-powered crane currently in use at the District's Tenth Avenue Marine Terminal. The District purchased the crane for approximately $14 million, paid for through the District's Economic Recovery Program. The conversion from a diesel-powered crane to an all-electric crane system is a big step toward achieving a long-term goal of the Port's Maritime Clean Air Strategy (MCAS) – 100 percent zero-emission cargo handling equipment by 2030 – and is ahead of California Air Resources Board (CARB) regulations.
- Electric Tug: District tenant Crowley Marine Services is building a first-of-its-kind electric tugboat and they will be operating it on San Diego Bay, replacing a diesel-powered tugboat. The eTug, dubbed the eWolf, is a result of a partnership among Crowley, the District, the San Diego County Air Pollution Control District, the California Air Resources Board, the U.S. Environmental Protection Agency, San Diego Gas & Electric (SDG&E), and the U.S. Maritime Administration, which all provided financial support and/or other resources.
- District Fleet: the District purchased 16 new electric vehicles, including 12 medium-duty pickup trucks and four vans from National Auto Fleet Group and Lordstown. The EVs will eventually replace gas or diesel-powered vehicles and signal the beginning of District's conversion to a zero-emissions fleet.
- Bonnet System: the District entered into an agreement with Clean Air Engineering – Maritime, Inc. to design, build, and operate a barge-based emissions control and capture system, also known as the Marine Exhaust Treatment System (METS), which will be certified by the California Air Resources Board. For vessels that are not yet shore power compatible, the METS places an insulated exhaust duct that controls exhaust transfer from the capture hood to the exhaust treatment systems while the ship is at berth. Having this system in addition to shore power at the Port of San Diego's cargo terminals – current shore power capabilities at the Tenth Avenue Marine Terminal and similar capabilities coming soon at the National City Marine Terminal – will help to further reduce certain air pollutants like nitrogen oxides and diesel particulate matter. The bonnet system is anticipated to be operational by 2025.
- Cruise Ship Terminal Shore Power: A second connection is being installed at the B Street Cruise Ship Terminal and is expected to be operational in late 2022. With this installation, up to two cruise ships can be connected to electrical power and turn off their main engines while at berth, significantly reducing air emissions affecting downtown San Diego and the region.
- HD Truck Charging RFI: The District issued a Request for Information (RFI) seeking information to facilitate the deployment of infrastructure to support the transition to zero-emission (ZE) truck trips to and from the District's marine cargo terminals in San Diego and National City. The RFI's objective is to identify opportunities to deploy public-facing infrastructure for both battery electric and hydrogen fuel cell ZE technologies for Heavy Duty trucks. The RFI has identified four potential sites on Tidelands as well as four additional sites throughout the region. The District is also interested in opportunities on property not controlled by the District located throughout San Diego County along high-volume freight corridors. These areas include, but are not limited to, areas adjacent to District Tidelands, Otay Mesa, and along Interstate I-5, I-8, and I-15. Staff intends to take the results of the RFI to the BPC in fall 2022 and receive direction on how to proceed.

- Planning and Research:
  - Heavy Duty Zero Emission Truck Transition Plan: In June 2022, staff completed the Final Heavy-Duty Zero Emission Truck Transition Plan and presented it to the BPC, which identified pathways to meet the MCAS zero- emission truck goals for 2026 and 2030. The targeted pathway consists of replacing between 86 to 153 diesel truck trips with zero emission truck trips in an effort to attain 40% zero-emission truck trips by 2026. The Truck Transition Plan also recommends the following strategies to help meet our 2026 goal:
    - Providing technical assistance to truck operators;
    - Develop and present a Short-Haul Zero Emission Truck Program for the Board's consideration. In addition, pursue outside funding opportunities to offer subsidies, with priority to trucks identified in the Targeted Pathway;
    - Assisting in the planning, design, and implementation of zero-emission supporting infrastructure; and
    - Supporting and promoting policy goals to increase adoption of zero-emission trucks.
    - Advancing progress towards the District's long-term goal in 2030 would involve the following framework:
      - Developing a truck registry to track trips and monitor progress;
      - Conducting biennial updates to the Plan; and
      - Collecting data for new projects located at the marine cargo terminals.
  - Health Risk Assessment: The preliminary Health Risk Assessment (HRA) was completed in October 2021 and presentations were provided to the BPC in December 2021 (Preliminary Draft HRA) and June 2022 (Updated HRA). The Updated HRA Report is a technical document establishing the Baseline Health Risk of maritime operations at the Port's two marine cargo terminals and forecasts the potential reduction of health risk should certain MCAS objectives be achieved.

Tijuana River Valley Pollution

The District, along with the Cities of Imperial Beach, Chula Vista, and San Diego, the California State Lands Commission, the California San Diego Regional Water Quality Control Board, and the Surfrider Foundation, reached a major milestone in efforts to mitigate transboundary pollution including raw sewage and toxic chemicals polluting San Diego area communities and beaches through a comprehensive settlement agreement with the U.S. Section of the International Boundary and Water Commission (IBWC). The settlement resolves years of litigation that began with the first of three lawsuits filed by the District and Cities of Imperial Beach and Chula Vista. The settlement was achieved in part by the commitment from IBWC to take short to long-term actions to address transboundary flows and the Environmental Protection Agency's (EPA's) announcement of their intent to pursue a holistic water infrastructure strategy to address multiple facets of the transboundary pollution issue and make real progress for the future of the San Diego region. In fiscal year 2022, the EPA initiated the environmental review of projects in the comprehensive USMCA Mitigation of Contaminated Transboundary Flow Project that have the highest potential to stem transborder pollution and improve water quality. The District continued to support the EPA's approach to a holistic comprehensive solution and collaborated with the other local stakeholders to provide input throughout the process. These efforts and other related projects implemented by local agencies within the US-side of the Tijuana River watershed were further supported by significant, bi-national commitments by the U.S. and Mexico governments in 2022 to fund sanitation projects in San Diego and Tijuana which is memorialized through Minute 328, an enforceable treaty that will ensure delivery of these commitments.

Native Oyster Living Shoreline

The District, in partnership with the California State Coastal Conservancy and U.S. Fish & Wildlife Service, began installation of the South Bay Native Oyster Living Shoreline Project adjacent to the Chula Vista Wildlife Refuge. This project has been years in the making and is the latest of several District projects to protect the shoreline from impacts related to rising sea levels and to increase the biodiversity of San Diego Bay by creating new marine habitats. The project's total cost is approximately $960,000 and is fully funded via grants from the U.S. Fish and Wildlife Service and Builders Initiative. Living shorelines rely on natural elements, such as plants or, in this case, oysters, to stabilize shorelines in place of the traditional hard armoring – such as rip rap revetment and sea walls that we currently see prevalent around the bay. Living shorelines are an excellent resiliency strategy in the face of sea level rise due to their ability to adapt naturally and grow over time. The project's objective is to demonstrate the ability to attract and establish native oyster populations that create structurally complex "reef" habitats 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.

Eelgrass Study

The District entered into a new partnership with the United States Department of Transportation's Maritime Administration's (MARAD) META program to study baywide eelgrass carbon sequestration. The META program promotes the research, demonstration, and development of emerging technologies, practices, and processes that improve maritime industrial environmental sustainability. Eelgrass and other coastal "blue carbon" ecosystems have a unique ability to rapidly capture and hold large amounts of carbon dioxide in their plants and soils. Like all plants, eelgrass absorbs carbon dioxide (CO2) and produces oxygen. Unlike land plants though, eelgrass is submerged in saltwater, which prevents the release of CO2 back into the atmosphere. As a result, the carbon is trapped in the eelgrass plants and soils for thousands of years. Even though eelgrass habitats cover a small fraction of the area forests on land, they can store carbon at rates 30 to 50 times greater than forests. In San Diego Bay, eelgrass is a heavy hitter when it comes to its potential to store carbon. The bay supports 17% of all eelgrass in the state and half the eelgrass found in Southern California. Eelgrass is one of the least-studied coastal ecosystems. More research is needed to understand how much carbon eelgrass can store and how eelgrass can support efforts to mitigate greenhouse gas emissions. MARAD awarded the Port of San Diego a $150,000 cooperative agreement for a one-year study to assess how much carbon is stored in San Diego Bay's eelgrass and how much carbon eelgrass will continue to capture into the future. Information from this pioneering study will help the San Diego region better understand the carbon sequestration benefits of healthy eelgrass and how restoring or enhancing eelgrass could help mitigate greenhouse gases.

Blue Economy Incubator

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. The District is committed to fostering the development of a sustainable ocean economy and exploring new opportunities that deliver multiple social, environmental, and economic co-benefits to the District and the region. In exchange for funding or in-kind support, the District receives a royalty from the businesses' operations or technology. According to a report completed in fiscal year 2022, the District committed $1.6 million in funding for nine projects and attracted an additional $1.2 million in outside funding for blue economy initiatives, provided access and use of District-owned property, assisted with obtaining all necessary regulatory and operational permits, coordinated the installation of pilot projects, and collaborated on marketing and communications. Additional highlights in the report include:

a. Over 250 inquiries from organizations seeking partnership and pilot project opportunities
b. Over 25 partnerships were created and nine innovative projects launched
c. 20 million juvenile oysters are expected to be produced annually when San Diego Bay Aquaculture's FLUPSY is at full capacity
d. 110,000 pounds of marine debris removed, including 33,000 pounds of marine debris removed from San Diego Bay by Zephyr during the one-year pilot and then an additional 77,000 pounds were removed through an add-on contract with the Port
e. 468 SPEARS units of SPEARS technology deployed into the bay sediment by ecoSPEARS to demonstrate their innovative approach to sediment and soil remediation in port environments.
f. 58 different species were found living on ECOncrete's bio-enhancing shoreline protection armor units just eight months after deployment

g. Six different algae species were tested at the seaweed aquaculture pilot farm established by Sunken Seaweed to launch various products and measure restoration benefits
h. Three control cleaning events and concurrent water quality sampling events to evaluate release of copper from boat hulls using Rentunder Boatwash technology

Ridgway's Rail Breeding Program

As an environmental champion for San Diego Bay and the surrounding waterfront, the District continued its support of The Living Coast Discovery Center's Ridgway's Rail Propagation Program with a commitment of up to $180,000 over five years. The endangered light-footed Ridgway's rail is a gray-and-rusty colored bird about the size of a chicken that lives in the dense vegetation of coastal wetlands primarily in Southern California and Baja California. In San Diego Bay, Ridgeway's rails are known to nest within the San Diego Bay National Wildlife Refuge and forage in the Chula Vista Wildlife Reserve. Rails have also been observed foraging in other San Diego marsh habitats, such as the F&G Street Marsh in Chula Vista. The Living Coast, in partnership with the U.S. Fish & Wildlife Service, Hubbs SeaWorld, San Diego Zoo Safari Park, and California Department of Fish & Wildlife, has been conducting a regional propagation program, or captive breeding program, to rear Ridgway's rails since 2000. The District has been supporting the program for years in alignment with one of the District's strategic goals, which is to be a "A Port with a healthy and sustainable bay and its environment."

Environmental Education

The BPC committed $850,000 and approved agreements with 12 environmental education programs to provide innovative, hands-on curriculum to an estimated 75,000 students within the San Diego Bay watershed. The agreements are a component of the District's Environmental Education Program established in 2003 to proactively engage students, teachers, and communities throughout the San Diego Bay watershed about pollution prevention, environmental stewardship, healthy ecosystems, and natural resources connected with San Diego Bay. Students from each of the District's five member cities participate – Chula Vista, Coronado, Imperial Beach, National City, and San Diego.

Green Marine

The District earned re-certification by Green Marine, North America's largest voluntary environmental certification program for the maritime industry. The District first enrolled in Green Marine in 2018 and at that time was the second port in California to become a Green Marine participant. The re-certification covers calendar year 2021. To earn the re-certification, the District had to undergo a rigorous evaluation of its environmental initiatives. Results of the evaluation were then verified by an accredited third party. The program addresses 14 key areas that include community relations and environmental leadership with precise criteria that measure progress beyond regulations. A signature initiative that was recognized during the re-certification was the District's completion of its Maritime Clean Air Strategy (MCAS). Green Marine's 2021 certification program had 171 participants. They included ship owners, port authorities (including four in California), terminal operators, shipyard managers, and the seaway corporations.

Awards Received by the District

- 2022 – Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (ACFR) for fiscal year 2021 from the Government Finance Officers Association of the United States and Canada (GFOA)
- 2022 – Best Cruise Port in the World, 10th Annual Global Traveler Leisure Lifestyle Awards
- 2022 – Outstanding Airports & Ports Project, ECOncrete CoastaLock, San Diego Section of the American Society of Civil Engineers
- 2022 – Economic Prosperity Award for the revitalization of Seaport Village, "Create the Future Awards," Downtown San Diego Partnership, Port of San Diego, Protea Properties, and SLP Urban Planning

- 2021 – iCommute Diamond Award – Gold Tier, SANDAG
- 2021 – Named a "Standout Port" by AAPA Seaports Magazine
- 2021 – "Princess of the Tides" award to the Port of San Diego's Paula Sylvia, The Pacific Coast Shellfish Growers Association, for outstanding dedication and achievements in developing shellfish aquaculture in San Diego

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 eight 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, 2021. 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, 2021.

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

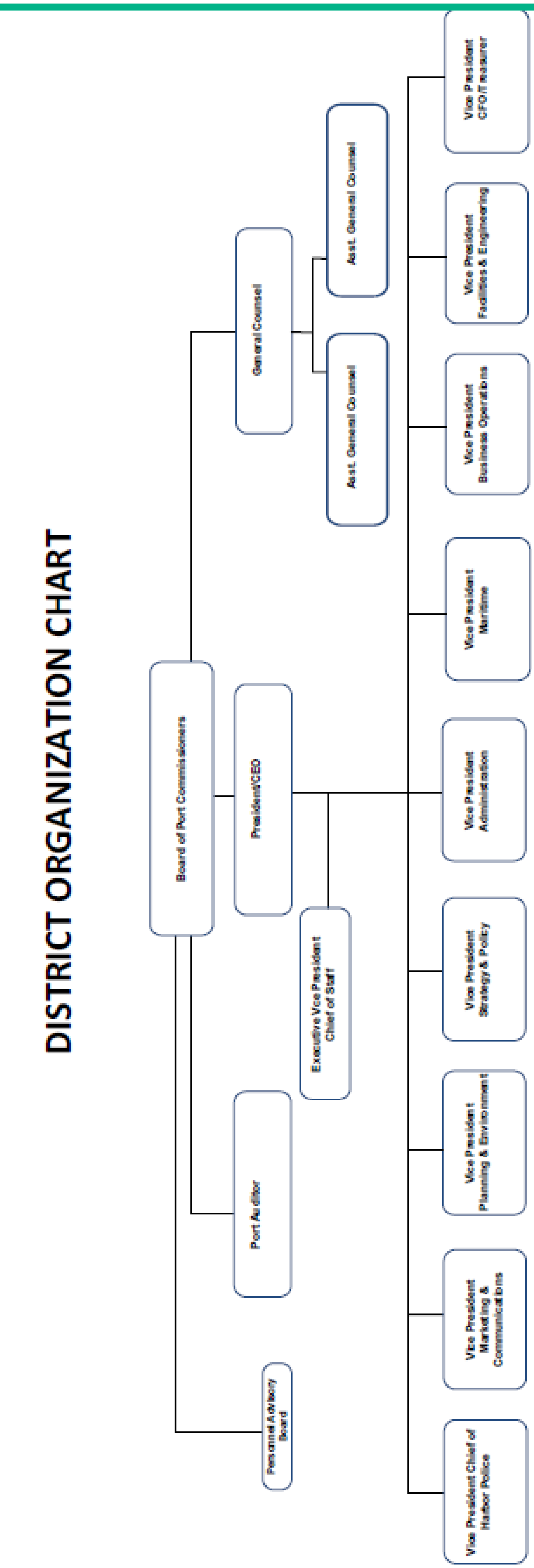
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

District Organization Chart



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FINANCIAL SECTION

PORT of SAN DIEGO
Waterfront of Opportunity

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Independent Auditor's Report

Report of Independent Auditors

To the Members of the Board of Port Commissioners
San Diego Unified Port District

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the San Diego Unified Port District, which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the San Diego Unified Port District as of June 30, 2022, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States, and the California Code of Regulations, Title 2, Section 1131.2, *State Controller's Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the San Diego Unified Port District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 of the financial statements, the San Diego Unified Port District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases,* effective July 1, 2020. The financial statements have been retroactively restated in accordance with the requirements of the new standard. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the San Diego Unified Port District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards,* and the California Code of Regulations, Title 2, Section 1131.2, *State Controller's Minimum Audit Requirements for California Special Districts* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards,* and the California Code of Regulations, Title 2, Section 1131.2*, State Controller's Minimum Audit Requirements for California Special Districts*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the San Diego Unified Port District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the San Diego Unified Port District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Matters

Prior Period Financial Statements

The financial statements of the San Diego Unified Port District as of June 30, 2021, were audited by other auditors whose report dated November 19, 2021, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2022, on our consideration of the San Diego Unified Port 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 San Diego Unified Port 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 San Diego Unified Port District's internal control over financial reporting and compliance.

Moss Adams LLP

San Diego, California
November 18, 2022

Management's Discussion and Analysis (Unaudited)

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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, 2022 and June 30, 2021. 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.

The following Financial Highlights reflect GASB Statement No. 87, *Leases* (GASB 87), implementation effective July 1,2020, restating the financial results as of fiscal year 2021 with no impacts to fiscal year 2020 for comparative purposes (please see Footnote 9 for more information):

Financial Highlights – year ended June 30, 2022

- As of June 30, 2022, the assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $416.5 million.
- Operating revenues for the District were $167.0 million for fiscal year 2022 compared to $122.1 million for fiscal year 2021.
- Operating expenses, including depreciation and amortization, for the District were $165.4 million for fiscal year 2022 compared to $182.7 million for fiscal year 2021.
- Nonoperating revenues for the District were $69.8 million for fiscal year 2022 compared to $44.4 million for fiscal year 2021.
- Nonoperating expenses for the District were $3.2 million for fiscal year 2022 compared to $3.1 million for fiscal year 2021.
- Revenues from capital grants and contributions totaled $3.1 million for fiscal year 2022 compared to $1.2 million for fiscal year 2021.
- The District's total net position increased by $71.4 million during fiscal year 2022 compared to a $18.0 million decrease in fiscal year 2021.

Financial Highlights – year ended June 30, 2021 (as Restated)

- As of June 30, 2021, the assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $345.1 million.
- Operating revenues for the District were $122.1 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 $44.4 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 $18.0 million during fiscal year 2021 compared to a $22.0 million decrease in fiscal year 2020.

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 $416.5 million at the end of fiscal year 2022, compared to $345.1 million at the end of fiscal year 2021 and $363.2 million at the end of fiscal year 2020.

The District's financial position at June 30, 2022, 2021, and 2020 is summarized as follows:

Condensed Statements of Net Position
(Expressed in thousands)

	2022	2021 (As Restated)	2020
Current assets	$ 151,196	$ 124,252	$ 129,170
Noncurrent assets and restricted assets	1,251,795	1,200,158	29,258
Capital assets	595,503	575,911	591,337
Total assets	1,998,494	1,900,321	749,765
Deferred outflows of resources	52,445	71,280	47,066
Current liabilities	63,308	32,581	46,644
Noncurrent liabilities	279,367	395,157	350,480
Total liabilities	342,675	427,738	397,124
Deferred inflows of resources	1,291,722	1,198,746	36,543
Net investment in capital assets	569,940	547,899	560,087
Restricted	3,422	7,269	8,506
Unrestricted	(156,820)	(210,052)	(205,429)
Total net position	$ 416,542	$ 345,116	$ 363,164

As of June 30, 2022, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $416.5 million compared to $345.1 million as of June 30, 2021 and $363.2 million as of June 30, 2020. 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 10(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 $(156.8) million as of June 30, 2022, $(210.1) million as of June 30, 2021 (as restated), and $(205.4) million as of June 30, 2020. 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. The total net position of $345.1 million was restated by $18.4 million from $326.7 million reported in the District's fiscal year 2021 audited financial statements, resulting from implementation of GASB Statement No. 87, *Leases* (GASB 87). See footnote 9 for more information regarding the restatement.

Capital Assets

The District's net book value was $595.5 million as of June 30, 2022, $575.9 million as of June 30, 2021, and $591.3 million as of June 30, 2020. 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)

	2022	2021	2020
Nondepreciable assets:			
Land	$ 314,506	$ 277,151	$ 252,803
Construction-in-progress	42,226	44,818	65,612
Depreciable/amortizable assets:			
Land improvements	7,650	7,650	7,650
Buildings and structures	644,050	638,515	637,316
Machinery and equipment	85,475	84,018	83,504
Roads and parking lots	128,377	128,363	122,645
Intangible	22,371	17,433	16,617
Total assets	1,244,655	1,197,948	1,186,147
Accumulated depreciation/amortization	(649,152)	(622,037)	(594,810)
Capital assets, net	$ 595,503	$ 575,911	$ 591,337

Capital Assets – Fiscal year 2022 compared to 2021:

The District invested a total of $46.7 million in construction-in-progress during fiscal year 2022 (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 2022 for some of the major capital projects:

$14.1 million, Chula Vista Bayfront Land Improvement
$10.0 million, Electrical Crane System
$3.5 million, Curtain Wall Repairs and Backfilling at B Street Pier
$2.7 million, Cold Ironing Phase 2 at B Street and Broadway Piers
$2.1 million, TAMT Microgrid Infrastructure Improvement
$1.5 million, U.S. Coast Guard Tenant Improvements
$1.1 million, Sweetwater Park
$1.1 million, Chula Vista Bayfront - South Campus Demolition
$900 thousand, Port Emission Capture Control System
$761 thousand, San Diego Bay Native Oyster Living Shore
$8.9 million, all other capital projects

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

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, 2022, 2021, and 2020 are presented below:

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

	2022	2021 (As Restated)	2020
Operating revenues:			
Real Estate	$ 108,297	$ 78,171	$ 92,134
Guest Experiences - Parking	14,908	7,947	13,338
Maritime	39,899	33,785	37,760
Harbor Police	17,922	19,898	16,159
Other operating revenues	3,067	3,809	3,106
GASB 87 adjustment	(17,054)	(21,545)	—
Total operating revenues	167,039	122,065	162,497
Operating expenses:			
Direct expenses			
Real Estate	29,277	27,567	31,773
Guest Experiences - Parking	5,691	4,358	4,522
Maritime	18,902	15,366	17,829
Harbor Police	42,777	42,273	43,619
Other operating expenses	(856)	28,104	22,490
Depreciation and amortization	27,432	27,226	27,551
General and administrative expenses	42,159	37,759	46,397
Total operating expenses	165,382	182,653	194,181
Income/(loss) from operations	1,657	(60,588)	(31,684)
Nonoperating revenues	69,780	44,417	12,605
Nonoperating expenses	3,150	3,100	12,628
Nonoperating income/(loss)	66,630	41,317	(23)
Capital grants and contributions	3,139	1,223	9,733
Change in net position	71,426	(18,048)	(21,974)
Beginning net position	345,116	363,164	385,138
Ending net position	$ 416,542	$ 345,116	$ 363,164

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 total net position of $345.1 million was restated by $18.4 million from $326.7 million reported in the District's fiscal year 2021 audited financial statements, resulting from implementation of GASB 87. See footnote 9 for more information regarding the restatement.

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 reimbursements of expenses from the Economic Recovery Program (ERP), interest income from investments, interest income from leases in accordance with GASB 87, damages recovered, grant revenues, asset forfeiture proceeds, low carbon fuel standard (LCFS) revenue, and miscellaneous other nonoperating revenues. The ERP projects utilize funds received from the State of California's Coronavirus Fiscal Recovery Fund of 2021.

The major components of nonoperating expenses are interest expense, financial assistance expense, and other miscellaneous nonoperating expenses.

Capital grants and contributions include Tenth Avenue Marine Terminal (TAMT) Microgrid infrastructure project, San Diego Bay Native Oyster Living Shoreline Project, and Port Security capital grants.

Operating Revenues – Fiscal year 2022 compared to 2021:

(Expressed in thousands)	2022	2021 (As Restated)	$ Change Increase (Decrease)	% Change
Real Estate	$ 108,297	$ 78,171	$ 30,126	38.5 %
Guest Experiences - Parking	14,908	7,947	6,961	87.6 %
Maritime	39,899	33,785	6,114	18.1 %
Harbor Police	17,922	19,898	(1,976)	(9.9)%
Other operating revenues	3,067	3,809	(742)	(19.5)%
GASB 87 adjustment	(17,054)	(21,545)	4,491	20.8 %
Total operating revenues	$ 167,039	$ 122,065	$ 44,974	36.8 %

- Real Estate operating revenues of $108.3 million increased $30.1 million from $78.2 million. The increase was primarily due to increases in concessions and parking revenue related to the easing and eventual elimination of COVID-19 pandemic restrictions throughout the fiscal year. Businesses on the tidelands rebounded in fiscal year 2022 as tourism, conventions, and local visitors returned to hotels, restaurants, sport-fishing, and the Seaport Village waterfront shopping and dining complex. Most of the year-over-year increases were attributable to those tenants. The District also received a participation fee of $2.1 million for the sale of the Sunroad Resort Marina to a third party as a condition of the lease between the District and the tenant.

- Guest Experiences - Parking operating revenues of $14.9 million increased $7.0 million from $7.9 million. The increase was primarily due to a sharp increase in visitor parking for venues on or near District tidelands, including the new Rady Shell concert venue in Embarcadero Marina Park South that opened in summer 2021, the Convention Center, and Petco Park baseball stadium. Additionally, parking meters and parking concessions also saw higher revenue due to increased visitation to the North Embarcadero area and Airport parking.

- Maritime operating revenues of $39.9 million increased $6.1 million from $33.8 million. The increase was primarily due to the return of cruise business as well as increased activities from harbor excursion operations and Pier 32 Marina in National City. All cruise calls were cancelled in fiscal year 2021 as a result of the COVID-19 pandemic.

- Harbor Police operating revenues of $17.9 million decreased $2.0 million from $19.9 million. The decrease was primarily due to lower than anticipated billable hours for airport police services impacted by staffing issue and the transfer of mooring services to Maritime.

- Other operating revenues of $3.1 million decreased $742 thousand from $3.8 million. The decrease was primarily due to the termination of the San Diego Gas & Electric (SDG&E) efficiency partnership program in fiscal year 2021, as well as reduced reimbursement of general and administrative costs related to airport police services.

- GASB 87 adjustment of $(17.1) million increased $4.5 million from $(21.5) million due to recognition of lease revenue in accordance with the standard. The GASB 87 adjustment reflects the net impacts of reportable operating lease and non-operating interest revenues as required by the standard for minimum rents for certain District tenant agreements. The adjustment is associated primarily with Real Estate revenues.

Operating Revenues – Fiscal year 2021 compared to 2020:

(Expressed in thousands)	2021 (As Restated)	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 %
GASB 87 adjustment	(21,545)	—	(21,545)	— %
Total operating revenues	$ 122,065	$ 162,497	$ (40,432)	(24.9)%

- Real Estate operating revenues of $78.2 million decreased $14.0 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 in the fourth quarter of the 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 cost.

- 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.

- GASB 87 adjustment of $(21.5) million reflects the net impacts of reportable operating lease and non-operating interest revenues as required by the standard for minimum rents for certain District tenant agreements.

Operating Expenses - Fiscal year 2022 compared to 2021:

(Expressed in thousands)	2022	2021	$ Change Increase (Decrease)	% Change
Direct expenses				
Real Estate	$ 29,277	$ 27,567	$ 1,710	6.2 %
Guest Experiences - Parking	5,691	4,358	1,333	30.6 %
Maritime	18,902	15,366	3,536	23.0 %
Harbor Police	42,777	42,273	504	1.2 %
Other operating expenses	(856)	28,104	(28,960)	(103.0)%
Depreciation and amortization	27,432	27,226	206	0.8 %
General and administrative expenses	42,159	37,759	4,400	11.7 %
Total operating expenses	$ 165,382	$ 182,653	$ (17,271)	(9.5)%

- Real Estate operating expenses of $29.3 million, before depreciation and G&A expense, increased $1.7 million from $27.6 million, primarily due to an increase in common area maintenance and marketing costs for Seaport Village and increased consultant fees for various projects and brokerage fees for Seaport Village.

- Guest Experiences - Parking operating expenses of $5.7 million, before depreciation and G&A expenses, increased $1.3 million from $4.4 million. The increase was mainly due to increased facility management services and credit card fees, which cover the operation of staffed parking lots and garages and are directly tied to revenue, as operator fees and credit card fees are based on a percentage of revenues.

- Maritime operating expenses of $18.9 million, before depreciation and G&A expenses, increased $3.5 million from $15.4 million. The increase was primarily due to the return of cruises business resulting in increased security and maintenance expenses. Additionally, the increase was also attributable to tenant-related legal expenses and maritime clean air strategy efforts.

- Harbor Police operating expenses of $42.8 million, before depreciation and G&A expenses, increased $504 thousand from $42.3 million. The increase was primarily due to increased retirement cost, group health insurance, payroll taxes, and professional services expenses.

- Other operating expenses of $(856) thousand, before depreciation and G&A expenses, decreased $29.0 million from $28.1 million. The decrease was primarily due to accounting adjustments for pension expense per GASB Statement No. 68 and Other Postemployment Benefit (OPEB) expense per GASB Statement No. 75.

- Total depreciation and amortization expenses of $27.4 million increased $206 thousand from $27.2 million.

- G&A expenses of $42.2 million increased by $4.4 million from $37.8 million, due to increases in both personnel and non-personnel operating expenses spurred by a return to business from the COVID-19 pandemic. Total personnel cost increased by $1.9 million, partially due to reinstatement of the 2% salary reduction for unrepresented employees earning more than $75 thousand per year that was taken in fiscal year 2021, a COVID-19 stipend paid to eligible employees in December and June, and an increase in retirement and workers' compensation expenses. Non-personnel expense increase of $2.5 million was driven mainly by marketing/outreach, due to the return of events on Port tidelands, and a combination of expenses in the Technology Management Program (professional services, equipment, and software maintenance); however, it should be noted that these expenses were funded by ERP.

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 expenses, decreased $4.2 million from $31.8 million. The decrease was mainly due to reduced spending on professional services, as well as delayed or canceled 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 due to 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 thousand per year effective July 1, 2020. Non-personnel expense reductions were driven mainly by Marketing/Outreach, Professional Services, Legal Services, Equipment, Systems, and Maintenance - all reduced by COVID-related delays or cancellations.

Nonoperating Revenues, Expenses, and Capital Grants and Contributions - Fiscal year 2022 compared to 2021:

(Expressed in thousands)	2022	2021 (As Restated)	$ Change Increase (Decrease)	% Change
Nonoperating revenues	$ 69,780	$ 44,417	$ 25,363	57.1 %
Nonoperating expenses	$ 3,150	$ 3,100	$ 50	1.6 %
Capital grants and contributions	$ 3,139	$ 1,223	$ 1,916	156.7 %

- The District's nonoperating revenues of $69.8 million, excluding capital grants and contributions, increased $25.4 million from $44.4 million. The increase was primarily due to the reimbursements of expenditures from the ERP and partially offset in a reduction of interest income from leases in accordance with GASB 87.

- Nonoperating expenses of $3.2 million increased $50 thousand from $3.1 million. The increase is primarily due to write-off of prior year capital projects, offset by savings in interest expense.

- Capital grants and contributions of $3.1 million increased $1.9 million from $1.2 million. The increase was primarily due to reimbursements from the grant-funded Microgrid project.

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

(Expressed in thousands)	2021 (As Restated)	2020	$ Change Increase (Decrease)	% Change
Nonoperating revenues	$ 44,417	$ 12,605	$ 31,812	252.4 %
Nonoperating expenses	$ 3,100	$ 12,628	$ (9,528)	(75.5)%
Capital grants and contributions	$ 1,223	$ 9,733	$ (8,510)	(87.4)%

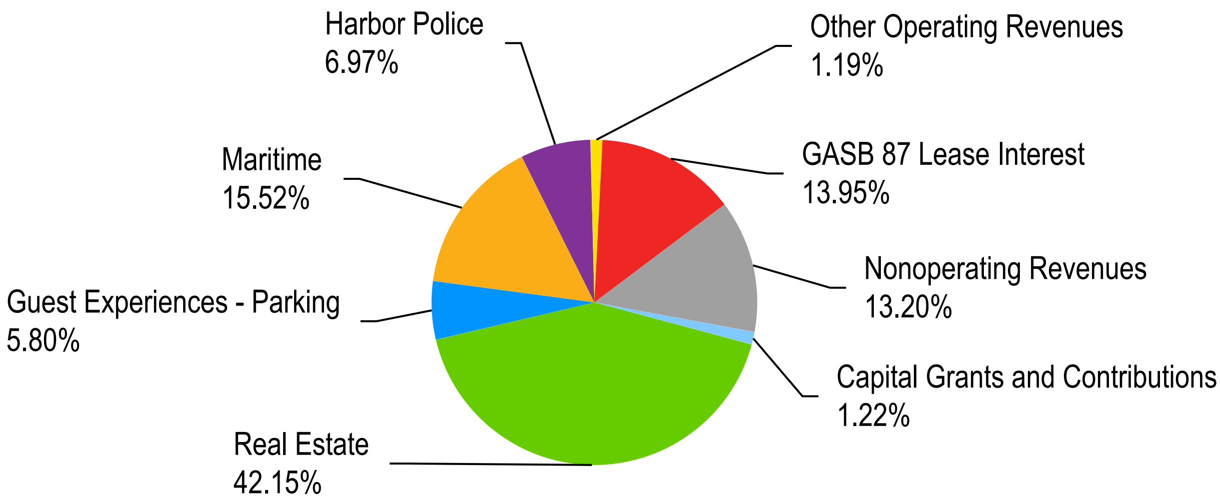
- The District's nonoperating revenues of $44.4 million, excluding capital grants and contributions, increased $31.8 million from $12.6 million. Nonoperating revenues were restated by $39.9 million from $4.5 million as reported in the District's fiscal year 2021 audited financial statements, resulting from interest income from leases per implementation of GASB 87 and partially offset by a decrease in car rental transaction fees suspended at the end of fiscal year 2020.

- 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 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 fiscal year 2020.

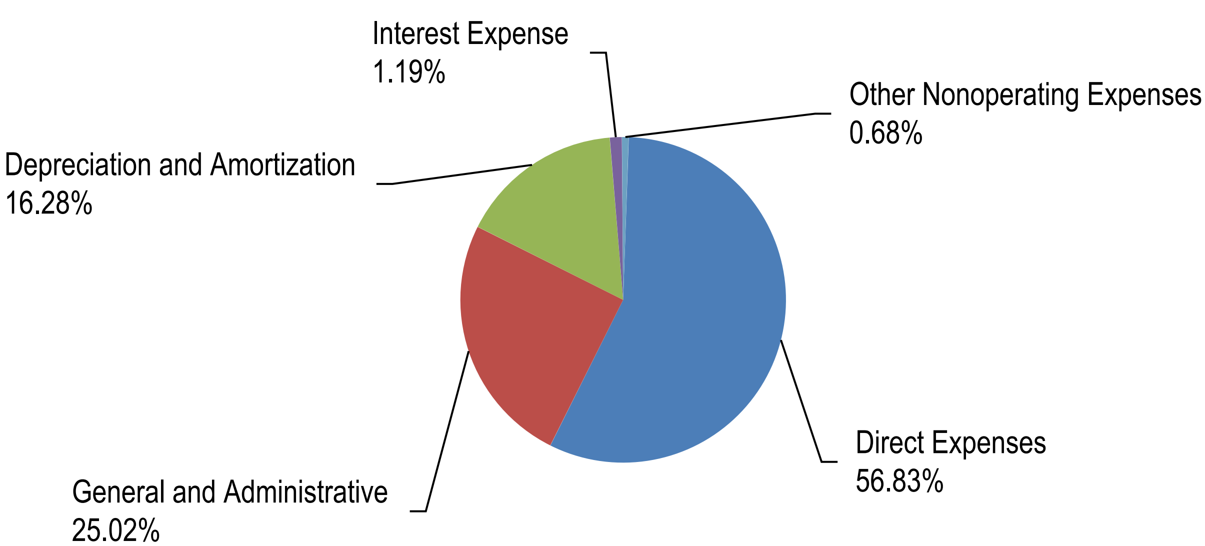
The following charts show the total District revenues and expenses as percentages by major categories for fiscal year 2022:

Fiscal Year 2022 Revenues



Total Gross Revenues	**$257,011,083**
GASB 87 adjustment	**(17,053,911)**
Total Revenues, net	**$239,957,171**

Fiscal Year 2022 Expenses



Total Expenses	**$168,531,799**

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. 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.

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 from the remaining balance of $26.5 million are anticipated over the remaining approximate 9-year life of the note. All other terms of the note will remain the same.

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. 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.

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, 2022 and June 30, 2021:

	July 1, 2021	Increases	Decreases	June 30, 2022	Amounts Due Within One Year
Notes:					
SDCRAA promissory note	$ 27,208,867	$ —	$ (2,372,252)	$ 24,836,615	$ 2,540,692
Revenue bonds:					
Series A 2013 bonds payable	23,210,000	—	(2,095,000)	21,115,000	2,200,000
Series A 2013 bonds premium	802,079	—	(219,903)	582,176	—
Total notes and bonds	$ 51,220,946	$ —	$ (4,687,155)	$ 46,533,791	$ 4,740,692

	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

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, 2022 and June 30, 2021

ASSETS	2022	2021 (As Restated)
Current assets:		
Unrestricted:		
Cash and cash equivalents	$ 56,539,632	$ 73,410,831
Investments	39,461,795	—
Accounts receivable, net of allowance	24,604,788	23,625,721
Lease receivable - GASB 87	22,750,468	22,051,403
Other current assets	7,839,429	5,163,655
Total unrestricted current assets	151,196,112	124,251,610
Total current assets	151,196,112	124,251,610
Noncurrent assets:		
Restricted assets:		
Restricted cash and investments:		
Mitigation fees	6,563,500	6,563,500
County Sweetwater Park fund	6,900,272	—
Chula Vista Bayfront Development RIDA	707,032	5,312,109
Stimulus Funds	32,385,518	—
Deposits and other miscellaneous	9,962,796	8,093,063
Escrow accounts:		
South Bay Power Plant remediation and other miscellaneous	1,396,712	1,399,210
Workers' compensation collateral	4,395,222	4,393,806
Series 2013 Bonds:		
Debt service reserve funds held by trustee	2,579,135	2,579,328
Total restricted assets	64,890,187	28,341,016
Other noncurrent assets:		
Cash and investments designated for specific capital projects and commitments	1,004,349	4,399,101
Lease receivable, net of current portion - GASB 87	1,185,895,163	1,167,389,434
Other noncurrent assets	5,421	28,422
Total other noncurrent assets	1,186,904,933	1,171,816,957
Capital assets:		
Nondepreciable assets:		
Land	314,505,688	277,150,584
Construction-in-progress	42,226,100	44,817,537
Depreciable assets:		
Land improvements	7,650,334	7,650,334
Building and structures	644,050,080	638,515,061
Machinery and equipment	85,475,327	84,017,648
Roads and parking lots	128,376,611	128,363,060
Intangible assets	22,370,565	17,432,508
Total capital assets	1,244,654,705	1,197,946,732
Less accumulated depreciation and amortization	(649,151,757)	(622,036,103)
Capital assets, net	595,502,948	575,910,629
Total noncurrent assets	1,847,298,068	1,776,068,602
Total assets	1,998,494,180	1,900,320,212
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to bond refunding	85,377	97,429
Deferred outflows related to pensions	22,790,093	48,412,883
Deferred outflows related to OPEB	29,569,283	22,769,448
Total deferred outflows of resources	52,444,753	71,279,760

Continued

See accompanying notes to the basic financial statements.

SAN DIEGO UNIFIED PORT DISTRICT
Statements of Net Position (Continued)
June 30, 2022 and June 30, 2021

	2022	2021 (As Restated)
LIABILITIES		
Current liabilities:		
Accounts payable	$ 19,250,481	$ 7,725,384
Accrued liabilities	4,310,440	7,947,005
Current portion of accrued leave	6,740,161	5,875,544
Deposits, ERP funds, and other short-term liabilities	27,922,272	6,315,463
Accrued interest payable, Series 2013 Bonds	344,129	379,046
Notes payable, current portion	2,540,692	2,243,644
Bonds payable, current portion	2,200,000	2,095,000
Total current liabilities	63,308,175	32,581,086
Noncurrent liabilities:		
Liabilities - payable from restricted assets:		
Mitigation, remediation fees, and County park funds	14,560,484	7,662,710
Other long-term liabilities:		
Notes payable to SDCRAA, net of current portion	22,295,923	24,965,223
Bonds payable, net of current portion	19,497,176	21,917,079
Unearned revenue - ERP funds and other	10,108,609	163,740
Unearned revenue - NEVP credits	5,434,440	5,179,536
Deferred rent credits	—	118,854
Other long-term liabilities	4,977,632	4,780,299
Accrued leave, net of current portion	1,033,002	2,464,678
Net pension liability - GASB 68	82,457,261	177,686,249
Net POB liability - GASB 73	4,733,462	4,164,192
Total OPEB liability - GASB 75	114,268,856	146,054,168
Total other long-term liabilities	264,806,361	387,494,018
Total noncurrent liabilities	279,366,845	395,156,728
Total liabilities	342,675,020	427,737,814
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	56,565,136	—
Deferred inflows related to leases	1,177,820,970	1,175,041,378
Deferred inflows related to OPEB	57,336,232	23,704,577
Total deferred inflows of resources	1,291,722,338	1,198,745,955
NET POSITION		
Net investment in capital assets	569,939,589	547,898,751
Restricted for other projects and grants	3,421,684	7,269,349
Unrestricted (Deficit)	(156,819,698)	(210,051,897)
Total net position	$ 416,541,575	$ 345,116,203

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, 2022 and June 30, 2021

	2022	2021 (As Restated)
Operating revenues:		
Real Estate	$ 108,297,206	$ 78,170,385
Guest Experiences - Parking	14,908,148	7,947,255
Maritime	39,899,435	33,785,207
Harbor Police	17,921,684	19,898,025
Other operating revenues	3,066,662	3,808,954
GASB 87 adjustment	(17,053,911)	(21,544,957)
Total operating revenues	167,039,224	122,064,869
Operating expenses:		
Direct expenses:		
Real Estate	29,276,409	27,566,700
Guest Experiences - Parking	5,690,974	4,357,645
Maritime	18,902,324	15,366,633
Harbor Police	42,777,223	42,273,008
Other operating expenses	(855,708)	28,104,193
Depreciation and amortization	27,432,238	27,225,825
General and administrative expenses	42,158,576	37,758,879
Total operating expenses	165,382,036	182,652,883
Income/(Loss) from operations	1,657,188	(60,588,014)
Nonoperating revenues (expenses):		
Interest income	522,335	559,702
Interest income from leases	35,853,572	39,920,605
Stimulus fund revenue	29,005,229	—
Settlement income (expenses)	—	(93,869)
Net change in the fair value of investments	(432,021)	(134,233)
Interest expense	(2,000,424)	(2,462,794)
Financial assistance	(623,000)	(420,785)
Other nonoperating expenses	(526,339)	(122,660)
Other nonoperating revenues	4,830,403	4,070,792
Nonoperating revenues (expenses), net	66,629,755	41,316,758
Income/(Loss) before capital grants and contributions	68,286,943	(19,271,256)
Capital grants and contributions	3,138,429	1,223,408
Change in net position	71,425,372	(18,047,848)
Net position, beginning of year	345,116,203	363,164,051
Net position, end of year	$ 416,541,575	$ 345,116,203

See accompanying notes to the basic financial statements.

SAN DIEGO UNIFIED PORT DISTRICT
Statements of Cash Flow
Fiscal Years Ended June 30, 2022 and June 30, 2021

	2022	2021 (As Restated)
Cash flows from operating activities:		
Payments from customers	$ 146,433,085	$ 107,762,249
Payments to suppliers	(41,529,687)	(59,890,321)
Payments to employees	(107,669,187)	(92,127,279)
Other receipts	4,195,263	3,276,392
Net cash provided (used) by operating activities	1,429,474	(40,978,959)
Cash flows from noncapital financing activities:		
Maintenance Fund	495,191	(1,854)
Financial assistance	(623,000)	(420,785)
Note payments	(2,372,252)	(2,789,492)
Net cash used in noncapital financing activities	(2,500,061)	(3,212,131)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(46,217,940)	(18,120,080)
Proceeds on sale of capital assets	11,534	116,235
Federal/state grants received	3,046,022	1,196,070
Stimulus funds received	61,390,747	—
County Sweetwater Park Fund	6,900,272	—
Contributions for capital assets	92,407	27,338
Car rental transaction fees	—	54,625
Lease interest - GASB 87	35,853,572	39,920,605
Payment of bond principal	(2,095,000)	(1,995,000)
Interest paid	(2,255,244)	(2,790,807)
Net cash provided by capital and related financing activities	$ 56,726,370	$ 18,408,986
Cash flows from investing activities:		
Purchase of short-term investments	(39,461,795)	(1)
Maturity of short-term investments	—	22,108,395
Interest received from investment securities	90,507	506,804
Net cash provided (used) by investing activities	(39,371,288)	22,615,198
Net increase (decrease) in cash and cash equivalents	16,284,495	(3,166,906)
Cash and cash equivalents, beginning of year	97,778,604	100,945,510
Cash and cash equivalents, end of year	$ 114,063,099	$ 97,778,604
Cash and cash equivalents components:		
Current cash and cash equivalents – unrestricted	$ 56,539,632	$ 73,410,831
Stimulus funds – restricted	32,385,518	—
Chula Vista Bayfront Development RIDA – restricted	707,032	5,312,109
Mitigation fees – restricted	6,563,500	6,563,500
County Sweetwater Park Fund – restricted	6,900,272	—
Deposits and other miscellaneous – restricted	9,962,796	8,093,063
Cash and investments designated for specific capital projects and commitments	1,004,349	4,399,101
Total cash and cash equivalents	$ 114,063,099	$ 97,778,604

Continued

See accompanying notes to the basic financial statements.

SAN DIEGO UNIFIED PORT DISTRICT

Statements of Cash Flow (Continued)

Fiscal Years Ended June 30, 2022 and June 30, 2021

	2022	2021 (As Restated)
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Gain (Loss) from operations	$ 1,657,188	$ (60,588,014)
Adjustments to reconcile loss from operations to net cash provided (used) by operating activities:		
Depreciation and amortization expenses	27,432,238	27,225,825
Gain on disposal of assets	(6,732)	—
Settlement expense	—	71,968
Other activities	4,292,530	3,529,943
Changes in assets, deferred outflows, liabilities, and deferred inflows:		
Accounts receivable	(979,067)	1,936,206
Other current assets	19,375,629	17,946,191
Other restricted assets	(1,415)	(428)
Deferred outflows of resources	18,835,009	(24,214,241)
Accounts payable	10,725,212	(2,934,424)
Accrued liabilities	(2,771,948)	(6,228,143)
Other long-term liabilities	(128,044,946)	49,077,084
Deposits and other short-term liabilities	(804,409)	2,136,823
Deferred inflows of resources	51,720,185	(48,937,749)
Net cash provided (used) by operating activities	$ 1,429,474	$ (40,978,959)

Supplemental disclosure of noncash investing, capital, and financing activities:	2022	2021
Changes to capital assets included in accounts payable	$ (1,337,890)	$ (6,336,563)
Net change in the fair value of investments	(432,021)	(134,233)
Construction-in-progress write-offs - prior year costs	517,253	205
Bond issue premium 2013 Series A (amortization)	219,903	263,705

See accompanying notes to the basic financial statements.

Notes to the Basic Financial Statements

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(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 $619 thousand as of June 30, 2022, and $165 thousand as of June 30, 2021. The amount is based upon management's estimate of accounts that will not be collected.

(f) Leases

The District is a lessor for noncancellable leases of land and real estate, and recognizes a lease receivable and a deferred inflow of resources in the Statement of Net Position.

At the commencement of the lease, the District measures the lease receivable at the present value of payments expected to be received over the course of the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements related to leases with the District as lessor are as follows:

- The District recognizes lease receivables with an initial, individual net present value of $500 thousand or more.
- The District uses a blended incremental borrowing rate as the discount rate for leases when the rate is not stated in the agreement and implicit rate is not determinable.
- The lease term includes the noncancellable period of the lease.
- Projected lease revenues included in the measurement of the lease receivable are composed of fixed payments required per lease terms as well as any variable payments that are fixed in substance. All other variable payments are excluded.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

(g) Designated Assets

The BPC may designate funds, which they do not consider to be available for general operations. At June 30, 2022, the District has designated funds primarily for the unpaid contractual portion of some capital improvement projects (CIP) that are currently in progress totaling $1.0 million compared to $4.4 million as of June 30, 2021. This designation is classified in the accompanying statements of net position as cash and investments designated for specific capital projects and commitments.

Along with 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 $9.8 million excluding projects funded by grants, donations, and contributions (see Note 10(a)i.) compared to $13.1 million in fiscal year 2021.
- Designations for other specific projects and activities (non-CIP) including Art Works, Environmental Fund, Maritime Industrial Impact Fund, and NEVP Maintenance Fund totaling $5.0 million compared to $2.6 million in fiscal year 2021.
- 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 2023 adopted budget, the required operating reserve balance is $68.2 million.

(h) 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, 2022 and 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.

(i) 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. 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 and structures	10 to 50 years
Machinery and equipment	3 to 15 years
Intangible assets	3 to 20 years

(j) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents the consumption of net assets that is applicable to future reporting periods and will not be recognized as an expense until then. The District reports three items that qualify for reporting in this category: deferred outflows related to bond refunding, deferred outflows related to pensions, and deferred outflows related to OPEB. The deferred amount on bond refunding resulted from the difference between the carrying value of refunded debt and its reacquistion price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The deferred amounts related to pension and OPEB relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes. These amounts will be recognized as increases in pension expense and OPEB expense in future years.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents the acquisition of net assets that is applicable to future reporting periods and will not be recognized as a revenue until then. The District reports three items that qualify for reporting in this category: deferred inflows related to leases, deferred inflows related to pensions, and deferred inflows related to OPEB. The deferred amounts related to pension and OPEB relate to differences between estimated and actual experience, and changes in actuarial assumptions. These amounts will be recognized as reductions in pension expense and OPEB expenses in future years. The District has reported amounts associated with long term lease receivables with a deferred amount to be amortized over the terms of the lease agreements.

(k) 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)

(l) 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.

(m) 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 stimulus fund revenue, interest income from leases, grant revenue, and low carbon fuel standard credits.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) New Governmental Accounting Standards

The District implemented the following new governmental accounting standards effective for the fiscal year ended June 30, 2022:

- GASB Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Please refer Note 9 for information related to the GASB No. 87 implementation. The following table shows the increases (decreases) on the financial statements for fiscal year 2021 from adoption of the lease standard:

Impact from GASB 87 adoption			
		2021	
	As originally presented	**Adjustment**	**As restated**
Statement of Net Position:			
Total current assets	98,224,018	26,027,592	124,251,610
Total noncurrent assets	608,679,168	1,167,389,434	1,776,068,602
Deferred inflows related to leases	—	1,175,041,378	1,175,041,378
Total net position	326,740,555	18,375,648	345,116,203
Statements of Revenues, Expenses and Changes in Net Position:			
Total operating revenues	143,609,826	(21,544,957)	122,064,869
Nonoperating revenues (expenses), net	1,396,153	39,920,605	41,316,758
Change in net position	(36,423,496)	18,375,648	(18,047,848)
Statements of Cash Flow:			
Net cash provided (used) by operating activities	(1,058,354)	(39,920,605)	(40,978,959)
Net cash used in capital and related financing activities	(21,511,619)	39,920,605	18,408,986

- GASB Statement No. 92, *Omnibus 2020.* There was no impact on the District's financial statements resulting from the implementation of this statement.

- 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.* There was no impact on the District's financial statements resulting from the implementation of this statement.

(s) Upcoming Governmental Accounting Standards

The following GASB Statements have been issued but are not yet effective for the fiscal year ended June 30, 2022. The District is assessing what financial statement impact, if any, these Statements will have:

- 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. 99, *Omnibus 2022,* effective upon issuance for the requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022

- GASB Statement No. 100*, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62,* effective for the fiscal year ending June 30, 2024.

- GASB Statement No. 101*, Compensated Absences*, effective for the fiscal year end June 30, 2024.

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

Summary of cash and investments:	2022	2021
Cash and cash equivalents	$ 56,539,632	$ 73,410,831
Investments	39,461,795	—
Restricted cash and investments:		
Mitigation Fund	6,563,500	6,563,500
North Embarcadero Visionary Plan Maintenance Fund	2,432,047	1,007,816
Refundable Security Deposits and Other Miscellaneous	6,846,249	6,625,916
Chula Vista Bayfront Development RIDA	707,032	5,312,109
Stimulus Funds	32,385,518	—
County Sweetwater Park Fund	6,900,272	—
Other	684,500	459,331
Total restricted cash and investments	56,519,118	19,968,672
Designated cash and investments:		
Designated for specific capital projects and commitments	1,004,349	4,399,101
Total cash and investments	$ 153,524,894	$ 97,778,604

Cash and investments consist of the following:	2022	2021
Cash on hand, current	$ 2,500	$ 2,500
Deposits with financial institutions	9,163,796	3,852,095
Investments	144,358,598	93,924,009
Total cash and investments	$ 153,524,894	$ 97,778,604

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 2022 and fiscal year 2021 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 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, 2022 and 2021.

Information pertaining to the portfolio's overall sensitivity to interest rate risk as of June 30, 2022 and 2021, is provided in the following tables:

District Investments		**Remaining Days to Maturity**		
Investment Type	**Fair Value as of June 30, 2022**	**120 Days or Less**	**121 to 360**	**361 to 720**
U.S. Treasury Obligations	$ 39,461,795	$ 3,991,840	$ 15,868,600	$ 19,601,365
Local Agency Investment Fund (LAIF)	104,896,803	104,896,803	—	—
Totals:	$ 144,358,598	$ 108,888,643	$ 15,868,600	$ 19,601,365

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	$ —

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, 2022 and 2021, for each investment type.

Investment Type	**Fair Value as of June 30, 2022**	**Minimum Rating**	**Actual Rating**			**Not Rated**
			AAA	**AA+**	**AAf /S1+**	
U.S. Treasury Obligations	$ 39,461,795	n/a	$ —	$ 39,461,795	$ —	$ —
Local Agency Investment Fund (LAIF)	104,896,803	n/a	—	—	—	104,896,803
Totals:	$ 144,358,598		$ —	$ 39,461,795	$ —	$104,896,803

Investment Type	**Fair Value as of June 30, 2021**	**Minimum Rating**	**Actual Rating**			**Not Rated**
			AAA	**AA+**	**AAf /S1+**	
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

On March 8, 2022, 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 July 28, 2022, 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, 2022 and 2021, 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, 2022 and 2021, grouped by issuer, are identified in the tables below.

Issuer	Investment Type	Fair Value as of June 30, 2022	Percentage of Portfolio
United States of America	U.S. Treasury Obligations	$ 39,461,795	27.34 %
Local Agency Investment Fund	Local Agency Investment Fund (LAIF)	104,896,803	72.66 %
Totals:		$ 144,358,598	100.00 %

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 %

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 2022 and fiscal year 2021 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, 2022 and 2021 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, 2022 and 2021 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 amounts invested in CalTRUST are recorded as cash and investments.

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 amounts invested in LAIF are recorded as cash and investments.

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. The District established an additional LAIF during fiscal year 2022 exclusively for deposit of American Rescue Plan Act funds received in January 2022, from the California State Lands Commission. All conditions of traditional LAIF accounts similarly applies. Of the total $104.9 million on deposit as of June 30, 2022, $66.0 million was held in the District's general LAIF account and $38.9 million in the newly established account.

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, 2022 and 2021, 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, 2022 and 2021.

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, 2022 and 2021, 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, 2022 and June 30, 2021.

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, 2022 and June 30, 2021.

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, 2022 and June 30, 2021:

Asset Type:

- U.S. Treasury Obligations of approximately $39.5 million as of June 30, 2022 and $0 as of June 30, 2021, 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, pricing models, and methodologies such as benchmarking curves, benchmarking of like securities and bid, mean and ask evaluations.

(3) Capital Assets

Following is a summary of the capital assets activity for the fiscal years ended June 30, 2022 and June 30, 2021:

Capital Assets
(Expressed in thousands)

	July 1, 2021	Increases	Decreases	Transfers	June 30, 2022
Nondepreciable assets:					
Land	$ 277,151	$ —	$ —	$ 37,355	$ 314,506
Construction-in-progress	44,818	46,734	(525)	(48,801)	42,226
Depreciable/amortizable assets:					
Land improvements	7,650	—	—	—	7,650
Buildings and structures	638,515	—	—	5,535	644,050
Machinery and equipment	84,018	821	(323)	959	85,475
Roads and parking lots	128,363	—	—	14	128,377
Intangible	17,433	—	—	4,938	22,371
Total assets	1,197,948	47,555	(848)	—	1,244,655
Accumulated depreciation/amortization:					
Land improvements	(7,349)	(35)	—	—	(7,384)
Buildings and structures	(443,196)	(18,931)	—	—	(462,127)
Machinery and equipment	(61,456)	(4,047)	317	—	(65,186)
Roads and parking lots	(97,208)	(2,710)	—	—	(99,918)
Intangible	(12,828)	(1,709)	—	—	(14,537)
Total accumulated depreciation/ amortization	(622,037)	(27,432)	317	—	(649,152)
Capital assets, net	$ 575,911	$ 20,123	$ (531)	$ —	$ 595,503

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

The District recognized depreciation/amortization expenses of $27.4 million and $27.2 million for the years ended June 30, 2022 and 2021, 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, 2022 and 2021:

	July 1, 2021	Increases	Decreases	June 30, 2022	Amounts Due Within One Year
Notes:					
SDCRAA promissory note	$ 27,208,867	$ —	$ (2,372,252)	$ 24,836,615	$ 2,540,692
Revenue bonds:					
Series A 2013 bonds payable	23,210,000	—	(2,095,000)	21,115,000	2,200,000
Series A 2013 bonds premium	802,079	—	(219,903)	582,176	—
Total notes and bonds[1]	51,220,946	—	(4,687,155)	46,533,791	4,740,692
Other noncurrent liabilities:					
Unearned revenue - Other	163,740	90	(6,521)	157,309	—
Unearned revenue - NEVP maintenance credits	5,179,536	360,961	(106,057)	5,434,440	—
Stimulus Funds	—	9,951,300	—	9,951,300	—
Accrued leave	8,340,222	6,173,102	(6,740,161)	7,773,163	6,740,161
County Sweetwater Park Fund	—	6,900,272	—	6,900,272	—
SBPP remediation	1,099,210	—	(2,499)	1,096,711	—
Mitigation fees	6,563,500	—	—	6,563,500	—
Deferred rent credits	118,854	—	(118,854)	—	—
Other long-term liabilities	4,780,299	224,796	(27,463)	4,977,632	—
Total other noncurrent liabilities	26,245,361	23,610,521	(7,001,555)	42,854,327	6,740,161
Total long-term liabilities	$ 77,466,307	$ 23,610,521	$ (11,688,710)	$ 89,388,118	$ 11,480,853

[1] **District's direct borrowing and placements**

	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[1]	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

[1] **District's direct borrowing and placements**

The District's required debt service payments for the notes and bonds as of June 30, 2022, excluding the bond premium, are as follows:

Years Ending June 30	Principal	Interest	Total Debt Service
2023	$ 4,740,692	$ 1,836,962	$ 6,577,654
2024	4,949,469	1,630,310	6,579,779
2025	5,166,707	1,414,322	6,581,029
2026	5,392,535	1,188,619	6,581,154
2027-2031	25,702,212	2,318,343	28,020,555
Total	$ 45,951,615	$ 8,388,556	$ 54,340,171

(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 to be 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. 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, from the remaining balance of $26.5 million are anticipated over the remaining life of the note. All other terms of the note have remained the same.

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 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, 2022, total approximately $21.1 million. The bond premium is amortized over the life of the bond using the effective interest method.

Pledged Revenues

Pledged revenues for the year ended June 30, 2022, totaled approximately $183.7 million. This represents approximately 71.1% of total District revenues and 719.7% of the remaining Series A 2013 Bonds' principal and interest requirements compared to approximately $143.4 million for the year ended June 30, 2021. Net pledged revenues for the year ended June 30, 2022, totaled approximately $29.4 million, which represents 924.0% of the 2013 Bonds' annual principal and interest requirements of $3.2 million. 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 approximately $3.2 million.

Event of Default Provisions

The District's outstanding note from SDCRAA of approximately $24.8 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 revenue bonds of approximately $21.7 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

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, 2022, is approximately $5.4 million and stimulus funds for $10.0 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, 2022, is approximately $7.8 million and is based on current compensation rates.

(f) County Sweetwater Park Funds

As mentioned in Note 10(a)ii, Chula Vista Bayfront Development, the catalyst project requires the construction of extensive public infrastructure to the areas within and surrounding Parcel H3 such as Harbor Park, Sweetwater Park, and various street improvements ("Phase 1A Improvements"). Additional funding of $25M for Phase 1A Improvements is provided by the County of San Diego (county) to be paid back through the property tax increment expected to be generated from the Chula Vista Bayfront Masterplan Project.

Pursuant to the Project Implementation Plan (PIP) relating to the Chula Vista Bayfront Facilities Financing Authority Revenue Bonds the District shall sufficiently complete the development of the Sweetwater Park. In accordance with the PIP, the county transferred the $6.9M for the County Sweetwater Park Funds which will be held by the District until sufficient completion of the Sweetwater Park. Therefore, the District recognized the $6.9 million as restricted cash and liability.

(g) South Bay Power Plant Site Demolition and Remediation

Pursuant to the Asset Sale Agreement between the District and San Diego Gas & Electric (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, 2022 and 2021, were approximately $1.1 million. 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.

(h) 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.

(i) 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, 2022, the remaining balance of rental credits has been exhausted.

(j) 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, 2022, 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	9.29%	0%[1]	6.33%
Required employer contribution rates	88.89%	11.92%	5.54%

[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 (PEPRA)
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	12.28%	12.98%	15.92%
Required employer contribution rates	117.65%	35.02%	17.34%

[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 most recent actuarial valuation as of June 30, 2021, the following employees were covered by the benefit terms of the Plan:

	General	**Safety**
Inactive employees or beneficiaries currently receiving benefits	489	161
Inactive employees entitled to but not yet receiving benefits	221	41
Active employees	232	115
Total	942	317

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 2022 and 2021, determined by the June 30, 2020 and June 30, 2019 actuarial valuations, respectively, are as follows:

	2022	2021
General Members	7.15%	7.98%
Safety Members	13.80%	13.56%

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 8.80% for safety employees, 10.30% for safety chief of police, 8.50% for management employees, and 7.00% for all other employees.

For general employees hired on or after October 1, 2006, the offset rates are 8.80% for safety employees, 10.30% for safety chief of police, 7.50% for management employees, and 6.00% for all others. For fiscal years 2022 and 2021, the District paid employee contribution offsets of $1.6M and $1.7M, 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 2022 and 2021, the contributions made by the District to the Plan are as follows:

	2022	2021
Contributions - employer	$ 22,100,000	$ 19,700,000
Contributions - employee (paid by employer)	$ 1,596,607	$ 1,742,459

Based on the June 30, 2020 and June 30, 2019 actuarial valuations, the fiscal years 2022 and 2021 employer's actuarially determined weighted contribution rates expressed as a percentage of compensation are as follows:

	2022	2021
General Members	55.91%	51.54%
Safety Members	62.69%	55.12%

Net Pension Liability

The District's net pension liability as of June 30, 2022, is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability reported as of June 30, 2022 is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020, updated to June 30, 2021, using standard update procedures. There were no significant events between the valuation date and the measurement date, so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments.

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

Description	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Actuarial cost method	Entry-Age Normal 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]

[1] Plus merit component based on employee classification and years of service.
[2] Net of investment expenses.

Mortality rates for active members and healthy retired members are based on the sex distinct 2010 Society of Actuaries 2010 Employees Annual-Weighted Mortality Tables, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

The SDCERS Board has the authority to select economic and demographic assumptions for the plan. The assumptions used in this report reflect the results of an experience study performed by the actuarial consulting firm Cheiron covering the period July 1, 2015 through June 30, 2019 and adopted by the SDCERS Board in July 2020.

Discount Rate - The discount rate used to measure the total pension liability was 6.50% for the June 30, 2021 and the June 30, 2020 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 these assumptions, adherence to the actuarial funding policy described above will result in the pension plan's projected fiduciary net position being greater than or equal to the benefit payments projected for each future period. Therefore, the discount rate of 6.50% for fiscal year 2022 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, 2021 and June 30, 2020. 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, 2021

Asset Class	Target Allocation	Long-Term Expected Real Rates of Return	Long-Term Expected Nominal Rates of Return
Domestic Equity	17.2%	4.4%	6.6%
International Equity	14.2%	5.3%	7.5%
Global Equity	8.0%	4.9%	7.1%
Domestic Fixed Income	21.6%	0.5%	2.7%
Emerging Market Debt	5.0%	2.4%	4.5%
Real Estate	11.0%	3.5%	5.7%
Private Equity & Infrastructure	13.0%	6.7%	8.9%
Opportunity Fund	10.0%	4.2%	6.4%
Total	100.0%		

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%		

Changes in the Net Pension Liability

Changes in the Net Pension Liability as of the measurement date June 30, 2021, were as follows:

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**
Balance at June 30, 2021	$ 638,111,193	$ 460,424,944	$ 177,686,249
Changes for the year:			
Service cost	9,735,050	—	9,735,050
Interest	40,810,247	—	40,810,247
Changes of benefits	—	—	—
Differences between expected and actual experience	(3,222,643)	—	(3,222,643)
Changes of assumptions	—	—	—
Contributions- employer	—	19,855,899	(19,855,899)
Contributions - employee (paid by employer)	—	1,742,459	(1,742,459)
Contributions - employee	—	1,954,243	(1,954,243)
Net investment income	—	119,759,030	(119,759,030)
Benefit payments	(30,585,768)	(30,585,768)	—
Administrative expenses	—	(759,991)	759,991
Net changes	16,736,886	111,965,872	(95,228,986)
Balance at June 30, 2022	$ 654,848,079	$ 572,390,816	$ 82,457,261

Source: *SDCERS GASB 67/68 Report with a measurement date of June 30, 2021*

During the measurement year, the net pension liability (NPL) decreased by approximately $95.2 million. The service cost and interest cost increased the NPL by approximately $50.5 million, while contributions and investment income, less administrative expenses, decreased the NPL by approximately $142.6 million. There were no changes in benefits or assumptions during the year, but there were actuarial liability experience gains during the year of approximately $3.2 million. The total pension liability (TPL) as of June 30, 2021 was based upon the same membership data, actuarial methods, and plan provisions as were used in the actuarial valuation as of June 30, 2020.

Changes in the Net Pension Liability as of 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, 2020	$ 595,859,845	$ 465,373,059	$ 130,486,786
Changes in the year:			
Service cost	9,331,143	—	9,331,143
Interest	38,116,431	—	38,116,431
Changes of benefits	—	—	—
Differences between expected and actual experience	4,220,244	—	4,220,244
Changes of assumptions	19,123,501	—	19,123,501
Contributions - employer	—	19,439,646	(19,439,646)
Contributions - employee (paid by employer)	—	1,924,925	(1,924,925)
Contributions - 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, 2021	$ 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 $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 $24.3 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.

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, 2021 and June 30, 2020, 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, 2022	**1% Decrease 5.50%**	**Discount Rate 6.50%**	**1% Increase 7.50%**
Net Pension Liability	$165,502,158	$82,457,261	$14,395,223

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

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, 2022 and June 30, 2021, the District recognized pension expense of $9.2 million and $31.8 million, respectively. At June 30, 2022 and June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made subsequent to measurement date	$ 22,100,000	$ —	$ 19,700,000	$ —
Difference between expected and actual experience	—	1,611,321	2,110,120	—
Changes in assumptions	—	—	9,561,750	—
Net differences between projected and actual earnings on pension plan investments	—	54,953,815	16,326,941	—
Total	$ 22,100,000	$ 56,565,136	$ 47,698,811	$ —

Deferred outflows of resources related to contributions subsequent to the measurement date in the amount of $22.1 million at June 30, 2022 will be recognized as a reduction of the net pension liability during the fiscal year ending June 30, 2023. The deferred outflows and deferred inflows of resources related to pensions at June 30, 2022 will be recognized as pension expense as follows:

Measurement Year Ending June 30	Pension Expense
2022	$ (14,860,200)
2023	(11,850,129)
2024	(11,968,733)
2025	(17,886,074)

Payable to the Pension Plan

The District had no outstanding annually determined contributions payable to the pension plan for the year ended June 30, 2022.

(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 2022 and 2021, the District paid $374 thousand and $261 thousand, respectively, 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 2022 was $245 thousand, increased from $230 thousand for calendar year 2021. For non-safety members, the limit is adjusted downward depending on the age of the participant when benefits began.

Total Pension Liability

The District's POB total pension liability (TPL) as of June 30, 2022, is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 updated to June 30, 2021, using standard update procedures. There were no significant events between the valuation date and the measurement date, so the update procedures only included 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 TPL was determined using the following actuarial assumptions:

	As of June 30, 2021	**As of June 30, 2020**
Valuation date	June 30, 2020	June 30, 2019
Measurement date	June 30, 2021	June 30, 2020
Actuarial cost method	Entry-Age Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial assumptions:		
Discount rate	2.16%	2.21%
Cost-of-living adjustment	1.9-2.0%	1.9-2.0%
Projected salary increase	3.05%[1]	3.05%[1]

[1] Plus merit component based on employee classification and years of service.

Mortality rates for active members and healthy retired members are based on the sex distinct 2010 Society of Actuaries 2010 Employees Annual-Weighted Mortality Tables, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

Change in Total Pension Liability

Changes in the TPL as of the measurement date June 30, 2021 were as follows:

POB Plan	**Increase (Decrease)** **Total Pension Liability**
Balance at June 30, 2021	$ 4,164,192
Changes in the year:	
Service cost	110,973
Interest on the total pension liability	90,345
Differences between expected and actual experience	596,228
Changes in assumptions	35,860
Benefit payments	(264,136)
Net changes	569,270
Balance at June 30, 2022	$ 4,733,462

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, 2020	$ 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, 2021	$ 4,164,192

During the measurement year ending June 30, 2021, the TPL increased by $569 thousand, primarily due to experience losses increasing the TPL by $596 thousand, while benefit payments decreased the TPL by $264 thousand. Assumptions were changed (discount rate), which increased the TPL by $36 thousand. The actuarial experience losses during the year of $596 thousand were mostly due to lower than expected 415(b) limits, which resulted in larger POB benefits.

The TPL as of June 30, 2021 is based upon the same data, actuarial methods, and plan provisions as were used in the actuarial valuation as of June 30, 2020, and which are summarized in the Actuarial Valuation Report for SDCERS - San Diego Unified Port District as of June 30, 2020. The TPL as of June 30, 2021 is based on a roll-forward of the TPL as of June 30, 2020, but also incorporates a discount rate of 2.16%, based on the June 24, 2021 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, 2021 and June 30, 2020 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, 2022	1% Decrease 1.16%	Discount Rate 2.16%	1% Increase 3.16%
Total Pension Liability	$5,570,897	$4,733,462	$4,102,362

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

For the fiscal years ended June 30, 2022 and June 30, 2021, the District recognized POB Plan pension expense of $970 thousand and $1 million, respectively, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022 POB Plan		2021 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	$ 374,049	$ —	$ 261,000	$ —
Difference between expected and actual experience	298,114	—	116,224	—
Changes in assumptions	17,930	—	336,848	—
Total	$ 690,093	$ —	$ 714,072	$ —

Deferred outflows of resources related to contributions subsequent to measurement date in the amount of $374 thousand at June 30, 2022 will be recognized as a decrease to the pension liability during the fiscal year ending June 30, 2023. The deferred outflows and deferred inflows of resources related to pensions at June 30, 2022 will be recognized as pension expense at June 30, 2023 as follows:

Measurement Year Ending June 30	**Pension Expense**
2022	$316,044

(c) Summary of Pension Amounts

A summary of the pension amounts for the District pension plans at June 30, 2022 is presented below:

	SDCERS	POB	Total
Net pension liability	$ 82,457,261	$ 4,733,462	$ 87,190,723
Deferred outflows - pensions	22,100,000	690,093	22,790,093
Deferred inflows - pensions	56,565,136	--	56,565,136
Pension expenses	9,190,860	970,434	10,161,294

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

(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. 84, *Fiduciary Activities,* and 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,* employee assets are not reflected in the District's basic financial statements.

(7) Other Postemployment Benefits (OPEB)

Plan Description and Benefits Provided

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, 2022, the District has not met the threshold to activate the trust.

Eligibility for Benefits

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.

Employee Group	Date of Hire	Eligibility at the Earlier of
Safety (Sworn)	Hired prior to October 1, 2006 (Medical, dental, basic life benefits)	• Age 50 and 20 years of service credit • Age 55 and five years of service credit
	Hired on or after October 1, 2006 and prior to January 1, 2010 (Medical, dental, basic life benefits)	• 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
	Hired on or after January 1, 2010 (HRA benefit)	• 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
	Hired on or after January 1, 2013 (HRA benefit)	• 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
All others (Non-Sworn)	Hired prior to October 1, 2006 (Medical, dental, basic life benefits)	• Age 55 and 20 years of service credit • Age 62 and five years of service credit
	Hired on or after October 1, 2006 and prior to January 1, 2009 (Medical, dental, basic life benefits)	• 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
	Hired on or after January 1, 2009 and before January 1, 2010 (Medical, dental, basic life benefits)	• 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
	Hired on or after January 1, 2010 (HRA benefit)	• 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

Employees Covered

Per the Actuarial Valuation, as of July 1, 2021, 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	178	261
	On or after January 1, 2009 - HRA	219	—
Safety	Prior to January 1, 2010 - Regular	64	96
	On or after January 1, 2010 - HRA	60	—
Total		**521**	**357**

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, 2021, total OPEB liability as of the measurement dates of June 30, 2022 and June 30, 2021 were $151.5 million and $146.1 million, respectively. The District recognized the following OPEB expense and contributions for fiscal year 2021 and fiscal year 2020:

	2022	2021
OPEB Expense/(Revenue)	$ (1,262,550)	$ 4,055,135
Contributions - employee (paid by employer)	$ 3,690,942	$ 3,438,496

The contribution requirements of the District and Plan members (if any) are established by the District's Board. For the years ended June 30, 2022 and June 30, 2021, the District funded benefits on a "pay-as-you-go" basis and elected not to pre-fund its OPEB obligation. As the Plan has no pre-funded assets, the liability is reported as Total OPEB Liability.

The District's total OPEB liability for the OPEB Plan is measured as of June 30, 2022, using an annual valuation date of July 1, 2021, based on GASB Statement No. 75, rolled forward to June 30, 2022 using standard update procedures.

Changes in the total OPEB liability as of the measurement date of June 30, 2022 were as follows:

	Total OPEB Liability
Balance at June 30, 2021	$ 146,054,168
Changes recognized for measurement period:	
Service cost	1,445,878
Interest	3,097,501
Differences between expected and actual experience	(9,168,868)
Changes in assumptions	(23,468,881)
Benefit payments	(3,690,942)
Net Changes	(31,785,312)
Balance at June 30, 2022	$ 114,268,856

For the prior fiscal year, 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

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, 2021 valuation was rolled forward to determine the June 30, 2022 and updated to determine the June 30, 2021 total OPEB liability, based on the following actuarial cost method and assumptions:

	June 30, 2022	June 30, 2021
Actuarial Cost Method:	Entry Age	Entry Age
Actuarial Assumptions:		
Discount Rate	3.54%*	2.10%*
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, 2022 and June 30, 2021:

	June 30, 2022			June 30, 2021		
	1% Decrease (2.54%)	**Current Discount Rate (3.54%)**	**1% Increase (4.54%)**	**1% Decrease (1.10%)**	**Current Discount Rate (2.10%)**	**1% Increase (3.10%)**
Total OPEB Liability	$ 133,854,538	$ 114,268,856	$ 98,694,011	$ 171,087,852	$ 146,054,168	$ 126,146,985

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, 2022 and June 30, 2021:

Health Care Cost Trend Rates	**Total OPEB Liability**	
	June 30, 2022	**June 30, 2021**
1% Decrease (6.0% decreasing to 4.0%)	$ 96,979,978	$ 123,956,172
Current Healthcare Cost Trend Rates (7.0% decreasing to 5.0%)	114,268,856	146,054,168
1% Increase (8.0% decreasing to 6.0%)	136,082,781	173,935,909

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 $57.3 million for the fiscal year ended June 30, 2022 and $23.7 million for the fiscal year ended June 30, 2021. The District reported deferred outflows of resources of $29.6 million for the fiscal year ended June 30, 2022 and $22.8 million for the fiscal year ended June 30, 2021. 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, 2022, 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, 2021	$ 23,704,577	$ 22,769,448
Differences between expected and actual experience	3,196,408	—
Changes in assumptions	30,435,247	6,799,835
Balance at June 30, 2022	$ 57,336,232	$ 29,569,283

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

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

Year Ending June 30	OPEB Expense
2023	$ (5,805,929)
2024	(5,805,927)
2025	(5,076,892)
2026	(5,842,040)
2027	(5,236,161)

(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, 2022, were as follows:

Self-Insured Retentions/Deductibles

June 30, 2022

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
Cyber Liability		100,000
Pollution 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, 2022 and 2021, 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, 2022 and 2021, the District recorded accrued liabilities of $5.9 million and $5.7 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, 2022 and 2021 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	
2021	$	5,571,644	$	1,057,890	$	(894,844)	$	5,734,690
2022	$	5,734,690	$	1,332,773	$	(1,121,148)	$	5,946,315

(9) Leases

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. The majority of lease agreements are not cancellable and permit the District to periodically adjust rents. In addition, many of these leases are secured by letters of credit, which totaled approximately $6.2 million and $6.4 million at June 30, 2022 and 2021, respectively. 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.

The implementation of GASB 87, *Leases*, resulted in a restatement of Net Position of $18.4 million in fiscal year 2021:

Net Position as of June 30, 2021, as Originally Presented	$	326,740,555
Operating Revenues GASB 87 Adjustment		(21,544,957)
Interest Income from Leases		39,920,605
Net Position as of June 30, 2021 as Restated	$	345,116,203

As of June 30, 2022, and June 30, 2021, the District's lease receivables were valued at $1.20 billion and $1.19 billion, respectively, and the deferred inflow of resources associated with these leases that will be recognized as revenue over the various lease terms was $1.17 billion and $1.18 billion, respectively. Operating revenues for the year ended June 30, 2022 and 2021, were adjusted in accordance with GASB 87 by $17.1 million and $21.5 million, respectively, to adjust rents billed under the District's tenant agreements to the amortized inflow of resources under GASB 87 and relate primarily to Real Estate revenues.

For GASB 87 reporting purposes all District leases are reported as land leases, with annual lease payments totaling $36.2 million and $38.5 million, respectively, in 2022 and 2021, plus interest at rate of 3.5% and expiration dates ranging from July 1, 2020 to May 31, 2082.

The payments for the lease receivables are expected to be received in the subsequent years are as follows:

Year Ending June 30		Principal		Interest
2023	$	22,750,468	$	41,635,141
2024		22,714,256		40,952,002
2025		23,309,267		40,034,254
2026		22,205,054		39,235,592
2027		21,446,598		38,478,499
2028-2032		108,490,454		181,472,982
2033-2037		100,275,846		164,321,405
2038-2042		117,463,412		145,280,375
2043-2047		117,250,817		124,468,815
2048-2052		129,522,175		103,107,835
2053-2057		146,047,876		79,070,808
2058-2062		152,297,102		52,308,245
2063-2067		116,819,908		29,012,635
2068-2072		59,001,785		12,682,351
2073-2077		28,428,235		6,072,575
2078-2082		20,622,377		1,359,835
Total	$	1,208,645,631	$	1,099,493,348

The District has several land leasing agreements with various terms ranging through November 30, 2050, which qualify to be treated as regulated in accordance with the requirements of GASB 87. By nature of their business, and/or square footage of tideland area utilized per agreements, several District tenants have a preferential or exclusive use of District land and submerged land. Maritime cargo tenants such as Dole Fresh Fruit (approximately 950 thousand square feet) and Pasha Automotive (approximately 5 million square feet), and shipbuilding and repair tenants including National Steel and Shipbuilding Company (approximately 5.5 million square feet) occupy significant, strategic areas of District tidelands to conduct operations.

The District recognized lease revenue of $13.8 million and $13.3 million, respectively, as of June 30, 2022 and 2021. The payments for the regulated lease receivables expected to be received in the subsequent years are as follows:

Year Ending June 30		Regulated Lease Receivable
2023	$	14,371,167
2024		13,814,724
2025		13,371,537
2026		12,890,727
2027		12,059,954
2028-2032		44,644,524
2033-2037		32,526,268
2038-2042		20,328,910
2043-2047		5,519,630
2048-2052		3,771,747
Total		173,299,188

The District has a leasing agreement that qualifies as a lease-leaseback in accordance with the requirements of GASB 87. District land is leased to a third party in which a portion of the land is leased back to the District for its own use. The term ends December 31, 2068. The amount of the lease receivable was $156.6 million and $157.9 million, respectively, and the leaseback amount was $3.4 million and $3.5 million, respectively, as of June 30, 2022 and 2021. The net portion of the agreement is included in the lease receivable.

(10) Commitments and Contingencies

(a) Commitments

As of June 30, 2022, 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 scheduled to be 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, 2022, 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 $9.8 million compared to $13.1 million as of June 30, 2021.

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 $1.0 million.

ii. Chula Vista Bayfront Development: The District and the City of Chula Vista ("City") have been working collaboratively for decades to plan and implement the Chula Vista Bayfront Master Plan ("CVBMP"), a redevelopment that envisions a world-class destination in the South Bay. And since 2014, the District and the City have been working to deliver the catalyst project for the Chula Vista Bayfront redevelopment, an approximately 275,000 square feet of meeting space for the convention center, 1,600 parking spaces, and 1,600-room resort hotel. RIDA Chula Vista, LLC ("RIDA") was selected as the developer of the resort hotel and convention center. The catalyst project also requires the construction of extensive public infrastructure to the areas within and surrounding Parcel H3 such as Harbor Park, Sweetwater Park, and various street improvements ("Phase 1A Improvements"). Other key projects have recently been implemented on the CVBMP such as the Sun Outdoors San Diego Bay RV Park and the Sweetwater Bike Path and Promenade.

The District and the City signed a joint exercise of powers agency to create the Chula Vista Bayfront Facilities Financing Authority ("Authority") to facilitate development, including financing a portion of the costs of such development.

The total estimated cost to construct the convention center, resort hotel, and the Phase 1A Improvements is $1.35 billion. RIDA will finance the construction of the resort hotel. The City and the District would make a "public contribution" for the construction of the convention center and Phase 1A Improvements, consisting of $284 million toward the cost of the convention center, and approximately $85 million toward the Phase 1A Improvements including $19 million contributed at the closing date split evenly between the District and the City, for a total public investment of $369 million. In support of the public contribution, the Authority will issue taxable and tax-exempt bonds (collectively, the Authority Bonds) and the District and the City, as the sole members of the Authority, will commit certain funds to pay the debt service. Additional funding is being provided through a contribution of $25 million from the County of San Diego, a sewer contribution from the City through the City's Bayfront Development Impact Fee program, and funds from the District that have been collected over time through various projects on the Chula Vista Bayfront. The $25 million contribution from the County will be raised from the property tax increment generated from the CVBMP that is actually received by the County, which may be supplemented by a payment from the District if there is a shortfall from projected property tax.

The District will contribute funds to the repayment of the Authority Bonds pursuant to a Support Agreement between the Authority and the District (the "Support Agreement"), and the City will contribute funds to repayment of the Authority Bonds pursuant to a Facility Lease between the Authority and the City.

Under the Support Agreement, the District will contribute the annual payments and certain revenues from existing leases as specifically described in the Support Agreement. The District's Annual Payments consist of the following:

Bond Years 1-4	$ -	
Bond Years 5-14	$ 5.0	million
Bond Years 15-19	$ 6.0	million

Bond Years 20-24	$ 3.0	million
Bond Years 25-38	$ 3.5	million

The District's funding sources will come from the sharing of revenues generated from the catalyst project with the City through a Revenue Sharing Agreement, including the payment of rent by RIDA and the Authority through the various leases approved by the Board. The Revenue Sharing agreement memorializes how various funds from the City and District would be contributed and applied, with the objective to allocate the excess cash flow after debt service is paid.

The District paid a total contribution of $14.1 million prior to the date of initial issuance/closing date of May 27, 2022. The payment consisted of: 1) a contribution of $5.1 million, which is the total approximate amount of the funds actually received by the District from July 1, 2018 to December 31, 2021 for those real estate agreements for property located within the Chula Vista Bayfront described in the Revenue Sharing Agreement, and (2) a contribution of $9.0 million which represents the District's one-half portion of additional costs to cover increased construction costs. The $14.1 million was recorded as capital outlay.

iii. 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. The combined cost for these services was $9.3 million for fiscal year 2022 compared to $8.3 million for fiscal year 2021. Additionally, the District contracts with the City of Imperial Beach for tidelands maintenance and lifeguard services & equipment on the non-taxpaying tidelands. The District's contract with the City of Imperial Beach for tidelands maintenance services came in at a cost of $1.2 million for fiscal year 2022 and $1.1 million for fiscal year 2021.

Historically, these agreements had 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 were less than the CPI, which was based on the index change from the prior calendar year.

Effective July 1, 2020, contracts were re-negotiated with the City of Chula Vista and the City of Imperial Beach, and effective July 1, 2021, contracts were re-negotiated with the City of National City and the City of San Diego. The City of Coronado entered into a new contract as of August 19, 2022 with a new baseline rate of approximately $1.3 million, an increase of 12% over the fiscal year 2022 rate. These contracts established baseline rates and set the annual escalation for each at a static 3% (4% for Coronado) versus a factor of the CPI. The fiscal year 2023 aggregate baseline amounts are approximately $10.9 million, with baseline rate resets scheduled for the City of Chula Vista, City of National City, and City of Imperial Beach.

(b) Contingencies

As of June 30, 2022, 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. Professional services for this matter for fiscal year 2022 are anticipated to cost approximately $155k.

(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 and City of San Diego complied with the investigative order by collecting and submitting information to the RWQCB. In response to that information, RWQCB issued a new investigative order to the District and City of San Diego on March 17, 2022. 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. Professional services for this matter for fiscal year 2022 were approximately $148k.

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, the likelihood of 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. 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, 2022 and June 30, 2021 for these claims and lawsuits.

Required Supplementary Information (Unaudited)

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SAN DIEGO UNIFIED PORT DISTRICT

Required Supplementary Information (Unaudited)
Fiscal Years Ended June 30, 2022 and June 30, 2021

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

		Measurement Date						
	June 30, 2021	**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	$ 9,735,050	$ 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)	40,810,247	38,116,431	36,710,862	35,865,866	34,526,302	32,102,235	30,611,374	29,357,390
Differences between actual and expected experience	(3,222,643)	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	(30,585,768)	(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	$16,736,886	$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	638,111,193	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	$654,848,079	$638,111,191	$595,859,845	$574,102,557	$539,613,070	$500,595,20	$450,385,39	$429,008,43
Plan Fiduciary Net Position								
Contributions - employer	$19,855,899	$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)	1,742,459	1,924,925	2,037,292	2,104,470	2,287,740	2,422,241	—	—
Contributions - member	1,954,243	1,842,386	1,685,680	1,408,929	1,296,999	1,277,360	1,309,360	1,541,907
Net investment income	119,759,030	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	(30,585,768)	(28,539,971)	(28,149,954)	(25,359,143)	(23,090,401)	(23,110,395	(21,775,473	(18,762,842)
Administrative expenses	(759,991)	(721,104)	(669,312)	(658,939)	(665,330)	(686,932)	(691,003)	(728,497)
Net change in plan fiduciary net position	$111,965,872	$ (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	460,424,944	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	$572,390,816	$460,424,944	$465,373,059	$443,811,838	$413,126,105	$367,955,93	$369,793,79	$362,000,61
Net pension liability - ending	$82,457,261	$177,686,247	$130,486,786	$130,290,719	$126,486,965	$132,639,26	$80,591,608	$67,007,825
Plan fiduciary net position as a percentage of the total pension liability	87.41 %	72.15 %	78.10 %	77.31 %	76.56 %	73.50 %	82.11 %	84.38 %
Covered payroll	$37,310,562	$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	221.00 %	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 2021.

SAN DIEGO UNIFIED PORT DISTRICT

Required Supplementary Information (Unaudited)
Fiscal Years Ended June 30, 2022 and June 30, 2021

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

	Measurement Date					
	June 30, 2021	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**
Total Pension Liability - POB						
Service cost	$ 110,973	$ 48,055	$ 43,749	$ 30,958	$ 77,315	$ 9,503
Interest (includes interest on service cost)	90,345	113,716	94,791	95,628	58,000	72,730
Differences between actual and expected experience	596,228	232,449	786,756	(39,843)	1,031,798	—
Changes in assumptions	35,860	673,697	120,913	(71,515)	(256,209)	296,607
Benefit payments, including refunds of member contributions	(264,136)	(255,688)	(241,645)	(245,183)	(258,709)	(273,568)
Net change in total pension liability	569,270	812,229	804,564	(229,955)	652,195	105,272
Total pension liability - beginning	4,164,192	3,351,963	2,547,399	2,777,354	2,125,159	2,019,887
Total pension liability - ending	$ 4,733,462	$ 4,164,192	$ 3,351,963	$ 2,547,399	$ 2,777,354	$ 2,125,159
Covered payroll	$ 37,310,562	$ 36,810,149	$ 35,732,609	$ 34,388,005	$ 33,684,615	$ 33,512,411
Total pension liability as a percentage of covered payroll	12.69 %	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 3.50% to 2.16% in the 2021 valuation. The discount rates were based on the June 25, 2020 and June 24, 2021 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.

Source: Preservation of Benefits Plan - San Diego Unified Port District GASB 73 Reports with measurement dates of June 30, 2016 through June 30, 2021

Schedule of Employer Pension Contributions

Last Ten Fiscal Years

(Expressed in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution (ADC)	$22,100	$19,700	$19,300	$17,900	$17,700	$14,600	$14,400	$14,300	$13,900	$13,200
Contributions in relation to the actuarially determined contribution	22,100	19,700	19,300	17,900	17,700	14,600	14,400	14,300	13,900	13,200
Contribution deficiency/ (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$37,599	$37,311	$36,810	$35,733	$34,388	$33,685	$33,512	$33,273	$34,528	$35,873
Contributions as a percentage of covered payroll	52.8 %	52.8 %	52.43%	50.09%	51.47%	43.34%	42.97%	42.98%	40.26%	36.80%

Notes to Schedule:

Valuation date (ADC):	June 30, 2020
Valuation date (Covered Payroll):	June 30, 2021
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.

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, 2022, can be found in the SDCERS Actuarial Valuation Report as of June 30, 2020.

Source: SDCERS Actuarial Valuation Report as of June 30, 2021

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

	Measurement Date				
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability					
Service cost	$ 1,445,878	$ 1,234,058	$ 1,172,234	$ 1,949,107	$ 1,882,229
Interest	3,097,501	3,187,382	5,124,007	5,247,236	4,951,528
Differences between actual and expected experience	(9,168,868)	(1,037,839)	(27,870,600)	(173,499)	(1,158,603)
Changes in assumptions	(23,468,881)	2,462,109	—	5,529,476	(3,944,626)
Benefit payments	(3,690,942)	(3,438,496)	(4,505,777)	(3,616,196)	(3,356,377)
Net change in total OPEB liability	(31,785,312)	2,407,214	(26,080,136)	8,936,124	(1,625,849)
Total OPEB liability - beginning	146,054,168	143,646,954	145,227,974	136,291,850	137,917,699
Total OPEB liability - ending	$ 114,268,856	$ 146,054,168	$ 119,147,838	$ 145,227,974	$ 136,291,850
Covered-Employee payroll **	$ 50,850,985	$ 56,852,785	$ 54,930,227	$ 50,200,904	$ 50,200,904
Total OPEB liability as a percentage of covered payroll	224.70 %	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 $23 million change presented in the most recent fiscal year was driven by a change in discount rate from 2.10% to 3.54%.

*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, 2022.

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)

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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
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[5]	547,899	7,269	(210,052)	345,116
2022	569,940	3,422	(156,820)	416,542

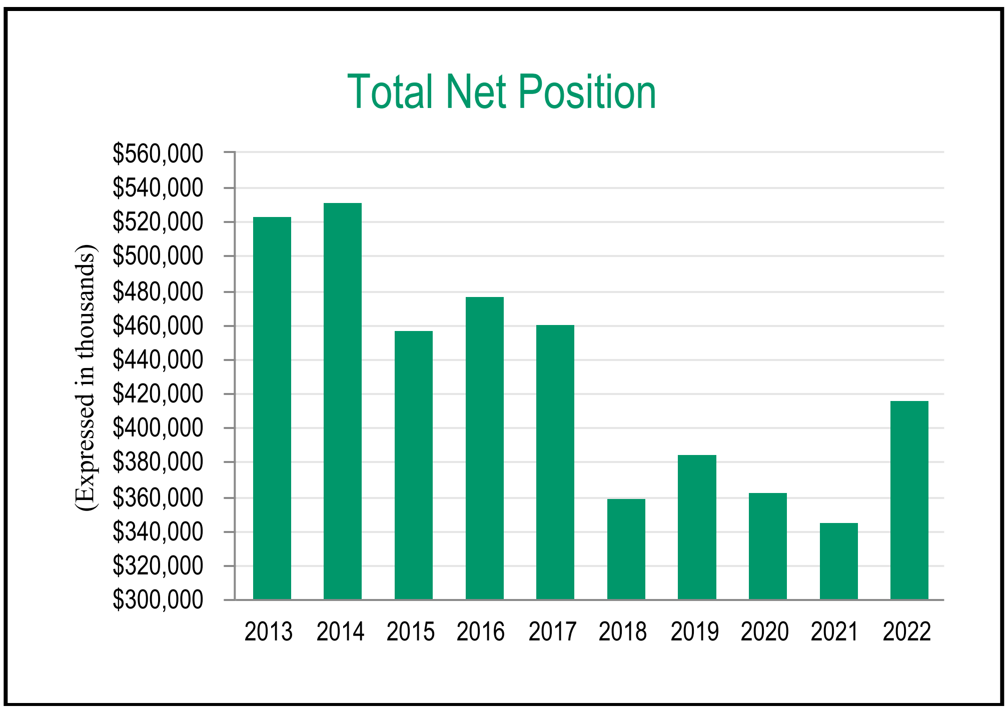
[1]In 2014, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* by restating the financial statements for 2012 and 2013. The restatement reflects the District's expensing of unamortized bond issue costs.

[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.

[5]In 2022, the District implemented GASB Statement No. 87, *Leases,* by restating the financial statements for 2021.



Changes in Net Position – Last Ten Fiscal Years

(Expressed in thousands)

	2013[1]	2014	2015[2]	2016	2017[3]	2018[4]	2019	2020	2021[5]	2022
Operating revenues:										
Real Estate	$ 82,604	$ 89,282	$ 95,940	$ 102,747	$ 96,430	$ 97,720	$ 107,234	$ 92,134	$ 78,171	$ 108,297
Guest Experiences - Parking	—	—	—	—	15,227	16,583	17,058	13,338	7,947	14,908
Maritime	33,469	34,480	35,265	37,365	39,214	39,304	38,650	37,760	33,785	39,899
Harbor Police	15,313	17,203	14,729	16,835	16,085	16,192	17,069	16,159	19,898	17,922
Other operating revenues	3,884	4,807	3,631	3,340	3,409	3,094	3,820	3,106	3,809	3,067
GASB 87 adjustment	—	—	—	—	—	—	—	—	(21,545)	(17,054)
Total operating revenues	135,270	145,772	149,565	160,287	170,365	172,893	183,831	162,497	122,065	167,039
Operating expenses:										
Direct expenses:										
Real Estate	33,186	31,280	27,782	27,623	26,400	28,609	28,787	31,773	27,567	29,277
Guest Experiences - Parking	—	—	—	—	6,184	6,193	5,267	4,522	4,358	5,691
Maritime	20,448	21,573	18,002	18,334	17,208	17,557	17,401	17,829	15,366	18,902
Harbor Police	33,756	32,623	31,081	35,007	39,201	40,128	40,331	43,619	42,273	42,777
Other operating expenses	1,123	5,151	9,685	8,267	35,858	37,743	29,359	22,490	28,104	(856)
Depreciation and amortization	18,935	19,597	21,218	22,721	23,447	23,686	26,412	27,551	27,226	27,432
General and administrative expenses	35,951	30,729	31,561	33,949	40,040	44,118	48,469	46,396	37,759	42,159
Total operating expenses	143,399	140,953	139,329	145,901	188,338	198,034	196,026	194,181	182,653	165,382
Income/(loss) from operations	(8,129)	4,819	10,236	14,386	(17,973)	(25,141)	(12,195)	(31,684)	(60,588)	1,657
Nonoperating revenues/(expenses):										
Interest income	627	694	700	759	1,346	1,875	2,932	2,744	560	522
Interest income from leases - GASB 87	—	—	—	—	—	—	—	—	39,921	35,854
Stimulus Fund revenue	—	—	—	—	—	—	—	—	—	29,005
Settlement income (expense)	6	356	593	1,425	1,925	5,928	602	(8,391)	(94)	—
Net inc/(dec) in the fair value of invest.	(206)	166	(37)	92	(389)	(136)	761	(42)	(134)	(432)
Interest expense	(4,206)	(3,998)	(3,816)	(3,518)	(3,398)	(3,162)	(2,911)	(2,697)	(2,463)	(2,000)
Financial assistance other	—	—	—	(10)	(579)	(122)	(50)	(772)	(421)	(623)
Convention Center expansion support	(4,500)	(4,500)	—	—	—	—	—	—	—	—
Other nonoperating expenses	(78)	(96)	(11,706)	(433)	(782)	(56)	(95)	(768)	(123)	(526)
Other nonoperating revenues	986	1,281	8,359	5,615	3,085	2,947	8,176	9,904	4,071	4,830
Nonoperating income/(loss)	(7,371)	(6,097)	(5,907)	3,930	1,208	7,274	9,415	(23)	41,317	66,630
Capital grants and contributions	11,443	9,564	4,781	1,662	2,458	8,685	28,168	9,733	1,223	3,139
Change in net position	(4,057)	8,286	9,110	19,978	(14,307)	(9,182)	25,388	(21,974)	(18,048)	71,426
Beginning net position	527,784	523,727	532,013	457,391	477,369	461,316	359,750	385,138	363,164	345,116
Restatement[1 - 4]	—	—	(83,732)	—	(1,746)	(92,384)	—	—	—	—
Ending net position	$ 523,727	$ 532,013	$ 457,391	$ 477,369	$ 461,316	$ 359,750	$ 385,138	$ 363,164	$ 345,116	$ 416,542

[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.

[5]In 2022, the District implemented GASB Statement No. 87, Leases, by restating the financial statements for 2021.

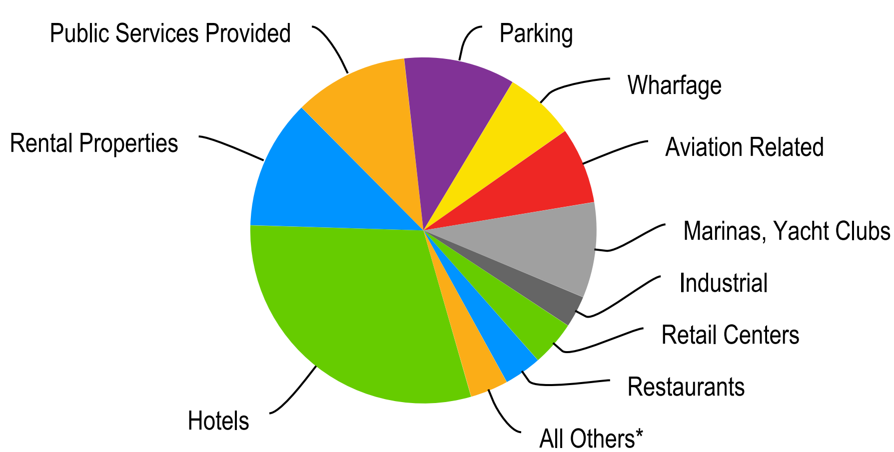
Operating Revenues by Segment – Last Ten Fiscal Years

(Expressed in thousands)

Segment	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Hotels[1]	$ 33,667	$ 37,700	$ 40,739	$ 45,198	$ 53,818	$ 54,505	$ 57,154	$ 44,085	$ 31,325	$ 50,000
Rental Properties	16,191	17,101	16,900	18,321	20,961	19,646	19,282	19,526	19,121	20,188
Public Services Provided[2]	13,922	15,309	13,427	15,610	15,534	15,712	16,515	15,635	19,473	17,797
Parking	8,598	10,082	12,151	13,431	13,806	14,937	17,394	13,907	8,599	17,350
Wharfage	11,270	11,535	12,078	12,223	11,564	11,856	10,930	9,692	10,520	11,089
Aviation Related	11,053	10,575	10,469	10,420	10,184	10,182	10,181	10,178	10,285	11,905
Marinas, Yacht Clubs[3]	9,216	8,529	9,482	10,245	11,229	11,701	12,555	11,968	12,950	14,913
Industrial	6,023	5,919	5,579	4,452	4,541	4,776	4,979	5,122	5,286	4,948
Retail Centers	3,604	3,815	3,928	4,009	4,114	4,170	5,854	5,111	4,008	7,090
Restaurants[4]	2,326	2,888	3,097	3,332	3,568	3,647	3,864	3,888	3,512	5,839
Dockage	1,938	1,920	2,083	2,393	2,152	2,460	2,660	2,861	2,123	3,059
Passenger Fees	1,289	1,133	1,167	1,264	1,390	1,702	2,205	1,580	—	1,183
Citations	395	794	1,144	1,009	1,027	1,029	990	856	763	749
Passenger Security Charges	989	999	1,006	804	997	999	1,151	1,573	63	1,146
Piers & Floats	89	97	111	150	187	214	225	220	269	—
Grant Revenue[5]	846	959	—	—	—	—	—	—	—	—
GASB 87 adjustment[6]	—	—	—	—	—	—	—	—	(21,545)	(17,054)
Other	13,854	16,417	16,204	17,426	15,293	15,357	17,892	16,295	15,313	16,836
Total	$135,270	$145,772	$149,565	$160,287	$170,365	$172,893	$183,831	$162,497	$122,065	$167,039

[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.
[6]In 2022, the District implemented GASB Statement No. 87, Leases, by restating the financial statements for 2021.

Operating Revenues by Segment - Current Fiscal Year



*All Others segment includes Dockage, Passenger Fees, Citations, Passenger Security Charges, Piers & Floats, Miscellaneous Operating Revenue, Other Operating Revenues from Real Estate, Maritime, Harbor Police, and Guest Experiences - Parking, and GASB 87 adjustment.

Ten Largest Customers – Current Fiscal Year and Nine Years Ago

(Expressed in thousands)

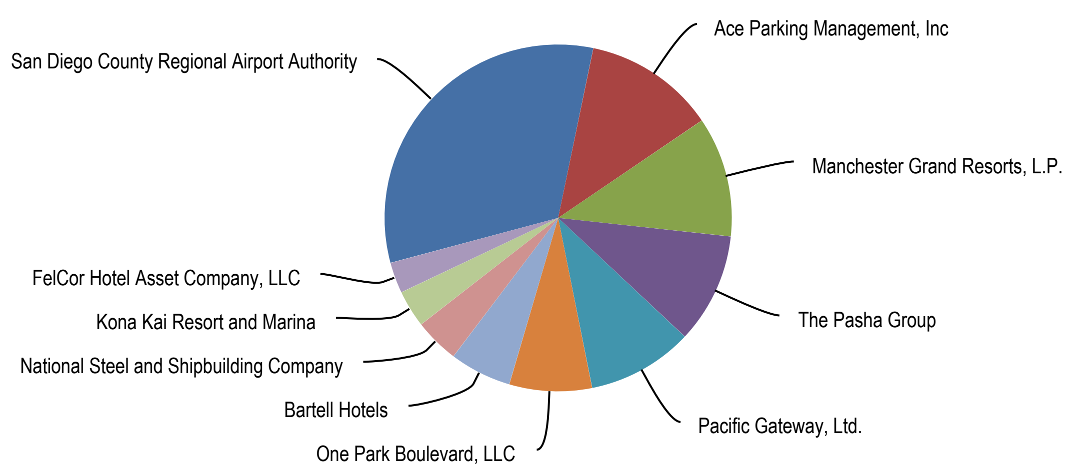
Customer	2013	%
San Diego County Regional Airport Authority[1]	$ 26,756	18.1 %
The Pasha Group	10,961	7.4 %
Manchester Grand Resorts, L.P.	9,478	6.4 %
Pacific Gateway, Ltd.	7,154	4.8 %
Ace Parking Management, Inc	6,592	4.5 %
Host San Diego Hotel, LLC	6,591	4.4 %
National Steel and Shipbuilding Company	3,173	2.1 %
Bartell Hotels	3,111	2.1 %
One Park Boulevard, LLC	2,815	1.9 %
Seaport Village Operating Co., LLC	2,358	1.6 %
Total Ten Largest Customers	78,989	53.3 %
Other	69,137	46.7 %
Total Operating Revenues	$ 148,126	100.0 %

[1]Includes reimbursements for airport police services.

Customer	2022	%
San Diego County Regional Airport Authority[1]	$ 32,408	12.4 %
Ace Parking Management, Inc	12,252	4.7 %
Manchester Grand Resorts, L.P.	11,199	4.3 %
The Pasha Group	10,284	3.9 %
Pacific Gateway, Ltd.	9,859	3.8 %
One Park Boulevard, LLC	7,685	2.9 %
Bartell Hotels	5,749	2.2 %
National Steel and Shipbuilding Company	4,169	1.6 %
Kona Kai Resort and Marina	3,469	1.3 %
FelCor Hotel Asset Company, LLC	2,885	1.1 %
Total Ten Largest Customers	99,959	38.1 %
Other[2]	162,350	61.9 %
Total Operating Revenues	$ 262,309	100.0 %

[2]Includes GASB 87 implementation and Economic Recovery stimulus funding

Ten Largest Customers - Current Fiscal Year

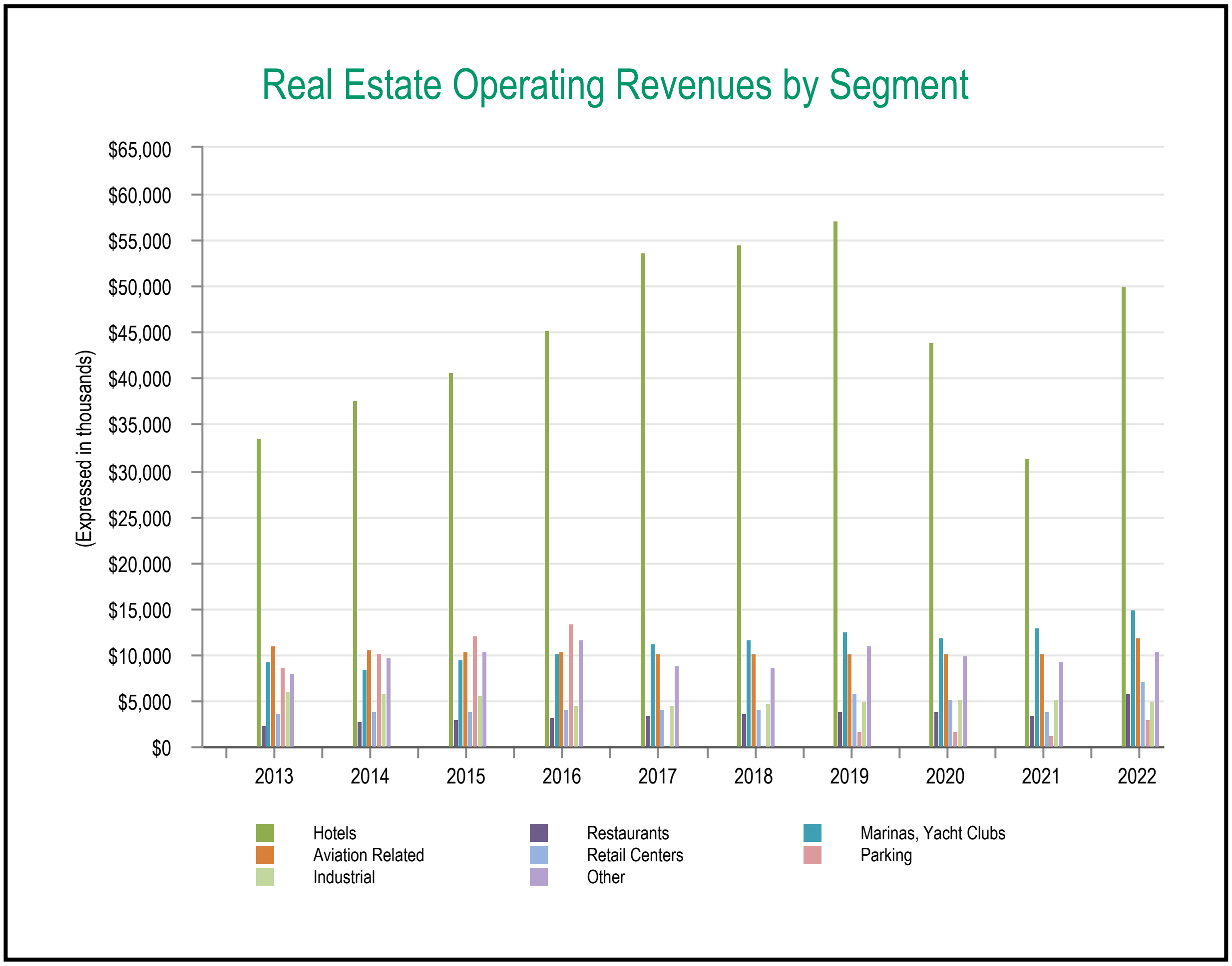


Real Estate Operating Revenues by Segment – Last Ten Fiscal Years

(Expressed in thousands)

Segment	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Hotels[1]	$ 33,667	$ 37,700	$ 40,739	$ 45,198	$ 53,818	$ 54,505	$ 57,154	$ 44,085	$ 31,325	$ 50,000
Restaurants[2,3]	2,326	2,888	3,097	3,332	3,568	3,647	3,864	3,888	3,512	5,839
Marinas, Yacht Clubs[3]	9,216	8,529	9,482	10,245	11,229	11,701	12,555	11,968	12,950	14,913
Aviation Related	11,053	10,575	10,469	10,420	10,184	10,182	10,181	10,178	10,285	11,905
Retail Centers	3,604	3,815	3,928	4,009	4,114	4,170	5,854	5,111	4,008	7,090
Parking[4]	8,598	10,082	12,151	13,431	—	—	1,640	1,742	1,401	3,112
Industrial	6,023	5,919	5,579	4,452	4,541	4,776	4,979	5,122	5,286	4,948
Other	8,117	9,774	10,495	11,660	8,976	8,739	11,007	10,040	9,404	10,490
Total	$ 82,604	$ 89,282	$ 95,940	$102,747	$ 96,430	$ 97,720	$107,234	$ 92,134	$ 78,171	$108,297

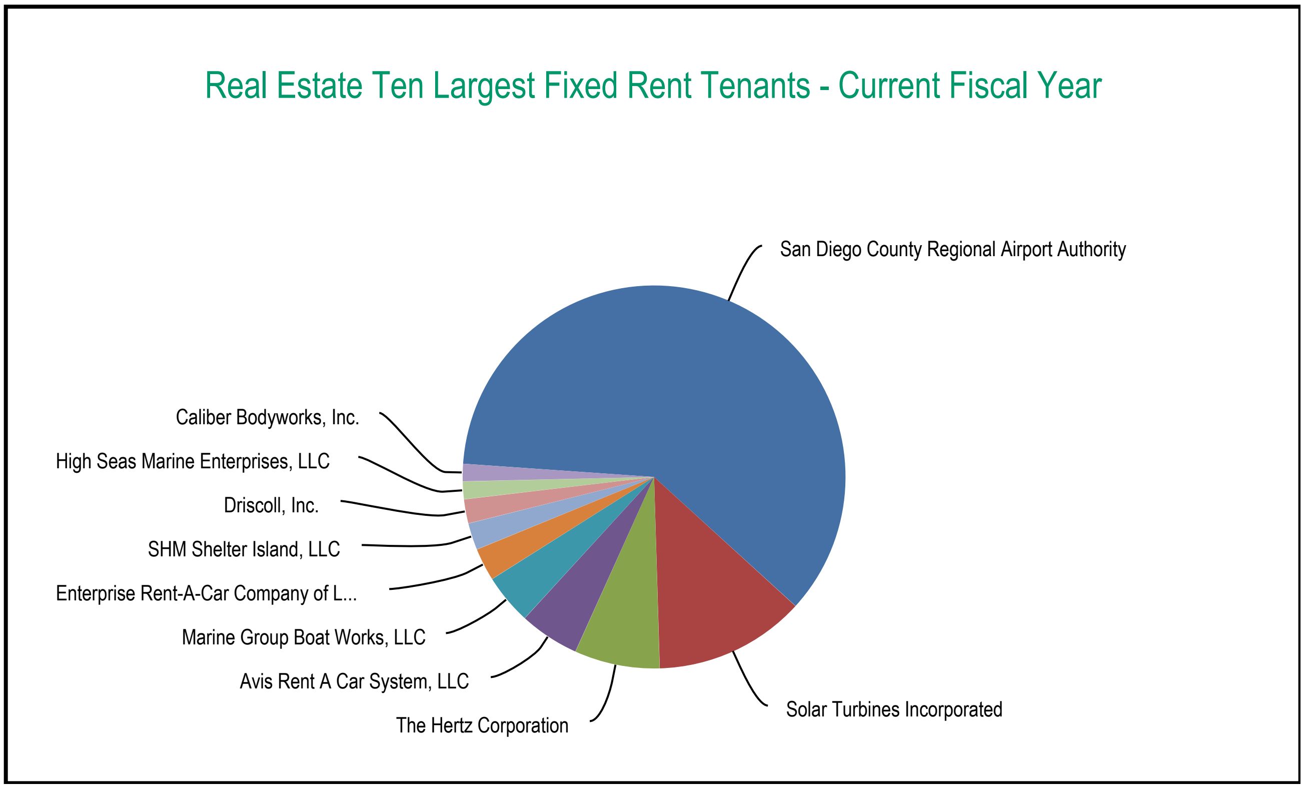
[1]All hotel leases include restaurants and six hotel leases include marinas.
[2]The District has eleven direct restaurant agreements; not included are restaurants in hotels, marinas, and retail centers.
[3]Not included are restaurants under a marina lease nor marinas under hotel operations.
[4]Parking 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	2013	%	Tenant	2022	%
San Diego County Regional Airport Authority	$ 10,885	47.5 %	San Diego County Regional Airport Authority	$ 11,898	53.4 %
Solar Turbines Incorporated	2,025	8.8 %	Solar Turbines Incorporated	2,506	11.3 %
Dynegy South Bay, LLC	2,000	8.7 %	The Hertz Corporation	1,413	6.3 %
The Hertz Corporation	1,432	6.2 %	Avis Rent A Car System, LLC	994	4.5 %
Enterprise Rent-A-Car Company of LA, LLC	875	3.8 %	Marine Group Boat Works, LLC	831	3.7 %
Avis Rent A Car System, LLC	766	3.3 %	Enterprise Rent-A-Car Company of LA, LLC	544	2.4 %
Marine Group Boat Works, LLC	692	3.0 %	SHM Shelter Island, LLC	446	2.0 %
Shelter Island Yachtways, Ltd.	287	1.3 %	Driscoll, Inc.	399	1.8 %
Park & Go, Inc.	285	1.2 %	High Seas Marine Enterprises, LLC	295	1.3 %
San Diego Gas & Electric Company	285	1.2 %	Caliber Bodyworks, Inc.	289	1.3 %
Total Ten Largest Fixed Rent Tenants	19,533	85.2 %	Total Ten Largest Fixed Rent Tenants	19,615	88.1 %
Other Fixed Rent	3,399	14.8 %	Other Fixed Rent	2,657	11.9 %
Total Real Estate Fixed Rent	$ 22,932	100.0 %	Total Real Estate Fixed Rent	$ 22,273	100.0 %



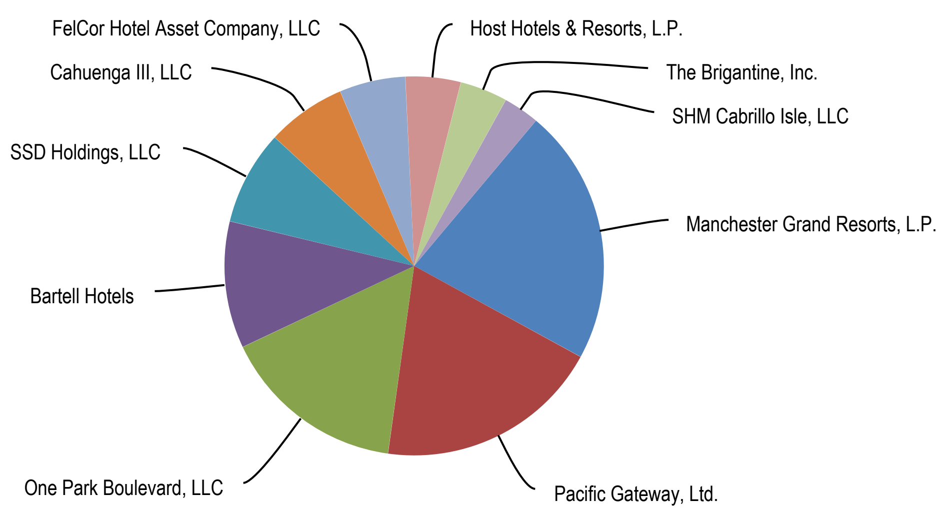
Real Estate Ten Largest Concession Rent Tenants -
Current Fiscal Year and Nine Years Ago

(Expressed in thousands)

Tenant	2013	%
Manchester Grand Resorts, L.P.	$ 9,478	18.5 %
Pacific Gateway, Ltd.	7,152	13.9 %
Host San Diego Hotel, LLC	4,816	9.4 %
One Park Boulevard, LLC	3,581	7.0 %
Bartell Hotels	3,101	6.0 %
Seaport Village Operating Co., LLC	2,273	4.4 %
FelCor Hotel Asset Company, LLC	2,077	4.0 %
Host Hotels & Resorts	1,775	3.5 %
Cahuenga Associates II	1,119	2.2 %
Sunroad Marina Partners, L.P.	1,081	2.1 %
Total Ten Largest Concession Rent Tenants	36,454	71.0 %
Other Concession Rent	14,916	29.0 %
Total Real Estate Concession Rent	$ 51,370	100.0 %

Tenant	2022	%
Manchester Grand Resorts, L.P.	$ 11,197	14.1 %
Pacific Gateway, Ltd.	9,850	12.4 %
One Park Boulevard, LLC	8,071	10.1 %
Bartell Hotels	5,538	7.0 %
SSD Holdings, LLC	4,131	5.2 %
Cahuenga III, LLC	3,467	4.4 %
FelCor Hotel Asset Company, LLC	2,885	3.6 %
Host Hotels & Resorts, L.P.	2,409	3.0 %
The Brigantine, Inc.	2,083	2.6 %
SHM Cabrillo Isle, LLC	1,573	2.0 %
Total Ten Largest Concession Rent Tenants	51,203	64.3 %
Other Concession Rent	28,447	35.7 %
Total Real Estate Concession Rent	$ 79,650	100.0 %

Real Estate Ten Largest Concession Rent Tenants - Current Fiscal Year

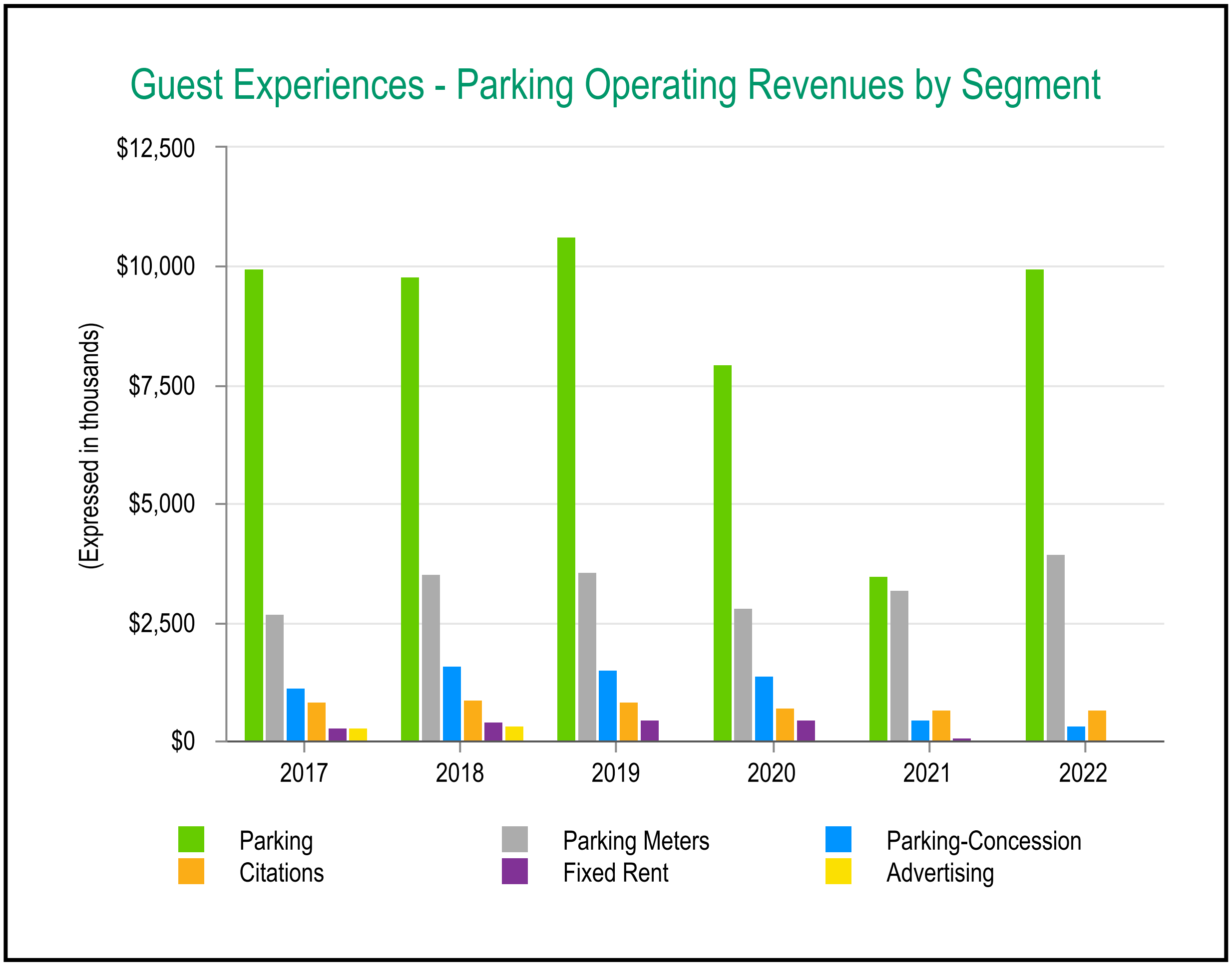


Guest Experiences - Parking Operating Revenues by Segment –

Last Ten Fiscal Years*

(Expressed in thousands)

Segment	2017	2018	2019	2020	2021	2022
Parking	$ 9,960	$ 9,796	$ 10,648	$ 7,940	$ 3,513	$ 9,975
Parking Meters	2,692	3,556	3,598	2,815	3,216	3,938
Parking-Concession[1]	1,154	1,585	1,508	1,410	469	324
Citations	852	892	849	721	660	671
Fixed Rent[2]	284	419	455	452	89	—
Advertising[3]	286	334	—	—	—	—
Total	$ 15,228	$ 16,582	$ 17,058	$ 13,338	$ 7,947	$ 14,908



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

[1] Parking Concession tenants reduced in fiscal year 2021

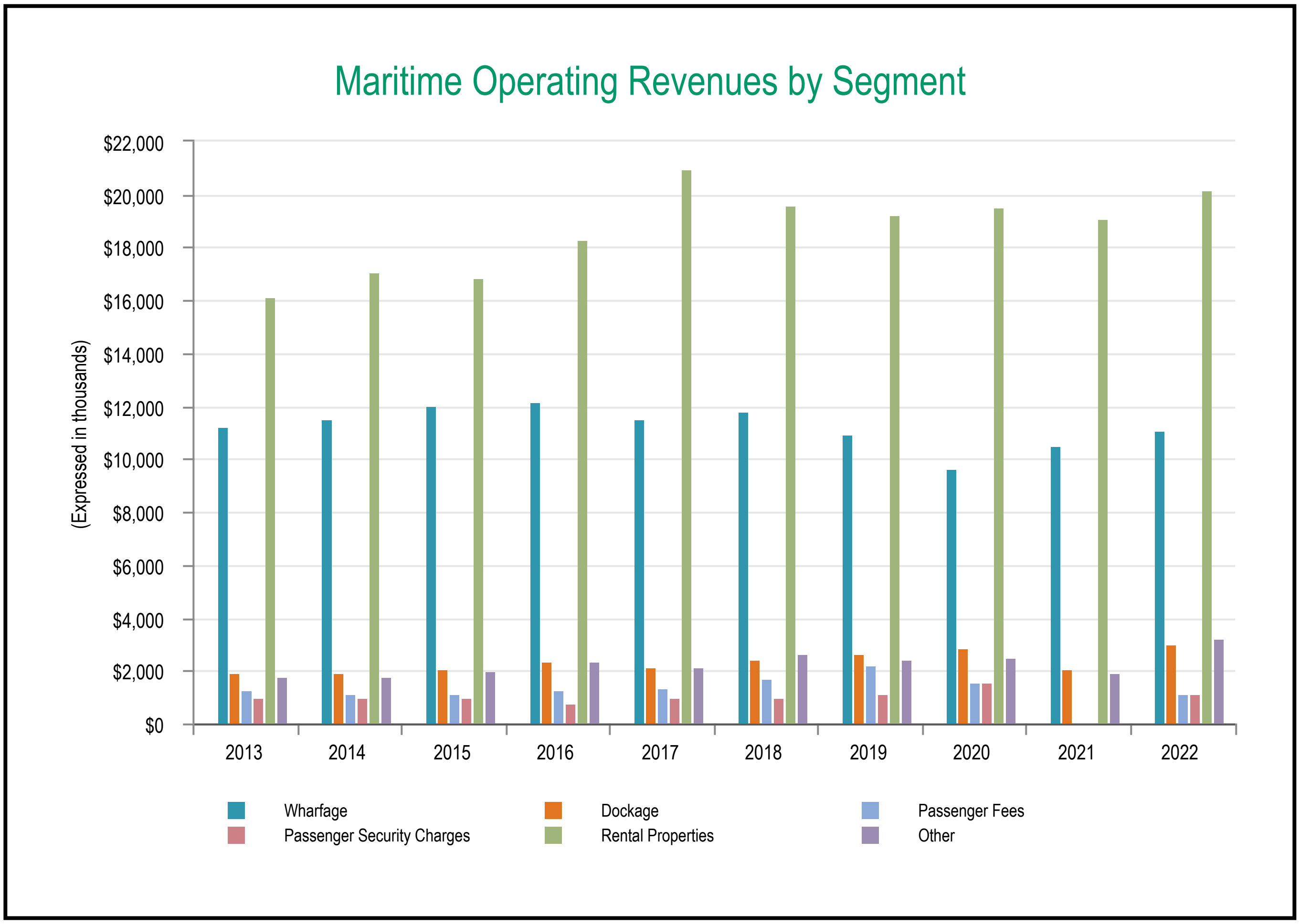
[2] Fixed rent tenants reduced in fiscal year 2022

[3] Advertising budget moved to Real Estate in fiscal year 2019

Maritime Operating Revenues by Segment – Last Ten Fiscal Years

(Expressed in thousands)

Segment	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Wharfage	$11,270	$11,535	$12,078	$12,223	$11,564	$11,856	$10,930	$9,692	$10,520	$11,089
Dockage	1,938	1,920	2,083	2,393	2,152	2,460	2,660	2,861	2,123	3,059
Passenger Fees	1,289	1,133	1,167	1,264	1,390	1,702	2,205	1,580	—	1,183
Passenger Security Charges	989	999	1,006	804	997	999	1,151	1,573	63	1,146
Rental Properties	16,191	17,101	16,900	18,321	20,961	19,646	19,282	19,526	19,121	20,188
Other	1,792	1,792	2,031	2,361	2,151	2,641	2,422	2,528	1,958	3,235
Total	$33,469	$34,480	$35,265	$37,366	$39,215	$39,304	$38,650	$37,760	$33,785	$39,900



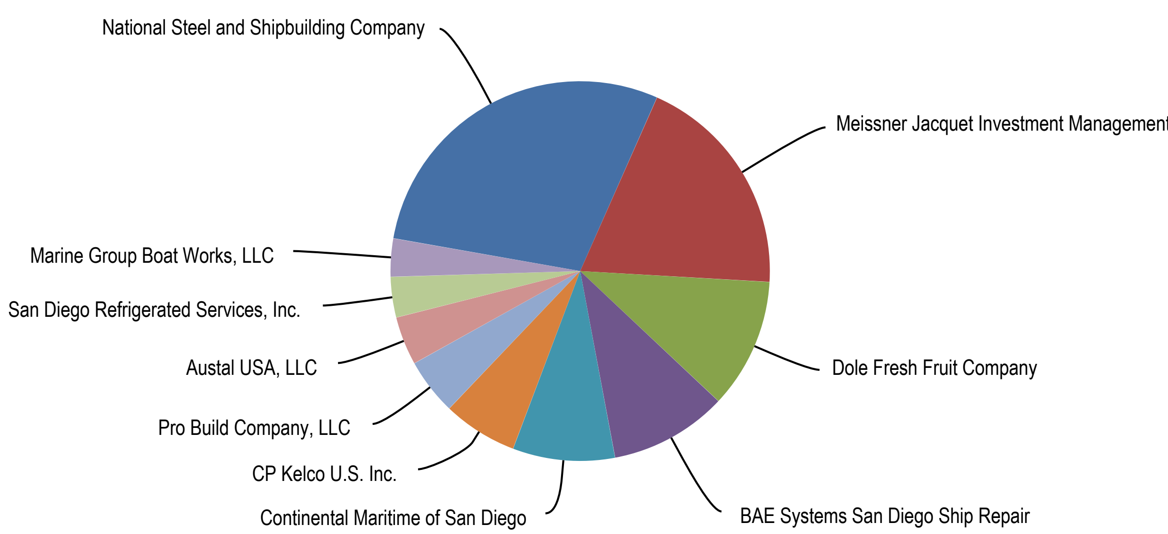
Maritime Ten Largest Fixed Rent Tenants – Current Fiscal Year and Nine Years Ago

(Expressed in thousands)

Tenant	2013	%
National Steel and Shipbuilding Company	$ 3,169	22.4 %
Meissner Jacquet Investment Management	2,187	15.5 %
Dole Fresh Fruit Company	1,477	10.5 %
Continental Maritime of San Diego	1,017	7.2 %
BAE Systems San Diego Ship Repair	890	6.3 %
CP Kelco U.S. Inc.	774	5.5 %
Pro Build Company, LLC	593	4.2 %
Knight & Carver Yachtcenter, Inc.	523	3.7 %
Cemex Construction Materials Pacific	461	3.3 %
Weyerhaeuser Company	334	2.4 %
Total Ten Largest Fixed Rent Tenants	11,426	80.8 %
Other Fixed Rent	2,701	19.2 %
Total Maritime Fixed Rent	$ 14,127	100.0 %

Tenant	2022	%
National Steel and Shipbuilding Company	$ 4,445	24.8 %
Meissner Jacquet Investment Management	2,968	16.5 %
Dole Fresh Fruit Company	1,708	9.4 %
BAE Systems San Diego Ship Repair	1,548	8.6 %
Continental Maritime of San Diego	1,340	7.5 %
CP Kelco U.S. Inc.	980	5.5 %
Pro Build Company, LLC	740	4.1 %
Austal USA, LLC	639	3.6 %
San Diego Refrigerated Services, Inc.	530	3.0 %
Marine Group Boat Works, LLC	502	2.8 %
Total Ten Largest Fixed Rent Tenants	15,400	85.8 %
Other Fixed Rent	2,549	14.2 %
Total Maritime Fixed Rent	$ 17,949	100.0 %

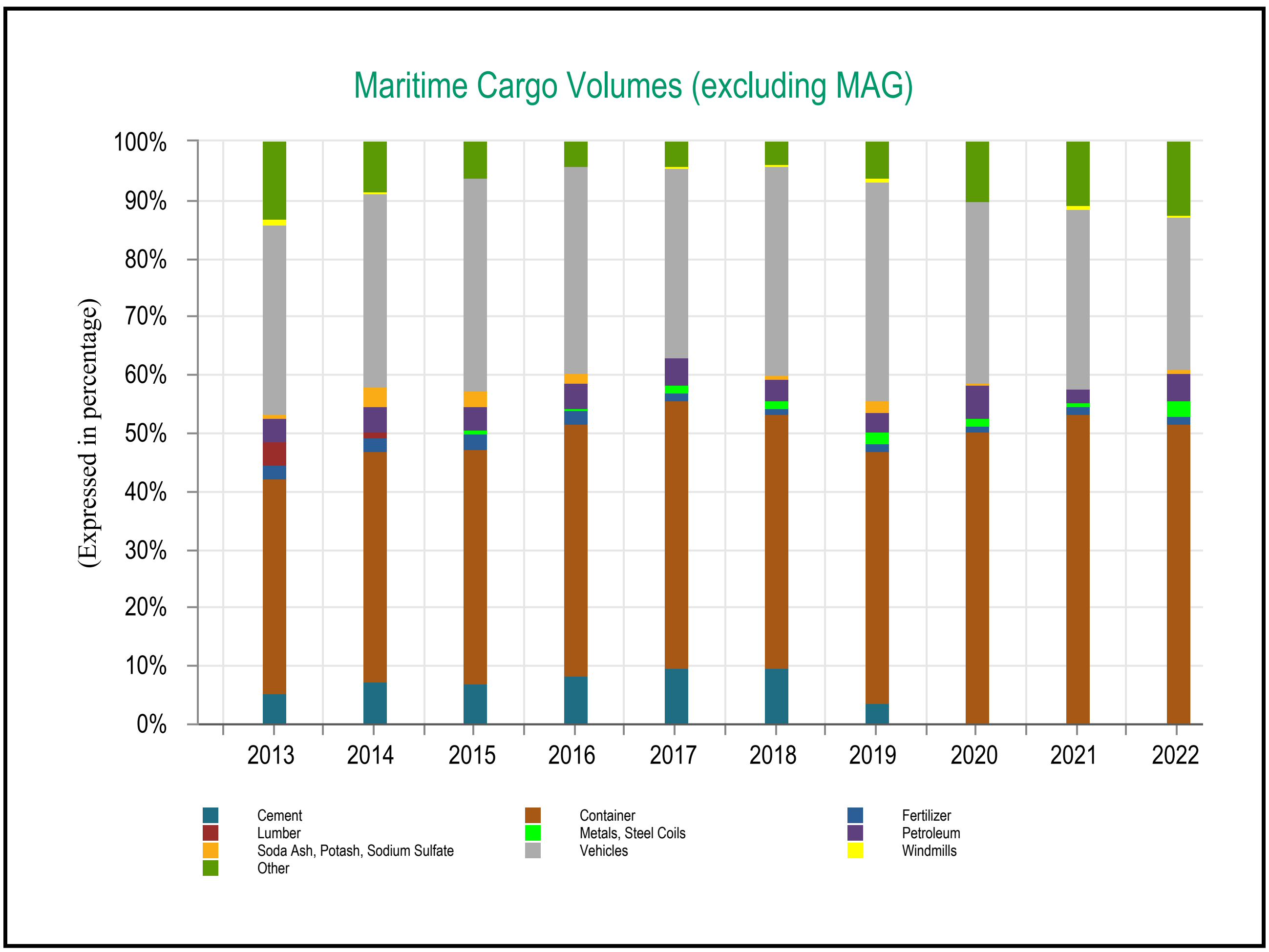
Maritime Ten Largest Fixed Rent Tenants - Current Fiscal Year



Maritime Cargo Volumes – Last Ten Fiscal Years

(Expressed in metric tons)

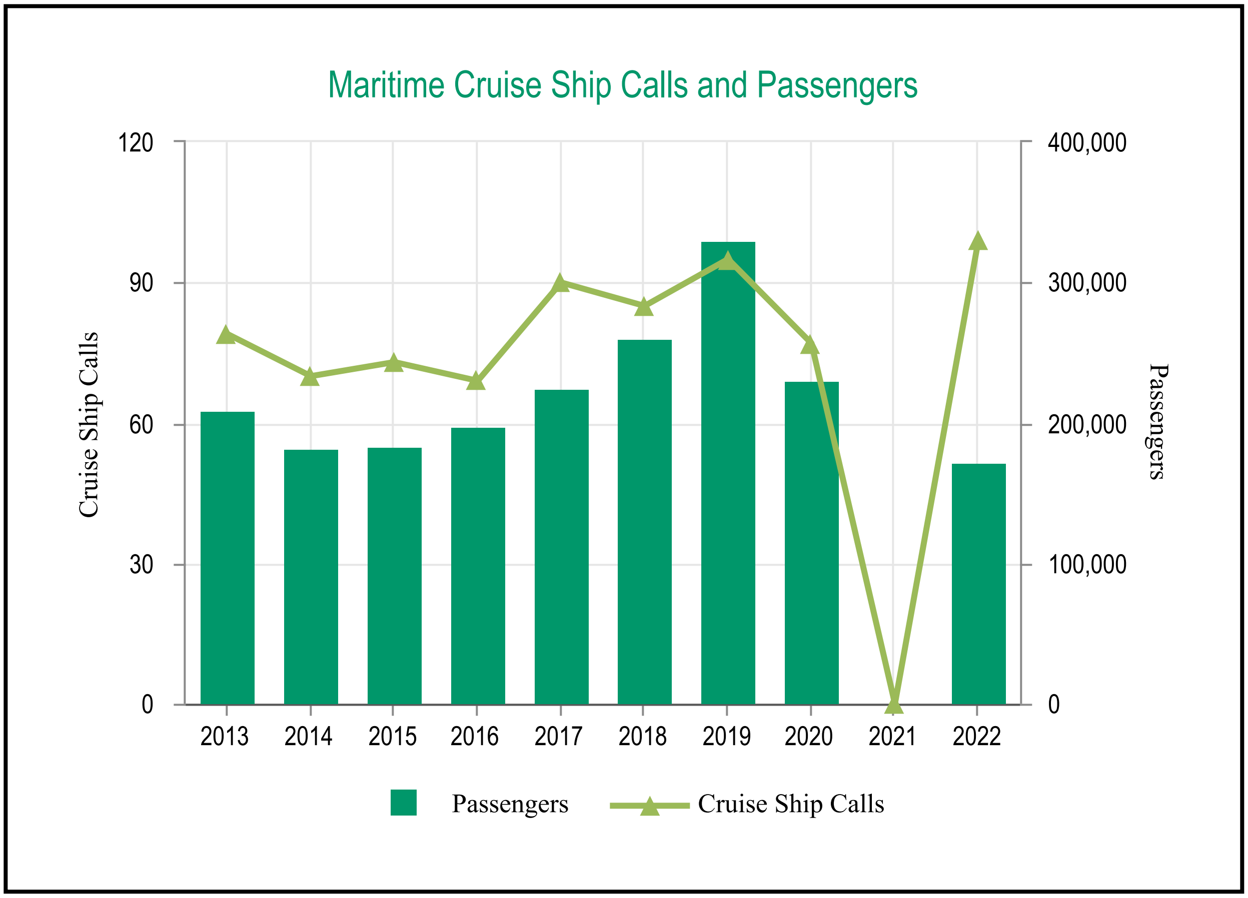
Cargo	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cement	88,618	121,218	123,646	158,709	176,772	181,708	73,096	—	—	—
Container	621,921	660,586	717,085	823,560	847,906	828,603	868,228	918,060	943,914	1,038,302
Fertilizer	36,503	41,304	50,279	42,244	29,175	18,333	28,519	21,736	22,899	23,849
Lumber	65,344	17,701	—	—	—	—	—	—	—	—
Metals, Steel Coils	43	—	13,253	6,811	19,604	23,217	36,911	26,049	11,815	57,720
Petroleum	71,822	74,003	71,582	84,044	86,919	75,990	66,418	100,000	44,994	89,311
Soda Ash, Potash, Sodium Sulfate	10,897	51,570	49,589	36,359	—	9,257	42,732	5,000	—	17,569
Vehicles	545,001	556,954	649,725	670,847	601,246	680,598	750,683	570,728	548,213	526,413
Windmills	15,360	3,942	627	37	8,235	7,201	13,688	3,840	11,309	7,031
Other	219,577	140,966	106,759	79,333	72,244	68,917	122,497	182,961	189,208	246,751
Total Cargo	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	2,006,946
Minimum Annual Guarantee (MAG)	1,007,575	996,412	953,280	971,669	947,903	1,116,645	624,811	420,466	425,466	425,466
Total Cargo with MAG	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	2,432,412



Maritime Cruise Ship Calls and Passengers – Last Ten Fiscal Years

Fiscal Year	Cruise Ship Calls	Passengers
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]	—	—
2022	99	172,164

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

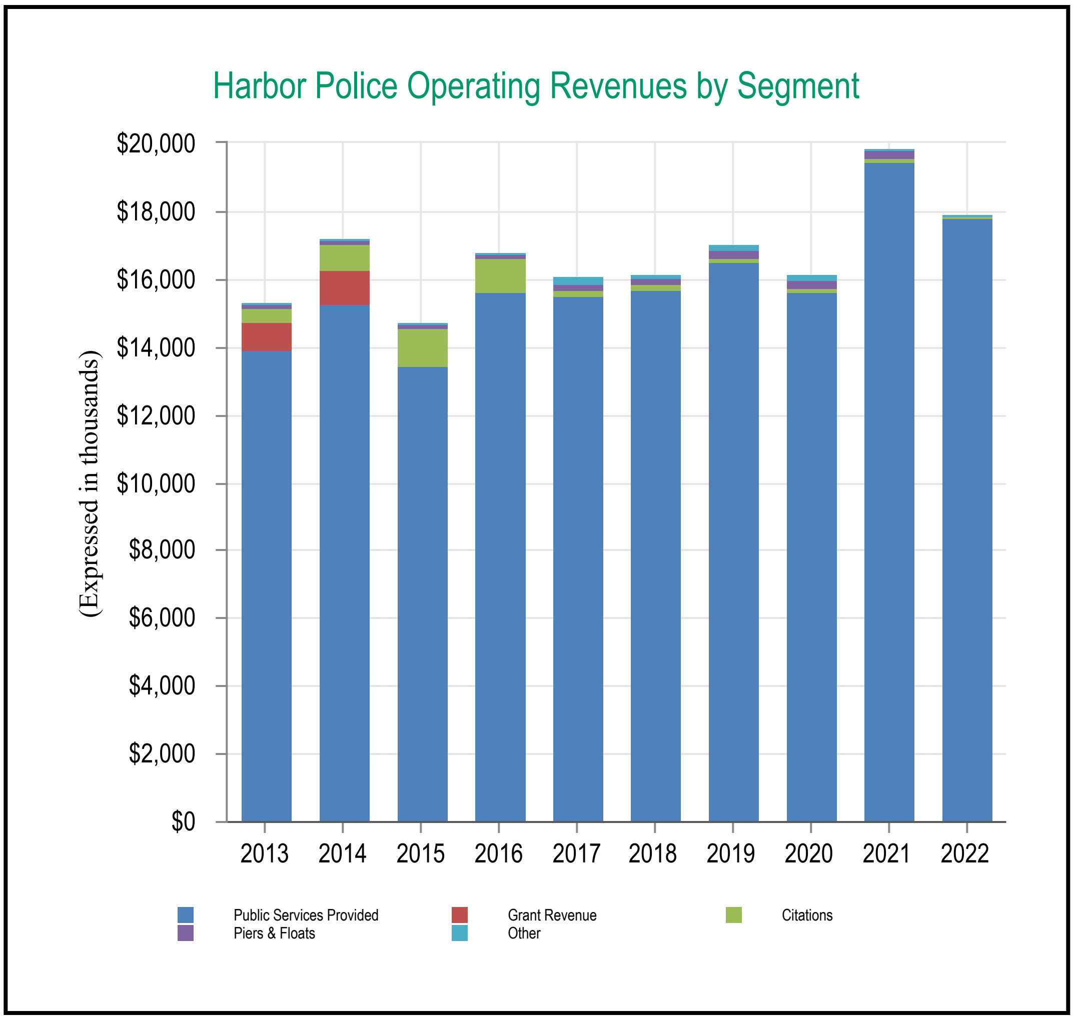


Harbor Police Operating Revenues by Segment - Last Ten Fiscal Years

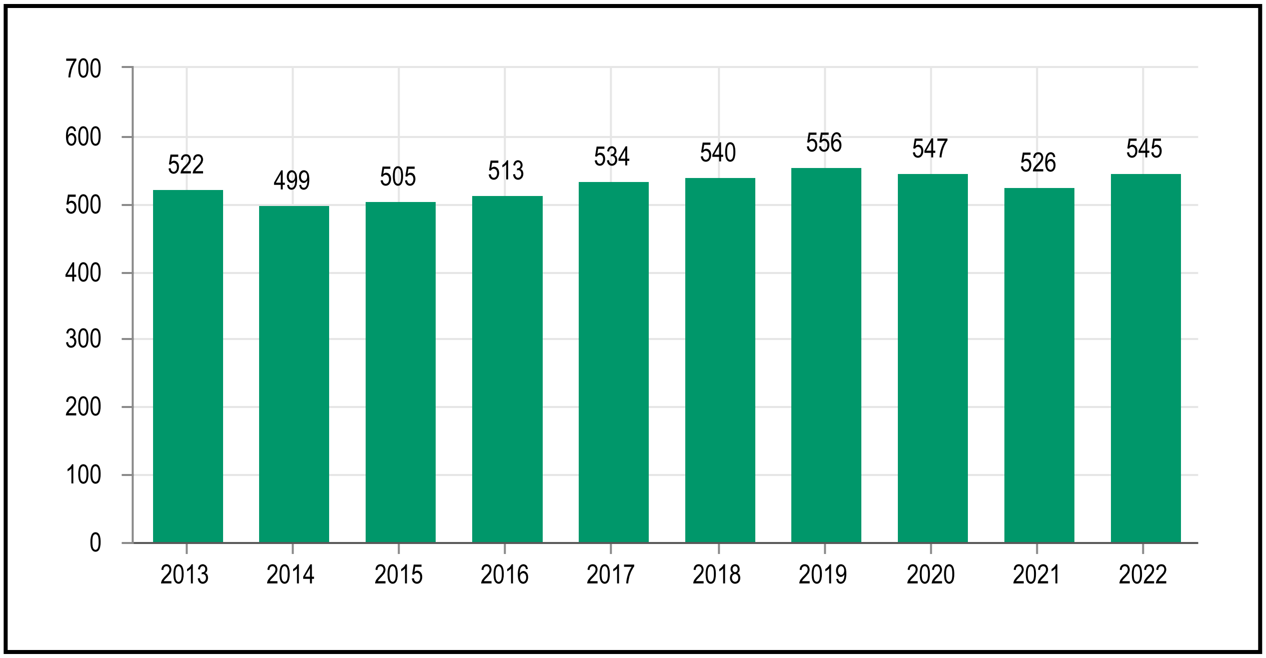
(Expressed in thousands)

Segment	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Public Services Provided[1]	$ 13,922	$ 15,309	$ 13,427	$ 15,610	$ 15,534	$ 15,712	$ 16,515	$ 15,635	$ 19,473	$ 17,797
Grant Revenue[2]	846	959	—	—	—	—	—	—	—	—
Citations[3]	395	794	1,144	1,009	175	137	141	135	103	78
Piers & Floats[4]	89	97	111	150	187	214	225	220	269	—
Other	61	44	47	66	189	129	188	169	53	47
Total	$ 15,313	$ 17,203	$ 14,729	$ 16,835	$ 16,085	$ 16,192	$ 17,069	$ 16,159	$ 19,898	$ 17,922

[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
[4]Pier & Floats was transferred to Maritime department in FY 2022



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)	76,373,210
Leased Water- Estimated (in square feet)	31,967,223
Leased Buildings - Estimated (in square feet)	5,690,599
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	1,867
Convention Center Garage	1,889
Imperial Beach	71
Metered (throughout District)	423
Pay Stations (Spanish Landing)	911
Unmetered (throughout District)	2,169
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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pledged Revenues[1]	$ 132,702	$ 145,141	$ 152,377	$ 163,551	$ 174,623	$ 181,457	$ 189,659	$ 165,809	$ 143,377	$ 183,711
Operating and Maintenance Expenses[2]	(115,988)	(114,368)	(120,774)	(124,741)	(141,377)	(149,860)	(156,972)	(157,701)	(129,989)	(146,342)
Net Pledged Revenues - Senior Debt	$ 16,714	$ 30,773	$ 31,603	$ 38,810	$ 33,246	$ 31,597	$ 32,687	$ 8,108	$ 13,388	$ 37,369
Senior Debt Service[3]										
Principal	$ 1,490	$ 1,840	$ 1,650	$ 1,650	$ 1,795	$ 1,880	$ 1,980	$ 2,040	$ 1,995	$ 2,095
Interest	1,949	1,822	1,729	1,729	1,559	1,464	1,396	1,290	1,187	1,085
Total Senior Debt Service	$ 3,439	$ 3,662	$ 3,379	$ 3,379	$ 3,354	$ 3,344	$ 3,376	$ 3,330	$ 3,182	$ 3,180
Senior Debt Coverage Ratio	**4.86**	**8.40**	**9.35**	**9.35**	**9.91**	**9.45**	**9.68**	**2.43**	**4.21**	**11.75**

[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

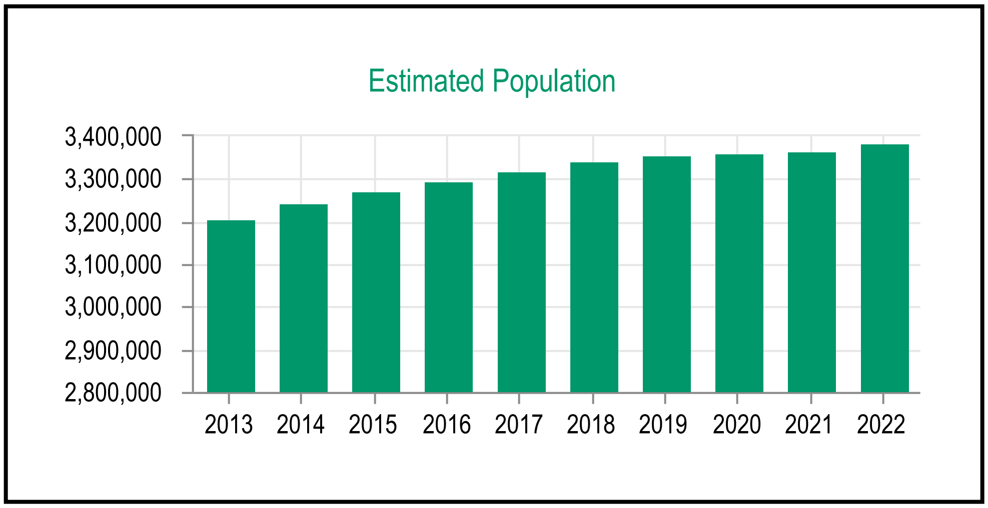
(Expressed in thousands)

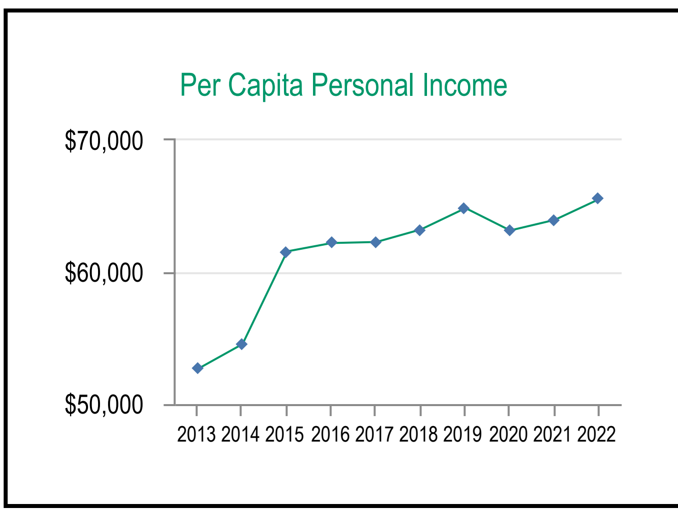
Year	Revenue Bonds	Notes[1]	Capital Leases	Total Debt	Percent of Personal Income[2]	Per Capita[2]
2013	40,293	45,474	646	86,413	0.05%	27
2014	39,061	48,243	—	87,304	0.05%	27
2015	37,156	46,033	—	83,189	0.04%	26
2016	35,153	40,344	—	75,497	0.04%	23
2017	33,067	37,953	—	71,020	0.04%	22
2018	30,884	35,603	—	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
2022	21,697	24,837	—	46,534	0.02%	13

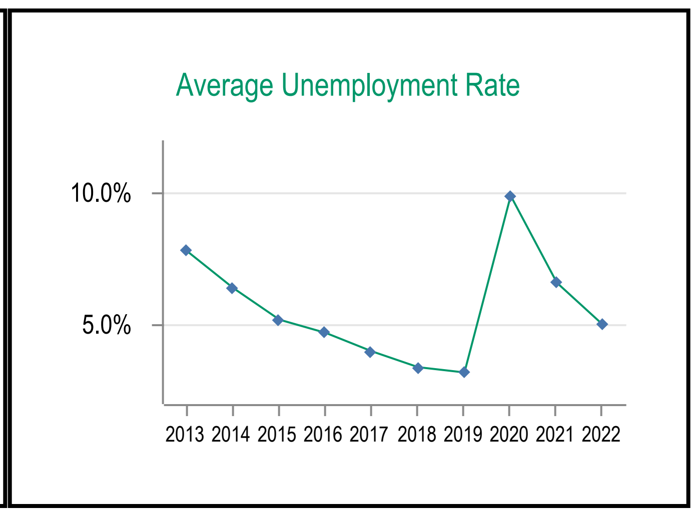
[1]Includes the San Diego County Regional Airport Authority (SDCRAA) and Civic San Diego (CSD) notes.
[2]Refer to the Demographic and Economic Statistics table for further detail on population and per capita information.

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]
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	6.6 %
2022	3,384,964	233.8	65,551	5.0 %







Sources:
[1]California Department of Transportation San Diego County
The 2020-2022 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]2020-2022 California Employment Development Department (San Diego-Carlsbad Metropolitan Statistical Area).

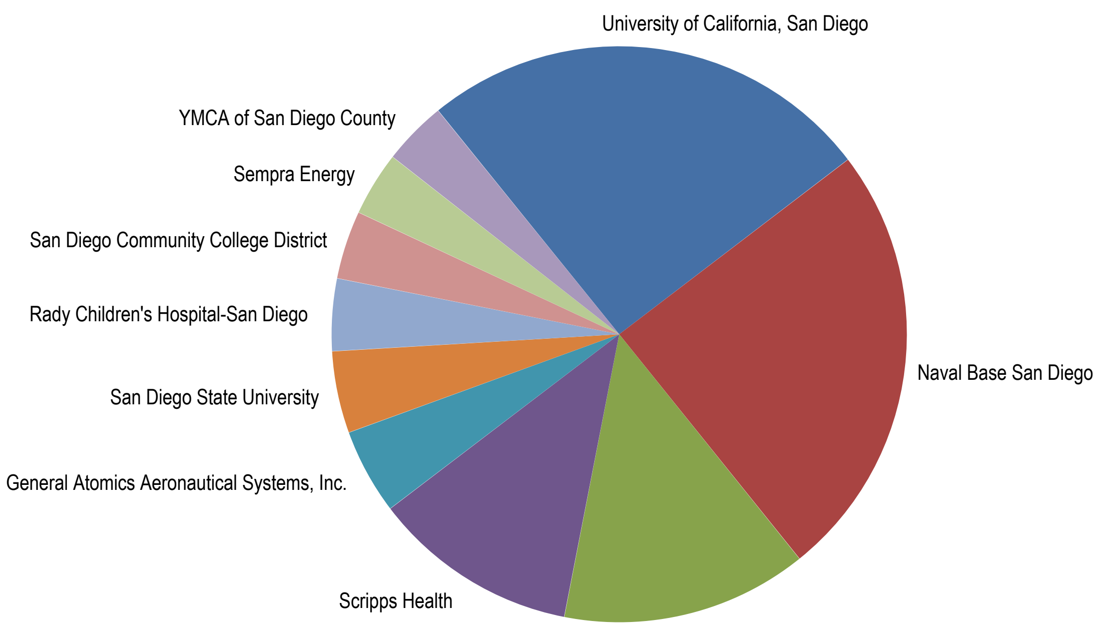
San Diego County Top Ten Principal Employers –

Prior Fiscal Year and Nine Years Ago

2012 Employer	Local Employees	Rank	%
State of California	40,800	1	2.73%
University of California, San Diego	27,832	2	1.87%
County of San Diego	16,011	3	1.07%
Sharp HealthCare	15,960	4	1.07%
Scripps Health	14,381	5	0.96%
Qualcomm Inc.	13,400	6	0.90%
City of San Diego	10,306	7	0.69%
Kaiser Permanente	7,800	8	0.52%
General Atomics	7,668	9	0.51%
UC San Diego Health System	6,132	10	0.41%
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 – Prior 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 2013 and 2021
No comparative data for 2022 was available at time of publication therefore prior year data is reported

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